This is the entire California State Administrative Manual (SAM) as one document. It can be used to create a paper copy (hardcopy) of the SAM document, complete with chapter indices. It is compiled from the “Notebook” chapters (condensed) of SAM documents.

**Search**

This online document allows you to search by using the “Control” and “F” function on your computer. Then enter the key words to your search.

This search function augments the “Subject Index” provided online, The online Subject Index can be printed and included when creating a hardcopy version of SAM.
CHAPTER 1 INDEX

This chapter provides background on the purpose of the State Administrative Manual (SAM); and discusses how to access, use, revise, and maintain SAM; and discusses Management Memos. Additionally, the reader is directed to specific departments and contacts that have jurisdiction over SAM content.

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REV. 427
PURPOSE AND CONTACTS

(Revised 10/2015)  
The SAM is a reference source to statewide management policy. A list of the authoring department and the contact telephone number for each SAM section is contained in SAM Section 0030. Telephone the program contact person directly to: (1) request Internet information, (2) request listed publications, and (3) for content questions about SAM sections.

AUTHORITY

(Reviewed 6/2014)  
The SAM was created in 1953 by the Department of Finance (DOF) to provide management communication among state departments. On July 31, 1990, SAM responsibility was officially transferred from DOF to the Department of General Services (DGS). Presently, this program is located within, DGS' Office of Strategic Planning, Policy & Research (OSPPR)/SAM Unit. The DGS is delegated the responsibility of developing and providing a centralization of business management functions and services of the state. The SAM communicates major policy related to this responsibility.

ACCESS TO SAM

(Revised 06/2017)  

SAM on Internet  
The SAM is available free on the Internet at: http://www.sam.dgs.ca.gov. Its query feature can help locate SAM topics.

Paper SAM....

Contact the SAM Unit for information on how to purchase a paper SAM and subscription to SAM revisions.

SAM at Libraries....

The online version of the SAM can be accessed at the State Library Government Publications Desk (located within Sacramento) and Complete Depository Libraries (located within metropolitan areas of California).
SAM ARRANGEMENT

(Revised 06/2015)

The SAM contains the following major parts:

1. SAM Revision History. *(only back to December 2002)*
2. Foreword. Contains opening statement by DGS Executive Director.
3. Table of Contents. Lists all chapters and sub chapters.
4. SAM Chapters. Each chapter is listed in the Table of Contents.

REVISING SAM

(Revised 06/2017)

Responsibility for Revising SAM

Responsibility for updating SAM content is assigned to authoring state departments. The SAM Section 0030 lists authoring departments for each SAM chapter/section and provides contact information that can direct SAM Users to authors to assist with content clarification/guidance. The departmental director or his/her designee is responsible for certifying that any revisions to their SAM sections are legal and consistent with overall state policies.

The Department of General Services (DGS) expects SAM authors to review and/or revise their respective chapters/section(s) every three (3) years. The SAM should be immediately updated or revised when content is outdated, or procedures, guidelines, laws or code changes dictate change.

Making Revision Recommendations to the SAM

Anyone can recommend revisions to SAM. To recommend SAM revisions, contact the author’s office listed in SAM Section 0030 or contact the SAM Unit. When the author determines that SAM revisions are necessary, the SAM Unit can provide process information and timetables. The author may designate an author contact to write and coordinate revisions through the SAM Unit.

(Continued)
Completing Revisions/Reviews to SAM

When it has been determined that revisions or reviews to the SAM are necessary, the following steps should be taken by the SAM Author and Coordinator to complete revisions/reviews:

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<tr>
<th>Who</th>
<th>Step</th>
<th>Action(s) Taken</th>
</tr>
</thead>
<tbody>
<tr>
<td>SAM Author</td>
<td>1</td>
<td>Receives working Word Version for SAM Chapter/Section(s) to be revised/reviewed from SAM Coordinator.</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>Reviews SAM Chapter/Section(s)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• <em>If it is determined that content is current and still in practice, go to 2a</em></td>
</tr>
<tr>
<td></td>
<td>2a</td>
<td>Gives authorization (via email) to SAM Coordinator to change reviewed date to current date. No further action required.</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>Revises SAM Chapter/Section(s) and completes the Revision Package sent from the SAM Coordinator (via email).</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Revision Package consists of the following:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• <em>Author Revisions (Clean and track changes)</em></td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>Submits the Completed Revision Package to SAM Coordinator via email.</td>
</tr>
<tr>
<td>SAM Coordinator</td>
<td>5</td>
<td>Receives Completed Revision Package and incorporates the Author Revisions into the Author Revision-Website Version.</td>
</tr>
<tr>
<td></td>
<td>6</td>
<td>Cross-references revised SAM material with Management Memorandums (MMs), Budget Letters (BLs), Technology Letters (TLs), and other mentioned agencies, departments, and sections to ensure accuracy and validity</td>
</tr>
<tr>
<td></td>
<td>7</td>
<td>Sends Author-Draft Revision-Website Version back to SAM Author for Final Author Review</td>
</tr>
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<table>
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<tr>
<th>Step</th>
<th>Action</th>
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<tbody>
<tr>
<td>8</td>
<td>Reviews Author-Draft Revision-Website Version and verifies all cross-referenced content and other mentioned agencies/departments are accurate and valid.</td>
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<tr>
<td></td>
<td>• <em>If Final Author Revision-Website Version is not correct, go to step 3</em></td>
</tr>
<tr>
<td>9</td>
<td>Send email approval back to SAM Coordinator.</td>
</tr>
<tr>
<td></td>
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<tr>
<td>10</td>
<td>Submits Final Revision Package to DGS Director or his/her designee for final approval.</td>
</tr>
<tr>
<td>11</td>
<td>Receives final approval. Updates and posts all revised SAM Chapters/sections as well as their corresponding PRINT and NOTEBOOK versions.</td>
</tr>
<tr>
<td>12</td>
<td>Posts all approved Final Author Revisions and Summary to the SAM Website within two (2) business days of receipt when possible.</td>
</tr>
<tr>
<td></td>
<td>• <em>SAM Coordinator will communicate with the SAM Author if unexpected delays occur.</em></td>
</tr>
<tr>
<td>13</td>
<td>Issues email notification to the SAM Subscribers of a new SAM Revision and Summary posted to the SAM Website at the beginning of each fiscal quarter. SAM Revision Summary History and Schedule for Quarterly Notification of Changes can be accessed via the <a href="#">SAM Website</a>.</td>
</tr>
</tbody>
</table>

**Notation for Changes in Revision Packages**

Vertical bars on pages indicate additions or overall changes. Revised pages in chapter rewrites do not contain bars. Section and subsection titles in the text are followed by information indicating whether the section is new, revised, or renumbered.
The Governor's Office (GO), California Department of Technology (CalTech), Department of Finance (DOF), Department of General Services (DGS), and California Department of Human Resources (CalHR) issue SAM Management Memos to disseminate information directly related to SAM requiring immediate attention. A Management Memo is signed by the issuing departmental director. Generally, Management Memos expire within 12 months from the issue date. Management Memos are distributed to SAM subscribers and departmental headquarters offices. Active Management Memos may be accessed on the Internet at: https://www.dgs.ca.gov/Resources/ManagementMemos.

A department which wants to develop a Management Memo should contact the SAM Unit to ensure that the Management Memo process is the appropriate communications vehicle. The SAM Unit can consult in the Management Memo process and alternative processes.

SAM PUBLICATIONS AND CONTACTS

The following chart lists publications cited in SAM which are available through the program. Telephone the program contact person directly to: (1) request Internet information, (2) request listed publications, and (3) for content questions about SAM sections.

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<tr>
<td>0001-0030</td>
<td>General Services, Office of Strategic Planning, Policy &amp; Research (OSPPR)</td>
<td>State Administrative Manual (SAM) Management Memos (MM)</td>
<td>Dana Porter <a href="mailto:ContactEmail">Contact Email</a> Phone: 916-376-5434</td>
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<td>100-110</td>
<td>General Services, Office of Strategic Planning, Policy &amp; Research (OSPPR)</td>
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<td>Dana Porter <a href="mailto:ContactEmail">Contact Email</a> Phone: 916-376-5434</td>
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<td>130-170</td>
<td>Finance, Budget Operations Support (DOF)</td>
<td>Department of Finance (DOF)</td>
<td>Phone: 916-322-5540 <a href="mailto:ContactEmail">Contact Email</a></td>
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<tr>
<td>180</td>
<td>General Services, Office of Strategic Planning, Policy &amp; Research (OSPPR)</td>
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<td>Dana Porter <a href="mailto:ContactEmail">Contact Email</a> Phone: 916-376-5434</td>
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<td>190-192</td>
<td>California Department of Human Resources (CalHR)</td>
<td>California Department of Human Resources (CalHR)</td>
<td>Medical Program <a href="mailto:ContactEmail">Contact Email</a> Phone: 916-445-2881</td>
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<td>200-211</td>
<td>Governor’s Office Constituent Affairs</td>
<td>Governor’s Office Constituent Affairs (GOV)</td>
<td>Adrian Mata <a href="mailto:ContactEmail">Contact Email</a> Phone: 916-322-7478</td>
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<tr>
<td>400-422.1</td>
<td>California Department of Human Resources (CalHR)</td>
<td><a href="mailto:EPR@CalHR.ca.gov">EPR@CalHR.ca.gov</a></td>
<td>Angelina Snarr <a href="mailto:ContactEmail">Contact Email</a> Raquel Belmontes <a href="mailto:ContactEmail">Contact Email</a></td>
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<td>500-580 Advertising</td>
<td>General Services, Office of State Publishing (OSP)</td>
<td>DGS: Office of State Publishing (&lt;OSP&gt;)</td>
<td>Matthew Coker Contact Email Phone: 916-375-4859</td>
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<td>700-750 753-780</td>
<td>California Department of Human Resources (CalHR)</td>
<td>California Human Resources (&lt;CalHR&gt;)</td>
<td>Theresa Reid Contact Email Phone: 916-324-0526</td>
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<td>751-752 Travel</td>
<td>General Services, Risk &amp; Insurance Mgmt.</td>
<td>Risk and Insurance Management (&lt;ORIM&gt;)</td>
<td>Isabel Cortez-Raj Contact Email Phone: 916-376-5297</td>
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<td>900-911 Grants</td>
<td>Governor’s Office Planning &amp; Research</td>
<td>Office of Planning &amp; Research (&lt;GOV&gt;)</td>
<td>Scott Morgan Contact Email Phone: 916-322-2318</td>
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<tr>
<td>912 Federal Grants</td>
<td>Finance</td>
<td>Department of Finance (&lt;DOF&gt;)</td>
<td>Phone: 916-322-5540</td>
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<tr>
<td>1100-1107 Statewide Planning</td>
<td>Governor’s Office Planning and Research</td>
<td>Office of Planning and Research (&lt;GOV&gt;)</td>
<td>Scott Morgan <a href="mailto:Scott.morgan@opr.ca.gov">Scott.morgan@opr.ca.gov</a> Phone: 916-322-2318</td>
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<td>1200-1233 Contracts</td>
<td>General Services, Legal Services (&lt;OLS&gt;)</td>
<td>General Services, Legal Services (&lt;OLS&gt;)</td>
<td>Richard Goldberg Contact Email Phone: 916-376-5108</td>
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<td>1300</td>
<td>General Services, Real Estate Services Division (RESD)</td>
<td>Real Estate Services Division (&lt;RESD&gt;)</td>
<td>Samual Dollar Contact Email Phone: (916) 322-1972</td>
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| 1330 Facilities Management Division | General Services, Facilities management Division | General Services Facilities Management (FMD) | Sheryl Raney  
Contact Email  
Phone: 916-441-9668 |
| 1450-1452.3 Division of the State Architect | General Services, Division of the State Architect (DSA) | General Services Division of the State Architect (DSA) | Linda Heckert-Crough  
Contact Email  
Phone: 916-324-5900  
Bo Nishimura  
Bo.nishimura@dgs.ca.gov  
Phone: 916-324-5792 |
| 1600 Records Management | California Secretary of State (SOS) | California Secretary of State (SOS) | Tamara Martin  
Contact Email  
Phone: 916-695-1391  
Dennis Supachana  
dennis_supachana@sos.ca.gov  
Phone: 916-653-4329  
Andrew Hyslop  
Contact Email  
Phone: 916-651-1368 |
| 1700 Forms Management | General Services, Office of State Publishing (OSP) | General Services Office of State Publishing (OSP) | Stephanie Ross  
Contact Email  
Phone: 916-375-4216 |
| 1800-1805.4 Energy and Sustainability | General Services, Office of Sustainability | Curtailment Measures Document  
Safety Tips during Outage and Blackouts | Office of Sustainability  
Contact Email |

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| 1810-1810.6 Procedures for Energy Mgmt. in State Buildings During Electrical Emergencies | General Services, Electrical Emergency Notifications (EENS) | **Curtailment Measures**  
**Safety Tips During Outages and Blackouts** | Gonzalo Caceres  
Contact Email  
Phone: 916-375-4892 |
| 1815-1815.31 Energy Use Reduction for New, existing and Leased Buildings | General Services, Office of Sustainability | **Energy Use** | Office of Sustainability  
Contact Email |
<p>| 1820-1820.4 Energy Efficiency in Data Centers and Server Rooms | California Technology Agency (CalTech) | California Technology Agency (CIO) | Contact Email |</p>
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| 1821-1821.7               | General Services Facilities Management Division (FMD) | CalRecycle Compost and Mulch  
CalRecycle Compost and Mulch Producers  
Seal of Testing Assurance  
Rescape California  
Caltrans Compost Specifications  
Compost Use for Landscape and Environmental Enhancement Manual  
Grasscycling  
Xeriscaping  
Landscape Plants for California Gardens  
California Invasive Plant Council | Lori Medina  
Contact Email  
Phone: (916) 375-4260 |
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| 1825-1825.5      | California Air Resources Board, California Department of Public Health | **Architectural Coatings Program - Suggest Control Measure**  
**Composite Wood Products Airborne Toxic Control Measure**  
**Greenseal Standards**  
**Building Energy Efficiency Standards - Title 24**  
**Control of Hazardous Substances**  
**Safe Practices and Personal Protection ashrae** | Peggy Jenkins  
Contact Email  
Phone: 916-323-1504  
Kazukiyo Kumagai  
Contact Email  
Phone: 510-620-2805  
Wenhao Chen  
Contact Email  
Phone: 510-620-2868 |
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<td>1835-1835.7 Water Efficiency And Conservation</td>
<td>Department of Water Resources, And Efficiency Branch</td>
<td>Department of Water Contact</td>
<td>Office of Sustainability Contact Email</td>
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<td>1840-1850 Recycling and Waste</td>
<td>General Services, Office of Sustainability</td>
<td>General Services Office of Sustainability</td>
<td>Office of Sustainability Contact Email</td>
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<td>1900 Waste Prevention &amp; Recycling of Non-Hazardous Waste</td>
<td>CalRecycle</td>
<td>CalRecycle (CalRecycle)</td>
<td>Gregory Dick Contact Email Phone: 916-341-6489</td>
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<td>2400 Insurance &amp; Surety Bond</td>
<td>General Services, Risk and Insurance Management (ORIM)</td>
<td>General Services Risk Management (ORIM)</td>
<td>Isabel Cortez-Raj Contact Email Phone: 916-376-5297 Karen Bianchini Contact Email Phone: 916-376-5280</td>
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</table>
| 2580-2590 Worker's Comp. | California Department of Human Resources (CalHR) | About CalHR | Edward Cho [Contact Email] 916-324-0537  
Keith Mentzer [Contact Email] 916-445-9792 |
| 2591 Worker's Comp. (Asbestos Notification) | General Services, Real Estate Services Division (RESD) | About General Services, Real Estate Services Division (RESD) | Deputy Director 916-375-4150  
Sylvia Calderon [Contact Email] 916-375-4702 |
| 2800-2820 Publishing/Printing | General Services, Office of State Publishing (OSP) | About General Services, Office of State Publishing | Matthew Coker [Contact Email] 916-375-4859 |
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<td>Prison Industry Authority Legal Office (CalPIA)</td>
<td><a href="#">About Prison Industry Authority Legal Office</a></td>
<td>CalPIA Legal</td>
<td>916-358-1612</td>
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| 2870-2880         | General Services, Office of State Publishing (OSP) | About General Services, Office of State Publishing | Matthew Coker  
| Publishing/Printing | | | Contact Email  
| | | | 916-375-4859 |
| 3100-3130         | California State Library | About California State Library | Bill Riddle  
| Publications and Documents | | | Contact Email  
| | | | 916-323-9693 |
| 3140, 3151-3161   | General Services, Office of State Publishing (OSP) | About General Services, Office of State Publishing | Matthew Coker  
| Publications and Documents | | | Contact Email  
| | | | 916-375-4859 |
| 3400              | General Services, Procurement | About General services Procurement | Patrick Mullen  
| Financed Acquisitions | | | Contact Email  
| | | | 916-375-4617 |
| 3500-3515, 3522.1-3590.5, and 3600 Purchases | General Services, Procurement | About General Services, Procurement | Martin Reynaga  
| | | | Contact Email  
| | | | 916-375-4354 |
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[Contact Email](#)  
916-928-2183 |
| 3700 Lease/Purchase Equipment | General Services, Procurement | [About General Services Procurement](#) | Patrick Mullen  
[Contact Email](#)  
916-375-4617 |
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<td>3800 Transportation Management</td>
<td>General Services, Transportation Management Unit</td>
<td><a href="#">About General Services, Transportation Management Unit on.aspx</a></td>
<td>Transportation Management Contact Email 916-376-1888</td>
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<td>4100 Transportation Services</td>
<td>General Services, Fleet Administration (OFAM)</td>
<td><a href="#">About General Services Fleet Administrative (OFAM)</a></td>
<td>Renee Carroll Contact Email (916) 928-9865 Paul Romero Contact Email</td>
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<td>4500 Telecommunications</td>
<td>California Office of Emergency Services (CalOES)</td>
<td><a href="#">About California Office of Emergency Services (CalOES)</a></td>
<td>Corena Hernandez Contact Email 916-657-9876</td>
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<td>4700 Merit Award Program</td>
<td>California Department of Human Resources (CalHR)</td>
<td><a href="#">About California Department of Human Resources (CalHR)</a></td>
<td>Jonathan Calabretta Contact Email 916-322-1360 Pragna Patel-Nagin Contact Email 916-324-0463</td>
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(Revised 5/2019)

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CHAPTER 100 INDEX
This chapter covers general items concerning the authority of the departments of
Finance and General Services, the ability of directors to reorganize their departments,
general statewide office hours, and medical services provided to employees and visitors
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ACCIDENT REPORT, STD. 268

A-1
GENERAL POLICY

(Reviewed 12/2013)

This chapter defines general policy concerning the authority of the departments of Finance and General Services, the ability of directors to reorganize their departments, general statewide office hours, and medical services provided to employees and visitors at State institutions.

TERMS AND DEFINITIONS

(Revised 6/2014)

**DHCS.** The Department of Health Care Services. **CalHR.** California Department of Human Resources. **DGS.** The Department of General Services.

**DOF.** The Department of Finance.

**Staggered work hours.** Where employees arrive and leave the work place at different times, by an approved fixed schedule.

**Flex-time.** Where employees can arrive and leave the work place at different times, but not by an approved schedule, as long as they work their full assigned number of hours.

**Panel physician.** A physician with whom the employee is preregistered.

DEVELOPMENT AND ENFORCEMENT OF POLICY

(Revised 6/2014)

DGS develops policies and procedures to ensure effective departmental operations. DGS also enforces its polices, investigates and holds proceedings as it deems necessary to conserve the rights and interests of the State. See Government Code Section 14600.

APPROVAL OF PROPOSALS FOR REORGANIZING A DEPARTMENT

(Reviewed 8/2014)
The director of each department may reorganize the department. This includes arranging and classifying the work of the department and consolidating, abolishing or creating divisions.

Except as provided by law, all organizational plans and changes at the division level or higher require the approval of the Governor. These plans and changes must be submitted through the agency Secretary and DOF. They will make their comments and recommendations to the Governor. It is best to have DOF review a reorganizational proposal as early as possible. In this way problems can be spotted and addressed promptly.

All reorganizations that may change the level of expenditures, including those below the division level, must be reflected in the Governor’s budget. They must also be compatible with the programs authorized by the Legislature and with legislative intent. If new or revised programs are proposed, the Legislature must be informed. This can be done by a revised presentation in the Governor’s budget, a DOF Letter, or a Section 28 Letter.

This SAM Section covers only reorganizations initiated by the director of a department. Other types of reorganizations are Executive Reorganizations pursuant to Government Code Sections 12080 through 12081.2, and those resulting from changes in laws.

REPORTS TO DEPARTMENT OF FINANCE AND/OR DEPARTMENT OF GENERAL SERVICES 0150
(Reviewed 8/2014)
DOF and DGS are authorized to require State agencies to submit operating reports. The reports required, forms used, and time and method of submittal are discussed in other sections of this manual. See Government Code Sections 13291, 13292, 14618 and 14746.

REQUESTS FOR APPROVAL 0170
(Reviewed 8/2014)
DOF and DGS are responsible for generally supervising all matters concerning the financial and business policies of the State. Unless exempted, all State agencies must have their contracts and agreements approved by DGS. Changes in financial and
business policies must be approved before negotiations are started. See SAM Section 1200.
Government Code Section 11020 About Office hours requires all state agencies to be "open for the transaction of business" from 8:00 a.m. to 5:00 p.m. every day except Saturdays, Sundays, and legal holidays. The legal holidays are listed in Government Code Sections 6700 through 6709.

Any state agency or administrative unit may stay open at other times, as long as the rules and laws and labor agreements about employee hours of work are not broken.
State agencies are responsible for carrying out the policies of this SAM Section.

Extensive medical and hospital services should only be provided to the inmates, wards, patients, members or students for whom the State-operated medical facilities were established. This is because of physical and policy limitations.

Employees. Limited care and treatment of employee injuries and illness is permitted. In this case the medical staff, equipment, materials, and hospital services may be used.

The illness or injury must be reported to arise out of and occur during the course of State employment. They also must be within the scope of the State's liability as defined by Workers' Compensation and Safety Laws. The following are considered to be reasonable services:

2. First medical treatment of a work injury.
3. Diagnosis and prognosis of conditions connected with work.
5. Evaluation of the physical ability of an injured employee to return to work.
6. Pre-employment and periodic physical exams for fitness and ability to safely perform arduous and hazardous tasks.
7. Preventive measures such as chest x-rays, lab tests, immunization and other measures that will minimize hazards of exposure to contagious diseases while at work.

Medical treatment of industrial injuries should be limited to the initial visit and any follow-up visit that would be considered first aid. Additional visits should be handled according to the applicable worker's compensation guidelines. In the case of an injury that will results in temporary disability or a permanent disability, or will require hospitalization, employees should be directed to an appropriate physician in accordance with applicable
workers’ compensation guidelines. See SAM Sections 2581.4 through 2581.6 for procedures on reporting employee work injuries
MEDICAL AND HOSPITAL SERVICES PROVIDED BY

STATE INSTITUTIONS

(Cont. 1)

(Revised 3/2014)

Visitors. First aid is the only medical service that should be given to visitors who become ill or are injured while on state property. Medical personnel must be certain that one of the following has occurred before the visitor is discharged:

1. The visitor has been transferred to another physician.
2. A friend or relative has accepted responsibility for further care.
3. The visitor can properly take care of himself or herself if no further medical attention is needed.

When outside physicians or ambulances are called, it should be made clear to the visitor that the visitor, and not the state, is responsible for the costs of all medical care, treatment, and other provided services.

When the visitor alleges injury or was involved in an accident on state property, Accident Report Form STD. 268 must be filled out. See Appendix A-1. SAM Section 2460.1 explains the reporting procedures.

Records. Complete records must be kept of all first aid services rendered at state medical facilities. The records must fully identify:

1. The person treated.
2. The date of the injury or illness.
3. The full diagnosis.
4. The reason the treatment was needed; i.e., a description of the accident, etc.
5. The services rendered, including drugs and supplies used.
When physical examinations are required for pre-employment or as a condition of employment, the state will provide or pay for them. The applicant must pay for any more studies or exams beyond the approved level.

The California Department of Human Resources (CalHR) is responsible for ensuring the uniformity of health questionnaires and exam forms. CalHR’s Medical Officer must approve any job classification’s requirement for all tests or procedures. The description of all special or extensive tests or procedures must also be approved by the Medical Officer.

The Department of Health Care Services sets the dollar amount that the State will pay for all exams and related medical services. This amount may be changed by a Memoranda of Understanding applicable to rank and file employees or by CalHR regulations that apply to employees excluded from collective bargaining. The State will also pay for required diagnostic services or special tests when they are not commonly performed as part of the general physical exam. Reimbursement for physician services will be based on the proper unit value listed in the “1974 California Relative Value Studies”.

A copy of the 1974 California Relative Value Studies is kept by the DHCS’s Fee-For-Service Rates Development Division, (916) 552-9638
Fee schedules. Fee schedules include, but are not necessarily limited to, the following:

1. Medical.
2. Dental.
3. Optical.
4. Hospital.
5. Nursing home.
6. Related services.
7. Drugs.
8. Medical appliances.

These fees are binding on the programs of all agencies except those financed under an insurance principle as in the case of the State Compensation Insurance Fund and the Disability Insurance Program.

Department of Health Care Services has the primary responsibility for developing fee schedules for medical, dental, and related services. Policy related to priorities, expansion, or contraction of medical care programs is the responsibility of the program agency.

Sections of the schedules of maximum allowances for medical and related services are published and periodically revised by the DHCS. If you need a copy, contact the department.

Advisory Committees. Advisory Committees selected for the administrative and technical staffs of program agencies concerned with medical care will be established. These committees will be created as needed to advise DHCS on a particular problem or group of problems. They will serve until a solution for the problem or issue is developed.
CHAPTER 200 INDEX
GENERAL 0200
GENERAL
(Revised 12/2013) 0200

The Governor’s Office policies and procedures for the purpose of obtaining uniform action from all agencies, including the transmittal of correspondence, are transmitted from the Cabinet Secretary to agency secretaries.

Questions about current policies and procedures should be directed to the appropriate agency or to the Cabinet Office.
EXEMPT CLASSIFICATION AND PAY

(Revised 12/13) 0400

Policies and procedures governing the pay and classification for positions exempt from civil service are contained in the Exempt Pay Schedule published by the California Department of Human Resources.

EXEMPT PAY LETTERS

(Revised 12/13) 0422.1

Changes in, or additions to, the Exempt Pay Scales are published in the form of Exempt Pay Letters. These constitute the official notice of approval by California Department of Human Resources of agencies' requests for establishments or change of exempt salaries, or changes to existing or establishment of new exempt classifications.
CHAPTER 500 INDEX
This chapter contains policy regarding state advertisements and notices in state publications, public newspapers, radio, television, or other media.

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GENERAL POLICY

(Reviewed 6/2014)

Government Code Sections 11080 and 11081 mandate that every State agency shall send all notices, advertisements, or publications which they are legally required or authorized to publish to the Department of General Services (DGS). The law gives DGS the sole authority to approve and have published all such notices, advertisements, and publications.

The DGS grants each State agency an exemption from its approval and delegates to each state agency the authority to have published any required or authorized notice, advertisement, or publication.

Section 500 et seq. of SAM discusses the following rules:

1. Advertising an Auction
2. Publication of Administrative Regulations
3. “Help Wanted” Advertisements
4. Advertising Public Works Contracts
5. Contracts for Advertisements
Auction: A public sale at which property or goods are sold to the higher bidder.

“Help Wanted” Advertisements: An advertisement for finding new employees.

Legal Notice: A notice required by law.

Public Works Contracts: Contracts for structures, roads, dams, and schools that are designed for public use and paid for by government.
When advertising an auction of state property, the ad must state those sales taxes, when applicable, will be added to the bid prices.

Agencies do not need DGS approval to publish legal notices when adopting, amending or repealing regulations. See Government Code 11346.4, at http://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=GOV&sectionNum=11346.4, for the legal requirements governing publication of notices for adopting, amending or repealing regulations.

Agencies do not need DGS approval to place “help wanted” ads.

For information about advertising small or minor public works contracts, please see the State Contracting Manual (SCM) at http://www.dgs.ca.gov/ols/Resources/StateContractManual.aspx. You may also request a manual through the DGS Office of Legal Services (OLS) at 916-376-5080 or visit http://www.dgs.ca.gov/ols/home.aspx.

Contracts for advertising space do not require DGS approval unless they exceed $15,000 or the amount specified in SAM 1215., for more information visit http://sam.dgs.ca.gov/TOC/1200.aspx.
Statutory Authority Government Code 14851, at authorizes the Office of State Publishing (OSP), to accept paid advertisements in state publications except that OSP may not accept or publish paid political advertising. This legislation specifically authorizes OSP to provide this service; it does not allow for the printing of paid advertising by other service providers without an agreement with OSP. You can visit the OSP online at http://www.dgs.ca.gov/osp/home.aspx

Advertising Media, the variety of advertising media available to OSP includes traditional printing of publications and mailings, CD-ROM, and internet on-line publications.

Information Resources Contact the OSP Advertising Manager at 916-327-5867, email: danelle.hamilton@dgs.ca.gov for information regarding the OSP Advertising Program.
CHAPTER 700 INDEX
This chapter provides guidelines for employees who travel on official state business. It identifies the methods of travel available, and explains the payment of travel expenses.

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GENERAL POLICY

(Revised 6/2014)

This chapter provides guidelines on traveling for official State of California (State) business and for obtaining reimbursements. Travel expenses are reimbursed in accordance with the policies found within the California Code of Regulations, Title 2 (Personnel Administration), Division 1 (Administrative Personnel), Chapter 3 (Department of Human Resources), Subchapter 1 (General Civil Service Rules), Article 2 (Travel Expenses), and employee Memoranda of Understanding (MOU).

Basic Policies

1. Use travel when personal contact is the most economical way of conducting official State business.

2. Limit attendance at conferences and meetings to those directly concerned with the topic.

3. Use the most economical method of transportation. Consider the time employees will be away from the office and the direct cost of the methods that may be used.

4. Avoid back-tracking and duplicate travel whenever possible.

5. State vehicles should not be parked overnight at an airport unless there is no other practical and reasonable way for the employee to get to and from the airport.
TERMS AND DEFINITIONS

(Revised 6/2014)

(For further clarification of the following terms and definitions, see CALHR Rule 599.616 or CALHR Rule 599.616.1).

Business and Miscellaneous Expenses. These are costs necessary for completion of State business. Some examples are: phone calls, telegrams, emergency clothing, equipment, and supply purchase.

Business-Related Meals. These are meals taken in combination with business meetings when business cannot be done at any other time.

Headquarters. This is where employees spend the largest part of their regular working time, or where the employee returns upon completion of a special assignment, or a specifically assigned geographic area regularly traveled.

In-State Travel and Travel in Bordering States. Travel within state boundaries and through areas next to state borders is in-state travel. The bordering state travel must be incidental to the in-state trip to be in-state travel.

Incidentals. The State reimburses an employee (when the travel period is greater than 24 hours) for small miscellaneous expenses while traveling. Examples include: laundry and dry cleaning, newspapers and magazines, tips, etc.

Out-of-State Travel. This includes travel to and from a point outside California to transact official State business. It does not include trips through or stopovers in bordering states incidental to travel within points in California.

Per Diem Expenses. These expenses are charges for meals and lodging while traveling.

Primary/Permanent Residence. This is the dwelling where the employee lives, which bears the most logical relationship to the employee’s headquarters, regardless of other legal or mailing addresses. If an employee maintains more than one dwelling, the department will designate the employee’s primary/permanent residence.

Secondary Residence. When an employee maintains more than one dwelling that meets the criteria in CALHR Rules 599.616(b) or 599.616.1(b), these are secondary residence(s).
TERMS AND DEFINITIONS

(Revised 6/2014)

State Vehicles (Pool Vehicles). A fleet of vehicles maintained by the Department of General Services or other agencies for use by State agencies in the conduct of their business.

Transient Occupancy Tax. A tax imposed by cities and counties within the State. The tax varies from 6% to 12% (depending on location). This tax may be waived (and your lodging rate reduced) if you show proof that you are a State employee on official State business. The waiver is always at the option of the lodging establishment. See Travel Guide Supplement for a sample Tax Waiver Form.

Transportation Expenses. These expenses are the charges to transport the employee to and from the employee's headquarters. Some examples are: charges for commercial carriers (e.g., airline, bus, rental vehicle, etc.), private vehicle mileage, parking costs, bridge and road tolls.

Travel Expenses. Travel expenses include per diem expenses, transportation expenses, and business and miscellaneous expenses.

REQUEST FOR TRAVEL EXPENSE EXCEPTION APPROVAL

(Revised 6/2014)

CALHR will consider travel exception requests when:

1. Appropriate or unavoidable lodging, and/or meal expenses occur while on travel status within 50 miles of headquarters. These circumstances require prior approval by the appointing power.

CALHR PML 93-28 delegated to agencies/departments the authority to approve exceptions to the “50 mile rule” when certain criteria are met. Certain reimbursements which are made under the provisions of PML 93-28 may be deemed reportable income. Contact your departments’ accounting office for clarification on this issue.

2. Lodging costs associated with regular travel, and conferences/conventions are in excess of the approved State rates found within CALHR Rules 599.619(a), 599.621(a), and the MOU. Exception requests must be submitted and approved on an Excess Lodging Rate Request form (STD 255C), found here http://www.documents.dgs.ca.gov/dgs/fmc/pdf/std255C.pdf, prior to the trip taking place. Details about the approval process for the STD 255C may be found on CALHR PML 2006-013. Visit http://www.calhr.ca.gov/PML%20Library/PML2006013.pdf for more information.

CALHR requires a minimum of 10 days advance notice; please submit request at least two weeks in advance of the trip. No request will be considered after the date of travel.
CALHR Rules and MOU’s provide for the reimbursement of actual and necessary out-of-pocket expenses while traveling on State business. Limits exist for each expense type (e.g., lunch, mileage, hotel, etc.). These limits help employees plan trips within agency and personal budgets.

Employees who claim the allowable rate without submitting receipts with their travel expense claims should retain their receipts in order to substantiate out-of-pocket expenses in the event of an audit by the State or the IRS. Contact your department’s accounting office for your department’s policy as it relates to the submission of receipts.
Employees on travel status for more than one 24-hour period and less than 31 consecutive days may claim per diem for each 24 hours of travel. Expenses for partial days after the 24 hours may be claimed.

Employees on travel status for less than 24 hours may claim lodging expenses, if this applies, and breakfast or dinner. No lunch or incidental allowance is paid when employees are on travel status for less than 24 hours. Expenses must be incurred at least 50 miles from headquarters. This distance from the headquarters is the normal commute distance determined by the most direct route. Sometimes one route of travel may be a greater distance but is the more reasonable commute. For example, taking a freeway route instead of congested surface streets is more reasonable. The freeway miles may be greater but because it is more efficient the freeway miles are used to determine the distance.

**Lodging and Meal Allowance Reimbursements**

The following defines conditions for payment.

1. **In-State Lodging/Meal Allowance.** Per diem and lodging expenses will be reimbursed in the amount of actual expenses, supported by a receipt, up to the maximum rates as identified in the CALHR Rules and current applicable MOU. Each item of expense of $25.00 or more requires a receipt; receipts may be required for items of expense that are less than $25.00.

2. **Out-of-State Lodging/Meal Allowance.** Reimbursement is made for actual lodging expense, supported by a receipt. Meals and incidentals will be reimbursed at in-State rates. Failure to furnish lodging receipts will limit reimbursement to meals and incidentals at the in-State rates.

3. **Out-of-Country Lodging/Meal Allowance.** Reimbursement will be made for actual lodging, supported by a receipt. Meals/incidentals will be reimbursed according to the Maximum Per Diem Allowances for Foreign Areas, Section 925, U.S. Department of State Standardized Regulations and the meal/incidental breakdown in Federal Travel Regulation Chapter 301, Travel Allowances, Appendix B.

Employees who receive a meal as part of State travel must reduce their per diem claim by the cost for that meal. For non-represented employees, see CALHR Rule 599.619(a)(5) for guidance.

**Time Frames for Meal Allowances**

Rev 431
Time frames for payment for meals are outlined in Appendix AF-1.
LONG-TERM TRAVEL

(Revised 6/2014)

Employees on travel status for longer than 31 consecutive days qualify for long-term travel per diem. The full long-term per diem is paid for each 24-hour period provided the employee's primary residence is occupied by the employee's dependents or is maintained at a net expense greater than $200 per month. If an employee does not maintain a separate residence, payment is one-half the full long-term rate. The rate ends when an employee is assigned to another geographic area. If long-term lodging is not available, then short-term rates may be approved beyond 31 days with advance approval of the appointing authority. Partial days of long-term travel are paid as follows: Less than 12 hours- one half the long-term rate; 12-24 hours-full long-term rate. This rate includes meals, lodging, and incidental allowances. Consult the CALHR Rules and employee MOU for current per diem rates.

NONCOMMERCIAL ALLOWANCE

(Reviewed 7/2015)

This rate may be claimed by employees for out-of-pocket expenses incurred when staying with friends or relatives, when using their personal travel trailers, camping equipment, vans, or other noncommercial facilities. The employee may claim the noncommercial rate, beginning on the first day of travel. Partial days of noncommercial travel are paid as follows: Less than 12 hours- one half the noncommercial rate; 12-24 hours- full noncommercial rate. This rate is for meal and incidental allowances only.
CONVENTIONS, CONFERENCES, OR BUSINESS MEETINGS

(Revised 6/2014)

For a conference called by a State agency, no per diem expense will be allowed within 50 miles of an employee’s headquarters. Exceptions may be given in advance by CALHR. See SAM Section 0715. Registration fees for conferences/conventions are payable if the employee has prior approval to attend.

Travel Expense Claims that contain expenses incurred due to a conference, convention, or similar meeting must be countersigned by the agency head, or the deputy whose name has been forwarded to the Audits Division of the State Controller’s Office (SCO) under the following circumstances. These circumstances are: when two or more agents, officers, or employees attend the same convention, or conference; or when the registration fee exceeds $50.

Agencies will establish a procedure to enable verification and audit of travel expense claims for persons attending meetings of Boards, Commissions, Committees, etc., when claims are not approved by someone having personal knowledge of meeting attendance.

EXPENSES FOR APPLICANTS CALLED FOR INTERVIEWS

(Revised 6/2014)

CALHR Rule 599.634 provides for per diem and travel expenses for non-State applicants who are called for interviews. Payments may be approved in advance by the appointing power. Requests must meet the following conditions:

1. Requests must be submitted prior to the actual travel date.

2. Requests must include the following:
   a) Names and addresses of the applicant (applicant may not be a current state employee).
   b) Approximate amount of the anticipated expenses, including tax. (Payment may not exceed the current State rates.)
   c) Reason(s) why it is necessary to call the applicant for interview, i.e., position is hard to fill, recruitment for affirmative action, or disabled hire, etc.
   d) Title of position being filled.

3. Attach a copy of the approved request to the applicant's Travel Expense Claim prior to submission to the SCO.
ALLOWANCES WHILE ON SICK LEAVE, VACATION OR COMPENSATING TIME OFF (CTO) 0726

(Revised 6/2014)

Employees granted sick leave while on official travel status may be paid allowances for up to three days of sick leave time. See CALHR Rules 599.633 and 599.633.1. If the sick leave exceeds three days, or in unusual cases, added payment may be approved by the agency according to CALHR delegation. Exceptions must include the following:

1. Name and home address of employee.
3. Address where employee is confined during illness/injury.
4. Address where expenses are being incurred.
5. Number of days confined during illness/injury.
6. Cost of expenses incurred.

Departments shall not consider exceptions if the employee is confined to a hospital and hospital costs are covered by insurance. Expenses incurred other than hospital costs may be considered.

Attach a copy of the approved exception to the employee’s Travel Expense Claim prior to submission to the SCO.

Normally, no per diem expenses are allowed when employees are on vacation or CTO. An agency may allow an exception to an employee claiming other than short-term per diem if they are: authorized time off on CTO, or authorized time off on vacation while employed in seasonal agricultural work.
In some instances, the cost of business-related meal expenses may be allowed. It must be clearly shown that it was impractical to conduct the State’s business during working hours and that the meal took place in conditions beyond the employee’s control. The employee provides justification on the TEC. The statement must include the purpose or goal of each business-related meal and the unusual conditions that justify payment. For meals consumed, the employee may claim expenses not to exceed the breakfast, lunch, or dinner per diem rates. The amount must be supported by a voucher or receipt for represented employees. Nonrepresented employees do not have to provide receipts.

Examples of allowable meals may include: participants from different cities hold a luncheon meeting to allow one or more of them to make connections on a scheduled flight; an employee is required to go to lunch as a member of a group, such as a Board or Commission where official business is conducted; the meeting does not adjourn during lunch and the employee has no choice of place to eat.

Examples of non-allowable meals include: two or more employees go to lunch together and continue their business as an incidental to the meal; or, the meal is strictly for public relations purposes; or, the meeting could have taken place during the regular working hours.

No payment is allowed for the meal if the employee claims per diem for that day.

CALHR will consider exception requests to CALHR Rules 599.622(b)(c) and 599.623(b)(d)(e) for business-related meals.
OVERTIME MEALS

(Reviewed 7/2015)

Nonrepresented employees may be paid for an overtime meal when they are required to work before or after a regularly scheduled work day and can't be expected to return home for the meal. Represented employees may be paid for an overtime meal in accordance with the MOU. The overtime meal allowance is to enable employees to continue working overtime. Agencies may either provide the meal or grant a meal allowance. An added meal allowance may be granted for each additional six hours worked to a maximum of three overtime meal allowances in any 24-hour period.
Travel should be done in the most efficient and least costly manner. An employee may use a more costly form of transportation, but they are paid at the less costly rate. In such cases a cost-comparison must be done to determine the least costly rate.

Per CALHR Rule 599.626, Represented employees may claim travel expenses related to call-back for overtime work which requires more than one trip to the assignment on a normal work day or any call-back on an employee’s normal day off. Pre-scheduled work on an employee’s normal day off is not considered to be a call-back. Refer to the applicable MOU for provisions that may supersede this regulation.

Per CALHR Rule 599.626.1, Excluded employees may claim travel expenses related to call-back to work which requires more than one trip to the assignment on a normal work day or any call-back or pre-scheduled work on an employee’s normal day off.

Employees should travel by aircraft when it is the most efficient and least costly method for conducting official State business.

Employees will travel by the least costly class and take advantage of discounts whenever possible. Refer to the current Department of General Services Management Memo for Discounted Air Fares for Official Business. If an employee travels in other than the least costly class, full explanation must be submitted with the claim. See SAM Section 8422.115.

Frequent Flier Points/Premiums/Vouchers received by the employee because of travel on official State business are the property of the employee.

Departments that currently have programs in place which require employees to turn these premiums back to the State for future use may continue to do so.
USE OF AGENCY OWNED/LEASED AIRCRAFT

(Reviewed 7/2015)

Use is limited to official State business. Do not use aircraft for executive travel if the destination is within two hours driving time or a regular commercial airline serves the location.

Section 0748 outlines exceptions to this policy. Agencies may adopt more strict guidelines. Agency Secretaries ensure that the interpretation and application of the policy is consistent throughout their agencies.

When feasible, agency aircraft may be used on a charter basis by other state State agencies or for official governmental activities. This is billed by the agency at full cost, including the expense of the pilot. The agency’s policies regarding passengers apply.

PRIVATELY-OWNED AIRCRAFT

(Reviewed 7/2015)

Privately-owned aircraft may be used for official travel when it is the least costly means or is in the best interest of the State. Employees must obtain approval of the agency.

Aircraft must have Federal Aviation Agency (FAA) certification and approved equipment. Aircraft must have adequate insurance. This is certified by the employee on an Insurance Verification and Authorization to Operate Privately-Owned/Rented/Leased Aircraft on State Business form, STD. 265. See Appendix A-2 for preparation instructions. Employees who pilot aircraft on official business must meet pilot qualifications outlined in SAM Section 0747.
REIMBURSEMENT FOR USE OF PRIVATELY-OWNED AIRCRAFT

(Reviewed 7/2015)

The reimbursement rate for employee privately-owned aircraft is 50 cents per statute mile. Mileage is computed on the shortest air route from origin to destination, using airways whenever possible. Enter "Air Miles" and mileage on the TEC. For expenses other than mileage, substantiate the expense with a voucher. Landing and parking fees are paid except at the site where the aircraft is normally stored.
AGENCY-RENTED AIRCRAFT  0745

(Reviewed 7/2015)

When necessary or in the best interest of the State, an aircraft may be rented. This requires approval of the head of the agency. Obtain advance approval by the Cabinet Section of the Governor's Office in any of these situations: the aircraft is multi-engined; the aircraft is single engined with power exceeding 250 h.p.; the aircraft is of a special type helicopter, seaplane, etc.; or the aircraft is rented with a pilot. Use a memo to the Cabinet Section as an approval request. Clearly explain the nature, cost, and necessity for the rental of the aircraft. If one of the official travelers is the pilot, they must meet the requirements of SAM Section 0747.

INSURANCE REQUIREMENTS FOR PRIVATELY-OWNED/RENTED/LEASED AIRCRAFT  0746

(Revised 6/2014)

Travel on official State business may be by privately-owned/rented/leased aircraft whenever this is the least costly means or is in the best interest of the State.

Employees must first obtain supervisor approval. Employee pilots shall certify at least yearly to their employing agency that they have the required liability insurance in force during the period of official travel. These required limits are shown on STD. 265. Use STD. 265 for certification.

In all cases, the aircraft must be certified in accordance with FAA regulations and properly equipped for the type of flying to be performed.

State employees who pilot aircraft on official State business must meet the requirements of CALHR Rule 599.628 and SAM Section 0747.
To operate privately-owned, rented, or State-owned aircraft on official business, pilots must be physically qualified and licensed to fly the aircraft for the type of flying performed.

To carry passengers on official business, a pilot must:

1. Either possess a valid (FAA) commercial pilot's license or have previously logged at least 250 hours of flight time as a licensed pilot in command of an aircraft; and,

2. Have logged at least 40 hours of actual flight time as a pilot in command of an aircraft during the preceding 12 months.

Pilots must obtain approval from their agencies to use air transportation and must satisfy the requirements outlined in CALHR Rule 599.628 and SAM Section 0746.
TRANSPORTATION SELECTION AUTHORIZATION
AND ACCOUNTABILITY

(Reviewed 7/2015) Transportation Selection Criteria:

1. Select the least costly method of transportation. Consider direct expense and employee time away from the office. Commercial transportation will be used whenever its total cost is less than agency provided aircraft. Agency aircraft may be used when it proves to be the least costly method. Consider and document these criteria when deciding:
   a) The cost of personnel hours lost in travel.
   b) Total commercial travel costs (airlines, rental vehicle, taxi, etc.).
   c) Added per diem costs.
   d) Accessibility and/or urgency of the situation.
   e) Scheduling demand and limitations.
   f) Driving time to location would exceed two hours one way.
   g) Commercial airline service and schedules between points of origin and destination including any intermediate stops or layovers.

2. To find the cost of agency aircraft include the following estimates:
   a) Pilot cost (wages and benefits) per hour.
   b) Total operational costs of the aircraft per hour.

Authorization:

The agency director or designee is solely responsible for authorizing flights. (Continued)
TRANSPORTATION SELECTION AUTHORIZATION

AND ACCOUNTABILITY 0748 (Cont. 1)

(Reviewed 7/2015) Accountability:

1. Submit approval request in writing to the agency approval authority as soon as possible but not less than 24 hours before the flight.

2. Immediate or unanticipated requests can be made verbally. File a confirming written request within 24 hours of trip completion.

3. Requests will contain:
   a) Date, time, and name/title of requester.
   b) Date(s) and itinerary of requested flight(s).
   c) Purpose of trip.
   d) Passengers (include title and organization).
   e) Transportation selection criteria justification.

4. Administrative units that provide aircraft services shall evaluate requests for compliance with the transportation selection criteria. They will maintain a record of the aviation activities and prepare a monthly report. The report will be sent to the director or authorized designee and will include the following:
   a) Dates of flight.
   b) Pilot (or company if chartered).
   c) Hours flown.
   d) Type of aircraft.
   e) Rate.
   f) Total cost.
   g) Short explanation of purpose.
   h) Destination and stopovers.
SAM - TRAVEL

5. Maintain a flight log for each State-owned or leased aircraft. Include in the log the use of the aircraft, passenger names, dates, destinations, and purposes of flights. Retain logs for four years or until audited, whichever occurs first.
VEHICLE USE

(Revised 10/2015)

Agencies determine who will drive on official State business and the vehicle types to be used: State-owned, privately-owned, or commercially-owned vehicles.

State Vehicles. These may be authorized when one or more employees are traveling individually or together. The trip includes intermediate stops not feasible for public transportation; the schedule of public carriers does not fit the itinerary; transportation is not available at the destination; an employee must carry specialized tools, books, etc.

Rental Vehicles. You may rent a vehicle when a State vehicle is not available and automobile travel is essential. Refer to the current DGS Rental Car contract in order to ensure adherence to State policy.

Privately-Owned Vehicles. Employees may use their privately-owned automobiles on official State business if this is approved by the agency. If the use is not less costly, the supervisor may authorize the use, but the payment will be for the less costly alternative. No agency will require an employee to use their privately-owned vehicle unless this is a formal condition for employment.

OPERATOR REQUIREMENTS

(Revised 12/2014)

Agencies shall participate in the Department of Motor Vehicles (DMV) “Employer Pull Notice Program” (EPN) if they have employees who operate vehicles on official business as a condition of employment for Class A, B, or Class C drivers’ licenses with special certificates. See Vehicle Code Section 1808.1. Agencies may participate in the DMV EPN on a voluntary basis for other employees who frequently operate vehicles on state business. To enroll in the EPN program contact: Department of Motor Vehicles, Office of Information Services, Account Processing Unit at, (916) 657-5564 or see EPN for additional information.
Employees who operate vehicles on official State business must have a valid driver’s license, insurance, and a good driving record. To determine if a driver has a valid license and a good driving record, agencies should request drivers’ records annually.

Employees who operate vehicles on official State business shall use, and ensure all passengers use, all available safety equipment in the vehicle being operated.

Frequent drivers should attend and successfully complete an approved defensive driver training course at least once every four years.
DEFENSIVE DRIVER TRAINING 0752
(Revised 3/2014)

The Department of General Services (DGS), Office of Risk and Insurance Management, approves and develops statewide driver training courses. All courses are conducted on a statewide basis. Charges for courses are listed in the General Services Price Book and Directory of Services. Course descriptions and scheduling information may be obtained by accessing the DGS Training Registration System website at https://www.training.dgs.ca.gov or contacting the Defensive Driver Training Coordinator, Office of Risk and Insurance Management, Department of General Services, 707 Third Street, First Floor, West Sacramento, CA 95605, Telephone (916) 376-5308.

Agencies shall compile and submit the Summary of State Miles Driven to the Office of Risk & Insurance Management. This annual report must be submitted by February 1 for the proceeding calendar year. For information forms and instructions, contact the Defensive Driver Training Program, Office of Risk & Insurance Management, Department of General Services, 707 Third Street, First Floor, West Sacramento, CA 95605, Telephone (916) 376-5308.

AUTHORIZATION TO USE PRIVATELY-OWNED VEHICLE 0753
(Reviewed 7/2015)

Agencies are responsible for determining who will be authorized to drive privately-owned vehicles while conducting official State business.

See Appendix A-3 for instructions on preparing Authorization to Use Privately-Owned Vehicle form, STD. 261. An employee must certify in writing the vehicle will always be covered by liability insurance at the following levels: $15,000 for personal injury to, or death of, one person; $30,000 for personal injury to two or more persons in one accident, and $5,000 for property damage. The vehicle is adequate for the work. The vehicle is equipped with operating safety belts. The vehicle is in safe mechanical condition.
SAM - TRAVEL

Complete the certification on STD. 261. The authorizing supervisor retains STD. 261. Each year the form must be verified and resigned. Supervisors verify that there is a current STD. 261 on file for an employee before signing a Travel Expense Claim.

Employees should be aware that the insurance maintained by the state is for the liability above the amount of the employees' policies. Mileage rates paid to employees include an amount that reimburses employees for maintaining minimum insurance coverage.
REIMBURSEMENT FOR USE OF PRIVATELY OWNED AUTOMOBILES 0754

(Revised 6/2014)

Mileage reimbursement is paid to employees authorized to use privately-owned vehicles while conducting official State business. The reimbursement rate is based on the current MOU and the CALHR Rules.

When an employee is driven to a common carrier, the employee can claim double the rate authorized for one-way trips to and from the common carrier. The vehicle cannot be parked at the terminal and the employee must be an occupant of the vehicle. "Double mile" claims are considered to be reportable to SCO since the amount claimed is above the rates found in the current MOU and the CALHR Rules. If the employee departs or returns to a common carrier on the employee's day off or one hour before or one hour after the normal workday, payment for actual miles driven may be claimed.

REIMBURSEMENT FOR PARKING CHARGES 0755

(Reviewed 7/2015)

Employees using State-owned vehicles or privately-owned vehicles on official State business may be reimbursed for certain parking charges. These charges are:

1. For day parking when on trips away from their headquarters office and residence.

2. For overnight public parking when on trips away from the headquarters city and city of residence. Claims are not allowed if expense-free overnight parking is conveniently available.

3. For day parking next to their headquarters, provided they have other reimbursable vehicle expenses for the same day or are using a State vehicle. This is for employees who spend most of their time on field assignments and report to their headquarters offices occasionally. Other examples of payable expenses are expenses due to a call-back or scheduled overtime on a normal day off.

Employees parking at airports must use the less expensive peripheral parking, or adequately justify excessive parking charges.
Submit claims for parking on a TEC. Attach a receipt to claims exceeding 10 dollars for one continuous period. Regardless of the cost, the appointing authority may require submission of receipts for parking costs claimed.
REIMBURSEMENT FOR POOL VEHICLE EXPENSES 0756
(Reviewed 7/2015)
If a traveler pays for emergency repairs or items included in the pool vehicle rental charges, the traveler can be paid. See SAM Chapter 4100.

REIMBURSEMENT FOR DAMAGE TO PRIVATELY-OWNED VEHICLE 0757
(Revised 06/2016)
An employee can claim repair for a privately-owned vehicle damaged while conducting official State business if the accident was not the employee’s fault. Payment is made out of the employing agency's allotted travel funds. File the claim in the following manner:

1. File a Report of Vehicle Accident form, STD. 270. See SAM Chapter 2400 for instructions.

2. Attempt to recover damages through insurance coverage.

3. Prepare TEC. Attach the green copy of STD. 270, signed by the employee’s supervisor, and a receipted bill for repairs/parts to the TEC. Enter this certification in the Remarks Section of the TEC: "I hereby certify that this expense was incurred by me as a result of damage to my privately-owned vehicle. This expense is not reimbursable through the insurance coverage of any of the parties involved in the accident."

4. Submit three estimates of repair costs.

The approving official takes the following actions:

1. Reviews STD. 270 and TEC for compliance with the governing CALHR Rules.

2. Signs STD. 270 to certify that the vehicle was being operated on official State business and that the accident was not through the fault of the employee.

3. Determines the claim is not the result of the employee's, officers, or agent's decision not to maintain collision coverage. Claims filed because of a decision not to maintain collision coverage may be filed with the Department of General Services.
4. Signs TEC to certify the employee has presented sufficient evidence that the repair expense has not been paid by insurance and to authorize payment for the least costly of the three competitive estimates.
An employee cannot be reimbursed for the collision damage waiver costs for a rental vehicle. Should a rental vehicle sustain damages and the rental company makes demand against the employee, submit the claim in the manner described in Section 0780. Insert the following in TEC, Remarks Section: "I hereby certify that this expense was incurred by me as a result of damage to a commercial rental vehicle used on official State business by me. This expense is not reimbursable through the insurance coverage of any of the parties involved in the accident."

In some instances, the rental company may bill the State directly for damages.

Privately-owned motorcycles and motor-driven bicycles are not an authorized mode of transportation for official business. There is no reimbursement for mileage or transportation expenses for these modes.

State time authorized for out-of-state travel is limited to the time necessary to transact business plus actual travel time. The travel time cannot exceed rail time.

State cars must not be used to provide transportation when the trip is funded by sources other than State, federal, or personal funds.

There are two ways to obtain approval for out-of-state travel:

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1. Advance blanket approval- Annual approval by the Agency Secretary (as applicable), and the Governor's Operations Office of all routine travel identified in your travel plan. See SAM Section 0763.

2. Individual trip approval- Travel identified in your blanket approval request which has not yet been approved by the Governor's Operations Office or travel that does not meet the criteria outlined in SAM Section 0762.
The Blanket Approval for Out-of-State Travel form, **STD. 260**, should reach the Governor’s Operations Office by the deadline specified on the annual Budget Letter, along with the Travel Plan in two separate sections. Section 1 represents mission critical travel as defined in the most recent OST Budget Letter and Section 2 represents trips that an Agency believes represents a benefit to the State. The supporting documents should be assembled in that order. See Appendix A-4 for preparation instruction for STD. 260.

**Bordering States (Blanket Trips)**

Travel into bordering states (SAM Sections 0761 and 0763, and Government Code Section 110321/ and 110333/) that is for less than five consecutive working days’ duration does not require approval from the Governor’s Operations Office. If such travel exceeds five consecutive working days, approval is required and the process for approving OST blanket or trips will apply. Departments with significant out-of-state travel to states bordering California for more than five consecutive working days may obtain advance approval by using a separate Blanket STD. 260. Prepare this package in the same manner as outlined in this section. The STD. 260 should be marked "BORDERING STATES" prominently in the space at the top. The Governor's Operations Office will approve and distribute the package.

Once the OST blanket or trip is approved, the Governor's Operations Office will forward an original signed copy to the State Controller's Office and a copy to the Agency Secretary (if applicable) and the originating department.

**Review and Approval of Blanket Requests**

The Advance Blanket Approval package is reviewed by the Agency Secretary (as applicable) and the Governor’s Operations Office. Their recommendations will be shown on the Out-of-State Travel Request form, **STD. 257C**.

The total dollar amount of all approved travel becomes the approved level of expenditure. Indicate this amount on STD. 260 as: "Total Expense of All Trips Not to Exceed" and the amount.
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Distribution and Approval of Blanket Requests

The Governor's Operations Office will retain one copy and will send the approved package to the Agency Secretary (if applicable), or the originating agency. One copy of STD. 260 will be sent to the State Controller's Office by the Agency Secretary (if applicable) or the originating agency.
Blanket approval for out-of-state travel gives the department the authority to approve any travel listed in their travel plan. Each trip listed in the travel plan must meet one of the following criteria.

a) Enforcement responsibilities
b) Auditing
c) Revenue collection
d) A function required by statute, contract, or executive directive
e) Job-required training necessary to maintain licensure or similar standards required for holding a position
f) Equipment inspection as required by a contract
g) Meetings or training **required** by a grant or to maintain grant funding
h) Litigation related (depositions, discovery, testimony)
i) Request by the Federal Government to appear before committees

Travel must clearly be of benefit to the State. The justification must be complete and show the benefits to the State in terms of the relationship to the department's program and costs.

Prepare the Travel Plan in the two sections as referenced in the Budget Letter. Include only those trips that meet the criteria outlined in SAM Section 0762. Do not include trips that must receive individual approval by the Governor. See SAM Section 0764.
INDIVIDUAL TRIP APPROVAL

(Reviewed 7/2015)

Use STD. 257 for individual trip approval in the following cases:

1. A blanket approval and travel plan have been submitted but not yet approved.
2. The trip is not covered by SAM Section 0762.
3. The trip involves unusual circumstances, public interest, or possible questions of propriety. Some examples include: trips to Hawaii, Alaska, territorial possession, foreign countries; trips involving an extended period of time; and requests to add persons to a trip listed in the approved blanket travel plan.
4. The trip is funded from a non-federal grant.

Submit STD. 257 with justification. Attach justification on a separate page. If any of the expenses will be paid with funds other than State or federal, the department must list the amount, source, and the purpose of these funds.

The request must reach the Governor's Operations Office a minimum of 14 days before the travel is scheduled to begin. Any request submitted to the Governor's Operations Office without this lead time must have a special justification and may be denied.

Bordering States (Individual Trips)

Travel to bordering states that is less than five consecutive working days does not require approval from the Governor's Operations Office. STD. 257 can be used to request individual trips that exceed five consecutive working days unless exempt per Government Code 11033. Enter “Bordering State” prominently in the space at the top and follow the normal routine for requesting approval on OST blanket or trip. The Governor's Operations Office will approve and distribute the package.

Distribution and Approval of Individual Trip Requests

The requesting department should send one copy of STD. 257 and justification through the Agency Secretary (if applicable) to the Governor's Operations Office. The Governor's Operations Office will retain one copy and will send a copy of the approved package to the Agency Secretary (if applicable) or the originating department. One copy of STD. 257 will
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be sent to the State Controller's Office by the Agency Secretary (if applicable) or the originating agency.
Departmental Use of STD. 257 When Blanket Has Been Approved

Trips that are included in the approved STD. 260 and travel plan may be taken upon departmental approval. STD. 257 may be used internally for departmental control purposes for such trips but should not be sent to the Agency Secretary, the Governor's Operations Office, or the State Controller's Office.

The following characteristics of a trip may be changed, without additional approval:

1. The person making the trip.
2. The trip itinerary unless the change results in the trip becoming reportable under SAM Section 0763.
3. The dates of the trip.
4. The cost or funding source.
5. The total cost as long as it does not vary by more than 10%.

RETURN OF DECEASED EMPLOYEES TO HEADQUARTERS OR PLACE OF BURIAL

CALHR Rules allow payment of transportation expenses necessary to return the remains of agents, officers or employees who die while traveling on official State business. Reimbursement is for return to the employee’s headquarters or the place of burial in the State, whichever is least costly. CALHR Rules 599.636 and 599.636.1 lists expenses normally allowed. Agencies will contact the estate of the employee, in writing, and detail the allowances and procedures for claiming them. Agencies may contact the local funeral home selected by the estate to arrange shipment in the least costly manner to the State. CALHR may grant exceptions to CALHR Rules 599.636 and 599.636.1.
Reimbursement for transportation and per diem costs to persons who are not state employees is outlined in CALHR Management Memo 86-01. Policy for non-State employees who are interviewing for a position with the State can be found in CALHR Rule 599.634.

Appendix A-1 contains preparation instructions for this form. Use TEC to claim travel and transportation expenses.

CALHR Rules 599.638 and 599.638.1 require that TECs contain a brief statement of purpose for each trip. Enter this statement (one line if possible) on the line immediately below the last entry for each trip. If two or more trips are made for the same purpose and one TEC is used, one statement is sufficient for the trips.
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### APPENDICES

### FORMS:

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<th>Link</th>
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<tr>
<td>TRAVEL EXPENSE CLAIM, STD. 262</td>
<td><a href="https://www.documents.dgs.ca.gov/dgs/fmc/pdf/std262A.pdf">https://www.documents.dgs.ca.gov/dgs/fmc/pdf/std262A.pdf</a></td>
</tr>
<tr>
<td>AUTHORIZATION TO USE PRIVATELY-OWNED VEHICLES ON STATE BUSINESS, STD. 261</td>
<td><a href="https://www.documents.dgs.ca.gov/dgs/fmc/pdf/std261.pdf">https://www.documents.dgs.ca.gov/dgs/fmc/pdf/std261.pdf</a></td>
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### FIGURES:

- CRITERIA FOR CLAIMING MEAL EXPENSES

### SUPPLEMENT:

- TRAVEL GUIDE
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SAM-INSURANCE VERIFICATION AND AUTHORIZATION TO OPERATE PRIVATELY
OWNED/RENTED/LEASED AIRCRAFT ON STATE BUSINESS, STD. 265


<table>
<thead>
<tr>
<th>STEP</th>
<th>ACTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>ENTER BEGINNING DATE AND ENDING DATE OF THE PERIOD. THE PERIOD IS VALID FOR A MAXIMUM OF ONE YEAR.</td>
</tr>
<tr>
<td>2.</td>
<td>THE EMPLOYEE READS THE CERTIFICATION AND SIGNS THE FORM.</td>
</tr>
<tr>
<td>3.</td>
<td>PRINT EMPLOYEE’S NAME.</td>
</tr>
<tr>
<td>4.</td>
<td>ENTER THE LICENSE TYPE HELD AND NUMBER.</td>
</tr>
<tr>
<td>5.</td>
<td>ENTER THE DATE THE FORM WAS SIGNED.</td>
</tr>
<tr>
<td>6.</td>
<td>THE SUPERVISOR SIGNS THE FORM, ENTERS SIGNATURE TITLE AND DATES THE FORM.</td>
</tr>
</tbody>
</table>
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AUTHORIZATION TO USE PRIVATELY OWNED VEHICLES ON STATE BUSINESS, STD. 261


<table>
<thead>
<tr>
<th>STEP</th>
<th>ACTION</th>
</tr>
</thead>
</table>
| 1.   | THE EMPLOYEE READS THE CERTIFICATION. THE EMPLOYEE ENTERS:  
      | • DRIVERS LICENSE NUMBER  
      | • ISSUING STATE |
| 2.   | THE APPROVING AUTHORITY:  
      | • SIGNS THE FORM  
      | • ENTERS TITLE ELEMENT |
| 3.   | EACH YEAR THE EMPLOYEE AND APPROVING AUTHORITY RENEW THE FORM BY SIGNING AND DATING THE FORM. |
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BLANKET APPROVAL FOR OUT-OF-STATE TRAVEL, STD. 260


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<tbody>
<tr>
<td>1.</td>
<td>ENTER AGENCY AND FISCAL YEAR.</td>
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<tr>
<td>2.</td>
<td>ENTER TOTAL EXPENSES OF THE TRIPS TO BE REQUESTED.</td>
</tr>
<tr>
<td>3.</td>
<td>ENTER THE ALLOTMENT FROM THE PRIOR YEAR APPROPRIATION.</td>
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REQUEST FOR APPROVAL OF OUT-OF-STATE TRAVEL, STD. 257


<table>
<thead>
<tr>
<th>STEP</th>
<th>ACTION</th>
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</thead>
<tbody>
<tr>
<td>1.</td>
<td>ENTER NAME AND TITLE OF THE INDIVIDUAL WHO WILL TAKE THE TRIP. AN ALTERNATE MAY BE NAMED ON THE FORM IF THE ORIGINAL PERSON CANNOT GO, OR USE THE PHRASE &quot;TO BE DESIGNATED&quot;.</td>
</tr>
<tr>
<td>2.</td>
<td>ENTER DOCUMENT NUMBER, DATE, DIVISION, DEPARTMENT, AGENCY, AND PURPOSE, DATES OF ABSENCE, AND EXPENSES NOT TO EXCEED.</td>
</tr>
<tr>
<td>3.</td>
<td>THE EXPENDITURE LIMITATION IN THE &quot;EXPENSES NOT TO EXCEED&quot; BOX MUST BE FILLED IN AND SHOULD BE ENOUGH ABOVE THE PLANNED EXPENDITURE TO PERMIT A REASONABLE AMOUNT OF COST OVERRUN.</td>
</tr>
<tr>
<td>4.</td>
<td>IN COMPLETING THE &quot;FUND&quot; BOX, SHOW THE FUND FROM WHICH THE CLAIM IS TO BE PAID. IF THE EXPENSES WILL BE PAID FROM ANOTHER SOURCE, THE SOURCE AND PERCENTAGE OF PAYMENT SHOULD BE SHOWN. IF STATE FUNDS ARE NOT TO BE USED, ENTER &quot;NOT APPLICABLE—NONSTATE FUNDS&quot;. REMEMBER TO INCLUDE THE ADDED JUSTIFICATION FOR THE USE OF NON-STATE FUNDS.</td>
</tr>
<tr>
<td>5.</td>
<td>ENTER THE REQUESTING OFFICIAL AND THE TITLE.</td>
</tr>
<tr>
<td>6.</td>
<td>THE REMAINDER OF THE FORM IS SELF-EXPLANATORY. IF THE FORM IS USED FOR BORDERING STATE ADVANCE APPROVAL FOR TRAVEL EXCEEDING FIVE CONSECUTIVE WORKING DAYS, SUBMIT THE FORM TO THE GOVERNOR'S OPERATIONS OFFICE. ENTER &quot;BORDERING STATE&quot; IN THE UPPER MARGIN.</td>
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CRITERIA FOR CLAIMING MEAL EXPENSES

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<th>24 Hours – Breakfast, Lunch, and Dinner may be claimed</th>
<th>More Than 24 Hours</th>
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<td>Breakfast</td>
<td>Left at or before 6am and returned at or after 9am</td>
<td>Left at or before 6am and returned at or after 9am</td>
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<tr>
<td>Lunch</td>
<td>Can’t be claimed for trips less than 24 hours.</td>
<td>Left at or before 11am and returned at or after 2pm</td>
</tr>
<tr>
<td>Dinner</td>
<td>Left at or before 4pm and returned at or after 7pm</td>
<td>Left at or before 4pm and returned at or after 7pm</td>
</tr>
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</table>

* Lunch cannot be claimed for trips less than 24 hours.*
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SAM SUPPLEMENT

TRAVEL GUIDE

(Reviewed 7/2015)
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<td>Property—Damaged</td>
<td>900</td>
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<td>Receipts</td>
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<td>Time Frames-Travel</td>
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<td>Vehicle Damage</td>
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<td>Vehicle Self Insurance</td>
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</table>
TRAVEL GUIDE

Purpose: This guide provides additional information for travelers and their supervisors. SAM 0700 and CALHR Rules contain policy guidance in this area. SAM and CALHR references are provided for each topic, in the index.

TRANSPORTATION 100

Choosing A Method:
The supervisor or manager determines the most economical method of transportation. In making this determination, consider the following:

- Availability of public transportation
- Direct expenses, i.e., cost of air fare, rail fare, bus fare, parking and mileage
- State Time
- Number of employees traveling to the same place at the same time
- Needs of the State, i.e., number of stops and/or equipment to be transported
- Weather conditions, i.e., fog, snow
- Time allotted to complete the assignment
- Availability of transportation at the point of destination
- Location of employee’s residence, regular workplace, destination and location of State vehicles.

Transportation Methods:
Employees are expected to make arrangements for the following:

- Airline Transportation
- Rental of Commercial Vehicles
- Use of State Vehicles
- Hotel/Motel Lodging
- Taxi Service
- Bus Transportation
- Railroad Transportation and
- Other travel arrangements when needed

(Continued)
TRANSPORTATION 100 (Cont. 1)

Paying For Travel:

Employees may pay for travel by the following means:

- California State Business Travel
- Account California State Corporate Charge Card
- Use of State Vehicles
- California State Car Rental Business Travel Account General Services Charge Card *(accepted by certain taxis only; see *DGS Travel*, taxicab tab, for list)*
- Travel Advance Funds
- Personal Check
- Cash
- State Warrant
- Credit/Debit Card
GENERAL SERVICES CHARGE CARD 200

General Services Charge Card:
The card is used to:

- Pay for taxi service in Sacramento (accepted by certain taxis only; see DGS Travel, taxicab tab, for list)
- Obtain State Vehicles Use of State Vehicles

Charges Not Included:
Do not use General Services Charge Cards for any of the following charges:

- Renting a commercial vehicle
- Damage caused by an employee driving a DGS pool vehicle on personal business
- Damage caused by willfully or imprudently driving the vehicle in an unsafe or illegal manner
- Damage or other cost resulting from using the vehicle for other than its designated purpose
- Towing charges for a state vehicle illegally or improperly parked
- Towing charges for a state vehicle stranded on unimproved roads or while off-road driving
- Towing charges for a private vehicle being used on State business
- Citation due to Vehicle Code violation

Guidelines:
- When ownership of the card changes, the General Services Charge Card coordinator must be notified immediately.
- Never loan your card to another reporting unit. If you do, your reporting unit will be charged for the expenses.
- Return all unused or unneeded General Services Charge Cards to your contact person
- If lost or stolen, notify the Department Contact Person. The contact person must notify the General Services Charge Card coordinator immediately

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CONTRACT AIRLINES 300

Contract Airlines:
The State Contracts with multiple airlines to provide discounted air fare for official business trips between specified city pairs. Refer to the most current airline management memo for a listing of the contracted fares.

State employees traveling between the city pairs must use the contracted airlines, unless one or more significant factors make such use impractical. Such situations include:

- A requirement to fly on short notice and space is not available.
- The contractor’s flight schedule would require overnight lodging.
- The employee misses a flight and it would result in a substantial delay to wait for the contractor’s next flight.
- The contractor’s flight schedule will not meet mission requirements, or will create a substantial loss of time.

Non-Contract Carriers:

Even though a non-contract airline may offer equal to or less than the contract fare between city pairs, the State will honor its contract. If a contractor offers a lower fare for a contract route (e.g., round trip or special promotion), the State will receive the lower fare if the conditions required for the lower fare are met.

Travel Networks:

State agencies use various travel networks. Order tickets by using the travel agency website that services your department. The travel agency will use the above criteria when selecting airlines for traveling state employees. It’s recommended that all airline ticket reservations must be made through your department’s designated travel network.

State agencies purchasing airline tickets directly from contract airline must have one of the accepted forms of payment:

(Continued)
Information to Give Travel Agency:
Provide the following information when making reservations: The department you are working for
- Your name and location (city)
- Your reporting unit number
- Your desired travel itinerary

What You Will Receive:
You will receive the following:
- Travel agency invoice (sent to accounting office)
- Pocket Itinerary (flight schedule)
- Flight coupon/boarding pass
- Passenger receipt (ATTACH to Travel Expense Claim)

Change in Flight Plans:
1. Call the travel agency if there is a sudden change in flight schedule.
2. Additional tickets will be prepaid and may be available for immediate pick-up at the designated airport or location you specify.

Additional Services:
Many travel agencies will also:
- Provide information on hotel/motel discounts, including ones that offer government rates
- Make hotel/motel reservations
- Make rental vehicle reservations
STATE VEHICLES 400

Location of State Garages:

**Fresno:**
1025 P Street / Fresno, CA 93721-2212 ATSSL 421-5527 / Public: 209-455-5527

**Los Angeles:**
1645 N. Main Street / Los Angeles, CA 90012-1917 Public: 323-224-0905

**Oakland:**
401 27th Street / Oakland, CA 94612-2412 ATSS: 561-0901 / Public: 415-464-0901

**Sacramento:**
1416 10th Street / Sacramento, CA 95814-5502 ATSS: 485-9711 / Public: 916-445-9711

**San Diego:**
345 West Ash Street / San Diego, CA 92101-3403

**Reservations:**

Reservations may be made by telephone, online, or in person for special vehicles such as station wagons or pick-ups. A reserved vehicle will not be held after the appointed time. If the employee has not appeared, the vehicle may be dispatched.

**Return to DGS Pool Vehicle:**

The Department of General Services (DGS) pool vehicle should be returned during regular office or garage hours the same day it is checked out, except under the following conditions:

- If there is no other practical and reasonable way of getting to the airport, the vehicle may be parked overnight at the airport.
- When the vehicle is used continuously for two or more days to conduct business.
- A person returning from a trip after working hours is allowed to return the vehicle the following morning.
- A person needing a vehicle before regular working hours may check out a vehicle the day before.
RENTAL VEHICLES 500

Overview
The State has a primary and secondary contract for commercial car rental. Rates are available nationwide (excluding New York). See the most current management memo for commercial car rental rates. Free shuttle service from the airport to the vendor’s nearest rental location is provided by the vendor. Use of the contract vendor is required in available areas or the employee may be personally responsible for paying the difference between the contract rate and the rate charged.

Guidelines:
- The California State Car Rental Business Travel Account, California
- State Corporate Charge Card, can be used for rental vehicles.
- Rentals longer than seven consecutive days must get prior approval from the Office of Fleet and Asset Management.
- Unlimited mileage is provided by the primary and secondary vendors.
- The primary and secondary vendors do not levy an interstate drop off charge if the vehicle is dropped off within 150 miles of contract locations.
- Rental vehicles are for official State business and to obtain meals and lodging while traveling.
- An employee shall rent a compact vehicle unless there are reasons for a larger vehicle, such as five or more employees and luggage to a vehicle.
- Provide justification in the "Remarks" section of the Travel Expense Claim.
- Submit a justification letter to Accounts Payable prior to rental.
- Employees are to return vehicles to the vendor with a full tank of gas. A receipt reflecting the purchase of fuel must be submitted with the Travel Expense Claim to be reimbursed. Should a vehicle be returned with less than a full tank, the vendor may impose fuel charges that may be higher than market rate. If determined to be cost effective, vehicles may be fueled by the vendor. Consider the employee’s time and other associated costs to determine which fueling option is in the best interest of the State.

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(Continued)

RENTAL VEHICLES 500 (Cont. 1)

Checking Out A Rental Vehicle:

Contact vendor and reserve an economy vehicle 24 hours in advance if you change plans cancel the reservation.

When picking up the vehicle be prepared to:

- Identify yourself as a State employee
- Show your California State Corporate Charge Card
- Show your driver’s license

The customer's copy of the rental contract should be submitted with the employee’s Travel Expense Claim. Any unapproved charges will be collected from the employee. That State will not reimburse you for purchasing collision, damage, or medical insurance while renting a vehicle. Collision and medical insurance are already provided by the State.

Using a Rental Vehicle for Personal Business:

The insurance provided by the State is not in effect if the employee is driving on personal business except to obtain meals and lodging. Employees wanting to retain a commercial vehicle for personal use must make prior arrangements with the vendor at the public rate.

Complaints:

If you experience unreasonable situations in using the contract vendor direct a memo to:

Department of General Services Office of Fleet and Asset Management 1700 National Drive, (IMS A-01) Sacramento, CA 95834-1965

Attn: Statewide Travel Program Administrator
PRIVATE VEHICLES 600

Considerations:
Consider the following when authorizing an employee use of a private vehicle:

- The employee needs a short-term vehicle and the average daily mileage for the trip is less than 100 miles.
- The employee requires a vehicle full time and the average monthly mileage is less than 1,000 miles.
- The travel is less than 20 miles round-trip.
- Location of the employee’s residence.
- Location of the employee’s headquarters.
- Trip destination.
- Location of available State vehicle.
- Two or more employees traveling together.
- Trip itinerary includes intermediate stops not practical for public transportation.
- Commercial carrier arrival/departure time inconvenient to traveler’s itinerary.
- Public transportation, State vehicle, or rental vehicle unavailable at destination.
- The employee must carry specialized tools, books, equipment, etc.

Trips Beginning/ Ending at Home:
When a trip begins or ends at home, the mileage payment shall be for the shorter distance between home and destination or headquarters and destination. Mileage may be computed from the employee’s residence when the following conditions are met:

- Using a common carrier and travel begins or ends one hour before or after the regularly scheduled work day or on a normal day off or holiday.
- The mileage expenses is for call back on a normal work day or overtime work on a normal day off in remote locations.
- With prior CALHR approval.

Mileage Reimbursement:
Mileage reimbursement is based on the current Bargaining Unit Contract and the CALHR Rules.
LIMOUSINE OR TAXI SERVICE 700

Overview

Airport limousines or hotel buses are often the least expensive mode of transportation. The rates are easily verified and their use is generally accepted without explanation. If these are unavailable, use of a taxi in rare instances maybe necessary. A complete explanation should be made on the Travel Expense Claim for all taxi fares. Employees shall complete the section on the voucher (provided by the taxi driver) marked "Times from and to" and include the General Services’ Charge Card number and proper billing address.

Contact your department’s accounting office or your local taxi service provider to determine which taxi services will accept the General Services Charge Card.
OTHER MODES OF TRANSPORTATION 800

Privately Owned Aircraft
Privately owned or charter aircraft may be used on official business if it is in the best interest of the Department or if it’s the most economical means. Refer to SAM 0743 regarding prior approvals, certification, insurance, and reimbursement allowances.

Privately Owned Motorcycles
CALHR rules prohibit any reimbursement for mileage or transportation expenses for privately owned motorcycles.

Bicycles
Where a privately owned bicycle is used in the conduct of official business, the employee will be allowed to claim the rate found in the current MOU and CALHR Rules.

Damage to a Non-Contract Commercial Rental Vehicle
1. Prepare a Travel Expense Claim to reimburse your costs. In some cases the vendor will bill the department directly.
2. Enter the following certification in the “Remarks” section (item 10) of the Travel Expense Claim:
   “I hereby certify that this expense was incurred by me as a result of damage to a commercial rental vehicle used in compliance with SAM Chapter 4100. This expense is not reimbursable through the insurance coverage of any parties involved in the accident.”
Attach the “customer copy” of the vehicle rental contract with the Travel Expense Claim.

Emergency Repairs Pool Vehicle
Follow these procedures when a valid emergency requires you to pay for repairs or parts.

1. Obtain from the vendor an invoice/receipt with: the vendor’s name, address; the vehicle’s license number; date the repair was made; the claimant’s name; a notation “PAID”.

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2. Complete a separate Travel Expense Claim. Indicate in the “Remarks” section the following:

*The claim is for emergency repairs, The license plate number,*

*A complete description of the circumstances and reason for the emergency repair.*

Forward the invoice and Travel Expense Claim to the manager of the State garage where the vehicle was dispatched. If the vehicle is agency owned, forward these documents to your Accounting section.

**Personal Injury**

Notify your Supervisor or the Personnel Office. You are covered by Worker’s Compensation Insurance. The Department will assist you in preparing any injury reports or claims.
MISHAPS 900

Overview
The following paragraphs describe procedures to be followed when a mishap occurs.

Damage to Property (General)
1. Report the accident to the nearest police or highway patrol if there is severe damage or if injuries have occurred.
2. Do not admit fault to the other driver or to any witnesses.
3. Submit STD. 270 to your supervisor (reviewing officer).

Within 48 hours, forward copies of the STD. 270 to the appropriate offices. See SAM 0759.

Damage to Privately Owned Vehicle
1. Attempt to recover all the damages through your insurance.
2. Prepare a Travel Expense Claim for reimbursement of the costs paid but not covered by your insurance (i.e., the “deductible” amount). Attach the canary colored copy of STD. 270, the receipts for repairs or parts, and three (3) estimates of cost of repairs to the Travel Expense Claim.
3. Enter the following certification in the “Remarks” section (item 10) of the Travel Expense Claim:

“I hereby certify that this expense was incurred by me as a result of damage to my privately owned vehicle. This expense is not reimbursable through the insurance coverage of any of the parties involved in the accident.”

Damage to a Pool Vehicle
1. Complete an Accident Identification Card STD. 269 before leaving the accident scene.
2. If another vehicle is involved, give the driver a copy of the STD. 269.
3. Phone the nearest branch of UNDERWRITER’S ADJUSTING COMPANY.
4. Phone a report to the Office of Risk and Insurance Management (ORIM), DGS 916-376-5300. After work hours use phone numbers listed on STD. 269.

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If you are contacted by the other party or their insurance company/attorney: refer all phone calls/correspondence to ORIM; do not admit fault or give a statement of details about the accident without permission from ORIM.
LODGING 1000

Transient Occupancy Tax

Employees should attempt to have the Occupancy Tax waived for all hotels/motel rooms they stay in while on State business.

It is a good idea to inquire about this when making reservations. Forms may be available at the lodging site and must be completed in order to qualify for the discount. Waiver of tax is at the option of the lodging establishment. Attachment 3 is a sample of this form.

Sharing A Room

Employees who equally share lodging expenses may claim one of the following. They may claim one-half the room rate with receipt or the statewide lodging rate provided for employees without receipts.

Traveling Companions

If an employee takes a companion, the employee should ask the hotel to provide verification of single room cost. Reimbursement is at the single room rate.
TRAVEL ADVANCES 1100

Overview
A Travel Advance is a temporary advance of money supplied to an employee prior to travel actually taking place. Attachment 4 is a listing of the per diem rates.

Types
Temporary—for in-state, out-of-state travel, certain relocation expenses, training expenses and professional fees.
Permanent—for continuous travel for an employee who travels frequently.

Authorization
Supervisors shall determine the need for and reasonable amount of a Travel Advance.

Requesting An Advance
Steps for requesting advances are:
1. Employee completes the request.
2. Form is approved by authorizing manager.
3. Form is processed by Revolving Fund Unit.
4. Check is issued to employee.
Advance is cleared when employee submits a Travel Expense Claim or when the advance is returned.
TEC Guidelines:
If an employee attends a meeting or conference and meals are included in the registration fees, the per diem allowed must be reduced by the meal allowance. (Exceptions see CALHR Rule 599.619(a)(5)).

If an employee extends a business trip for personal convenience, only the time of departure and return relating to State business should be shown.

Several trips or training classes (excluding out-of-service training) may be recorded on one Travel Expense Claim. Leave a blank line between each one recorded.

Do not combine Relocation with any other type of claim.
Submit each Out-of-State Claim separately. Do not combine In-State and Out-of-State Claims.

If a trip is started in one month and extends to the following month, the claim may be submitted after the trip is complete.

Do not overlap June and July on the same claim. This is two different fiscal years and the claim must be processed separately. Ask for assistance from the Travel Coordinator if you are unsure of the correct procedure for completing the claim.

Lost Receipts:
If a receipt is lost, state how it was lost and the amount in the "Remarks" area of the claim. See CALHR Rules 599.625 and 599.625.1.

Lost Receipts Statement Not Acceptable:
Employees must furnish original receipts when claiming reimbursement for lodging, transportation, training expenses, professional dues, licenses and fees, and the purchase of airline tickets.

Receipts, Odd Sized:
If there are receipts, small in size, tape and label the small receipts to a blank 8–1/2 x 11 piece of paper. Several receipts can be taped on one 8–1/2 x 11 paper. Attach this paper to the claim.

Airline, Training, Vehicle Rental Receipts:
Attach these vouchers or receipts to the claim. Airline receipts can be turned in separately if charged to the State. Requests for payment when an employee pays the airfare must be attached to the claim.
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Acceptable Receipts:
Receipts should be preprinted with the name of the business. Otherwise, the employee should attach a canceled check and explain in the Remarks section of the claim.

Receipts Required:
Receipts are required for the following:
- Telephone, fax, or other business expenses over $5.00.
- Parking fees more than $10.00.
- California State Corporate Charge Card (American Express or cash purchases of airline tickets.
- Airline tickets (passenger receipt). These are retained by the accounting office to match to the airline or travel agent’s bill.
- Actual lodging expenses for in-state or out-of-state travel.
- Business related meals (represented employees only).
- Gas for rental and State vehicles.
Secondary vehicle rentals paid by employees without using General Service Cards.

Receipts Not Required:
Receipts are not required for the following:
- Per diem (meals/incidentals) claimed within the rates found within the current MOU and the CALHR Rules.
- Streetcar, ferry, bridge and road tolls.
- Telephone, fax, or other business expenses under $5.00.
- Parking fees of $10.00 or less.
- Railroad, bus fare (where fares are published in tariffs and travel is entirely in California).
- Overtime meals (unless required by the department for represented employees.).
Taxi or hotel bus fare.

24 Hour Clock:
The 24-hour clock (military time) starts after midnight at 0000 hours. Increments of an hour are in minutes.

Example: 1:15pm = 1315
6:30am = 0630

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OUT-OF-STATE TRAVEL 1300

Overview:
All out-of-state travel must be approved. Blanket Approval by the Governor's Cabinet Affairs Office gives a department the authority to approve any of the out-of-state trips listed on their travel plan.

SAM Section 0762 outlines the guidelines for the approval categories. Non-budgeted trips are approved on an individual basis. Again, refer to SAM for the specifics on this type of travel.

State Vehicle:
State vehicles may be used for bordering state travel if it’s in the State’s best interest.

Privately Owned Vehicle:
Personal vehicles may be used. Reimbursement shall be the lesser of the mileage or airfare. The cost of mileage will be at the rates found in the current MOU and the CALHR Rules when making the cost comparison with airfare. If an employee chooses to use a private vehicle and the travel time exceeds what would have been expended if air travel had been used, the employee should be charged vacation or compensating time off for the excess.

Rental Vehicles:
The State has a primary and secondary contract for commercial car rental. The contracted rates are available nationwide. See the most current commercial car management memo for rates.

Weekend Travel:
Reimbursements for Saturday and Sunday travel will be made when adequate justification is provided on the Travel Expense Claim. If adequate justification is not provided, the employee may be required to reimburse the travel expense.
OUT-OF-COUNTRY TRAVEL 1400

Overview:
Out-of-Country trips must be submitted as a non-budgeted trip. This includes all trips to Hawaii, Alaska, territorial possessions and foreign countries.

Per Diem:
The per diem expenses will be at the statewide rate except Hawaii and Alaska which CALHR considers as Out-of-State Travel. For Hawaii and Alaska, the Out-of-State per diem rate applies. CALHR will consider exceptions to the statewide allowance under specific conditions. These are outlined in SAM Section 0715.

VEHICLE SELF-INSURANCE COVERAGE 1500

Overview:
Claims against the State or an employee for personal injury or property damage because of the use of a self-propelled land vehicle are self-insured through the State Motor Vehicle Insurance Account (SMVIA). The Office of Risk and Insurance Management administers SMVIA and assesses a premium for liability coverage to the owning department.

Vehicle Liability Coverage:

State Owned:
SMVIA covers responsible drivers of self-propelled land vehicles. This applies to State employees or anyone operating the vehicle with the State's permission. It covers the State, the agency owning the vehicle or employing the driver, and the driver.

Privately Owned Vehicles:
The employee's own policy limits must be exceeded before SMVIA provides coverage when employees use private vehicles for State business. Drivers complete STD. 261 yearly to confirm vehicle liability coverage.
Rental Vehicles:
SMVIA covers the employee driving a rental car if the rental company is uninsured or underinsured.

Physical Damage:
This is collision and comprehensive coverage. Physical damage is not provided for State vehicles or privately owned vehicles used on State Business.

Other Non-Covered:
There is no coverage for uninsured or underinsured motorist or medical payments under SMVIA. There is no coverage for disability or death benefits. Disability and death benefits are provided by other agencies. These include: the Public Employees Retirement System, the Department of Human Resources, the State Compensation Insurance Fund or Employment Development Department.

(Continued)
(Continued)

VEHICLE SELF-INSURANCE COVERAGE 1500 (Cont. 1)

**Government Card Assistance:**
American Express 24-hour customer services:
(800) 528-2122 (to report lost or stolen cards or for problems or questions)
American Express Emergency Card Replacement: (800) 992-3403 (24x7, 7 days a week)
American Express Application Status and Decline Hotline: (888) 800-7325 (M-F, 6a.m. to 4 p.m., Mountain Time)

You may contact the Statewide Travel Program Administrator at Department of General Services,
Office of Fleet and Asset Management,
1700 National Drive, Sacramento, CA 95834, StatewideTravelProgram@dgs.ca.gov

Discount Air Fares for Official State Business, *(See State Travel Portal DGS Travel. Airline tab, for current fares)*
Commercial Car Rental Contracts, *(See Management Memo for current rates)*
Hotel/Motel Transient Occupancy Tax Waiver, *(std. 236 form)*
Per Diem, *(See current MOU’s)*

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Contract Travel Payment Vendor:

The Department of General Services contracts with American Express to provide a Statewide Travel Payment Program. The Office of Fleet and Asset Management State Travel Portal website, www.travel.dgs.ca.gov, provides general guidelines for the implementation and administration of the program.

The California State American Express Corporate Card may be used to:

- Pay for food and lodging expenses
- Rent commercial vehicles and charge fuel
- Pay for airport shuttle, minibus, or taxicab
- Pay for airline tickets

Guidelines:

Participation in the California State American Express Corporate Card Program is at the option of the State Agency. If your agency participates in the program, contact your Program Coordinator for specific guidelines.

American Express provides toll-free numbers to assist State cardholders.

Government Card Assistance:

American Express 24-hour customer services:

(800) 528-2122 (to report lost or stolen cards or for problems or questions)

American Express Emergency Card Replacement: (800) 992-3403 (24x7, 7 days a week)

American Express Application Status and Decline Hotline: (888) 800-7325 (M-F, 6a.m. to 4 p.m., Mountain Time)
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GENERAL

(Reviewed 3/14)

Research of general public interest and benefit is a concern of state government and should be furthered, provided that such research does not unduly interfere with prescribed state programs and functions, and is in accord with the intent and desire of the State Legislature and state law. The following provisions relating to the acceptance and administration of public and private organization grants for research are not intended to interfere with or discourage the furtherance of desirable research. Neither are they intended to prohibit the incidental use of state equipment and facilities or otherwise discourage the personal study and development of state-employed scholars and professional personnel. These provisions are intended to establish uniform general principles concerning the administration of grant funds, reasonable use of state employees, and reasonable recovery of the state's expense in the performance of grant-funded projects.

Many private or public organizations grant funds to finance research and other projects which involve state employees, facilities, and operating costs. These projects are generally, but not necessarily always, of public interest and concern.

RESEARCH GRANTS ADMINISTERED BY STATE AGENCIES OR AUXILIARY ORGANIZATIONS

(Reviewed 3/14)

The Legislature has authorized and appropriated funds to some departments specifically to conduct research in connection with the department's authorized functions and programs. These departments administer grant funds through normal state financial procedures.

Many grants are made that involve state employees, facilities, and operating costs of state agencies and institutions that the Legislature has not specifically authorized for the performance of research and for which no appropriation of state funds have been made for this purpose. Often such grants are accepted and administered by "auxiliary" organizations and corporations formed by state employees of the agency or institution involved. The research is performed at the state institution or agency using state facilities and often by or under the direction of state employees. It is probable that many
of these grants are awarded in recognition of the state facility and state employment of the personnel involved.
1. The State Clearinghouse (SCH) reviews applications for federally funded grants mandated by Executive Order (E.O.) 12372, Appendix I of the Catalog of Federal Domestic Assistance. Any state, independent, or local agency applying or planning to apply for federal funds should contact the SCH or consult OPR’s website (Governor’s office of Planning and Research - federal grant review page) to determine if their Catalog of Federal Domestic Assistance Number (CFDA Number) is one of the grants subjected to state review. The SCH requires that a federal Standard Form 424 (the front application cover page) be submitted to SCH and their appropriate Area Wide Clearinghouse at least 30 to 60 days prior to the final deadline set by the federal agency. The SCH does not set nor know the final deadlines for grants and will accept a federal Standard Form 424 at any time. The applicant is responsible for submitting their grant application in sufficient time to meet all deadlines. State agencies and departments who apply for federal funds are responsible for including a provision for recovery of indirect costs as described in Government Code sections 13332.01 and 13332.02 and reiterated in SAM section 8755.1.

2. In addition, the SCH does not have information on federally funded grants. Information can be obtained by calling the federal agency funding the grant or by looking in the Catalog of Federal Domestic Assistance.

3. The SCH will send a letter to the applicant at the end of the review period. If the SCH does not receive comments on a grant, the review will close 30 days after submittal. If comments are received, then the review period will close 60 days after submittal. All grant applications are sent out for review in the State Clearinghouse Newsletter. Federal agencies who require this letter will contact the SCH.

4. The SCH does not deal with form CA-189, only the federal Standard Form 424 and those grants mandated for review by E.O. 12372.

5. General Review. Once a federal Standard Form 424 (see Appendix C) has been submitted to the SCH and assigned a number, it is put out for review in the State Clearinghouse Newsletter. This newsletter is sent to all state agencies, area clearinghouses, local libraries, university libraries, and private citizens (at their request). The SCH requires that a federal Standard Form 424 (usually the front application cover page) be submitted at least 30 to 60 days prior to the final deadline set by the federal agency. If the SCH does not receive comments on a grant, the review will close 30 days after submittal. If comments are received, then the review
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period will close 60 days after submittal. All comments will be forwarded to the applicant.

6. This review process is standard for all grants that are listed under E.O. 12372. A grant that does not fall under the E.O. 12372 should not be submitted to the SCH. Not all federally funded grants fall under E.O. 12372 for state review.

7. This is the only role of the SCH in relation to federally funded grants. The SCH does not play a role in the review, awarding, or funding of state grants. Click here for a current copy of the State Clearinghouse Handbook.
Review by Department of Finance (DOF)

Pursuant to the provisions of Government Code section 13326, advance approval for application to the federal government is delegated to agencies/departments, except requests for federal funds for the following:

1. "New" activities not included in the budget,
2. Activities which have been previously denied by the Administration or the Legislature, and
3. Sensitive policy issues. The determination of a "sensitive policy" issue is at the discretion of the agency/department making the request for federal funds.

Budgeted Grant Requests

Requests for federal funds which can be anticipated should be included and justified as part of the departmental budget request. For budgeted grant requests, the applicant must file federal Standard Form 424 with the SCH prior to the publication of the Governor's Budget document for the fiscal year for which the grant is requested. The remittance advice for receipt of a budgeted grant request should cite the SCH identification number.

Unbudgeted Grant Requests

Requests for federal grants that were not anticipated ("unbudgeted") must be forwarded to DOF if they meet any of the criteria specified above (Items 1, 2 and 3 - Review By DOF). For each grant request meeting this criteria, departments must submit a "Federal Grant Request" form DF-24. See Appendix D. Agency approval must be obtained prior to submission to DOF, except that departments which do not report to an agency secretary are to submit their requests directly to DOF. Forms must be submitted to DOF at least 10 working days prior to the federal deadline for application. Constitutional Officers, the University of California, and the California State University are not required to obtain DOF approval. Departments are also responsible for determining if any request for unanticipated federal funds meets the criteria for legislative notification set forth in Control Section 28.00 of the annual Budget Act. If requests meet the notification criteria, departments are also responsible for submitting the appropriate Section 28.00 materials to DOF along with the "Federal Grant Request" form DF-24.
After approval is received by DOF for an unbudgeted grant request, the applicant must also file federal Standard Form 424 with the SCH.

(Continued)
Employer/Taxpayer Identification Number for Grant Requests

The federal Standard Form 424 must include the Employer/Taxpayer Identification Number that was assigned to the department by the Internal Revenue Service (See also SAM section 8422.19).

State, Metropolitan, and Regional Clearinghouses

For a list of Areawide, Metropolitan, and Regional Clearinghouses, see State Clearinghouse Handbook. The address and telephone number of the SCH is:

California State Clearinghouse Office of the Governor
Office of Planning and Research 1400 Tenth Street
Sacramento, California 95814

Telephone: (916) 445-0613
This chapter covers the State Plan Preparation and Review Process. It provides guidance to State agencies who must prepare State plans. It also provides a means for agencies that provide like or similar services, or that serve the same clientele, to ensure that services do not overlap and that processes and policies are uniform.

**GENERAL POLICY**

**TERMS AND DEFINITIONS**

**POLICY AND AUTHORITY**

**STEPS TO PLANNING PROCESS**

**BASIC INFORMATION REQUIREMENTS FOR HUMAN SERVICE-RELATED PLANS**

**APPENDICES**

**FIGURES:**

Early Notice Of plan Preparation
GENERAL POLICY

(Revised and Renumbered From 1102 4/92)

The State Plan Preparation and Review Process provide guidance to State agencies who must prepare State plans. This Chapter applies to all agencies, including those designated as a single State agency for receipt of Federal funds.

**Objective.** State plans should present a clearly defined, uniform policy that directs all State administered programs. The planning process described below is not meant to duplicate or replace the coordination between departments that is normally achieved at the Cabinet level. The objective of this process is to promote:

1. State policies that guide spending.
2. Uniform programs and policies in areas that affect more than one agency.
3. The use of the same population projections and demographic data that is provided by the State's Demographic Research Unit.
4. Oversight in the use of Federal funds.
5. Consultation between agencies when the programs of one agency may impact the programs of other agencies.
6. Uniform policies when more than one agency serves the same client group.
7. Interaction between agencies with similar programs where there is the possibility that they can help one another deliver services.
8. The avoidance of duplicated effort among State agencies.
10. The use of Federal funds to achieve State policies while avoiding increased State expenditures.
11. The use of Federal funds and regulations in keeping with State policies.
12. Human and social services that prevent dependence on public assistance, and foster self-sufficiency and independence whenever possible.

(Continued)
(Continued)

GENERAL POLICY 1100 (Cont. 1)
(Revised and Renumbered From 1102 4/92)

13. Providing the Department of Finance (DOF) with timely planning and program data. This will help Finance better evaluate the cost-effectiveness of State planning programs.

14. Providing the Office of Planning and Research (OPR) with timely planning and program data. This will help OPR better evaluate the effectiveness, coordination, and consistency of State planning programs in meeting Statewide goals and objectives.

Procedure. All State agencies that are required by legislative or executive mandate to prepare a State plan must comply with the planning process review procedures described below. The State plan does not need to be statewide in scope. If more than one plan is prepared to fulfill State or Federal requirements, then each plan is subject to the review process.

All State agencies that prepare a State plan must:

1. Submit an Early Notice of Plan Preparation to the Office of Planning and Research (OPR) by February 1 of the year that the plan is prepared.

2. Participate in an early consultation meeting sponsored by OPR. The meeting is held to discuss the concerns and recommendations of agencies, and interested parties regarding the proposed plan.

3. Submit to OPR the number of copies of the draft plan which they request. OPR distributes the copies to State agencies, interested parties, and appropriate regional planning bodies.

4. Respond to the comments that come out of the plan review process.

5.
TERMS AND DEFINITIONS

(Revised 2/93)

**Consulting Agencies.** Refers to clearinghouses and State, local, and nonprofit agencies that participate in the preparation and review of State plans. These include agencies that run related programs, serve the same clients, or offer special expertise on clients or services.

**DOF.** The Department of Finance.

**Early Consultation Meeting.** Refers to a presentation by the agency preparing the plan to the consulting agencies. The meeting takes place before submission of the draft State plan. Consulting agencies present issues and identify opportunities for coordination at the meeting. This meeting is the most important step in the coordinated preparation and review process of State plans.

**E. O. 12372.** A Presidential Executive Order.

**OPR.** The Office of Planning and Research.

**Preparing Agency.** The agency with the primary responsibility for writing a State plan. The State agency that administers federally funded activities is the "preparing agency".

**State Plan.** Plans by State agencies that promulgate State objectives and standards, or determine or affect the allocation or administration of State or Federal funds. This includes, but is not limited to, all mandated State plans subject to review under **E.O. 12372, Part III.** A State plan may include:

1. Policy directives.
2. A program for development of facilities.
3. Guidelines for governmental activities.
4. Federal grant applications.
5. Recommended actions.
Government Code Section 65030 declares that the future growth of the State should be guided by an effective planning process. This process should proceed within the framework of goals and policies that address:

1. Land use.
3. Urban expansion.
4. Other relevant physical, social, and economic development factors.

Government Code Section 65036 states the need to ensure orderly planning by units of State government who have responsibility for specific functions. State plans must also start with common assumptions and forecasts of statewide growth and development. Examples are:

1. Water development.
2. Transportation.
3. Natural resources.
4. Economic development.
5. Human resources.

Education Code Section 56881 requires OPR to "establish procedures for the development and review of State agency plans" that use Federal funds for programs that may serve handicapped children. The purposes of the review are to assure coordination of programs serving handicapped children and to secure all available Federal funding.

Government Code Section 65032 states the need to integrate the planning and the executive budgeting functions. The purpose of integrating these functions is to allocate fiscal and other resources of the State among the competing programs.

Government Code Section 65040 establishes OPR as the overall State planning agency. OPR's purpose is to serve the Governor and the Cabinet, as staff, for long range planning and research. Section 65040 authorizes OPR to "assist in the orderly preparation of" and "regularly evaluate" State plans. In addition, E. O. 12372, Part III requires that the
Governor or his delegated agency review State plans and local needs. Clearinghouses are also encouraged to review the plans and needs.

(Continued)
OPR's authority to implement the E.O. 12372 process is provided by Government Code Section 12035. This section of the Government Code designates OPR as the State Clearinghouse for E.O. 12372. Executive Order D-24-83 directs the Office to coordinate Federal grants.

Government Code Section 13073 establishes the Population Research Unit and its duties. The duties include:

1. "Providing adequate demographic data to aid effective State and local planning and policy making."

2. "Serving all levels of government and the private sector as the centralized State source of demographic data."

Section 13073 assures that State planning, funding and policy making for all agencies is done with the same set of population and enrollment data. Where they exist, Council of Government forecasts should be used if they do not exceed DOF’s baseline regional forecasts.
1. Each preparing agency must submit an Early Notice of Plan Preparation to OPR for each plan it will prepare. The Early Notice should be sent to OPR by February 1 of the calendar year in which the plan is to be prepared. If an agency learns that it must prepare a State plan after February 1st, it must submit the Early Notice within 30 days. For an example of the format and content of the Early Notice, see AF-1 in the Appendix at the end of this Chapter.

2. OPR distributes the Early Notice of Plan Preparation to consulting agencies identified as having programs or interests related to the plan.

3. If there is sufficient interest, OPR in cooperation with the preparing agency, sets up an early consultation meeting. The meeting takes place prior to writing the draft plan. During the meeting, the preparing agency must give an overview of the contents of the proposed plan. Consulting agencies and OPR may:
   a. Present issues that the plan should address.
   b. Identify duplication and overlap in clients and programs.
   c. Follow-up on previous years' comments on the plan.

4. After the preparing agency writes the draft plan, it must send copies to OPR. The exact number needed is set by OPR based on response to the Early Notice of Plan Preparation. OPR must get its copies at least 45 days before the final plan is presented to the approving or funding Federal or State organization.

5. OPR sends copies of the draft State plan to consulting agencies. These agencies are asked to review the plan. They are also asked to comment on how well it reflects the recommendations and comments made during the early consultation meeting. OPR performs a similar analysis.

6. OPR sends the preparing agency the written comments and recommendations, including OPR's own, on the draft State plan within 30 days after they are received from the last responding agency.

7. If the comments warrant, OPR will set up a meeting between the preparing and consulting agencies, or itself. The meeting is scheduled during the 30-day draft plan review period. The purpose of the meeting is to discuss changes to the plan. Any unresolved issues to be followed up in next year's planning process are also discussed.

(Continued)
(Continued)

**STEPS TO PLANNING PROCESS**

(Revised 2/93) OPR sends a copy of the comments to the responsible Cabinet level agency for the department preparing the plan with a copy of the comments. When appropriate, OPR also provides issues of an interdepartmental nature for agency or Cabinet level resolution.

8. When plans fall within the E.O. 12372 process, OPR sends a letter to the preparing agency when the review requirements are complete.

9. The preparing agency sends OPR at least two copies of the final plan. One copy goes to the State Library and one copy goes to each of the consulting agencies.

10. OPR recognizes that delays in finalizing Federal regulations can reduce the time available to prepare State plans. For this reason, the early consultation meeting can occur before Federal regulations are finalized. When regulations are delayed, OPR's State Plan Coordinator should be contacted to work out a new time schedule.

Any of the steps listed above may be changed by mutual agreement of OPR and the preparing agency. Time periods can be lengthened or shortened. Change is done on a case-by-case basis. Modification of the process is based on:

1. The time needed to ensure proper interagency consultation.

2. The interest stated by other consulting agencies.

3. Shortened Federal time lines.
The objectives of interdepartmental consultation are:

1. To find ways of solving the problems of two or more agencies either through a single program or by working together.

2. To get more done than is possible if involved agencies remain unaware of each other’s common interests.

Agencies can easily work together when they have a good understanding of how related programs work. To make State plans usable by other agencies, basic information is needed to make consultation worthwhile. This basic information helps area wide Clearinghouses perform E.O. 12372 reviews of State plans.

There is no special format for exchanging basic information. This allows the preparing agency the flexibility to meet other State and Federal information provisions. Basic information should describe:

- **Eligibility for Services—Target Groups.** Give income guidelines, eligibility for related services, age ranges, target groups and targeted community characteristics, if any (urban, rural, etc.).

- **Role of Local Agencies in Program Administration and Service Delivery.** Note the role of welfare departments, community-based agencies, community action agencies, local offices of State agencies, and others.

- **Sources of Program Funding.** Give totals for Federal, State, local, and private sources. Include reimbursement amounts and typical rates.

- **Similar Complementary Services.** Briefly describe similar services. These might be programs run by other State, Federal, or local agencies, or by independent agencies like United Way affiliates or CHAD. Include a brief description of complementary services. These might be programs offered within an agency on which plan related services are dependent.
EARLY NOTICE OF PLAN PREPARATION

Plan title: ________________________________

_______________________________________

Name and address of preparing agency:

_______________________________________

_______________________________________

Contact person: __________________________

Title: __________________________________

Phone number: __________________________

For what state or federal law or regulation is the plan prepared? ________________

_______________________________________

What State agencies, boards, or commissions are required to approve plan? ___

_______________________________________

_______________________________________

When do you anticipate submitting plan for their approval? ________________

_______________________________________

If plan is prepared for federal funds, when do you anticipate submitting the plan to
the federal agency for its approval? ________________

_______________________________________

By what date must the plan be finalized with the federal agency? ________________

_______________________________________

On what date do you anticipate submitting drafts of plan to OPR for review and
comm procedure? ________________

_______________________________________
EARLY NOTICE OF PLAN PREPARATION

(Continued)

Please list any related programs and departments which should be involved in assisting in the preparation of the plan.

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INTRODUCTION

(Reviewed 6/14)

This chapter provides policy direction for state agencies for services, consultant services, interagency agreements, and architectural and engineering and minor public works contracts. Other types of contracts are covered in SAM Sections 5200 et seq.; 1450 et seq.; and 1300 et seq.
Department of General Services, Office of Legal Services (DGS/OLS), has coordinated the effort to compile State Contracting Manual Volume 1 (SCM 1) which contains policies, procedures, and guidelines in securing necessary services for the state. The SCM1 and other OLS publications are available on the Internet at http://www.dgs.ca.gov/ols/Resources/StateContractManual.aspx.
1. State Departments—Authorized Signatures
   a. Authority to sign purchase documents is limited to those executive officers who either have statutory authority or have been duly authorized in writing by one who has statutory authority.
   b. Anyone who signs a purchase document should have knowledge in the procurement laws, policies, and procedures pertaining to the goods or services being procured. If an individual with signature authority does not possess sufficient procurement knowledge and expertise, the individual should, prior to signing, have the purchase document reviewed by someone who possesses such knowledge and expertise.
   c. Delegation of signature authority is a selective process and should be commensurate with experience with principles of sound contracting and procurement policies, demonstrated familiarity with the process of purchase document formation, execution, and administration, and completion of applicable training and/or certifications.
   d. Each executive officer who has statutory authority to sign purchase documents shall ensure that his/her agency maintains a current written record of agency employees authorized to enter into and sign purchase documents on behalf of that agency. This written record shall be subject to DGS audit.
   e. State Board’s and Commission’s purchase documents in excess of $5,000 must be accompanied by a copy of the resolution approving the execution of the purchase document, unless by statute the executive officer may sign the purchase document.

2. Local Governmental Entities—Authority
   a. Purchase documents to be signed by a county, city, district or other local public body must be authorized by a resolution, order, motion or ordinance for the purchase document. A copy of the authorization should be sent to DGS/OLS with the purchase document.
   b. Where performance by the local governmental entity will be complete prior to any payment by the state a resolution is not needed. Such instances are usually one-time events such as a room rental.
1. All contracts must conform to the requirements for contracts as stated in statutes, regulations, and policy.

2. The law requires all contracts to be approved by DGS unless exempted or there is a delegation to an agency.

3. All contracts and interagency agreements (I/A) are subject to approval by DGS except:
   a. Contracts of $50,000 or less, unless subject to the provisions of SAM Section 1216. See Government Code (GC) Section (§) 14616.
   b. Contracts with specific statutory exemption from DGS approval. See Public Contract Code (PCC) § 10295.
   c. Amendment to a contract or I/A that only extends the time for completion of performance for a period of one year or less. A contract may only be amended once under this exemption. See PCC § 10335.
   d. Any contract for which the agency has a specific exemption letter from DGS under GC § 14616, or PCC § 10351.
   f. It is an I/A over $50,000 and less than $1,000,000 that uses the current GIAs (including SAM 8752 and 8752.1 cost provisions) without modification and that has no direct or indirect subcontracting (GC § 11256), subject also to the following:
      1. This I/A exemption does not apply when contracting with CSU, UC, or any other state agency that is a exempt from Division 2, Part 2 Chapter 2 of the Public Contract Code (PCC § 10290 et seq.);
      2. Agencies shall not use I/As to circumvent any state law or contracting requirements;
      3. Agencies shall not use I/As to obtain any third-party IT goods or services nor any third-party non-IT goods or services;
      4. DGS reserves the right to audit exempt contracts at the contracting agency’s expense;
      5. If DGS determines an agency is failing to abide by the conditions of this exemption, DGS reserves the right to revoke the exemption such that that agency would then be required to submit to DGS for approval all I/As of $5,000 or more (or such other amount as DGS establishes when revoking or reducing this exemption);
      6. DGS is establishing this I/A exemption on a pilot basis, and DGS will evaluate outcomes to determine whether to modify, continue, or discontinue the exemption.

(Continued)
Although these contracts do not require DGS/OLS approval, review/approval services are available on request for any contract, regardless of value.

4. Considerations Related to Exempt Contracts
   a. No contract which exceeds $75,000 will be exempt from DGS review, without specific statutory authority.
   b. A copy of each exempt contract or I/A is to be retained in the agency’s file for three years from the date of the final payment.
   c. Where the performance is other than monetary, such consideration must be valued on a monetary basis for the purpose of determining whether approval of DGS is required.
   d. Any state agency that enters into or expects to enter into more than one consulting services contract with the same individual, business firm, or corporation within a 12-month period for an aggregate amount of fifty thousand dollars ($50,000) or more, shall notify DGS in writing and shall have each contract that exceeds an aggregate amount of fifty thousand dollars ($50,000) approved by DGS.
   e. Splitting of contracts to avoid any monetary limitations is prohibited. If it is found that more than one contract has been awarded to a single contractor in any one year for work normally considered one undertaking, and the total of the contracts exceeds $4,999, the agency may be denied the exemptions from DGS approval as granted in this and other sections of SAM.
   f. Revenue and reimbursable contracts are to be submitted to DGS under the same dollar categories as other contracts.
   g. Master agreements are to be submitted to DGS regardless of the dollar amount. Contracts or subscription agreements pursuant to a master agreement are to be submitted to DGS under the same dollar categories as other contracts.
Any contract containing any of the following provisions shall be subject to approval by DGS even though it may also be one of the types otherwise exempted from approval:

1. Contracts of hazardous nature regardless of dollar amount require review by DGS OLS.

Any provision whereby the state agrees to indemnify or save harmless any party to the contract or any third person against or on account of any claim, liability, or matter arising out of, or connected with the contract; or any provision which limits the contractor’s liabilities.

3. Any provision whereby the state agrees to assume responsibility for matters beyond its control (e.g., in rental contracts, a promise to assume full responsibility for damage to rented equipment, regardless of the cause of damage).

4. Any provision calling for payment of rental or other services in advance.

5. Any provision creating a contingent liability against the state (e.g., vendors’ printed rental contracts frequently contain clauses obligating the user of rented equipment to serious contingent liabilities).

6. Contracts that seek to modify the state’s standard terms and conditions (GTCs, CCCs, GIAs).
Competitive bidding is required unless there is a legally authorized basis for bid exemption. Key exemption categories are identified below.

A. Statutory Exemptions

1. Contracts of less than $5,000 (PCC §§ 10335(a), 10335.5(c)(5)).

2. Contracts of less than $5,000 where only per diem or travel expenses, or a combination thereof, are to be paid (PCC § 10335(a)).

3. Emergency contracts. The work or service is for the immediate preservation of the public health, welfare, safety, or protection of state property (PCC § 1102, 10340).

4. Interagency agreements. Contracts with other California state agencies, and California State University and University of California campuses (PCC §§ 10335(a), 10340(b)(3); GC § 11256; see also SCM 1, section 3.03.).

5. Contracts with other public entities, including contracts with another state, local, or federal agency, auxiliaries of CSU or the California community colleges; or an organization acting as a governmental agency under a joint powers agreement (PCC §§ 10335(a), 10340(b)(3); see also SCM 1, section 3.06.A).

6. Contracts solely for the purpose of obtaining expert witnesses for litigation (PCC § 10335.5(c)(3)).

7. Contracts for legal defense, legal advice, or legal services by an attorney or the attorney’s staff (PCC § 10335.5(c)(4)).

8. Community Based Rehabilitation Program (CRP). Contracts with business entities operating Community Based Rehabilitation Program (CRP), that are justified under one of the exceptions in GC § 19130(b), and that meet the criteria established by Welfare and Institutions Code § 19404 (PCC § 10340). Note: Contracts with CRPs that are justified under GC § 19130(a) are required to be competitively bid.

9. Small Business/Disabled Veteran Business Enterprise (SB/DVBE) Option (GC § 14838.5; PCC §§ 10335.5(c)(6), 10340(b)(6)).

a. This option allows for an award under the following conditions:

   1) The contract is awarded to a certified SB, micro-business or DVBE;

   2) The contract award is greater than $5,000 and less than $250,000; and

   3) Quotes were received from at least two certified SBs or micro-businesses; or two certified DVBEs.
b. An award based on receiving only one quote is not permitted under this method.

c. Mixing quotes (e.g. one SB and one DVBE) is not permitted under this method.

d. The code does not expressly require award to the low quote, however, if award will be made by other than low quote, the agency must document the business reasons and cost reasonableness basis for selecting the other quote.

e. No particular format or timing is required under this option. Agencies have discretion as to how to obtain the quotes. Agencies should provide vendors sufficient information about the services on which the vendors can formulate a quote, including copy of the proposed contract (e.g. scope, payment provisions, and terms).

f. The SB preference is not applicable under this method.

g. There is no protest right for this method. (GC § 14838.5) Therefore agencies should not cite protest provisions when soliciting quotes.

h. Use of this method is capped at $250,000 for the entire contract term, including any option years and/or amendments. If an agency believes the contract may exceed $250,000, they should use a different solicitation method, such as an IFB or RFP. If quotes come in over $250,000, the agency would need to resolicit, either scaling down the project to lower the quotes or using a different solicitation method.

i. For public works, the dollar range for which this two-quote method can be used is $5,000 to $270,000 (or other project cost limit amount as may periodically be issued by the Director of Finance pursuant to PCC § 10105) (GC § 14838.7.).

10. Contracts for the development, maintenance, administration, or use of licensing or proficiency testing examinations (PCC § 10340(b)(7)).

11. Other Specific Statutory Exemption. The STD 215 should identify the statutory citation supporting the exemption.
B. DGS Approved Exemptions (PCC §10348)

1. Non-Competitive Bid (NCB) or Special Category Request (SCR)
   a. An NCB transaction (formerly “sole source”) is a contract for goods or services or both when only a single business enterprise is afforded the opportunity to provide the 28 Order on NCB

The Governor’s Executive Order, D-02-55, issued effective May 20, 2002, rescinded the previous sole source Executive Order W-103-94 and all management memos related to that Executive Order.

   b. The NCB form with instructions and signature requirements can be found on the DGS/PD website. See also SCM volume 2 (SCM 2).

   c. An SCR is similar to an NCB but involves a group of related contracts rather than a single contract. The SCR form and further information can also be found on the DGS/Procurement Division website and in SCM 2.

2. DGS Categorical Exemptions (PCC § 10348; historical references: SAM Section 1233, Management Memo (MM) 03-10).
   a. Services contracts using a DGS Leverage Purchase Agreement;

   b. Subvention and local assistance contracts as defined in SCM 1, section 3.17. This exception applies only when services are provided to the public and not specifically to a state agency;

   c. Maintenance agreements under $250,000 per year for equipment that is under documented warranty, or where there is only one authorized or qualified representative or where there is only one distributor in the area for parts and services under $250,000.00 per year;

   d. Contracts where the state is unable to compete and select a different contractor because a contractor has already been selected by a federal, state, city, county, or other regulatory entity to perform a service in a specific geographical area (e.g., refuse and/or sewage disposal contracts where there is an exclusive franchise agreement that has no exception for the state);

   e. Public entertainment contracts for state-sponsored fairs and expositions;
f. Contracts that can only be performed by a public entity as defined in Unemployment Insurance Code Section 605(b);

    g. Contracts for conference or meeting facilities, including room accommodations for conference attendees, not to exceed $250,000;

(Continued)
h. Contracts for ambulance services (including but not limited to 911) when there is no competition because the contractor is designated by a local jurisdiction for the specific geographic region; (historical reference: MM 05-04.)

i. Contracts for emergency room hospitals, and medical groups, physicians, and ancillary staff providing services at emergency room hospitals, when a patient is transported to a designated emergency room hospital for the immediate preservation of life and limb and there is no competition because the emergency room hospital is designated by a local emergency medical services agency and medical staffing is designated by the hospital. This exemption covers only those services provided in response to the emergency room transport; (historical reference: MM 05-04.)

j. Contracts with health maintenance organizations (HMOs) through a cooperative agreement with the Centers for Medicare and Medicaid Services (CMS) to pay monthly premium payments for medical/Medicare eligible members, where services are essential or necessary for health and safety;

k. Proprietary subscriptions, proprietary publications and/or technical manuals regardless of media format, up to $250,000. This includes access to pre-existing proprietary research data through a non-IT services contract, however “subscription” is not intended to include the performance of any personal services (such as, but not limited to, consulting, advice, research);

l. Rental of proprietary postage meters if they are interfaced and intermembered with existing mailing equipment and there is only one authorized manufacturer’s branch or qualified dealer representative providing services for a manufacturer in a specified geographical area. This exemption applies only in circumstances where annual postage meter rental services are less than $100,000;

m. Departmental memberships in professional organizations provided it is solely a membership and does not include the performance of any personal services. Note: Memberships for represented employees are governed by applicable collective bargaining agreements and memberships for non-represented employees are governed by CalHR rules; (See SCM 1, section 3.23.)

n. Contracts for non-IT services training for state personnel if the cost of the training contract does not exceed $50,000 and the cost of multiple training contracts with a single contractor does not exceed $50,000 cumulatively in any 12-month period. (Historical reference: MM 11-05.) The exemption is for pre-existing training courses; it does not cover development of training or other personal or consulting services. Agencies shall not split contracts to avoid competitive bidding or other
contract requirements. Agencies with recurring training needs should assess the cumulative amounts departmentally and generally should go out to bid if there are ongoing and/or department-wide needs.
Purpose

This policy identifies the permissible types of E-Signatures and requirements for the use of electronic signatures (hereafter "e-signatures" or e-sign), automatic or electronic transactions, and electronic records (hereafter “e-records”) in conducting state business operations.

Policy

The Department of General Services permits the use of the following Electronic Signatures, Transactions and Record Management activities in conducting state business:

**E-Signatures:** State agencies may accept permissible types of e-signatures from all parties as legally binding and equivalent to handwritten signatures to signify an agreement. Each type of e-signature will include the date the document was signed. Where state or federal laws, regulations, or rules require a handwritten signature, that requirement is met if the document contains an e-signature unless otherwise prohibited by policies, laws or regulations. Electronic documents must clearly and unambiguously show the chain of approval of all parties required to sign that document.

**Electronic Transactions:** Most purchase orders, contracts, and other contracting documents can now be executed electronically. State agencies may also accept bids, proposals, quotes, and offers with electronic signatures at their discretion.

In some cases, state agencies are required to use electronic signatures when transacting in the Fiscal Information System for California (FI$Cal). Conversely, some documents will still need to be submitted to DGS in paper format for the time being, due to technical limitations. These requirements will change over time as technology adoption improves.

DGS will maintain current guidance on transactions that must be conducted electronically, and on documents that must be submitted to DGS in paper format, in the State Contracting Manual.
(Continued)

**ELECTRONIC SIGNATURES, ELECTRONIC TRANSATIONS AND ELECTRONIC RECORD MANAGEMENT POLICY**

(New 8/2018)

**Recordkeeping Requirements:** An e-record may serve as the official copy of a procurement-related document. All relevant records, including e-records, shall be maintained in a reliable recordkeeping system. Business conducted by electronic means shall be fully documented to meet recordkeeping requirements, including procurement file documentation and information security requirements. Records shall be retained or disposed of in accordance with the approved records retention schedules stated in California State Records and Information Management ([CalRIM](#)) as supported by the State Contracting Manual (SCM) and the State Administrative Manual ([SAM](#)) 1600 et seq.

**Scope**

This policy applies to all transactions governed by the State Contracting Manual (all volumes) and/or conducted by the Department of General Services (DGS) Procurement Division. This policy enables state agency staff to conduct many transactions electronically, to accept e-signatures by other parties, and to sign agreements on the agency’s behalf by using an e-signature. This policy does not waive or modify any requirement or limitation as to which officers and employees are authorized to bind their agency to a contract.

**Use of E-Signatures is Generally Optional**

Except in cases where DGS has specifically required a type of transaction or document to be executed electronically, accepting e-signatures or maintaining e-records is not mandatory under this policy. Each state agency may exercise at its discretion to conduct a transaction on paper or in non-electronic form. Furthermore, it does not affect a state agency’s right or obligation to have documents be provided or made available on paper when required by applicable policies, laws or regulations.

**Background**
ELECTRONIC SIGNATURES, ELECTRONIC TRANSATIONS AND ELECTRONIC RECORD MANAGEMENT POLICY

(New 8/2018)
Federal legislation known as the Electronic Signatures in Global and National Commerce Act made both electronic contracts and electronic signatures (e-signatures) as legal and enforceable (with some exceptions) as traditional paper contracts signed in person.

Following the federal government’s lead, California adopted the Uniform Electronic Transactions Act (California Civil Code (CIV) § 1633.1-1633.17) which establishes the legal validity of e-signatures and contracts in a manner similar to the federal law.

California law was revised to make clear that the state is authorized to use any type of e-signature. See AB 2296 (Chapter 144, Statutes of 2016), effective 1/1/17.
E-Signature Approvals

When an electronic document is emailed to DGS, the chain of approval of all those required to sign that document must be clear and unambiguous. All parties required to sign must have unequivocally approved the same document. For example, to demonstrate all approvers sign the same NCB Justification, a PDF copy of that NCB must be emailed to DGS with a legally binding signature from each approver attached, and all approvers must be copied on the email.

There may be instances where the submission of an electronic document is unclear and more substantiation will be required by DGS.

A valid electronic document must include an email trail that includes all approvers. Each approval must be clear and unequivocal.

The following statement is an example of a clear and unequivocal approval:

“I approve the attached document [specify document name, number or other specific document ID].”

The following statement is not an example of a clear and unequivocal approval: “I approve if specified revisions are made to #3 and #9.”

History of Approvals and Corrections Required: A chain of approval demonstrates a history of approvals for the electronic document. If corrections are necessary, an email with the requisite “I approve the attached revised document [specify document name, number of other specific document ID]” is needed.

It must be clear that each approver has approved the same document and that document is attached. The chain of approval must be attached to the submission email and the approvers must also be copied on the email (with subject document attached) sent to DGS. By law or
policy, some approvers are enabled to authorize others (designees) to sign on their behalf. An approval of a document by an authorized designee is acceptable; however, both the requisite approver and his/her designee must be copied on the email sent to DGS.

Electronic approvals made through FI$Cal meet the approval chain requirements.
Types of E-Signatures Permitted for Use by State Agencies

Only the following types of e-signatures (further defined below) can be used by state agencies.

- A typed name
- FI$Cal approvals
- A recorded voice
- Personal Identification Number (PIN)
- Password (composed of numbers, symbols and/or alpha characters)
- Digitized image of handwritten signature (e.g. PDF copy of Word document)
- Identification number created using a number generator
- Digital Signature

Electronic Record Management

Each state agency will maintain a written policy that designates responsibilities and describes methodologies that accurately document the overall management of the recordkeeping system. The recordkeeping policy should be integrated into the state agency's business processes so that all records are immediately captured and are secure so as to always be easily recovered by authorized staff. Only authorized personnel shall be permitted and enabled to create, capture, or purge e-records. E-records should be accessible and retrievable in a timely manner throughout their retention period.

Recommendations for Implementation

Each state agency should work with its management, legal counsel, Information Security Officer (ISO), and Privacy officer to implement e-signature policies including:

- Identify which transactions (if any) it does not want to execute with - signatures;
• Consider whether to adopt a uniform department-wide e-signature methodology, set parameters for using different methodologies, or establish different rules for various divisions;
• Determine what level(s) of authority can execute e-signatures;
• Decide what dollar levels will require e-signatures by which level(s) of authority;
• Implement requisite security and privacy protection procedures;
Recommendations for Implementation (Cont.)

- Obtain an approval from ISO and AISO (Agency ISO) if applicable, on the security controls for signed documents.
- Create and periodically update a list of positions and/or personnel authorized to execute e-signatures;
- Designate backups in case of unavailability of authorized signatories;
- Maintain a database of e-signed transactions, which can be reviewed for transaction type, dollar amount, contract length, names of signatories, and level of authority of signatories;
- Document problems encountered with e-signatures (e.g., contractual disputes, unauthorized expenditures, missing transactions, unwilling vendors, overeager signatories, internal resistance, training problems, security issues, oversight concerns, etc.);
- Review database and documented problems after a trial run (e.g., six months of e-signatures) and adjust departmental e-signature practices as appropriate;
- Revise departmental records management policy as needed to ensure retention of e-signed transaction records for the required length of time.

Definition of Key Terms

E-signature involves a number of key terms which are defined in CIV Section 1633.2, including:

- **Automated transaction** means a transaction conducted or performed, in whole or in part, by electronic means or electronic records, in which the acts or records of one or both parties are not reviewed by an individual in the ordinary course in forming a contract, performing under an existing contract, or fulfilling an obligation required by the transaction.
• **Electronic** means relating to technology having electrical, digital, magnetic, wireless, optical, electromagnetic, or similar capabilities.

• **Electronic agent** means a computer program or an electronic or other automated means used independently to initiate an action or respond to electronic records or performances in whole or in part, without review by an individual.
Definitions of Key Terms (Cont.)

- **Electronic record** means a record created, generated, sent, communicated, received, or stored by electronic means.

- **Electronic signature** means an electronic sound, symbol, or process attached to or logically associated with an electronic record and executed or adopted by a person with the intent to sign the electronic record. For purposes of this title, a “digital signature” as defined in subdivision (d) of Section 16.5 of the Government Code is a type of electronic signature.

- **Information** means data, text, images, sounds, codes, computer programs, software, databases, or the like.

- **Record** means information that is inscribed on a tangible medium or that is stored in an electronic or other medium and is retrievable in perceivable form.

- **Security procedure** means a procedure employed for the purpose of verifying that an electronic signature, record, or performance is that of a specific person or for detecting changes or errors in the information in an electronic record. The term includes a procedure that requires the use of algorithms or other codes, identifying words or numbers, encryption, or callback or other acknowledgment procedures.

- **Transaction** means an action or set of actions occurring between two or more persons relating to the conduct of business, commercial, or governmental affairs.

**Additional Terms**

In addition to the definitions provided by law, understanding what an e-signature requires understanding several other key terms:

(Continued)
• **Wet** or **original** signature is created when a person physically writes a name in a stylized, cursive format (or even a simple “X”) on a piece of paper.

• **User Authentication** is the process of securely verifying the identity of an individual prior to allowing access to an electronic service.

• **User Authorization** involves verifying that an authenticated user has permission to access specific electronic services and/or perform certain operations.
ELECTRONIC SIGNATURES, ELECTRONIC TRANSACTIONS AND ELECTRONIC RECORD MANAGEMENT POLICY

Permissible Types of E-Signatures Explained

The permissible types of e-signatures are explained below.

- **Name Typed into a Document:** When signing a document electronically online, a showing of intent to enter into an agreement is required to create a binding electronic record. A document needs to be tied to the signature itself with a statement (e.g., “I agree” or “I accept”) before typing in one’s name. Note: Simply providing a signature or signature block at the end of an email or electronic record without an indication of agreement will not be considered a legal signature under this policy. Note Also: Standard agreement and purchase order forms (i.e., STD. 210, STD. 213, STD. 213A, STD. 215 and STD. 65) already contain sufficient indications of agreement and may be signed as written.

- **FI$Cal Approvals:** Electronic forms (such as “Requisition”) available in FI$Cal and some uploaded documents/forms can be approved electronically. These are approved electronic business transactions.

- **Recorded Voice:** While a voice recording could be considered an electronic signature, simple voice recordings may not establish intent of agreement. Many voice systems include an additional step such as keypad verification to confirm agreement. To use a recorded voice as an e-signature, it must:
  - Be associated with the speaker;
  - Be associated with a specific document or record;
  - Show evidence of the speaker’s intent to be bound to the terms and conditions in that specific document or record;
  - Be captured in electronic format.

- **Personal Identification Number (PIN) or password:** When using a PIN or password for an e-signature, a person accessing an application is requested to enter identifying information, which may include an identification number, the person’s name and a "shared secret" (called "shared" because it is known to
both the user and the system), such as a PIN and/or password. The system checks that the PIN and/or password is indeed associated with the person accessing the system and "authenticates" the person. Sometimes the entry of some personal information (e.g., name, date of birth or gender) along with the PIN and password is also required.
For low risk or low value transactions, the person may define a PIN and/or password after supplying minimal identifying information that may or may not be verified. The strength of the password can provide additional security. Medium and high risk transactions often require a password consisting of a combination of letters, numbers, and special symbols at least eight (8) characters in length. The user might be forced to authenticate using a security token, a digital certificate, and/or a secondary password.

- **Digitized Image of Hand Written Signature**: A digitized signature is a graphical image of a handwritten signature. Some applications require a person to create a handwritten signature using a special computer input device, such as a digital pen and pad. Digitized signatures are most often used in face-to-face consumer transactions using credit cards. Some applications can compare the digitized representation of the entered signature with a stored copy of the graphical image of the signature. A digitized signature may be another form of shared secret known both to the person and to the system. Forging a digitized signature can be more difficult than forging a paper signature because the technology that compares the submitted signature image with the known signature image is more accurate than the human eye.

- **Biometrics**: Individuals have unique physical characteristics that can be converted into digital form and then interpreted by a computer. Among these are voice patterns, fingerprints, face recognition, DNA, palm print, gait analysis, hand geometry, retinal scanning, and/or iris recognition. In this approach, the physical characteristic is measured (by optical reader, microphone, or some other device) and converted into a digital form or profile. These measurements are compared to a profile of the given biometric stored in the computer and authenticated beforehand as belonging to a particular person. If the measurements and the previously stored profile match, the software will accept the authentication and the transaction is allowed to proceed.

- **Digital Signatures**: There are two main types of digital signatures, one using Symmetric Cryptography and the other using Asymmetric Cryptography. The California Secretary of State has required that digital signatures can only be
certified by entities that are on its approved list of Digital Signature Certification Authorities. See California Code of Regulations, Title 2, § 22003(a)(6)(B).
Permissible Types of E-Signatures Explained (Cont.)

(New 8/2018)

- **Shared Private Key (Symmetric) Cryptography:** In this e-signature method, a person electronically signs using a single cryptographic key that is not publicly known, for authentication purposes. The same key is used to sign a document and verify the signer's identity, and is shared between the signer and the entity hosting the transaction requiring the signature.

- **Public/Private Key or (Asymmetric Cryptography):** To produce a digital signature, two mathematically linked keys are generated—a private signing key that is kept private, and a public validation key that is publicly available. The two keys are mathematically linked, but the private key cannot be deduced from the public key. The public key is often made part of a "digital certificate," which is a digitally signed electronic document binding the individual's identity to a private key in an unalterable fashion. Digital signatures are often used within the context of a Public Key Infrastructure (PKI) in which a trusted third party known as a Certification Authority binds individuals to private keys and issues and manages certificates.
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Note: Building and Property Management sections 1330 through 1330.8 moved to Chapter 1330 in September 2016
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<thead>
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The Department of General Services (DGS), Real Estate Services Division (RESD) offers a full range of real estate and property management services to all state agencies. RESD is dedicated to providing effective, high quality and value-added services to our customers and incorporates all organizational elements necessary to provide these services to customers.

The Asset Management Branch (AMB) is the initial point of contact for all new requests for services from RESD. New project requests are submitted from the customer agency to AMB via Global CRUISE: RESD’s electronic project request system. To obtain a Global CRUISE user account, access http://globalcruise.dgs.ca.gov/ and click on the “Click here to create a user account” link. For assistance with Global CRUISE, contact the AMB Customer Services Management Unit at 916-376-1800. Customer Services Managers are assigned by agency and are available to provide needed assistance and training. Additionally, the “HELP” tab in Global CRUISE includes a handy user guide.

Additional information on the RESD’s services and operations may be obtained from the RESD homepage located at http://www.dgs.ca.gov/resd/Home.aspx or by telephone at 916-376-1800.

ORGANIZATIONAL STRUCTURE

(Revised 9/2016)

The organizational structure for RESD is composed of the Deputy Director, Assistant Deputy Director, and four branches:

Asset Management Branch (AMB) SAM Section 1310
Project Management and Development Branch (PMDB) SAM Section 1320
Construction Services Branch (CSB) SAM Section 1328

Note: Building and Property Management Branch was renamed the Facilities Management Division in July 2016 and its descriptions and functions are found in Chapter 1330 as of September 2016.
**Asset Management Branch (AMB)**

The Asset Management Branch (AMB) is the first point of contact for state agencies requesting RESD services and is a liaison to RESD for state agencies. AMB reviews new project requests to ensure RESD services are provided from a statewide, strategic asset management perspective and reflect state management, policy, and statutory priorities. Additionally, AMB manages occupancy in state-owned, DGS-controlled office buildings, develops regional plans for future state office requirements, identifies and implements value enhancement solutions for selected surplus properties, sells or exchanges other state-owned surplus real estate in an “as is” condition, and negotiates the long-term ground lease of underutilized properties in order to generate revenue for the General Fund. The Statewide Real Property Inventory (SPI) is managed by staff in AMB. SPI is a comprehensive statewide inventory of all real property held by the State of California.

**Project Management and Development Branch (PMDB)**

PMDB includes all of the architectural and engineering services, space planning and interior design, leasing, lease management, real estate sales and acquisitions, energy and environmental services, and other related competencies such as seismic retrofits, toxic site investigation and hazardous materials remediation.

**Construction Services Branch (CSB)**

CSB provides construction management, code and contract document compliance inspection services for construction projects undertaken by the state.
SAM – REAL ESTATE SERVICES DIVISION ASSET MANAGEMENT BRANCH PROGRAM
SUMMARY, RESOURCES, AND CONTACTS 1310

(Revised 6/2014)

The Asset Management Branch (AMB) ensures the optimum use of the state’s real estate
assets to meet program needs and to derive the maximum value from the state’s surplus
property. AMB also provides regional and facility planning services which present strategies
for most effectively meeting the state’s office space needs.

AMB’s Customer Services Management unit is the initial point of contact for requesting new
RESD projects. The Customer Services Manager (CSM) serves as a liaison to RESD for state
agencies. Customers seeking RESD services should contact their RESD CSM or call the
Customer Services Management unit at (916) 376-1800.

More information about the Asset Management Branch is available on the AMB website at:
http://www.dgs.ca.gov/resd/Programs/AssetManagement.aspx or by telephone at (916)376-
1800.

ORGANIZATIONAL STRUCTURE 1310.1

(Revised 6/2014)

The Asset Management Branch is made up of the Portfolio Management and Asset
Enhancement sections.

PORTFOLIO MANAGEMENT SECTION 1310.2

(Revised 6/2014)

The Portfolio Management Section is the initial point of contact for new RESD projects and
serves as a liaison to RESD for state agencies.

Customer Services Managers (CSMs) are assigned by agency and are the central point of
contact to RESD. CSMs review incoming CRUISE requests for completeness and direct each
request to the appropriate branch for project execution. This unit maintains an understanding
of the customer’s programs, real estate and facility requirements, and assists with
collaboration among RESD programs.

Regional Portfolio Managers (RPMs) review all project requests to ensure RESD services are
provided from a statewide, strategic asset management perspective and reflect state
management, policy and statutory priorities. The RPMs also maintain a profile of the state’s
real estate portfolio by managing the utilization of space in a state-owned or DGS-controlled office building, assisting agencies with planning short and long term real estate needs, and developing regional plans for future state office requirements.

While managing space assignments in state facilities pursuant to the State Administrative Manual Management Memo 04-17, the following terms and conditions in the DGS Building Occupancy Policy (Policy) pertain to state agencies (occupant agencies) that hire from the DGS certain premises with the appurtenances situated in various cities within the State of California. Occupant agencies are assigned space subject to the terms contained in the Policy, Building Rules and Regulations, Space Assignment GS 4091, legislative mandates, and any and all applicable State of California statutes, policies, and regulations.
Capitol Area Plan. This plan is the official master plan, approved in statute, for development of state-owned property proximate to the State Capitol Complex and Capitol Park. Progress reports are submitted to the Legislature annually.

Major Metropolitan Regional Planning Areas.

1. Sacramento/East Yolo Counties
2. Los Angeles County (excluding Long Beach)
3. San Francisco Bay Area
4. San Diego County.

Other Regional Planning Areas.

1. San Joaquin Valley
2. Upper Sacramento Valley
3. South Central Coast
4. North Coast
5. Orange County
6. San Bernardino/Riverside Counties
7. Santa Clara/Contra Costa/East Alameda Counties
8. Long Beach
Pursuant to Article XIII C & D of the California State Constitution, California state agencies may be subject to assessments levied by local government agencies on real property that receives a special benefit. Said Articles were added to the Constitution as a result of Proposition 218 which received voter approval in the November 1997 election. DGS developed SAM Section 1310.4 per Government Code Section 53752, which provided that compliance standards be developed to inform owners of state property of their duties and responsibilities with regard to Article XIII.

Existing law, Government Code Section 53752, prescribes specific procedures for notice, protest, and hearing for the levying of new or increased assessments by local government agencies pursuant to Article XIII D of the California Constitution. These statutory procedures supersede other statutory provisions applicable to the levying of these assessments and are subject to the approval process set forth in Section 4 of Article XIII D of the California Constitution.

Upon receipt of an invoice, statement, tax bill or other notification with a line item assessment or information pertaining to the development of an Assessment District, all state agencies are required to review the information and obtain its legal council's opinion in determining if the Assessment District was constituted pursuant to the procedures prescribed by law and further evaluate whether or not the state property within the district receives a special benefit. Agencies receiving bills from districts constituted prior to 1996 should verify that the districts have gone back and followed the procedures established in current law which would allow the state’s participation. If the validity test is met, then the state agency which owns or controls the property is required to promptly pay its share of the assessment. Management Memo 05-17, Assessments Levied by Local Government Agencies, describes the DGS policy with regards to Local Government Assessments. Procedures to determine if the state is required to participate in proposed or existing Business Improvement or Special Assessment Districts can be found at Business Improvement Districts and includes the Assessment District Questionnaire (to be completed by a state agency when participating in an Assessment District).

ASSET ENHANCEMENT SECTION

The Asset Enhancement staff identifies and implements value enhancement solutions for unused or underutilized state-owned properties. This section is responsible for the disposition of state-owned real property which has been declared surplus to future state needs.
Surplus land refers to land acquired by the state through purchase, condemnation, or donation, which is no longer needed for any state purpose.

Identification of Surplus State Lands—(Responsibility of state agencies)

_Government Code Section 11011_ et seq. requires each state agency to annually review all proprietary lands under its jurisdiction to identify and report to RESD any land that is excess to the agency’s foreseeable needs.

Reporting of Surplus State Lands—(Responsibility of DGS)

DGS is required to annually report to the Legislature the lands identified as excess by state agencies and request authorization to dispose of the lands by sale or otherwise.

The Annual Report to the State Legislature on Surplus Proprietary Land is prepared by – AMB’s Asset Enhancement Section. This report provides information about the excess properties submitted by agencies. It also serves as the basis for DGS sponsored legislation each year to obtain authorization to carry out the disposal of surplus properties.

Disposing of Surplus State Lands

After the Legislature authorizes the disposal of surplus properties, AMB’s Asset Enhancement Section performs the activities necessary to carry out the sale, lease, exchange, or other disposition.

STATEWIDE REAL PROPERTY INVENTORY 1310.7

(Revised 6/2014)

The DGS’ Responsibility

DGS is required to maintain a complete and accurate statewide inventory of all real property held by the State of California. This is called the Statewide Real Property Inventory (SPI) and is a comprehensive database of all state proprietary land holdings.
Agency’s Responsibility

State agencies that acquire, encumber, or dispose of real property are required to provide information to DGS for inclusion in the SPI and routing to the Secretary of State Archives. For assistance in determining the appropriate documents to be submitted, contact RESD’s SPI Unit at (916) 375-4052.
The mission of the Project Management and Development Branch (PMDB) within RESD is to deliver quality, cost effective and timely real estate services to State Agencies. This includes management of the planning, design and construction of major and minor capital outlay projects and leasing projects within the scope, budget, and schedule that meet the program requirements of our clients and the authorization of the Legislature. This may be done either through the capital outlay process or alternative forms of delivery. The PMDB services also include architectural and engineering, space planning and interior design, leasing and lease management, real estate sales, appraisals, acquisitions, energy and environmental services (including toxic site investigation and remediation) etc.

The SAM Sections 6801 through 6899 provide a detailed explanation of PMDB’s role in the state’s capital outlay process.

The RESD’s Asset Management Branch AMB is the initial point of entry for requesting new services online through CRUISE (Customer Requests: Upgraded Information Sharing Environment): http://www.webapps.dgs.ca.gov/resd/cruise

State Agencies use CRUISE to submit requests for RESD services.

Additional information on PMDB’s services and operations may be accessed from the RESD homepage located at www.dgs.ca.gov/resd. PMDB contact information:

Project Management and Development Branch Real Estate Services Division
707 Third Street, 4th Floor West Sacramento, CA 95605 916-376-1700
(IMS Code Z-01)
The services provided by PMDB include:

**Real Estate Leasing and Planning**
Provides services to assist state agencies in acquiring leases for office, warehouse, labs, and other specialized facilities in privately owned buildings. These services include space planning, lease negotiation, execution and lease management services. See SAM Section 1322 for more details.

**Real Property Services**
Provides appraisal services, appraisal review, acquisition services, real property transaction review, leases of State-owned property, and telecommunications leases to State agencies, and executes the sale of surplus state-owned property. See SAM Section 1323 for more details.

**Architecture and Engineering Services**
Provides in-house architectural services, civil engineering, structural engineering, mechanical engineering, electrical engineering. PMDB prepares cost estimates for all phases of construction projects including change order estimates, value engineering and estimates of project fees.

**Program and Project Management**
Provides management of large and/or complex projects and programs including capital outlay projects and programs, design-build, lease build-to-suit, special repairs, hazardous materials assessments and remediation, underground storage tank programs, and energy projects. Strategic planning, budgeting, estimating,

**Energy and Sustainability**
(Moved to Chapter 1800, September 2016)

**Environmental Services**
The Environmental Services program provides environmental due diligence studies and compliance, including the preparation, review and oversight of Environmental Impact Reports/Statements, Initial Studies/Negative Declarations, and permits as required by the
California Environmental Quality Act (CEQA), the National Environmental Policy Act (NEPA), and other environmental laws; hazardous materials assessments and remediation, consultation/permitting with regulatory agencies, and construction monitoring. See SAM Section 1325 for more details.
SAM – REAL ESTATE SERVICES DIVISION

TRANSFER OF FUNDS TO THE ARCHITECTURE

REVOLVING FUND (RESD FORM 22) 1321.1

(Revised 6/2014)

For clients using the Architecture Revolving Fund (ARF), the client agency must first transfer the funds to the ARF via RESD Form 22 before design and construction support services can be provided. DGS/RESD will prepare and provide the completed Form 22 to the client agency for their approval and subsequent submission to the Department of Finance for funding approval.
Except as otherwise noted in Public Contract Code Section 10107, the erection, construction, alteration, repair, or improvement of any state structure, building, road, or other state improvement of any kind is generally under the sole charge and direct control of DGS. **Exceptions** from this requirement may be granted if DGS determines its services in connection with such projects are not required. When state agencies request authorization to carry out a project that meets the requirements of Public Contract Code Section 10108 or 10108.5, they must use the Request for Project Undertaking by State Agency (**RESD Form 23**). Note: All projects must be reviewed and signed by the appropriate requesting agencies before the Form 23 is submitted to DGS. See SAM Appendix A-2 for a copy of the Request for Project Undertaking by State Agency (**RESD Form 23**).

[Click here for instructions on completion of the Form 23.](#)
AGENCIES WITH SEPARATE AUTHORITY TO UNDERTAKE PROJECTS

(Revised 12/2014)

The following agencies have authority to execute projects without DGS review or oversight:

<table>
<thead>
<tr>
<th>Agency</th>
<th>Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of State Harbor Commissioners</td>
<td>Department of Water Resources</td>
</tr>
<tr>
<td>Department of Boating and Waterways</td>
<td>Regents of the University of California</td>
</tr>
<tr>
<td>Department of Transportation</td>
<td>Trustees of the California State University and Colleges</td>
</tr>
<tr>
<td>Community Colleges</td>
<td>CalFire (as determined on a project by project basis by DOF)</td>
</tr>
</tbody>
</table>
The RESD is responsible for developing and implementing planning and design standards and determining space needs for state-owned and leased facilities. The following table delineates the maximum space allowances and space types for each job category. The allowances indicate net square feet and do not include space for circulation and special requirements outside the office/workstation space. These standards are general guidelines and can be modified and developed to meet specific job requirements of individual agencies and their employees.

Once an agency’s design standards and space allocations have been developed and approved by RESD, any modifications must be reviewed and approved by RESD.
### STATE SPACE ALLOWANCES STANDARDS 1321.14 (Cont. 1)
(Revised 12/2002)

<table>
<thead>
<tr>
<th>Job Category</th>
<th>Examples of Typical Job Titles</th>
<th>**CF Private</th>
<th>** CF Open</th>
<th>**CF Group</th>
<th>**MSF Open</th>
<th>**MSF Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive</td>
<td>Cabinet Secretary, Agency Administrator, Board Chairperson, Department Director, Commissioner</td>
<td>300</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administrator</td>
<td>Deputy Director, Asst. Director, Executive Secretary, Dept./Division Chief, Branch/Office Chief, Board Member</td>
<td>200</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Managers</td>
<td>Bureau Chief, Deputy or Asst. Chief, Section Head</td>
<td>150</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Managers</td>
<td>Dept. Administrative Officer or Fiscal Officer, middle managers</td>
<td>150</td>
<td>150</td>
<td>112</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supervisors*</td>
<td>Supervisor of Large Unit (10 or more)</td>
<td>125</td>
<td></td>
<td>96</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supervisors*</td>
<td>Supervisor of Small Unit (9 or less), Asst. Unit Supervisor, First-Line Supervisors</td>
<td>110</td>
<td></td>
<td>96</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Attorneys***</td>
<td>Attorney</td>
<td>150</td>
<td>100</td>
<td>100</td>
<td>80</td>
<td>80</td>
</tr>
<tr>
<td>Technical Professionals</td>
<td>Architect, Engineer</td>
<td>100</td>
<td>80</td>
<td>80</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* The need for privacy and confidentiality of personnel/labor relations issues should be considered through the effective location and configuration of work stations or placement of quiet rooms.

Rev. 380
** Definition of Terms

*** Applies to Trial Attorneys only, unless justification is submitted to RESD for review and approval
## State Space Allowance

<table>
<thead>
<tr>
<th>Job Category</th>
<th>Examples of Typical Job Titles</th>
<th>**CF Private</th>
<th>** CF Open</th>
<th>**CF Group</th>
<th>**MSF Open</th>
<th>**MSF Group</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Working Professionals</strong></td>
<td>Analyst, Accountant, Social Service Worker, Business Service Officer, Correctional Officer, Referee</td>
<td>100</td>
<td>100</td>
<td>64</td>
<td>64</td>
<td></td>
</tr>
<tr>
<td><strong>Clerical Supervisors</strong>*</td>
<td>Clerical Supervisor</td>
<td>75</td>
<td>64</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Clericals</strong></td>
<td>Account Clerk, Office Technician, Office Assistant, Stock Clerk</td>
<td>75</td>
<td>60</td>
<td>64</td>
<td>40</td>
<td></td>
</tr>
</tbody>
</table>

* The need for privacy and confidentiality of personnel/labor relations issues should be considered through the effective location and configuration of work stations or placement of quiet rooms.

** Definition of Terms

*** Applies to Trial Attorneys only, unless justification is submitted to RESD for review and approval
CF         Conventional Furniture: Freestanding furniture used to make up a workstation, whether in traditional open office design.

MSF        Modular Systems Furniture: System of interconnecting acoustical panels and hang-on components used to make up a workstation. Used in open office design.

Private    One person, individual, hard wall constructed office for classifications indicated. The RESD staff is available to work with agencies to prepare justifications for exceptions to these standards.

Open       Office design with a minimum of private offices. Emphasizes flexibility of reconfiguration, uses MSF or screens and conventional furniture.

Group      Hard wall constructed office with two or more persons sharing the working area. Used with compatible work functions.

Throughout the design process, RESD Space Planners shall work with the client to establish allocations of personal and programmatic storage and file space for each employee as appropriate to the selected strategies.

*** Applies to Trial Attorneys only, unless justification is submitted to RESD for review and approval.
RESD shall assist agencies/departments in the design of office space through the use of appropriate Alternative Officing (AO) methodologies to better utilize existing and proposed space and to support employee alternative work schedules. AO strategies are:

**Universal Plan**  Standardized design of workstation area that allows departments to move people rather than furniture.

**Team Space**  Open workspace arrangement involving workstations with fewer, lower partitions to facilitate communication and collaboration.

**Shared**

**Workspace**  Two or more employees sharing a single, assigned workspace either during the workday or on different shifts or schedules.

**Teleworking**  Employees work at home, fielded offices or designated Teleworking Centers one to five days a week on either a formal or informal schedule.

**Satellite Office**  A full service office location used by full-time employees living nearby.

**Free Address**  Non-dedicated, unassigned workspace at an agency/department location available to the employee on a first-come, first served basis.

**Hoteling**  Non-dedicated, unassigned workspace at an agency/department location reserved by the employee via a designated coordinator, on an as-needed basis.
Requests for space planning and alteration design services (excluding maintenance or repair) to state-leased or state-owned office and warehouse space, relocatable buildings, and trailers shall be submitted to AMB via CRUISE. Requests to increase or decrease space shall be accompanied by a Space Planning Data form, RESD Form 4083.
This policy and procedures sets forth for state agencies (departments) wishing to acquire Modular Systems Furniture (MSF). MSF utilizes components including panels, work surfaces, storage, and accessories that can be configured in a variety of combinations to create workstations.

It is the policy that surplus MSF will be utilized to the greatest extent possible by Executive Branch departments wishing to acquire MSF. This policy is in concert with Public Contract Code Section 12153 that authorizes the Department of General Services (DGS) “to draft, establish, and implement policies that ensure the procurement and use of recycled resources.”

As described in Management Memo 11-01, “Cost-Effective Use of Surplus Property,” departments wishing to acquire MSF must first contact the DGS Office of Fleet and Asset Management (OFAM) to determine if surplus MSF will meet their needs.

If OFAM notifies the requesting department that its needs cannot be met using surplus furniture, the department is to contact California Prison Industry Authority (CALPIA) for the purchase of revitalized furniture. If CALPIA revitalized furniture is not available, the department will work with the DGS Real Estate Services Division project manager (DGS project manager) to submit a CALPIA form titled, “CALPIA Request for Modular Systems Furniture” to CALPIA.

If CALPIA accepts the project, it will notify the DGS project manager, and the project will then proceed through coordination of the design, purchase, manufacturing, shipping, installation and final completion phases. Tenants are cautioned about altering or redesigning office layouts without the assistance of RESD to prevent code violations (Fire and Life Safety Codes, Americans with Disabilities Act or Industrial Relations regulations) and to maintain the functional integrity of the office plan.

CALPIA may indicate on the request form that it is waiving the project because either it cannot meet the department’s needs, or it has scheduled or scope concerns. If CALPIA waives the project, the requesting department, with assistance from the DGS project manager, may contact the MSF vendor designated in the current DGS Open Office Panel Systems contract.

(Continued)
OBTAINING A DGS EXEMPTION

The process for obtaining a DGS exemption is:

1. The requesting department sends a written exemption request to the DGS project manager. This request must:
   a. be addressed to the DGS Director;
   b. include a compelling argument for the exemption; and
   c. be signed by the requesting department’s director or his/her designee.

The request will be part of the complete package forwarded to the DGS Director for final determination.

The requesting department, with assistance from the DGS project manager, determines the cost of the MSF by requesting a Cost Comparison Estimate (CCE) from both CALPIA and the DGS Master Contract Vendor (Vendor). A description of the information that must be provided to CALPIA and the Vendor can be found at:

2. The project information referenced above is concurrently submitted to both CALPIA and the Vendor via electronic mail (email).

Within two weeks of the request, and based on the project information provided by the requesting department, CALPIA and the Vendor will each submit a MSF CCE package (for evaluation purposes only) to both the requesting agency and to the DGS project manager. The specific information that must be provided by CALPIA and the Vendor in the CCE package can be found at:

3. The MSF CCE package shall be final upon receipt by the requesting department. No subsequent modifications or adjustments to the MSF CCE will be accepted. The unit
pricing and discounted rate in the MSF CCE shall be effective for the duration of the designated project. The DGS project manager will assist the requesting department in evaluating the CCE package for procedural compliance.

4. After review by the requesting department and the DGS project manager, the two completed CCE packages will be forwarded to the DGS Director or his/her designee, along with the written exemption request from the requesting department, to determine the disposition of the exemption request.

5. The DGS Director's decision will be sent to each MSF provider and the requesting department within two weeks of the submittal to DGS Director, unless otherwise instructed by DGS.

** See Management Memo 15-05 for additional information **
State Fire Marshal. Plans and specifications for new space and for alterations to existing space must be submitted to the State Fire Marshal for code compliance review and approval before commencement of alterations. PMDB obtains approval for all projects that it executes.

Health and Safety Code Compliance. Projects undertaken by the RESD meet all applicable regulations of the Department of Industrial Relations, Department of Health Services, and the Occupational Safety and Health Agency. The RESD’s state leased space complies with local building and fire codes and state-owned space complies with Title 24 as administered by the State Fire Marshal.

Seismic Certification. All buildings considered for occupancy by the state must meet a seismic performance objective of substantial life safety as outlined in FEMA 178, or meet 75 percent of the current building code.

American with Disabilities Act Requirements. All state facilities must comply with the requirements of the Americans with Disabilities Act (ADA) access guidelines and Title 24 accessibility requirements. Current regulations are found in the California Administrative Code, Title 24, State Building Standards, and the Americans with Disabilities Act. PMDB coordinates the review and approval of plans by the Division of State Architect’s Access Compliance Unit for projects in state-owned facilities.

Projects in leased facilities are reviewed by PMDB for conceptual compliance with the ADA and Title 24 during the preparation of preliminary plans. Final compliance of the construction documents and completed facility is the responsibility of the building owner/lessor.
The Real Estate Leasing and Planning Section (RELPS) provide real estate services under the broad authority assigned to DGS for centralized business management functions. RELPS consists of two primary units: Leasing Services and Lease Management Services. RELPS mission is to contribute to the success of customer agencies and to the prosperity of all Californians by making the best use of the state’s real estate assets and providing quality facilities for state operations in the most effective manner.

AMB is the initial point of entry for requesting leasing services. Request for new leases, amendments to existing leases, or renewals for offices, warehouses, or other facilities are to be submitted via CRUISE, approved by someone specifically authorized by the requesting agency. For assistance with Global CRUISE, contact the AMB Customer Services Management Unit at 916-376-1800. Agencies should allow as much lead time as possible when submitting their request (18 months for new existing space and 36 months for a build to suit) and they should provide full information about staffing, functions to be conducted, and any special requirements or equipment to be housed. Staffing information and rental budget may require confirmation by the Department of Finance (DOF).
Privately owned space. The RELPS Leasing Services Unit provides services to assist state agencies in leasing office, warehouse, labs and other specialized facilities in privately owned buildings pursuant to the statutory authority contained in Government Code Section 14669. In carrying out RELP’s responsibility for leasing privately owned space, the Leasing Services Unit performs the following functions:

1. Initiates, negotiates, bids, and executes leases of real property for use by state agencies, including lessor financed, build to suit projects, and related amendments, extensions, and terminations related thereto.
2. Performs ongoing administration of leases to enforce compliance with lease terms and conditions.
3. Initiates, negotiates, bids, and executes leases with purchase options for modular buildings.

State-owned space. Responsibility for the assignment, design, and alteration of space in state-owned office buildings controlled by DGS is assigned to the RESD PMDB, (SAM Section 1320) in coordination with the AMB and the BPMB. See SAM Sections 1310 and 1330 for information on these Branches.

Department of Finance Approval

**DOF** approval is required if either of the following conditions exist:

1. Rental costs (excluding one-time costs) as determined by RELPS are estimated to exceed $300,000 in any year of the firm term of the lease. (Lease renewals are exempt unless a 10 percent or greater space increase or budget augmentation is required.)

2. The requesting agency will require a budget augmentation for any year within the firm term of the proposed lease. One-time costs associated with the space request, including moving, equipment, furniture, telephones, and data processing related costs must be considered.

During the development of a project, if it is determined that the actual costs are going to exceed DOF approved level initially estimated by RELPS, additional review and approval of DOF is required prior to execution of the lease.

(Continued)
Sublease of State-Leased Space—Leased space that becomes excess to the tenant agency’s operations maybe considered for sublease to other governmental or private sector tenants only after it has been determined that the space cannot be used by another state agency and the lease cannot be terminated by the state.

Requests for subleasing space should be submitted to AMB via CRUISE.

Interagency Agreement—An agency proposing to make a portion of its leased space available to another state agency should prepare an Interagency Agreement form, STD. 13.

Requests for Warehouse or Storage Space—All requests for new warehouse or storage space exceeding 2,000 square feet will be reviewed by RELPS and the DGS Procurement Division, Material Services Section. They determine how an agency’s needs can be accommodated, or if other alternatives exist, for example, the use of DGS Transit Storage warehousing services.

Leasing Market Information—RELPS leasing staff are familiar with rental rates and market conditions in most locations throughout the state, and often are knowledgeable about specific properties. In addition, RELPS has contracted with private brokerage firms in metropolitan areas to assist in the solicitation and selection of potential buildings for state agencies.

Food Preparation and Vending Machines—The Department of Rehabilitation (DOR) has priority for providing all food service facilities on state property. Tenant agencies must pay all costs for the construction of the facility, the monthly rental for the space, and utilities. Before vending machines may be installed in space that is controlled by the state, the department with control of the space must contact the Business Enterprise Program (BEP) located in the DOR. If the BEP elects not to provide the service, vending machines may be installed by another entity.

All vending machine income, including commissions from those machines, must be forwarded to BEP pursuant to Welfare and Institutions Code Sections 19625 and 19630. A copy of the contract with the vending machine operator must be forwarded to DOR as soon as it is fully executed.

California Environmental Quality Act (CEQA) CEQA requires consideration of the environmental impact of specific state projects, which includes office leasing. It is generally the responsibility of the requesting agency (lead agency) to comply. The Environmental Services program in PMDB is available on a fee basis to handle CEQA filing requirements. See SAM Section 1320 for more details.
The RELPS manages all leases executed by DGS on behalf of state agencies. This includes post occupancy activities that are necessary to ensure lease compliance by lessor and state agencies, the administration of escalation clauses, and the legal administration of ownership changes, address changes, and assignments. In emergency situations involving the health and safety of tenants, the agency should take immediate and necessary action to address the situation, contacting RELPS as soon as practical. Examples of such emergencies are: fire; broken water pipes and plumbing overflows; the presence of toxic, explosive, or noxious fumes or vapors; vandalism, and broken locks or glass.

Facilities Development Overview Training for Client Agency Personnel – Training that covers information and instructions on procedures to request new or additional leased space is recommended. It is available in a two-day course specifically designed for state agencies’ business and facilities staff assigned to work with RELPS in the development of leased space. A course manual is available which provides detailed information for all aspects of leased facilities development. For more information about this course, contact RESD Training Coordinator at (916) 376-1853 or 376-1854.
The Real Property Services Section (RPSS) offers a full range of real estate and property management services to all state agencies. The RPSS serves as the state’s agent in the acquisition and disposal of state-owned real property for many state agencies, providing centralized services in the following areas:

- Site selection
- Leasing of state-owned property
- Appraisal review
- Appraisal review
- Relocation assistance
- Surplus property sales
- Property management
- Review of real estate transactions conducted by other state agencies
- Appraisal
- Due diligence studies for verification of title
The Asset Management Branch is the initial point of entry for real estate services. To request real estate services, agencies submit a request via CRUISE. See Section 1300 and 1310.

Leasing State-Owned Real Property to Others.

The Director of DGS, with the consent of the state agency concerned, may lease state-owned real property to others for a period not to exceed five years. Leases of state-owned property are required to reflect fair market rental, with certain exceptions. Leases of state-owned real property for radio and television purposes (telecommunications leases) and other specified uses may exceed the five-year limit. When space permits, agencies may request that space in state facilities be leased to financial institutions in order to provide for Automated Teller Machines.

General Competitive Bidding Requirement for Leases of State-Owned Property.

Competitive bids shall be solicited for new leases or renewal of existing leases of state-owned real property, except for the following:

1. Leases where prior approval has been received from DGS to lease without solicitation and at a rental rate consistent with fair market value.
2. Renewal of a lease for up to three five-year extensions where prior approval has been received from DGS and at a rental rate consistent with fair market value.
3. Leases to nonprofit organizations.
4. Leases to governmental agencies.
5. Telecommunications leases.

Commercial Advertising Signs.

There are restrictions regarding commercial advertising signs on state property. To obtain guidelines before entering into a lease for signage, clients may contact DGS.
The DGS has the general responsibility for approving the acquisition of real property, including exercising purchase options, for nearly all state agencies.

**Appraisal of Real Property, Agencies with Real Estate Staff.** The RPSS prepares appraisals of real property or specific property rights upon request. An appraisal review is an independent review of real estate appraisals that ensures the appraisals are prepared in conformance with accepted appraisal principles and techniques.

**Acquisition of Real Property, Agencies without Real Estate Staff.** As a full service real estate organization, RPSS can carry out all the necessary activities to acquire real property on behalf of state agencies. The RPSS can also provide advice and assistance to blend the efforts of agency staff and PSB staff when appropriate.

**Acquisition of Real Property, Agencies with Real Estate Staff.** Some state agencies have authority, staff resources, and expertise to carry out their own property acquisitions. In these cases, the RPSS provides procedures for agencies to use. (Note: The procedures do not apply to acquisitions by the Department of Transportation or to the Department of Water Resources.)

**Role of the State Public Works Board.** The State Public Works Board approves the selection and acquisition of real property on behalf of the state.

**Relocation Assistance.** Public agencies, including the State of California, are required to provide relocation assistance and benefits to persons and businesses displaced as result of a public acquisition of real property. The RPSS prepares relocation plans and entitlement reports and provides relocation assistance for state agencies upon request.

**Gifts of Real Property.** Acceptance of gifts of real property to the state is subject to the approval of the Director of the Department of Finance (DOF). Prior to DOF approval, DGS reviews certain elements of the proposed gift. The agency being gifted will furnish documentation to RPSS to facilitate the review.

**Transfers of Jurisdictions Between State Agencies.** The DGS' approval is required for transfer of state-owned real property from one agency to another. Any compensation paid shall be at fair market value at the time of the transfer. Agencies are advised to obtain an appraisal from the RPSS or a certified appraiser to determine value. A transfer of property between two agencies financed from a common fund may be made with no compensation being paid, provided approval of the DOF has been obtained, and both agencies agree to the transfer.
Posting state-owned or state-leased property in an effort to protect it from misuse, destruction, vandalism, or criminal activity is the responsibility of the agency or department who controls the property. The agency or department shall coordinate the posting of property with the California Highway Patrol.
Agencies are required to submit any proposed acquisitions of easements requiring execution or approval by the Director of DGS to RPSS. Acquisition of easements where the total amount to be paid by the state is less than $1,000 are exempt, as long as the agency uses an agreement Form previously approved in writing by RPSS.

Requests to grant easements across state property generally require execution or approval of the Director of DGS. When such approval is required agencies should not negotiate with the grantee about the terms and conditions of the proposed grant until the RPSS determines the consideration for the grant.

Landholding agencies shall consider the effect of the proposed grant upon the environment and provide RPSS with the appropriate environmental document(s). RESD can assist agencies in developing the necessary environmental documents. Agencies shall not permit potential grantee use of state lands until authorized by an executed document.
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(Renumbered 09/2016 and moved to section 1802)
The Environmental Services program has extensive experience in environmental due diligence including the preparation, review and oversight of environmental studies and documents, environmental impact reports/statements, and permits as required by the California Environmental Quality Act (CEQA), the National Environmental Policy Act (NEPA), and other environmental laws. Environmental Services staff prepares environmental documents and analyses for a full range of projects and programs such as State facilities (e.g., offices, communication towers, fire stations, hospitals, parks, museums, hatcheries, and laboratories), infrastructure improvements, environmental restoration, and regulatory programs.

CEQA requires consideration of the environmental impacts of public projects, including but not limited to those involving public works, improvements to public structures, leases and permits, and laws and plans involving such projects. It is the responsibility of the requesting agency (lead agency) to comply. Refer to the Public Resources Code 21000 et seq. for more information. The Environmental Services staffs are available on a fee basis to complete environmental studies, compliance, and State and federal requirements.

Specialized services include: (Continued)
(Continued)

PROGRAM SUMMARY  1326 (Cont. 1)

(Revised 1/2015) Specialized services include:

1. Permits and/or consultation with regulatory and environmental agencies, including SHPO, US Army Corps of Engineers, US Dept. of Fish and Wildlife, California Dept. of Fish and Wildlife, Coastal Conservancy, FAA, Water Quality Control Board, Dept. of Toxic Substances Control, local and regional agencies.

2. Site suitability studies as part of site selection and acquisition.

3. Community planning meetings, consensus building, public outreach and involvement.

4. Studies and assessments include cultural resources (archaeology, architectural history, and historic resources), biological resources (wetlands, endangered species, and stream crossings), visual impacts, traffic, air quality/greenhouse gas emissions, geology/soils, hydrology/water quality, and toxics.

5. Environmental project management, planning, budgeting.

6. Hazardous Materials investigation and remediation, Underground Storage Tank Compliance

7. Construction monitoring, SWPPP, Mitigation Monitoring and Reporting Plans
The Construction Services Branch (CSB) provides construction management and contract document compliance inspection services for construction projects undertaken by the state.

MAJOR POLICIES AND SERVICES

- Available Services
  - Quality Assurance Inspection and Testing
  - Code Inspection to Ensure Compliance with Building Codes and Regulation
  - Field Level Management of Construction
  - Change Order Estimating and Negotiation
  - After-Contract Guarantee Enforcement and Dispute Resolution
  - Administration of Construction Contracts

Contact information and additional program information on CSB’s services and operations may be accessed from our home page located at http://www.dgs.ca.gov/resd/Home/ConstructionServicesBranch.aspx
(Revised 1/2015) Statutory Authority

Government Code Section 14951 states: “The State Architect has general charge, under the DGS, of the erection of all state buildings and shall have an inspector assigned to each building during its construction.” Responsibility for this inspection has been delegated to CSB by the State Architect.

The focus of CSB is to ensure that state building and related facilities are constructed in accordance with approved design and contract documents, in compliance and applicable codes and regulations, and to the highest quality standards. CSB headquarters is located in Sacramento but area offices are strategically located throughout the state.

The CSB offers the following services:

1. Quality assurance inspection and testing
2. Code inspection to ensure compliance with building codes and regulations
3. Construction management services
4. After-contract guarantee enforcement
5. After-contract dispute resolution
Sections 1330 through 1330.8 were moved to the new Chapter 1330, DGS Facilities Management Division, in September 2016.
# SAM - DGS FACILITIES MANAGEMENT DIVISION

## Chapter 1330 INDEX

### PROGRAM SUMMARY, RESOURCES, AND CONTACTS

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Rev. 439
The DGS Facilities Management Division (FMD) manages, maintains, and operates state buildings and grounds. It is a statewide operation with management units located in major cities throughout California. Its mission is to provide tenants and the public with a safe and healthy environment in which to conduct business, and to preserve the state’s investment in real property and equipment through an efficient and effective centralized maintenance and operations program. FMD offers full building and grounds maintenance and operations, including all labor, materials, and equipment, in most locations where services are provided.

FMD’s Direct Construction Unit (DCU) is the state’s in-house construction contractor. It provides, for the use of all agencies, direct construction supervisors, casual trades crafts persons, and contracting available to provide direct construction services in case of emergency or when it has been determined to be in the best interest of the state to directly undertake the work per Public Contract Code Section 10122.

FMD services include:

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(Continued)
PROGRAM SUMMARY 1330 (Cont. 1)

(Revised 9/2016)

Information pertaining to the location and/or use of a building’s facilities and amenities (e.g., auditoriums, conference rooms, atriums, cafeteria, break rooms, restrooms, concession stands, and other rooms); building directory services and bulletin boards; building services such as elevators, office temperatures, and lighting; hazardous or dangerous conditions and other related facility related areas can be directed to the building manager’s office.

Additional information on FMD’s services and operations may be accessed from our home page located at [http://www.dgs.ca.gov/fmd/main.asp](http://www.dgs.ca.gov/fmd/main.asp). If you wish to write or call us, our mailing address and telephone number are:

Facilities Management Division Department of General Services 707 – 3rd Street, 3rd Floor West Sacramento, CA 95605 (916) 376-1902

COST OF SERVICES 1330.1

(Revised 9/2016)

Agencies pay rent for the space they use in buildings owned and operated by DGS. The rent covers regular building services, including all labor, materials and equipment. The DGS’ Price Book lists the FMD’s hourly rates for services not covered in the rent. Your building manager may be contacted to answer any billing questions. Monthly invoices are generated directly to the requesting agency for:

1. Special building services that are not included in the rent, i.e., tenant services such as locksmithing, painting, carpentry, minor repairs, etc. Charges for special services are based on costs for time and materials. Your building manager can provide information on the services included in standard and special building services.

2. Services to special-funded buildings where costs are not recovered through rent. Charges to special fund agencies who own their building(s) are based on the actual costs of providing services.

Rev. 435
When an agency determines the need for a building alteration in a DGS-owned or managed building and funding of the proposal is approved, FMD will complete the project with its in-house staff, or hire a private contractor. If a private contractor is hired, FMD will obtain contract approval/execute and supervise the completion of the job.

**USE OF BUILDINGS OUTSIDE REGULAR WORKING HOURS**

(Revised 9/2016)

The DGS-owned and managed buildings are typically in operation from 7:00 a.m. to 6:00 p.m. In light of resource conservation, personal safety, and building security concerns, agencies are encouraged to minimize the use of state buildings outside of these hours. In many buildings, use outside of the regular operation hours requires the heating or cooling of the entire building.

If your agency’s operations require use of a building outside of regular operation hours, please contact your building manager so appropriate staffing and other arrangements can be made.

**PARKING IN LOADING DOCK AREAS OF STATE BUILDINGS**

(Revised 9/2016)

Assigned parking is not permitted in loading dock areas in buildings under the jurisdiction of the DGS. Unauthorized vehicles may be towed at the vehicle owner’s expense.

**SMOKING IN STATE BUILDINGS**

(Revised 9/2016)

*Government Code Sections 19994.30-35* ban smoking, including electronic cigarettes that deliver nicotine or other vaporized liquids, in state-owned and state-leased space. This prohibition applies to any area enclosed by the outermost walls of the building. Atriums, balconies, stairwalls, and other similar building features are considered within a building.
Purchase and care of office plants are not a service of FMD. Budgetary justification, purchase, or lease of office plants by state personnel or by a service contract is the responsibility of the agency.
Display of Art, Posters, and Notices in State Buildings

(Revised 9/2016)

Posting signs, notices, or other written material in DGS-owned and managed office buildings is not allowed except on bulletin boards or other display equipment designed for this purpose. This policy is designed to prevent damage to painted surfaces and maintain a clear entry and exit. Commercial or political notices are not permitted.

Artwork displayed in lobby areas will be shown only with the approval of the Director of DGS. The director will designate a location and duration for display. If you plan a display, your justification should follow these guidelines:

1. Display will include work by more than one artist.
2. Display is not controversial.
3. Display is not commercial and/or not for sale.
4. State will not be liable for damaged or stolen artwork.

Further information on the display of artwork may be obtained by contacting your building manager. Information on the Art in Public Buildings Program can be found in Government Code Section 15813 et seq.
(Revised 9/2016)

General

Government Code Sections 420 and 430-439 provide basic information regarding the State Flag of California and the Flag of the United States. A pamphlet entitled California Bear Flag is available from DGS, Office of Procurement, Documents and Publications Section.

Information pertaining to the Flag of the United States is available at a nominal charge from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C., 20402. The Flags of the World web site also has information and links on this topic.

Purchase and Display

State law requires the State and American flags to be displayed at all state buildings when the state is the sole or major tenant of the building (occupying more than 50 percent of the available space). The flags must be flown outside the building and must be prominently placed although a freestanding flagpole is not necessarily required.

Flying any other flags outside or on state buildings will require the approval of the Director of DGS.

The responsibility for purchase and display of flags is:

1. With an individual state agency when the agency is the sole or major tenant of the building, and the building is not maintained by DGS.
2. With FMD where it manages and maintains the buildings and grounds.

Should a duly elected California official on behalf of a democratic sovereign nation or its duly appointed representative(s) request the flying of its national flag at a state building to commemorate or honor the special day, such request should be made in writing to the Director of DGS 60 days in advance of the event, when practical.

The Governor annually proclaims the third Friday of September to be known as Prisoner-of-War/Missing in Action (POW/MIA) Recognition Day. On that day the flag of the National
League of POW/MIA Families shall be flown over certain prescribed state buildings and public buildings and grounds as specified in Military and Veterans Code Section 1831.

Flying the Flag at Half-mast

Generally, the American flag is flown at half-mast at state buildings only by presidential and/or gubernatorial decree. In the event a state agency wishes to fly flags at half-mast, authorization will be obtained from their agency secretary. The state flag shall be displayed in the same manner as the American flag.
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INTRODUCTION

(Revised 12/13)

The Division of the State Architect (DSA) provides design and construction oversight for K–12 public schools, community colleges and various state-owned and leased facilities. The Division also develops accessibility, structural safety, and historical building codes and standards utilized in various public and private buildings throughout the State of California.

The DSA operates from a Headquarters office in Sacramento and four Regional Offices located in Oakland, Sacramento, Los Angeles and San Diego. The State Architect is appointed by the governor and serves a four-year term. The State Architect reports to the Director of General Services and leads the DSA.

DESIGN AND CONSTRUCTION OVERSIGHT

(New 12/13)

The DSA reviews construction projects for compliance with the California Building Standards Code, as contained in Title 24 of the California Code of Regulations (CCR). The review consists of design review (construction plans, specifications and other documents) and oversight of project construction and applies to:

- K-12 public schools
- Community colleges
- State-owned and leased essential services buildings

The DSA also provides design review for compliance with accessibility standards of the California Building Standards Code, as contained in Title 24 of the CCR, for the following:

- State facilities
- California State University facilities
- University of California facilities
The DSA charges fees for its review and oversight, which are statutorily based as a percentage of the estimated cost of the project. The fees are payable at the time of submittal of application for plan review; subsequent changes during plan review or construction may be subject to additional review fees.

For detailed information on DSA construction oversight services, including forms and publications, refer to the [DSA web site](http://www.dgs.ca.gov/dsa) at www.dgs.ca.gov/dsa.
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INTRODUCTION  1450
(Revised 12/13)

The Division of the State Architect (DSA) provides design and construction oversight for K–12 public schools, community colleges and various state-owned and leased facilities. The Division also develops accessibility, structural safety, and historical building codes and standards utilized in various public and private buildings throughout the State of California.

The DSA operates from a Headquarters office in Sacramento and four Regional Offices located in Oakland, Sacramento, Los Angeles and San Diego. The State Architect is appointed by the governor and serves a four-year term. The State Architect reports to the Director of General Services and leads the DSA.

DESIGN AND CONSTRUCTION OVERSIGHT  1451
(New 12/13)

The DSA reviews construction projects for compliance with the California Building Standards Code, as contained in Title 24 of the California Code of Regulations (CCR). The review consists of design review (construction plans, specifications and other documents) and oversight of project construction and applies to:

- K-12 public schools
- Community colleges
- State-owned and leased essential services buildings

The DSA also provides design review for compliance with accessibility standards of the California Building Standards Code, as contained in Title 24 of the CCR, for the following:

- State facilities
- California State University facilities
- University of California facilities

The DSA charges fees for its review and oversight, which are statutorily based as a percentage of the estimated cost of the project. The fees are payable at the time of submittal of application for plan review; subsequent changes during plan review or construction may be subject to additional review fees.
For detailed information on DSA construction oversight services, including forms and publications, refer to the DSA web site at www.dgs.ca.gov/dsa.
The DSA is one of several state agencies that propose changes to the California Building Standards Code, as contained in Title 24 of the CCR, through the Building Standard Commission's rulemaking process. Regulations and building standards proposed by DSA are approved and adopted by the California Building Standards Commission, which maintains the California Building Standards Code. The Commission's web site (http://www.bsc.ca.gov/Home.aspx) contains information on the code adoption process, proposed amendments and code publications.

ACCESSIBILITY STANDARDS

The DSA develops access-related building code amendments for both government facilities and privately owned public accommodations and commercial facilities. These amendments are contained in Chapter 11B of Part 2 of Title 24, CCR. The DSA coordinates its amendments with the requirements of federal Americans with Disabilities Act Standards and also maintains reference resources to assist clients in meeting accessibility standards.

For additional information on DSA services for accessibility standards refer to the DSA web site at DSA.
The DSA proposes Title 24 building regulations for structural safety applicable to California’s K-12 public schools, community colleges and state essential services facilities. In proposing these regulations, the DSA amends model building codes to meet the seismic performance objectives and administrative requirements of state law for these facilities. The DSA administrative regulations are contained in Part 1 of Title 24, CCR, also known as the California Administrative Code. Structural safety building requirements are contained in Part 2 of Title 24, CCR.

In addition to its code proposals, the DSA also issues interpretations of code, as well as policies and procedures necessary for stakeholder understanding and coordination of enforcement among the DSA Regional Offices. For a list of DSA publications refer to the DSA web site at DSA.

The State Historical Building Code (SHBC) is adopted by the State Historical Building Safety Board, which is established as a unit within the DSA. The SHBC provides regulations and standards for the rehabilitation, preservation, restoration (including related reconstruction) or relocation, as applicable, to all historical buildings, structures and properties deemed of importance to the history, architecture, or culture of an area by an appropriate local or state governmental jurisdiction.

The SHBC is contained in Part 8 of Title 24, CCR. For detailed information about the SHBC and the State Historical Building Safety Board refer to the DSA web site at SHBC.
CHAPTER 1600 INDEX

This chapter describes the state's Records Management Program, statutory requirements, and services.

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Rev. 430
The State of California Records Management Program (RMP) was established to apply efficient and economical methods to create, use, maintain, retain, preserve, and dispose of state records, including those on electronic media. Required procedures and processes and other useful information are contained in supplemental state records management handbooks, guidelines and factsheets made available to ensure the statutory requirements and objectives of the state’s RMP are met.
Public Record: State law defines a public record to include but not be limited to “…any writing containing information relating to the conduct of the public’s business prepared, owned, used, or retained by a state or local agency regardless of physical form or characteristics…” (Govt. Code 6252(e)).

Archival Value: “…the ongoing usefulness or significance of a record based on the administrative, legal, fiscal, evidential, or historical information it contains, justifying its permanent preservation.” (Govt. Code 12271(b))

See the Record Management Handbook for additional terms, and definitions.
The State of California Records Management Program

The State Records Management Act contained in Government Code Sections 12270-12279 requires the Secretary of State to:

"Establish and administer, in the executive branch of government, a records management program which will apply efficient and economical management methods to the creation, utilization, maintenance, retention, preservation, and disposal of state records" (Govt. Code 12272(a)).

The Secretary of State has assigned the development and implementation of the state's RMP to the California Records and Information Management Program (CalRIM) and State Records Appraisal Program (SRAP) within the State Archives Division. Together, these programs oversee the complete life cycle of public records from record creation to disposition via either transfer to the State Archives or destruction.

Understanding the life cycle of a record, establishing appropriate record retention periods, and support from upper management are all key to sound records management and the preservation of records with archival value.

Records at Risk

The Secretary of State has the authority to take possession of records at risk:

“Notwithstanding any other law, a record held in the State Records Center or by a state agency determined by the Secretary of State to have archival value and to be at risk of damage or loss, or in poor physical condition, shall be transferred to the State Archives at the direction of the Secretary of State with notification to the head of the agency not less than 10 days prior to the transfer.” (Govt. Code 12273)

Agency Records Management Program

Government Code Sections 12270-12279, in conjunction with the rules, regulations, and standards and procedures issued by the Secretary of State, requires the head of each state agency to:
a. establish and maintain an active, continuing program for the economical and efficient management of the records and information practices of the agency;

b. identify records essential to the functioning of state government in the event of a major disaster; and
(Continued)

**STATUTORY AUTHORITY** 1602 (Cont. 1)
(Revised 6/2015)

c. when requested by the Secretary of State, provide a written justification for storage\(^1\) or extension of records in the State Records Center for a period of 50 years or more. Records deemed to have archival value will be transferred to the State Archives.

**Disposal of Records**

**Government Code 12275(a)** requires that no record shall be destroyed or otherwise disposed of by any agency of the state, unless it is determined by the Secretary of State, that the record has no further administrative, legal, or fiscal value and the Secretary of State has determined that the record is inappropriate for the preservation in the State Archives.

**Government Code 12275(b)** requires that the Secretary of State shall not authorize the destruction of any record subject to audit until he or she has determined that the audit has been performed.

**Government Code 12275(c)** requires that the Secretary of State shall not authorize the destruction of all or any part of an agency rulemaking file subject to Government Code Section 11347.3 regarding the administration of regulations and rulemaking files

\(^1\) Approval is required for department storage. Please see section 1618 for more information.
Effective September 28, 2012, the Annual Report to the Governor was abolished per SB 71.

[SEC. 67. Article 5 (commencing with Section 14760) of Chapter 5 of Part 5.5 of Division 3 of Title 2 of the Government Code is repealed.]
Although not all inclusive, some of the more pertinent responsibilities are:

1. Per Government Code 12274, and in accordance with the rules, regulations, and standards and procedures issued by the Secretary of State, requires the head of each state agency to:

   a. Establish and maintain an active, continuing program for the economical and efficient management of the records and information practices of the agency;

   b. Identify records essential to the functioning of state government in the event of a major disaster; and

   c. When requested by the Secretary of State, provide a written justification for storage or extension of records in the State Records Center for a period of 50 years or more. Records deemed to have archival value will be transferred to the State Archives.

   d. Provide all requested reports, written justifications, requests for offsite storage approval, or any other retention schedule documentation to CalRIM and/or SRAP.

   e. Dispose of, or recycle, obsolete records in accordance with approved and current Records Retention Schedules.

   f. Transfer the custody of records appropriately when a program or function is discontinued, by updating or revising the records retention schedule (see Records of a Disbanded Function or Program, SAM section 1624).

b. Assign a Records Management Coordinator to work with CalRIM, State Records Center (SRC), and SRAP staff. It is recommended that the Records Management Coordinator be assigned to staff at an SSA level or above. The agency must inform CalRIM of the staff assignment or of any changes to Records Management staff assignments within one month of the assignment change.

   2 Because records management is management driven, a coordinator at the SSA level or above will have broader knowledge of the overall agency organization and function and be able to make management-driven records management decisions.
The agency’s Records Management Coordinator is encouraged to:

1. Attend CalRIM and SRAP training within 6 months of appointment.
2. Coordinate the agency’s records management program.
3. Comply with the Records Management Act and Chapter 1600 of SAM.
4. Act as liaison between the agency and CalRIM, SRC, and SRAP.
5. Respond to questions from CalRIM, SRC, and SRAP.
6. Schedule CalRIM and SRAP training for agency staff who have records management duties.
7. Review and approve agency records retention schedules prior to submission to CalRIM.
8. Review and approve agency destruction of records stored at the SRC.
9. Carry out an annual disposition of agency records not stored at the SRC. This includes transfer of records to the Secretary of State Archives or State Record Center as well as destruction of records at the Document Destruction Center.
10. Review and approve purchase or rental of filing equipment or shredders.
11. Provide all requested reports, written justifications, requests for offsite storage approval, or any other retention schedule documentation to CalRIM and/or SRAP.
12. Distribute announcements of records management activities.

Best records management practices suggest that a records manager be given a certain amount of authority to fulfill his/her role as coordinator based on the knowledge required to understand the life cycle of a record, provide consistent execution of internal policy and procedure, as well as a basic understanding of the laws and regulations that govern state records.
The State Records Management Act identified in SAM Section 1602 requires the State Archives Division - CALRIM to:

1. Establish standards and procedures to carry out the records management program.

2. Help agencies to:
   a. Develop record series to account for forms, reports, correspondence, directives, files, as well as records in other formats, such as electronic media.
   b. Develop record series to manage retention and disposition of records: either transfer to the State Archives or disposal of records.

3. Develop general retention guidelines for records that are common to most state agencies.

4. Approve schedules that meet the records management and archives policies, procedures, regulations, and guidelines established by SAM and the Records Management handbook Receive notification when new departmental offsite storage facilities other than SRC will be used.

5. Oversee the transfer of custody of records when a function or program ends.

6. Provide records management consultation and training including:
   a. Handling of active, semi-active and inactive records
   b. Best records management practices, available guidelines, and legal requirements.
   c. Records inventory, scheduling and disposition
   d. Appropriate retention periods

7. Provide guidance and assistance to agencies on requests to purchase or rent destruction, filing, or imaging equipment.

8. Perform periodic on-site audits of agency records management programs.
With the transfer of the records management program to the Secretary of State’s Archives Division (effective July 1, 2014), the Audit Section of DGS no longer conducts periodic audits of state agencies’ records management practices. Periodic audits of state agencies’ records management practices/programs will now be conducted by CalRIM and SRAP. Reports and recommendations will be provided to the agency by CalRIM and SRAP following an audit.
The State Records Management Act identified in SAM Section 1602 requires the State Archives Division – SRAP to:

1. Review records retention schedules to identify records which have historical and research value.
2. Approve schedules that meet the records management and archives policies, procedures, regulations, and guidelines established by SAM and the Records Management handbook.
3. Provide training regarding the Archives' role and function within records management training and instruction.
4. Perform periodic on-site audits of agency records management programs for records with archival value.
5. Determine if records that have archival value are at risk of damage or loss, or in poor physical condition, and transfer them to the State Archives. Notification to the head of the agency will occur not less than 10 days prior to the transfer.
6. Provide access to state historical records and make them available to agencies and the public for reference and research under the provisions of the California Public Records Act, Information Practices Act, and other laws that restrict access to public records.
The State Records Storage Act contained in Government Code Sections 14740-14746 requires the Department of General Services (DGS) to administer a state records storage program.

The DGS - State Records Center shall:

1. Store, process, and service scheduled records for state agencies pending their deposit with the State Archives or their disposition in any other manner (Government Code section 14746 (e)).

   Note: Records transferred to the SRC must have a current and approved schedule in place. Records housed at the SRC may not be housed longer than 50 years without appropriate justification.

2. Provide agency staff access to their own warehoused records. Access to another agency’s records without written approval is not permitted.

   Note: Agencies may not establish and/or create new storage facilities outside of the SRC for their records without prior written approval from CalRIM.
Vertical Shelf Files, Office Type (Open Shelf).
Vertical shelf filing is the most efficient type and is the state's standard. Records are stored on shelves in rows, instead of in drawers. When planning a file system determine if it is feasible and economical to replace current files with shelf file systems.

Records Storage Containers:

Clean cardboard cartons are required for the storage of inactive records shipped to and stored in the SRC.

Box dimensions: height – 10", width – 12", depth – 15" (Accommodates letter and legal size files)

Only clean unused boxes will be accepted for the storage of inactive records.

RECORDS RETENTION SCHEDULE PROGRAM

Each agency must establish a Records Retention Schedule Program consistent with state and agency statutory requirements. The Records Retention Handbook (Handbook) implements statutory requirements and supplements information in SAM 1600. The Handbook covers specific procedures and areas necessary to ensure that all records produced, maintained, or disposed of by the agency are properly and timely acted upon.
Each agency must inventory its records once every five years using Records Inventory Worksheet form, STD 70. See the Records Retention Handbook for specific guidelines on how to prepare and conduct the inventory.
All state agencies must be aware of and document in the remarks column of their retention schedule the federal and state laws, rules and guidelines that determine appropriate access, retention and disposition of state records.

**Federal Programs**

If an agency is involved in a federal program, it must also follow any federal rules and guidelines when reviewing, appraising, or scheduling records.

**California State Laws**

Significant California Government and Civil Codes that affect records:

1. The Information Practices Act of 1977, beginning at Civil Code Section 1798, places specific requirements on state agencies when they collect, use, maintain, and disseminate information about individuals. This Act also comes into play when determining retention periods and disposal methods. In particular, consider the following sections of the Act:
   a. Civil Code Section 1798.14. This section requires agencies to maintain information about individuals in terms of relevance and necessity.
   b. Civil Code Section 1798.24. This section sets conditions under which information about individuals can be disclosed to third parties.

2. The California Public Records Act, Government Code 6250 et seq, detail what information is available to the public and what are not, public records open to inspection, response time guidelines, and regulations governing procedure.
CalRIM provides recommended retention periods for: Records Management, Personnel and Payroll, Delegated Testing, Fiscal, Information Technology, Administrative, e-mail, and records that are common to most offices. Use them when setting up your Records Retention Schedules form, STD 73. For the recommended retention periods, visit the section “Recommended General Records Retention” on the CalRIM Website at: http://www.sos.ca.gov/archives/calrim/.

SRAP provides a list of records that will always be kept by the State Archives, as well as a list of records that do not have archival value. Other records may require additional appraisal after they are transferred to the State Archives to determine whether they will be kept by the State Archives or appropriately destroyed. For copies of each list, visit the “Records with Archival Value” and “Records without Archival Value” on the SRAP website at: http://www.sos.ca.gov/archives/programs/state-records-appraisal/.
After you complete the Records Inventory (STD. 70), you must list your records on a Records Retention Schedule, STD. 73. This form is used as a basis for the designation of records to be retained, transferred, or destroyed in a particular records series. It also serves to identify vital, confidential, and public records. See the Records Retention Handbook for specific guidelines on how to prepare a records retention schedule.
A schedule is only considered approved once the schedule cover page (STD. 73) is signed by the agency manager responsible for the records, the agency records management analyst, a Secretary of State-CalRIM consultant and the Chief of Archives or his/her designated SRAP representative. Approved schedules are considered current for five years and can be amended within that five year period. After five years, schedules are considered active but out of compliance and will require an inventory and schedule revision to meet compliance guidelines as outlined in SAM 1600.

Only an approved, current schedule gives a state agency authorization to store records at the State Records Center.

Approved current and active schedules give state agencies authorization to transfer records to the State Archives and/or appropriately dispose of scheduled state records after the scheduled retention period.

If a record is not scheduled, pursuant to Government Code Section 12275, it “shall not be destroyed or otherwise disposed of by an agency of the state, unless it is determined by the Secretary of State that the record has no further administrative, legal or fiscal value and the Secretary of State has determined that the record is inappropriate for preservation in the State Archives”
Always amend retention periods for records on retention schedules when changes impact keeping, transferring, or disposing of agency records. Records retention schedules must be updated and revised every five years after the required inventory and review process.

To amend a scheduled retention period, add and/or delete items from records retention schedules, follow the procedures reflected in the Records Retention Handbook.

Amendments made during the five-year retention schedule cycle are not classified as revisions and the original Approval Number/Expiration Date is retained.
To the State Records Center

To transfer your records to the SRC you must first fill out a Records Transfer List, STD. 71, and send the original to the SRC. SRC staff will review each state agency transfer list for a current approval number and confirms retention period listed on the retention schedule. You must have SRC approval before sending the boxed records.

To the State Archives

a. Records stored In-house

It is the responsibility of each state agency to transfer scheduled records that are flagged for the State Archives to the State Archives at the end of the scheduled retention period. Please contact SRAP staff prior to transfer with information regarding the transfer date and quantity of records to be sent. The State Archives also uses the Records Transfer List (STD. 71) for records transferred to the Archives but does not require the form be sent in advance of the records.

b. Records stored at the State Records Center

Records at the State Records Center that have been approved for destruction by state agency staff are reviewed on a quarterly basis and may be transferred to the State Archives.
An agency may withdraw their own records from the SRC at any time. If you want to view a record that has been placed in storage by a different agency, you must first get the other agency’s permission.

To check out a stored record, fill out a SRC Reference Request STD. 76, and send it to the SRC. To make an emergency request, call the SRC.

When you no longer need the record, return it to the SRC with one copy of the STD. 76 still attached to the record.
The SRC will store microfilm, CD's, or other electronic media for state agencies in a climate controlled vital records protection vault. If any agency needs to store microfilm longer than 10 years, silver halide film must be used. Records to be kept fewer than 10 years may be on diazo, vesicular, or dry silver film. Do not store silver halide film with any other type of film.

Microfilm stored in the vault for over two years should be inspected annually. Other media should be inspected and migrated as necessary.

Contact the SRC for procedures on how to transfer, store, inspect, or retrieve records from the vault. Vault storage does not include viewing equipment. Deliveries to/from the vault are handled by the SRC. All vital records must be listed on a current and approved records retention schedule.
Agencies may not establish and/or create new facilities to store their records without prior written approval by CalRIM.
When a program or function ends, the agency must transfer the custody of the program's records. Normally the custody is transferred to another group within the department, board, commission, or council. The agency must also send a copy of a revised records retention schedule to CalRIM. This will notify CalRIM that records have been transferred.

If an entire organization within one of the agencies is abolished, custody of the records must be reassigned by the Agency. Send a notice of the transfer of custody to CalRIM and SRAP. The notice must be signed by staff that represents both the transferring and the receiving organizations. It must include the name, title, address, and telephone number of the person who will be responsible for making decisions about the records.

When the records are sent to the new organization, they must be accompanied by the revised records retention schedules, transfer lists, and any other documentation dealing with the management of the records being transferred.

When an entire organization is abolished by legislation, custody for the records should be assigned in the "sunset" legislation.

When an abolished program is not part of a larger department or Agency and no plan for the records was made in the "sunset" legislation, call CalRIM and SRAP staff for assistance.
CONFIDENTIAL RECORDS - The Document Destruction Center (DDC) provides for the destruction of confidential records. However, each state agency must still make sure their obsolete records are disposed of in accordance with laws, rules, and State policies. In Sacramento, DDC staff will be used to witness the destruction of confidential records. If an agency needs to destroy accountable forms, arrangements must be made with the DDC to ensure witnessing by appropriate agency personnel.

Agencies must send a State employee to witness confidential destruction when using the services of private contractors.

NON-CONFIDENTIAL RECORDS - To destroy your non-confidential records, contact the DDC.

If you use the DDC to destroy your obsolete records, you do not need to fill out a Property Survey Report, STD. 152.

ARCHIVES, RECORDS MANAGEMENT, AND STATE RECORDS CENTER INFORMATION, POINTS OF CONTACT, AND ADDRESSES

Available Records Management Guidance and Assistance. CalRIM has written helpful records management program guidelines, factsheets, and/or handbooks to assist agencies to administer their program. Copies may be obtained from the agency’s Records Management Coordinator or from CalRIM.

1. Records Retention Handbook
2. Record Retention Schedule Detailed Instructions
3. Perpetual Retention Type Records
4. Vital Records Protection
5. Electronic Records Management Handbook
SAM—RECORDS MANAGEMENT

Secretary of State Archives Division 1020 O Street
Sacramento, CA 95814

CalRIM Website: http://www.sos.ca.gov/archives/calrim/
E-Mail: CalRIM@sos.ca.gov
Phone: 916-653-7715

SRAP Website: http://www.sos.ca.gov/archives/programs/state-records-appraisal/
E-Mail: SRAP@sos.ca.gov
Phone: 916-653-7715

State Records and Document Destruction Center Department of General Services (DGS)

Shipping: 3240 Industrial Blvd.
West Sacramento, CA 95691

Regular Mail: 1501 Cebrian Street
West Sacramento, CA 95691

Phone: 916-375-6760
E-Mail: 916-375-6769
CHAPTER 1700 INDEX

This chapter describes the state’s Forms Management Program and statutory requirements.

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DISPOSAL OF UNUSED ACCOUNTABLE FORMS 1750
Government Code Section 14771 establishes the State Forms Management Program (SFMP) for all state agencies to facilitate the statewide standardization of all agencies' forms and forms management programs.

The SFMP is administered by the Forms Management Center (FMC) which is located within the Department of General Services, Office of Strategic Planning, Policy and Research, 707 Third Street, West Sacramento, California 95605. For inquiries, telephone the FMC at (916) 375-4895, (916) 376-9931, or fax (916) 376-6340.

This chapter provides major policy for the SFMP, which includes, but is not limited to, criteria for forms design, inventory control systems, terms and definitions, review processes, agencies' responsibilities and reporting requirements. Procedures for complying with this policy are contained in handbooks available from the FMC.

The Forms Management and Forms Design handbooks are part of the FMC's resource documents and are based on 'best business practices' for forms programs. They contain guidelines, procedures, instructions, recommended readings, and other detailed information relating to state and departmental forms management programs.

The departmental forms coordinator (DFC) and/or other staff involved in the forms management responsibilities should contact the FMC for detailed information. See SAM Section 0030 for contact names and telephone numbers.
Government Code Section 14770 requires the director of the Department of General Services (DGS) to “. . . establish and staff an activity within the department to be known as the “forms management center” for the orderly design, implementation and maintenance of a statewide forms management program.” This activity includes the study, development, coordination, and initiation of state standard (STD.) forms (forms of interagency and common administrative usage) which is required by Government Code Section 14771(a)(2).

Government Code Section 14771(a)(9) requires the director of the Department of General Services (DGS), through the Forms Management Center (FMC) to “. . . develop and promulgate rules and standards to implement the [State Forms Management Program].” These rules and standards include responsibilities of the FMC, State agencies, and departmental forms coordinators (DFCs).

Government Code Section 14771(a)(14) requires the director of the Department of General Services (DGS), through the FMC, to “. . . provide notice to state agencies, forms management representatives, and departmental forms coordinators, that in the usual course of reviewing and revising all public-use forms that refer to or use the terms spouse, husband, wife, father, mother, marriage, or marital status, that appropriate references to state-registered domestic partner, parent, or state-registered domestic partnership are to be included.”

The term “agency” refers to appropriate state departments, offices, boards, commissions, etc.

Responsibilities of the Forms Management Center

The Forms Management Center (FMC) is responsible for carrying out the provisions of Government Code Section 14771 on behalf of the director of the Department of General Services. These responsibilities include:

a. Establishing standards, policies and procedures to carry out the state’s forms management program.

b. Assisting agencies in developing programs for the effective management, analysis and design of forms.
c. Establishing basic design and specification criteria for the state forms.

d. Maintaining a central cross-index of state agency forms, eliminating redundant forms while providing a central source of information for users.

e. Establishing a program for the management of the state standard (STD.) forms.

f. Studying, developing, designing, revising, coordinating, and managing the state’s STD. forms in cooperation with the agencies responsible for their content.

g. Obtaining information and reports from agencies as required administering the program and evaluating its progress.
Government Code Section 14750(a) requires the head of each agency to “…establish and maintain an active, continuing program for the economical and efficient management of the records and information collection practices of the agency. The program shall ensure that the information needed by the agency shall be obtained with a minimum burden upon individuals and businesses…”

Government Code Section 14771(a)(4) requires the director of the Department of General Services (DGS), through the Forms Management Center (FMC), to “…provide assistance, training, and instruction in forms management techniques to state agencies, forms management representatives, and departmental forms coordinators . . .”

The forms management program is mandatory. Its effectiveness depends on a clear understanding of the responsibilities of the operating agencies, DGS and the FMC. The responsibilities, derived from the statutes cited here are formulated from good business practices and gathered from forms professionals and forms associations.

Forms management is a staff activity. The program should be housed at a level high enough to give the perspective and authority needed for across-the-board improvements and to provide technical guidance and department-wide coordination between functions. The program should be centralized and needs backing, upper-level support, and stature in the organization to be successful.

Government Code Sections 14771(a) and 14775 require the director of each state agency to fulfill legislative requirements needed to effectively implement the State Forms Management Program. Such requirements may involve submitting various reports to the DGS FMC.
Government Code Section 14772 requires the director of each State agency to “. . . appoint a forms management representative (FMR) and provide necessary assistance to implement the State Forms Management Program (SFMP) within the agency.” FMR usually has a level of responsibility equivalent to a staff services manager position.

The FMR appoints and works with the departmental forms coordinator (DFC) to manage and maintain the forms management program within the agency. The DFC usually has a level of responsibility equivalent to that of a staff services analyst position.

These appointments are made using the form FMC 105 – State Forms Management Program Appointments, signed by the department director, and submitted to the Forms Management Center (FMC).

The primary responsibility of the DFC is to serve as liaison between the agency and the FMC. The DFC of an agency responsible for the content of a state standard (STD.) form works closely with the FMC to coordinate the development, design and publication of the form; including ensuring the proof review and approval cycle is prompt between authors and the FMC. Responsibilities for DFCs also include maintaining a list of forms distinguished by business- and public-use categories and keeping contact information about their authors current.

Agencies may also staff their forms management program with forms program managers, forms analysts, forms designers, forms authors, forms programmers, and proofreaders to assist their FMR and DFC in carrying out the forms management responsibilities of the agency.

Classifications commonly used to staff the forms management program have been staff services managers, associate governmental program analysts, staff services analysts, digital composers, information officers, and information systems analysts. Staff should possess the skills, knowledge, and abilities to carry out the duties detailed in SAM Chapter 1700 and the FMC’s handbooks.
RESPONSIBILITIES OF THE DEPARTMENTAL FORMS MANAGEMENT REPRESENTATIVE (FMR) AND FORMS COORDINATOR (DFC)

(Cont. 1)
(Revised 7/2014)

On behalf of the agency, the DFC is responsible for:

a. Coordinating the agency forms management program.
b. Delegating duties to other appropriate personnel.
c. Acting as the contact between the agency and the FMC.
d. If the agency is responsible for the content of any STD. form, providing timely response to requests for information from the FMC.
e. Inventorying and establishing an ongoing system of controls for the forms ordered and maintained by the agency.
f. Providing safeguards in all forms management activities for the protection of individual privacy and confidentiality of information.
g. Reviewing and approving requests for printing or creation of electronic versions of forms for the agency or delegating those responsibilities in the way that is most effective for the agency.
h. Determining that only necessary forms are ordered or established in electronic media and that those forms meet the standards set forth in the Forms Design Handbook.
i. Ensuring that the new or revised forms meet the standards set forth in the Forms Design Handbook and the Forms Management Handbook.
j. Ensuring discontinuance of obsolete forms from the agency system.
k. Conducting research into forms management problems.
l. Conducting forms analysis for designing or redesigning the agency’s forms.
m. Being responsible for reports required by the FMC for administration of the program. These include, but are not limited to, reports on the agency Public Use Forms Program and the Business Use Forms/Reports Program.
n. Distributing information on forms management activities.
o. Coordinating with the agency training office to provide and make arrangements for appropriate training of forms management personnel.
Terms and Definitions

 formas – any preprinted or electronic documents containing fixed messages or requests that are used repeatedly. Variable data or fill-in spaces may or may not be included. This definition applies to all temporary or permanent forms. It applies whether a form is printed by the Office of State Publishing or on agency duplicating equipment. It includes such items as form letters, tags, labels, continuous forms, tab cards and envelopes. Data entry screens and reports from databases are included in this definition.

Business – a business is any partnership, corporation, organization, business trust, or any person or nongovernmental entity or representative thereof, which supplies the state with information by filling out a form.

Business-use forms/reports – state forms and/or reports used to collect and/or solicit information, including signatures, from businesses. See government code sections 14771(c) and 14775.

Public-use forms – state forms used to obtain or solicit facts, opinions, or other information from the public or private citizens, etc. See government code section 14741(1).

State standard (STD.) forms – state forms developed for use by all agencies to carry out common statewide administrative functions. See government code sections 14771(a)(2-6).

Agency / departmental forms – state forms created and used specifically by an agency to carry out the agency’s administrative functions. The term ‘agency’ refers to appropriate departments, offices, boards, commissions, etc.

Forms management representative (FMR) – An individual appointed by the department’s director to implement the agency’s forms management program. See government code section 14772.

Departmental forms coordinator (DFC) – An individual appointed by the department’s FMR to serve as liaison between the agency and the forms management center.
As required by Government Code Section 14771(a)(4), the Forms Management Center (FMC) provides training and assistance in all aspects of establishing and implementing the State Forms Management Program.

Due to advances in technology, many state government agencies use diverse software to produce forms, both paper and electronic such as data entry screens used to process data on a variety of information-processing systems. To ensure uniformity, the FMC offers training classes and holds user group meetings. During classroom training, instructors educate students in forms design techniques and forms management strategies such as effective layout presentation and organization, naming convention guidelines and file management methods. At user group meetings, problems and resolutions as well as industry trends are discussed. The FMC also provides manuals that include topics such as forms design, forms management and forms analysis.

State agencies may contact the FMC to coordinate and schedule training sessions.
Forms can be filled out and designed on paper or by electronic media. Agencies should follow the forms design standards, criteria, and techniques presented in the Forms Design Handbook. All agency forms and all State Standard (STD.) forms must contain the term “State of California”, the authoring department’s name, a form title, a form number, and a form creation or revision date. Contact the Forms Management Center (FMC) for information about forms design standards and software.

All State forms must comply with all other applicable form requirements (see SAM Section 1745)

Forms not included in the STD. Forms Program may not carry “STD.” or any variation of that designation as a prefix to the form number. If a form is removed from coordination as an STD. form and returned to management of the generating agency, the agency must change the number and identification at the next printing. These forms may carry a statement such as “Formerly STD. XXX”.

All agency forms must show certain identifying information. If there is space, you should place this information together on the form. The Forms Design handbook shows formatting for this information.

Form Titles – Form titles must describe both the form’s subject and function. See the Forms Management handbook for help with titling forms.

Form Numbers – Ideally, form numbers should be prefixed by the initials of the agency, i.e., FTB, WRCB, etc. The numbers may follow any plan or scheme that works for your agency but must not duplicate a number already in use by the agency. An exception is allowed if a number is differently prefixed or suffixed. A form used by an office or division within an agency may carry a sub-prefix. An example is “GS-OAS” for the DGS, Office of Administrative Services.

Suffixes are often helpful to show field office versions with different mailing addresses or close relationship to another form, such as FTB 1000-LA, or DOJ 1000B.

Creation or Revision Dates – The date, if the form is new, must be the month and year in which the form was created or first distributed, such as “NEW 1-96”. If it is revised, the date will be the month and year in which the form was revised, such as “Rev. 1-96”. The notation “TEMP” may be used instead of ‘NEW’ or ‘Rev.’ on a form intended to be temporary, such as a form used in a short-term project. “TEST” or “PILOT” may be used on forms being tested before release to all users.
SAM – FORMS MANAGEMENT

It is not advisable to preprint names of employees on forms unless there are compelling reasons to do so. An exception may be made for names of elected or appointed officials.
FORMS REVIEW PROCESSES

Reviewed 7/2014

Proposed changes to paper and electronic forms should be reviewed for legal impact, workflow processes and routed for review by the appropriate departmental staff.

Coordinating this review and approval process is the responsibility of the departmental forms coordinator (DFC).

STATE STANDARD (STD.) FORMS

(Reviewed 7/2014)

State standard (STD.) forms are state forms developed for use by all agencies to carry out common statewide administration functions. The Forms Management Center (FMC) is responsible for the orderly design, implementation, management and maintenance of STD. forms, including STD. electronic forms (eForms) and integrated STD. eForms systems.

In accordance with Government Code Section 14771, state government agents and entities doing business with the state should use STD. forms disseminated by the FMC rather than reproduce their own.

The FMC ensures the most current versions are available either online or in hard-copy paper format. STD. eForms are available for online use on the FMC’s website. Certain paper forms are available through the Office of State Publishing in prepackaged quantities and minimum print quantities.

Using STD. forms managed by the FMC ensures that the most cost-effective, economical and efficient solution is provided to the state.

These compliance practices reduce costs associated with reproduction, dissemination, storage, and destruction, eliminating redundancy by serving as a centralized location for management of STD. forms. Observing these compliance practices avoids the probability of using an expired form revision or a bootlegged form. Bootlegged forms and expired form revisions have been found to increase administrative costs and cause legality problems.
If a state agency has a suggested revision to an STD. form, but is not the author of the form, it may submit the revision proposal to the FMC. The FMC will review the proposal and coordinate review by the form’s authoring agency for approval.

Note: Customizing department forms for anyone other than the authoring agency will not be performed by the FMC.
STATE STANDARD (STD) FORMS IDENTIFICATION 1731
(Revised 7/2014)

To ensure accuracy in tracking the author of a state standard (STD.) form, the originating department’s name must be placed near the location of the title, number and date of the form after or opposite the "State of California" line.

The Forms Management Center (FMC), in order to enforce forms identification standards state-wide, reserves the right to modify the information contained in the “State of California” line, department’s name, title, number, and date of any STD. form. Modification of this information may not be made without the consent of the FMC. The positioning of this information on a form is left to the discretion of the FMC and may be modified by the FMC to fit space limitations.

Forms not included in the STD. Forms Program may not carry "STD." or any variation of that designation as a prefix to the form number. If a form is removed from coordination as an STD. form and returned to management of the authoring agency, the agency must change the number and identification at the next printing. These forms may carry a statement such as “Formerly STD. XXX”.

STATE STANDARD (STD.) FORMS SECURITY 1732
(Revised 7/2014)

To ensure compliance, security technology will be applied and enforced on all state standard (STD.) electronic forms (eForms) and integrated STD. eForms systems the FMC disseminates.

These security practices include locking of STD. eForms to reduce unauthorized possession and unapproved altering of the content, design and form field properties, and disabling of menu options for STD. eForms deployed on the FMC’s website. The FMC’s purpose for deploying STD. eForms on its website is to ensure that a cost-effective, economical and efficient solution is provided to the state, and to enable entities, public and private, to conduct administrative transactions for state business.
STD. eForms should not be downloaded. This non-downloadable aspect ensures that the current revision of an STD. form is used.
Modified state standard (STD.) forms – If your agency has a significant and compelling need for a modification of an STD. form for your agency only, you must request approval in writing from the Forms Management Center (FMC). This request must first be reviewed and approved by your agency department forms coordinator (DFC). Explain the need for the change and the benefits expected and attach a mock-up or draft of the modified form. If the FMC finds the request is reasonable, they will then ask the responsible agency if the modification can be accepted. If the request is granted, a copy of the FMC’s approval must be attached to any request for printing. No approval will be valid for more than one year unless specifically stated in the approval by the FMC. This is to ensure that you are not reprinting forms that have been revised.

STD. forms modified by an agency with approval of the FMC will carry the STD. number and the naming convention of the generating agency, such as "STD. 15 (Rev. 6-95) DGS 210 (Rev. 1/2002).”

Overprinted STD. forms – If your agency purchases STD. forms in their original paper form and wishes to overprint with agency information, you must request pre-approval from the FMC. Send the FMC a written request with a copy of the form as you wish it overprinted. The Office of State Publishing will not overprint STD. forms without approval from the FMC. Overprinted forms do not need special identification of the using agency if it is identified in the material overprinted.

Electronic STD. form – You must also request approval for your agency to use an electronic version of an STD. form that was not distributed by the FMC. The procedure is the same as the request for a modified STD. form. The form must carry the STD. number and the naming convention of the generating agency, such as "STD. 15 (Rev. 6-95) DGS 210 (Rev. 1/2002).”

State government agencies may opt to have STD. forms developed in-house by state government union employees such as digital composers or may coordinate development with FMC. Whichever the case, STD. forms must adhere to the FMC’s forms design principles and practices. As a result, the FMC has final approval of the layout and design of STD. forms, including STD. eForms and integrated STD. eForms.
systems. The final management and dissemination of STD. forms must occur from FMC or from its centralized resource centers.

Compliance with these guidelines minimizes the chance of errors associated with bootlegged forms and maximizes state resources.
Government Code Sections 14771(c) and 14775 require the development, maintenance, and review of a statewide inventory of non-tax business-use forms and reports used by state agencies to collect and/or solicit information from businesses.

This inventory is known as the Business-Use Inventory (BUI) which is comprised of the forms your department has created in order to conduct its daily business and reports that it requests of businesses. For the purpose of this inventory, a business is defined as any partnership, corporation, organization, business trust, or any person or non-governmental entity or representative thereof which supplies the state with information by filling out a form.

Government Code Section 14771(c) requires the director of the Department of General Services (DGS), through the Forms Management Center (FMC), to develop and maintain the statewide Business-Use Inventory, and notify state agencies of their annual review requirements.

Government Code Section 14775(b) requires each state agency, commencing on December 31, 1995, to review one-third of its Business-Use Inventory on an annual basis.

The reporting period has been changed to alleviate other workloads that exist due to the closing of fiscal years. The new reporting period is January 1 through December 31. Reports for that calendar year are due on December 31.

Initially, the reporting requirement is met by submitting a complete listing of all the business-use forms created by your agency, along with other information such as revision date, form type, and associated statutory code. The FMC will combine all agency lists into a statewide master list. For very specific instructions for formatting your data please contact the FMC.

As part of the annual review requirements, each state agency is to eliminate those forms and/or reports that are not mandated by statute. However, an agency head may certify the continued use of a form and/or report if the information provided on the form and/or report meet specific requirements detailed in Government Code Section 14775(b).
Government Code Section 14775(c) states that a business may contest an agency head's certification of the continued use of a form and/or report.
Government Code Section 14771(a)(12) requires that forms to be used by the public (including businesses) have assigned control numbers. The agency form number serves this purpose and must appear on the form as part of the identification. See SAM Section 1720.

An agency may not ask for or require members of the public to supply information to the state on a form not so identified. This applies whether the information is submitted voluntarily, required to gain or retain a benefit or service, or mandatory (a penalty will be assessed for failure to provide the information).

Agencies have been given the responsibility by the Forms Management Center (FMC) to identify all forms used by the public to maintain a current index and inventory of forms. Upon request, agencies must report changes to their inventory to the FMC.

Government Code Sections 14771 – 14775 and SAM Chapters 1700 – 1750 give the FMC ruling authority concerning the disposition of public-use forms. During the FMC’s analytical review of public-use forms, the FMC may create a state standard (STD.) form in order to eliminate duplicate forms and duplicate form authoring efforts by state departments.

When weighing the effect that a form’s disposition has on interagency and common administrative usage, consideration of management and maintenance criteria shall include, but is not limited to, costs associated with publication, distribution and availability.

The FMC will make every effort to meet the needs of the authoring agency. However, an authoring agency must understand that the needs of the state supersede the needs of an agency. FMC expects full cooperation and objectivity from an authoring agency and expects abidance by and compliance with the FMC’s decisions, policies, and procedures.
OTHER APPLICABLE FORM REQUIREMENTS

(Revised 9/2015)

There are other pertinent laws and/or directives regarding forms to consider. This includes, but is not limited to:

Americans with Disabilities Act (ADA)

Section 508 of the Rehabilitation Act requires electronic and information technology to be accessible to people with disabilities, including employees and members of the public.

- The Rehabilitation Act: [Full text](#)
- US Department of Justice, Civil Rights Division: [Overview of Section 508](#)

Savable Documents

All State forms that are available online must be available in a fillable and savable format. This will help reduce errors, processing delays and enhance the user experience by providing a more efficient method to communicate with government.

Privacy and Disclosure

State and federal laws protect people’s privacy and confidential information. An agency must obey these laws when gathering or disclosing information about an individual. These laws include requirements concerning the kind of information a form can request, the information that is provided by the individual, how to store the forms and their information; and disclosing the data on the forms.

- [Federal Privacy Act, Public Law 93-579](#)
- [Freedom of Information Act, 5 U.S.C. 552(b)(6)](#)
- [Information Practices Act, California Civil Code Section 1798 et seq.](#)
- [California Public Records Act, Government Code Section 6250 et seq.](#)
Each agency is responsible for the appropriate disposal of unused (blank) accountable forms. Accountable forms are unused pre-numbered forms used to record or transfer money.

Examples are checks, receipts, meal tickets, and licenses.

Destruction of accountable forms should be witnessed by a member of your agency’s internal audit unit. If there is no such unit, it must be witnessed by an agency employee who is not directly responsible for handling or accounting for the documents or the fees for which the documents are issued.
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INTRODUCTION

Revised 9/2016

Energy and Sustainability

This State Administrative Manual (SAM) chapter provides the policies and guidelines put in place pursuant to the Green Building Action Plan accompanying Executive Order B-18-12. In partnership with other state agencies, the Department of General Services (DGS) develops policies and guidelines for the operation and maintenance of state buildings to achieve operating efficiency improvements and water and resource conservation, and continually incorporates them into SAM.

The DGS Office of Sustainability develops and implements clean energy strategies and programs for state buildings. State departments strive to lead by example in advancing clean energy and sustainability goals in the state. The office supports state departments in this goal with programs that include clean renewable energy projects, energy retrofit projects/programs, zero net energy (ZNE) building policy development, electric vehicle charging infrastructure development, LEED certification support and state buildings benchmarking. See SAM section 1802 for more details.

DEFINITIONS

(New 8/2014)

For definitions of terms used in this SAM Chapter, please refer to the Green California glossary.
ENERGY AND SUSTAINABILITY PROGRAM

(Revised 09/2016) (Renumbered from 1325)

The Energy and Sustainability Program provides research and project implementation for green and sustainable projects and buildings. The program’s mission is to progressively move state agencies towards compliance with the Administration’s sustainability initiatives.

- **Clean Renewable Energy Projects** – Consultation and management of projects involving clean renewable energy sources including solar photovoltaic systems and wind turbines.

- **Power Purchase Agreement (PPA) Programs** – Statewide program that provides clean renewable on-site solar and wind energy that does not require up-front capital and generally costs less than grid-based energy.

- **Energy Retrofit Projects/Programs** – Statewide program that offers a no up-front capital, budget-neutral opportunity to participating agencies to reduce their electricity, gas and water consumption while addressing deferred maintenance and improving the environment of state facilities.

- **Zero Net Energy (ZNE) Building Program** – Project consultation program where a new or existing building is designed to produce as much on-site energy as it consumes over the course of a year.

- **Electric Vehicle Charging Program** – Consultation and management of projects for the installation of electric vehicle charging stations.

- **State/Investor-Owned Utility (IOU) Partnership Liaison** – Liaison with the IOU companies regarding incentive programs, Demand Response (DR), grid stability, and renewable energy interconnections.

- **LEED and Sustainability** – Consultation on achieving LEED building certification and other sustainable measures.
The intent of this section is to announce policy and guidelines regarding efficient energy management in state buildings during normal operations.

POLICY

All state agencies shall follow the Standard Operating Efficiency Procedures for managing energy usage in state-owned buildings and, as practical, in state-leased buildings. Department directors or their designees shall designate energy coordinators for each location their department occupies. Energy coordinators are responsible for ensuring that the Standard Operating Efficiency Procedures are carried out to the extent that funding is available and they do not conflict with health and safety requirements or operations necessary for a department to fulfill its mission and responsibilities.

Executive Order B-18-12 requires that state agencies:

1. Take measures toward achieving Zero Net Energy for 50 percent of the square footage of existing state-owned building area by 2025;

2. Take measures to reduce grid-based energy purchases for state-owned buildings by at least 20 percent by 2018, as compared to a 2003 baseline, and reduce other non-building, grid-based retail energy purchases by 20 percent by 2018, as compared to a 2003 baseline; and

3. Participate in “demand response” programs to obtain financial benefits for reducing peak electrical loads when called upon, to the maximum extent that is cost-effective for each state-owned or leased facility, and does not materially adversely affect agency operations.

To meet the Executive Order requirements, state agencies must ensure that they are operating at a high standard level of operating efficiency. This SAM section outlines Standard Operating Efficiency Procedures to ensure efficient energy management in state buildings during normal operations, helping to achieve the Executive Order requirements.
State departments shall follow the Standard Operating Efficiency Procedures described below, to the extent that funding is available and they do not conflict with health and safety requirements or operations necessary for a department to fulfill its mission and responsibilities.

Department directors or their designees shall designate energy coordinators for each location their department occupies. Energy coordinators are responsible for ensuring that the Standard Operating Efficiency Procedures are carried out, except as noted above.

Throughout this section, the term “facility manager” is used. Depending on the structure of the individual facility, the “facility manager” may be the building operator, property manager, or another employee. Other titles may include staff services manager, business services assistant, office building manager, real estate officer, associate business management analyst and associate governmental program analyst. State agencies are responsible for identifying the appropriate party or designee to implement all procedures indicated.

General Requirements

1. At the end of the workday or when not needed, employees shall turn off all lights and equipment in their work space, except for equipment designated as 24/7 or for which there is a specific need for after-hours operations (e.g., email servers, fax machines or other essential equipment). Facility managers are encouraged to install reminder labels.

2. If occupancy controls are not used in common areas, facility managers or appropriate designees shall turn off all equipment and non-emergency lighting at the end of the workday or when not needed.

3. Information Technology managers or appropriate designees shall enable the automatic power-down or “Energy Saver” feature on all computers, copiers, printers, and other electrical equipment, consistent with IT Policy Letter 10-09 and subsection 12 of the State Administrative Manual Section 4819.31.
SAM – ENERGY AND
4. When purchasing equipment, state agencies shall purchase the most energy efficient ENERGY STAR rated equipment that is practical, considering Environmentally Preferable Purchasing principles.

(Continued)
Hours of Operation

Typically, state-owned and leased buildings will be operational from 6:00 AM through 6:00 PM Monday through Friday (excluding facilities that are designated as 24/7 or continuously operational). All non-essential lighting and other electrical loads shall be minimized outside of normal building hours. State agencies are expected to make a reasonable determination as to what functions must continue outside of these hours.

Building Heating and Cooling Systems

1. Facility managers shall allow building temperatures to fluctuate within an acceptable range to avoid wasteful over-control patterns. This range may vary with each building’s control system; the target range is plus or minus two degrees Fahrenheit from the temperature set point, for a total fluctuation of four degrees Fahrenheit. The temperature set point should be no higher than 68°F in winter and no lower than 78°F in summer; unless such a temperature in a particular job or occupation may expose employees to a health and safety risk. Simultaneous or alternate heating and cooling operations to maintain exact temperature in work areas shall be avoided.

2. Whenever practical, facility managers shall operate and adjust controls to get optimum advantage from outside temperatures for meeting cooling demand (e.g., using outside air economizers and night flush cycles). Avoid operating chillers and compressors when possible. All “pre-cooling” options for buildings shall be employed.

3. State employees are prohibited from using personal heaters without the express written consent of the facility manager or an approved reasonable accommodation request.

4. State employee shall keep windows and doors closed to prevent loss of heated or cooled air, unless the facility manager has indicated that the building is specifically designed for natural ventilation efficiency.
SAM – ENERGY AND
5. State employees in state-occupied locations shall adjust window blinds or coverings, if installed, to prevent solar heat gain during summer and prevent heat loss in winter.

(Continued)
6. Facility managers shall order data center operators to maintain ambient temperature settings at manufacturer specification maximums.

7. Facility managers shall not set domestic hot water temperatures above 105° F unless this conflicts with a code requirement for the facility. Facility managers and state employees in state-occupied locations shall take every opportunity to minimize hot water usage.

Year-Round Maintenance

1. Facility managers shall inspect and maintain ducts, air filters, and related hardware to maximize effectiveness at the lowest acceptable power use.

2. Facility managers shall tune up all forced and induced draft gas and oil-fired boilers at least twice annually. If there are automated combustion controls, verification of combustion efficiency shall be conducted at least twice annually.

Lighting

1. State employees in state-occupied locations shall turn off all lights in unoccupied rooms. Facility managers shall install occupancy sensors whenever practical. Occupancy sensors shall be selected to be appropriate to the room geometry and usage patterns of the space. When areas served exceed 10,000 square feet, occupancy sensors should undergo quality assurance testing included in building systems that are commissioned.

2. Facility managers shall reduce lamps and/or luminaires in number and/or wattage to provide the lighting level appropriate for the activities of the work area affected.
3. Facility managers shall replace any incandescent lighting with higher efficiency sources, such as fluorescent, high intensity discharge (HID), light-emitting diode (LED), or induction lighting whenever replacement is required.

4. For fluorescent lights, facility managers shall have a plan by December 2015 to replace any older “core and coil” magnetic ballasts with newer energy-efficient electronic ballasts.

(Continued)
5. Facility managers shall install some form of daylight controls in day-lit zones (near windows and under skylights). When such day-lit areas exceed 10,000 square feet, or are part of new construction or a major renovation, these day lighting controls (e.g., sensors that adjust artificial lighting in response to the available natural light) should be included in building systems that are commissioned.

6. Where practical, facility managers shall consider the significant energy savings made possible by the selection of lower level general ambient lighting with small-area, high-efficiency fluorescent or LED task lighting for higher level task lighting requirements – an approach particularly appropriate for work stations and computer use areas.

7. When painting or renovating, use light colored ceiling, wall, floor and desk surfaces throughout building to boost overall ambient illumination levels (dark surfaces absorb light). Keep lighting fixtures clean to maintain lighting levels.

8. Facility managers shall have custodial personnel turn lights on only as needed and turn lights off when their work is done. Where practical, have custodial personnel work in teams to complete cleaning on each floor of multi-story buildings.

Plug Loads

1. State employees shall not plug in any personal devices, including but not limited to coffee pots, microwaves, refrigerators, and heaters, in workspaces. Exception: the following may be allowed if the facility manager determines that the circuit can safely accommodate the electrical load:
   a) Cell phones and tablets;
   b) Task lighting that is UL approved and does not use incandescent or halogen bulbs.

(Continued)
2. Facility managers shall work with employees and vendors to ensure that all equipment in employee kitchens, lunch rooms, and other shared spaces complies with the following:
   a) Additions of new equipment must have a current ENERGY STAR rating, when available;
   b) As practical, strive to replace refrigerators and equipment manufactured prior to 2000 with more efficient models;
   c) Refrigerated beverage vending machines and hot/cold water dispensers that are purchased, leased, or supplied by an outside vendor must be ENERGY STAR rated to the current version, when available;
   d) All vending machines with non-perishable items must comply with one of the following:
      ▪ Have built-in low power modes for lighting and refrigeration, as applicable and described in ENERGY STAR program requirements for refrigerated beverage machines, version 3.0, section 3(B); or
      ▪ The facility manager has installed an after-market occupancy sensor.
   e) Coffee makers must shut off automatically;
   f) Equipment must be regularly cleaned and maintained to optimize efficiency.

3. Facility managers shall install power strips with timer settings and/or inexpensive, energy-efficient timers to turn off equipment during non-work hours (including paper shredders, lighted ambient snack vending machines, and hot/cold water dispensers). In implementation of this section, facility managers shall follow any applicable procurement guidelines established for such equipment.

4. Department directors or their designees shall distribute an annual email to educate all employees about the importance of minimizing electrical plug loads and to review relevant state policies and guidelines.

(Continued)
Demand Response

Facility managers should be proactive in contacting their local utility to research the various demand response programs and select appropriate options, when applicable. When an electrical emergency is predicted for the day, the facility manager shall alert state employees and building operations in anticipation of the emergency, and shall implement curtailment measures immediately upon or before the emergency declaration.

In facilities with appropriate energy management systems installed, automated demand response should be considered.

RESOURCES


2. Commercial Plug Load Energy Use Policy: What’s in Place, Pending and Possible, New Buildings Institute, April 2013.


The intent of this section is to provide information regarding actions state agencies shall take to control energy usage during electrical emergencies.

**POLICY**

1810.1

(Revised 8/2015)

State agencies shall designate personnel to receive Department of General Services (DGS) Electrical Emergency Notifications (EENS) list server. Additionally, state agencies shall incorporate the procedures for electrical emergencies into their departmental Emergency Plans.

For the comprehensive policy see Management Memo 14-09: Energy Efficiency in Data Centers and Server Rooms.

**AUTHORITY**

1810.2

(New 8/2014)

Executive Order B-18-12 mandates that state agencies participate in “demand response” programs to obtain financial benefits for reducing peak electrical loads when called upon, to the maximum extent that is cost-effective for each state-owned or leased facility, and does not materially adversely affect agency operations.

Federal law requires that the California Independent System Operator (CAISO) maintain specified levels of energy reserves available to the electrical grid. When reserves reach dangerously low levels because electrical demand is high, the CAISO may declare a Stage 1 Electrical Emergency to bring about a reduction in demand. The CAISO can escalate the emergency to Stage 2 and then Stage 3 if curtailment measures do not successfully reduce demand. Finally, the CAISO may use rotating outages to balance the demand for electricity to the available supply.
The DGS EENS Manager will use email to notify all parties that have registered for the EENS list server on the EENS Web page.

All state agencies should have one or more persons from each state-owned or state leased facility subscribe to the list server so they can receive electrical emergency notifications. It is the responsibility of the agencies to update the contact e-mail addresses on the list server as required.

For information on the EENS system, copies of energy instruction documents, and additional energy conservation information and links, please send an e-mail to EENS@dgs.ca.gov.

The DGS Real Estate Services Division periodically conducts tests of its notification system. The test messages will also contain information on how to update agency contact information.

**PROCEDURES FOR ELECTRICAL EMERGENCIES**

The DGS Real Estate Services Division will alert departments, universities, and community colleges when the CAISO declares a Stage 1, 2, or 3 Electrical Emergency and when those Stages are cancelled.

This table contains links to documents that provide detailed instructions on controlling energy usage. The energy management practices of all state agencies should conform to these procedures.

<table>
<thead>
<tr>
<th>Emergency Status</th>
<th>Link to Procedures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stage 1 Electrical Emergency</td>
<td>Curtailment Measures</td>
</tr>
<tr>
<td>Stage 2 Electrical Emergency</td>
<td>Curtailment Measures</td>
</tr>
<tr>
<td>Stage 3 Electrical Emergency</td>
<td>Curtailment Measures</td>
</tr>
</tbody>
</table>
State agencies should print a copy of these procedures and incorporate them in departmental Emergency Plans in order to be prepared for an electrical emergency.

Based on operational needs, some departments may need to employ conservation measures that are more or less restrictive. Department energy management personnel must communicate department-specific instructions to the appropriate staff.
Executive Order B-18-12 mandates that state agencies participate in “demand response” programs to obtain financial benefits for reducing peak electrical loads when called upon, to the maximum extent that is cost-effective for each state-owned or leased facility, and does not materially adversely affect agency operations.

State agencies should be proactive in contacting their local utility to research the various Demand Response programs and selecting an appropriate option, when applicable. When an electrical emergency is predicted for the day, the agency should prepare the occupants and operations in anticipation of the emergency and implement curtailment measures immediately upon or before the emergency declaration.

In facilities with appropriate energy management systems, Automated Demand Response should strongly be considered.

RESOURCES

1. California Energy Alert

2. Department of Personnel Administration Employee Leave and Safety during Rolling Blackouts, January 23, 2001
The intent of this section is to announce policy and guidelines for all state agencies to reduce and report energy use.

POLICY 1815.1

All state agencies shall achieve targets and timelines for energy use reductions established in Executive Order B-18-12 and the Green Building Action Plan for buildings they design, build, manage, or lease.

- Agencies shall include their strategies and procedures to achieve these targets in their existing building infrastructure plan updates.
- Agencies shall enter all energy consumption data into the ENERGY STAR® Portfolio Manager® annually, by March 1. As agencies automate their meters, this information will be collected monthly.

For the comprehensive policy see Management Memo 15-04: Energy Use Reduction For New, Existing, And Leased Buildings.

AUTHORITY 1815.2

This management memo is executed under the Governor’s executive authority established in Executive Order B-18-12 and the Green Building Action Plan.
1. New Buildings and Renovations

   a. All new building and renovation project computer modeling, reports, and other related documentation prepared as part of the design process shall become the property of the state once the project is closed out and/or has received an occupancy permit.

   b. All new building and renovation projects shall be designed and constructed to exceed by 15 percent the applicable version of the Title 24, Part 6, Building Energy Efficiency Standards.

   c. All new building and renovation projects less than 10,000 gross square feet of building area (gsf) shall meet or exceed project applicable Title 24, Part 11, California Green Building Standards Tier One requirements.

   d. All new building and renovation projects larger than 5,000 gsf and exceeding an energy use intensity (EUI) of 50,000 British thermal units (BTU)/gsf, or larger than 10,000 gsf shall be commissioned in accordance with Leadership in Energy and Environmental Design (LEED) requirements and California Title 24, Part 6, Energy Efficiency Standards that are in effect at the time.

   e. All new building and renovation projects larger than 10,000 gsf shall:

      i. Install and operate all design-appropriate and economically feasible clean, onsite power generation including, but not limited to solar photovoltaic, solar thermal, and wind power generation including clean backup power supplies.

         1. To the extent possible, explore methods of alternative financing including but not limited to power purchase agreements (PPAs) or other mechanisms to fund, install, and/or manage on-site renewable energy generation.

      ii. Obtain LEED Silver or higher certification using the version of LEED that is in effect at the time the project schematic design documents are initiated by the state agency. Certification to an equivalent or higher rating system or standard (if any) is acceptable only when approved by the Sustainability Task Force.

   f. All new building and renovation projects that are authorized to begin the schematic phase of design on or after January 1, 2020, and before January 1, 2025, shall be constructed as zero-net-energy (ZNE) facilities, unless the department has achieved the goal of at least 50 percent of new building and renovation projects during that period being ZNE.
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building and renovation projects that are authorized to begin the schematic
phase of design on or after January 1, 2025, shall be constructed as zero-
net-energy (ZNE) facilities.

(Continued)
(Continued)

REQUIREMENTS FOR NEW, EXISTING, AND LEASED BUILDINGS 1815.3 (Cont. 1) (New 5/2015)

g. All new buildings and renovation projects shall include an Energy Management Systems (EMS) with a training program for energy management and maintenance staff; or shall include an Energy Management Plan.

2. Existing Buildings

a. Before January 1, 2016, all existing buildings over 50,000 gsf shall complete LEED for Existing Building Operations and Maintenance (LEED-EBOM) certification. Buildings shall meet or exceed an ENERGY STAR rating of 75, to the maximum extent cost-effective.

b. For calendar year 2018 or before, all state agencies shall take measures to reduce annual grid-based energy purchases for existing buildings by 20 percent, compared to a 2003 calendar year baseline. Total grid-based energy purchases shall be calculated in equivalent thousand British thermal units (kBtu) when compared to purchases in calendar year 2003 for all forms of energy provided (for example, electricity, natural gas, propane, and any other forms of energy) according to Table 1 below.

Table 1: Site Energy kBtu Conversion

<table>
<thead>
<tr>
<th>ENERGY TYPE</th>
<th>ENERGY UNIT</th>
<th>SITE ENERGY CONVERSION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity</td>
<td>1 kilowatt hour</td>
<td>3.412 kBtu</td>
</tr>
<tr>
<td>Natural Gas</td>
<td>1 therm</td>
<td>99.976 kBtu</td>
</tr>
<tr>
<td>Propane</td>
<td>1 gallon</td>
<td>95.500 kBtu</td>
</tr>
</tbody>
</table>

i. Agencies shall enter current energy use data into the ENERGY STAR Portfolio Manager database, including electricity, natural gas, propane on-site renewable energy, and any other forms of energy. Onsite renewable energy generated counts toward energy reductions and is not included in total energy purchases.
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1. Online access to the ENERGY STAR Portfolio Manager database shall be provided to DGS.

2. Retail electricity purchases for water management activities directly associated with water conveyance and flood control are excluded.

   ii. Agencies shall set up automated energy data transfers from their utility into the ENERGY STAR Portfolio Manager database, if available from their utility.

(Continued)

REQUIREMENTS FOR NEW, EXISTING, AND LEASED BUILDINGS 1815.3 (Cont. 2) (New 5/2015)

c. Before January 1, 2025, all state agencies shall take measures toward achieving ZNE for at least 50 percent of total state-owned building area (gsf) that they manage. Agencies shall:

   i. Reduce non-facility energy use (including plug loads affected by building occupant behaviors, computers, equipment and appliances).

   ii. Assess feasibility, methods, and mechanisms to install on-site renewable energy to generate as much energy over a year as all combined sources of energy used on the site during the same year.

   iii. To the extent possible, explore methods of alternative financing including, but not limited to energy service companies (ESCOs), on-bill financing, GS-$Mart, and PPAs.

d. By December 31, 2016, all state agencies shall participate in all available demand response power supply programs designed to reduce peak electrical loads when such programs do not adversely affect state agency building operations, occupant performance or indoor environmental quality.

e. Existing buildings shall incorporate building commissioning to facilitate improved and efficient building operations as set forth in Table 2 below.

Table 2: Building Commissioning Criteria For Existing State Buildings

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<table>
<thead>
<tr>
<th>Building Type</th>
<th>Building Area (gsf)</th>
<th>EUI (kBtu/sq. ft)</th>
<th>Required Commissioning</th>
</tr>
</thead>
<tbody>
<tr>
<td>All existing state buildings</td>
<td>&gt;50,000 gsf</td>
<td>EUI &gt; 20</td>
<td>Monitoring-based commissioning (MBCx)</td>
</tr>
<tr>
<td></td>
<td>&gt;5,000 gsf</td>
<td>EUI &gt; 100</td>
<td>MBCx</td>
</tr>
<tr>
<td>Metered state buildings</td>
<td>&gt;10,000 gsf</td>
<td>EUI &gt; 30</td>
<td>MBCx</td>
</tr>
</tbody>
</table>

(Continued)
3. Building Leases

a. All state agency build-to-suit leases shall be designed and constructed to meet the requirements of Section 1 above for New Buildings and Renovations.

b. All new and renegotiated state building leases shall encourage lower than industry-standard energy and other resource use to the extent possible and economically feasible. These leases should also encourage landlords to participate in available utility programs that offer financial incentives and alternative financing to cover energy efficiency measures and renewable power system incremental costs.

c. All new state building leases shall, where economically feasible, require the use of submeters for gathering energy use data as needed to complete ENERGY STAR Portfolio Manager reports.

d. Renegotiated state building leases for buildings, where the state is a sole tenant, shall provide energy use data, if possible, for completing ENERGY STAR Portfolio Manager energy use evaluations and for benchmarking reports.

e. All state-leased facilities shall participate in cost-effective demand response power supply programs designed to reduce peak electrical loads, if available, without adversely affecting state agency building operations, occupant comfort and performance, or indoor environmental quality requirements outlined in the State Administrative Manual (SAM), Sustainable Operations and Practices Ch. 1800.
ZERO NET ENERGY FOR NEW AND EXISTING STATE BUILDINGS 1815.31

(New 10/2017)

Purpose

This policy was outlined in Management Memo 17-04 and provides state agencies and building professionals with the requirements for meeting zero net energy (ZNE), as well as the direction, strategies and procedures that will help them achieve ZNE for new building design and construction, and build-to-suit leases, as well as existing state-owned buildings.

This policy is part of a series of directives to state agencies designed to implement the Governor’s Executive Order (EO) B-18-12 on energy and resource conservation in state buildings.

Policy

Executive Order B-18-12 requires the following actions to reduce the environmental impact of state facilities on climate change:

- All new State buildings and major renovations beginning design after 2025 shall be constructed as Zero Net Energy facilities.
- 50% of new facilities beginning design after 2020 shall be Zero Net Energy.
- State agencies shall also take measures toward achieving Zero Net Energy for 50% of the square footage of existing State-owned building area by 2025.

To facilitate achieving these goals the following shall apply:

- All new state buildings, major renovations, and build-to-suit leases beginning design after October 23, 2017, shall be designed and built following cost-effective energy efficiency strategies for achieving ZNE identified below.
- Departments shall work to improve energy efficiency in existing buildings in the most cost cost-effective manner to meet or exceed energy efficiency targets established in energy efficiency strategies for achieving ZNE identified below.
**Renewable energy generation** shall be added to state facilities either onsite, and/or offsite to achieve EO B-18-12 targets by following renewable energy generation prioritization and strategies identified below.

**Reporting Requirements**

Energy use reporting is already required monthly into the ENERGY STAR Portfolio Manager database (see [SAM chapter 1815.4](#)). Departments shall also provide status on compliance with this policy in their department *Sustainability Road Map*.

**Definition of Zero Net Energy (ZNE)**

*ZNE Source* – *Energy Efficient building that produces as much clean renewable energy as it consumes over the course of a year, when accounted for at the energy generation source.*

(Continued)
Definition of Zero Net Energy (ZNE) (continued)

Source energy represents the total amount of raw fuel that is required to operate the building. It incorporates all fuel extraction, transmission, delivery, and production losses. By taking all energy use into account, the ZNE definition provides a complete assessment of energy used in buildings.

Definitions of other terms can be found in the Green California Glossary.

Energy Measurement and Calculation

Measurement of source energy converts all energy sources into common units of Source kBtu using established conversion factors for each energy source. Energy use quantities are included in the Energy Star Portfolio Manager reporting. Source energy conversion factors shall be applied to energy metrics from all energy sources, including district energy and renewable energy and shall be based on national averages in ASHRAE Standard 105-2014. They are also included in a ZNE Calculator for State Buildings. Energy used for Zero Emission Vehicle charging or fueling is excluded from building total energy for ZNE calculations.

State agencies shall utilize the following strategies to achieve ZNE at state facilities whenever possible and cost-effective to ensure the highest output and efficiency possible, reduce long-term operating budgets and reduce or avoid any uneconomical over-generation of renewable energy:

1. Energy Efficiency – Ultra-low energy use through energy conservation, passive systems and whole-building integrated energy efficiency measures should always be the initial focus for each building pursuing ZNE.
   a. New Construction, Major Renovations and Build-to-Suit Leases – All new projects shall exceed the applicable version of California code
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(California Code of Regulations, Title 24, Part 6), by fifteen percent or more. (This is already required by EO B-18-12 and identified in its Green Building Action Plan)

- Build-to-suit leases apply where the state will likely become the eventual owner of the building, and the state is the sole tenant.

(Continued)

1 State agency and facility energy use is posted on the governor’s green building website, and will eventually include energy efficiency metrics and ZNE data.

2 ASHRAE Standard 105-2014, Table J2A. Primary Energy Conversion Factors for National Comparisons
Energy Measurement and Calculation (continued)

- All new projects should design and construction facilities to maximize efficiency, and accommodate on-site renewable energy to the extent feasible and cost-effective, whether onsite renewables are installed with new project, or at a later date. This may include site orientation, massing, layout, landscape design, roof design and orientation, and mechanical/electrical room layouts. If onsite renewable energy is not possible, or feasible, other renewable energy generation strategies may be utilized (see Renewable Energy Generation categories below.)

- Design and install conduits and chases for eventual wiring and plumbing required for connecting site and/or building renewable energy systems to mechanical/electrical rooms.

- Departments with decision-making authority are responsible to implement energy efficiency measures into all new construction and major renovation projects, and meet energy efficiency targets, or exceed them to the extent cost effective. The Department of General Services (DGS) is responsible for implementing these measures into buildings for Departments without this authority.

- All departments are responsible to conserve energy to the extent feasible, through procurement of energy-efficient office equipment, and other measures identified in SAM Section 1805.3 – Standard Operating Efficiency Procedures.

- A ZNE Decision Making Matrix for State Agencies helps identify measures and responsibilities of owners, tenants of new and existing state buildings pursuing ZNE.

b. Existing Buildings – Existing state buildings should strive to achieve high levels of energy efficiency before adding renewable energy to achieve ZNE. While state agencies are required to take measures toward achieving ZNE on 50 percent or more of their building area, they should work to achieve high energy efficiency levels in their entire portfolios to the extent cost effective.
Energy efficiency for ZNE is to be measured using Source Energy Use Intensity (Source EUI), and uses the following units of measurement – kBtu/sq. ft. Source (thousand British thermal units per square foot of building area). This metric can currently be extracted from the Energy Star Portfolio Manager in a report, but can also be calculated using the ZNE Calculator.

(Continued)
Energy Measurement and Calculation (continued)

- Energy efficiency targets for existing state buildings are derived from 2015 historic state-owned building energy data and some national data. These energy efficiency targets are established as the top quartile of energy use for each building type. For some building types (i.e. offices & other types) EUI targets are established for some specific state occupancies, as well. This accounts for variations from differences in occupancy, hours of use, equipment, etc.

- **Source EUI targets** for Existing State Buildings are all listed in the linked table and includes variations for each of the 16 California Climate Zones. These are soft EUI targets that state agencies should attempt to achieve for buildings or facilities pursuing ZNE. They are intended as a guide, as some circumstances may vary affecting the feasible achievability of some targets.

- Energy use reduction in existing buildings can be achieved through a variety of measures including:
  
  o Upgrading lighting systems and controls to more efficient systems
  
  o Upgrading heating, ventilation and air conditioning (HVAC) systems and/or controls for improved efficiency
  
  o Improving thermal performance of building envelope (insulation, glazing, roofing, etc.)
  
  o Reducing plug loads by improving efficiency of equipment and appliances used in building ([see SAM chapter 1805](#))
  
  o Energy conservation measures of occupants
  
  o Retro-commissioning and monitoring-based commissioning, as required and outlined by SAM Section 1815.3
  
  o The [DGS Energy Efficiency Retrofit Program](#) provides support for state departments on energy efficiency
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upgrades utilizing ESCo’s, and other alternative financing options.

- A ZNE Decision Making Matrix for State Agencies helps identify measures and responsibilities of owners, tenants of new and existing state buildings pursuing ZNE.
Renewable Energy Generation

In addition to achievement of energy efficiency targets, renewable energy must be generated and used to offset the annual energy use of the facilities achieving ZNE. Renewable energy generation should come from the following sources, as much as possible in the priority listed (a through d below), but can include a combination of the following approaches. In all cases Renewable Energy Credits (RECs) must be retired (not sold to other customers) for all renewable energy systems.

a. **Building** – Generate and use renewable energy on-site to the extent possible and cost-effective.
   - This can utilize rooftops, or the building site (parking lot, adjacent land) for on-site renewable generation.
   - On-site systems can be purchased as part of projects, procured through Power Purchase Agreements (PPA’s), or through other means. DGS provides assistance procuring PPA’s through its Clean Energy Generation Program.
   - It is strongly advised that all on-site renewable energy system procurement include services for operation and maintenance to assure that system operation and generation persists for the life of the equipment.

b. **Campus** – Generate and use renewable energy within a multiple building campus to the extent possible.
   - This can utilize rooftops, or the building or campus site (parking lot, adjacent land, common areas) for on-site renewable generation.
   - Advantages of campus generation include that excess renewable energy generation, above the amount of the building(s) achieving ZNE can be used to offset other campus loads.

c. **Portfolio** – Generate and use renewable energy within an owner’s portfolio to the extent possible.

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- Multiple building sites by the same owner could be used and aggregated so that the combined on-site renewable energy could offset the combined building energy from the aggregated building sites. This could apply to the entire portfolio, or portions of the portfolio.

- This approach would allow ZNE to be achieved for energy-efficient buildings within the portfolio where the capacity for on-site renewable energy is very restricted. While preferable, it is not required that renewable generation using the portfolio approach be in the same utility grid as the building achieving ZNE.

(Continued)
This approach may require a cooperative agreement with the utility, and could also provide an outlet for excess renewable energy production during periods of the day when over-generation of electricity is likely, to avoid financial losses from selling back excess energy wholesale to utilities.

d. Community – Generate renewable energy within the state for use at the facility, after other feasible options have been exhausted to the extent possible.

- This could be applied to allow long-term purchase agreements of state-generated, renewable energy, dedicated to providing energy for the building(s). Agreements should extend a minimum of 20 years, and must specify that the RECs are owned by the electricity customer and retired by the utility.

- Some utilities may offer customers the opportunity to enter a long-term contract to purchase renewable energy from the utility for some portion of the energy used at the site. The contract must be for at least 20 years and must specify that RECs are owned by the electricity customer and will be retired by the utility.

- Short-term RECs would not be allowed to be counted toward achievement of ZNE, while they are still effective to reduce GHG emissions.

e. Other renewable generation strategies to consider

- Share excess generation – Whenever possible, excess generation should be utilized on-site through energy storage, with other buildings on campus, or through utility agreements with other buildings in portfolio.

- Install energy storage – Utilize on-site energy storage (batteries, thermal, etc.) to shift energy use for peak load reduction, limit over-generation sent back to the grid, reduce demand charges, reduce energy costs by taking advantage of time-of-use (TOU)
rates, and provide cloud cover and outage protection for the facility.

- **PV array orientation** – To the extent possible, orient the PV arrays in a way that maximizes alignment of the onsite generation with the onsite electrical load. This approach should be reviewed and adjusted over time to provide alignment with the needs of the utility grid.

(Continued)
Renewable Energy Generation (Continued)

- **Use over-generated energy for EVSE charging** – Electric vehicle service equipment (EVSE) can utilize excess energy generated to charge electric vehicles. This will help reduce or avoid export of over-generated electricity, and help agencies meet zero-emission vehicle charging infrastructure goals. Energy used for electric vehicle charging does not count toward building energy use, nor does it need to be included in ZNE building calculations. However, electricity generated through on-site renewables that is used for EV charging can be used in ZNE calculations to offset non-EV-charging electricity and natural gas use at the site.

- **Renewable heating and cooling** (including ground source heat pumps or district heating), electrification, and other technologies to improve efficiency.

- **Mixed source of renewable energy** – Consider mixed sources of renewable energy from multiple sources, to mirror best grid optimization. For example, wind power also generates without sunlight, and during non-daylight hours.

- **Renewable heating and cooling** (including ground source heat pumps or district heating), electrification, and other technologies to improve efficiency.

Additional Energy Reference Policies

State departments should have implemented the practices incorporated into the State Administrative Manual (SAM) Chapter 1800, Sustainable Operations and Practices, in the operation and maintenance of their facilities. Chapters that contain energy policies include:

- Standard Operating Procedures for Energy Management in State Buildings (Section 1805)
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- Procedures for Energy Management in State Buildings During Electrical Emergencies (Section 1810)
- Energy Use Reduction for New, Existing and Leased Buildings (Section 1815)
- Energy Efficiency in Data Centers and Server Rooms (Section 1820)

State of California Zero Net Energy Resources and Guides

State of California Energy Efficiency Targets for Existing State Buildings Pursuing Zero Net Energy (ZNE)

(Continued)
State of California Zero Net Energy Resources and Guides (continued)

- **Source EUI targets** – Table identifying energy efficiency (Energy Use Intensity) targets for existing state buildings to achieve or exceed when pursuing ZNE. Targets use Source EUI metrics that can be retrieved from Energy Star Portfolio Manager in a report, or calculated using ZNE Calculator.

- **ZNE Calculator** – Spreadsheet calculator developed by California Department of General Services to calculate Source EUI, estimate renewable energy generation and/or photovoltaic array requirements, and to verify achievement of ZNE after 12 months of energy data is verified.

- **ZNE Decision Making Matrix for State Agencies** – Guideline for what decisions need to be made by owners, tenants, etc., for state ZNE buildings.

Information and Directories:

- **Getting to Zero Database** – Database of verified and emerging ZNE buildings. Agencies are encouraged to submit information on their buildings that have been built or upgraded to be ZNE, as well as after 12 months of energy data have verified achievement.

Guidelines and Resources:

- **New Buildings Institute Zero Net Energy Hub** – Website with resources and tools supporting ZNE, energy efficiency and other related efforts.


- **The Road to ZNE: Mapping Pathways to ZNE Buildings in California** – A ZNE report by HMG for California Utilities, published December 2012.


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Case Studies:

- Zero Net Energy Case Study Buildings Volume 1 – Six case studies of ZNE buildings published in September 2014, written by Edward Dean for PG&E

- Zero Net Energy Case Study Buildings Volume 2 – Five case studies of ZNE buildings published April 2016, written by Edward Dean for PG&E

4. Reporting Requirement

Each state agency shall be responsible for developing annual energy use reduction goals and intended actions for achieving the goals stated in its five-year infrastructure plan.


The annual energy use reduction goals of existing buildings, as well as new and renegotiated state building leases, shall be included in the annual state agency five-year infrastructure plan, and annual whole building energy use shall be entered into the ENERGY STAR Portfolio Manager database, with access provided to DGS.

Benchmarking of initially occupied new buildings and build-to-suit leases should begin upon building occupancy.
Alternative funding sources to support agency five-year infrastructure plans to meet or exceed the requirements of this management memo can include power purchase agreements (PPA’s), GS $Mart, the Energy Efficient State Property Revolving Fund, or other funding mechanisms.

Title 24, Part 6, Energy Efficiency Standards http://www.energy.ca.gov/title24/

Design Guidelines to Consider

- Energy Design Resources, Investor-Owned Utilities PG&E, SDG&E, SCE, SMUD, and LADWP
- Savings by Design Program
  Savings by Design Online Program Handbook
- Saving Energy in Commercial Buildings, NREL, U.S. Department of Energy
- Energy Star Building Upgrade Manual, U.S. Environmental Protection Agency
- National Institute of Building Sciences Whole Building Design Guide
- California Commissioning Guides for New Buildings and Existing Buildings
- Database of State Incentives for Renewables & Efficiency
The intent of this section is to provide direction to all state agencies under the Governor’s executive authority to meet data center and server room energy efficiencies as required in the Green Building Action Plan Section 10.7.

**POLICY**

State agencies will achieve energy operating efficiency in data centers and server rooms in state owned and state leased buildings.

**AUTHORITY**

Executive Order B-18-12 mandates that DGS work with other state agencies to develop and implement policies and procedures for the operation and maintenance of state buildings to achieve operating efficiency improvements and water and resource conservation, and to continually update and incorporate these into the State Administrative Manual (SAM); pursuant to the Green Building Action Plan section 10.7.
REQUIREMENTS OF DATA CENTERS AND SERVER ROOMS 1820.3

(New 11/2014)

1. By December 31, 2014, all state-owned and leased data centers and server rooms greater than 200 square feet shall be operated within the 2011 ASHRAE - TC 9.9, Class A1 – A4, recommended guidelines for temperature and humidity in addition to all applicable 2013 Title 24 Building Energy Efficiency Standards. In most cases it will not be necessary to control humidity and/or dew point in order to stay within the specified ASHRAE- recommended guidelines. If this becomes a problem, the Department of Technology can assist agencies by recommending solutions.

Temperature and humidity in data centers and server rooms shall be measured at the information technology (IT) equipment air inlets for temperature and humidity compliance. It is recommended that supply air inlet temperatures in data centers remain in the 23 to 27 degree Celsius (C) (73 to 81 degrees Fahrenheit) range.

<table>
<thead>
<tr>
<th>Class</th>
<th>Equipment Environmental Specifications</th>
<th>Equipment Environmental Specifications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class</td>
<td>Product Operations</td>
<td>Product Operations</td>
</tr>
<tr>
<td>Class</td>
<td>Dry-Bulb Temperature (˚C)</td>
<td>Humidity Range, Non-condensing</td>
</tr>
<tr>
<td>A1 to A4</td>
<td>18 to 27</td>
<td>5.5°C Dew Point to 60% Relative Humidity and 15°C Dew Point</td>
</tr>
</tbody>
</table>

2. All state data centers that exceed 1,000 square feet shall measure and report their power usage effectiveness (PUE) annually by December 31 (beginning December 31, 2014) to the Department of Technology using the Power Usage Effectiveness Report (TECH 408). For agencies whose cooling is supplied through the downtown Sacramento Central Plant, the Department of Technology can provide specific instructions for the calculations. Agencies are responsible for submitting these reports, and must base their PUE calculations on the criteria outlined in the Green Grid publication.

Data centers that exceed a PUE of 1.5 shall reduce their PUE by a minimum of 10 percent per year until they achieve a 1.5 or lower PUE. These reductions can be achieved through energy saving measures and/or through scheduled and budgeted power and cooling supply equipment replacements. If agencies that manage data
centers 1,000 square feet or larger do not have the expertise to reduce PUE, the Department of Technology can provide suggestions. The Department of General Services and local utilities also are excellent resources to suggest energy savings measures.

(Continued)
(Continued)

REQUIREMENTS OF DATA CENTERS AND SERVER ROOMS  1820.3 (Cont. 1)
(New 11/2014)

3. When purchasing network switches and routers, all state agencies must specify the
   Energy Efficient Ethernet IEEE (Institute of Electrical and Electronics Engineers)
   802.3-2012 Section 6 standard to the maximum extent possible. (Download a free
   copy of this IEEE standard from (the IEEE Standards Association).

4. All state agencies must consider virtualization (options when refreshing equipment
   or standing up new systems. Virtualization is the creation of a virtual rather than
   actual version of something such as an operating system a server a storage device
   or network resources. Use of the most energy efficient power supplies available
   should be included in the purchase of new IT equipment.

RESOURCES  1820.4
(New 11/2014)

1. Power Usage Effectiveness Report http://www.cio.ca.gov/pdf/PUE-Reporting-
   Report.pdf

2. Institute of Electrical and Electronics Engineers (IEEE) Standards
   http://standards.ieee.org/about/get/802/802.3.html
SAM – ENERGY AND

STATE BUILDINGS AND GROUNDS MAINTENANCE AND OPERATION 1821
(New 10/2015)

SAM section 1821 provides state building and facility managers with practices and procedures that will help them achieve operational efficiencies and resource conservation measures for:

1. Integrated Pest Management (IPM)
2. Drought Moratorium
3. Landscaping Practices
4. Maintenance of Building Exteriors, Roofs, Hardscape, and Exterior Painting

State departments should have implemented the practices incorporated into SAM Chapter 1800, Sustainable Operations and Practices, in the operation and maintenance of their facilities. See the following SAM sections for more information:

- Water Conservation (Section 1835)
- Indoor Environmental Quality (Section 1825)
- Recycling And Waste Diversion (Section 1840)
- Environmentally Preferable Purchasing (EPP) (Section 1845)
- Cleaning Products And Methods (Section 1825.4)

POLICY 1821.1
(New 10/2015)

State department building and facility managers will implement practices and procedures that assist them in meeting the increased efficiency and resource conservation goals described in EO B-18-12.
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In addition to the ENERGY STAR Portfolio Manager database reporting requirements for water and energy use, departments should be prepared to provide status on compliance with these policies in the *Road Map to Achieving Executive Order B-18-12 and B-16-12.*
DEFINITIONS

For SAM section 1821, buildings and grounds maintenance refers to the routine cleaning and the day-to-day maintenance of a building’s interior and exterior and the surrounding landscape and hardscape that are considered a part of that facility.

Buildings and grounds maintenance can include repairs of a minor and simple nature involving mechanical and electrical systems and building elements that can readily be performed by maintenance personnel or technicians.

Exclusions:

It does not include the following: (see Green California Glossary for definitions)

- Remodeling
- Rehabilitation
- Renovation
- Restoration
- Additions, or
- Any other type of work normally performed by a construction contractor or personnel with specialized certification.
On-site staff and contracted pest management companies shall follow an Integrated Pest Management (IPM) strategy that focuses on long-term prevention or suppression of pest problems through a combination of techniques that may include:

- Monitoring for pest presence and establishing treatment threshold levels;
- Using non-chemical practices to make the habitat less conducive to pest development;
- Improving sanitation; and
- Employing mechanical and physical controls.

The Department of General Services (DGS) Best Practices Manual, Chapter 3 provides detailed steps on implementing an IPM plan. Topics include:

A. **Objectives and Strategies**: IPM Best Practices (pg. 3-3)
B. **Lead Person**: Assign pest management lead person for each building site (pg. 3-5)
C. **Monitoring and Evaluation**: Monitor, keep records, and evaluate IPM program activities (pg. 3-7, 3-12)
D. **Green IPM Practices**: Emphasize use of cultural, nonchemical and biological controls in all IPM activities (pg. 3-8)
E. **Communication**: Notify building occupants before pesticide application (3-11)
F. **IPM Design**: Design landscape to minimize pest problems and install mowing strips and underlayments to reduce herbicide use (pg. 3-29, 3-30, 3-32)
G. **Lighting**: Install outdoor lighting that doesn’t attract flying insects (pg. 3-31)
H. **Waste**: Store garbage receptacles on concrete or asphalt surfaces, away from building entrance; keep sealed after loading; empty regularly (pg. 3-31, 3-35)
I. **Proactive Maintenance**: Make building repairs that exclude pests (e.g., install door sweeps, automatic door closers), and reduce water sources, food, and harborage (e.g., seal cracks and crevices, fix HVAC and plumbing leaks) (pgs. 3-28, 3-34, 3-38)
J. **Eliminate Food Sources**: Keep food storage areas clean and dry (pg. 3-36)

When establishing a pest treatment plan, appropriately licensed personnel shall use non-chemical and biological controls. If this treatment is ineffective, use Tier 3 (least hazardous) herbicides/insecticides, progressing to Tier 2 and then to Tier 1 (most hazardous) only if necessary to manage the pests. Utilize only Tier-rated herbicides/insecticides as listed on the current [San Francisco Department of Environment Hazard Screening List](#).
The Emergency Drought Proclamation dated January 17, 2014, places a moratorium on new, non-essential landscaping projects at state facilities and on state highways and roads. Projects that are not needed to protect existing trees and shrubs, or are not necessary for erosion or dust control are considered non-essential. Any exemptions must be approved by the governor’s office. Submit any exemption requests to sustainability@dgs.ca.gov.
State building and facility managers will adopt the following landscaping practices:

- Reduce landfill waste material and water use;
- Promote the purchase of sustainable plant and maintenance materials; and
- Maintain a healthier outdoor environment.

These practices apply to all grounds and building exterior maintenance and landscape projects occurring on site* and will be followed by on-site staff participating contractors and vendors. They include:

A. **Existing Landscapes**: Should be maintained to survive the drought with reclaimed water whenever possible. Protect high priority landscape elements such as existing trees, ground covers and shrubs. Protect all slopes from erosion. Convert conventional spray heads or rotors to drip and/or low precipitation rate nozzles. A minimum three inch (3″) layer of mulch shall be applied on all exposed soil surfaces of planting areas except in turf areas, creeping or rooting groundcovers, or direct seeding applications.

B. **Existing Lawns**: During a declared drought, low priority landscapes such as lawns without trees shall be watered only to the extent to a minimum to control dust and erosion. The University of California, Davis publication, *Managing Turfgrasses during Drought*, provides useful information on warm-season and cool-season grasses in California. Trees in lawn areas that provide shade to buildings and hardscapes are high priority. Add drip irrigation around the drip line of the tree or water slowly and deeply with a trickling hose to increase survival rate. Trees can develop Phytophthora root rot if soil around their base remains wet for long periods. To prevent excessive growth, do not fertilize lawns. Follow the US Composting Council guidelines when using compost to retain moisture on existing lawns.

(Continued)
* Refer to latest version of the California Department of Water Resource’s model water efficiency landscape ordinance, section 490.1(e) for exceptions.
C. **Low Water Use Landscape**: All new and rehabilitation landscape projects shall comply with the latest version of the California Department of Water Resource’s model water efficiency landscape ordinance ([MWELO, 2015 Revision](#)).

D. **Irrigation**: Installation of irrigation sub-meters, flow meters, master valves and smart irrigation controllers are recommended. Overhead irrigation shall be scheduled between 8:00 p.m. and 10:00 a.m. unless weather conditions prevent it. If allowable hours of irrigation differ from the local water purveyor, the stricter of the two shall apply. Operation of the irrigation system outside the normal watering window is allowed for auditing and system maintenance. Observe irrigation cycles and if water is running off, adjust irrigation timers to run for less time, but more frequently (as allowed). Establish a water budget for the landscape based on the plants, landscape area and local climate, and schedule irrigation based on the weather, soil type and to meet the water budget. ([Click here for cycle and soak methods.](#))

E. **Sustainable Grounds and Landscape Maintenance Practices**: Sustainable landscaping practices produce significant economic and environmental benefits. Savings include reduced labor, water and fertilizer cost, lower hauling expenses and disposal fees. Standard landscaping practices include grass-cycling, lawn aeration, mulching, and composting practices that enhance the soil. These practices increase the water-holding capacity of soil, reduce erosion, and conserve water. Where appropriate, choose plants that are native or of low water use and are non-invasive to the area; consider mature plant size as it relates to available planting space to reduce pruning needs.

F. **Erosion, Sedimentation Control and Storm Water Retention**: Follow recommendations for prevention of erosion, storm water pollution and reducing peak runoff found in 5.106.1 Storm Water Pollution Prevention (p.31), 5.106.10 Grading and Paving (p.34) in the [2013 California Green Building Standards Code](#) (or current edition). Where possible, incorporate A5.106.2 Storm Water Design (page 100) and A5.106.3 Low Impact Development (LID))(page100).
To reduce the harmful effects of chemicals and air pollution on the local environment and to promote water and energy conservation during exterior maintenance activities, departments are required to develop a maintenance program consistent with the guidelines outlined in Sustainable Site Credit 2: Building Exterior and Hardscape Management Plan of LEED 2009 or the Sustainable Sites Prerequisite of LEED v4 for Existing Buildings Operations and Maintenance and in accordance with the additions and modifications described in this policy. Departments are required to amend service contract documents as necessary to support the policy requirements.

A. Chemicals: The use of harsh chemicals is not usually necessary for most building exterior maintenance activities. The strength of the cleaning solutions should approximate the level sufficient to obtain satisfactory results. Do not use cleaning solutions stronger than necessary for the particular task. Cleaning solutions for exterior maintenance should be Green Seal certified or equivalent and should conform to Environmentally Preferable Purchasing (EPP) guidelines as stated in **SAM 1850**.

B. Exterior Maintenance: Sweeping or raking are the preferred methods of exterior cleaning; blowing is allowed when appropriate and when authorized by facilities management. When using a blower, electric or battery powered equipment should be used. Engine powered blowers may be utilized in compelling circumstances and with the prior authorization of facilities management. Departments are to adopt building exterior maintenance programs that conserve water. These programs include using manual cleaning methods over those that require high volume water spraying equipment. Water use, while sometimes necessary to carry out certain cleaning activities, should be carefully monitored to avoid excessive waste and runoff. If pressurized washing equipment is necessary, use equipment at the lowest output settings necessary to achieve satisfactory results. When power washing equipment is needed, use electric powered or battery-powered equipment to reduce air and noise pollution. Gasoline powered equipment should only be used in unusual circumstances and only with the prior authorization of facilities management. Departments are to replace gasoline-powered equipment with zero-emission strategies including (but not limited to) electric, battery powered or manual equipment as equipment replacement schedules allow.

C. Hardscape: Water should never be used for general sweeping of hardscape although pressurized water use for purposes of specific removal of stains or grime from pavement, or for hygienic reasons, is considered reasonable use. State facility childcare centers with playgrounds and patios where food can be consumed should also be hygienically and routinely maintained. The monitored use of pressurized water would be appropriate for these areas as well.
D. Landscape: Landscaping tasks should be done with manual equipment whenever possible. For tasks that require power equipment, electric or battery powered equipment should be used whenever possible. Equipment in this category includes, but is not limited to, mowers, leaf blowers, string trimmers, hedge trimmers, chainsaws, pole saws, and tillers. Electric equipment shall be charged with grid electricity and never with a portable generator. Engine powered lawn and garden equipment may only be used in compelling circumstances with the prior authorization of facilities management. Departments are to replace gasoline-powered equipment with zero-emission strategies including (but not limited to) electric, battery powered or manual equipment as equipment replacement schedules allow.

E. Roofing Cleaning: Roofs should be maintained on a periodic basis consistent with the roof type (built-up, single-ply, metal, cool roof, etc.); manufacturers’ warranty requirements; location environment (coastal, urban, desert, mountain, etc.); and other external factors that affect roof performance, reflectivity and longevity. Department maintenance programs should establish roof cleaning methods and frequencies specific to the needs of each building roof to avoid unnecessary cleaning and overuse of water and cleaning solvents. Simple hand removal of debris from roofs, drains, gutters, downspouts, and overflows is often sufficient. Unwarranted frequent cleaning with powered equipment can reduce the lifespan of the roof by wearing down protective coatings and roofing materials. When powered roof cleaning equipment is necessary, equipment with a water recovery/recycle system should be considered in the maintenance program for the appropriate roof type. Refer to local municipalities for additional requirements.

F. Exterior Painting: Building maintenance often requires the repainting of exterior walls. Paints shall either be no or low volatile organic compound (VOC) and contain recycled content when obtainable, meeting industry performance standards (see Green Seal GS-43 Standard), unless prior authorization is obtained from facilities management to use something else. Use water-based paints over those containing oils. When spray equipment is used, ensure that care is exercised to prevent overspray and runoff, particularly near people, vegetation, waterways, and storm drains.

G. Training: Departments are responsible for providing training and instruction to maintenance personnel and contractors on the proper use, handling, recycling and/or disposal of all solvents and paint products. (Refer to SAM Section 1930.9.) Personnel should be directed to use manual methods of cleaning and painting whenever possible and to avoid the risk of excessive discharge with powered equipment.
Information and Directories:

- **CalRecycle Compost and Mulch**: Starting point to learn about the uses and benefits of compost and mulch.

- **CalRecycle Compost and Mulch Producers**: A list of permitted compost and mulch producers, searchable by county.

- **Seal of Testing Assurance**: Program run by U.S. Composting Council to assure high-quality finished products, includes listing of approved composters and laboratories.

Guidelines and Resources:

- **Rescape California**: Provides a whole systems approach to the design, construction, and maintenance of landscapes that works in harmony with the natural world and addresses the changing environment. Training and resources are available for public and private sector landscape professionals.

- **Caltrans Compost Specifications**: Guidelines for purchase and use of compost along California roadways, developed by California Department of Transportation (Caltrans). Other resources on erosion control, infiltration and plant establishment.

- **Compost Use for Landscape and Environmental Enhancement Manual**: CalRecycle manual with information on compost use in landscape plantings and environmental applications.

- **Grasscycling**: The natural recycling of grass by leaving clippings on the lawn when mowing.

- **Xeriscaping**: Developing landscapes specifically designed to use little or no water.


- **California Invasive Plant Council** (Cal-IPC): List of invasive plants.
The intent of this section is to announce policy and provide direction to state agencies that build, lease and operate state buildings, on reducing indoor pollutant levels and ensuring healthful indoor environments for occupants in new, renovated, leased, and existing state buildings, as directed in Executive Order B-18-12.
State agencies that build, lease and operate state buildings shall implement measures to ensure a healthful indoor environment for their building occupants. State agencies shall implement as follows:

**New/Renovated State Buildings:** State agencies shall implement mandatory measures and relevant and feasible voluntary measures of the *California Green Building Standards Code (CALGreen)*, Part 11, related to indoor environmental quality (IEQ) that are in effect at the time of new construction or alteration. The information is available at [CalGreen](https://www.dgs.ca.gov/1353/).  

**Existing State Buildings:** When accomplishing Alterations, Modifications, and Maintenance Repairs and when relevant and feasible, state agencies shall implement the mandatory and voluntary measures of the *California Green Building Standards Code (CALGreen)*, Part 11, related to indoor environmental quality.  

**New and Renegotiated State Leased Buildings:**  
The Department of General Services (DGS) will encourage Lessors to implement measures of the *California Green Building Standards Code (CALGreen)* related to indoor environmental quality, where economically feasible, for all new or renegotiated leases.  

For the comprehensive policy see [Management Memo 14-05: Indoor Environmental Quality: New, Renovated, And Existing Buildings](https://www.dgs.ca.gov/).
Executive Order B-18-12 mandates that state agencies implement relevant and feasible voluntary measures from Divisions A4.5 and A5.5 of the California Green Building Standards Code, to ensure healthy indoor environments for occupants.

**DEFINITIONS**

For the purposes of SAM Section 1825 – 1825.5, the following definitions are used:

- **Alterations** - Any construction or renovation to an existing structure, other than repair, for the purpose of maintenance or addition.

- **Modifications and Maintenance Repairs** - Making alterations to an existing structure such that it will be better suited to current needs. This type of work may involve changing the use of interior space by repositioning walls, replacing fixtures, or other such modifications under the $200,000 threshold triggering CALGreen compliance.
ENSURING A HEALTHY INDOOR ENVIRONMENT

There are major steps agencies can take to ensure a healthful indoor environment:

1. Use indoor products and materials that emit little or no harmful chemicals;
2. Provide appropriate ventilation, filtration and proper Heating, Ventilating, and Air Conditioning (HVAC) equipment maintenance;
3. Prevent water intrusion and the growth of mold;
4. Implement line of sight and “daylighting” for new buildings; and
5. Solicit feedback from tenants every two years.

Resources for implementing these steps are provided below:

Step 1: Use Indoor Products and Materials That Emit Little or No Harmful Chemicals

a) Building Materials

i. Use adhesives, sealants, caulks, paints, coatings, and aerosol paints and coatings that meet the volatile organic chemical (VOC) content limits specified in CALGreen (Sections 4.504.2.1 through 4.504.2.4, and 5.504.4.1 through 5.504.4.3.1).

ii. Use carpet systems, carpet cushions, composite wood products, resilient (e.g., vinyl) flooring systems, and thermal insulation, acoustical ceilings and wall panels that meet the VOC emission limits specified in CALGreen (Sections 4.504.3 through 4.504.5, 5.504.4.4 through 5.504.4.6, A4.504.1 through A4.504.3, and A5.504.4.5.1 through A5.504.4.9.1).

b) Furnishings and Seating

Use office furniture and seating that complies with either:

i. The DGS’ Purchasing Standard and Specifications (Technical Environmental Bid Specification 1-09-71-52, Section 4.7) or

ii. The American Society of Heating, Refrigerating and Air-Conditioning Engineers’ (ASHRAE) Standard 189.1-2011 (Section 8.4.2.5).

iii. CALPIA manufacturing and associated products are compliant with the DGS’ Purchasing Standard and Specifications (Technical Environmental Bid Specification 1-09-71-52)
c) **Cleaning Products:**

Use cleaning products that are low emitting and meet Green Seal (GS) Standard GS-37, *Cleaning Products for Industrial and Institutional Use*. CALPIA offers GS certified cleaning products at: [Products for Industrial and Institutional Use](http://www.productsforindustrialandinstitutionaluse.com).

For relevant building types/uses, consider:

-GS-53, *Specialty Cleaning Products for Industrial/Institutional Use*
-GS-8, *Cleaning Products for Household Use*, and
-GS-52, *Specialty Cleaning Products for Household Use*

All GS standards can be found at: [Green Seal](http://www.greenseal.org).

d) **Cleaning Procedures:**

i. Specify, use and properly maintain effective vacuum cleaners that meet the Carpet and Rug Institute’s TM 113 – 110901, *Laboratory Test Procedure for Quantifying Respirable Particulate From Vacuuming Carpet*. Information can be found at:

[http://www.carpet-carpettestmethod.com](http://www.carpet-carpettestmethod.com)

ii. Maintain entryways as specified in *CALGreen* (Section A5.504.5.1).

iii. Use non-chemical cleaning methods where feasible. Minimize the use of chemicals when cleaning floor surfaces.

**iv.** Follow the cleaning procedures of GS-42, *Commercial and Institutional Cleaning Services*.

v. Follow the Carpet and Rug Institute’s *Carpet Maintenance Guidelines for Commercial Applications*. See:

[Carpet for Business](http://www.carpet-business.com)

(Continued)
ENSURING A HEALTHY INDOOR ENVIRONMENT 1825.4 (Cont. 2) (New 8/2014)

Step 2: Provide Appropriate Ventilation, Filtration, and HVAC Equipment Maintenance.

a) Existing Buildings – Maintenance and Operation

i. Operate HVAC systems continuously during work hours and provide no less than the required minimum outdoor air requirements in effect when the building permit was issued, or if no building permit was issued, when the building was designed, constructed or renovated. Please refer to Cal-Osha’s Title 8 regulations, Section §5142: Mechanically Driven Heating, Ventilating and Air-Conditioning (HVAC) Systems to Provide Minimum Building Ventilation, at Control of Hazardous Substances

ii. Inspect HVAC systems at least annually; all HVAC inspections and maintenance shall be documented in writing (as required by Title 8, Section 5142). Annual inspections shall also include:

- Verification of minimum outdoor airflows using properly calibrated handheld airflow measuring instruments.
- Confirmation that air filters are clean and replaced according to the manufacturer’s specified interval or more frequently as needed based on specific local or seasonal conditions. Use high Minimum Efficiency Reporting Value (MERV) filters as specified below.
- Verify that outdoor dampers, actuators, and associated linkages operate properly.
- Check the condition of all accessible heat exchanger surfaces for fouling and microbial growth, and take action as needed.
- Check condensate drain pans for proper drainage and possible microbial growth, and take action as needed to correct and to prevent future drain blockages and microbial growth.
- To the extent accessible, inspect the first 20 feet of all lined ductwork downstream of cooling coils for visible microbial growth. If microbial growth is found, correct and take action to prevent future growth.
- Ensure that cooling towers are properly maintained and records of chemical treatment of cooling tower water are kept. Cooling tower plume discharges closer than 25 feet to any building intake shall be retrofitted where possible to meet the 25 foot requirement.
- Building managers shall develop a comprehensive HVAC preventative maintenance program.
iii. Where feasible, use filters with a MERV rating of no less than 11, as specified in Section A5.504.5.3.1 of CALGreen. Existing HVAC systems incapable of accommodating increased pressure drops associated with the 11 MERV rating shall use the highest MERV rating that their fan(s) can accommodate while providing the design airflows. To the extent possible, all fan change-outs shall be sized to accommodate MERV 13 filters.

iv. Provide ongoing factory training for stationary engineers on proper operation and maintenance of all new and existing equipment, as well as all building management systems.

v. Initiate a computer-based preventive maintenance program for all HVAC equipment.

vi. Provide specialized air treatment for buildings in areas where air quality standards are routinely exceeded. Consider using:

- Particulate matter air filters with a minimum MERV rating of 13 or higher (if feasible) for buildings in areas where the Environmental Protection Agency (US EPA) standards for PM10 (particulate matter) or PM2.5 are routinely exceeded.

- Ozone-removing air cleaning devices with a minimum volumetric ozone removal efficiency of 40 percent in areas where the US EPA 8-hour average ambient ozone standard is routinely exceeded. These devices should be operated continuously during times that the relevant air quality standard is exceeded and the building is occupied. See Air Quality Data Statistics or contact your local air quality management district to determine whether a specific site falls into this category.

vii. Purge buildings prior to daily occupancy with outdoor air, with either the minimum ventilation rate for one hour, or three complete air changes as required for non-residential buildings (Section 120.1(c)2 of the 2013 California Code of Regulations, Title 24, Part 6).

b) New and Renovated Buildings

i. Commission new buildings to ensure proper installation and operation of all building systems, including the proper delivery of the required amount of outdoor air (Title 24, Part 6, Section 120.8).
ii. Implement relevant *mandatory* measures and relevant and feasible *voluntary* measures from *CALGreen* (Division 5.5 and Appendix section A5.5).

iii. Provide specialized air treatment for buildings in areas where air quality standards are routinely exceeded.

- Use particulate matter air filters with a minimum MERV rating of 13. MERV 16 or HEPA (high efficiency particulate arrestance) filters should be considered where feasible for institutional residential buildings that house sensitive groups such as the elderly or infirm, and buildings used by children.

- Consider using ozone-removing air cleaning devices with a minimum volumetric ozone removal efficiency of 40 percent in areas where the US EPA 8-hour average ambient ozone standard is routinely exceeded. These devices should be operated continuously during times that the relevant air quality standard is exceeded and the building is occupied. See *Air Quality Data Statistics* to determine whether a specific site falls into this category.

iv. Specify that all HVAC systems above 2,000 cubic feet per minute (cfm) be equipped with outdoor airflow measuring stations and be connected to a building energy management system. Building management systems shall be programmed to provide audible and visible alarms when minimum outdoor airflow rates are not met. If feasible, HVAC systems smaller than 2,000 cfm shall also be equipped with such airflow measuring stations.

v. Specify that all HVAC systems above 2,000 cubic feet per minute (cfm) be equipped with outdoor airflow measuring stations and be connected to a building energy management system. Building management systems shall be programmed to provide audible and visible alarms when minimum outdoor airflow rates are not met. If feasible, HVAC systems smaller than 2,000 cfm shall also be equipped with such airflow measuring stations.

ENSURING A HEALTHY INDOOR ENVIRONMENT 1825.4 (Cont. 5) (New 8/2014)

vi. Develop an IEQ Construction Management Plan that incorporates measures in *CALGreen* Sections A5.504.1 through A5.504.2 for actions during and after construction to ensure healthful IEQ.

Step 3: Prevent Water Intrusion and Growth of Mold

Keep all buildings clean and sanitary as required by Title 8 Section 3362 *Safe Practices and Personal Protection*. When exterior water intrusion, leakage from interior water

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sources, or other uncontrolled accumulation of water occurs, the intrusion, leakage or accumulation shall be corrected, typically within 24-48 hours because these conditions may cause the growth of mold.

**Step 4: Line of Sight and Daylighting – New Buildings**

a) Toplighting and sidelighting are recommended per *CALGreen* (Section A5.507.2); recommended are the use of light shelves, reflective room surfaces, means to eliminate glare, photosensor controls and not using diffuse daylighting glazing where views are desired. See [New Buildings - Lighting](#) and [Lighting Design](#) for additional information.

b) Direct line of sight to the outdoor environment via vision glazing between 2.5 and 7.5 feet above the finished floor in 90 percent of all regularly occupied areas is required. (*CALGreen* Section A5.507.3).

**Step 5: Input from Occupants – Existing Buildings**

Input from building occupants should be solicited every two years to obtain feedback on any IEQ and/or comfort concerns. One of the following methods should be used:

a) Occupant surveys to collect information on IEQ, as well as on other sustainability issues, such as the need or desirability for electric vehicle charging stations, commute alternatives, etc.

b) Maintenance and regular review of an occupant complaint database documenting complaints related to IEQ and response to the complaints.

**RESOURCES**

1825.5

(New 8/2014)

Guidelines and standards can help state agencies achieve acceptable IEQ, including but not limited to:

1. VOC emission limits for building materials established by CDPH (*Volatile Organic Compounds*

2. Architectural coatings guidelines and composite wood rules from CARB (see *CALGreen*, [Architectural Coatings Program](#) and [Composite Wood Products Airborne Toxic Control Measure](#)

3. Green Seal guidelines for cleaning products and processes [Green Seal](#)

4. Ventilation, filtration, and daylighting regulations from the Energy Commission (see current building efficiency standards at [California Energy Commission](#)

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5. Cal-OSHA requirements (Control of Hazardous Substances Safe Practices and Personal Protection and others);

6. Measures included in criteria from green building organizations such as those in the US Green Building Council’s Leadership in Energy & Environmental Design program (LEED V4 Rating Systems)

7. ASHRAE (consensus) standards for ventilation and filtration: ASHRAE


WATER EFFICIENCY AND CONSERVATION

The intent of this section is to provide direction to all state agencies under the Governor’s executive authority on meeting the water use reduction requirements outlined in Executive Order B-18-12.

POLICY

State agencies shall reduce water use at their facilities 10 percent by 2015, and 20 percent by 2020 as measured against a 2010 (or earlier) baseline. State agencies shall enter complete annual water use data into the Energy Star Portfolio Manager, and provide access to the Department of General Services (DGS) by March 1 of each year.

For the comprehensive policy see Management Memo 14-02: Water Efficiency and Conservation.

AUTHORITY

Executive Order B-18-12 mandates that DGS work with other state agencies to develop and implement policies and procedures for the operation and maintenance of state buildings to achieve operating efficiency improvements and water and resource conservation, and to continually update and incorporate these into the State Administrative Manual (SAM).

Executive Order B-18-12 also requires state agencies to reduce overall water use at the facilities they operate by 10 percent by 2015 and by 20 percent by 2020, as measured against a 2010 baseline.
DEFINITIONS

For the purposes of SAM Section 1835, the following definitions are used:

- **Process Water** – Water used for manufacturing processes, for testing and maintaining manufacturing equipment, and water used in combined heat and power facilities.

- **GrayWater** - Untreated wastewater that has not been contaminated by any toilet discharge, has not been affected by infectious, contaminated, or unhealthy bodily wastes, and does not present a threat from contamination by unhealthful processing, manufacturing, or operating wastes. Includes wastewater from bathtubs, showers, bathroom washbasins, clothes washing machines, and laundry tubs, but does not include wastewater from kitchen sinks or dishwashers.

WATER USE REPORTING REQUIREMENTS

The following are water use reporting requirements for state agencies:

1. **General Requirements**

By March 1 of each year, state agencies shall enter complete annual water use data for the preceding year into the Energy Star Portfolio Manager database. Agencies shall provide online access to this data upon completion to the Department of General Services, Office of Sustainability, and notify upon completion to sustainability@dgs.ca.gov.

Agencies may exclude process water from the annual reporting and water use reduction requirements. Also excluded is water used for fish and wildlife habitat, livestock maintenance, and firefighting. Annual usage will be measured against the baseline data previously reported by each state agency to determine if water reduction targets are met.

2. **Instructions for Leased Facilities**

New and renegotiated state leases shall include provisions for reporting water use where economically feasible. Agencies managing state-owned buildings are to report water usage. If agencies lease a building or space (state owned) managed by DGS, DGS will report the water use for that building space. If a state agency other than DGS manages the building or space, that agency will report the water use for that building.

3. **Estimating Water Use at Facilities without Water Meters**

It is understood that not all state facilities can report actual water use, because metering or sub-metering is not available. This does not exempt these agencies/facilities from
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responsibility for active management of water consumption or reporting of water use. Baseline and ongoing water use can be estimated based on the water use ratings of fixtures and appliances at the site, the duration per use, amount of usage, and the number of occupants. Department of Water Resources Water Use Reduction Guidelines and Criteria document provides guidance on how to baseline water usage and report annual usage for facilities without meters.

Agencies operating in these facilities should also apply Best Management Practices for Water Use, and document policies for purchasing/replacing water-using fixtures and/or equipment with higher efficiency models. If not cost prohibitive, state agencies should make water meter installations a priority so they can obtain accurate measurements of water use.

WATER USE REQUIREMENTS

1835.5

(New 8/2014)

The following are requirements for water use for state agencies:

1. State agencies shall purchase, install and operate WaterSense or equivalent (labeled) industry standard fixtures and equipment (including irrigation equipment) whenever it is available, cost-effective, and meets quality requirements.

2. Landscape plants shall be selected based on their suitability to local climate and site conditions, and reduced water needs and maintenance requirements.

3. All new and renovated state buildings and landscapes shall utilize alternative sources of water wherever cost-effective. Sources may include, but are not limited to: recycled water, graywater, rainwater capture, storm water retention, and other water conservation measures.

4. State agencies should perform the following critical activities for water use reduction:
   a. Implement Best Management Practices (BMPs)

   BMPs are ongoing actions that establish and maintain water use efficiency. State agencies must implement the BMPs in the Water Use Reduction Guidelines and Criteria. State agencies are responsible to review and apply these BMPs to all facilities they occupy.

   b. Complete Building and Landscape Inventories

   State agencies should complete a Building and Landscape Inventory every five years. The quantitative inventory requires a facility walk-through to assess the types, numbers and condition of all water using fixtures, appliances and irrigation equipment.

   c. Implement a Landscape Water Budget Program

Rev. 427
Large landscape areas over 20,000 sq. ft. should be managed and water use tracked with a landscape water budget program. Large landscape water use often represents a significant percentage of a facility’s water use, and significant water savings can often be achieved through better irrigation scheduling or inexpensive improvements in irrigation hardware. Landscape maintenance staff should attend an WaterSense-labeled training program to become proficient in landscape water budgeting and water management.
FACILITIES EXEMPT FROM WATER USE REDUCTION REQUIREMENTS 1835.6

(New 8/2014)

Buildings or facilities that meet or exceed 2010 or newer CalGreen water efficiency standards may be exempted from water use reduction requirements, since they already meet low water use targets. Supporting documents or data must be provided if requested and may include monthly/annual utility water use reports and/or water use calculation tables that document the water use ratings.

Agencies must still report the water use of these facilities in the Energy Star Portfolio Manager database on an annual basis, as outlined in section 1835.4.

RESOURCES 1835.7

(New 8/2014)

1. Department of Water Resources, Water Use and Efficiency Branch
2. SBX7-7

Sustainable Sites Initiative

3. Greening Federal Facilities Graywater regulations
4. American Rainwater Catchment Association
5. Irrigation Association
6. Establishing Baselines and Meeting Water Conservation Goals of Executive Order 13423
7. Water Smart Guidebook; a Water-Use Efficiency Plan
8. California Landscape Contractors Association WMCP (Water Management Certification Program)
9. River Friendly Guidelines for Landscape Professionals
10. Green California
11. Water sense
12. CalGreen

RECYCLING AND WASTE DIVERSION PRACTICES 1840

(New 8/2014)

Please refer to SAM Chapter 1900 – Waste Prevention and Recycling of Non-Hazardous Waste.

STATE AGENCY BUY RECYCLED CAMPAIGN (SABRC) 1845

Rev. 427
(New 8/2014)

Departments will consider Recycled Content Products (RCP) in conducting their purchasing activities. Please refer to State Contracting Manual (SCM) Vol. 2 and Vol. 3, Chapter 3 – Socioeconomic and Environmental Programs.

ENVIRONMENTALLY PREFERABLE PURCHASING

(New 8/2014)

Departments are required to purchase commodities that meet DGS Purchasing Standards. Please refer to State Contracting Manual (SCM) Vol. 2 and Vol. 3, Chapter 3 – Socioeconomic and Environmental Programs.
CHAPTER 1900 INDEX
This chapter informs employees at state facilities of the Department of Resources, Recycling and Recovery (CalRecycle) policies and procedures regarding the prevention of solid waste generation and, alternatively, the reuse or recycling of solid waste. It describes related state agency and individual state facility responsibilities. This chapter does not pertain to hazardous materials or confidential records destruction.

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The Department of Resources, Recycling and Recovery (CalRecycle) is committed to reducing the amount of solid waste entering landfills, and to assist state agencies and facilities in meeting required waste diversion goals, and to enact programs for all recyclable materials where feasible. CalRecycle’s Internet location is: CalRecycle.

For information on state agency requirements and assistance: Waste Management for State Agencies.

To access CalRecycle’s terms and definitions relating to recycling and waste prevention Laws and Regulations.

For and index of programs and services: CalRecycle.
On and after January 1, 2004, each state agency and each large facility shall divert at least 50 percent of all solid waste through source reduction, recycling, and composting activities. Each state agency and large state facility is also required to designate at least one solid waste reduction and recycling coordinator to oversee the implementation of waste management programs. Commencing January 1, 2007, pursuant to Public Resources Code (PRC) 42921.5, the 50 percent diversion requirement is measured by comparing the per capita disposal rate in subsequent years with the equivalent per capita disposal rate that would have been necessary for the state agency or large state facility to comply with the 50 percent diversion requirement (for additional information about the measurement system see State Agency Laws and Regulations). Also, beginning 2012, each state agency and large state facility is to annually submit a state agency waste management report to CalRecycle by May 1. For more information on state agency waste management report: Waste Management Annual Report.

Additionally, Public Contract Code (PCC) sections 12200-12217, the State Agency Buy Recycled Campaign (SABRC), and related PCC sections 12180-12184, include purchasing and reporting requirements for state agencies regarding products purchased by the State of California, in specific product categories. The requirements state that if fitness and quality are equal, each state agency shall purchase recycled products instead of non-recycled products whenever recycled products are available at the same or lesser total cost than non-recycled products. For more information on SABRC reporting: CalRecycle.

The Governor’s Executive Order EO-B-18-12, requires the Department of General Services (DGS) to work with other state agencies to develop by July 1, 2013, policies and guidelines for the operation and maintenance of State buildings to achieve operating efficiency improvements and water and resource conservation, and to continually update and incorporate these into the State Administrative Manual (SAM).

The following subsections provide guidance to state agencies in managing these material wastes: California Redemption Value (CRV) beverage containers, carpet, construction, and demolition material (C&D), electronic waste (e-waste), food waste, mattresses, organic landscape waste, oil, paint, paper, scrap metal, sharps, tires, toner cartridges and universal waste (u-waste). U-wastes are: batteries, lamps/light bulbs, mercurcy-containing equipment and thermostats, and non-empty aerosol cans.
For more information on implementation of waste prevention, reuse, and recycling programs: CalRecycle Assistance.

**CALIFORNIA REDEMPTION VALUE (CRV) BEVERAGE CONTAINERS 1930.1**

(Revised 12/2013)

Until placed in a recycling bin, a CRV beverage container is the property of the person who purchased it. CRV beverage containers placed in state-owned recycling bins are the property of the state. CRV beverage containers placed in recycling bins furnished by a contracted recycling service provider are the property of that contracting organization. Unauthorized removal of CRV beverage containers from a CRV recycling bin is a misdemeanor criminal offense.

For agencies needing information on locating a CRV beverage container recycling center: Beverage Container Recycling Center

**CARPET 1930.2**

(Revised 12/2013)

California is the first state in the nation to establish a statewide Carpet Stewardship Program which helps ensure that discarded carpet becomes a resource for new products. A non-profit carpet stewardship organization designs and implements the statewide carpet stewardship program.

Information on carpet stewardship is at: CalRecycle Carpet. This website has information on the carpet stewardship program, the stewardship organization running the statewide program, and associated laws, regulations, plans and guidance.

To best reuse or recycle old carpet, it needs to be dry and not contaminated with other debris.

Reuse is a preferred method for managing carpet, if feasible, however it tends to be limited to carpet tiles. Some manufactures of the carpet tile take it back so check if this is feasible.

Recycling is a preferred option over landfilling because it saves resources, reduces greenhouse gas emissions, and saves landfill space. When purchasing and installing new flooring that requires the removal of old carpet, ask your contractor/vendor to recycle the old carpet.

To locate a carpet collector and/or processor near you to recycle or dispose of old carpet, check the resources on this page: Carpet and Carpet Pad Recycling Facilities

**CONSTRUCTION AND DEMOLITION (C&D) 1930.3**

(Revised 12/2013)
SAM—INSURANCE AND SURETY BONDS

Historically, construction and demolition waste such as concrete, lumber, and carpet has comprised nearly a third of all materials disposed in California landfills annually.

**Title 24, Part 11**, California Green Building Standards Code ([CalGreen](#)) requires all permitted new construction to divert at least 50% of the construction and demolition wastes generated as part of the project. CalGreen also requires the diversion of 50% of the C&D waste generated resulting from alterations with a permit value $\geq$ $200,000 or additions adding $\geq$ 1,000 ft$^2$ of conditioned space. Executive Order B-18-12 requires all State buildings greater than 50,000 square feet to meet the Leadership in Energy and Environmental Design ([LEED](#)) for Existing Buildings.

State agencies shall meet the following requirements, as they apply: Meet the construction and demolition waste diversion requirements of California Green Building Standards Code (CalGreen) for all applicable new and existing buildings; or for existing buildings greater than 50,000 feet, meet the C&D diversion credit requirements of LEED for Existing Buildings where feasible; or for building projects not covered under CalGreen, the agency should divert as much material from the project as is feasible and consistent with the requirements of Public Resources Code (PRC) sections 42920 et seq.

For more information on C&D recycling: [CalRecycle ConDemo](#) For more information on CalGreen: [CalGreen](#)

**ELECTRONIC WASTE**

1930.4

(Revised 12/2013)

Electronic waste (e-waste) is presumed hazardous when disposed and may not be disposed with municipal solid waste. Functional or refurbishable surplus electronic equipment must be managed pursuant to SAM 3500 and SAM 5900. Pursuant to SAM 3520.9, state agencies must recycle irreparable e-waste using an authorized recycler. Management Memo 12-02 encourages state agencies to consider redirecting functional computers and associated peripherals towards educational reutilization.

To find an E-waste recycler: [CalRecycle Electronics](#)

**FOOD WASTE**

1930.5

(Revised 9/2015)

Food waste is one of the largest single disposed materials in California landfills. Assembly Bill 1826 ([PRC Sections 42649.8 - 42649.86](#)) was passed in September 2014 requiring businesses, **including state agencies**, which generate certain amounts of organic waste per week to have organic waste recycling programs.

On and after January 1, 2016, local jurisdictions across the state are required to implement an organic waste recycling program to divert organic waste generated by businesses, **including state agencies**.

Rev. 424
The types of organic material that the law requires organic waste programs to address include: food waste, green waste, landscape and pruning waste, nonhazardous wood waste, and food-soiled paper waste that is mixed in with food waste.

All state agencies with food preparation/dining service (either state or contractor operated), shall explore options that reduce or prevent the landfill disposal of food waste. Reducing the generation of food waste is always preferable. In regions where programs exist, state agencies can participate in local or regional efforts to donate unspoiled edible food for human or animal consumption before it is disposed.

State agencies can direct that food waste be separated from other waste material and diverted to facilities where it is composted, digested or otherwise processed. Because food waste degrades quickly and can produce odors or attract vectors, state agencies should consult with CalRecycle staff to explore available source reduction and recycling options, compliance with solid waste handling regulations, laws and regulations regarding mandatory organics recycling, as well as any permits which may be required if the option selected includes on-site food waste recycling solutions.

Collection of pre-consumer food waste generated at adult correctional institutions may be managed through a master agreement. Example food waste collection contract language for other state agencies is available on the CalRecycle’s web site: CalRecycle Office Paper.
FOOD WASTE 1930.5 (Cont. 1)
(Revised 9/2015)

This law phases the requirement to have organic waste recycling programs over time. In particular, the minimum threshold of organic waste generation by businesses, including state agencies, decreases over time, which means that an increasingly greater proportion of businesses will be required to comply.

The phased requirement dates to have organic waste recycling programs:

- 8 or more cubic yards of organic material per week – April 1, 2016
- 1 or more cubic yards of organic material per week – January 1, 2017
- 4 or more cubic yards of solid waste per week – January 1, 2019
- 2 or more cubic yards of solid waste per week, if statewide disposal of organic waste is not decreased by half – January 1, 2020.

State Agencies can comply with the new requirements by taking one or any combination of the following actions:

- Source-separate organic waste from other waste and subscribe to an organic waste recycling service that specifically includes collection and recycling of organic waste.
- Recycle organic waste onsite, such as composting, anaerobic digestion, vermicomposting, or self-haul to an organics recycling facility.
- Subscribe to an organic waste recycling service that includes mixed-waste processing that specifically recycles organic waste.
- Sell or donate the generated organic waste.

Please refer to Mandatory Commercial Organics Recycling (MORe) FAQS under “Business” to answer additional questions on how an agency qualifies as a business. (CalRecycle FAQ) and for more information on food waste recovery: CalRecycle Organics

FOOD WASTE 1930.5 (Cont. 2)
(Revised 9/2015)

Listed below are some steps to take:

- Review the background and overview to Mandatory Commercial Organics Recycling CalRecycle Organics
- Check with your CalRecycle LAMD representative to discover what organics recycling programs are or will be available in your jurisdiction or area.
- If applicable, coordinate with the building owner regarding areas for collecting, storing and loading the organics.
SAM—INSURANCE AND SURETY BONDS

Implement additional programs, when possible or required. Each type of organics recycling program may not be required for your agency and will depend on the jurisdiction or area.

Refer to SAM 1950 for State Agency Responsibilities.

Report on programs in the annual State Agency Waste Management Report due May 1st each year CalRecycle State Agency.

For additional mandatory organic recycling requirements, please refer to SAM section 1930.8: ORGANIC WASTE.

Rev. 431
Although mattresses are bulky, hard-to-manage products, many of their components can be recycled. In fact, according to a 2012 CalRecycle-commissioned mattress case study recycling mattresses saves landfill space and is estimated to offset 45 percent of Greenhouse Gas (GHG) emissions associated with the production and landfilling of these products.

The California Used Mattress Recovery and Recycling Act (SB 254, Hancock, Chapter 388, Statutes of 2013) aims to reduce illegal dumping, increase recycling, and substantially reduce public agency costs for the end-of-use management of used mattresses.

This law requires a non-profit mattress recycling organization (MRO) to design and implement the Mattress Stewardship Program. The MRO’s plan will outline how it intends to fulfill its responsibilities under the law and communicates a course of action to stakeholders and the public. CalRecycle is required to approve the stewardship plan and provide oversight and enforcement to ensure a level playing field among program participants. The approved stewardship plan and a list of compliant mattress manufacturers and brands will be posted and made available to the public on CalRecycle’s website. The mattress program is expected to be fully operational in early 2016.

Mattresses manufactured by the Prison Industry Authority (PIA) and purchased by the state or its agencies are exempt from the Act’s recycling charge and any end-of-life incentives that may be established by the MRO, as noted in Public Resources Code Section 42989.2.1. Mattresses sold subject to this exemption shall be permanently marked or labeled to clearly identify them as having been manufactured by PIA.

More information can be found on CalRecycle’s Mattress Product Management webpage: CalRecycle Mattresses
Used motor oil is a hazardous waste that must be properly managed. It is against the law to pour used oil onto the ground or into storm drains, or place into trash cans (even in a sealed container) as it can contaminate and pollute the soil, groundwater, streams, and rivers. Recycling used motor oil reduces this pollution threat and allows a waste material to be recycled, cleaned, and used again.

Certified used oil collection centers will accept used oil from the public at no charge, and can be found via the [Certified Collection Center](#) search tool. Certified collection centers will not accept used motor oil that has been contaminated with other fluids such as antifreeze, solvents, gasoline, or water. If used oil is suspected of being contaminated, [local agencies](#) can be contacted for information on management options.

More information on used oil management can be found on the [Used Oil Recycling](#) home page.

To find certified used oil recycling centers: [Used Oil Certified Collection Center](#)
Assembly Bill 1826 (PRC Sections 42649.8 - 42649.86) was passed in September 2014 requiring businesses, including state agencies, which generate certain amounts of organic waste per week to have organic waste recycling programs. On and after January 1, 2016, local jurisdictions across the state are required to implement an organic waste recycling program to divert organic waste generated by businesses, including state agencies.

The types of organic material that the law requires organic waste programs to address include: food waste, green waste, landscape and pruning waste, nonhazardous wood waste, and food-soiled paper waste that is mixed in with food waste.

This law phases the requirement to have organic waste recycling programs over time. In particular, the minimum threshold of organic waste generation by businesses, including state agencies, decreases over time, which means that an increasingly greater proportion of the commercial sector will be required to comply.

The phased requirement dates to have organic waste recycling programs:

- 8 or more cubic yards of organic material per week – April 1, 2016
- 4 or more cubic yards of organic material per week – January 1, 2017
- 4 or more cubic yards of solid waste per week – January 1, 2019
- 2 or more cubic yards of solid waste per week, if statewide disposal of organic waste is not decreased by half – January 1, 2020.

State Agencies can comply with the new requirements by taking one or any combination of the following actions:

- Source-separate organic waste from other waste and subscribe to an organic waste recycling service that specifically includes collection and recycling of organic waste.
- Recycle organic waste onsite, such as composting, anaerobic digestion, vermicomposting, or self-haul to an organics recycling facility.
- Subscribe to an organic waste recycling service that includes mixed-waste processing that specifically recycles organic waste.
- Sell or donate the generated organic waste. (Continued)
Please refer to Mandatory Commercial Organics Recycling (MORe) FAQS under “Business” to answer additional questions on how an agency qualifies as a business
CalRecycle FAQ.

Listed below are some steps to take:

Review the background and overview to Mandatory Commercial Organics Recycling CalRecycle Organics.

Check with your CalRecycle LAMD representative to discover what organics recycling programs are or will be available in your jurisdiction or area.

If applicable, coordinate with the building owner regarding areas for collecting, storing and loading the organics.

Implement additional programs, when possible or required. Each type of organics recycling program may not be required for your agency and will depend on the jurisdiction or area.

Refer to SAM 1950 for State Agency Responsibilities.


Existing law prohibits the disposal of paint in the land or waters of the state and authorizes certain entities to accept latex paint for recycling. Paint represents almost one-third of the material collected at local household hazardous waste facilities and costs local government millions of dollars to manage. The California Architectural Paint Recovery Program, established by AB 1343 (2010), requires manufacturers of architectural paint to develop and implement a recovery program to manage the reuse, recycling, and proper disposal of leftover paint. This program allows state agencies to return leftover paint to drop-off locations at certain paint retailers, hardware stores, transfer stations, and household hazardous waste facilities throughout the state at no charge. If a state agency generates over 300 gallons of leftover paint, direct pick-ups may also be arranged.

In order to reduce the generation of leftover paint, only buy an appropriate amount of paint for each project. If paint is purchased in greater quantities than needed, it can be reused or reprocessed to make a high-quality, economical, recycled paint for use in place of standard latex paint. Leftover paint should be taken to a drop-off site for reuse, recycling, or proper management.
SAM—INSURANCE AND SURETY BONDS

For more information on paint product management, including recycling leftover paint:
http://www.calrecycle.ca.gov/Paint/

PAPER

(Revised 11/2018)

Paper and paperboard products make up around 20% of office or business disposal in California. State agencies should reduce the amount of paper consumed by implementing paper waste prevention activities such as the use of electronic filing systems, setting printer defaults to duplex printing mode, and establishing paper reuse areas for one-sided paper. Many State agencies already have paper and cardboard recycling programs, because paper products comprise the greatest volume of recyclables for the typical office. The most common paper types generated in state offices are: white ledger (copier and printer paper), colored paper, newsprint, magazines, phone books and directories, paper bags, and cardboard. Mixed paper is what occurs when these commodities are not sorted. Sorting white paper from other types could produce revenue depending on the amount generated, market prices, and how well it is sorted. Some facilities mix paper and other recyclables into a single bin that is sorted at a material recovery facility. The single bin concept creates convenience for staff, but produces a lower grade of recycled paper that will produce little or no revenue. Recycling paper, even mixed paper, avoids disposal costs and helps agencies meet their 50% diversion requirement. These recycling programs also support the State of California’s 75% statewide waste diversion goal, in accordance with the provisions of AB 341 (2011). For recycling non-confidential records, the shredded paper should be bagged to avoid litter.

For more information on paper waste prevention, reuse, and recycling: CalRecycle Paper

For more information on Confidential Records Destruction, see SAM 1600

SCRAP METAL

(Revised 11/2018)

Scrap metal recycling is common and has a mature, extensive infrastructure. Depending on the quantity and quality of scrap metal generated, state agencies may receive revenue from recycling ferrous (sticks to a magnet, like steel & iron) and non-ferrous (aluminum, copper, brass, etc.) metal. Types of common scrap metal include: used wire, pipes, signs, posts, appliances, tin (steel) cans, empty aerosol and paint cans, rails and fencing, and some types of furniture. Agencies that generate significant amounts of scrap metal may choose to either sort out the most valuable types, or to commingle all types into one bin before sale to a scrap metal recycler.

Metals are among the most valuable recycled commodities and they should be protected from theft.

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When it is recycled, scrap metal is generally exempt from hazardous waste regulations under both federal and state law. Scrap metal is not exempt from regulations under either federal or State Law when disposed, especially if it exhibits a characteristic of hazardous waste or is contaminated with a listed hazardous waste. Such situations may include metals covered with old, leaded paint, or motor parts covered with oil and grease. In these cases, metal may need to be managed as a hazardous waste under federal law 40 CFR 261.6(a)(3)(ii) and state law 22 CCR 66261.6(a)(3)(B).

SHARPS 1930.12

(Revised 12/2013)

Although only pertaining to home-generated sharps, beginning in 2008 state law (Section 118286 of the California Health and Safety Code) made it illegal to dispose of those sharps in household trash or recycling containers. Thus, state employees who often must self-inject during work hours, must follow similar requirements at home as those described below. Ultimately, decreasing the number of sharps disposed in standard trash receptacles will help prevent potential health risks to janitorial staff and other waste and recycling workers.

Buildings with full-time state employees (excluding contractors) shall make a sharps container available in at least one of each male and female restroom. The sharps container shall meet the standards and receive approval from the federal Food and Drug Administration as a medical device for use as a sharps container (search for “sharps” in the search box at the following link: Premarket Notification).

Signage near any restroom trash receptacle lacking a nearby sharps container should reference the location of the sharps container(s) that is/are available for employees.

Disposal should be arranged for by the building management and/or by state agency agreement.

For more information on handling sharps: Sharps Waste Disposal

TIRES 1930.13

(Revised 12/2013)

CalRecycle is mandated to regulate and manage waste tires generated within the state. The Legislature recognized the need for waste tire management and passed the California Tire Recycling Act in 1989. To further strengthen waste tire management, the Legislature passed Senate Bill (SB) 876 in 2000 to augment the California Tire Recycling Act.

California is faced with the challenge of diverting or safely managing more than 45 million reusable and waste tires generated annually in the state. Any state agency transporting 10 or more used or waste tires must be a registered waste tire hauler with CalRecycle and track tire transactions on a manifest form. Any state agency who stores...
or stockpiles more than 500 waste tires at a specific location are required to acquire a major or minor waste tire facility (WTF) permit and comply with technical standards for the safe storage of waste tires. Information regarding CalRecycle’s enforcement program can be found at: Tires Enforcement

For more information on recycling tires, including tire haulers and recyclers: CalRecycle Tires

**TONER CARTRIDGES**

(Revised 12/2013)

In accordance with Public Contract Code, Section 12156(c), it is unlawful to prohibit a printer or duplication cartridge that is sold to the State from being recycled or remanufactured, except as specified in subdivision (b). Department of General Services (DGS)’s toner cartridge purchasing contracts require the vendor to provide recycling boxes for toner cartridges to each State agency once they place an order. Once the box is full, the ordering agency should seal the box and contact the contractor’s take back contact person to arrange for pickup replacement with an empty recycling box. For remote locations, the contractor will provide a recycling box with a prepaid shipping label. Ordering agencies may contact the contractor’s take back contact person to arrange for a shipping pick-up. To purchase high quality low-cost remanufactured toner cartridges, obtain a copy of the current contract available from DGS.

For more information on recycling toner cartridges: Ink and Toner Cartridges

**UNIVERSAL WASTE (BATTERIES, MERCURY THERMOSTATS AND PRODUCTS NON-EMPTY AEROSOL CANS)**

(Revised 12/13)

“Universal waste” is a designation that includes certain commonly generated hazardous wastes. Because they pose a relatively lower risk to people and the environment than other hazardous wastes, universal wastes are regulated based on a relaxed set of standards which is more appropriate for the specific hazards they pose. California’s Universal Waste Rule requires large and small quantity handlers to ship their universal waste to another handler, a universal waste transfer station, a recycling facility, or a disposal facility.

See these references for more information on the following individual U-wastes.

- Batteries: Batteries;
- Lamps: Lamps;
- Mercury-containing thermostats: Mercury-Containing Thermostats;
- Other mercury-containing products: Mercury in Consumer Products;

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- Non-empty aerosol cans: [Aerosol Cans](#).

For more information on U-waste [Universal Waste](#).

**THE DEPARTMENT OF RESOURCES, RECYCLING AND RECOVERY (CALRECYCLE) RESPONSIBILITIES**

(Revised 12/2013)

For new agencies/departments, CalRecycle approves the integrated waste management plan and creates the electronic annual reporting system. For existing agencies/departments, CalRecycle does the following:

1. Assist agencies to implement programs to source reduce, separate and collect recyclable materials and compost, as applicable, purchase recycled-content products. CalRecycle can provide the following:
   a. Promotional and educational materials.
   b. Information on entities that collect recyclables.
   c. Recycling coordinator and general staff training.

2. Consider requests to implement recycling programs at state facilities when those facilities are located in an area already served by an existing CalRecycle contract (see “Recycling Contract Approval” above). For a list of these contracts view this link: [Contracts](#).

3. Conduct site assessments to determine:
   a. Equipment needs,
   b. Training needs,
   c. The appropriate recyclable material collector,
   d. Annual reporting requirements,
   e. Promotional material needs,
   f. Purchasing recycled-content products, and
   g. Potential materials to be collected.

4. Conduct compliance reviews

Rev. 424
These activities are the primary operational components of a state agency’s program to comply with the requirements of AB 75 (PRC Sections 40148-42928), AB 341 (PRC Sections 42649 & 42926), and AB 1826, (PRC Sections 42649.8 - 42649.86). Each state agency shall:

1. Designate a Recycling Coordinator for each facility and provide the name and phone number of that person to CalRecycle. The facility/office Recycling Coordinator is responsible for ensuring that all discarded materials generated in sufficient quantity are source separated and collected for recycling to the extent feasible, and facilitates waste prevention practices such as double sided printing and copying or use of electronic files when possible.

2. For new state agencies, request CalRecycle approval to establish a recycling program on a site-by-site basis.

3. Secure a site management agreement before implementing a recycling program.

4. Provide for collection of recyclables, including, but not limited to, office paper, corrugated cardboard, newsprint, beverage containers, plastics, glass, used oil, metals, toner cartridges, paint, carpet, mattresses, sharps, electronic and universal waste, construction and demolition, organics (food waste, greenwaste, landscape and pruning waste, nonhazardous wood waste, and food-soiled paper waste) and other materials as applicable and where feasible.

5. Determine persons at the site that will collect recyclables and ensure that they will collect the recyclables on a regular basis.

6. Purchase recycling equipment to facilitate the collection and recycling of materials. Set up collection bins, desk side containers, and a collection schedule.

7. Place recycling containers in work and common areas that meet approval by the State Fire Marshal.

8. Encourage all employees to use recycling containers to collect recyclables.

9. When initiating a new recycling program issue a "kick-off memo" to all staff announcing a new recycling effort, materials that will be recycled, management support for it, and the time and place of orientation meetings. Utilize various forms of outreach i.e. internal internet, newsletters, staff meetings, and bulletin boards (electronic/physical).
10.

STATE AGENCY RESPONSIBILITIES 1950 (Cont. 1)
(Revised 11/2018)

11. Work with CalRecycle Local Assistance and Market Development staff assigned to your agency/department/facility to implement an employee information and education program to ensure their continued participation and cooperation in separating recyclables. A recycling education program should be part of a new employee orientation and should be periodically reviewed and updated for employees.

12. For state-owned and leased facilities, each respective state entity responsible for the planning and development of facilities to house state operations shall consider providing adequate, accessible, and convenient areas for collecting, storing, and loading recyclable materials.

13. At least annually, review the adequacy and condition of recycling containers, and associated signage.

14. Ensure that CalRecycle receives annual reports summarizing its progress in reducing solid waste as required in PCC Section 12167.1 at each facility, including information on annual disposal, explain changes in waste generated or disposed, a status of diversion programs. Also, ensure CalRecycle receives annual reports for State Agency Buy Recycled Campaign (SABRC) and their requirement to comply with PCC Section 12200-12217.

15. Utilize surplus property. See Management Memo 11-01.
Purchasing is a key component in any comprehensive waste management program including buying recycled content products. All state agencies are required to comply with the purchase requirements of the State Agency Buy Recycled Campaign.

The State Agency Buy Recycled Campaign (SABRC), pursuant to Public Contract Code (PCC) Sections 12200-12217, was created to promote the increase of state purchases of recycled content products, particularly to encourage the expansion of businesses located in California that manufacture and/or distribute recycled content products, and to encourage the purchase of products that utilize recycled resources. Pursuant to SABRC requirements, state agencies and the Legislature are required to purchase products made with post-consumer recycled content and to report annually to the Department of Resources Recycling and Recovery (CalRecycle) on product purchases within the eleven categories of material types. Please refer to CalRecycle’s website for the most up to date information on the SABRC program annual reporting requirements, and product categories:

(Buy Recycled State Agency).

Please refer to the State Contracting Manual (SCM) on how the SABRC program relates to the contracting process. SABRC information is included in Volume 2, Chapters 3 and 12 and SCM Volume 3, Chapters 3 and 12.

REDUCE AND REUSE

The Integrated Waste Management Act of 1989 (AB 939, Sher) declared that the state’s hierarchy for waste management is: first, Source Reduction; second, Recycling and Composting; and finally, environmentally safe transformation and disposal.

According to the hierarchy, before considering recycling or disposal, one should first seek opportunities to reduce the generation of waste. Source reduction includes purchasing strategies that help to eliminate waste or packaging. The best example of source reduction is the use of duplex rather than single sided printing. Source reduction also includes reuse. Reutilizations of surplus properties are an example of reuse, as are “last chance” areas. Last chance areas are places designated to store extra or surplus office supplies and equipment that staff can access rather than purchasing new materials.

For more information on Waste Reduction: Reduce Waste
CONTRACTS FOR COLLECTION OF GARBAGE 1980

(Revised 12/2013)

State facility contracts for the collection of garbage must provide for the greatest diversion of discarded materials from landfilling. All garbage collection and hauling contracts with the State should allow flexibility to reduce container size, the number of containers, or pickup frequency to avoid unnecessary costs for excess or unused garbage container capacity.

THEFT OF RECYCLABLE MATERIALS 1990

(Revised 12/2013)

No person, other than the authorized recycling agent shall remove CRV beverage containers, paper, glass, cardboard, plastic, used motor oil, metal, or other recyclable materials which have been segregated from other waste materials and placed in a designated collection location for the purposes of collection and recycling.

MATERIALS BANNED FROM DISPOSAL 1995

(New 12/2013)

Several materials, including many of those listed above, are forbidden from being disposed. For a list of those materials: Wastes Banned from the Trash.
This chapter provides guidelines for statewide insurance and bond policies. It identifies the methods for reporting accidents and the policies regarding tort liability.

### GENERAL POLICY

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Rev. 425
The Office of Risk and Insurance Management (ORIM), Department of General Services, is available to consult on risk and insurance management issues. Additionally, ORIM has responsibility for most of the state’s insurance and safety programs.

State agencies may insure their officers and employees against injury or death from aircraft accidents while flying on state business in all but regularly scheduled passenger aircraft. See CalHR Rule 599.628(d) for qualifications. Agencies in need of this coverage should inform ORIM in writing the number of employee passengers and employee pilots separated between represented and nonrepresented employees.

The ORIM administers the State Motor Vehicle Liability Self-Insurance Program (VELSIP), which provides unlimited self-insured liability coverage for the state, agencies, and employees who operate covered self-propelled land vehicles on state business (California Vehicle Code Sections 17000 and 17001). Effective January 1, 2004, liability coverage is limited to $1 million per occurrence/accident when the state vehicle is operated by a non-salaried employee (i.e. student assistant, volunteer, etc.) on state business. The driver’s employing department/agency will be financially responsible for the payment of any claims, settlements, judgments or verdicts in excess of $1 million. With the exception of peace officers as defined in Insurance Code Section 557.5, the VELSIP provides excess liability coverage for state employees on state business while driving non-state vehicles, but only after the vehicle owner’s liability policy limits have been paid. The VELSIP does not provide coverage for injury to state employees nor for damage to state vehicles. Employee injuries are handled through Workers’ Compensation coverage. Damage to state vehicles are handled through the budget of the owning state agency.

(Reviewed 3/14)

(Reviewed 03/14)
If involved in a motor vehicle accident while on state business, state employee drivers **must report the accident within 48 hours** (regardless of the ownership of the vehicle) on a Vehicle Accident Report form, **STD. 270**, to the:

Office of Risk and Insurance Management (ORIM) 707 Third Street, First Floor
West Sacramento, CA 95605 P (916) 376-5300.
F (916) 376-5277
[Claims@dgs.ca.gov](mailto:Claims@dgs.ca.gov)

Should the accident result in **bodily injury** to anyone **other than** the state employee, the accident must be **immediately** reported to the **ORIM** by telephone or an advance faxed or email copy of **STD. 270**. On weekends, call (916) 376-5300, to leave a Voice Mail.

An, **Accident Identification card STD. 269**, should be carried in the glove compartment of all state vehicles. This card should be completed and the tear-off portion given to the other party. The card provides a convenient place to write down pertinent information while still at the accident scene. This information should be transferred to the **STD. 270** and sent to ORIM.

For reporting purposes,

An **accident** is defined as one that involves a state-owned vehicle (or a non-state-owned vehicle operated by a state employee on state business) where there is damage caused to **another** person or property.

An **incident** involves **only** a state-owned vehicle where the damage, **regardless** of the amount, is limited **just** to the state vehicle which was **stationary** at the time the damage occurred. **Incidents** should **not** be reported to ORIM.

State employees should not discuss the accident with anyone other than the police, their supervisors, ORIM Claims Unit, or the independent adjusting company under contract with ORIM. If contacted by the other party, their attorney or insurance company, the state employee should refer the party or correspondence to ORIM Claims Unit. Under no circumstances should the state employee driver give either a written or recorded statement to the other party or their representatives.

If served with any post-accident legal papers, **call ORIM Claims Unit immediately**.

**SUPERVISOR’S REVIEW AND POLICE REPORTS**

(Reviewed 3/14)
The supervisor of an employee involved in an accident must investigate the accident. This investigation will enable the supervisor to co-sign STD. 270. The supervisor is also responsible to ensure that STD. 270 is completed and promptly forwarded to ORIM.

The supervisor is also responsible to prepare Review Of State Driver Accident (Supervisor’s) form STD. 274, take any appropriate corrective action, and forward STD. 274 to both ORIM and the agency’s Safety Coordinator.

If a California Highway Patrol (CHP) or other police authority accident report is needed to allow the supervisor to do the above, he or she may obtain these reports as an “interested party” and at no cost.

REPORTING AND INVESTIGATING ACCIDENTS/INCIDENTS INVOLVING STATE EMPLOYEES OR STATE PROPERTY

(Reviewed 3/14)

Reporting

In the event of an accident/incident involving state employees or state property the following procedures should be followed:

1. If the accident/incident involves motor vehicles contact the local CHP office.
2. All other types of accidents/incidents:

   Report the incident to your supervisor. Departments will have written procedures to follow. Complete, Accident Report (Other Than Motor Vehicle) form STD. 268*.

*If the accident/incident involves serious injury or death, extensive personal or state property damage or a significant potential for state/public liability, the Attorney General’s Office will be notified within 24 hours by contacting the Department of Justice Command Center at (916) 227-3244.

If a completed report is not immediately available, provide the following information:

1. Identify the department/agency, unit and employees involved, including all contact information;
2. Date, time, place, injuries and circumstances;
3. Names, addresses and contact information of all injured people and witness(es);
4. Name and telephone number of a departmental contact person.

Upon completion, the original report and all relevant documents will be immediately forwarded to:

Attorney General's Office

Rev. 425
REPORTING AND INVESTIGATING ACCIDENTS/INCIDENTS INVOLVING STATE EMPLOYEES OR STATE PROPERTY 2455 (Cont. 1)

(Reviewed 3/14)

Department/agencies will have written procedures for maintaining copies of the report for their purposes/records.

Employees are instructed to not discuss or speak to any individual concerning the accident/incident other than (or with approval of) a representative of their legal office or the Office of the Attorney General.

Investigation—Complete STD. 268

Obtain all witness information.

Obtain accurate measurements or relevant dimensions.

When possible and appropriate, photographs, video recordings, diagrams will be taken immediately.

Provide the names, titles and telephone numbers of the individual preparing the report and their immediate supervisor.

Opinions and conclusions, if provided, are to be prepared on a separate attached page.

Upon completion, the original report and all relevant documents will be immediately forwarded to:

Attorney General’s Office
P.O. Box 944255 Sacramento, CA 94244-2550
Attn: Tort and Condemnation Section Telephone: (916) 324-5397.

Requests for Copies of Accident/Incident Reports

All departments will have written procedures to respond to requests for copies of reports. Reports will only be released through appropriately designated personnel, the department’s legal office, or the Attorney General’s Office.

Recovering Costs When State Vehicle Damaged By Third Party 2456.1

(Revised 1/18)

The Office of Risk and Insurance Management of the Department of General Services takes action to recover for most State agencies the cost of damage done to State vehicles by third parties. A few State agencies undertake their own collection activities under statutory authority or upon approval of the Office of Risk and Insurance Management. This section applies only to those agencies for which the Office of Risk and Insurance Management undertakes collection activity.
1. An agency forwards a Report of Vehicle Accident, STD. 270, to the Office of Risk and Insurance Management in accordance with SAM Chapter 2400.

2. The Office of Risk and Insurance Management makes the necessary review and notifies the third party if it is indicated that the third party is liable for the cost of repairing the State vehicle.

3. When the Office of Risk and Insurance Management notifies the third party, it also requests the agency to forward to the Office of Risk and Insurance Management colored photo(s) of the damage to the vehicle, a repair invoice(s) and any disapproved estimates. It is imperative that the agency forward these invoice copies as soon as the invoice is received by the agency. If the agency has decided that repairs will not be made, the agency should notify the Office of Risk and Insurance Management immediately so needless collection activity will not occur. The Office of Risk and Insurance Management in these cases will notify the agency if it is still advisable to proceed with the claim and whether collection may be made on the basis of an estimate only.

4. The Office of Risk and Insurance Management will notify the agency of the amount demanded from the third party. The agency will then recognize the claim as a contingent receivable. In the event a contingent receivable is closed without recovery, or closed with recovery of a lesser amount received than that which was claimed, the Office of Risk and Insurance Management will notify the accounting office of the State agency concerned.

5. The Office of Risk and Insurance Management will notify the agency when a claim against a third party becomes a valid receivable. In the event that a valid receivable becomes uncollectible, the State agency must follow procedures as outlined in SAM section 8776.6. The Office of Risk and Insurance Management will not notify the agency when an insurance company gives notice that they will be forwarding a check for payment of damages. Although this might be considered a promise to pay, it is not expedient to classify such claims as valid receivables because payment will be received in ten to fifteen days.

6. Collections of damage recovery claims will normally be received by the Office of Risk and Insurance Management of the Department of General Services. The accounting office will forward to the agency a cash State check for the amount of the collection and a copy of the cash receipt containing pertinent information. If an agency happens to receive a payment directly from a third party or its agent, it is important that the
agency notify the Office of Risk and Insurance Management immediately so that Office of Risk and Insurance Management files can be updated.

7. The agency will be responsible for reconciling its records to those of the Office of Risk and Insurance Management. Yearly a list of open departmental claims will be forwarded to the Office of Risk and Insurance Management, Department of General Services, which will advise as to their status. Agency records will consist of items recorded in the accounting records as well as a pending file of items which have been determined to be contingent receivables when the repair costs are paid

Vehicle Accident Report
ACCIDENTS NOT TO BE REPORTED ON ACCIDENT REPORT,
STD. 268 2460.1
(Reviewed 3/14)
Do not report the following on STD. 268:
1. Accidents resulting from operating motor vehicles by officers, agents, and employees of the state which are reported on Report of Vehicle Accident, STD. 270. See SAM Section 2430.
2. Accidents and occurrences arising from the activities of the Department of Transportation. These incidents are handled according to Department of Transportation procedure.

RECEIPT OF LEGAL PAPERS 2461
(Reviewed 3/14)
All departments/agencies will have written procedures to follow in the event legal papers are delivered/served.

The employee will immediately prepare a memo to the department/agency’s legal office stating (1) the date of receipt and (2) the method of receiving the papers (i.e. personal/mail/etc.).

This memo will be attached to the original papers and forwarded immediately to the legal office. The legal office will contact the Office of the Attorney General.

Employees are instructed to not (1) sign or return any legal papers concerning the accident/incident and/or (2) discuss or speak to any individual concerning the accident/incident other than their legal office or a representative of the Office of the Attorney General.
Upon request of the Office of the Attorney General departments/agencies and employees will cooperate fully during investigations, settlements, hearings and trial or in any other manner of assistance that may be required.
Any inquiry or claim against the State of California, departments or employees will be directed to:
Department of General Services Office of Risk & Insurance Management
Government Claims Program
P.O. Box 989052 MS – 414 West Sacramento, CA 95798-9052
800-955-0045

Additional information and services may be accessed from [Department of General Services](DGS Risk and Insurance Management).

**REPORTING REQUIREMENTS**

Property or money losses due to employee infidelity or dishonesty must be reported in writing to Department of Finance, Office of State Audits and Evaluations and the Bureau of State Audits. See SAM Section 20060
State Workers Compensation

(Revised 12/13)

The State Workers' Compensation Program (WCP) in the California Department of Human Resources is responsible for the management of the Master Agreement for workers' compensation claims between State Compensation Insurance Fund (State Fund) and all legally uninsured State Departments. The WCP also provides training and publications, offers guidance and consultation, and reviews legislation.
DEPARTMENT RESPONSIBILITY

(Revised 12/13) Departments shall:

Appoint (at least one) Return to Work Coordinator (RTWC) who will be primarily responsible for managing the department’s workers’ compensation claims and ensuring injured employees are returned to work as soon as medically feasible.

Choose a medical provider that is part of the State Fund Medical Provider Network (MPN) and can provide immediate treatment in the event of a work-related illness or injury.

Post the chosen provider along with other appropriate notices in conspicuous place(s).

Provide every employee at time of hire or by the end of the first pay period written notice of their rights under the workers’ compensation system an opportunity to pre-designate their personal physician to treat the employee in case of a work-related illness or injury.

Establish, implement and maintain written policies for prompt response to and reporting of a work-related illness or injury.

Train all supervisors and managers of their responsibilities in the event of a work-related illness or injury.

Provide the Workers’ Compensation Claim Form (DWC 1) & the Notice of Potential Eligibility (e3301) to the employee within one working day of knowledge of a potential work-related illness or injury.

Submit the Employers’ Report of Occupational Injury or Illness (e3067) to State Fund

Authorize first medical treatment at the posted facility or pre-designated physician within one day of receipt of the completed Claim Form (DWC 1) or within three days of knowledge of the illness or injury.

Provide transportation or accompany the employee to the first medical appointment.

Ensure payroll is processed properly so the ill or injured employee receives all required benefits timely; see section E300 and E400 of the State Controller’s Payroll Procedures Manual (PPM).

Maintain contact with the injured employee and facilitate return to work as soon as possible.
Workers’ compensation benefits for volunteers are not required. A volunteer who does not receive compensation for his or her work is not entitled to workers’ compensation benefits, unless the agency for which the volunteer works chooses to provide these benefits (See Labor Code Section 3363.5).

If workers’ compensation benefits are not provided, an injured volunteer may file a tort claim against the State. If workers’ compensation coverage is provided, it becomes the injured volunteer's "exclusive remedy," and the volunteer may not make a tort claim against the State.

Departments should contact their State Fund office annually to discuss the status of their volunteers.
BASIC SAFETY TRAINING FOR AGENCY SAFETY COORDINATORS

(Reviewed 12/13)

In accordance with Labor Code Section 6400 et seq., and Title 8 of the California Code of Regulations, General Industry Safety Order #3203, the Department of General Services, Office of Insurance and Risk Management, has developed a Basic Safety Training course and has been assigned the responsibility for conducting that course. In accordance with the above Labor and Administrative Codes, successful completion of this course is mandatory for all State Safety Coordinators. Those Safety Coordinators with prior training or experience who wish to challenge this course in lieu of actual participation, may do so by submitting a written application to the Department of General Services, Office of Insurance and Risk Management.

The departmental director is responsible for ensuring that the departmental Safety Coordinator completes the Basic Safety Training Course within one year of the Coordinator's appointment.
The purpose of this section is to help Departments meet their responsibilities as employers by: establishing uniform policies to report workers’ compensation injuries* timely, to pay benefits promptly, and to return employees to work as soon as possible. Department(s) is defined as departments, agencies, boards, commissions, or other subdivisions of the California State Government.

*Injury is described as any injury or disease arising out of employment (Labor Code 3208) which causes disability or need for medical treatment (Labor Code 3208.1).
RESPONSIBILITY OF INJURED EMPLOYEE

(Revised 12/13) The employee shall:

Read and understand the workers’ compensation posters, pamphlets, brochures, and forms provided by the department.

Report all incidents, illnesses, and accidents promptly.

Complete the State Fund e3301. and return to the department to pursue a workers’ compensation claim.

Obtain first aid for minor injury.

Seek medical treatment at the posted provider unless a personal physician has been pre-designated in writing (and the physician agreed) before the date of illness or injury.

Provide State Fund and the department with copies of medical notes or reports received from the treating physician. These notes/reports contain information regarding the employee’s ability to work including any restrictions which must be considered by the department.

Maintain contact with the department and return to work as soon as it is medically feasible.

Submit medical substantiation for all time lost due to the work-related illness or injury.
RESPONSIBILITY OF EMPLOYER

(Revised 12/13)

The employer is responsible for carrying out state and departmental injury prevention policies. In case of injury this responsibility includes initiating action to obtain prompt medical treatment for injured employees. Employer includes every person having direction, management, control, or custody of any employment, place of employment, or any employee.

The employer shall:

Assure that first aid is administered for minor injuries or arrange medical treatment by an employer selected physician or the employee’s pre-designated physician when necessary. For extreme emergency get the injured to any available doctor, hospital, or public medical service.

Arrange for treatment with the employer selected physician or medical facility within the Medical Provider Network (MPN) or with the employee’s pre-designated personal physician or medical group.

Arrange for transportation to doctor’s office or to hospital. Use state vehicle, ambulance, taxi, or whatever is appropriate at the time.

(Note: The employer or designated representative can accompany the employee to get medical treatment.)

Provide the ill/injured employee with the Workers’ Compensation Claim Form & Notice of Potential Eligibility form (DWC 1/e3301) if medical treatment other than first aid was required or the illness or injury results in lost time. The SCIF e3301 must be provided to the injured employee within one working day of the department’s notification an illness or injury has occurred.

Make a report of action taken and the facts about the accident by completing both sides of Employer’s Report of Occupational Injury or Illness form, SCIF e3067 (STATE).

Submit SCIF e3067 (STATE) to State Fund.

The employer shall:

Maintain contact with injured employee.

Arrange for completion of Absence and Additional Time Worked Report STD. 634 or equivalent form, for payroll purposes.

Discuss return to work with employee, physician, State Compensation Insurance Fund Claims Adjuster, and departmental Return-to-Work Coordinator.

Forward all medical documentation to the departmental Return-to-Work Coordinator.

(Continued)
(Continued)

RESPONSIBILITY OF EMPLOYER

(Cont. 1)

(Revised 12/13) The employer shall:

Go to the scene of the accident and collect data to reconstruct the circumstance of the accident, if appropriate.

Question witnesses and others who have knowledge of the injury. Review the Supervisors Section of SCIF e3067 (STATE), to:

Assure adequate information has been recorded for injury prevention. Make initial determination if injury is work-related or not.

Identify responsibilities for training-instructions and supervisory follow-up.

Reconcile questions and problems raised by either the supervisor or the employee.

Initiate injury prevention changes that will minimize the potential of recurrence of a similar accident. Process the form in accordance with agency safety plan.

Review SCIF e3067 (STATE) for completeness of data.

Submit SCIF e3067 (STATE) and SCIF e3301 as soon as possible, but no later than five (5) days after notification of employees work injury or death. If there is a question or doubt about the injury or illness being job-related, the supervisor shall attach a memorandum to SCIF e3067 (STATE) outlining the facts as they are known and request further investigation by State Compensation Insurance Fund.
State Fund must receive the employer's report within five calendar days of the employer's knowledge or notification that a work-related injury or illness has occurred. The form must be submitted in the following situations:

- A work-related injury or illness results in lost time beyond the date of injury or medical treatment beyond first aid;

- An employee presents a doctor's note stating an injury or illness is or may be work related;

or

- A completed Claim Form (DWC 1) is received from either the employee, their doctor, their attorney or State Fund

For instructions on how to complete and submit this report, please see the publication Workers’ Compensation Claim Kit, Instructions for Completing the Forms Required to Report a Work-Related Injury or Illness on the California Department of Human Resources website: http://www.calhr.ca.gov/Documents/claim-kit.pdf
WHERE TO SEND SCIF E3067 AND E3301 (STATE) FORMS

(Revised 12/13)

Departments shall submit the Employer’s Report of Occupational Injury of Illness form, SCIF e3067 (STATE) to State Fund within five calendar days of the employer’s date of knowledge of the illness, injury or death. First reports of injury may be submitted via the Electronic First Report of Injury (EFROI) which is accessed through State Fund Online. EFROI is preferred however faxes to the customer service center are also acceptable. If the injury is serious, the Department may call the assigned State Contract Services office directly.
OTHER REPORTING REQUIREMENTS FOR JOB-RELATED INJURIES, ILLNESSES AND DEATHS

CALIFORNIA OCCUPATIONAL SAFETY AND HEALTH ACT 2581.5

(Revised 12/13)

Additional work injury and illness reporting and recording is required by the California Occupational Safety and Health Act (CAL/OSHA). Information may be found at the Division of Occupational Safety and Health (Cal/OSHA), Department of Industrial Relations website at http://www.dir.ca.gov/.
NOTICES TO INJURED EMPLOYEES REGARDING THEIR CHOICE TO SUPPLEMENT

(Revised 12/13)

In order to assist employees in selecting the proper disability benefit, state departmental personnel offices shall provide the employees with the Industrial Disability Leave with Supplementation Benefits Information and Option Selection form (STD.618S).

Departments must complete the STD.618S, and send to the employee within 15 days of the date SCIF accepts the claim.
Assigned responsibility is necessary for effective procedures for care and treatment of work-related injuries and injury prevention. The responsibility-action assignment presented here forms the basis for departmental procedures.
Notice to State Employee form, e13913, provides the name of the chosen medical provider who is in the Medical Provider Network (MPN) for the department. The department is required to post the notice in a place accessible to employees. The name of the MPN for your department will be listed on the bottom of the poster. The MPN is a group of health care providers which includes a mix of doctors specializing in work-related injuries and doctors with expertise in general areas of medicine. Employees covered by an MPN will have their workers' compensation medical needs taken care of by doctors in the network unless they pre-designated their personal doctor and did so before their injury happened. State Compensation Insurance Fund (State Fund) will assist in locating these physicians.

Departments are responsible for getting the injured person to a physician for the first treatment. The medical report must have the physician's estimate of the employee's limitations, an estimate of when the employee can return to work, and the schedule of treatment for the recovery period. After the first treatment by a physician, State Fund will follow-up on further treatment and recovery of the injured.
If an employee has not notified the department that he/she wishes to be treated by a personal physician, the department has the right to direct the employee’s medical treatment. After the initial medical evaluation with an MPN doctor an employee has the right to choose another primary treating physician or subsequent physician from the State Fund MPN.
It is state policy to provide all necessary and reasonable medical treatment to an employee who suffers an injury or illness on the job. Each department by law, must post in a conspicuous location frequented by employees a Notice to Employees poster (English e13913) (Spanish e13914). This notice informs an employee of his or her right to receive medical treatment in the event of a work-related illness or injury and of his or her right to pre-designate a personal physician. The notice shall list the contact information for the hospital and physician the department has selected to provide treatment in the event of a work-related illness or injury.

Departments must also post the Guide to the State Fund Medical Provider Network (MPN) for State of California Employees brochure (e13174) in close proximity to this notice. The State Fund MPN is a selected network of physicians and other medical service providers who provide treatment to workers injured on the job.
Temporary Disability

Employees who are unable to work due to the effects of their work related illness or injury are entitled to a temporary disability (TD) benefit. Any time lost on the date of injury is paid as *Administrative Time Off (ATO). TD benefits commence after the employee has served a three day waiting period. The waiting period is waived if the employee is temporarily disabled for more than 14 days, is hospitalized, or the injury was a criminal act of violence against the employee.

TD benefits are paid directly to the injured employee by State Fund. The TD benefit is 2/3 of the employee’s average weekly wage, subject to the minimum and maximum benefit amounts in place for the date of injury.

Employees may choose to supplement their TD payments with available leave credits to make up the difference between the TD benefit and their normal take home salary. TD payments are not taxable, but supplementation is taxed at the employee’s normal rate. The employee continues to receive full service credit, leave accruals, and merit salary adjustments. No contributions to CalPERS/CalSTRS are made from TD payments.

TD benefits cease when the employee is no longer temporarily totally disabled or the statutory limit is reached.

Industrial Disability Leave will be paid in lieu of temporary disability for all eligible employees. See SAM Section 2583.11.

*ATO is a form of paid administrative leave status initiated by appointing authorities.
Industrial Disability Leave

Industrial Disability Leave (IDL) is paid in lieu of Temporary Disability (TD) to State employees who are members of the Public Employees' Retirement System (PERS) or the State Teachers' Retirement System (STRS).

Like TD, IDL is subject to a three-day waiting period which is waived if the employee is hospitalized, disabled as a result of a criminal act of violence, or disabled more than 14 calendar days. Only one waiting period is served per claim.

IDL benefits are payable for a maximum of 52 weeks of payments within a two-year period beginning on the first day of disability. Time lost on the date of injury is paid as ATO.

IDL payments are based on the employee’s current wages. For the first 22 work days, the employee receives the full net salary, thereafter IDL payments are 2/3 of the gross salary. Employees may choose to supplement their reduced IDL payments with available leave credits up to their normal take home salary.
Temporary Partial Disability

Employees released by their treating physician to part-time work qualify for temporary partial disability payments under certain conditions. The payments are calculated by State Fund on a weekly basis under the concept of "wage loss" (Labor Code 4654).

The employee is entitled to two-thirds of a weekly loss of wages if the gross wage (based upon the actual hours worked) is less than the normal gross wage and falls below the maximum rate set by law in any calendar week. Contact your local State Fund office for assistance.
Permanent Disability

(Revised 12/13)

When the insured’s condition has stabilized (the treating physician says it will get no better nor worse), the employee may be entitled to permanent disability payments.

Permanent disability payments are due if there are lasting effects from the job-related injury or illness. Permanent disability payments are not supplemented with leave credits.

If an employee is released from temporary disability compensation and starts receiving permanent disability compensation, then he/she may still be able to return to work at his/her prior position. This decision is based upon the medical restrictions placed upon the individual by the treating physician in the final report. If an employee receiving permanent disability is not able to return to work, the department is required to initiate one of the actions outlined in Government Code 19991.4.
Departments will reconcile billings submitted by the State Compensation Insurance Fund for proper charges against funds or policies of insurance, as well as credits and debits of temporary disability benefits. By memorandum, State agencies will keep State Compensation Insurance Fund informed of discrepancies. See SAM Sections 8780 and 8780.1.
In order to comply with the safety order, the following statewide policy is established:

- The director of each department shall designate an individual to be responsible for employee toxic exposure records. It is suggested that the departmental Safety Coordinator, Return-to-Work coordinator or the Personnel Officer be designated.

- For purposes of GISO No. 3204, the State of California is deemed to be one employer, exclusive of the employees of the Regents of the University of California.

- Employee toxic exposure records shall be retained by the employing State agency until the employee transfers to another state agency or until the employee separates from State service. Departments may, at any time store retained records at the Department of General Services' State Records Center (SRC). The department must include the toxic exposure records in their Departmental Records Retention Schedule. See your Departmental Records Management Coordinator. Whenever toxic exposure records are sent to the State Records Center, a copy of the Records Transfer List must be placed in the employee's personnel file.

- Upon transfer to another state agency, the toxic exposure records shall be transferred to the new agency. Any toxic exposure records at the State Records Center shall be retrieved and sent to the new agency.

- Upon separation from state service, for whatever cause, the toxic exposure records shall be sent to the State Records Center, as custodian. These records must be kept for 30 years after state employment ends. See SAM Section 1670. The record shall remain the property of the agency transferring the document to State Records Center.

- The departmental designee shall develop and establish procedures for the orderly filing, retention, flagging, and retrieval of employee toxic exposure records.
Every state agency shall post notices in conspicuous places, stating where employee toxic exposure records are kept and who is responsible for maintaining and providing access to these records. CAL/OSHA Form S–11, Access to Medical and Exposure Records, can be used to meet this requirement. A supply of these forms may be obtained from the nearest CAL/OSHA Office.

- Environmental or workplace monitoring or measurement records which affect more than one state agency or more than one employee shall be retained by each safety coordinator, or other departmental designee, of the affected state agencies, and a copy of such records shall be sent to the Office of Risk and Insurance Management, Department of General Services. The Office of Risk and Insurance Management shall store its copy at the State Records Center for the prescribed time. If you have any questions contact the Office of Risk and Insurance Management, at (916) 376-5285 or CALNET 480-5285.
General Industry Safety Order (GISO) #5194 requires the state to make Material Safety Data Sheets (MSDS) and training available to employees prior to assignment in an area where there is a potential for exposure to a hazardous substance. This Safety Order became fully effective and enforceable on February 21, 1983. In order to comply with this Safety Order the following procedures will apply for all state agencies:

1) Any and all departments ordering state contract purchase items which have substance on the Director’s (DIR) List of Hazardous Substances, will require all vendors (DGS Procurement Division or otherwise), to supply MSDS to their offices. (For DIR list, see Code of Regulations, Section 339.)

2) It is the responsibility of each department or agency director to:

   a) See that employees are trained prior to the assignment in an area where there is a potential for exposure to hazardous substance.

   b) Establish internal procedures to collate and obtain MSDS on hazardous substance which are purchased either through the DGS Procurement Division or other purchasing systems. Receiving clerks should be advised to follow internal departmental procedures in making the appropriate filing and distribution of the MSDS.

   c) Establish internal procedures to maintain MSDS and to supply them to employees as needed.

   d) Confirm that the departmental Safety Coordinator is knowledgeable about General Industry Safety Order #5194 and Material Safety Data Sheets.
All employers, including the State, are required to comply with the CAL/OSHA safety orders. General Industry Safety Order (GISO) Section 3204, (Title 8, California Code of Regulations) became effective April 1, 1981, and it requires the following:

- If employer creates, obtains, or has access to records of exposure or medical records of employees exposed to toxic substances or harmful physical agents, then the employer must maintain the records for the length of employment of the employee plus 30 years;

- The employer must make these records available to employees, their representatives or the Division of Occupational Safety and Health (DOSH) without cost, within 15 days of a request;

**WARNING:** DO NOT RELEASE EMPLOYEE MEDICAL RECORDS TO UNAUTHORIZED THIRD PERSONS. If in doubt contact your legal office, the State Personnel Board Office of Information Practice or the Department of General Services, Office of Insurance and Risk Management.

- Requests for these records must be made in writing by the employee. If the employee designates a representative to obtain the records then the employee must provide a written authorization form. A sample authorization form is contained in GISO 3204;

- If the employee requests the information, and if in the opinion of the physician representing the employer the employee may be harmed by that information, then the information may be withheld from the employee. But in no event can the information be withheld from the employee's designated representative. See 8 CCR 3204 (e) (2) (B) 4 and 5.

- Care must be taken when releasing records to a requesting employee or a designated employee representative. If the records contain any information identifying another employee (e.g., by name, address, social security number, payroll number, age, height, weight, race, sex, date of initial employment, job title, etc.) the employer shall assure that personal identifiers are removed before access to the records is provided to the requesting employee or designated representative. If the employer can demonstrate that removal of personal identifiers from an analysis is not feasible, access to the personally identifiable portions of the analysis need not be provided. See 8 CCR 3204 (e) (2) (C) 2.
ASBESTOS NOTIFICATION TO EMPLOYEES

(Revised 6/18)

The purpose of this section is to help agencies, managers, and supervisors meet their responsibilities as employers.

State agencies needing information about the existence of asbestos in DGS buildings should contact the building manager. The Real Estate Services Division (RESD) will advise departments in leased space when they have knowledge of the presence of asbestos in the building.

Statutory Authority

Health and Safety Code Section 25915 et seq. mandates asbestos notification to employees.

Major Policies

State agencies that occupy buildings constructed prior to 1979, and know of the presence of asbestos materials in the building, are required to provide written notification to employees working in the building. Notices are required within 15 days of knowledge and shall then be made annually to all employees.

In agency-owned buildings, the agency is responsible for Asbestos Notification to Employees. It is suggested that the building manager be designated by the agency head to carry out this duty.

The state agency that operates or controls the building must deliver a copy of the notification to other departments with employees working in the building. New employees, agencies new to the building, or contractors shall be provided notice within 15 days of commencing work in the building.
Written notice shall include the following information:

1. A description or list of the contents of any survey conducted to determine asbestos-related conditions within the building, and where and when the results of the survey are available.
2. Specific locations identified by the survey or known to the agency where asbestos materials are present.
3. General procedures and handling restrictions to minimize disturbance and exposure to asbestos. Indicate where information can be found when detailed handling instructions are necessary.
4. Results of any bulk sampling analysis or air monitoring conducted for or by the agency, and information describing where the specific data are available.
5. Potential health risks or impacts that may result from exposure to asbestos in the building.

If any construction, maintenance, or remodeling is conducted in an area of the building where there is the potential for employees to come into contact with, or to release or disturb, asbestos materials, the state agency, or agent of the owner responsible for the asbestos-related work will be required to post that area with a clear and conspicuous warning. See 2591 Illustration.

All existing asbestos survey and monitoring data, specific to the building, shall be made available to the employees or their representatives upon request. This information shall be kept within the building and be available at times convenient and accessible to employees, and their representatives, for review and photocopying.
WARNING SIGN

DANGER ASBESTOS
MAY CAUSE CANCER CAUSES DAMAGE TO LUNGS
AUTHORIZED PERSONNEL ONLY

RESPIRATORS AND PROTECTIVE CLOTHING ARE REQUIRED IN THIS AREA

The words on signs should be in block letters at least one inch in height with principal strokes of letters of not less than 1/4 inch wide.

Letters should be of such color and design as to be in strong contrast to the background of the sign. Signs should be posted at a sufficient distance from the asbestos work area that employees may read the signs and take necessary precautions before entering the area marked by the signs.
CHAPTER 2800 INDEX

This chapter describes the state’s Printing and Communication Program, and statutory requirements.

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Rev. 444
A. Overview

This chapter provides policy for state agency use of printing and reproduction services. The Department of General Services’ (DGS) Office of State Publishing (OSP) provides printing and reproduction services for California state agencies, the California State University, the University of California, the California State Legislature, the Governor’s Office, and other public agencies.

B. Use of OSP Services

Pursuant to Government Code Section 14850, state agencies must procure printing services through the Office of State Publishing (OSP), unless OSP authorizes the agency to procure printing services from a state agency printing operation authorized under SAM Section 2875 (“in-plant”), a printing operation enabled under Penal Code Section 2807, or a private sector printer (see SAM Section 2811 for the exemption process).

For a full list of OSP products and services, see SAM Section 2820.

C. Contact Information

For additional information on OSP services, contact OSP at (916) 445-5386 or visit the OSP website at: http://www.dgs.ca.gov/osp.
A. Enabling Legislation

Government Code Section 14850 requires that all state printing be done by the Office of State Publishing (OSP).

Government Code Section 14865 requires that all printed materials for state agencies be prepared at the expense of the requesting agency. Government Code Section 14871 requires orders for printing to show that sufficient funds have been encumbered to cover the costs.

B. Library Distribution Act Responsibilities

Pursuant to Government Code Section 14900, it is the policy of the State of California to make all state publications freely available by distributing the publications to libraries throughout the state. If the material being printed qualifies for distribution under the Library Distribution Act (LDA), additional copies must be printed and distributed as outlined in Government Code Sections 14901 and 14904. Pursuant to Government Code Section 14904, all state publications done by private sector printers is subject to the LDA.
ORDERING OSP SERVICES 2810
(Revised 5/2019)

A. Customer Service Representative

The Office of State Publishing (OSP) assigns a dedicated customer service representative to each state agency. Agencies may identify their customer service representative on OSP’s website at: https://www.dgs.ca.gov/OSP/Resources/Page-Content/Office-of-State-Publishing-Resources-List-Folder/Customer-Service-Lookup-for-Printing-Services.

B. Ordering Form

To request printing and publishing services from OSP, use the Publishing Order form (STD. 67). The reverse side of STD. 67 provides instructions on how to complete the form.

The Publishing Order form must have the name and signature of the person authorizing the expenditure. Electronic submissions by fax or email are acceptable.

For additional information, contact OSP at (916) 445-5386.

C. Estimates

OSP will provide cost estimates for services based upon the information available for budgeting or other purposes upon request. Firm prices will be made only when all information and specifications are complete, and materials for printing or reproduction have been examined. All estimates and firm prices are valid for thirty (30) calendar days.

OSP rates are subject to change each fiscal year.

D. Scheduling

The OSP Printing Operations Unit will assist in working out non-standard schedules that are reasonable and attainable as needed.
OSP PRINTING SERVICES EXEMPTION PROCESS

Rev. 444

A. Printing Services Exemption Request Process

Pursuant to Government Code 14850 and SAM Section 2800(B), state agencies must procure printing services through the Office of State Publishing (OSP). Exemptions from the use of OSP services are granted when it is not feasible for OSP to prepare the work due to production or equipment constraints or when OSP determines that the work could be more efficiently performed by a state agency in-plant printing operation authorized under SAM section 2875 (hereinafter “in-plant”). The exemption process does not apply when OSP delegates work to an in-plant due to time or equipment constraints at OSP.

To request an exemption from the use of OSP services, the customer agency must submit a Printing Services Exemption Request (PSER) to their agency’s designated OSP customer service representative (see SAM Section 2810(A) for customer service representative information). The agency must complete each section of the PSER in accordance with the provisions of the PSER Instructions document. The exemption process applies to both governmental and private sector printers. The use of a private sector printer must be justified by the agency under the provisions of Government Code Section 19130.

Electronic copies of the PSER and the PSER Instructions can be found on OSP’s website at: https://www.dgs.ca.gov/OSP/Forms.

The customer agency must allow OSP sufficient time to review and analyze the PSER, and, if the exemption will not be granted, to onboard the print work. OSP will not consider exemption requests submitted less than thirty (30) calendar days before the due date identified on the PSER. However, OSP may alter the deadline if an exemption is necessitated by extraordinary circumstances outside of an agency’s control, such as a response to a natural disaster.

The Statewide In-Plant Operations Manager will review the PSER, indicate whether the request is approved or denied, and, if approved, provide the submitting agency with an OSP exemption number.

A copy of the proposed interagency agreement or printing contract must be sent to the Statewide In-Plant Operations Manager at inplantopsmanager@dgs.ca.gov by the project due date identified on the PSER.

No interagency agreement for printing services or printing services contract may be executed without an OSP-approved PSER. All approved PSERs will be recorded and reported to the Department of General Services’ (DGS) Office of Legal Services (OLS). OLS will not approve contracts for printing services, being either the purpose of the contract or a component thereof, without first receiving an approved PSER. Invoices fo
printing services submitted to the State Controller’s Office without an OSP-approved PSER will not be processed.

A. Sales Tax

Pursuant to Revenue and Taxation Code 6006, sales tax must be applied and itemized separately on procurement documents for printing services.
INTERAGENCY AGREEMENTS FOR PRINTING SERVICES

A. Interagency Agreements Executed Prior to February 1, 2019

Interagency agreements for printing services between in-plants (see SAM Section 2875) and other state agencies entered into prior to February 1, 2019, will be permitted to continue if the agreement is submitted to the Statewide In-Plant Operations Manager at inplantopsmanager@dgs.ca.gov at the Office of State Publishing (OSP) by July 1, 2019. The State Printer will issue a letter of acknowledgement upon receipt. Failure to submit the interagency agreement for review by July 1, 2019, may void the agreement, subject to determination by the State Printer.

The State Printer may amend an interagency agreement for printing services if the State Printer determines that the amendment is in the best interest of state printing operations.

B. Interagency Agreements Executed On or After February 1, 2019

Interagency agreements for printing services between in-plants (see SAM Section 2875) and other state agencies entered into or modified after February 1, 2019, must follow the OSP Service Exemption process pursuant to SAM Section 2811.
A. Description of OSP Services

The Office of State Publishing (OSP) provides printing, reproduction and communication services to state and other public agencies. OSP can provide services to federal, state and local agencies.

OSP offers the following services:

**Publications and Offset Printing:** Produces single and multiple color printing projects in large quantities, including bound publications, loose leaf documents, brochures, presentation folders, envelopes, posters and single or multi-part forms.

**Digital Printing:** High-speed single and full-color printing within a secure facility, including variable data publishing and document tracking and reporting. Meets the security requirements for the Health Insurance Portability and Accountability Act of 1996 (HIPAA) and Internal Revenue Service Publication 1075 (IRS 1075).

**Bindery Services:** Provides the finishing processes in document preparation, including packaging and preparing for distribution. Bindery services include cutting, stitching, binding, collating, folding, perforating, scoring, trimming, padding and drilling.

**Electronic Prepress Publishing:** Provides prepress solutions supporting Mac and Windows operating systems, including client consultation, composition, proofreading, fill-able form creation, scanning, color correction, File Transfer Protocol (FTP) site for file uploading, preflighting, Americans with Disabilities Act (ADA) Remediation, cross-media production, PDF linking, page and color correction for hard-copy proofs profiled for G7 color accuracy.

**Mass Mailing:** Provides multiple mailing services including full-rate first class, presorted first class, standard presort, parcel mailing, and inserting and sorting of letters and flats. CASS, NCOA, and presorting services of address lists are available.

**Addressing:** Mailing lists can be maintained in the Addressing Services database. Addresses can be added, deleted, or amended. Address labels can be prepared from preserved lists.

**Design Services:** Combining comprehensive marketing principles, aesthetics, and technology, provides effective designs to objectively develop communication solutions across print, screen and online mediums.
Imaging and Electronic Document Management Services (EDMS): Provides secure processing services to convert paper documents and files, including large documents and roll plans, into an easy-to-access electronic format. Services include document preparation, imaging, indexing and metadata capture and electronic storage in a custom electronic repository. Meets the security requirements for HIPAA and IRS 1075.

Legislative Printing and Distribution: Legislative bills and publications are printed at OSP and distributed through the Legislative Bill Room located in the basement of the State Capitol.

Forms Printing: Preparation of various sizes of snap out, continuous multi-part and roll-to-roll forms prepared using NCR, bond, or OCR papers. Forms can be numbered and/or perforated.

State Records Center: Provides secure offsite storage of records and documents for state agencies. Secure and confidential document destruction services are available.

Fulfillment: Manages the storage, packaging and shipping of printed materials and other promotional products for state agencies by processing orders for customers and shipping the items to recipients. Assists with warehousing, distribution and inventory control.

Interagency Mail Service: Courier service providing for the delivery of interagency mail to most state agencies in the Sacramento area.
OSP ADVERTISING SERVICES 2825
(Revised 5/2019)

A. Overview

Government Code 14851 authorizes the Office of State Publishing (OSP) to include paid advertisements in state publications printed by OSP.

State printing services may not be utilized for paid political advertising.

For more information on OSP’s advertising program, contact OSP at (916) 445-5386 or visit the OSP website at: https://www.dgs.ca.gov/OSP/Resources/Page-Content/Office-of-State-Publishing-Resources-List-Folder/Frequently-Asked-Questions-on-OSP-Services
CALIFORNIA PRISON INDUSTRY AUTHORITY (CALPIA)

CALPIA PROGRAM SUMMARY 2850
(Revised 12/2013)

Printing and reproduction services may also be obtained from CALPIA.
CALPIA STATUTORY AUTHORITY 2855
(Revised 12/2013)

Penal Code Section 2807 authorizes CALPIA to provide printing services to state and local government entities.
HOW TO ORDER CALPIA SERVICES 2860
(Revised 12/2013)

Printing and reproduction services may be obtained from CALPIA by submitting a purchase order or Reproduction Order form, STD. 54, to Customer Services, 560 East Natoma Street, Folsom, CA 95630-2200 or by faxing the purchase order to (916) 358-2660. Customers needing information or assistance may call (916) 323-2419.
The following describes printing and reproduction services provided by the California Prison Industry Authority (CALPIA). For additional information call Customer Services at (916) 323-2419.

1. Preparing and planning print jobs.
2. Typesetting for booklets, reports, newsletters, forms, etc.
3. Preparation of camera ready copy for printing or reproduction.
4. Copying and duplication work.
5. Presswork that includes offset printing of forms, envelopes, publications, etc. This includes sheet fed or web fed to a maximum of 18” x 24” finished sheets.
6. Two color printing from mechanical separation or multiple color process printing.
7. All bindery operations such as cutting, folding, stitching, drilling, etc.
8. Special services that include labels mounted on a carrier base produced in rolls or flat fold configuration; screen printed labels, signs, and posters; ticket and script books; inventory tags; decals; OCR forms; bar-coding; and sequential numbering up to 8” x 10” stock.
STATEWIDE POLICY

UNION LABEL ON PRINTING 2870
(Reviewed 11/2014)

All documents printed in-house by Bargaining Unit 14 members or produced by OSP shall have the Bargaining Unit 14, Printing and Allied Trades, union label displayed.

When individual state agencies or OSP vends printed material out, state agencies must adhere to the Public Contract Code when soliciting bids for state printing. This assures that no vendor will be excluded from bidding and winning a state project based on union affiliation or lack thereof. Unionized printing vendors will be required to display the appropriate union label on the printed product.

State agencies are not to add the union label to artwork or include it in electronic files unless the work is going to the agency’s own Bargaining Unit 14 in plant operation.

OSP will add the union label to artwork prior to printing or the private printer will affix their own union label if the job is awarded to union printers. Private printers that are not unionized are not allowed to use any union label or facsimile thereof.
STATE AGENCY IN-PLANT PRINTING OPERATIONS 2875
(New 5/2019)

A. Definition

An agency in-plant printing operation (hereinafter “in-plant”) is any state agency (state government office, department, division, bureau, board, or commission) which: 1) owns and/or operates one or more pieces of printing equipment, where a piece of equipment is valued at $50,000 or more at the time of acquisition; 2) employs one or more dedicated personnel under a printing trade classification (Bargaining Unit 14); and, 3) is not under the direct control of the State Printer.

In-plants have also been referred to as “in-house printing and reproduction facilities” or “reproductive units.”

B. Cost Recovery

Pursuant to SAM Section 8752, it is state policy for departments to recover the full cost whenever goods and services are provided for others. Cost recovery is defined by SAM Section 8752 to include all costs attributable directly to the activity, plus a fair share of indirect costs which can be ascribed reasonably to the good or service provided.

As defined in SAM Section 8752.1, indirect costs (or overhead costs) are the mandatory support costs (such as statewide Pro-Rata, departmental overhead, program overhead and FI$Cal) which are accumulated and allocated annually to the organizational units which benefit from the support. Pursuant to SAM Section 8752, each in-plant must account for its share of its agency’s overhead costs.

C. Operating Authority

In-plants shall only produce print work for their own agency (defined as the office, department, division, bureau, board or commission that purchased and/or operates the equipment), unless otherwise authorized by the Office of State Publishing (OSP).

In-plants are only permitted to provide print work for customer agencies when the customer agency has obtained OSP’s approval on a Printing Services Exemption Request (PSER) (see SAM Section 2811 for exemption procedure). An OSP-approved PSER must be included with all interagency agreements for in-plant printing services (see SAM Section 2812(B)). In-plants may not submit a PSER on behalf of another agency.

OSP publishes a directory of in-plants authorized to provide print work for customer agencies on the OSP website at: https://www.dgs.ca.gov/OSP/Resources/Page-Content/Office-of-State-Publishing-Resources-List-Folder/In-plant-operations.

(Continued)
Before OSP will authorize an exemption for the in-plant to produce print work for another state agency, the in-plant must provide its services list (see SAM Section 2875(D)) and rate spreadsheet (see SAM Section 2875(E)) to the Statewide In-Plant Operations Manager at inplantopsmanager@dgs.ca.gov for review and approval by the State Printer.

The in-plant must have a current In-Plant Printing Operations Report (IPPOR) (see SAM Section 2875(F)) on file with the State Printer before OSP will authorize the in-plant to perform work for a customer agency.

**D. Services List**

In-plants that provide services to other state agencies must submit a list of all printing and reproduction services provided by the in-plant to the Statewide In-Plant Operations Manager at inplantopsmanager@dgs.ca.gov. OSP will refer to this list when reviewing PSERs from customer agencies to determine whether the in-plant can complete the required print work.

Any modifications to the services list should be provided to the Statewide In-Plant Operations Manager by email. The in-plant must provide an updated services list each year by July 1.

**E. Rates Development**

In-plants that provide printing services to other state agencies must establish an hourly rate for each piece of printing equipment operated to ensure that the printing operation is adequately recovering its costs (pursuant to SAM Section 8752). In-plants that are not providing printing services to other agencies are not required to establish rates.

In-plants should use the Rate Development Spreadsheet (RDS) in developing their rates. The agency must complete the RDS in accordance with the provisions of the RDS Instructions document.

The rates must be certified by the agency’s Deputy Administrative Director (no designee signature will be accepted) by electronic signature on the Certification section of the RDS. The RDS should be submitted by the agency’s Deputy Administrative Director to the Statewide In-Plant Operations Manager at inplantopsmanager@dgs.ca.gov for review and approval by the State Printer. The State Printer may reject any rate structure that does not fully recover the cost of operation.

(Continued)
In-plants must update their rates annually to reflect changes in overhead and operational costs each fiscal year. Each year’s rates should be submitted to the Statewide In-Plant Operations Manager by email for review and approval by July 1. Electronic copies of the RDS and the RDS Instructions can be found on OSP’s website at: https://www.dgs.ca.gov/OSP/Resources/Page-Content/Office-of-State-Publishing-Resources-List-Folder/In-plant-operations.

F. Annual Operations Reporting Requirement

State agencies that operate in-plants are required to provide an annual report detailing their printing operations to the State Printer. The agencies must use the State Printer’s In-Plant Printing Operations Report (IPPOR) to fulfill this requirement. The agency must complete each section of the IPPOR in accordance with the provisions of the IPPOR Instructions document.

The IPPOR must be certified by the agency’s Deputy Administrative Director (no designee signature will be accepted) by electronic signature on the Certification section of the IPPOR.

The IPPOR must be submitted electronically by the agency’s Deputy Administrative Director to the State Printer by January 1, 2020, and each year thereafter. Electronic copies of the IPPOR and the IPPOR Instructions can be found on OSP’s website at: https://www.dgs.ca.gov/OSP/Resources/Page-Content/Office-of-State-Publishing-Resources-List-Folder/In-plant-operations.

The provisions of SAM Section 2875 do not apply to the printing operations enabled under Penal Code Section 2807.
A. Overview

No state agency may acquire printing equipment, including, but not limited to, offset printing, digital printing, or bindery equipment, where a piece of equipment is valued in excess of $50,000, without prior approval from the State Printer.

Agencies seeking to acquire new or replacement printing equipment are required to submit a Printing Equipment Acquisition Request (PEAR) (see SAM Section 2876(B)) to the State Printer for approval. The agency should use the PEAR to demonstrate that the agency has the capacity to operate the printing equipment efficiently and cost-effectively, and that the acquisition and use of this equipment will not be unnecessary duplicative of OSP services (or those services provided by other state agency in-plant printing operations as authorized under SAM Section 2875). To assist with this analysis, a Recovery of Investment Template (RIT) (see SAM Section 2876(C)) must be included with the PEAR.

The agency submitting the PEAR must affirm that the print work performed on the equipment will only support the printing needs of the acquiring agency (referring to the office, department, division, bureau, board or commission that purchases and/or operates the equipment), and not that of other agencies, except when a Printing Services Exemption Request (PSER) has been approved by OSP (see SAM Section 2811 for OSP exemptions).

The agency must have a current In-Plant Printing Operations Report (IPPOR) (see SAM Section 2875(F)) on file with the State Printer before they may submit a PEAR for approval.

Agencies that have delegations of procurement authority, issued by the Department of General Services’ (DGS) Procurement Division, are still required to submit and receive approval on a PEAR prior to exercising their delegated procurement authority.

B. Printing Equipment Acquisition Request Information

The PEAR standardizes the acquisition analysis with regard to the acquisition of printing equipment across state agencies. To ensure that the acquisition of printing equipment is cost-effective, the agency submitting the PEAR must provide a detailed account of its recovery of investment and estimated acquisition, overhead, operation, and maintenance costs.

The agency must complete each section of the PEAR in accordance with the provisions of the PEAR Instructions document. The PEAR must be signed by the agency’s Deputy Administrative Director and/or Procurement Contracting Officer (no designee signature will be accepted).

(Continued)
(Continued)

**APPROVAL REQUIRED TO PURCHASE PRINTING EQUIPMENT** 2876
(Cont. 1) (New 5/2019)

Electronic copies of the [PEAR and the PEAR Instructions](https://www.dgs.ca.gov/OSP/Resources/Page-Content/Office-of-State-Publishing-Resources-List-Folder/In-plant-operations) can be found on OSP’s website at: https://www.dgs.ca.gov/OSP/Resources/Page-Content/Office-of-State-Publishing-Resources-List-Folder/In-plant-operations.

A PEAR will not be considered complete unless a complete and accurate RIT with supporting documentation is included.

**C. Recovery of Investment Template Information**

State printing operations must be budgeted for cost recovery (see SAM Section 8752 requiring departments that provide goods and services to fully recover their costs). An agency seeking to acquire printing equipment must be able to demonstrate that it can recover the cost of owning and operating that printing equipment over five years. The RIT is a detailed financial analysis tool used to evaluate whether the acquisition of printing equipment is a cost-effective investment.

To ensure that the agency can adequately recover its cost, the agency must complete a five-year fiscal analysis on the RIT in accordance with the provisions of the RIT instructions document. OSP will not accept a PEAR without a complete and accurate RIT.

State agencies must depreciate all printing equipment according to the following schedule:

<table>
<thead>
<tr>
<th>Cost of Equipment (Before sale)</th>
<th>Depreciation Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>$50,000 to $1,999,999</td>
<td>May be depreciated up to five years</td>
</tr>
<tr>
<td>$2,000,000 to $4,999,999</td>
<td>May be depreciated up to seven years</td>
</tr>
<tr>
<td>Greater than $5,000,000</td>
<td>May be depreciated up to ten years</td>
</tr>
</tbody>
</table>

State agencies may not exceed the depreciation schedule indicated in Table 1, but may choose a lesser depreciation period at their discretion.

Electronic copies of the RIT and the RIT instructions can be found on OSP’s website at https://www.dgs.ca.gov/OSP/Resources/Page-Content/Office-of-State-Publishing-Resources-List-Folder/In-plant-operations.

**D. Submitting the Printing Equipment Acquisition Request**

Electronic copies of the PEAR, the RIT, and supporting documentation (as needed) must be submitted by the agency’s Deputy Administrative Director and/or Chief.
(Continued)

APPROVAL REQUIRED TO PURCHASE PRINTING EQUIPMENT

Procurement Officer to the Statewide In-Plant Operations Manager at inplantopsmanager@dgs.ca.gov for review. OSP will not review a PEAR unless all sections of the PEAR and the RIT are filled out completely.

The PEAR and supporting documentation must be submitted to the State Printer for approval no less than ninety (90) days prior to the anticipated solicitation date. If the agency intends to use one-time acquisition services from the DGS Procurement Division prior to the end of the fiscal year, the PEAR must be received by the Statewide In-Plant Operations Manager no later than the first business day of February. Agencies are not permitted to enter into a purchasing contract for printing equipment until a signed PEAR approval has been returned by the State Printer.

The State Printer may approve the PEAR as written, provide conditional approval through the recommendation of alternative equipment, or reject the PEAR with explanation. When PEAR approval is received, the submitting agency will be required to provide the PEAR to: 1) the DGS Procurement Division (if one-time acquisition services are required); 2) the DGS Office of Legal Services (OLS) (if OLS contract review is required); and, 3) the SCO (included with the invoice for processing of payment). Non-compliance with the PEAR approval process may result in non-approval of the contract and non-payment of invoices.

The amount on the solicitation or delegation of procurement authority to acquire the printing equipment may not exceed 10% of the purchase price indicated on Section 4, Item 1 of the PEAR without secondary approval from OSP.

Approval on a PEAR is valid for the duration of the fiscal year of issuance and the following fiscal year.

Electronic copies of the Scope of Work issued with the solicitation and the final purchase agreement must be provided to the Statewide In-Plant Operations Manager within sixty (60) days of a signed purchase agreement.
COPYING AND DUPLICATING LIMITATIONS  2880
(Reviewed 11/2014)

State-owned copying and duplicating equipment will not be used for other than official
state business. In accordance with Government Code Section 6253 (b), a charge for a
copy of a public record is limited to the actual cost of providing the copy, or the
prescribed statutory fee, if applicable.
CHAPTER 3100 INDEX
This chapter reviews the Library Distribution Act and the requirement of agencies to make their publications available to the public.

GENERAL POLICY 3100

TERMS AND DEFINITIONS 3101

LIBRARY DISTRIBUTION ACT 3120

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STANDARDS CERTIFICATION AND ASSISTANCE 3122

A COPY OF ALL PUBLICATIONS MUST BE SENT TO THE STATE LIBRARY 3123

DISTRIBUTION OF PUBLICATIONS PRODUCED BY THE STATE PRINTING PLANT 3124

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APPENDIX

TABLES:

List of Complete Depository Libraries AT-1

Rev. 426
GENERAL POLICY
(Reviewed 12/2013) 3100

It is the policy of the State to make copies of an agency’s documents and publications available to the public. The Library Distribution Act was passed to facilitate this process. This Section of SAM describes the Act and the policies and procedures of distributing Agency publications to the public.

TERMS AND DEFINITIONS
(Reviewed 12/2013) 3101

DGS. The Department of General Services.

Complete Depository Libraries. The libraries listed in Table 1 of the Appendix. Exclusive use documents. Documents that are used only by one group or agency. Publication. Anything made in multiple copies. See Government Code Section 14902.

Selective Depository Libraries. Libraries other than the Complete Depository Libraries, which have requested to receive publications from your agency.

LIBRARY DISTRIBUTION ACT
(Reviewed 12/2013) 3120

The Library Distribution Act set up a means of sending copies of agency publications to libraries. The purpose of this Act is to make State publications available to the public. All agencies must help make their publications available through this program. See Government Code Sections 14900–14911.
The guidelines in this Section have been set up to help you determine if your publications fall under the Library Distribution Act. These same guidelines can help your agency's Publications Representative develop policies that will aid understanding of the requirements of the Library Distribution Act. These guidelines will also help your Publications Representative establish publications procedures.

All Agency publications fall under the Library Distribution Act, except for:

1. Publications that are specifically excused by law.
2. Publications that are specifically excused elsewhere in SAM.
3. All forms.
4. Letters.
5. Memorandums.
6. Exclusive use documents.
7. Legally restricted items.
8. Organizational and procedural manuals.
9. Publications for use only within the State administration.

You may choose to have some of your publications be issued under the Library Distribution Act, that otherwise would not. The types of publications that you may so designate, include:

1. Local interest circulars and publications.
2. Specialized publications of primary use to a select group.
3. Reports on minor reorganizations and policy changes dealing with State administration.
4. Market reports and weeklies that are tied to critical dates. (Continued)
Typical publications that fall under the Library Distribution Act include publications:

1. That are of lasting interest and use to the public.
2. That are of general interest.
3. That are of interest only to a few people that are spread over a wide geographic area.
4. That are of interest only to a few people, but when the State is the only source of the information and the information can be used for other purposes.
5. That are a group of periodicals compiled once a year. These periodicals would otherwise not qualify, but because of their calendar nature, their content becomes important.

STANDARDS CERTIFICATION AND ASSISTANCE

If you need help understanding which publications fall under the Library Distribution Act, call the Government Publications Section of the State Library. They will also review and approve your Library Distribution Act policy guidelines and any proposed changes to your approved guidelines.

A COPY OF ALL PUBLICATIONS MUST BE SENT TO THE STATE LIBRARY

Send two copies of your publications that do not fall under the Library Distribution Act or that are otherwise excluded by SAM Section 3121 to the State Library, Government Publications Section. This is because the State Library is expected to store all State documents and lend them to other public libraries. The State Library also must make all State publications of note available to State employees.
DISTRIBUTION OF PUBLICATIONS PRODUCED BY THE STATE PRINTING PLANT

(Revised 12/2013)

The Office of State Publishing (OSP) will distribute all Library Distribution Act materials that it prints. OSP will send this material to

1. All Complete Depository Libraries.
2. All Selective Depository Libraries.
3. The State Archivist.
4. The Library of Congress.

The cost of your agency’s printing includes the cost for these extra copies. You are charged an extra flat amount for their handling and mailing.

Your organization may want to distribute its own publications that are printed by the Office of State Publishing. If so, the director of your department, board, or commission must first send a request to the State Printer.
Each agency, except the University of California, must distribute publications that it produces or are produced for the agency by the central copying service. You must prepare 100 extra copies and distribute them as follows:

1. Two copies to: The State Library, Government Publications Section. These copies are needed right away so that the State Library can prepare its monthly list of new State publications without delay.

2. One copy to: the other Complete Depository Libraries listed in Table 1 of this Chapter's Tables Appendix.

3. One copy to: each Selective Depository Library that asks for the publication. Your agency must keep a mailing list of all interested Selective Depository Libraries and other interested parties.

4. Two copies to: the State Archivist.


6. Copies to any other libraries that request them, until you exhaust the supply of copies.

If you get more requests for copies than you can supply, you should make sure that the Selective Depository Libraries receive their copies first. If you have extra copies left over, you must keep them on hand for one year.
DISTRIBUTION OF PUBLICATIONS PRODUCED UNDER CONTRACT

(Reviewed 12/2013)

When your agency awards a contract for any publications that fall under the Library Distribution Act, you must have that contractor print and distribute the extra 100 copies described above in SAM Section 3125. The extra 100 copies should be part of the original printing contract.

PUBLICATIONS REPRESENTATIVES

(Revised 6/2014)

Each department, board or commission must assign one person as its "Publications Representative." Each December 1st, your organization must send the name, mailing address and telephone number of your Publications Representative to the following:

1. The Office of State Publishing (OSP) of the Department of General Service's Office of Procurement.
2. The Librarian at the Government Publications Section of the State Library.

If you are your Department's Publications Representative, you must set up and use procedures that comply with the Library Distribution Act. Each of your published documents must state how to get a copy of the document. This includes having on each document the name, mailing address, and telephone number of the agency that distributes the document. You should try and place this information on the front or back of the title page.

If your publication is to be distributed according to the Library Distribution Act, you must indicate this on either the Printing Requisition–Invoice, STD. 67, or on the Reproduction Order, STD. 51.

COORDINATION BETWEEN DEPARTMENTS

(Reviewed 12/2013)

The State Library's Government Publications Section is responsible for coordinating the distribution of printed and processed State publications. It also prepares monthly lists of new State publications.

This Government Publications Section also helps your agency Publications Representative understands the rules and answer questions about the operation of a library distribution system. It is not always easy to decide if a publication should be distributed or not. This is especially true in the case of similar publications issued by different agencies. If you have questions, you are encouraged to call the State Library.
ANNUAL CORRECTION

(Reviewed 6/2014)

Section 14911 of the Government Code requires you to check and correct your mailing lists each year. You must do this to every mailing list and to all people on your mailing lists. The only exception is for those lists that are made up for distribution of a publication that has been specifically defined by a different law. You must carefully review each case where a name on a mailing list is at the request of the person or organization that receives the publication. This Section of the Government Code does not apply to depository libraries.

You must use the same method to check your mailing lists that you use to send your publications to State agencies and officials, even if you do not use the U.S. mail to send the publications.

Each agency must provide its own forms and procedures to comply with the Government Code.

FREE DISTRIBUTION OF PUBLICATIONS

(Revised 6/2014)

Even if the Department of General Services Office of State Publishing is selling your publications for your agency, you may give out the following types of documents, directly and for free for any of the following reasons:

1. You are distributing copies as required by the Library Distribution Act. See SAM Sections 3120 and 3121.
2. You are giving the copies to other government agencies.
3. The copies are part of a package for which a license fee or other fee has already been paid.
4. You are giving the copies to the public, and the publication was designed and published to promote compliance with State laws.
5. The publication provides information on issues of general statewide importance.
6. The publication provides answers to recurring questions at less cost than by repetitive specific correspondence.

Even though many publications may qualify for free distribution, you must try to keep a good balance between cost and benefits for all free distributions.
** CALIFORNIA STATE DOCUMENT DEPOSITORY LIBRARIES **

Under the provisions of the Library Distribution Act (Government Code sections 14905, 14906, and 14907), the libraries listed have contracted with the Department of General Services to serve as complete or selective depositories. They agree to provide adequate facilities for the shelving and use of the publications deposited with them, render reasonable service without charge to qualified patrons, and retain all publications received until authorized to dispose of them.

There are 108 depository libraries: 16 complete depositories and 92 selective depositories.

Click the link for the Complete Depository Libraries listing.
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INTRODUCTION

(Revised 8/2014)

The State Financial Marketplace (SFM) established by the Department of General Services, provides financing and payment programs that serve California State and local government entities. Tax-exempt rates are established with lenders for the purpose of financing both purchases and leases. The GS $Mart (pronounced “G S Smart”) is the program to use to finance a purchase. The Lease $Mart (pronounced “Lease Smart”) is the program to use to finance a lease.

Only approved lenders or lessors participate in the programs. The SFM provides negotiated contractual terms and conditions. The result is financial security regarding such issues as tax-exempt qualifications, financial health of the lender, and the financing’s effect on the state’s credit rating.

State departments contemplating financing a transaction are advised to contact a SFM representative early in the acquisition planning process. Proposed use of a source other than the financial marketplace may require advanced approval from the Department of Finance.

SMF representatives can:

1. Provide program information.
2. Guide governmental entities through the financial marketplace process to create a financed contract.
3. Assist with refinancing contracts.
4. Assist with assignment (or novation) of financial marketplace contracts.

Information regarding the SFM is provided on the Procurement Division web site at the following address:

State Financial Marketplace:

For more detailed procedures please see Chapter 9 of: State Contracting Manual Volume 2 for Non-IT Goods

State Contracting Manual Volume 3 for IT Goods and Services
For the purpose of financing purchases, California government entities are permitted to use the Department of General Services’ (DGS) Golden State Financial ($) Marketplace (GS $Mart, pronounced “G S Smart”) to enter into installment purchase agreements (commonly referred to in the industry as “lease purchases”). Installment Purchases must be structured to comply with Internal Revenue Service (IRS) tax code. Approved lenders, financing plans, and tax-exempt rates (which are usually less costly than commercial lending rates and financed leases) are listed on the GS $Mart Internet site.

Certain budgetary conditions defined by the Department of Finance (DOF) apply to the use of the GS $Mart program. Advanced DOF approval will be required on all transactions $10 million and over, and may be required for other transactions. Contact a SFM representative prior to initiating a purchase that involves financing or prior to initiating an assignment of an installment purchase that was financed using the GS $Mart program.
Purchased tangible assets that may be financed through GS $Mart include:

1. Vehicles

2. Information technology equipment and necessary pre-integrated software (including mainframes, personal computers, printers, network equipment, and storage)

3. Software licenses

4. Software development and integration (on a case-by-case basis with Department of Finance (DOF) support unit approval)

5. Select services included with the procurement of assets (e.g., warranty, installation, training)

6. Copy machines

7. Laboratory equipment

8. Medical equipment

9. Furniture (including modular)

10. Video conferencing systems

11. Mailing equipment

12. Telephone systems

13. Most energy efficiency and sustainability equipment and systems (see “Capital Outlay” below)

Tangible assets that may not be financed through GS $Mart include:

1. Consultant and other services

2. Real property including:
   a. Land
   b. Structures
   c. Easements
   d. Rights-of-way
   e. Other forms of legal entitlements to use or dictate the use of real property
3. Capital outlay projects

**PURCHASED TANGIBLE ASSETS**

3420.10

Capital outlay projects are those that alter the purpose or capacity of real property. Projects that keep real property functioning at its designed level of service, or improve the efficiency of its operating systems – such as repair projects and most energy efficiency projects – are not capital outlay. Note, however, that some energy generation projects (e.g., photovoltaics) can involve significant facility engineering issues that make them capital outlay in nature or could be limited by covenants on debt-financed buildings. Such projects must receive prior approval by the DOF before securing financing.
SAM – FINANCED ACQUISITIONS
GS $MART

INSTALLMENT PURCHASE CONDITIONS 3420.20

Installment purchases can be used for:

1. Orders for applicable items placed against Leveraged Procurement Agreements including, but not limited to the California Multiple Award Schedules (CMAS), unless otherwise stated in user instructions,

2. Competitive acquisitions, or


Conditions for entering into an installment purchase include, but are not limited to, the following:

1. Generally, the financed portion of an acquisition is a minimum of $50,000. This includes the cost of the tangible asset and, if applicable, sales tax. Financing an amount smaller than $50,000 may not be cost-effective. Contact the SFM for additional information regarding finance of lower dollar-value transactions.

2. The term duration of the installment purchase may not exceed the projected useful life of the asset being financed.

3. No GS $Mart financed contract may be signed without prior written approval by the Department of General Services.

4. Acquisitions conducted under delegated purchasing authority that include financing must subscribe to the requirements identified in the State Contracting Manual (SCM), Volume 2 or SCM Volume 3. For determination of whether the transaction is within a department’s delegated purchasing authority limit, the finance cost associated with the purchase is not included.

If a department wishes to consider a lender that is not participating in the GS $Mart program, then prior to proceeding contact a SFM representative to learn how the lender can qualify to participate. Requirements to become a lender are located on the GS $Mart Internet site.

All state departments that use the GS $Mart program and are subject to the Department of General Services’ oversight must send a copy of each financed agreement to the SFM. The contract is reviewed to ensure compliance with IRS tax code requirements.

The SFM also files the necessary IRS tax forms and reports on behalf of the department.
GS $Mart financing may be used for energy efficiency and sustainability projects. GS $Mart may not be used on buildings with bond financing unless prior approval has been received from the DOF. However, the approval of these projects is based on a cost-benefit analysis to substantiate there is enough energy savings derived to repay all associated project costs, including financing. A Life Cycle Cost (LCC) analysis model to conduct this evaluation is available from the Department of General Services (DGS).

The LCC model must be used for this analysis. The DGS will not approve any GS $Mart financing for such projects unless the applicant department certifies that the model has been applied and the results justify the acquisition of the asset on a cost-benefit basis.

REFINANCING

(Revised 8/2014)

The GS $Mart Internet site is frequently updated with the latest market information, including approved lenders and finance rates. State departments are advised to review GS $Mart information periodically for refinancing opportunities and, if advantageous, to execute a refinancing contract to realize the cost savings. To ensure refinancing is executed properly, departments should contact a SFM representative before proceeding.
California government entities are permitted to enter into financed leases as described in the Uniform Commercial Code, Section 2A, (commonly referred to as “operating leases”) using the Lease $Mart program. Approved lessors, leasing plans, and lease factor rates are listed on the Lease $Mart Internet site. Contact a SFM representative prior to initiating a procurement that involves a lease or prior to initiating an assignment of a lease that was financed using the Lease $Mart program.

SAM 3700 requires that a lease/purchase analysis be performed prior to entering into a lease. This requirement is also applicable for leases completed using the Lease $Mart program.

If there is any chance that an entity may want to own equipment at the end of a lease, it is strongly recommended to either purchase the equipment outright or utilize the GS $Mart program to make an installment purchase. The Lease $Mart Internet site provides a payment calculator that can help to determine the most cost-effective financing method.

For more detailed procedures please see Chapter 9 of: State Contracting Manual Volume 2 for Non-IT Goods

State Contracting Manual Volume 3 for IT Goods and Services

Leased tangible assets that may be financed through Lease $Mart includes:

1. Information technology equipment (including mainframes, personal computers, printers, network equipment, and storage),

2. Laboratory Equipment,

3. Copy machines, and

4. Vehicles.

Contact a representative of the SFM if there is a need to establish a financed lease for any other items. A determination of applicability will be made on a case by case basis.
Financed leases can be used for:

1. Orders for applicable items placed against Leveraged Procurement Agreements such as the California Multiple Award Schedules (CMAS), unless otherwise stated in user instructions,

2. Competitive acquisitions, or


Conditions for entering into a financed lease include, but are not limited to, the following:

1. The term duration of the financed lease may not exceed the projected useful life of the asset being financed.

2. Acquisitions conducted under delegated purchasing authority that include leasing must subscribe to the requirements identified in the State Contracting Manual (SCM), Volume 2 or SCM Volume 3. For determination of whether the transaction is within a department’s delegated purchasing authority limit, the finance cost associated with the lease is not included.

3. State departments subject to Department of General Services’ (DGS) oversight that use the SFM must send a copy of each financed lease agreement to the Lease $Mart Administrator. No financed lease may be signed by a department without prior written approval by the DGS.

If a department wishes to consider a lessor that is not participating in the Lease $Mart program, then prior to proceeding contact a SFM representative to learn how the lessor can qualify to participate. Requirements to become a lessor are located on the Lease $Mart Internet site.
## CHAPTER 3500 INDEX

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The Procurement Division (PD), Department of General Services, is responsible for every purchase of non-IT supplies or equipment in excess of $100 and for contracts for purchases for every State agency with such exception as stated in Public Contract Code Sections 10295, 10298, 10430, and 12100.5.

The Procurement Division will also assist agencies in making determinations relative to the appropriate method of acquisition of their equipment needs. The office will also provide effective means of acquiring equipment whether the acquisition is to be made by purchase or through non-purchasing techniques.

The State is committed to a program of active competition in the purchase of personal property. Public Contract Code Section 10318 makes it illegal for any agency or employee to draft or cause to be drafted any specifications in such a manner as to limit the bidding directly or indirectly to any one specific concern, or any specific brand, product, thing, or service. It is the aim and desire of the Procurement Division, Department of General Services, to require that such competition be at all times by responsible suppliers, and the materials bought through such competition be properly suited to the job intended both as to price and quality.

Except for contracts and purchases for non-IT services and/or IT goods and services including telecommunication acquisitions which are processed according to the procedures set forth in SAM Chapter 1200 and SAM Chapter 5200, contracts and purchases in amounts exceeding $50,000 are normally made by sealed bid procedure. In emergency situations or other special circumstances, statutes may exempt purchases from the bid procedure. Sealed bids are opened and read at a specified time and are maintained on file (Public Contract Code Section 10301).

Where the dollar threshold involved is $50,000 and less, or where the competitive field is very limited, the Procurement Division will request informal quotations in lieu of using the more expensive formal method. Informal quotations will also be used.
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Where the dollar threshold involved is $50,000 and less, or where the competitive field is very limited, the Procurement Division will request informal quotations in lieu of using the more expensive formal method. Informal quotations will also be used to determine if previous prices are still in effect when dollar amounts are relatively small.

Procurements valued $50,000 and less are considered informal and are to be conducted in accordance with the State Contracting Manual, Volume II, Purchasing Authority Manual (PAM) requirements for informal competitive non-IT goods procurements.
When the range of bids received is such that purchase is not in the best interests of the State, all bids will be rejected. When all bids are rejected, all bidders will be advised.

Also, all bids may be rejected when with the consideration of the surrounding circumstances it is determined that it would be in the State's best interest to do so.
PROHIBITED PRACTICES 3504
(Revised 3/14)

No State officer or employee will personally derive any benefit from use of facilities available to the State for the purchase of equipment, supplies, or commodities. Use of purchase orders or other State purchasing procedures to obtain property for personal use, or misrepresentations to vendors that personal purchases are for the State, for the purpose of obtaining price discounts not allowed on personal purchases, will expose officers or employees to prosecution under Penal Code provisions relating to embezzlement and theft.

PURCHASES FROM COMMUNITY-BASED REHABILITATION OR SHELTERED WORKSHOPS 3504.2
(Revised 3/14)
See Chapter 2 of the State Contracting Manual, Volume 2 or Volume 3 for more information.

PURCHASES FROM PRISON INDUSTRY AUTHORITY 3505
(Revised 5/94)
In preparing purchase estimates, an agency will first consider if its needs can be met by Prison Industry Authority (PIA) commodities and services. Agencies are mandated by California Penal Code 2807 to purchase from and consult with PIA to develop new products and adapt existing products to meet their needs. They shall consult with PIA for commodities and services, or like commodities and services, even though not specified in the PIA catalog.

The Procurement Division (PD), Department of General Services, will examine all submitted purchase estimates to determine whether PIA products would meet all reasonable requirements. If this appears to be the case, the Procurement Division will notify the ordering agency that the items should be purchased from PIA.

The Procurement Division will not purchase these items from commercial vendors without written authorization to do so from PIA. A waiver must be obtained from PIA prior to purchasing items from commercial vendors.
PURCHASING AUTHORITY

(Revised 3/14)

The requirements for departments to obtain and maintain purchasing authority is contained in the State Contracting Manual (SCM). Departments are held accountable for the procurement activities conducted under approved purchasing authority.
AUTHORIZATION OF AGREEMENTS

(Ne w 9/05)

4. State Departments – Authorized Signatures

a. Authority to sign purchase documents is limited to those executive officers who either have statutory authority or have been duly authorized in writing by one who has statutory authority.

b. Anyone who signs a purchase document should have knowledge in the procurement laws, policies and procurements pertaining to the goods or services being procured. If an individual with signature authority does not possess sufficient procurement knowledge and expertise, the individual should, prior to signing, have the purchase document reviewed by someone who possesses such knowledge and expertise.

c. Delegation of signature authority is a selective process and should be commensurate with experience with principles of sound contracting and procurement policies, demonstrated familiarity with the process of purchase document formation, execution, and administration, and completion of applicable training and/or certifications.

d. Each executive officer who has statutory authority to sign purchase documents shall ensure that his/her agency maintains a current written record of agency employees authorized to enter into and sign purchased documents on behalf of that agency. This written record shall be subject to DGS audit.

e. State Board’s and Commission’s purchase documents in excess of $5,000 must be accompanied by a copy of the resolution approving the execution of the purchase document, unless by statute the executive officer may sign the purchase document.

5. Local Governmental Entities – Authority

a. Purchase documents to be signed by a county, city, district, or other local public body must be authorized by a resolution, order, motion or
ordinance for the purchase document. A copy of the authorization should be sent to DGS/OLS with the purchase document.

b. Where performance by the local governmental entity will be complete prior to any payment by the state a resolution is not needed.
The Procurement Division (PD), Department of General Services, can be of assistance to State agencies prior to requisition to determine possible supply sources, alternative product examinations, specification preparation, inspection and receiving practices, quality control, order follow-up and materials, expediting and the enforcement of the terms and conditions of purchase orders issued by the Procurement Division.

SPECIFICATIONS SECTION

The Specifications Section staff of the Office of Procurement, Department of General Services, can assist agency personnel in the preparation of the description and specifications of their purchase requirements before they are submitted on purchase estimates. Copies of standard specifications are available upon request; aid is available for developing descriptions of nonstandard commodities.

AGENCY RESPONSIBILITIES

Issuance of a purchase order by the Office of Procurement, Department of General Services is only one part of the buying process. The agency for whom the merchandise is purchased also has important functions to perform in this process. Following are some of the responsibilities of receiving personnel:

1. Receiving clerk must have a copy of order document to answer these questions:
   a. Is delivery significantly late, unsatisfactory, or incomplete?
   b. Does the item comply with the specifications and packaging requirements?
   c. Are any inspection stamps or special labeling required and are they in evidence?
   d. Has the shipment been inspected by the most qualified person available?
   e. Have all the terms listed on the Purchase Order been met?
2. Maintain copies of Purchase Orders on file when contractors have responsibilities into future fiscal years.
3. Quality problems and questions should be directed to the Quality Control Section. See SAM Section 3510.3.
4. Purchasing problems and questions should be directed to the Buyer whose name and phone number appear on every Contract and Purchase Order issued by the Office of Procurement.
QUALITY CONTROL SECTION

(New 2/71)

Quality Control assistance is available from the Office of Procurement, Department of General Services, for agencies throughout the State. The Quality Control Section should be contacted in the event:

- An agency has questions as to whether an item delivered against a purchase order meets specifications. (If necessary, Quality Control will arrange to inspect the item in question.)

- Equipment or supplies received and placed in services do not appear to be performing as expected or represented by the seller.

- You are receiving poor service, or experiencing other problems after items have been received.

REJECTION OF SUBSTANDARD COMMODITIES

(Revised 10/74)

Failure to meet any of the requirements stated on the purchase order is grounds for rejection. Acceptance of substandard material defeats our standards program. In each case, however, common sense must also be used in deciding upon accepting or rejecting. The Quality Control Section of the Office of Procurement, Department of General Services, should be contacted if the agency is not certain as to the action it should take.

The actual data of delivery and the condition of the merchandise at the time of delivery is seldom, if ever, known by the Office of Procurement Buyer. Copies of all correspondence concerning purchase orders should be sent to the Office of Procurement area office and to the Quality Control Section, Office of Procurement, in Sacramento. If there is any doubt about the quality of a shipment, report the problem to the Office of Procurement and get the advice of the Buyer before scheduling the invoice for payment.
When an emergency involving public health, welfare, or safety requires the immediate purchase of supplies or equipment without the taking of bids, the requisitioning agency will attach to its requisition a statement regarding the emergency. The statement will be signed by an officer of the agency. Acceptable statements will show that the emergency condition is one which would not have been avoided by reasonable care and diligence or that there is an immediate threat of substantial damage or injury to persons committed to the agency's care, to employees of the agency, to members of the general public, or to property for which the agency is responsible.
CONFIRMING ESTIMATES  
3511.1  
(Revised 9/85)  
Confirming Estimates will not be processed unless submitted in accordance with SAM Section 3511 and Public Contract Code Section 10302. Emergency purchases should ordinarily be made under the provisions of SAM Section 3571.2.

MATERIALS EXPEDITING  
3511.2  
(Revised 3/89)  
If initial contacts with a vendor who is late meeting specified delivery dates are unsuccessful, agencies should contact the Buyer responsible for the purchase order or contract. The Buyer or a materials expediter will contact the vendor on your behalf and will continue to monitor the vendor’s progress until the order is complete. Your agency will be kept fully advised as to the current status of the transaction and of the Office of Procurement’s efforts to enforce the terms and conditions of the purchase order or contract.

STANDARDS SAMPLING  
3513  
(Revised 10/74)  
From time to time, special forms will be sent to agencies to facilitate standards sampling. These forms will request information regarding date of delivery, condition of material on arrival, and pertinent comments. These forms must be filled out and returned immediately. If samples are requested, identify them with complete information, purchase order and estimate number, vendor, date, commodity, and comments.

FINANCIAL PROFILE REPORTS  
3514  
(Revised 12/03)  
Agencies that require information on firms within the United States may obtain this data from the Procurement Division, Department of General Services, which has contracted for credit rating services. Use of the service for purposes other than as a check on firms to whom credit may be extended is not authorized. The service consists of two parts: (1) a reference book listing the general credit rating of virtually every firm in the United
States; and (2) a special detailed, confidential business information report on specific firms. Reports on individual consumers may not be ordered.

Detailed reports contain a comprehensive statement of the background and financial status of the firms. Use of Procurement's reference book is free of charge. Upon written request, single reports may be purchased for a fee. The fee is updated annually; call the Procurement Division for the most current fee. Requests which require immediate information will be charged extra. All reports will be processed on the basis of single reports. All reports may be ordered from:

Department of General Services Procurement Division
707 Third Street, Second Floor West Sacramento, California 95605
MANUFACTURERS’ WARRANTIES

(Revised 12/03)

Many items of equipment purchased by State agencies carry a manufacturer's warranty of acceptable materials and workmanship. All agencies will register and maintain proper records of such warranties to ensure that defects covered by the warranty are repaired by the manufacturer.

The Procurement Division does not maintain any files or records of individual agencies' equipment warranties.

SURPLUS PROPERTY

DISPOSAL OF SURPLUS PERSONAL PROPERTY

(Revised 3/14)

Prior to an agency's disposal of any state-owned personal surplus property, other than vehicles and mobile equipment (See SAM Sections 4111 through SAM Sections 4112 for Disposition of Vehicles and Mobile Equipment), the agency must obtain approval from the State and Federal Property Reuse Program Office, Office of Fleet and Asset Management, Department of General Services.

The agency must submit to the State and Federal Property Reuse Program Office a Property Survey Report (STD. 152) requesting direction and approval prior to disposition of any state-owned personal surplus property, including general office furniture, regardless of the original acquisition value or if the property was recorded or capitalized for accounting purposes. The $5,000.00-unit acquisition cost requirement for capitalization does not apply to disposal actions. Final disposition, which includes sale, trade-in, discarding or turning the property over to the State and Federal Property Reuse Program Office, or discarding the property may not occur until the State and Federal Property Reuse Program Office approves the disposition.
To request approval, the agency must electronically submit the completed Property Survey Report (STD. 152), to the State and Federal Property Reuse Program Office in Sacramento. Agencies can access the online STD 152 at

http://www.dgs.ca.gov/ofam/Programs/StSurplus/Reutilization/CSPS.aspx

This reporting requirement applies to all office furniture items, including (but not limited to) bookcases, cabinets, chairs, credenzas, desks, shelving, tables and similar items common to state offices.

The State and Federal Property Reuse Program Office facilitates and ensures recycling of used office furniture that is still sound and, therefore, reusable, thus contributing to reducing expenditures for new furniture and conserving the materials used in the manufacture of office furniture.
PROROPERTY SURVEY BOARD 3520.2

(Revised 3/14)

Each agency will have a duly appointed Property Survey Board that is responsible for determining that, when disposing of surplus property, the decision to do so serves the bests interest of the state. To the extent possible, there will be a sufficient number of members on the Board to insure representation by both business management and program responsibilities. At least two Board members must approve all Property Survey Report STD. 152 and all Transfers of Location of Equipment STD. 158.

PROROPERTY SURVEY REPORTS 3520.3

(Revised 3/14)

When an agency proposes to dispose of state-owned, nonexpendable surplus property either by sale, by trade-in, or by turning it over to the State and Federal Property Reuse Program Office, or by discarding the property, the agency prepares a Property Survey Report STD. 152 and submits it to the State and Federal Property Reuse Program Office for approval.

When an agency proposes to transfer such property to another agency or to a unit within the agency, the agency prepares a Transfers of Location of Equipment STD. 158 and submits it to the State and Federal Property Reuse Program Office for approval. The agency may use an agency form in lieu of STD. 158 for intra-agency transfers between organizational units accounted for in the same general ledger account.

The agency retains the original copy of the approved STD. 152 or STD. 158, as applicable, in a suspense file, pending final disposition of the property. If the agency sells the property, the agency enters the dollar amount received from the sale and the receipt number on STD. 152, and disposes of the listed property without delay.

The requesting agency and the State and Federal Property Reuse Program Office retain copies of all STD. 152’s and 158’s in accordance with the general disposition schedule. See SAM Section 1611.
TRANSFER TO THE SURPLUS PROPERTY PROGRAM OFFICE 3520.4
(Revised 3/14)
When state-owned surplus personal property is not to be transferred within an agency, the agency submits a Property Survey Report STD. 152 directly to the State and Federal Property Reuse Program Office.

The agency must provide adequate information in the "explanation" section of the STD. 152, and indicate the reason(s) for disposal of the property.

The agency must use a single STD. 152 only for similar items or items being surveyed for the same reason. The agency must use separate STD. 152s when surveying items for different reasons.

DONATION OF STATE PROPERTY 3520.5
(Revised 3/14)
When an agency proposes to transfer state-owned personal surplus property to a non-state entity, the agency prepares a Property Survey Report STD. 152 and submits it to the State and Federal Property Reuse Program Office for review and approval prior to final disposition. The recipient of the property must be on record with the State and Federal Property Reuse Program Office as an eligible done, thus indicating the recipient is eligible to receive such property.

NOTE: For vehicles and mobile equipment, submit proposals to the Department of General Services, Office of Fleet and Asset Management for review and approval.

SALE TO ANOTHER STATE AGENCY 3520.6
(Revised 3/14)
The same procedure is used as a transfer within an agency or department, except the selling agency must complete a Property Survey Report STD. 152, and forward it to the Surplus Property Program Office before the sale takes place.
An agency can offer state-owned personal surplus property for sale to the general public after the agency has offered the property for use within the agency and after submitting a Property Survey Report STD. 152 to the State and Federal Property Reuse Program Office for review and approval.

There are three methods an agency may use to dispose of state-owned personal surplus property through a public sale:

1. Sealed bid;
2. Auction;
3. Fixed price (not recommended).
Typically the sealed bid method of public sale brings the highest cash return to the state. The agency must make a diligent effort to secure at least three competitive bids. If the agency cannot make three competitive bids, the agency employee who solicited the bids must prepare and sign a list of the firms or individuals contacted. The agency must attach the bid solicitation list and the bids received to the Property Survey Report STD. 152

When an agency elects to dispose of state-owned surplus personal property through a public sale by auction, the agency must publish information about the auction to all sectors of the community. Public notices include:

1. Newspaper ads;
2. Posting of notice of sale in public places;
3. Mailings to interested businesses and individuals.

A fixed price sale requires the authorization of the Director of the Department of General Services.

Public sales should be announced a minimum of one week prior to the sale with newspaper ads running no less than three days. The bid opening date should allow ample time for advertising and inspection of the items by prospective bidders.

"Notice of Sale" flyers shall be made available on-site and should contain the following information:

1. When and where the items offered for sale may be inspected.
2. Bid opening date and time.
3. Method of notification to successful bidders.
4. Required method of payment and applicability of sales tax.
5. Required time frame for successful bidders to pick up items.
6. A "General Provisions" section should include an applicable statement similar to the following:
(Revised 3/14)

“Items are being sold as is and where is. Verification of the description and condition is the responsibility of the bidder. All sales are final. The State of California reserves the right to reject any or all bids, or to value any defects or irregularities therein. Minimum bid amounts, when indicated, shall be applicable.”

“The State of California makes no warranty, either expressed or implied, as to the condition or completeness of the equipment being sold, nor does the equipment necessarily meet California Occupational Safety and Health Act Standard, Orders, or Regulations.”

After the successful bidder has paid for his/her items and presented his/her receipt, he/she shall be requested to sign an appropriate delivery receipt to signify that he/she has received the material. When scrap and junk is being sold, the person taking delivery shall either sign a delivery receipt or give the agency a receipt indicating the type and approximate quantity of material removed from the premises.

After the sale of material is completed, the amount of cash received shall be recorded on the approved copy of the Property Survey Report, which is retained by the organizational unit.

Whenever public sales are conducted, a system of checks and balances shall be used. This shall, at a minimum, consist of having separate persons handle the sale and the collection of funds.

State employees may participate in public sales providing they do so in the same manner as the general public. Employees may not use their position, office or prestige to their advantage when participating in sales of materials, nor may they participate on state time.
When a state agency (agency) disposes of state-owned surplus personal property by means other than the sale of the property (i.e., salvaged, scrapped, discarded, recycled, or hauled to a landfill) the agency’s responsible employee and unit supervisor shall certify in writing that the disposition has been accomplished. The certification may be made on the STD. 152, or attached and filed with the form. When the agency disposes of the property at a public landfill, the agency’s representative obtains the signature of the disposal site operator or attendant, indicating that the property listed was disposed of at the site. If the landfill is unattended, the agency’s responsible employee and the unit supervisor shall sign and certify that the disposition described was accomplished.

To the maximum extent possible, state agencies are required to recycle State owned surplus personal property with no useful life remaining. Agencies must dispose of irreparable and unusable electronic equipment (E-Waste) pursuant to the provisions of SAM section 3520.10.
Surplus Electronic Equipment and Recycling Procedures

State agencies are required to reutilize electronic equipment for which the agency has no further use through the Department of General Services (DGS), Office of Fleet and Asset Management (OFAM) Surplus Personal Property Warehouse. Where an agency determines that electronic equipment to still be usable, the equipment should not be considered E-Waste and should be disposed of in accordance with SAM section 3520.

Where state agencies identify surplus electronic equipment (E-Waste) with no useful life remaining, agencies are required, to the maximum extent feasible, to recycle its E-Waste using the services of California Prison Industry Authority’s (CALPIA) certified E-Waste recycling and computer refurbishing program.

It is the responsibility of state agencies to determine which equipment meets the definition of E-Waste or reusable Electronic Equipment, per the definitions provided in this policy. OFAM will validate that equipment meets the appropriate definition when reviewing the submitted Property Survey Report STD. 152.

Where an agency is granted an exemption to using CALPIA pursuant to subsection B, an agency is required to use the services of a California Department of Toxic Substances Control authorized E-Waste recycler.

Agencies with E-Waste that is located in the CALPIA pick up zone, as identified on the CALPIA E-Waste Disposal & Recycling Centers Map, must utilize CALPIA as their E-Waste recycler. Agencies utilizing CALPIA for E-Waste services shall complete a CALPIA E-Waste Checklist (EWR-F004) after the STD. 152 has been approved by OFAM in order to schedule a pick up or drop off with CALPIA.

A. Media Sanitization:

Agencies are responsible for the sanitization of surplus electronic equipment regardless of whether the equipment is reusable or E-Waste. Agencies are responsible for sanitizing all surplus electronic equipment in accordance with SAM Section 5365.3, and submit a STD 152 electronically to the Office of Fleet and Asset Management (OFAM) for review.

B. Exemption:
If an agency’s surplus E-Waste is located outside of CALPIA’s pickup zone, the agency shall determine if the E-Waste meets CALPIA’s pickup quantity threshold, pursuant to criteria and guidelines outlined in E-Waste Exemption Request Form EWR-F029. If the E-Waste meets the pick-up threshold agencies shall use CALPIA E-Waste services.

(Continued)
(Continued)

SURPLUS ELECTRONIC EQUIPMENT 3520.10 (Cont.1) (New 11/2017)

B. Exemption (Continued):

If the E-Waste does not meet CALPIA’s pickup threshold the agency shall either drop E-Waste off at one of CALPIA’s designated E-Waste drop-off locations or complete an E-Waste Exemption Request Form EWR-F029 located on the CALPIA E-Waste website to get CALPIA approval to use an alternative Department of Toxic Substance Control (DTSC) approved E-Waste recycler.

CALPIA cannot accept cell phones. If an agency has cell phones that have been identified as E-Waste, the agency shall select a DTSC authorized E-Waste recycler other than CALPIA.

Definitions:

i. Reusable Electronic Equipment: any device that requires electric power to operate, is still usable, and retains value. Electric power is typically provided by either plugging the device into an electrical outlet with a cord or by battery for wireless devices. Common examples of reusable electronic equipment include working televisions, microwaves, telephones, computers, monitors, cell phones, printers, and copiers.

E-Waste: electronic equipment that is no longer in working condition, irreparable or unusable, or past its agency identified useful life. Electronic equipment that is usable and still retains value is not considered E-Waste as it can be reutilized through the OFAM Surplus Warehouse.
DONATED FEDERAL SURPLUS PROPERTY

(Reviewed 3/14)

State agencies are eligible to receive donated federal surplus property distributed by the Department of General Services, Office of Fleet and Asset Management (OFAM), State and Federal Property Reuse Program Office. Substantial quantities of high-quality new and used surplus materials and equipment very frequently become available to State agencies from this source.

All agencies eligible to receive donated federal surplus property will make a maximum effort to acquire necessary materials and equipment through the Federal Surplus Property Program. The State and Federal Property Reuse Program Office assists agencies in securing federal surplus property through obtaining and circulating information as to available federal surplus property, and assisting agencies in placing requests for such items. Since desirable items are generally available for a very limited time, agencies should promptly respond to notices of available property.

INSPECTION OF USED FEDERAL SURPLUS PROPERTY

(Reviewed 3/14)

The requesting agency inspects used federal surplus property before it is shipped to the agency. The Office of Fleet and Asset Management (OFAM), Department of General Services, inspects used vehicles.

LOAN OF STATE SURPLUS PERSONAL PROPERTY

(Reviewed 3/14)

The State and Federal Property Reuse Program Office, Office of Fleet and Asset Management (OFAM), Department of General Services, maintains an inventory of office equipment such as computers, desks, chairs, tables, typewriters, and some office machines that are available to agencies on a short term, no-charge, loan basis.

Equipment may be obtained or reserved by contacting the State and Federal Property Reuse Program Office warehouse located at 1700 National Drive, Sacramento, CA 95834.

All types of surplus property equipment may be loaned at no charge for periods up to 30 days.

In emergency situations, agencies requiring long-term use of equipment for which they are unable to fund rental charges may request exceptions to the 30-day loan limit by submitting supporting information to the Manager, State and Federal Property Reuses
Program Office, Office of Fleet and Asset Management. Also, if an agency delivers an approved purchase estimate to the State and Federal Property Reuse Program Office, surplus equipment may be loaned to the agency that originated the estimate pending receipt of the purchased equipment without regard to the 30-day limitation.

Agencies are expected to provide transportation for loaned or rented equipment. At the request of renting or borrowing agencies, equipment can be shipped by freight collect, or by common carrier.
INTERDEPARTMENTAL EQUIPMENT RENTALS
3522.1

(Revised 3/14)

It is intended that agencies exchange available equipment and related services on a rental basis. In order to provide a simplified and uniform procedure for these transactions, departments will use an Interagency Service Agreement and Invoice (STD. 13A) to request the rental of available equipment, order supportive services, and provide the necessary documentation for billing purposes. Rental rates must include charges to recover all direct and indirect costs.

Complete information on interagency rental of mobile equipment, repair facilities, and mobile equipment repair services is included in the following publications:

1. Statewide Mobile Equipment Inventory
2. Repair Facilities Inventory and Location Catalog

These publications are available from the Chairman of the State Equipment Council, care of the Office of Fleet and Asset Management, Department of General Services, 802 Q Street, Sacramento, California 95814. The telephone number for the Office of Fleet and Asset Management is (916) 327-2086 or ATSS 467-2086.

The Interagency Service Agreement and Invoice (STD. 13A) may also be used in the interchange of equipment and related supportive services with city, county, or other local government units within the State.

SALE OR EXCHANGE OF PRODUCTS (See Government Code Section 11330–35.)
CONTRACTS 3530

(Revised 3/89)

Contract buying reduces the volume of repetitive work, permitting more care and consideration of the award of major purchases, thereby allowing each buyer to become more conversant with the material requirements of the operating departments. It permits a better scheduling of supplies, allowing the operating departments, particularly institutions, to better adjust their inventories. It also encourages better service on the part of vendors, because of the value of such statewide contracts.

As a result of an expanded and comprehensive standards program, it is possible to expand the term contract program since it can be predetermined what quality or specification of material will be accepted statewide.

Officers and employees purchasing contract items at retail prices will be personally liable for the difference between the retail and contract price except in verified emergencies which must be fully explained on the invoice covering the emergency.

To verify contract dollar volumes and to ensure accurate bid information is provided to all interested bidders, each agency using State Contractors must submit one copy of each contract order STD. 65 To:

State Office of Procurement
PO Box 942804 Sacramento, CA 94204–0001

STATE PRICE SCHEDULES 3531

(Revised 3/89)

State Price Schedules are established to permit agencies to obtain volume pricing on noncompetitive items and to order directly from vendors. Unlike contracts, use of State Price Schedules is not mandatory. If an agency determines that another brand or type of item would meet their needs at a lower price, it may either make a delegated purchase or submit a purchase estimate to the Office of Procurement, depending on the dollar amount involved. Before making a delegated purchase, the agency must notify the Office of Procurement’s Research and Analysis Section, in writing, of their intention to do so. The request will be considered approved unless the Office of Procurement notifies the requesting agency to the contrary within 48 hours (two working days) of receiving the request. If the agency submits a purchase estimate to the Office of Procurement, an explanation of the circumstances should be included.
Agreements negotiated by the Office of Procurement, Department of General Services, for the maintenance and rental of office machines are not mandatory for State agencies if they are able to secure better prices that may be due to their remote location or similar factor.

Master Service Agreements issued by the Office of Procurement for photocopiers ensure that the guaranteed useful life of the equipment is adhered to, as contracted for in the original purchase order. Use of Master Rental Agreements for the rental of EDP equipment is subject to the provisions in [SAM Section 5291](#). Terms and conditions of the agreement are included in the notice.

**NOTICES OF CONTRACTS, STATE PRICE SCHEDULES**

**AND MASTER SERVICE AGREEMENTS**

(Revised 3/14)

[The Procurement Division, DGS website](#) contains listings of all statewide contracts, State Price Schedules, and Master Service Agreements. The website will show the method for placing orders, the price, the terms and conditions, etc.
The Director of the Department of General Services has initiated a statewide program to establish effective standards and policies for all materials management functions including reduction of expendable goods inventories which are maintained in uneconomically large quantities.

This program is being administered by the Department of General Services, Office of Procurement, within the framework of the Statewide Materials Management System or the Purchasing Information Network (PIN). The program started in November 1977 and will continue until all major agencies and warehousing facilities are participating.

The Office of Procurement is responsible for establishing effective purchase methods for expendable items which provide a means to reduce the quantity and type of expendable items in State inventories. The Office of Procurement shall also recommend policies and procedures to reduce the State's expendable inventories investment, review agency materials management practices, recommend to agencies actions to achieve more effective materials management, and monitor and report on the progress of agency programs.

Agency owned expendable goods inventories will continue to be managed by the owning agency and not by the Department of General Services. Inventory control systems used throughout the State will be standardized whenever possible.

Basic statewide inventory management policy under which all agencies will operate is as follows:

Funds used for the purchase of expendable goods inventories must be clearly identified in the support documents which are prepared to justify agency's respective portion of the Governor's Budget. See SAM Section 6120. The information may be contained in the Schedule 2 (Line Item Budget) or Schedule 11 (Preparation of Supplementary Schedule of Operating Expenses). Other documentation may suffice, but funds used for the purchase of expendable goods must be clearly identified. This information will be made available to the Department of General Services, Office of Procurement, upon request by that entity.

The Department of General Services, Office of Procurement, is responsible for establishing purchasing, warehousing, inventory control, and distribution methods which will minimize the State's need for the maintenance of supplies, warehouses, and inventories.

The Department of General Services contracts with suppliers to deliver some materials directly to the point of use for State agencies. Other materials which require quality assurance testing or which, through volume purchasing, can be landed at one point and
redistributed at a savings to the State, are purchased and redistributed by the Office of Procurement, Material Services.

(Continued)
The Office of Procurement, Material Services, is the central redistribution warehousing organization. Departments or agencies may maintain continuing inventories of supply items available from Material Services only at or near the point of use. Departments may not maintain redistribution warehouses to resupply point of use facilities unless authorized by the Department of General Services, Deputy Director, Office of Procurement.

State agencies must maintain unit stock records and conduct annual physical inventories if they operate warehouses which aggregately meet any one of the following criteria:

- Gross floor space exceeding 4,000 sq. ft.
- Average annual inventory investment in expendable goods exceeding $50,000
- Annual issues of expendable goods exceeding $100,000
- Expendable goods inventory consisting of 400 or more stock items Expendable items will be maintained in continuing inventory only if they are:
  - Required for emergency needs involving public health, safety, or welfare
  - Not readily available from supplier inventories
  - Stable items with high demand and represent the low net cost purchase option

Agency inventories and operating costs generated by the continuing maintenance of such inventories shall be no greater than is actually required or economically justified. Inventories will be subject to periodic audit by Department of General Services or other authorized audit units to assure that individual agency managers have regularly and effectively maintained such inventories at the lowest practical level.

Agencies shall, within the general framework of this policy, develop and publish internal policies and procedures which must contain at least the following:

- Specific assignment of management responsibility for effective materials management at both agency-wide level and within each organizational unit that maintains continuing inventories of expendable goods.
- Policies and procedures governing the size and scope of continuing inventory investment, standards for utilization of storage space and review of materials management program effectiveness.
STORAGE OF OFFICE EQUIPMENT

(Revised 9/91)

New office equipment should be shipped directly to the point-of-use by the vendor whenever possible. New equipment may not be warehoused for more than 30 days under any circumstances.

A department may store a maximum of five complements of office equipment at any facility they lease or own. A complement of office equipment consists of one desk, one chair, one work table, one credenza, one bookcase, one typewriter, and one calculator.

Departments may store a maximum of 100 complements of used office equipment at the Department of General Services, Material Services Warehouses. These complements may be stored at Material Services only if they are required for emergency needs involving public health, safety, or welfare and are not readily available from supplier inventories.

Departments must state in writing why they need to store used office equipment, how many complements will be stored, and how long it will be stored. This statement must be filed with the Materials Management Unit, Office of Procurement, Department of General Services. Exceptions to these guidelines must be approved by the Department of General Services, Deputy Director, Office of Procurement.

REQUISITIONING PROCEDURE

(Revised 6/78)

Purchase estimates are initiated by the State agency to effect purchases, to provide management and the central budgetary authority with budgetary control over purchases, to serve as a formal requisition upon the Office of Procurement, Department of General Services, for agency purchases, and to provide an accounting record of purchases in process.

Agencies will contact the Office of Procurement, Department of General Services, early in the purchase process in order to benefit from advice and assistance on specifications, sources of supplies, price advantages, substitutions, and a determination of the agency's precise needs. Agencies that write to vendors for information to price purchase estimates will inform the vendors that the information requested is for accounting purposes and is not a request by the Office of Procurement for quotations. Agency titles which may be interpreted as relating to the Office of Procurement will not be used with signatures on agency request for prices. Agencies will write for price information to enter on estimates only when the balance in the allotment is such that this procedure is necessary to ensure that the allotment will not be truly over-encumbered by the purchase estimate. The agency should anticipate its needs and accumulate those needs to warrant quantity purchases. Special requests to the Office of
Procurement and over-stocked inventories maintained by the individual agency increase the costs of State operation and will not be permitted unless properly justified.
The Office of Procurement, Department of General Services, will accept only those purchase requests submitted on standard forms. The standard forms are:

- STD. 66  Purchase Estimate
- STD. 66A Purchase Estimate Continuation
- STD 12 Weekly Order sheet Fresh

Large use items, such as food and clothing used in the State institutions, are normally submitted in the form of quarterly estimates. Such estimates form the basis for quarterly contracts entered into by the Office of Procurement, Department of General Services, to supply the institution’s requirements of such items during the following three months.
Agencies should make every effort to consolidate their requirements of similar items into a single purchase estimate. Items should be ordered in quantities sufficient for a reasonable period and consistent with future needs and available storage space. Agency procedures which result in the submission of several purchase estimates for the procurement of the same item or for like items for delivery to the same location often require the issuance of otherwise unnecessary purchase orders, incur additional shipping and packaging expense, cause an unfavorable impression of State business practices, and eliminate or reduce the volume purchase advantage of centralized purchasing. This practice often is an attempt to segregate purchases for accounting purposes.

Similar or like items to be purchased from more than one budget allotment or shipped to more than one location may be consolidated in a single purchase estimate. The appropriate budget allotment or shipping information may be written in the description portion of the estimate form or it may be shown on an attached detail sheet.

Estimates for similar or like items should be combined even though the items are to be paid for from separate appropriations from the same fund, or from appropriations from separate funds. In such instances the encumbrance and the subsequent expenditure will be allocated to the appropriation and fund. A single invoice received in such instances may be claimed by including the invoice in a claim schedule filed against one of the appropriations involved and putting an adequate cross-reference in the claim schedule filed against the other appropriation concerned. Frequent recurrence of such consolidated estimates may make it advisable to charge the encumbrances and expenditures for such items to a single appropriation in the first instance and subsequently recover the appropriate amount due from other appropriations by State Controller's transfer under a plan of financial adjustment as authorized by Government Code Section 11251. However, this method presents the disadvantage of overstating the encumbered balance of the allotments to be charged under the plan until such time as the State Controller's transfer is formally requested. Agencies desiring to use the plan of financial adjustment method where substantial amounts are involved should consult the Department of Finance budget staff before doing so. See SAM Section 8456.
DESCRIPTION OF ARTICLES

(Revised 4/67)

Each department and institution should have one current catalog for each kind of commodity which is usually ordered. An institution should have catalogs from large hardware, plumbing, hotel supply, and office furniture dealers. Departments should be equipped with catalogs suitable to their needs. Upon request to the Office of Procurement, Department of General Services, appropriate catalogs will be supplied. Reference should not be made to eastern catalogs unless the article desired is not obtainable on the West Coast. All items to be purchased should be briefly and completely described and, whenever possible, reference should be made to catalog numbers when completing the purchase estimate form. The typing should be double-spaced between items, with detailed description of items being single-spaced.

Department or institutions purchasing lumber should keep on hand a full set of grading rules for lumber, and estimates for lumber should be in conformity with such grading rules.

Copies of grading rules will be supplied on request.

Descriptions, whenever possible, should be copied from the last purchase order (not the previous requisition) since the buyers of the Office of Procurement endeavor to make the purchase orders correct in every detail of nomenclature, catalog number, and style.

LIMITING OF COMPETITIVE BIDDING

(Revised 1/08)

Purchase estimates containing references to brand or trade name or other specifications which have the effect of limiting bidding to one bidder and/or one brand or trade name must be accompanied by a statement fully explaining why the product specified is necessary for the successful carrying out of the ordering agencies' services and functions. This statement shall include at least the following:

- The unique performance factors of the product specified.
- Why are these specific factors required?
- What other products have been examined and rejected and why?

Purchase estimates submitted without adequate information in support of limiting competitive bidding will be returned to the originating agency. Acceptance of a purchase estimate and the purchase of the specified product will indicate Office of Procurement, Department of General Services, agreement with the ordering agency in conformance with Public Contract Code Section 10301.
ITEMS OF SPECIFIED BRAND OR TRADE NAME 3555.1
(Revised 9/85)

When an agency decides that an article of a specified brand or trade name is the only article which will properly meet its needs, the agency will state such fact on the requisition and set forth all reasons requiring purchase of the specified item.

Acceptance of the requisition and purchase of the item will indicate Office of Procurement, Department of General Services, agreement with the agency. If the Office of Procurement disagrees with the requisitioning agency as to the brand or trade name to be purchased, the agency will be notified.

When a specified brand or trade name item is to be purchased as a result of a Board of Control decision, a copy of the decision will be filed with the related purchase order or contract in the Office of Procurement.

NONCOMPETITIVE PURCHASE OF EQUIPMENT REPAIR PARTS 3555.2
(New 5/79)

Purchase estimates requesting purchase of a specific brand or trade name of parts needed to repair equipment must contain the following information in lieu of that specified in SAM Section 3555:

- Why only one brand of part can be utilized to repair the equipment.
- Whether the specified brand of repair parts is available from only one source (i.e., manufacturer) or multiple sources (i.e., distributor).

NONCOMPETITIVE PURCHASE OF EQUIPMENT TO INTERMEMBER WITH EXISTING EQUIPMENT 3555.3
(New 5/79)

Purchase estimates requesting purchase of a specific brand or trade name of equipment to match and/or intermember with existing equipment shall contain the following information:

- What is the quantity of existing equipment to be interfaced that is currently owned by the agency?
- Why it is necessary that the requested equipment be the same manufacture as currently owned equipment?
SALES AND USE TAX

(Revised 6/58)

Purchase estimates prepared for items subject to the retail sales or use tax will show such taxes as a separate item. (See Fiscal Affairs portion of this Manual for other information regarding taxes.)

SUBMISSION PROCEDURE FOR PURCHASE ESTIMATES AND REQUISITIONS

(Revised 9/91)

Purchase estimates which require budget staff approval under the terms of SAM Section 3558.1 should be submitted directly to the budget staff, Department of Finance. Purchase estimates not requiring review by the Department of Finance should be submitted directly to the Office of Procurement, Department of General Services.

The deadlines for receipt of purchase estimates by the Office of Procurement are as follows:

February 1 — All purchase estimates or purchase documents chargeable to current year expiring appropriations for EDP and telecommunications goods and/or services estimated to exceed $100,000 must be submitted to the Office of Procurement for processing by this date. This deadline includes EDP Computer Assisted Retrieval (CAR) microfilm systems estimated to exceed $100,000.

April 1 — All purchase estimates chargeable to current year expiring appropriations for equipment items, as defined in SAM Section 8602 and SAM Section 8614, with an estimated cost exceeding $10,000, must be received by the Office of Procurement by April 1.

May 1 — All purchase estimates or purchase documents for EDP goods and/or services submitted to the Office of Procurement for processing, and estimated to cost less than $100,000, must be received by this date.

All other purchase estimates chargeable to current year expiring appropriations must also be received by May 1. Purchase estimates lacking required approvals by other State agencies or divisions of the Department of General Services will be returned to the ordering agency. Such purchase estimates must be received by the reviewing agencies as follows:

(Continued)
(Continued)

**SUBMISSION PROCEDURE FOR PURCHASE ESTIMATES AND REQUISITIONS**

(Revised 9/91)
Due Date in Approving Division Department of General Services  (Prior workday if the
date falls on a weekend)

**NON-EDP AND TELECOMMUNICATIONS ITEMS**

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<td>Office of Fleet Administration</td>
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Office of State Printing:

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<td>Office of Support Services</td>
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<td>Dec. 15</td>
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EDP AND TELECOMMUNICATIONS ITEMS

(CAR microfilm and optical disk equipment)

NOTE: All EDP acquisitions, including CAR microfilm, must have necessary approvals from the Department of Finance, Office of Information Technology (OIT). Projects requiring OIT approval must be submitted to that office at least 45 days prior to the Office of Procurement's due dates.

(Continued)
A purchase estimate received after May 1 may be processed if there is a full and adequate explanation for the late submission approved by the department's chief administrative officer, or chief fiscal officer authorized by him/her, and it is either:

Required by an emergency involving public health, welfare, or safety, or

Funded by appropriations expiring June 30 or earlier which were not available before April 15.

Each purchase estimate should indicate that the funding is either from a "continuing appropriation" or an "expiring appropriation."

Refer to Board of Control Rule 610 concerning purchases in one fiscal year for use in the subsequent fiscal year and definition of legal charges against the old and the new fiscal years.
EXEMPTION OF PURCHASE DOCUMENTS FROM PROGRAM AND BUDGETARY REVIEW BY DEPARTMENT

OF FINANCE 3558.1

(Revised 9/91)

The Department of Finance exempts from review for program and budgetary determination all purchase documents for items of equipment which can be funded from the amount budgeted for the purchase of equipment in the approved fiscal year budget.

Purchases of equipment will remain a departmental responsibility subject to statutory and administrative rules and restrictions. Equipment lists for capital outlay projects will still be required for capital outlay projects in accordance with pertinent sections of the State Administrative Manual. Departments are specifically charged with the responsibility for the analysis of equipment requirements to supplement the approved legislative program and approval of the models and types of equipment which can most sufficiently support the project or program. Subsidiary effects such as changes in staffing requirements, operating expense, supplies, and space should be evaluated with respect to each choice.

The amount budgeted for equipment in the approved fiscal year program may not be augmented except with the approval of the Budget Revision, STD 26, by the Department of Finance.

Purchase estimates for automotive equipment will be submitted directly to the Office of Fleet Administration, Department of General Services, for approval. Estimates approved by the Office of Fleet Administration will be routed to the Office of Procurement, Department of General Services. Estimates requiring changes or deletions and disapproved estimates will be routed to the originating department.

A certification will be required of the agency for any equipment purchase estimate exempted under the above instructions as follows:

"This purchase estimate does not require approval by the budget staff, Department of Finance, under the provisions of SAM Section 3558.1.

Signed_____, Accounting Officer (or other authorized representative)."
OTHER PURCHASE ESTIMATES

(Revised 4/76) 3558.2

Purchase estimates and requisitions for items other than equipment (See SAM Section 3558.1) will be submitted to the Sacramento or Los Angeles office of the Office of Procurement, Department of General Services (see SAM Section 3558.3 for offices serving various areas), unless it is:

Dependent upon approval of a budget revision or a transfer of budget allotment, or For an item or class of item specifically restricted.

In either of the above circumstances, the estimate or requisition will be submitted to the budget staff, Department of Finance, through agency channels.

AREAS SERVED BY OFFICE OF PROCUREMENT

(Revised 3/89) 3558.3

Areas served by the two procurement offices are shown on the map, 3558.3 Illustration. All purchase estimates should be submitted to the Sacramento office, except estimates for fresh produce for Southern California delivery should be submitted to the Los Angeles office.
INCREASE OR DECREASE OF ESTIMATES

(Revised 6/80) 3559

The Request for, Purchase Order or Estimate Change STD. 96, is used under the circumstances described below, to change estimates that have already been forwarded to the Office of Procurement, Department of General Services. A separate STD. 96 should be used for each estimate to be changed.

Refer to SAM Section 3558.1 concerning approval required by the budget staff, Department of Finance, for overdraft of budget allotments.

INCREASE 3559.1

(Revised 3/2015)

The Request for Purchase Order or Estimate Change STD. 96, is required:

If the original estimated cost is less than $1,000 and the increase amounts to $100 or more and exceeds the estimated cost by 25%.

If the original estimated cost is from $1,000 to $4,999 and the increase amounts to $250 or more and exceeds the estimated cost by 10%.

If the original estimated cost is at least $5,000 and the increase amounts to $500 or more, regardless of percentage.

When requested by the Office of Procurement, Department of General Services, for specific estimates.

The percentages noted above pertain to the total dollar amount encumbered on the purchase estimate for one or more items, not to the individual line items listed.

If agencies wish to be advised of an anticipated expenditure that would exceed a specific amount, it should be noted on their estimate; i.e., "If expenditure exceeds $ __________, notify agency before Purchase Order is issued."

For additional information regarding requirements for reporting the purchase of goods and services, see Management Memo MM15-02.
Request for Purchase Order or Estimate Change STD. 96, may be used to decrease estimates in process if it is determined that the actual expenditure will be less than anticipated, and it is desired to reduce encumbrances to facilitate other use of funds.
PURCHASE ORDERS

(Revised 3/2015)

Purchases are authorized on the form Purchase Order, which is completed and sent to the vendor by the Office of Procurement, Department of General Services.

One purchase order will be issued for each vendor supplying items listed on a single purchase estimate. See SAM Section 3553.

For additional information regarding requirements for reporting the purchase of goods and services, see Management Memo MM15-02.

PURCHASE ORDER CHANGES

(Revised 3/14)

Information regarding purchase order changes can be found in the SCM.

WHEN REQUIRED

(Revised 3/14)

Purchase order changes are required in the following instances:

1. Change in F.O.B. point
2. Change in terms if unfavorable to the State
3. Change in estimate number
4. Change in vendor's name (except simple spelling corrections)
5. Increase in Unit Price
6. Mathematical error over $10
7. Addition or cancellation of any item
8. Change in description specifications, scope of work or substitution of any material
9. Extension of time on "As Needed" or "As Required" order (such orders are written for units of material; "As Required" or "As Needed" for a period ending DATE).
10. Any overdraft of a purchase order except as permitted under subparagraph 3 in SAM Section 3566.2.
WHEN NOT REQUIRED

(Revised 9/91)

Purchase order changes are not required when: Price billed is less than purchase order. Weight or quantity is less than purchase order and unit price as stated on the purchase order.

At the time of taking a final delivery, there is a balance in a purchase order, and the final delivery does not overrun the order by more than 10%. This would apply to such items as yardage, steel, lumber, rock, asphalt, products produced from roll paper stock; e.g., forms, cartons, etc., and other items when exact quantity is not known at the time the order is placed, including items that come in standard containers.

Delivery of items such as fresh vegetables varies from the weight, quantity or count specified, on the order (not to exceed plus or minus 10% of the value of the total order up to $1 million).

Order specifies certain sized containers and other containers which are acceptable are delivered, but total quantity and price are within the limits of the order.

Items are purchased by Procurement for resale and final delivery does not exceed the order value by more than 10%.

BLANKET PURCHASE ORDERS

(Revised 3/89)

Blanket purchase orders issued without the taking of competitive bids and in which the products ordered and unit prices are not specified are strongly discouraged. Requests for blanket purchase orders must be accompanied by a statement explaining the nature of the probable emergency requiring the blanket purchase order, the probable effect on public health, welfare or safety caused by this emergency, and the reasons why other purchase methods will not meet the agency need.

Present policy all but excludes the use of blanket purchase orders. All such purchases will be made under a delegated purchase authority program which may be granted on an individual basis to agencies with approved Material Management Plans. Agencies must provide a justification of their need in order to receive the special purchase authority. All requests must be submitted to the Office of Procurement, Department of General Services. Details of information which must be included in such requests may be obtained from the Office of Procurement's Research and Analysis Section.
DISCOUNTS 3573

(Revised 3/14)

It is normal practice to extend both trade and cash discounts to the State.

FEDERAL EXCISE TAX 3574.1

(Revised 1/59)

State purchases are normally exempt from Federal Excise Tax, but an Exemption Certificate, STD. 802, must be attached to the Sub-Purchase Order. See SAM Section 3585 for further detail.

SALES AND USE TAX 3574.2

(Revised 3/14)

In addition to the State sales tax, the State is subject to the Bradley-Burns Uniform Local Sales and Use Tax.

TRANSACTIONS (SALES) AND USE TAX 3574.3

(Revised 12/90)

In addition to the local sales and use tax described in SAM Section 3574.2, numerous counties have enacted ordinances establishing special taxing districts that impose one or two-and-one-half percent transactions and use taxes. The tax is imposed on the retailers and applies to sales to State agencies. State agencies taking deliveries of tangible personal property for use within the counties that have imposed these district taxes will pay this tax when such tax is added to the sales price by the retailers.

Effective January 1, 1988, sellers or lessors of vehicles, aircraft or undocumented vessels are required to collect the district tax imposed in the county of registration. If the tangible personal property is purchased in a county that does not have a district tax and is brought into a county that does impose a district tax the agency should report and pay the district use tax unless the property is a vehicle, vessel or aircraft and the tax has been collected by the seller.

This tax does not apply to contracts of sale for a fixed price agreed to and executed prior to the effective date of the district tax if neither party has the unconditional right to terminate the contract.
SALES AND USE TAX ON TRANSPORTATION CHARGES 3574.5

(Renumbered 8/70)

California sales and use tax does not apply to separately-stated charges for transportation of property from the retailer’s place of business or other point from which shipment is made directly to a place specified by the purchaser, except: (1) where the property is sold for a delivered price, or (2) where the property is delivered by facilities of the retailer.

The tax applies in the latter two circumstances unless the transportation occurs after title to property has passed to the purchaser and the charges for transportation are separately stated. In order to show that title passes prior to the transportation of goods, the intention of the parties in this regard must be expressed in some writing which constitutes a part of the contract of sale; otherwise, it will be assumed that title passes after the transportation is completed.

PERSONAL PROPERTY TAX EXEMPTION 3574.6

(New 8/76)

The State is exempt from property taxation under California Constitution, Article XIII, Section 3(a). Any obligation for property tax on State leased equipment would exist, if at all, only as a result of an express provision of the lease agreement. If the lease obligation existed, payment would not be made directly to taxing authorities, but would be limited to reimbursing the lessor for actual tax payments which the lessor could prove had been made.

Provisions in a lease adding "applicable State and local taxes" to the monthly rental relate to sales and use taxes and do not encompass personal property tax. Any lease clause which requires the State to reimburse the lessor for personal property tax must be contained within the approved contract before the State would make any payments to reimburse the vendor for this tax. However, clauses requiring the State to reimburse for personal property tax should be avoided whenever possible.

If a copy of a personal property tax bill is received, the bill should be forwarded for payment to the lessor named in the bill by a letter per 3574.6 Illustration. No payment should be made by the State. If, after payment of the taxes, the lessor submits a properly documented claim for reimbursement and the lease so provides, the lessor can be reimbursed for the taxes applicable to the lease term.

In some instances, personal property tax bills will be received on equipment which was on lease but which was purchased by the State prior to the tax lien date of March 1st. In such a case, the property would be tax exempt and the bill should be returned to the
taxing authority with a letter notifying it of the change in ownership. Such notice should include the date on which the State's purchase was made.

Questions regarding contracts or exemptions should be directed to the Department of General Services' Legal Office at (916) 445–4084 or ATSS 485–4084.
PROCEDURAL STEPS, SUB-PURCHASE ORDERS 3575
(Revised 3/14)
Copies of the Purchase Order, STD. 65, used for purchases under $100 are not required to be submitted to the Procurement Division, Department of General Services.

DEPARTMENTAL PROCEDURES 3575.1
(Revised 3/2015)
Departments can issue more detailed instructions regarding purchase orders. While such instructions will be for information and guidance of departmental employees, it is recommended that they be issued after review of the SCM or consultation with the Procurement Division, Department of General Services. Copies of the instructions for delegated purchases must be on file with the Procurement Division.

For additional information regarding requirements for reporting the purchase of goods and services, see Management Memo MM15-02.

CASH PURCHASES 3580
(Revised 1/81)
Board of Control Rule 678 (effective January 6, 1981) permits agencies to make immediate payment from revolving funds (when funds are available) for invoices payable by cash of $50 or less not including sales tax, and for invoices payable by authorized bank drafts of $500 or less inclusive of sales tax if approved in accordance with SAM Section 8123. Sub-purchase orders are not required to affect or make record of purchases under $100. All purchases of $100 or more must be made on a Contract Delegation Purchase Order, STD. 65, or other comparable document approved by the Office of Procurement, Department of General Services. This is not an implied approval for the purchase of items requiring clearance of the Office of Procurement, Department of General Services.
The State is exempt from the payment of Federal Excise Taxes, except for the purchase of retreaded tires and transportation of persons or property by air. This tax is normally billed as a "concealed tax" in the price of the merchandise; hence, it is the exclusive responsibility of any person authorized to sign an order on the part of the State to see that this is not paid. This is done by filing an exemption certificate with the order. (The Exemption Certificate, STD. 802, is available from Department of General Services, Office of Procurement, Material Services Section.) At the same time, write across the face of the order, "Exemption Certificate Attached" and write on the Exemption Certificate the number of the order or sub-purchase order.

To find out what is normally subject to tax and the percentage of tax, refer to the "Scope of Tax" list. Then ask your supplier if his price includes excise tax. If so, determine the amount and deduct this from the price to establish the cost of the material less tax.

On purchases where the excise tax amounts to less than $0.50 (total) made from small dealers or merchants who are unfamiliar with the means by which they can obtain reimbursement, do not claim exemption. This also applies where automotive repairs are made in conjunction with the purchase of automotive parts and a State discount is allowed by the selling garage. However, a small merchant who does business with the State on a "repeat" basis on items subject to excise tax should be familiar with how he is able to get a refund by turning in the Exemption Certificate. If in doubt, contact the nearest office of the Office of Procurement for advice.
Excise tax rates imposed by the Internal Revenue Code are presented in the following list:

<table>
<thead>
<tr>
<th>Taxable</th>
<th>Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retailers' Excise Taxes</td>
<td></td>
</tr>
<tr>
<td>Diesel fuel &amp; special motor fuels</td>
<td>.15 per gal.</td>
</tr>
<tr>
<td>Noncommercial aviation — special fuel</td>
<td>.14 per gal.</td>
</tr>
<tr>
<td>— gasoline</td>
<td>.12 per gal.</td>
</tr>
<tr>
<td>Heavy trucks &amp; trailers</td>
<td>.12%</td>
</tr>
<tr>
<td>Truck &amp; trailer parts &amp; accessories</td>
<td>.12%</td>
</tr>
<tr>
<td>Manufacturers' Excise Taxes</td>
<td></td>
</tr>
<tr>
<td>Trucks, buses and trailers</td>
<td></td>
</tr>
<tr>
<td>Truck parts and accessories</td>
<td></td>
</tr>
<tr>
<td>If the tire weighs:</td>
<td></td>
</tr>
<tr>
<td>Tires—Not more than 40 lbs.</td>
<td>No tax</td>
</tr>
<tr>
<td>— More than 40 lbs. but not</td>
<td>$.15 in excess of 40 lbs. more than 70 lbs.</td>
</tr>
<tr>
<td>— More than 70 lbs. but not</td>
<td>$4.50 plus 30 cents a lb in excess of 70 lbs. more than 90 lbs.</td>
</tr>
<tr>
<td>— More than 90 lbs.</td>
<td>$10.50 plus 50 cents a lb in excess of 90 lbs.</td>
</tr>
<tr>
<td>Gasoline</td>
<td>$.09 per gal.</td>
</tr>
<tr>
<td>Fishing equipment</td>
<td>10%</td>
</tr>
<tr>
<td>Pistols and revolvers</td>
<td>10%</td>
</tr>
<tr>
<td>Other firearms, shells &amp; cartridges</td>
<td>11%</td>
</tr>
</tbody>
</table>

Facilities and Services Taxes

Local & toll telephone service, teletypewriter services 3% of amount billed
SAM-PURCHASES

Transportation of persons by air  8% of amount paid
Transportation of property by air  5% of amount paid

Alcohol Taxes
Distilled spirits  Various rates
Wines (for experimental or research use only)  Various rates
SAM-PURCHASES

CREDIT CARDS GENERAL 3590.1

(Revised 12/12)

Purchases are to be made from the service stations and dealers of participating oil companies.

RESTRICTIONS ON USE OF CREDIT CARDS 3590.3

(Reviewed 12/12)

Credit cards will not be used for the purchase of items covered by price contracts except as noted by item in SAM Sections 3612 through 3696.3. Agencies may further limit employee credit card purchases within classes of items listed on the reverse side of the credit card.

CREDIT CARD INVOICE, COMPLETION OF 3590.4

(Reviewed 12/12)

Employees using credit cards will insure that, where practicable, oil company sales tickets are completed in ink, and that in every instance the amount of the sale is totaled at the bottom of the sales ticket.

REMOVAL OF CREDIT CARDS FROM VEHICLES 3590.5

(Reviewed 12/12)

Agencies are to remove credit cards from their vehicles which are to be sold or otherwise disposed of, and the cards are to be delivered to the agency’s accounting officer.
CHAPTER 3600 INDEX
This chapter discusses miscellaneous transportation-related items and surplus property

Water, Bottled Drinking 3612

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<td>CONSOLIDATION OF AGENCY ORDERS</td>
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ITEM INSTRUCTIONS MISCELLANEOUS ITEMS

WATER, BOTTLED DRINKING

(Reviewed 10/2014)

Building codes or health ordinances in most localities require that a building owner provide occupants a convenient source of good drinking water. It is the policy of the State to provide adequate facilities for cold drinking water from fountains connected to the building water supply. When an agency enters into or renews a lease, the lessor should, if possible, be required to provide adequate cold drinking water facilities at no cost to the State. Before entering into or renewing a lease, agencies will determine the fitness or palatability of available drinking water facilities.

Bottled drinking water may be purchased by the agency where it has been determined that the building water supply is not fit for human consumption or where the cost of connecting a drinking fountain to the building water supply renders it impractical. No other purchases of bottled drinking water will be made.

Where the building drinking water supply in existing State occupancies is so tepid as to render it unpalatable, consideration will be given to agency requests for the purchase of water coolers. Rental expense for water coolers is not authorized except in certain field conditions where potable water is not available.

HEAVY EQUIPMENT

(Reviewed 12/12)

Agencies submitting purchase estimates for heavy equipment items of the type included in the Statewide Mobile Equipment Inventory will include a statement, on the purchase estimate, that the availability of surplus equipment for interagency purchase or rental has been investigated and no suitable equipment is available. Copies of the inventory can be obtained from the Office of Fleet Administration, Department of General Services, and Sacramento. See SAM Section 3522.1.
ACQUISITION OF VEHICLES

(Revised 02/2016)

This information is now found under SAM section 4120.

TYPICAL FLEET VEHICLE

(Revised 11/2019)

Typical fleet vehicles are two-door and four-door sedans with interior volume, passenger and luggage area combined, less than 110 cubic feet. Each agency's annual purchases that are powered solely by internal combustion engines utilizing fossil fuels, or that are powered by more than one source, such as a nonplug-in hybrid electric vehicles must average at least 38 Environmental Protection Agency combined city/highway mileage for passenger vehicles and 22.2 Environmental Protection Agency combined city/highway mileage for light duty trucks, vans and sport utility vehicles. The Director of the Department of General Services (DGS) may adjust the average miles per gallon (MPG) figure upward each year if examination of the mileage performance of vehicles that will meet the State's needs shows there will be at least two competing manufacturers that can meet higher mileage requirements. DGS may waive application of the standards if the State is unable to secure a competitively bid contract for a vehicle that meets both the needs of the department purchasing it, and the minimum MPG standard in this policy. Colors shall be solar reflective (white, silver metallic or gold metallic) unless the department is granted specific approval to use a non-solar reflective color by the Department of General Services, Office of Fleet and Asset Management. The following preapproved exemptions do not require a written request:

- Vehicles over 8,500 GVWR
- Vehicles that are NOT rated for highway speeds (e.g.: Gator, electric cart)
- Authorized Emergency vehicles, as defined in §165 of the Vehicle Code, that are equipped with emergency lamps or lights described in §25252 of the Vehicle Code.
- Vehicles that are modified for the purpose of providing services by a state entity to an individual with a disability or a developmental disability, as defined under the statutes or regulations governing that state entity; or, as a reasonable accommodation to an employee for a known physical or mental disability, as defined in Government Code Section 12926.
SPECIAL PASSENGER VEHICLES 3620.2

(Revised 9/85)

Elective constitutional officers and members of the Governor’s Cabinet may be provided with the make and model of vehicle the officer deems necessary, equipped as they desire.

Vehicles other than types listed in SAM Section 3620.1, such as trucks, buses, station wagons, and small equipment, will be authorized as the needs of the operating agency justify. Such vehicles will be equipped as required at the time of purchase. No modifications will be made to any vehicle without approval of Office of Fleet Administration, Department of General Services.

SAFETY STANDARDS FOR ALL STATE VEHICLES 3622

(Renumbered from 4106 5/72)

The safety standards appearing in the following subsection are to be included in the specifications for all applicable State-owned vehicles.
BACK-UP ALARMS

(Revised 6/80)

Back-up alarms are required for every truck that has a body capacity of 2–1/2 cubic yards or more that is used to haul dirt, rock, concrete, or any construction material. The standard alarm to be used is a mechanical or approved electronic alarm that automatically emits a warning sound when the vehicle is moving in a reverse direction. Alarms used shall be listed as acceptable by the Department of Industrial Relations.

Such back-up alarms are recommended for use on other vehicles at installations where pedestrians are or may be exposed to the hazard of backing vehicles.

TRAILER HITCHES AND COUPLINGS

(Revised 1/88)

All trailer hitches and couplings that are installed on towing vehicles and trailers shall comply with Society of Automotive Engineering (SAE) Specification J 684f. Standard hitches will be Class 2, 3, or Class 4. The following rules also apply:

- Minimum equipment for vehicles used to tow trailers with a Gross Trailer Weight (GTW) up to 3,500 lbs. shall be an SAE Class 2 hitch (2" ball on a 1" shank).
- Minimum equipment for vehicles used to tow trailers with a GTW 3,500 lbs. to 5,000 lbs. shall be an SAE Class 3 hitch (2" ball on a 1" shank).
- Minimum equipment for vehicles used to tow trailers with a GTW over 5,000 lbs. shall be either (a) a SAE Class 4 hitch (2–5/16" ball on a 1–1/4" shank), or (b) a pintle and eye hook type hitch provided and attached in accordance with SAE J 847 standards.
- All hitches shall be frame attached (no bumper hitches permitted). "Barden" or similar type bumpers shall be attached to the frame and installed or be attached to and/or reinforced to constitute a suitable Class 3 hitch.
- All installations shall be in compliance with the specifications and recommendations of the Society of Automotive Engineers, the manufacturer of the towing vehicle and the manufacturer of the towed vehicle.
TRAILER WIRING CONNECTIONS

(Reumbered from 4106.3 5/72)

Trailer lights and connections shall be in accordance with Society of Automotive Engineering (SAE) Specification J 560 A. Connecting cable and conductors shall meet the standard of SAE J 559.

STANDARD EQUIPMENT

(Revised 9/91)

The typical vehicle is equipped with automatic transmission. The following items of equipment, optional or standard for the model under contract, are provided:

- Installed safety seat belts and shoulder harness
- Directional signal with emergency flasher, and backup lights
- Rearview mirrors, inside and remote left-hand outside, right-hand manual
- Electric intermittent windshield wipers and manual windshield washer
- Manually controlled air conditioner, factory installed
- Tinted glass all around
- Fresh air heater and defroster, with multi-speed control
- Rear window defroster
- Oil filter, air cleaner, and high temperature thermostat
- Required emission control device(s)
- Dual padded sun visors, padded dash, and front seat padded with foam
- Glove compartment with lock
- Coat hook on each side of rear compartment
- Floor covering in front, rear, and luggage compartments
- Arm rests on left and right sides
- Cigarette lighter, ash receivers in front and rear compartments
- Power steering
- Tilt steering wheel
- Power brakes, disc front
- Cruise control

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- Manufacturer’s standard radio with push button tuning and antenna
- Radial tires
- Maintenance free batteries
- Coolant recovery system
- Inside hood release

AUTOMOTIVE EQUIPMENT, SPARE PARTS AND REPLACEMENT ITEMS 3626

(Revised 12/06)

Whenever feasible, agencies should avoid maintaining a stock of repair parts, tires, tubes, batteries, and spark plugs. These items and other common automotive supplies should generally be obtained at the time of need from the State garages in Fresno, Los Angeles, Oakland, Sacramento, San Diego, or from contract vendors. Tires and batteries are available at San Bernardino State Garage (pool office). Stocking of parts by agencies may result in increased costs due to the parts becoming obsolete, being of the wrong size or design, loss, or having unnecessary surplus supplies accumulate in agency stockrooms.

ANTIFREEZE 3626.1

(Revised 12/06)

All agencies will make the necessary arrangements early in the Fall to protect State equipment which will be operated in freezing weather. Antifreeze may be purchased from the State garages in Fresno, Los Angeles, Oakland, and Sacramento, where it will be installed for a fee. This is billed to the agency by the garage. State departments with automotive fleets may purchase and install supplies of antifreeze in assigned vehicles. The purchases may be made either through the Office of Procurement or via a department’s delegated purchase authority. In an emergency, officers and employees may purchase antifreeze for their vehicles. See SAM Section 3629.

AUTOMOBILE BATTERIES 3626.2

(Revised 12/06)

Automobile batteries are to be secured through the State contract or, in an emergency, may be secured by a credit card purchase. See SAM Section 3629. Officers and employees who purchase batteries other than as authorized will be required to personally pay the difference between the State contract price and the price billed to the State by the vendor from whom the battery was obtained. No trade-in allowance is made for batteries.

Where feasible, agencies should accumulate junk batteries and sell them to recognized junk dealers by the bid process. Agencies with offices in the vicinity of Fresno, Los
Angeles, Oakland, and Sacramento, may turn old batteries in at State garages for sale by the Department of General Services.

**OIL FILTER ELEMENTS**

3626.3

(Revised 12/06)

Oil filter elements (not the complete filter) may be purchased on the credit card of the contracting company; however, when convenient, the State garages in Fresno, Los Angeles, Oakland, and Sacramento should be called upon for this service.

State agencies are encouraged to use re-refined oil when replacing the oil for vehicle maintenance.

**SPARK PLUGS**

3626.6

(Renumbered from 3623 5/72)

Spark plugs will be ordered by model number if known, or the make, year, and model number of the equipment requiring the spark plugs. Emergency purchases of complete sets will be authorized only if request for payment is on an automotive repair shop (not a service station) invoice for engine repair or tune-up. Emergency replacement of single spark plugs is authorized and may be charged on a credit card.
A new tube should be installed in a new tire only when the condition of the old tube is such that it is no longer usable. If the old tube is blown out, has been patched a number of times, has grown in size (a good indication of this is chafing where the tube meets the rim), or has some other fault, it should not be used in a new tire. No trade-in allowance is made for old tires. In an emergency, tires or tubes may be purchased on a credit card providing SAM Section 3629 is followed.

Where feasible, agencies should accumulate old tires and tubes and sell them to recognized junk dealers by the bid process. Agencies with offices in the vicinity of Sacramento and Los Angeles may turn old tires or tubes in at state garages for sale by the Department of General Services.

Purchase of any special noncontract tires and tubes (such as puncture-proof tubes) must be approved by the Office of Fleet Administration, Department of General Services, and will be requested on regular purchase estimates. Bias-ply belted tires, nylon or polyglass are recommended as replacement except when replacing radial tires. Radial tires should be replaced with comparable grade radial tires. White sidewall tires may be accepted on the State Tire Contract in the event black wall tires are not available from the contractor.

However, any white wall tires furnished must be mounted with the white wall turned in so it is not visible. White wall tires may be installed on vehicles with undercovert plates.

Vehicles delivered with white sidewall tires by the vendor should not have the tires changed. When radial tires must be replaced and the worn tires being replaced were mounted with white walls outside, they may be replaced with white walls mounted outside provided there is no added cost to the State.
BULK FUEL PURCHASES

(New 10/2015)

State agencies shall follow the diesel, biodiesel, and renewable hydrocarbon diesel (renewable diesel) bulk fuel purchasing requirements listed below.

General Purchasing Requirement

When making bulk fuel purchases to supply state vehicles and/or other mobile equipment which utilize conventional diesel fuel, state agencies shall purchase contracted renewable diesel fuel in lieu of contracted conventional diesel and both B5 and B20 biodiesel fuel blends (biodiesel). Definitions for diesel, biodiesel, and renewable diesel fuel can be found in the California Code of Regulations §95481Definitions and Acronyms. Additional information pertaining to Department of General Services’ (DGS) statewide contracts for bulk diesel, biodiesel, and renewable diesel can be found at: http://www.documents.dgs.ca.gov/pd/contracts/ContractIndexListing.pdf

Exemptions to Renewable Diesel Purchasing Requirements

Agencies may purchase bulk diesel or biodiesel fuel, in lieu of renewable diesel fuel, if any of the following exemption criteria is met:

a. Bulk renewable diesel fuel is not available, in the quantities needed, from that region’s contracted renewable diesel fuel provider.

b. The cost to purchase contracted bulk renewable diesel fuel would exceed the cost to purchase the same quantity of contracted bulk conventional diesel fuel by 20%.

c. The operational viability of diesel powered vehicles and equipment would be compromised through the use of renewable diesel fuels. Original Equipment Manufacturer (OEM) refusal to honor a vehicle engine warranty through an agency’s use of renewable diesel may be considered an operational viability issue.

d. In emergency response situations, the delivery time of bulk renewable diesel fuel would exceed the delivery time of conventional diesel fuel.

Agencies that utilize one or more of these exemptions are encouraged to use biodiesel, in lieu of conventional diesel fuel, whenever possible.

(Continued)
Reporting of Renewable Diesel Utilization Exemption

As part of an agency’s annual fuel reporting requirements, each agency that invokes one or more of the renewable diesel utilization exemptions, shall complete the Renewable Diesel Utilization Exemptions Form and submit the completed form quarterly to DGS’ Office of Fleet and Asset Management (OFAM). The Renewable Diesel Utilization Exemptions form can be located at: http://www.dgs.ca.gov/ofam/Forms.aspx.

The department will be required to include the following information (as applicable) on the Form:

1) Information demonstrating an agency’s decision to purchase bulk diesel or biodiesel, in lieu of renewable diesel, due to product availability, or timeliness of delivery in emergency situations.

2) Information and supporting documentation demonstrating an agency’s decision to purchase bulk diesel or biodiesel, in lieu of renewable diesel, due to the price of renewable diesel exceeding the contract purchase price of bulk diesel or biodiesel by 20% or greater. Documentation must include the cost of renewable diesel from that region’s contracted renewable diesel fuel provider, and the cost of bulk diesel or biodiesel (whichever is purchased) for the same quantity.

3) Information and supporting documentation demonstrating an agency’s decision to purchase bulk diesel or biodiesel, in lieu of renewable diesel, due to operational viability. Documentation must include a list of vehicles by equipment number that the agency has exempted due to operational viability.

The use of reconditioned, previously used, and/or remanufactured automotive parts can help reduce the cost of repairs to the State fleet and protect the environment. And, the use of re-refined or synthetic motor oil and lubricants can help reduce the State fleet’s petroleum consumption and protect the environment. Therefore, State agencies shall do the following when servicing fleet assets:

1. When servicing fleet vehicles state agencies shall request the use of re-refined
or synthetic motor oil and other lubricants when available.

2. State agencies shall follow the vehicle manufacturers’ recommended oil change intervals for regular and synthetic oils as applicable. Because of improvements over the last several years in engine design and lubricants, the span between recommended oil change intervals has increased.

3. When repairing fleet vehicles state agencies shall request the use of reconditioned, previously used, and/or remanufactured parts whenever practical and if it would reduce the cost of the repairs.

It is permissible to charge against credit cards items which are needed for real emergencies, such as damaged individual spark plugs (not sets), automatic transmission oil, light bulbs, fan belts, windshield wiper blades, cable for battery terminals, gasoline tank caps, tire or tube valve core, etc.

Purchases of antifreeze may be made on credit cards only in an emergency when the vehicle has lost its coolant due to a water hose or pump failure or is subjected to unseasonable freezing temperatures. This provision does not relieve agency officials of the responsibility for anticipating antifreeze requirements and ordering sufficient supplies in accordance with SAM Section 3626.1.

Purchase of tires, tubes or batteries may be made on credit cards under the following conditions:

1. Locations where the State’s regular contractors have no outlets or stock or where the distance is too great to purchase from contractors’ regular stock locations because of the time or expense involved; or
2. Special situations in an emergency where travel is required and purchase is necessary during hours when the regular contractor is closed (between 6 p.m. and 8 a.m. or on Sundays and holidays)

When a bona fide emergency requires the user of a General Services pool car to pay cash for repairs or for items included in the pool car rental charges, he/she may be reimbursed. See SAM Section 0758.

The usual product guarantees apply to these items. Trade-in allowance is applicable under certain conditions; if service station allows credit for old battery or tire, apply it toward purchase of new battery or tire.

It is the responsibility of the employee to justify the appropriateness of all emergency purchases as soon as possible. The Department of General Services will review the purchases when billed, and those not justified will be sent to the employee's agency for remittance from the employee. See SAM Section 4109 for auditing of charges.
TAX-FREE ALCOHOL 3661.3
(Revised 10/2014)
State agencies may purchase tax-free alcohol under their delegated purchasing authority. Agencies responsible for the purchase and administration of alcohol must apply for a permit from the Alcohol and Tobacco Tax and Trade Bureau, Department of the Treasury, Internal Revenue Service. Use this link to obtain information regarding obtaining a permit. Further guidance can be found in Tax free alcohol information at this link: http://www.ttb.gov/tax_audit/p51504.pdf

OFFICE EQUIPMENT UTILIZATION OF SURPLUS PROPERTY 3671
(Revised 3/89)

A review procedure will be established within each agency or institution to determine that the expenditure is necessary and that all possible sources of surplus office equipment, including the Office of Procurement, Surplus Property Section, Department of General Services, have been considered. See SAM Section 3520, 3521.1.

The Office of Procurement will not process any purchase estimate for office equipment which does not include signed statements by the officer responsible for equipment requests that: (a) the expenditure is necessary, and (b) there is no current surplus property available to meet the agency or institution’s need.

DESKS AND RELATED ITEMS OF WOOD FURNITURE 3672
(Revised 10/2014)

Refer to the State Contracting Manual (SCM) Volume 2, Chapter 2, Section C, and Topic 3 for more information on purchasing furniture.
PAPER STOCK CHECKS ORDERING PROCEDURES

(Revised 3/96)

Paper stock checks will be used for all accounts maintained in the centralized State Treasury System. Bank transit routing symbols, account identification and check serial numbers will be printed in magnetic ink. A standard design and color for checks and check copies have been established for use by all State agencies. Unless specifically authorized by Department of Finance, Fiscal Systems and Consulting Unit, no State agencies will deviate from these standards:

Checks will be ordered as follows:

1. Contract/Delegation Order, STD. 65, will be used to order checks from the contractor in accordance with the terms, conditions, and ordering dates specified in the annual contract. The minimum number of checks to be ordered will be 1,000 checks. Agencies will maintain sufficient checks on hand to last at least nine months, but not to exceed two years. The only exception allowed is that the minimum order of 1,000 checks may exceed a two-year supply. All orders received by the vendor will be consolidated and filled at one time four times a year. Agencies should allow approximately 120 days for delivery after the consolidation dates mentioned in the contract.

2. If an agency requires checks which are not available through the annual contract, submit a purchase estimate enclosing two voided check samples to the Department of General Services, Office of Procurement. Such checks will have the agency name and account numbers printed on each check. Agencies should allow 120 days for delivery if checks are ordered by estimate.

3. In case of an emergency only, agencies may order checks on Sub-Purchase Order, STD. 40 or 40A, from the State Treasurer's Office, P. O. Box 942809, Sacramento, California 94209-0001. The order will be accompanied by a detailed written explanation of the reason for the emergency and the steps being taken to ensure the emergency will not recur. Orders will not be filled without the explanation. The minimum number of checks which can be ordered is 1,000 or a multiple thereof. Orders will be limited to a sufficient volume to cover the agency's needs until its regular checks can be ordered.

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and delivered. Normally, the Treasurer's Office can deliver the emergency checks in seven to ten days after receipt of the order. The checks will be issued in random, consecutively numbered blocks without regard to the check numbers used previously by the ordering agency. The agency account number on which the checks will be written must be indicated on the sub-purchase order so that it can be encoded on the checks.

All agencies should order and keep sufficient supplies of regular checks on hand so that emergency orders will not be necessary. Emergency orders will cost considerably more than regular orders due to storage and extra processing prior to use by the agency.

See SAM Section 8041 for check writing procedures.
ENVELOPES FOR PAPER STOCK CHECKS 3696.2
(Revised 6/80)
Special window-type envelopes to be used for mailing paper stock checks are obtainable from the Department of General Services, Office of Procurement, and Material Services Section. Requisitions will be made on Supply Order, STD. 116.

CONSOLIDATION OF AGENCY ORDERS 3696.3
(Revised 9/77)
Contract/Delegation Order, STD. 65, for continuous-form checks must be submitted to the contractor in accordance with the schedule noted on the contract.
CHAPTER 3700 INDEX
This chapter provides a way for you to determine if it is more economical to lease or purchase equipment.

GENERAL POLICY
TERMS AND DEFINITIONS
LEASE/PURCHASE ANALYSIS – EQUIPMENT
ITEMS TO BE CONSIDERED
COMPOUND INTEREST AND ANNUITY TABLES
PRESENT VALUE TECHNIQUES
LEASE WITH OPTION TO PURCHASE
REVIEW OF LEASE
APPENDIX
FORMS:
Lease Versus Purchase Analysis – Equipment Form (Blank)
TABLES
Annuity Tables
CONVERSION TABLE
(Section Number Revisions)

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GENERAL POLICY

(New 8/92)

When acquiring equipment, determine if it would be better to lease or purchase the equipment. An analysis will make it possible to know which method of acquiring the equipment is the least expensive. This chapter gives the guidelines to make a lease/purchase analysis.

TERMS AND DEFINITIONS

(New 8/92)

The following terms are defined as they are used in this SAM chapter. Many of the terms are explained with examples and in more detail later in this chapter.

Amortization.
Evenly spreading equipment acquisition costs over the period of useful life or the period of payment.

Annuity.
A series of payments made at evenly spaced intervals.

Break-even point.
The point during a lease when the cumulative leasing costs to date equal the purchase price.

DGS.
The Department of General Services.

Present Value.
The value today of an amount to be paid later, discounted at some interest or discount rate.

*Purchase Option.*
The legal right to buy something during a defined period at a defined price.

*Rental Payments.*
Periodic payments, such as monthly, for the right to use leased equipment.

*Salvage Value.*
The selling price, less removal or disposal costs, of your used equipment.

*Useful Life.*
The length of time that the equipment will serve program needs before it wears out or the program need for the equipment ends, whichever occurs first.
Prepare a lease/purchase analysis in accordance with SAM Section 1276 and Management Memos regarding acquisition of equipment. The analysis must be completed on the "Lease Versus Purchase Analysis–Equipment" form shown in the Appendix at the end of this chapter. Any assumptions which are peculiar to a given acquisition should be noted on the back of the form. If this format will not fit the particular situation, use some other logical analytical sequence. Use present value techniques when doing a lease/purchase analysis. Submit one copy. If you have questions or need help working on the analysis, call the Research and Analysis Unit of the DGS Office of Procurement. A completed sample form is provided in the Appendix. See SAM Section 3740 for instructions on completing the sample form.

Do a lease/purchase analysis when arranging to rent certain equipment. In this case, submit the analysis with the contract to the DGS Office of Legal Services. This analysis must be in the same format.

The lease/purchase cost comparison views the purchase of equipment as an investment. Therefore, the basic issue is if the rental and other costs that are saved by investing in (purchasing) the equipment will provide an adequate return on investment. This approach compares the purchase price with the present value of the series of payments and other costs that are saved when the equipment is purchased. The present value (discounted cash flow) concept is based on the time value of money. It considers the fact that the dollar today is worth more than a dollar tomorrow because of its earnings potential. If the value of money is 9.479 percent annually, then $100 a year from now is worth $91.34 today; i.e., $91.34 x 1.09479 = $100.

Even when your lease/purchase analysis indicates that purchasing is more desirable, the best alternative for the State may be to lease or lease with an option to buy. This is most often true if any of the following conditions exist:

1. Trying out the system for a while before buying it.
2. The system's design is new and untried.
3. Decisions are pending that might change how the system is defined.
4. Data needed to complete the analysis is still uncertain.
ITEMS TO BE CONSIDERED

Consider the following items when making your lease/purchase analysis:

Maintenance Costs. Is the cost of keeping the equipment in good working condition the same for each alternative? If not, include the maintenance costs in the present value calculations. Deduct the maintenance costs from lease costs, or add them to the purchase price for proper analysis.

Purchase Options. If the lease gives an option to buy the equipment, how will using this option affect the total cost? Also, when is it least costly to use the purchase option, and when will using the option cost more than the cash purchase price?

Useful Life of the Equipment. There are two ways to look at how long equipment will be useful. One way is, how long will the equipment be needed for the program it will support? The second way is, how long will the equipment last before it wears out?

Check with the equipment vendor to see if the equipment can last as long as needed. The DGS has set the useful life of office copiers at five to seven years depending on workload categories and word processing equipment at seven years.

Salvage Value. When the equipment will last longer than the need for it, include an estimate of the equipment’s salvage value in your cost analysis.

Opportunity Cost. Figure out how much money would be earned over the same period of time if the money was invested in something else other than the purchase. Use the interest rate of 9.479 percent to compute present value.

Other Items. Be sure to consider other items that are unique to the proposal when making the lease/purchase analysis.
Use compound interest and annuity tables when making the lease/purchase analysis. Three commonly used tables are described below. These can be found in this SAM chapter's Appendix, Annuity Tables. Choose the right set of interest tables according to whether the period is monthly, quarterly, semiannually, or annually as noted on the top of each page.

1. Present Value of $1. Use this percentage to find the value now of an amount due sometime in the future when the interest is compounded at the given interest rate for the periods shown in the table. This table is not cumulative.

2. Present Value of Annuity of $1. Use this percentage to find the value now of a series of payments that are due at equal intervals of time in the future when payments are made each period at the given interest rate. This table is cumulative.

3. Annuity Whose Present Value is $1. Use this percentage to find the monthly amortization payment which is enough to pay both principal and interest for a set number of times over a given length of time. This table is cumulative.
PRESENT VALUE TECHNIQUES

Before making a lease/purchase analysis, gather the following information from the sources listed:

1. Cost, *if purchased*, of:
   a. Purchase price. —From the vendor.
   b. Maintenance. —From the vendor.
   c. Sales tax. —Compute from the purchase price.
   d. Delivery and installation. —From the vendor.
   e. Any other incurred costs. —From the vendor.

2. Cost, *if leased*, of:
   a. Amount of each lease payment. —From the vendor. For office copiers, estimate the average number of monthly copies.
   b. Maintenance (if not included in the lease payment.) —From the vendor.
   c. Sales tax. —Compute from the lease payment.
   d. Delivery and installation. —From the vendor.
   e. Any other incurred costs. —From the vendor.

3. Useful life of the equipment. Determine how long the equipment is needed based on the length of the program. From the vendor, find out how long the equipment should last.

4. Estimated salvage value when the equipment is no longer needed. This value is only needed if the equipment will outlast the program. Estimate this value with help from the vendor and/or the DGS Office of Procurement.

Complete the lease/purchase analysis on the Lease Versus Purchase Analysis–Equipment Form, [GSOP 176](#), shown in the Appendix at the end of this chapter. Both a blank and completed example of this form are shown in the Appendix. This form uses the three most common ways to figure present value.

1. Discounted cash flow.
2. Amortized cost.

3. Break-even point. (Continued)
The following information is given to help explain these three present value techniques. It also serves as an example for filling out the form's three sections.

Figuring out the Discounted Cash Flow. Use this method to compare the total cost of leasing to the total cost of purchasing. This method allows for the time value of money, based upon the premise that a dollar today is worth more than a dollar tomorrow because of earnings potential. If the value of money is 9.479 percent annually, then $100 a year from now is worth $91.34 today; i.e., $100 = 1.09479 \times 91.34 = 100$. Thus you can find out if it is less expensive to postpone the payments until some future time by leasing, or make the entire payment right away by purchasing.

The eleven items under Computation of Discounted Cash Flow in the example shown in the Appendix were computed as follows:

1. Purchase price = $8,000. (When rental credits can be applied, the amount subtracted from the purchase price should be stated.)

2. The following purchase costs:
   a. Maintenance if purchased: $50 per month (indicate period). Monthly table for Present Value of Annuity of $1 for 96 months (useful life) shows a factor of 68.04:

   \[ 50 \times 68.04 = 3,402 \]

   b. Sales tax of six percent on $8,000 = $480.

   c. Any other costs should be shown. Items 2a, 2b and 2c are then subtotaled.

3. Purchase price and subtotaled purchase costs are combined to produce a total purchase cost; i.e., $8,000 + 3,882 = 11,882.

(Continued)
4. Subtract the following if the equipment will last longer than your program:
   a. Estimate of salvage value.
   b. The Present Value of $1 for the periods of your program's life. Find this value in the tables in the Appendix.
   c. Salvage value is multiplied by the Present Value of $1 figure to give you the present value of the salvage value.

5. Subtract the salvage value (none in this example) from Total Purchase Costs to give you the Net Purchase Costs, which remain $11,882.

6. Lease payment per month (indicate period) = $350.

7. Add the following costs for leasing over the same length of time as line 6 above.
   a. The maintenance contract is included in this lease but should be shown if separate.
   b. Sales tax of six percent on $350 = $21.
   c. Any other costs should be shown. Subtotal these lease costs.

8. Add the lease payment and subtotal lease costs to get the Total Lease Payment; i.e., $350 + $21 = $371.

9. The monthly table (periods must match) for the Present Value of Annuity of $1 for 96 periods (useful life) shows a factor of 68.04.

10. The present value of the lease is computed by multiplying the total lease payment by the factor for the Present Value of Annuity of $1; i.e., $371 x 68.04 = $25,243.

11. Compare the Net Purchase Cost with the Present Value of the Lease. Subtract the smaller amount from the larger amount; i.e., $25,243 minus $11,882 = $13,361.

The number on line 11 shows the amount that can be saved by choosing the less costly option. In this example the purchase is less costly.
SAM—LEASE/PURCHASE EQUIPMENT

(Continued)
Computation of Amortized Cost. Use this method to compare the cost of leasing and purchasing on a monthly basis (or some other regular period). A sum of money today is converted to a series of equal payments for a given number of times. This follows the same principle as an installment loan.

The three items under Computation of Amortized Costs in the example shown in the Figures Appendix were computed as follows:

12. The monthly table for the Annuity Whose Present Value is $1 for the period of the useful life (96 months) shows a factor of .8147.

13. Multiply the net purchase costs shown on line 5 by the factor shown on line 12. This gives you the amortized cost of purchase; i.e., $11,882 x .8147 = $175, which equals the monthly cost of purchase over the period of the useful life.

14. Compare the Total Lease Payment (line 8) with the Amortized Cost of Purchase (line 13). Subtract the smaller amount from the larger amount; i.e., $371 minus $175 = $196.

The number on line 14 shows the amount that can be saved per period by choosing the lesser option. In this example the purchase is less costly.

Computation of Break-even Point. Use this method to figure out when the leasing costs equal the purchase price. This method allows for the effect of interest. In order to figure out the break-even point, any maintenance costs that are included in the purchase price or lease payment must be removed.
The four items under Computation of Break-even Point in the example shown in the Figures Appendix are computed as follows:

15. Subtract the maintenance cost for purchased equipment (line 2A) from net purchase costs (line 5). This gives you the total purchase cost without maintenance; i.e.,

$11,882 minus $3,482 = $8,480.

16. Write down the maintenance costs per period which are included in the lease payment (see line 2A). Then subtract this amount from the lease payment (line 8); i.e., $371 minus $50 = $321.

17. Divide the purchase costs (line 15) by the lease payment (line 16). This gives you the present value factor; i.e., $8,480 divided by $321 = $26.42.

18. Find the factor now shown in line 17 on the appropriate period table for the Present Value of Annuity of $1 in the Tables Appendix at the end of this SAM chapter; i.e., on the monthly table, 26.42 appears at 30 months.

Line 18 shows the break-even point; i.e., the point in time when lease costs equal purchase costs. When the useful life exceeds the break-even point, as in the above example, it is less costly to purchase the equipment. If the useful life is shorter than the break-even point, it is cheaper to lease the equipment. In our example, the break-even point is at 30 months.

Most Economical Method of Acquisition. In the case of our example, the most economical method of acquisition is "purchase." Therefore, check the purchase box on line 19.
LEASE WITH OPTION TO PURCHASE

(Revised 8/92)

Evaluation of the Option to Purchase. It may be best to lease with an option to purchase instead of regular lease or purchase. A lease with an option to purchase is like a regular lease but it gives the right to purchase the equipment at some time before all of the lease payments have been made. This alternative may be best when it is necessary or advantageous to proceed with the acquisition of the equipment that meets system specifications, but it is desirable to temporarily postpone a decision to purchase. This may be the case when an agency wants to try the system out for a short while to first prove the validity of the system design. This is especially the case when there is no previous experience with the system, or when decisions which might substantially alter the system specifications are imminent.

The possibility that future advances in technology will render the selected equipment comparatively obsolete before the cost advantage point (see break-even analysis) is reached should not stop an agency from purchasing the equipment as long as the equipment is able to satisfy their requirements.

Evaluate the above considerations against the costs associated with postponing the decision to purchase. This cost is determined as follows:

\[
\left(\text{Purchase price} - \text{rental credits towards purchase}\right) \times \text{Present Value of }$1\right) - \left[\text{Price} - \left(\text{Present Value of Annuity of }$1 \times \text{lease payment}\right)\right]
\]

(Continued)
(Continued)

**LEASE WITH OPTION TO PURCHASE**

(Cont. 1)

(Revised 8/92) Example:

For this example, assume the same facts as in the sample form and instructions used in SAM Section 3740, and also assume the following:

1. 100 percent of the first three months of rental is credited toward the purchase.
2. After the first three months, 50 percent of the monthly rental payments is credited toward the purchase.
3. Payments are credited up to a maximum of 50 percent of total payments.
4. The decision to purchase will be postponed for one year.

The cost of postponing the decision to purchase is determined as follows:

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<td>Total rental payments for one year</td>
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Rental credits:

| Months 1–3 | $1,050 |
| Months 4–12 | $1,575 |
| Total | $2,625 |

50 percent of total rental payments = $2,100

| Credit allowance | $2,100 |
| Cost | ($8,000–$2,100) x .9134172* |
| = | $8,000–(11.4294263** x 350) |
| = | ($5,900 x .9134172)–($8,000–$4,000) |
| = | $5,389–$4,000 |
| = | $1,389 = cost of postponing decision to purchase |

---

*Cost calculation based on the assumption that payments are credited up to a maximum of 50 percent of total payments, with any surplus credited to the final purchase price.
* See tables for monthly payments Present Value of $1.

** See tables for monthly payments Present Value of Annuity of $1.

Compare the cost of postponing the decision of whether to purchase (as determined above) with the advantages of postponing the decision in order to gather additional information. When the desired equipment has been used or tested by other units, there is generally little need to further test the equipment.
REVIEW OF LEASE

(Revised & Renumbered from 3761 8/92)

Review any equipment that is acquired under a lease when the conditions that lead to the lease decision have substantially changed, or may soon change. Frequently, there are changes in the projected useful life. For example, the useful life of the equipment may change with increased workload volume. These changes alter the balance between lease versus purchase costs. At such times the equipment lease/purchase should be reviewed by using the lease/purchase analysis, using the same format as the original lease/purchase analysis. Generally, vendors allow credits of rental payments toward the purchase. Adjust the purchase price accordingly.
### ANNUITY TABLES
**EFFECTIVE ANNUAL RATE OF RETURN OF 9.4790%**

**ANNUAL PAYMENTS**

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*See SAM Section J199*

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**Rev. 343**

**AT-1**

**AUGUST 1992**
### ANNUITY TABLES
**Effective Annual Rate of Return of 5.4790%**

#### Semi-Annual Payments

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### ANNUITY TABLES

**EFFECTIVE ANNUAL RATE OF RETURN OF 9.4790%**

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See SAM Section 3783

**Rev. 343**  **AT-1**  **AUGUST 1992**
## ANNUITY TABLES

EFFECTIVE ANNUAL RATE OF RETURN OF 9.4790%

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See SAM Station 2730

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Rev. 343 AT-1 AUGUST 1992
### Annuity Tables

**Effective Annual Rate of Return of 9.479%**

**Monthly Payments**

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See SAM Sections 7830

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### ANNUITY TABLES

**EFFECTIVE ANNUAL RATE OF RETURN OF 9.4790%**

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See SAM Section 3710

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**AUGUST 1992**
CHAPTER 3800 INDEX

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GENERAL POLICY

(Revised 03/07)

Government Code Sections 14920 through 14922 define the purposes and duties of Transportation Management. These Government Code Sections give the Department of General Services (DGS) the authority to set and enforce statewide traffic management policy and regulations. All State agencies must follow these policies and regulations.

TERMS AND DEFINITIONS

Revised (03/07)

CCR. California Code of Regulations.

Commercial Carrier. A shipping company that transports freight for profit. Consignee. The person or party who accepts a shipment or delivery.

Consignor. The person or party who tenders a shipment for delivery.

Delivered Cost. The total cost of a shipment, including transportation and additional services such as packing, crating, pickup or delivery at other than the loading docks; and rail car loading and/or unloading costs.

Demurrage. When a truck, rail car, vessel, etc., must wait beyond the time agreed upon, as in loading and unloading delays.

Exempt Carrier. A transportation company that does not have to adhere to various regulations of the California Public Utilities Commission, Interstate Commerce Commission.
Express Shipments. Shipments that promise to deliver sooner than standard shipments of its mode.

F.O.B. (Free On Board). This term identifies the location where title to merchandise changes from seller to buyer.

Freight Vehicle. Any State-owned, leased, or rented motorized vehicle, one-half ton or larger, in which at least ten percent of its regular use is for the transportation of materials, supplies, or equipment with the following exclusions:

(Continued)
1. Vehicles used to transport materials entirely within a State institution, school, or facility.
2. Off-road vehicles.
3. Specialized vehicles adapted to carry tools, repair or maintenance parts, or special equipment.

Joint Inventory. An inspection of freight with both the consignee and the delivering driver present.

Linehaul. Intercity move in excess of fifty miles.

Mode. The type of transportation. This could be air, truck, rail, water, or a combination of these.

Proprietary Transportation. The transportation of State-owned, leased, or bailed property by State-owned, leased, or rented motor vehicles. Exclusions to this definition are limited to inter/intra-agency mail service and delivery of materials associated with emergencies involving public health or safety.

PUC. The California Public Utilities Commission.

Prevailing Wages. The rate paid to a majority of people engaged in a particular craft, classification, or type of work within a geographic area. If there is no single rate paid to a majority of the workers, then it is the common rate being paid to the greatest number of workers.
Released Valuation. Establishing the value of a shipment for purposes of insurance or liability at less than the full market value of the freight.

Split Delivery Shipment. (As defined by PUC tariff.) A shipment consisting of two or more component parts delivered to: (a) one consignee at more than one point of destination; or (b) more than one consignee at one or more points of destination, the composite shipment weighing (or transportation charges computed upon a weight of) not less than 5,000 pounds, said shipment being shipped by one consignor at one point of origin.

(Continued)
TERMS AND DEFINITIONS

Split Pickup Shipment. (As defined by PUC tariff.) A shipment consisting of two or more component parts picked up by a carrier within a period of two calendar days from one consignor at more than one point of origin, the composite shipment weighing (or transportation charges computed upon a weight of) not less than 5,000 pounds, said shipment being consigned and delivered to one consignee at one point of destination.

State Freight. Any shipment whose cost is borne by the State. Generally this is State-owned freight starting at a State facility such as a warehouse. It can also be freight shipped by vendors under a purchase which specifies “Freight Collect”, “Freight Prepaid and Add”, or “Third Party Billing”

Tariff. Published regulations and rates that bind freight companies operating as commercial carriers.

Tender. To present for acceptance or refusal.

Valuation Charges. The charges to provide insurance for the value of the goods during shipment.

TRANSPORTATION MANAGEMENT RESPONSIBILITY

The DGS Transportation Management Unit is a central service agency for freight transportation and traffic management. This Unit provides:
1. Specialized consideration of all traffic problems of the State.

2. Information about rates, tariffs, and traffic problems so that all State shipments are:
   a. Timely, low-cost, and efficient.
   b. Provided by carriers whose drivers and supporting personnel are either under current collective bargaining agreements or are working under prevailing wages, standards, and conditions.

3. State representation before administrative rate setting bodies.

4. Additional information is available to all State agencies at DGS Homepage
You must ensure that your routing of State freight is handled objectively and economically. In keeping with Government Code Section 14920, you must adhere to the following policies.

General Policy Statement. The mode and carrier you select must be able to reliably and safely transport the freight within your required time frame, and at the lowest delivered cost. You must know the carrier's liability under applicable freight tariffs for full or released valuation. You must also consider the efficient use of the nation's transportation resources, especially fuel consumption.

Legal Requirements. You can only select a carrier that has the proper operating authority and complies with all regulatory requirements. The carrier must:

1. Have the proper operating authority with the necessary regulatory agency. The carrier is only allowed to serve those areas authorized in its operating authority.
2. Have published or be served with the proper tariffs for the goods to be transported and points to be served.
3. Have the necessary insurance required by government agencies. Upon request, the carrier must provide, through its insurance broker, active certificates of insurance.
4. Agree to perform the transportation at the lowest lawful rates.

Service Requirements. In evaluating a carrier consider satisfactory service as a key consideration. You must be able to establish that the carrier can transport the State freight not only the first time, but also on a continuing basis. This means the carrier must be able to deliver the entire shipment to the place it is needed, when it is needed, and in usable condition. Find out if the carrier has suitable equipment available. Also consider the carrier's record of performance.
(Continued)
(Continued)

POLICY ON ROUTING OF STATE FREIGHT

(Revised 03/07)

Use the following essential factors when you evaluate a carrier’s service standards:

1. Carrier always picks up and delivers on schedule.
2. Carrier’s equipment is always clean, safe, weatherproof, and able to meet the needs of the State.
3. Carrier can furnish adequate equipment and drivers when needed.
4. Carrier’s drivers are clean, sober, and sufficiently experienced.
5. Carrier’s drivers and supporting employees must be paid the industry’s prevailing wage rates.
6. Carrier’s terminal facilities must be suitable.
7. Carrier must have adequate experience in the transportation field in serving accounts with requirements similar to those of State shippers. If a carrier has fewer than two years operating experience transporting the same type of freight, you must get evidence of the carrier’s satisfactory service to other accounts transporting goods similar to the type and volume normally required by your agency.
8. Carrier must demonstrate the ability to properly and accurately rate and bill the shipments according to the right tariffs.
9. Carrier must have experienced minimal loss, damage, or theft of shipments.
10. Carrier must display the ability to promptly and fairly handle claims for freight loss and damage.
11. Carrier’s response to overcharge claims must be fair and prompt. (Continued)
Delivered Cost. When two or more carriers or modes can equally meet the above service requirements, you must select the carrier providing the lowest total delivered cost.

Equitable Distribution. It is the State's policy to encourage participation by various business enterprises in all areas of State procurements, including transportation services. Follow the guidance of the State Contracting Manual for goals, preferences and incentives.

 Unsatisfactory Carrier Service. If you can't satisfactorily resolve problems caused by a carrier's failure to meet the State's service requirements, you should report the problem in writing to the DGS Transportation Management Unit. The DGS Transportation Management Unit may recommend punitive action against the carrier after a careful review of all the facts.
The DGS Transportation Management Unit performs the following for you:

1. **Master Tariff File.** Maintains a master file of freight tariffs, special rate quotes, and related publications.

2. **Freight Bills.** Analyzes and audits all freight, storage, and service bills prior to payment (subject to designated exceptions). The Unit checks to see if the charges are warranted, if they are for the right amount, and are appropriate for the services and tariffs. The Unit will contact shipping/ordering agencies that have been identified as utilizing improper or costly shipping/ordering practices. These companies will be advised of improvement needed in their future shipments. See SAM Sections 3850 through 3853.

3. **Freight Claims.** Evaluates, prepares, files, and negotiates to final settlement all of your claims over $200 for loss and damage to property while in transit by carriers or while in storage in public utility warehouses, where responsibility for filing the claim rests with the State. See SAM Sections 3861 through 3869.

4. **Rate Negotiations.** Represents the State in negotiations with carriers, public utility warehouses, other service firms, and their rate-making committees. The Unit negotiates for proper classifications, rates, charges, and rules and regulations applicable for freight transportation, storage, and incidental services. These negotiations are subject to designated exceptions that permit direct negotiations by agencies with carriers for rates on specific freight shipments or traffic where no fixed tariff rates apply. See SAM Sections 1233 and 3885.

5. **Regulatory Matters.** Represents State government in proceedings before State and federal regulatory bodies involving rate, tariff, and traffic matters covering freight transportation, storage, and incidental services.
You may request any of the following services from the DGS Transportation Management Unit:

1. Buying Supplies. The Unit can give you data and advice to help you develop transportation terms and conditions to be used in invitations to bid and contracts for supplies. The Unit can also give you transportation cost data to help you evaluate bids.

2. Shipment and Movement of Freight. Upon request, the Unit will:
   a. Furnish you with data and advice about rates, routings, commodity classifications, tariff descriptions, packing requirements, methods of obtaining consolidations, stop-in-transit and split delivery provisions, billing requirements, and other technical data and advice needed to ensure economical shipment of freight.
   b. Advise and assist you to plan the distribution of special traffic. Also they will help you with unusual or emergency movements requiring advance arrangements. The Unit will help you with both the services and tariffs for these special or unusual needs.
   c. Help expedite shipments, trace and recover strayed and delayed shipments, and divert and reconsign shipments.

3. Contracts. The Unit will negotiate, give advice, or review your contracts for freight transportation and incidental services. However, the Unit will not execute your contract for you. The Unit will perform a traffic review of all your service agreements submitted to DGS for approval that involve or contain a reference to any type of transportation service or storage in a public utility warehouse.

4. General. The Unit can give you other technical traffic and transportation data, advice and services needed to assure the most advantageous purchase of supplies, the most economical and efficient shipment and movement of property, studies, evaluations and analyses, and other advice to solve your transportation and traffic problems. This includes assisting you to:
a. Select storage, warehouse, and processing sites and facilities.

b. Determine new or revised systems for the supply of materials, products, supplies, and equipment.

c. Use State trucks for moving freight.

d. Arrange for moves of State offices and institutions.

e. Determine the most cost effective and efficient method of packing and shipping.
AGENCY RESPONSIBILITY

(Revised 03/07)

Your agency must perform all traffic management activities that are not performed by the DGS Transportation Management Unit. You must stay within the policies of the SAM and follow the guidance furnished by the Transportation Management Unit.

Except for designated exceptions, you must also:

1. Give the DGS Transportation Management Unit all freight, storage, and service bills which involve State shipping charges, prepaid and collect, and public utility warehouse charges. Supply any other information needed by the Unit to analyze these bills.

2. Give the DGS Transportation Management Unit your freight claims of $200 or more for loss and damage to property while in transit by carriers or while in storage in public utility warehouses when the State is responsible for filing the claim. These claims will be evaluated, filed, and negotiated to final settlement. You must also provide all supporting information necessary for proper settlement.

3. Refer matters requiring rate negotiations or involving regulatory agencies to the DGS Transportation Management Unit. Make data available to the Unit so it can get favorable decisions in matters before carriers, tariff bureaus, and regulatory bodies.

4. Consult with the DGS Transportation Management Unit on site selection for storage, warehouse, and processing facilities where transportation and traffic factors are a consideration. You should request advice regarding transportation cost, rate, and traffic data during the initial phases of site selection, expansion, and comparison. This will ensure proper evaluation of these things.

5. Retain tariff and traffic information as required by the DGS Transportation Management Unit.

6. Make your shipping and receiving staff available for education and training.
Usually only a fixed time is allowed by the carrier for loading or unloading of rail cars, trucks or trailers, or other types of transportation. If it takes longer, the carrier will bill for the extra time. Therefore, you must make every effort to load and unload within these time periods to avoid payment of large penalties.

For truck or trailer shipments weighing 10,000 pounds or more, this charge is based on the amount of time over eight minutes per ton. Carriers also may charge for standby time for drivers and equipment waiting for dock space to load or unload trucks or trailers. You can avoid or minimize crowding by scheduling your pickups and deliveries with the carriers in advance.

You must require your carrier to present separate bills for demurrage, detention, or standby charges directly to the shippers or consignees when your agency is paying the freight charges but was not responsible for such delays.
COMMERCIAL TRANSPORTATION FOR OFFICE
AND INSTITUTION MOVES

(Revised 03/07)

Intercity Moves. You can transport State-owned uncrated furniture, fixtures, and equipment between cities within California by using padded van carriers that specialize in moving new furniture or used household goods. State property that is protectively packed in cartons or crates may be transported at much less cost by general freight carriers.

Linehaul rates of household goods carriers, which include inside pickup and inside delivery subject to extra charges for long carries, stairs, and elevators, are the most costly and do not include any packing labor and materials. To avoid mandatory carrier-assessed valuation charges, orders for transportation by household goods carriers must specify in writing "Shipper hereby releases the entire shipment to a value not exceeding 60 cents per pound per article."

For intercity transportation by any of these types of carriers, use an appropriate PUC licensed carrier at rates not to exceed PUC minimum rates based on weight and distance. Before the move you should have a clear understanding with the carrier that charges will be assessed against actual weight as shown by the public weighmaster's certificate(s).

Local or Hand Moves. You may use any of the following methods to get a contractor for a move within a building or between buildings in the same metropolitan area. However, you may only lawfully hire PUC licensed carriers for moves that involve transportation over the public streets and highways.
1. You may use the DGS Procurement Division Master Service Agreement contracts. The Master Service Agreements are designed for small moves. You can also use the Master Service Agreements for larger moves when the administrative effort to prepare a bid, conduct a walk-through for bidders, and develop a separate contract is not warranted. You may also use the Master Service Agreements for moves that cannot be clearly defined at walk-through for prospective bidders.

(Continued)
COMMERCIAL TRANSPORTATION FOR OFFICE AND INSTITUTION MOVES (3810) (Cont. 1)

(Revised 03/07)

Take full advantage of the DGS Procurement Division Master Service Agreements that provide low hourly rates for experienced help and equipment. The time chargeable to your job is clearly defined. Charges for packing containers are set. The contractor is properly insured and specially bonded. The contractor also agrees to meet the prevailing wage requirements of Government Code Section 14920. When using this Master Service Agreement, you should:

a. Ensure persons arranging moves receive copies of the Master Service Agreement. If you have trouble getting a copy, you can get one from the DGS Transportation Management Unit.

b. Provide the contractor with two working days notice. Indicate your agency’s five-digit billing codes on your work orders. Contract hourly rates do not apply to work performed on federal holidays.

c. Expedite payment of bills for work done under the Master Service Agreement.

d. Submit written reports to the DGS Transportation Management Unit of any incidents where the contract moving company fails to perform under the Master Service Agreement.

2. You may go out for competitive bid for specifically defined work for a lump sum amount. If you cannot define the work at a walk-through conducted for prospective bidders, you may get bids for services at hourly rates. Bid contracts can be up to one year in length. Use the following outline of procedures to obtain competitive lump sum bids. Use similar procedures in preparing bids and contracts for services at hourly rates.

a. Invite at least three PUC licensed local moving companies to attend a one-time walk-through. Hand out specifications and bid proposal forms. Explain and show all work (including cartons) at the origin and destination that is to be included in the lump sum bid. Advise bidders of tentative dates and hours of the move. State if the move needs to take place during or after normal working hours. Notify moving company representatives that the winning bidder must sign
a Standard Agreement, STD. 213, and that the mover will be charged with repair or replacement of damage to building or any items lost, damaged, or stolen while in the carrier’s custody. See (3800) A–1 in the Appendix.
COMMERCIAL TRANSPORTATION FOR OFFICE AND INSTITUTION MOVES

(Continued)

3810 (Cont. 2)

(Revised 03/07)

a. To avoid misunderstandings on major jobs, you must get sealed bids. Open them publicly at a set time and date. On small jobs, all of the movers can submit bids at the same time immediately after the walk-through. You must make the award to the lowest responsible bidder.

b. Use Standard Agreement, STD. 213, with appropriate specifications for contracting lump sum work. For help with contract specifications, contact the DGS Transportation Management Unit.

c. You must include the following paragraph about prevailing wages in any competitive bid contract and bid specifications for commercial moving:

Prevailing Wages

No contractor performing hereunder shall pay any employee actually engaged in the moving and handling of goods being relocated under such contract less than the prevailing wage rate, except in geographical areas where no such employee wage standards and conditions are reasonably available. The term "prevailing wage rate" means the rate paid to a majority of workmen engaged in the particular craft, classification or type of work within the locality if a majority of such workmen be paid at a single rate; if there be no single rate being paid to a majority, then the rate being paid the greater number. Upon written request wage rates prevailing at the particular point in time will be furnished for information purposes only.

When you receive written requests from prospective bidders or contractors for prevailing wage rates, you must convey in writing the need for the desired wage rate information to the Department of Industrial Relations, Division of Labor Statistics and Research. The geographical areas in which the moving services are to be performed must be included in your request.
e. You must include any required goals, preferences or incentives in your contracting process.

See SAM Section 1200 for contract requirements.

(Continued)
COMMERCIAL TRANSPORTATION FOR OFFICE AND INSTITUTION MOVES

Old Office Records. See SAM Section 1684. Records in record center boxes shipped in volume to or from State Records Centers, or elsewhere, should be transported as general freight. Describe the shipment as follows:

Old office records, each package released to a value not exceeding 3 1/2 cents per pound.

DGS contracts with small parcel delivery services carriers are the least costly and should be used for small shipments of old office records.

FREIGHT DISTRIBUTION COST ANALYSIS— REPLACEMENT OR REPAIRS ($500 OR MORE)

OF VEHICLES USED FOR FREIGHT HAULING

If you want to buy parts or repair a State-owned freight vehicle you have to first get DGS approval if you want to spend more than $500. You must fill out a Purchase Estimate form, STD. 66, and send it to the DGS Transportation Management Unit. See (3800) A–2, in the Appendix. The Unit will review the data and forward the forms to the DGS Office of Fleet Administration with recommendations. See SAM Sections 4161 and 4162. Also, see SAM Section 3620 for STD. 66.

Provide the freight activity information and cost data for proprietary vehicle operation. This is the basis for DGS's approval. If you have for-hire cost data available, complete that portion of the cost analysis. If you do not have for-hire cost data, the DGS Transportation Management Unit will estimate the for-hire cost based on the freight activity information that you have provided.
The DGS Transportation Management Unit will enter the for-hire costs, where needed, and verify your proprietary vehicle costs. Your request for $500 or more in purchases or repairs for vehicles used for freight hauling will not be accepted for review by the Office of Fleet Administration without a complete STD. 66 verified by the DGS Transportation Management Unit.
When officers or employees are notified that they will be moving, CCR, Title 2, Section 599.724 requires that they are given a copy of the relevant CCR, Title 2 regulations covering Moving and Relocation Expenses.

Payment for moving costs of household goods is authorized by Government Code Section 19841. The Department of Personnel Administration (DPA) regulations must be followed when requesting reimbursement.

SAM Section 8572.1 discusses withholding and reporting taxes of payments for moving household goods.

When arranging employee moves, try to use the State's List of Eligible Carriers. It is not recommended that employees contract for their own moves. If the employees do, they may not get all the advantages in the state's master contract. The low rates in the master contract may save employees a large amount of money if they exceed the authorized limit and are required to pay their share of the costs.
The following procedures apply generally to moves within California. You should consult with the DGS Transportation Management Unit to plan an interstate move.

Employees may choose to have their moves contracted by their agency using the DGS "List of Eligible Carriers." The following is the procedure:

1. Your agency (or new department if you are being transferred to another agency) notifies you of the state authorized move by completing Part I of Moving Service Authorization, STD. 255. See (3800) A–4 in the Appendix. Your agency explains your responsibilities. The agency should give you the State's List of Eligible Carriers and the DGS Moving Guide. These are essential to a well planned move. These two items are available from the DGS Transportation Management Unit.

2. Next you select a household goods carrier from the list. Then get an accurate written estimate of weight and costs from the carrier. Where no eligible carrier is available, you may ask your agency to have the DGS Transportation Management Unit negotiate a contract with a carrier.

You must obtain the signature of the carrier's agent in Part II of STD. 255. This signature, along with your signature, binds the carrier to do the move according to its offer and at the rates on file with the state. Give the original STD. 255 to the carrier, retain one copy, and forward the other copy directly to the DGS Transportation Management Unit, 707 Third Street, Second Floor, West Sacramento, CA 95605-2811. Your agency will give you a stamped, self-addressed envelope for this purpose.

3. All household goods shipped under STD. 255 are automatically insured for loss or damage under the state’s blanket insurance policy. The use of individual certificates or policies is not needed. This blanket insurance applies only on transportation within California or transportation between two points in California by an interstate route.

(Continued)
The blanket insurance provides coverage at $2.00 valuation per pound of household goods shipped subject to the authorized weight. See CCR, Title 2, Section 599.719 and SAM Section 3823. In some cases, you may believe that the actual value of the goods is more than the amount of insurance provided by the state. If you want more coverage than provided by the State, you can buy your own additional insurance from your insurance agent at your expense.

Shipments and authorized weights will be reported to the insurance company by the DGS Office of Risk and Insurance Management. This will be based upon the DGS Transportation Management Unit's analysis of freight bills. Agencies are billed monthly by the insurance company.

1. The State's insurance has deductibles of $250 for loss or damage while in transit via a household goods carrier.

When you pay part or all of a deductible, you may get a refund from your employing agency on a Travel Expense Claim form, STD. 262. When submitting this claim, you must furnish:

   a. A copy of the original claim filed with the household goods carrier for moves other than self moves.

   b. Documentation of the amount paid by the household goods carrier and the State's insurance company.

See the Moving Guide for a detailed description of the insurance coverage, as well as instructions on how to file a claim.

EMPLOYEE CONTRACTED SHIPMENTS

When authorized by Part I of Moving Service Authorization, STD. 255, employees may contract with any household goods carrier. You must pay the carrier directly and submit a claim for reimbursement on a Travel Expense Claim, STD. 262. Your
claim must be supported by legible copies of the carrier's itemized invoice, copies of shipping instructions, freight bills, and the official certificate of the weight of the shipment. Your claim is subject to the maximum allowances listed in the California Code of Regulations. You must send your Travel Expense Claim and supporting materials to the DGS Transportation Management Unit for a ruling that rates and charges do not exceed those assessed by a carrier for a comparable State-contracted shipment before the expense claim is submitted to the State Controller for payment.

Employee claims are subject to the procedures in SAM Sections 3823, 3824, and 3826 except STD. 255 need not be drawn up with the carrier.
REQUESTS TO EXCEED MAXIMUM WEIGHT LIMITS

The Director of the Department of Personnel Administration (DPA) is authorized to grant exceptions to the 11,000 pound weight limit on moving household goods. If you want to get this exception granted, your agency must send a request to the DPA before the move.

Submit your request to the Department of Personnel Administration, Personnel Services Branch, 1515 S Street, North Building, Suite 400, Sacramento, California 95814, on a Moving/Relocation Expense Approval Request, STD. 256. See (3800) A–6 in the Appendix. It must be approved by your agency's director or a designated individual.

Include the following on the request for an exception to the maximum weight limit of 11,000 pounds:

1. Certify on STD. 256 that no articles prohibited by CCR, Title 2, Section 599.718 are to be included in the shipment. Household or personal goods include items such as furniture, clothing, musical instruments, household appliances, foods, and other items which are usual or necessary for the maintenance of a household. Household effects shall not include automobiles or implements thereof, other motor vehicles, boats, equipment, firewood, building material, etc.

2. Write a statement describing the efforts you have taken to reduce the estimated weight of possessions to be shipped. This statement must accompany STD. 256. Typical efforts include garage sales, personally moving household effects to new location, giving items away to family and friends, etc.

3. The size of your family to be moved.

4. The reason for extra weight; for example, hobbies, heavy furniture, large library, etc.

5. Legible signed copies of your carrier's estimating forms, including:
a. Basis for Carrier's Probable Cost of Services. Include the front and back, with number of cubic feet per number of items to be moved.

b. Probable Cost of Services. (Continued)
6. A legible copy of the Inventory of Household Goods and Weight Certificates (if requested approval exceeds 18,000 lbs.). After your move, send a copy of the inventory and weighmaster’s certificate to DPA, Personnel Services Branch. The STD. 256, along with the copies of the carrier’s estimating forms, will be retained by the Personnel Services Branch until they receive the inventory to check that no articles prohibited by CCR, Title 2, Section 599.718 were included in the shipment.

When the carrier estimates less than 11,000 pounds, but the actual weight moved is more than 11,000 pounds, you may submit a request to exceed the maximum weight limitation. Submit the request as outlined above with a notation on the STD. 256 that the actual weight exceeded the estimated amount. Include a copy of the estimate and the weighmaster’s certificate.

If you have already received permission to exceed the 11,000 pound limit and the actual weight moved turns out to be even more than the DPA approved weight, you may request an additional allowance. Submit this request to the Department of Personnel Administration, Personnel Services Branch, 1515 S Street, North Building, Suite 400, Sacramento, California 95814. Put a comment on STD. 256 that this is a second request based upon an actual weight which exceeds the previously authorized amount. A legible copy of the weighmaster's certificate supporting the carrier's billed weight must accompany the STD. 256. If the actual weight exceeds 18,000 pounds, a legible copy of the Inventory of Household Goods must also be attached.
You may be reimbursed for household goods placed in storage while in transit for up to 60 calendar days. See CCR, Title 2, Section 599.719. This 60-day allowance is provided to cover situations where you are unable to move your household goods directly from your old residence to your new residence.

If you need more storage time, submit a request to exceed the 60 days before your 60 days are up. Submit your request on a Moving/Relocation Expense Approval Request, STD. 256. Explain in writing why you need the additional storage time. Send the form and your explanation to the Department of Personnel Administration, Personnel Services Branch, 1515 S Street, North Building, Suite 400, Sacramento, California 95814. The requirements that you must satisfy in order to receive an extension are outlined in SAM Section 3830.
Instruct all carriers performing household moves under Part II of Moving Service Authorization, STD. 255, and the State’s Uniform Tender of Services and Rates to submit their freight bills directly to the DGS Transportation Management Unit. After analysis and audit, the freight bills will be forwarded to the agency accounting office for prompt scheduling to the State Controller’s Office.

Each invoice or expense claim submitted for payment must be accompanied by a certification signed by you which states:

"I hereby agree to notify my agency of and pay transportation and related charges on any items prohibited by California Code of Regulations, Title 2, Section 599.718, as well as charges which exceed the limits stated in Section 599.719. I understand and agree that such charges may be deducted in full from any and all funds payable by the State to me, including any salary warrant(s) issued to me by the State Controller’s Office.

____________ " State Employee (Signature)

This statement must be contained on one of the following:

1. The Moving Service Authorization, STD. 255.
2. The invoice or claim.
3. As a separate statement.
After the audit of the carrier’s freight bill by the DGS Transportation Management Unit, your agency is responsible for any necessary distribution of charges between your agency and you. Use the following steps:

1. Adhere to CCR, Title 2, Sections 599.718 through 599.722.

2. The agency notifies the employee to send payment to the agency for all charges:
   a. Not covered or otherwise authorized.
   b. Not essential to the physical move of the goods as a single unit in regular carrier service. This includes moves of basic household furnishings from a single location at origin to a single location at destination either directly or through a storage warehouse.
   c. Resulting from split pickup and split delivery service.
   d. For overtime that was not authorized in advance by the agency.
   e. For expedited service.
   f. Resulting from nonessential service provided at the specific request of the employee.
   g. For transportation of pets such as birds, fish, cats, dogs, and livestock.

3. When the carrier’s official weight certificate shows an actual weight of shipment that is more than the employee's authorized weight allowance, the DGS Transportation Management Unit determines the amount due from the employee for the extra weight. These charges will include those for transportation, packing containers and materials, packing and unpacking labor, and other services needed for the physical move of the goods as a single unit to the new location.

4. When the employee owes money, the agency must collect it and submit it with the invoice. Inability to contact the employee or the employee's reluctance to promptly pay does not excuse the agency from delaying the payment of the State's share. It is the agency's responsibility to ensure that the employee pays his/her portion promptly since the carrier is under contract with the State.
OVERSEAS SHIPMENTS

(Revised 03/07)

Agencies will let the DGS Transportation Management Unit know at least 90 days in advance of any requirement for household moves to or from overseas.

TRUCK AND SELF-HAUL TRAILERS

(Revised & Renumbered from 3826 2/93)

CCR, Title 2, Section 599.719 governs reimbursement for costs of moving household goods in a truck or trailer furnished by an employee. Truck or trailer rental charges must be supported by fully legible copies of paid rental agreements.
If you are an employee who normally lives in a mobile home and have been authorized by the State to move, you may ask the State to pay for the moving of your mobile home. See CCR, Title 2, Sections 599.714 and 599.720. You may also ask the State to pay for certain costs of preparing the mobile home for movement over the highways, and for set-up at the destination. The additional reimbursed cost is limited to $2,000 not including maintenance, repairs, and parts. The cost of any permits, tolls, taxes, or charges fixed by the State or local authorities is also not included in the limit. The State will not reimburse maintenance, repair, and parts costs. You may not seek more reimbursement through Section 599.715 for the $200 miscellaneous allowance since this is specifically prohibited under CCR, Title 2, Section 599.720.

If you have arranged for the State to directly pay the moving company, you must get a copy of Moving Service Authorization/Bid Proposal–Mobile Home, STD. 255A, before the move. See (3800) A–5 in the Appendix.

Competitive Bids. You must get three competitive bids for preparing, transporting, set-up, and service. Transportation must include permits and escort services. These bids must be from licensed mobile home set-up and service companies, and PUC licensed highway carriers. Each bid must be completed by the carrier on STD. 255A. You will then forward the bids to the DGS Transportation Management Unit. According to the instructions on STD. 255A, the carrier must send the invoice directly to DGS Transportation Management Unit for review. The DGS Transportation Management Unit will then send the entire file back to your agency’s accounting office for payment. The amount paid by the State Controller can never be more than the amount of the lowest bid.

Additional Information. The mover will transport your mobile home under a released valuation. The contents of your mobile home usually will not be insured. If you want to insure the contents or increase the coverage on the mobile home, you must do so at your own expense.
If you have questions about your mobile home move which your agency cannot answer, call DGS Transportation Management Unit in West Sacramento. The telephone number is (916) 376-1888 or CalNet 8-480-1888.

Refer complaints of poor set-up and service to the Contractors’ State License Board’s local field office. Refer complaints against the highway carrier who moved your mobile home to the PUC's local field office. See the Yellow Pages of the State Telephone Directory for either agency.
Costs of relocating will be reimbursed according to CCR, Title 2, Sections 599.721 and 599.722. See SAM Section 8572.1 for reporting and paying taxes on relocating expenses.

Generally permanent residences can be found within 60 days. Therefore the state will usually only pay for relocation expenses for up to 60 days. Exceptions to this are only approved in rare instances. If you want to apply for an extension because of an unusual and unavoidable hardship you may submit your request on a STD. 256. Send a STD. 256, along with an explanation of the hardship, to the Department of Personnel Administration, Personnel Services Branch, 1515 S Street, North Building, Suite 400, Sacramento, CA 95814. The following requirements must be satisfied in order to receive an extension for relocation:

Request early. You must submit your request before the 60 days are up. This is a statutory requirement. The DPA may not approve after-the-fact requests.

Hardship as a result of the move. The employee must prove that a hardship exists and that it is a direct result of the move. The hardship must be more than an inconvenience.

Unusual circumstance. The situation must be uncommon or rare to relocation. Normal delays in processing or completing the move will not be considered. For example, if a house does not complete escrow in the 60 days, an exception will not be granted.

Since escrow usually takes 30 to 60 days, this is not uncommon. However, if an unusual event directly caused the delay in the close of escrow, an extension may be granted. An example might be a death in the seller’s family. If this delayed the seller
from vacating the house, an exception may be granted.

Unforeseeable circumstance. The delay must be unavoidable or unforeseeable prior to acceptance of the transfer. Further, the delay must be beyond the control of the employee. Consider such items as the housing market, advancement at the new location, increased income, cost of living at the new location, and the family status at the time of the relocation prior to accepting the transfer.

(Continued)
The DPA staff will review the employee's efforts to locate a residence. Even if all requirements are satisfied, the employee must document that every reasonable effort was made to step up the process of locating a new residence.

Examples of problems that have been denied in the past and will be denied in the future are as follows:

1. Purchasing a house under construction or to be constructed. This is a personal decision of the employee's. An extension will not be granted for this reason.

2. Areas with an obvious lack of available houses. Employees should examine the housing situation and make a decision accordingly when considering a transfer to cities that have an obvious lack of housing. The employee assumes the risk of a delay in locating a residence.

3. Unable to sell the old residence. The legislation clearly only permits reimbursement of relocation expenses for finding a new home, not for selling an old one. Delays in selling the old home will not be considered.

4. Damage to new home is found while in escrow. When purchasing a home, it is the buyer's duty to inspect the structure for damage. Later, if problems are found, it is the employee's responsibility, not the state's. An extension of per diem or storage allowance will not be granted.
If you are a represented employee and you want to submit a claim for the sale of your residence, you must do so within one year of reporting to your new official headquarters. The DPA may grant you a one-time, six-month extension. See CCR, Title 2, Section 599.716(d). Your request for an extension of time must be on a STD. 256, and must be approved by your agency director or designated individual. Send your approved STD. 256 to the Department of Personnel Administration, Personnel Services Branch, 1515 S Street, North Building, Suite 400, Sacramento, CA 95814.

You must also meet the following requirements in order to get approval of the extra time to sell your former residence:

1. You must state the date you were notified of your transfer.
2. You must state the date you reported to your new official headquarters.
3. Your request must be received by DPA before the one-year period is up.
4. You must show that you have been trying to sell your residence during the one-year period after your reporting date. You must state the date when your residence was placed on the market or listed with a realtor.

If you are a nonrepresented employee, your claim for sale of your old residence must be submitted within two years of reporting to your new official headquarters. No extensions will be allowed. See CCR, Title 2, Section 599.716(e).
EMPLOYEE RESPONSIBILITIES REGARDING RELOCATION

(Revised 03/07)

It is the employee's responsibility to examine housing availability at the new location.

Represented employees must keep lodging receipts. Otherwise, you will be reimbursed at the non-commercial per diem rate.

Lodging receipts are not required for nonrepresented employees. You may claim the appropriate statewide relocation allowance for every full 24-hour period.

Reimbursement for less than 24 hours shall be at the appropriate meal and/or lodging rate.

If you request per diem for more than 30 days, the amount is treated as income and taxed accordingly. In order to guarantee reimbursement for all expenses (tax deductions if over 30 days), the employee should retain all receipts for the relocation period. This includes lodging, meal, and incidental expenses. Establishments are required by law to furnish receipts upon request.

In order to support getting paid for all expenses, or for taking advantage of possible tax deductions, you should keep all receipts of the relocation period. By law, businesses must give you receipts upon request.
EXPRESS 3835

(Revised 03/07)

When you want to ship materials, supplies, and equipment by an express carrier, you should first contact DGS Transportation Management Unit to determine whether a regular truck carrier is as rapid and convenient as well as more economical.

PARCEL DELIVERY SERVICE 3836

(Revised 03/07)

Parcel delivery service is available to all points within the State and most of the world under DGS Master Services Agreements. For details see Master Service Agreements.

Package size and weight are limited and limitations vary between parcel companies.

Exception. Do not use parcel company service for deliveries between State offices within the Sacramento area. Use Interagency Messenger Service.

COURIER AND OVERNIGHT DELIVERY SERVICE 3837

(Revised 03/07)

Use the State's Master Service Agreements for overnight delivery of documents. This contract is managed by the DGS Procurement Division. For details see Master Service Agreements.
When shipping anything, except for intra-agency and interagency mail, use the Straight Bill of Lading, STD. 254, to document the shipment. See (3800) A–3 in the Appendix. STD. 254 must be used no matter if the material is shipped by proprietary vehicle or by a for-hire carrier. Only the "Data Processing" copy of STD. 254 must be sent to the DGS Transportation Management Unit at 707 Third Street, Second Floor, West Sacramento, CA 95605-2811 after entering the freight charges for invoices $500 or less.

Use STD. 254 to comply with Federal laws governing the transportation of hazardous materials and to assure the accumulation of uniform and complete State shipping data required of the Department of General Services. For those reasons, departments must be sure that all shipments which they originate are correctly and completely documented by the original STD. 254 and the "Data Processing" copy is promptly forwarded to the DGS Transportation Management Unit with the freight invoice (over $500) for the DGS Transportation Management audit.

Departments may overprint the correct descriptions and freight classifications of often-shipped materials. You may contact the DGS Transportation Management Unit for help developing commodity descriptions and freight classifications.
If you ship hazardous materials, you are responsible for properly preparing shipping papers, marking and labeling containers, and providing placards as required.

Government regulations prescribe rigid controls for handling and transporting hazardous materials. Whenever hazardous materials are included in a shipment, you must properly describe the hazardous goods on the shipping papers. You must use the proper shipping name, hazard class, and identification number provided in the regulations. Furthermore, you must sign the following certification on STD. 254:

This is to certify that the above-named articles are properly classified, described, packaged, marked, and labeled and are in proper condition for transportation, according to the applicable regulations of the Department of Transportation.

If you transport hazardous materials on State vehicles, you have the same responsibilities as shippers. You also are required to:

1. Carry shipping papers in a designated manner.
2. Have your vehicle equipped with required emergency equipment.
3. Placard your vehicle as required.
4. Properly load your vehicle.

The California Highway Patrol provides guidance on shipments of hazardous materials.
Except as provided in SAM Section 3852, all freight bills must be approved by the DGS Transportation Management Unit before they can be scheduled for payment. If a freight bill doesn't bear Transportation Management's approval stamp, it will be taken out of the claim schedule by the State Controller's Office and returned to the agency. With the returned bill will be a request that it be approved by the DGS Transportation Management Unit before resubmitting for payment. The DGS Transportation Management Unit audit ensures compliance with Government Code Section 14920.

In order to let DGS Transportation Management Unit audit and approve your vendor's freight bills, all submitted freight bills must have the following documents attached: See SAM Section 8422.1.

1. The invoice.
2. When the freight costs more than $50, attach all supporting prepaid freight bills.
3. A copy of your purchase order with the vendor.

Even though DGS audits each invoice, your agency still must ensure that payments are correct and are not duplicated.

DGS Transportation Management Unit looks at the following areas:

1. If your contract or purchase order does not give specific shipping instructions, your vendor will be expected to use the lowest cost modes and carriers needed to safely transport the shipment. Costs for exempt, private, or commercial carriers cannot be more than that of the lowest cost government rate tenders.
2. Costs for shipments transported wholly within California cannot be more than the lowest lawful charges on file with the PUC for the transportation furnished.
3. Vendor's add-ons such as service charges for prepaying freight will not be allowed unless they are clearly listed on the contract or purchase order.

If the vendor's bill is for services that are different from the above conditions, you must attach a statement to the invoice. Your statement must identify the exact rates, charges, and circumstances which you agreed upon before the transportation or PUC services were begun.

(Continued)
AUDIT OF FREIGHT BILLS 3851 (Cont. 1)

(Continued)

Except for those listed under SAM Section 3852, you must forward all freight bills to DGS Transportation Management Unit, 707 Third Street, Second Floor, West Sacramento, CA 95605-2811. Clearly identify the name, five-digit billing code and mailing address of your State agency. Include the supporting documents required in this SAM Section. Bills certified for payment may be scheduled to the State Controller's Office via the DGS Transportation Management Unit to expedite processing. If you schedule bills in this manner, you should ensure that bills not requiring the DGS Transportation Management Unit audit are placed on separate schedules and sent directly to the State Controller's Office.

Bills received from carriers for freight transported under Federal Government Bills of Lading should be returned to these carriers with instructions to bill their charges to the federal government.

EXEMPTION FROM APPROVAL 3852

(Revised 12/09)

DGS Transportation Management Unit approval of freight bills is not required for any of the following situations:

1. The amount of the freight bill is $500 or less.
2. Services performed under a contract, pursuant to the requirements of SAM Section 1200 et seq., specifying the exact rates to be applied for the services.

DISCOUNT-BEARING INVOICES CONTAINING FREIGHT CHARGES 3853

(Revised 03/07)
Agencies must directly pay from their revolving fund all freight invoices that are discounted for payment within 30 days. After payment, send these invoices and supporting documents to DGS Transportation Management Unit for audit.
When you receive a shipment, ask the shipper the following questions:

1. Is it for me? Check the delivery receipt for the consignee's name and address. If your agency has more than one location, make sure the goods are for this exact address. Check the freight to see if it is the same as described on the delivery receipt. Look at the label on each item to make sure the shipment belongs to you.

2. Is it damaged? Do not sign the receipt before inspecting for damage. Check for holes, water, stains, and tears. Pick up cartons if you can. Check for rattling. Listen for something broken inside. Check to see if any packages have been opened or if the sealing tape has been tampered with.

3. Is the piece count correct? Count the pieces and match the number on the delivery receipt to the number you have counted. If the shipment is on a pallet, check to make sure the pallet is solid with no voids inside the stack. If the shipment is shrink or stretch wrapped, make sure the wrap hasn't been cut and pieces removed. Sign only for the type of unit you receive. For example: two pallets. Don't sign for the number of packages that are supposed to be on the pallet. However, if time permits or the pallet is not banded or shrink wrapped, count the packages, and only then sign for the number of packages.

If your delivery doesn't check out, do one of the following:

1. Refuse shipment if it isn't yours, if the shipment does not meet the terms specified by your agency, or is damaged to the point where it no longer has a value.

2. If yours, and only partially damaged or short, accept it and note exceptions on the delivery receipt.

(Continued)
RECEIVING AND INSPECTING FREIGHT SHIPMENTS

(Continued)

(Revised & Renumbered from 3860 2/93) How to note exceptions:

1. Damage Notations: Be specific. Describe the damage accurately. Pinpoint the locations of all defects. If you can see the damage, have the driver wait while you open and inspect the packages. Write down the number and identity of the damaged pieces. This is called a "joint inventory."

2. Shortage Notations: If part of shipment is missing, write the number of pieces actually delivered on the delivery receipt and circle it. Then write down the number of pieces missing and note them as "short."

3. Signatures: Write down all exceptions on both copies of the delivery receipt. Have the driver sign both copies of the delivery receipt in his full name (not initials or nicknames). After the driver signs, you sign also. Write your agency's name, your full name, the date, and the time of day.

Follow these steps when requesting an inspection:

1. The receiving person is responsible for requesting the carrier to inspect the damaged goods and packaging. The formal request should be made by phone right after discovering any loss or damage.

2. After the phone request, make out a request for inspection by the carrier in writing. Note the date and time of your previous phone call and the person contacted. Keep a copy of your request letter on file.

3. Once contacted about damage or shortage, the carrier may waive inspection and tell you so. If so, write down the name of the person who waived the inspection, and the date and time of waiver. Then conduct your own detailed inspection. Write up your findings in a report and attach it to the file. If you can, take photographs to confirm your inspection report.
CLAIMS AGAINST FREIGHT CARRIERS FOR LOSS OR DAMAGE TO SHIPMENTS 3862
(Revised 06/2016)

Use the following instructions for filing a claim against a carrier for loss or damage to shipments in transit:

1. Departments are granted authorization to refrain from collecting accounts receivables of $500 or less, provided that:
   - Attempts to collect are in accordance with SAM section 8776.6.
   - Departments will discharge only debts that have been determined to be uncollectable or continued efforts to collect are not cost beneficial.
   - Departments understand the discharge from accountability does not release the debtor from the debt owed to the state.

2. For claims above $500, departments should handle the matter directly with the carrier.

STATUTORY TIME LIMIT FOR FILING CLAIMS 3863
(Revised 02/93)

Claims against regulated commercial carriers must be filed in writing with the carrier within nine months after delivery. In the case where the delivery did not occur, file within nine months from a reasonable time when delivery should have occurred. The carrier may not waive this requirement.

RESPONSIBILITY FOR FILING CLAIM 3864
(Revised 02/93)
SAM—TRANSPORTATION MANAGEMENT

Whoever owns the freight while in transit has the responsibility for filing claims for loss and damage. Unless the purchase contract states otherwise, the F.O.B. point governs the transfer of title. Therefore, for goods purchased under "F.O.B. Destination" or "F.O.B. Delivered," the shipper or vendor must file the claim against the carrier for loss or damage. If the F.O.B. point is other than destination, the receiving agency owns the goods while in transit and must file any claims.
F.O.B. ORIGIN SHIPMENTS—PAYMENT OF INVOICES

AND FREIGHT BILLS 3865

(Revised 03/07)

When goods are purchased F.O.B. origin, title to the goods passes to the consignee upon delivery of the shipment to the carrier at point of origin. Therefore, the shipper (vendor) should be promptly paid for all merchandise signed for on the carrier’s original bill of lading whether or not the goods were actually received. This is also the case when the goods are received in damaged condition as long as the carrier specified in the purchase contract what routing was used. Otherwise, call the DGS Transportation Management Unit for assistance before your pay the vendor. By law, the carrier must collect the transportation charges. A properly prepared claim must be filed against the carrier for recovery of the amount of the loss or damage including freight charges paid on the lost or damaged portion of the shipment. If a whole shipment is lost, the carrier's freight bill should not be paid.

F.O.B. DESTINATION SHIPMENTS—PAYMENT OF INVOICES 3866

(Revised 03/07)

When goods are purchased F.O.B. Destination (F.O.B. Delivered), title to the goods remains with the shipper (vendor) until delivered by the carrier to the consignee in original or acceptable condition. If loss or damage occurs in transit, the vendor must replace the goods or otherwise compensate the consignee. Immediately notify the vendor of any problems and give the vendor the following documents to enable him to file claim against the carrier for recovery of the loss:

1. A copy of the freight bill (delivery receipt) bearing notation of loss or damage signed by the driver.
2. If the damage is concealed, a copy of the carrier's Inspection Report.
3. A statement of all pertinent facts that are not included above.

Payment of the vendor's invoice should be adjusted by the amount of the shortage or damage, or payment should be withheld until compensated by replacement items or repairs.
Carriers are almost always responsible for transit loss or damage. However, consignees have a legal responsibility for keeping damage costs at a minimum and must accept damaged freight that can be reasonably repaired. If the goods are damaged so much that they become almost worthless, you may refuse the delivery. In that case be sure to file a claim for the full value of the shipment.

Some items can only be repaired by the factory where they were made. If repair costs are more than $100 and more than one company can make the repairs, try to get competitive bids.

Carriers who pay the full invoice price for claims on goods that are damaged beyond reasonable repair are, in effect, purchasing the damaged goods. The carrier will usually want the damaged goods as salvage. Therefore, you must hold the damaged goods and make them available for the carrier to pick up.

There are often disputes about who is responsible for concealed damage or loss of shipments. However, this type of claim is just as valid as any other type. If part of the shipment is missing, you must prove that the missing goods were actually shipped and then were not delivered. If goods were damaged, you must establish that the goods were properly packed in their containers, yet were damaged when they were delivered. Without this proof, carriers may refuse settlement. If you discover shortage or damage after delivery, report it promptly to the carrier and request an inspection. Do not complete the unpacking. Hold all packing materials and merchandise as discovered pending inspection. You only have 15 days after delivery of the shipment to report any concealed damage. If you do not report within this 15-day period, the carrier may decline the claim.
If you are filing a claim for loss or damage against a carrier, attach the following documents to the claim. If DGS Transportation Management Unit is filing the claim (claims of $100 or over), send the documents to them. If a vendor is filing the claim against the carrier, send the documents to the vendor.

1. Original bill of lading.
2. Copy of the carrier's freight bill or delivery receipt bearing notation of shortage or damage.
3. Original or certified copy of the purchase or repair invoice.
4. Carrier's inspection report (when issued).
5. Bond of indemnity (available from carriers) in place of the original paid freight bill.
6. Statement of additional facts or conditions when required to sustain reported loss or damage.
Sometimes you can get lower freight costs by consolidating small lots into split delivery or split pickup shipments. Take advantage of these freight savings whenever possible. See SAM Section 3801 for the PUC definitions of split pickups and deliveries.

You must prepay all charges for split delivery shipments. The carrier may not collect charges of any nature from any consignee. You cannot ship more than 40 delivery components per shipment. If the components average less than 1,000 pounds per delivery component or exceed 20 components per master bill, you will be charged extra.

In addition to the component parts picked up by the carrier, a split pickup shipment may include other component parts delivered to a carrier’s depot by the consignor or the consignor’s agent. Each shipment will be limited to 40 pickup components. Additional charges are made when the components average less than 1,000 pounds per pickup component or exceed 20 components per master bill.

Often you can save a great deal of money on shipments by using split delivery or split pickup service. In cases where individual shipment lots are for delivery to points grouped in the same general geographic area, or the movement is in the same general direction over a carrier’s freight route, you should consider consolidating and shipping the lots in a single split shipment. Contact the DGS Transportation Management Unit for assistance.

Lots must be handed over to the carrier at one time on one shipping document. The tariff requirement reads as follows:

At the time of or prior to the initial pickup of any portion of the shipment, an appropriate written document is issued by the consignor for each component part, said document containing all of the information required to prepare a bill of
lading in compliance with provisions of Item 360 of the Governing Classification. In addition, the consignor shall provide the carrier with a single document containing written information setting forth in summary, the total numbers and kind of packages, description of articles, and total weight of all commodities described on the bills of lading for each component part. Said document shall also reflect total number of pieces and total weight of all commodities in the shipment and must make reference, by number or other individual identity, to each bill of lading issued for a component part.
Shipments via Surface Commercial Carriers. Shipments by commercial carriers are usually subject to the terms and conditions of the standard bill of lading contract.

Rather than list the rates, this contract just calls upon the use of set tariff rates. Since these tariffs fix the exact rates for the services, no further agreement of rates is necessary. DGS Transportation Management Unit will verify the rates on the freight bills against the tariffs. The DGS Transportation Management Unit will obtain adjustments of any overcharges for you.

Under certain special circumstances, commercial carriers may grant the government less than tariff rates. Carriers quoting government rates may be subject to certain regulatory constraints. All such negotiations should be cleared through DGS Transportation Management Unit.

When using government rates, add the following sentences to the shipping documents: "Freight is for the account of the State of California. Transportation hereunder pursuant to (cite carrier and tender number)."

Contracts and purchase orders must instruct vendors to also place this sentence on the bill of lading issued to the carrier. Contact DGS Transportation Management Unit for availability of government rates on shipments starting from or destined to points outside of California. The DGS Transportation Management Unit will verify the rates on the freight bills against the tariffs and obtain adjustments for any overcharges on your behalf.

Shipments via Air Carriers. Air carriers have been deregulated. Air cargo rates fluctuate and are negotiable. Call DGS Transportation Management for help when air freight is required.
Shipments via Contract and Exempt Surface Carriers. Contract carriers and exempt carriers do not have to charge any fixed rates. Contact the DGS Transportation Management Unit for assistance before using such carriers.

Routing Guides. If you are going to use a commercial carrier, you should consult with the DGS Transportation Management Unit to see which carrier and route will give you the best balance of low cost and responsiveness to needs of shippers and consignees. Where appropriate, the DGS Transportation Management Unit will develop routing guides and will issue bulletins on procedures to follow for freight routing.

Carrier Operating Authority. If you are unsure of the category of a particular carrier, ask the carrier to give you the information in regard to the type of hauling involved. Do not use carriers who do not have the required operating authority from the California or Federal regulatory agencies. Call DGS Transportation Management Unit if you have any questions about this.
STD 213 - State of California Standard Agreement

STD 66 - State of California Purchase Estimate

STD 254 - State of California Bill of Lading

STD 255 - State of California Moving Service Authorization


STD 256 - State of California Moving/Relocation Expense Approval Request
This chapter discusses the operational policies of all aspects of transportation services. This includes state-owned or operated mobile equipment, commercial vehicle rentals, airline transportation, parking and commuter services.

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ACQUISITION OF VEHICLES

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Rev. 439

August 2017
INTRODUCTION

(Revised 01/2016)

The Department of General Services, Office of Fleet Administration Management (OFAM) is responsible for establishing, implementing, and maintaining policies and procedures governing state-owned mobile equipment. Mobile equipment is defined as equipment that is self-powered, easily moved and used for passenger, and equipment transportation and construction or maintenance work.
MAINTENANCE 4101

(Renumbered from 4150 and Revised 6/96)

It is the responsibility of agencies/departments to insure compliance with minimum preventive maintenance standards for state-owned mobile equipment. This includes, but is not limited to, prescribed lubrication service and mechanical inspection on a mileage or time basis. Requirements are listed in the Automobile Maintenance Record form, STD. 271. Equivalent records may be substituted with the approval of the OFA. See OFA State Fleet Handbook.

NO SMOKING IN STATE VEHICLES 4102

(New 6/96)

Smoking is prohibited in all state-owned passenger mobile equipment which include light and heavy duty trucks, cargo and passenger vans, buses, and any other mobile equipment with an enclosed driver/passenger compartment. See California Vehicle Code Section 465 and Government Code Section 19994.30.

MODIFICATIONS 4103

(Renumbered from 4160 and Revised 6/96)

Any modification to original factory equipped mobile equipment requires prior approval from the OFA. See OFA State Fleet Handbook.

IDENTIFICATION 4104

(Renumbered from 4120 and Revised 6/96)

State-owned mobile equipment used on public roads shall be properly identified. The Director of DGS shall approve the type of identification used.

Exceptions are state-owned mobile equipment used by elected officials with regular automobile license plates; mobile equipment designated as exempt by the Director of DGS; and undercover vehicles as authorized in the California Vehicle Code. See Vehicle Code Section 5001 and OFA State Fleet Handbook.
It is the responsibility of Agency Secretaries and/or department directors to insure the proper use of state-owned mobile equipment. See Government Code Section 19993.2 and Department of Personnel Administration (DPA) Section 599.800.

In order to insure optimum utilization of state-owned passenger mobile equipment (see Vehicle Code Section 465), a Passenger Vehicle Usage Certification form, STD. 276A, will be submitted to the OFA bi-annually, February 15 and August 15. See OFA State Fleet Handbook.
TRAVEL LOGS

(Renumbered from 4143 and Revised 6/96)

Agencies/departments will maintain a Monthly Travel Log form, STD. 273, on all state-owned passenger mobile equipment except for motorcycles, trucks over 3/4 ton, and heavy equipment. See DPA Section 599.807 and OFA State Fleet Handbook.

FUEL CARD MANAGEMENT

(Renumbered from 4151 and Revised 11/2019)

The State Fleet Fuel Card can only be used by state employees conducting official state business. Additionally, state departments may authorize other individuals (such as retired annuitants, volunteers, etc.) who are on official state business and whose travel expenses are paid by the state, to use the card.

The State Fleet Fuel Card can be used for department-owned and DGS-leased vehicles. Additionally, departments are authorized to use the State Fleet Fuel Card for long-term commercial vehicle rentals through the state’s commercial car rental contract. A long-term commercial rental is defined as a vehicle rental of 30 calendar days or more that has been approved by DGS Office of Fleet & Asset Management (OFAM).

Allowable Purchases

As authorized by a department, the State Fleet Fuel Card may be used to purchase the following items when conducting official state business:

- Regular-grade unleaded gasoline and diesel.
- Alternative fuels such as E-85, biodegradable diesel, CNG, electricity and hydrogen.
- Fluids and lubricants (i.e. oil, antifreeze, washer fluid, etc.).
- Basic (low-cost) car washes.
- Emergency roadside assistance
- Tires in accordance to the statewide tire contract.

In addition, emergency purchases, such as wiper blades, fan belts, tires, etc., are allowed in urgent situations only. Emergency purchases must be defined and approved by each department.

(Continued)
Prohibited Purchases

The following items are prohibited and must not be purchased using the State Fleet Fuel Card:

- Unless specifically required by the vehicle manufacturer, the purchase of mid-grade or premium (supreme) unleaded gasoline is strictly prohibited.
- Fuel for personal vehicles.
- Miscellaneous items such as food or sundries (personal items).

Appropriate State Fleet Fuel Card Usage

It is the responsibility of each department to monitor and verify the appropriate usage of the State Fleet Cards issued to their employees. If misuse is determined, each department must take appropriate action according to their departmental policy.

Requirements

All state departments that utilize the State Fleet Card Program must implement oversight procedures as specified in the State Fleet Card Oversight Usage and Responsibilities (https://www.dgs.ca.gov/-/media/Divisions/OFAM/Fleet-Services-and-Operations/Fleet-Card-Oversight-Usage-and-Responsibilities.pdf). Each department will designate an employee to act as the Fleet Card Coordinator (Coordinator) to closely manage the department’s use of the State Fleet Card Program. This will include the review of fleet card exception reports on an ongoing basis.

Each department participating in the State Fleet Card Program must submit the Annual Certification Form (http://www.documents.dgs.ca.gov/dgs/fmc/dgs/ofam003.pdf) indicating that the department has executed the required procedures as well as certified that it has assigned a Coordinator to manage its State Fleet Card usage, as stated in the State Fleet Card Oversight Usage and Responsibilities document. This certification must be submitted to the DGS on an annual basis by June 30 of each year.

Additionally, each department must ensure that all individuals authorized to use the State Fleet Card sign a Fleet Card User Agreement (http://www.documents.dgs.ca.gov/dgs/fmc/dgs/ofam001.pdf). All active Fleet Card User Agreements should be kept on file by the department.
Department compliance with the State Fleet Card Program’s oversight requirements will be subject to auditing by the DGS on a periodic basis.

For more information, contact the DGS Fleet Services Call Center at (858) 611-OFAM (6326) or FleetServices@dgs.ca.gov.

**GENERAL SERVICES CHARGE CARD**

(Continued)

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- Report the loss, theft or discontinuance of all General Services Charge Cards, in writing, to the OFA.
- Establish and implement internal procedures to ensure accountability of charge cards.
- Present the General Services Charge Card and obtain a receipt from commercial car rentals and taxi services.
- Provide oversight and guidelines to ensure cards are properly safeguarded, assigned, and used for official state business only.
- Establish and implement procedures that provide for the performance of periodic inventory and reconciliation activities with reporting to OFA.
HOME STORAGE
(Reumbered from 4144 and Revised 10/2019)

DEFINITION OF VHSP

A VHSP is required for any employee who stores a state vehicle at or in the vicinity of his/her home on a frequent basis as defined by CCR, Title 2, Section 599.808 (d).

Section 599.808 (d) requires the Department of General Services (DGS) to prescribe the rules and procedures relating to the home storage of state vehicles as well as to review and approve VHSPs at DGS’ discretion.

OVERVIEW

The Department of General Services (DGS) requires that vehicle home storage permits (VHSPs) issued by state agencies shall adhere to policies outlined in section VHSP Requirements and meet the criteria of essential or cost effective permits as noted in section Criteria for Essential & Cost-Effective Permits. DGS requires the use of criteria that augment those provided in the CCR, Title 2, Section 599.808. Further, agencies shall use the revised STD 377, Vehicle Home Storage Permit/Request Form when requesting vehicle home storage permits.

Storage of state-owned mobile equipment at an employee’s residence on a regular basis requires an approved Vehicle Home Storage Request/Permit form, STD. 377, be on file with the employee’s department. Annual renewal of STD. 377 is required. See DPA Section 599.808 and OFAM State Fleet Handbook.

VHSP REQUIREMENTS

- State vehicles shall be used only in the conduct of state business, and that no state officer or employee shall use, or permit the use of, any state-owned motor vehicle other than in the conduct of state business (see Government Code Sections 19993.1-19993.8).
- State agencies utilizing non-exempt license plates on state vehicles must strictly adhere to the Department of Motor Vehicles (DMV) rules pursuant to Vehicle Code Sections 5001-5002.6, and DMV Form INV 218, Request for Nonexempt License Plates.
- State vehicles stored at or in the vicinity of an employee’s home more than 72 nights in a 12-month period, or 36 nights in a 3-month period, require a VHSP approved by the department head, deputy, or chief administrative officer pursuant to CCR Section 599.808 and STD 377, Vehicle Home Storage Request/Permit Form.

(Continued)
Employers must apply facts and circumstances on a case-by-case basis to ensure they follow Internal Revenue Service and Franchise Tax Board regulations regarding taxable compensation for personal use of a state vehicle. The State Controller’s Office Payroll Procedures Manual, Section N 129 et seq. has information that covers the taxable event triggered by state vehicle use, as well as the reportable/taxable amount to report and exceptions to the taxable reporting requirements (see State Administrative Manual Section 8572.4).

State employees must report the taxable amount monthly on the State Controller’s Office STD 676V, Non-USPS Adjustment Request-Values (Fringe Benefits/Employee Business Expense), and submit it to their department’s human resources office. If you have questions regarding the taxable amount or the STD 676V, please contact your department’s human resources office.

CRITERIA FOR ESSENTIAL & COST-EFFECTIVE PERMITS

Executive Order (EO) B-2-11 specifies that state agencies and departments may only issue VHSPs that are essential or cost effective. In continuance of this policy, DGS developed ongoing criteria to assist departments in their future determinations of essential and cost-effective VHSPs.

ESSENTIAL PERMITS

An essential VHSP is deemed necessary even though it may not be cost-effective; it must meet all of the following criteria:

- The individual must respond to emergency events after hours as a primary responder.
- The emergency responder must respond to the field, rather than to a state facility where his/her vehicle could be stored.
- The emergency responder must be able reach the emergency event within 30 minutes to no more than 1 hour.
- The emergency response must require specialized equipment that is not transferrable to a personal vehicle, or include activity that is not reasonable for a personal vehicle (i.e., taking a felon into custody).
- The emergency response must be for health and safety purposes (i.e., responding to hazards or criminal activity).
- The individual only takes a vehicle home when he/she is needed as a primary responder.
- The individual must respond to a minimum of 24 emergency responses per year.
A department should not issue an essential VHSP to any employee who does not meet all of the above criteria. It is also incumbent upon the department to report/record information as necessary to support the issuance of an essential VHSP.

*DGS will allow an exemption process for essential VHSPs that cannot meet the minimum of 24 emergency responses per year if a department can demonstrate that there will be a significant health and safety risk to the public if this permit is not issued. A department is required to submit the STD 377, Vehicle Home Storage Request/Permit Form, to DGS for approval and to provide narrative to substantiate the critical need for each VHSP.

**COST-EFFECTIVE PERMITS**

A cost-effective VHSP must meet at least one of the criteria from both Category A and Category B:

**Category A**
1. The employee has a department-approved home office separate from the department’s facilities. Generally, the employee’s duty statement and personnel file will denote that his/her reporting office is his/her home.

2. The vehicle is essentially the employee’s office (i.e. performing requisite duties in the field on a daily basis directly from his/her home). However, the employee may still be required to occasionally work from a state office.

**Category B**
1. The employee’s job (as reflected on the official duty statement) requires substantial field work (greater than 50 percent), and it is more efficient for the employee to travel directly to the field work location.

2. The employee drives directly to the field from home and/or has work-related after-hour activities that account for 50 percent or more work days within a given month.

A department should not issue a cost-effective VHSP to any employee who does not meet the above criteria. It is also incumbent upon the department to report/record information as necessary to support the issuance of a cost-effective VHSP.

These general standards for cost effectiveness justify the use of a state vehicle versus reimbursement for the use of a personal vehicle or rental – it is not a justification for the state to pay for personal commute miles associated with taking a vehicle home. Providing for personal commuter transportation is not an obligation of the state.
(Continued)

HOME STORAGE 4109 (Cont. 3)
(Renumbered from 4144 and Revised 10/2019)

ANNUAL CERTIFICATION
Beginning on January 2, 2014, and each year thereafter, state agencies shall submit a DGS OFAM 162 - VHSP Certification Form to DGS that denotes the number of VHSPs issued at that time. DGS may, at any time, request copies of the permits or a list of names and other specific data for the individuals who have been issued permits.

AUDIT REQUIREMENTS
DGS reserves the right to audit state agencies to ensure compliance with the VHSP requirements. DGS further reserves the right to withdraw a department’s ability to issue and approve its own VHSP pursuant to CCR Section 599.808 (d), if it is determined that a state agency is not in compliance with the VHSP policy.

The following required documents shall be on file and available upon request.

• DGS STD 273, Monthly Vehicle Travel Log shall be completed on a daily basis to record, among other things, the following: daily miles traveled, date and time of travel, itinerary, overnight storage information, and the driver’s name. VHSP annual certifications shall be completed each calendar year.

• VHSP requests (STD 377, Vehicle Home Storage Request/Permit Form) shall be completed for each applicable employee.

• VHSP annual certifications shall be completed each calendar year.

• VHSP requests (STD 377, Vehicle Home Storage Request/Permit Form) shall be completed for each applicable employee.

The minimum retention schedule for the required documents noted above shall be the current fiscal year and the preceding fiscal year.

Should a state agency conduct its own internal audit of its assigned VHSPs, it is required to provide the VHSP audit results and/or findings to the DGS Office of Fleet and Asset Management.
MOBILE EQUIPMENT PURCHASES  4110
(Renumbered from 4111 and Revised 6/96)

A Purchase Order form, STD. 65, or Purchase Estimate form, STD. 66, will be
submitted directly to OFA for the purchase of additional or replacement mobile
equipment. A justification for additional mobile equipment or an approved Property
Survey Report form, STD. 152, for replacement mobile equipment will be attached to
the purchase document.

A current Passenger Vehicle Usage Certification form, STD 276A, must be on file with
OFA prior to the approval of STD. 65 or STD. 66. See SAM Section 4106, Government
Code Section 13332.09, and OFA State Fleet Handbook.

DISPOSITION  4111
(Renumbered from 4172 and Revised 6/96)

Disposal of mobile equipment shall be by public auction or sealed bid. The method of
disposal is subject to approval by OFA. See Government Code Section 13332.09 and
OFA State Fleet Handbook.

REUTILIZATION OR TRANSFER  4112
(Renumbered from 4173 and Revised 6/96)

Mobile equipment no longer needed by an agency/department shall be made available
to other state agencies/departments or government entities. Requests for reutilization
or transfer of state-owned mobile equipment shall be submitted to OFA. See OFA State
Fleet Handbook.

INSPECTION SERVICES  4113
(Renumbered from 4181 and Revised 6/96)

Inspection services are provided to agencies/departments participating in the Inspection
Services Program. Services are provided upon request or can be initiated by OFA.
Services include new and used mobile equipment inspection and assistance with the
purchase, repair, replacement, and disposition of state-owned mobile equipment. See
OFA State Fleet Handbook.

ANNUAL INVENTORY OF MOBILE EQUIPMENT  4114

Rev. 470  September 2009
The Annual Inventory of Mobile Equipment form, OFA 53, is required for the self-insurance and Inspection Services Program cost allocation. Agencies/departments will submit OFA 53 to OFA by July 10. See OFA State Fleet Handbook.
REPAIRS AT COMMERCIAL/STATE FACILITIES 4115

(Renumbered from 4161, 4162 and 4166, and Revised 6/96)

Repairs to state-owned mobile equipment, including replacement of auto glass, at a commercial/state facility exceeding the delegated amount require prior approval from an OFA Inspector of Automotive Equipment (IAE). See OFA State Fleet Handbook and Vehicle Glass Replacement Price Schedule.

ACCIDENT REPAIRS 4116

(Renumbered from 4163 and New 6/96)

Agencies/departments are to obtain a minimum of three (3) bid estimates for accident repairs to all state-owned mobile equipment exceeding the delegated amount. Review and approval of the bid estimates by an OFA IAE are required. See SAM Section 3600 and OFA State Fleet Handbook.
(Revised 01/2016)

The Statewide Travel Program (STP) administers the travel contracts for airfare, commercial car rentals, travel management services (travel agency), and the travel payment system.

Agencies/departments must make all travel arrangements (airfare, hotel, commercial car rental and rail), with the exception of short-term rentals (defined below), through the STP. Comprehensive travel services are offered via the state’s authorized online self-booking tool which is the primary means for booking travel, and/or call-in service through the state’s contracted travel agency.

Short-term Rentals

Per Government Code section 19822.4 (Chapter 770, Statutes of 2015 [AB 229]), state employees may utilize lodging reserved through a short-term rental service (such as Airbnb), in lieu of the STP, when traveling on official state business. Short-term rentals are defined in AB 229 as “residential property that is rented to a visitor for fewer than 30 days through a centralized online platform whereby the rental is advertised and payments for the rental are securely processed.” Reservations for short-term rentals may be made through the service’s proprietary centralized online platform (such as airbnb.com).

When determining the mode of transportation, travelers shall use the most economical means of transportation; i.e., taxi, rail, bus, air, state, commercial or privately-owned vehicle.

The Statewide Travel Program website may be accessed at Statewide Travel Program. For reference, see DGS Management Memo #14-03.

AIRC蛐ES—4117.1

(New 6/96)

State employees are required to obtain service from the contract airline(s) when traveling between specific city-pairs. Exceptions are: (1) space or a scheduled flight is not available to accomplish the purpose of the travel, or available service would require overnight lodging; or (2) a non-contract carrier offers a lower fare available to the general public, the use of which will result in a lower total trip cost to the state. (THIS
EXCEPTION DOES NOT APPLY IF THE CONTRACT CARRIER OFFERS A COMPARABLE FARE AND HAS SEATS AVAILABLE AT THAT FARE, OR IF THE LOWER FARE OFFERED BY A NON-CONTRACT CARRIER IS RESTRICTED TO STATE TRAVELERS ON OFFICIAL GOVERNMENT BUSINESS ONLY.)
(Revised 01/2016)

The Department of General Services (DGS), Office of Fleet and Asset Management (OFAM) operates a daily car rental service out of the Sacramento State Fleet Garage, located at 1416 10th Street, Sacramento, CA. OFAM has also established and manages a commercial car rental contract with a nationwide car rental provider.

State employees in need of short-term vehicle transportation may use either the OFAM daily vehicle rental services or the state’s contracted commercial car rental company when conducting official state business. State employees may use either of these services; however, as instructed in SAM Section 4117, state employees shall choose the service which is most economical and meets their operational needs.

As outlined in Management Memo 13-01, vehicles rented or leased for over 30 consecutive calendar days or more than (4) consecutive work weeks (excluding weekends and holidays) are required to be approved through a department’s Fleet Acquisition Plan (FAP) prior to renting or leasing the vehicle. Continually re-renting fleet assets week to week or with a short break after 30 days without seeking OFAM approval is prohibited.

Vehicles equipped for persons with disabilities are available at both the Sacramento State Fleet Garage or from the contracted commercial car rental company.
Agencies/departments may select any travel agency (ies) that meet their travel needs from a list of authorized travel agencies. Each state agency/department shall determine its own appropriate system for managing airline ticket purchases and communicate this system to its employees and the authorized travel agency (ies).

The OFA administers the contract to provide the state’s travel payment system and management reports. It is the responsibility of each state agency/department to determine its own appropriate system for managing travel.

Questions regarding current contracts and/or Statewide Travel Program may be directed to OFA, Travel Program Coordinators at (916) 376-3988. Also visit the Statewide Travel Program “Travel Portal” website at Travel Portal.

Payment for all state-conducted meetings, conferences, events, seminars, workshops, off-sites, presentations, training, examination locations, forums, public hearings, trade shows, and job fairs when conducted at a lodging or event establishment shall be made utilizing the state’s contracted Travel Payment System (TPS) Meeting Account (MTG).

For all meeting and event contracts between the state of California and a lodging and/or meeting industry vendor, the contract must include the TPS MTG as the method of payment.

Authorized meeting and event expenses include but are not limited to:

- Meeting space for hotel, conference, and convention centers
- Exhibit space
- Conference meals
- Hotel business services (faxing, photocopying)
- Audio visual and telecommunications rentals and services
- Meeting planner consultant fees
- Air transportation
- Ground transportation including shuttle companies and car rentals
The OFA maintains parking facilities, provides parking in major urban areas to state employees and the public, and provides commute service information to state employees in coordination with the Department of Transportation. See Government Code Sections 14678–14679.5, and 19993.1 and OFA State Fleet Handbook.
Overview

Purchase of State vehicles will be made by consolidation of agency annual requirements in order to affect savings by volume buying. See Government Code Section 14615 and Public Contract Code Section 10308. In addition, Government Code Section 13332.09 provides that:

"No purchase order or other form of documentation for acquisition or replacement of motor vehicles shall be issued against any appropriation until the Department of General Services has investigated and established the necessity therefor. No surplus mobile equipment may be acquired from any source by any State agency for program support until the Department of General Services has investigated and established the need therefor."

The Department of General Service, Office of Fleet and Asset Management (OFAM) are eliminating the use of the Vehicle Acquisition Request Form (OFA 160); state departments will no longer submit individual fleet acquisition request to OFAM. This policy applies to all emergency and non-emergency vehicles and mobile equipment, henceforth referred to as fleet assets.

Beginning in Fiscal Year (FY) 2012-13, state departments are required to submit an electronic Fleet Acquisition Plan (FAP) to OFAM each fiscal year for all new and/or all existing asset replacement needs that have not been previously approved by OFAM. The plan should include any long-term rentals or leases of fleet assets. The FAP contains the documents listed below which must all be included to be considered a complete (FAP). An electronic copy of the FAP documents below can be found at the DGS website located at FAP Documents:
Fleet Acquisition Plan Narrative

OFAM has created a written narrative format that must be followed. It outlines vital areas that are necessary in order to ensure that the planned acquisitions comply with existing policy and other requirements.

(Continued)
(Continued)

**ACQUISITION OF VEHICLES**

(New 2/2016)

**Fleet Acquisition Plan Spreadsheet**

The Excel spreadsheet created by OFAM includes the line item detail of each planned new or replacement asset including justification for the need to add or replace an asset. Fleet replacement requests will be analyzed by applying utilization metrics to vehicle utilization data retrieved from the Fleet Asset Management System.

**Fleet Acquisition Certification**

This certification is required by Public Contract Code Section 10295.2(a) and Executive Order (EO) B-2-11. The certification must be signed by department Director (no designee signature will be accepted) and, where applicable, Agency Secretary or authorized designee. The certification shall include the date, title and signature of the person(s) authorizing the acquisition. The Director of DGS must approve all such purchases, subject to review by the Secretary of Government Operations Agency.

**Other Supporting Documents**

Departments should include with their request other documentation if it helps justify the acquisition. For example, if additional fleet assets are being requested that increase the size of the department’s fleet baseline, supporting documentation must be provided to substantiate the request for additional fleet assets. Such documentation may include, but is not limited to, a copy of an authorized budget change proposal, a Governor’s budget line item, or other documentation supporting an increase in staffing or workload corresponding with the need for additional fleet assets.

**Fire Truck Questionnaire** (as applicable)

This questionnaire requests additional supporting information and is required for the purchase of fire engines.

**Due Dates:**
Electronic copies of the FAP and all required applicable documents must be submitted to OFAM (email to FARSInfo@dgs.ca.gov) on or after the first day of the fiscal year (July 1st) for which the FAP is being submitted and no later than:

- First business day of February for one-time-buy acquisitions (Purchase Estimate Form STD. 66 and STD. 66A);
- First business day of April for master vehicle contract acquisitions, donations, and long-term rental/lease acquisitions.

(Continued)
ACQUISITION OF VEHICLES 4120 (Cont. 2) (New 2/2016)

Addendums to FAPs due to extraordinary circumstances (see Addendum to Fleet Acquisition Plan section below) will be accepted if the addendum is submitted to OFAM at least 45 working days prior to the end of a fiscal year and the applicable manufacturer’s cut-off dates.

Please note: All purchase estimates must be approved (stamped) by OFAM and submitted to DGS Procurement Division prior to April 1st. It is highly recommended that departments that intend to purchase assets with a Purchase Estimate Form (STD. 66 and STD. 66A) submit a FAP early in the fiscal year (prior to the February 1st deadline) to help ensure that DGS Procurement Division will be able to process requests in the same fiscal year. For a complete list of relevant fleet acquisition due dates, please see SAM Section 4127, Key Due Dates and Timeframes.

FLEET ASSET REPORTING 4120.1

State departments are required to comply with fleet reporting requirements pursuant to Public Resource Code Section 25722.5. Executive Order B-2-11 requires state departments to update their fleet asset information on a monthly basis, including fuel and utilization data. The fleet data is necessary for OFAM to complete and submit various reports mandated by the legislature and the federal government. Additionally, OFAM uses the fleet data entered into FAMS to conduct analysis on fleet asset requests. Consequently, beginning with FAPs submitted in FY 2015/16 and thereafter, OFAM will not process a department’s FAP if the department is not in compliance with required reporting for fleet asset with odometers. Please note reporting requirements apply to all fleet assets both with and without odometers. (An electronic copy of the list of Required Fields for Vehicles and Equipment required to be entered into FAMS can be found at the DGS website located at http://www.dgs.ca.gov/ofam/Programs/FARS/Vehicle Acq.aspx:)

PURCHASE ORDER STD. 65, 65A AND

PURCHASE ESTIMATE STD. 66, 66A 4120.2

(Please note: All purchase estimates must be approved (stamped) by OFAM and submitted to DGS Procurement Division prior to April 1st. It is highly recommended that departments that intend to purchase assets with a Purchase Estimate Form (STD. 66 and STD. 66A) submit a FAP early in the fiscal year (prior to the February 1st deadline) to help ensure that DGS Procurement Division will be able to process requests in the same fiscal year. For a complete list of relevant fleet acquisition due dates, please see SAM Section 4127, Key Due Dates and Timeframes.)
Upon approval by OFAM of a department’s FAP, the department may begin the purchasing process to acquire one or more of their approved fleet assets by submitting the appropriate purchasing documentation to OFAM. A department shall submit the *Purchasing Authority Purchase Order Form* (STD. 65 and STD. 65A) and *Purchase Estimate Form* (STD. 66 and STD. 66A) as applicable with a copy of the STD. 152 and Equipment *Inspection Form* (OFA 6), if applicable, to OFAM for the final “stamp of approval.”
FLEET ASSET APPROVAL EXPIRATION 4120.3

(New 2/2016)

The FAP, including any approved addendums, is valid for the fiscal year in which the plan was approved plus one additional fiscal year. Approved assets on a FAP requiring a STD. 66 and STD. 66A shall remain in effect for the fiscal year in which the plan was approved plus two additional years. Upon the expiration of an approved FAP for which approved assets were not purchased, departments are required to re-justify the need to acquire these asset(s) through submission of a new FAP and required documents.

ADDENDUMS 4120.4

(New 2/2016)

OFAM will accept addendums to an approved FAP from a department should fleet needs change during the course of the fiscal year due to extraordinary circumstances for which the department demonstrates an immediate need for the fleet assets. An example of an extraordinary circumstance would be an unexpected loss of a piece of equipment resulting in a need to purchase replacement equipment or to lease/rent equipment for more than 30 days. An addendum to a FAP must include all documents listed above, as applicable, and comply with fleet data reporting requirements in order to be processed.

LEASES/RENTALS 4120.5

(New 2/2016)

Vehicles rented or leased for over 30 consecutive calendar days or more than (4) consecutive work weeks (excluding weekends and holidays) are required to be approved through a department’s FAP prior to renting or leasing the vehicle.

Continually re-renting fleet assets week to week or with a short break after 30 days without seeking OFAM approval is prohibited.

TEMPORARY LEASES OF PASSENGER VEHICLES 4120.6

(New 2/2016)

If a department incurs significant damage to or loss of an owned passenger vehicle, DGS may provide a temporary DGS vehicle under specific circumstances. These
circumstances occur when the deadline to submit an acquisition request has passed and/or there are no state contracts for that vehicle type needed in effect. In these circumstances, the department can request approval from OFAM to temporarily lease a passenger vehicle until a new FAP can be submitted and the replacement vehicle is received. These temporary requests shall be in writing but do not require a department to submit or amend an existing FAP or provide the supporting documents. These requests will be considered by OFAM on a case-by-case basis and are subject to the availability of vehicles. A department will be required to include this leased DGS vehicle on its next FAP if this vehicle needs to be replaced. If a department should need to lease/rent a vehicle for less than 30 days, a department may use the state’s commercial rental contract without OFAM approval.
SUBSTITUTIONS

4120.7

In an effort to streamline the process, OFAM is establishing a substitution process to address a demonstrated, immediate business need to substitute an approved replacement asset and/or approved asset purchase. The substitution process shall only be used in limited circumstances. The substitution process shall not be used to circumvent the Fleet Acquisition Plan Addendum process.

In specific circumstances, a substitution for an approved replacement asset or approved asset purchase may be necessary. These circumstances include, and are limited to: a vehicle that is inoperable, not cost effective to repair, and/or stolen, and the department has a demonstrated immediate need to replace that fleet asset with one that was already approved on a FAP.

In limited circumstances a department may also substitute an approved fleet asset purchase for another type of fleet asset. Such substitution shall only occur when there is a demonstrated immediate need for the vehicle to be purchased and the needed vehicle is no longer available on the state contract, and/or if the fleet asset no longer meets the department’s business needs due to changes in program’s business needs for which the asset would be used (i.e., fleet assets tied to an emergency Executive Order, Declaration and/or legislation). Substitutions may only be performed on approved, current FAPs that have not expired. Substitution requests must be submitted on the Fleet Acquisition Substitution Form and include all required information (OFA 6, if applicable), justification, and signature by the department’s director. The substitution request must meet the required justification criteria and compliance with the Energy Policy Act (EPAct), Miles per Gallon (MPG) standard, and Executive Order B-16-12.

The substitution request shall be approved by the Chief of OFAM. (An electronic copy of the Fleet Acquisition Substitution Form can be found at the DGS website located at Fleet Acquisition Substitution Form.)

ABBREVIATED FAP PROCESS FOR NON-LIGHT DUTY FLEET ASSETS

4120.8
Replacement mobile equipment and vehicles (fleet assets), excluding aircraft, having a gross vehicle weight rating (GVWR) of 8,501 pounds or more, may be processed through an abbreviated Fleet Acquisition Plan (FAP) process. This abbreviated process replaces the traditional FAP Memo narrative with a shortened approval form and authorizes approval of eligible fleet asset acquisition requests by the Chief of the Department of General Services (DGS), Office of Fleet and Asset Management (OFAM) or by the Deputy Director of the DGS Interagency Support Division, as applicable. All requested fleet assets must still meet all applicable fleet policies and requirements.

(Continued)
ABBREVIATED FAP PROCESS FOR NON-LIGHT DUTY

FLEET ASSETS 4120.8 (Cont. 1)

(New 08/2017)

To use the abbreviated FAP process agencies will need to submit a complete FAP in the same manner they do now; combined with both light-duty asset (assets having a GVWR of 8,500 pounds or lower) and additional fleet asset requests. OFAM will identify the assets that meet the abbreviated process criteria, and will separate them out onto their own abbreviated FAP.

In addition, state agencies shall certify on the Fleet Acquisition Certification, in accordance with State Administrative Manual Section 4120, that a utilization analysis was conducted on all fleet assets that are like-type to those being processed through the abbreviated process, and that no assets could be redirected to meet that replacement fleet asset need. The utilization analysis shall be conducted and retained according to the following criteria:

1. Utilization analyses shall be conducted using the provided Fleet Utilization Analysis Template, and shall contain, at minimum, the following information:
   a. Each like type fleet asset included in the analysis with asset make and model, model year, equipment number and VIN
   b. Annual mileage or hours, as applicable
   c. Annual days used
   d. The applicable minimum annual utilization standard, as listed by department on the Fleet Utilization Analysis Template, and days used for each vehicle type
   e. Each asset clearly marked with which standard it meets
   f. Justifications detailing why underutilized assets are not available to be redirected and what measures the department is taking to ensure best
fleets management practices are implemented to increase utilization of the fleet asset.

g. The 12 month timeframe the utilization analysis covered, which shall be based on either the prior 12 months, or the previous calendar year.

2. A copy of the utilization analysis shall be retained by the conducting agency for a period of three years.

3. OFAM may, at any time, request a copy of the utilization analysis completed for a specified FAP.

4. State agencies not in compliance with the required utilization analysis standards and document retention requirements, may have their eligibility for the abbreviated FAP process revoked.

Fleet assets eligible to be processed through the abbreviated process are subject to the FAP due dates and timeframes noted in SAM Section 4127.
EXECUTIVE ORDER B-16-12 ZERO EMISSION PURCHASING MANDATE

(Revised 12/2016)

Pursuant to Executive Order (EO) B-16-12 state agencies are required to increase the number of zero emission vehicles (ZEV) within the state fleet through the normal course of fleet replacement so that at least 10 percent of fleet purchases of light-duty (LD) vehicles are ZEV by 2015 and 25 percent by 2020. In accordance with the Governor’s 2016 ZEV Action Plan, beginning in Fiscal Year (FY) 2017/2018, state agencies will be required to increase upon EO B-16-12’s 10 percent ZEV purchasing requirement by 5 percent each year through FY 2024/2025. As EO B-16-12 presently directs each state agency to ensure that at least 10% of its annual LD fleet purchases be a ZEV, a state agency will now be required to increase its annual LD ZEV purchasing as follows:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>EO B-16-12 ZEV Purchasing Requirements (CURRENT)</th>
<th>EO B-16-12 ZEV Purchasing Requirements (NEW)</th>
</tr>
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<tbody>
<tr>
<td>2014/2015</td>
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<td>10%</td>
</tr>
<tr>
<td>2015/2016</td>
<td>10%</td>
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<td>2024/2025</td>
<td>25%</td>
<td>50%</td>
</tr>
</tbody>
</table>

ZEVs include pure zero emission vehicles such as hydrogen fuel cell vehicles (FCVs) and battery electric vehicles (BEVs). Plug-in hybrid electric vehicles (PHEVs) are considered transitional ZEVs and may be partially considered toward the ZEV requirement. Additionally, medium duty (MD) and heavy duty (HD) ZEV and PHEV purchases may also be considered for the fulfillment of the LD ZEV requirement.
However, consideration towards the LD ZEV requirement will be based on their certified electric driving range established by the California Air Resources Board (CARB). See SAM Section 4121.3 “ZEV Credits and Credit Ratios”, for credit information and ranges.

To meet the expanded ZEV purchasing targets, beginning in FY 2017/2018 state agencies are required to purchase ZEVs (including Battery Electric, Fuel Cell, and Plug-In Hybrid) and Hybrid-Electric Alternative Fuel Vehicles (Hybrid AFVs), in designated light-duty vehicle categories, in lieu of light-duty vehicles that are powered solely by internal combustion engines utilizing fossil fuels and flex-fuel vehicles or bi-fuel vehicles powered by petroleum based fuels. See SAM Section 4121.1, “ZEV & Hybrid First Purchasing Mandate” for more details.

(Continued)
EXECUTIVE ORDER B-16-12 ZERO EMISSION

PURCHASING MANDATE 4121 (Cont.1)

(Revised 12/2016)

When submitting a FAP, agencies must demonstrate they have sufficient ZEV charging/fueling infrastructure to support their current and future ZEV purchases. See SAM Section 4121.6, “ZEV Infrastructure Readiness” for information necessary to sufficiently demonstrate proper ZEV charging/fueling infrastructure.

At least half (50 percent) of the vehicles required to comply with the ZEV purchasing mandate must be pure ZEVs, unless an agency meets the exemption criteria listed in SAM Section 4121.2 “50 Percent Pure ZEV Purchasing Exemption”.

LD vehicles having special performance requirements necessary for the protection of public safety and welfare are exempted from these mandates. See the SAM Section 4121.4 “EO B-16-12 Public Safety Special Performance Exemption” for details.

All FAPs that do not meet these new purchasing requirements will not be processed.
ZEV & HYBRID FIRST PURCHASING MANDATE

(New 12/2016)

**ZEV & Hybrid-Electric Alternative Fuel Vehicle First Purchasing Mandate**

Beginning in fiscal year (FY) 2017/2018, state agencies are required to prioritize purchasing of ZEVs (including Battery Electric, Fuel Cell, and Plug-In Hybrid) and Hybrid-Electric Alternative Fuel Vehicles (Hybrid AFVs), in designated light-duty vehicle categories where programmatically feasible. These purchases shall be prioritized over light-duty vehicles that are powered solely by internal combustion engines utilizing fossil fuels and flex-fuel vehicles or bi-fuel vehicles powered by petroleum based fuels and other alternative fuels, such as ethanol. Designated light-duty vehicle categories subject to this policy are listed on the Department of General Services (DGS), Office of Fleet and Asset Management’s (OFAM) website. The ZEV/Hybrid First purchasing requirement exists in addition to a department’s annual, light-duty ZEV purchasing requirements.

When submitting a fleet acquisition plan (FAP) to DGS for the acquisition of additional or replacement vehicles, as mandated in SAM Section 4120, state agencies shall select vehicles in light-duty categories subject to this policy based on the following priority structure:

Priority 1: Pure ZEVs (Battery Electric & Fuel Cell Vehicles) Priority 2: Plug-in Hybrid ZEVs

Priority 3: Hybrid-Electric Alternative Fuel Vehicles Priority 4: Internal Combustion and Bi/Flex-Fuel Vehicles

If requesting a vehicle subject to this policy in a Priority level other than Pure ZEV, agencies must be able to sufficiently demonstrate and justify why their programmatic transportation requirements could not be satisfied with a vehicle from each higher Priority level. Each requested drop in Priority level must be fully justified in accordance with criteria outlined in the “ZEV & Hybrid Priority Level Exemptions” section below.

This requirement does not apply to requests for vehicles with special performance requirements necessary for the protection of public safety and welfare.

**ZEV & Hybrid Priority Level Exemptions**

Agencies requesting exemptions from ZEV and Hybrid AFV Priority levels must submit justifications and/or certifications, in accordance with the guidelines below, with the agency’s Fleet Acquisition Plan (FAP) for each vehicle being exempted. To be approved for exemption from a Priority level, vehicles must meet one of the exemption criteria listed for that Priority level and agencies must provide the certification and/or justification required for that specific exemption.
ZEV & HYBRID FIRST PURCHASING MANDATE  4121.1
(New 12/2016)

Priority 1: Pure ZEVs (Battery Electric & Fuel Cell Vehicles)

Exemptions

- Range Limitations: vehicle requested is used more than 72 times in a 12-month period, or 36 times in a 3-month period, for trips lasting less than 24 hours that exceed the mileage range of the Pure ZEV on contract in that vehicle category, or;

- Charging/Fueling Availability: vehicle requested is used more than 72 times in a 12-month period, or 36 times in a 3-month period, for trips lasting more than 24 hours in locations with limited and/or unreliable fueling/charging stations, or;

- Cargo/Passenger Capacity: vehicle requested has a demonstrated need for cargo/passenger capacity that exceeds the capacity available in the Pure ZEV on contract in that vehicle category.

Required Certifications/Justifications

- Range Limitations
  - Directorate level certification, to be included on the FAP Certification, that the vehicle(s) being requested will be used more than 72 times in a 12-month period, or 36 times in a 3-month period, for trips lasting less than 24 hours that exceed the mileage range of the Pure ZEV on contract in that vehicle category, or;

- Charging/Fueling Availability
  - Directorate level certification, to be included on the FAP Certification, that the vehicle(s) being requested will be used more than 72 times in a 12-month period, or 36 times in a 3-month period, for trips lasting more than 24 hours in locations with limited and/or unreliable fueling/charging stations, or;

- Cargo/Passenger Capacity
  - Narrative justification demonstrating why the cargo/passenger capacity of a Pure ZEV on contract would not meet the agency’s operational needs. Justification must be comprehensive and should include the following:
SAM—TRANSPORTATION SERVICES

- Narrative describing the vehicle’s operational function and what about that function requires an increased cargo/passenger capacity, and;

- Detailed interior space or trunk space requirements, including the number of people being transported and/or a detailed listing of the items being transported that require increased space.
ZEV & HYBRID FIRST PURCHASING MANDATE  4121.1 (Cont.2)
(New 12/2016)

Priority 2: Plug-in Hybrid ZEVs

Exemptions

- Cargo/Passenger Capacity: vehicle requested has a demonstrated need for cargo/passenger capacity that exceeds the capacity available in the Plug-in Hybrid ZEV on contract in that vehicle category.

Required Certifications/Justifications

- Cargo/Passenger Capacity
  
  - Narrative justification demonstrating why the cargo/passenger capacity of a Plug-in Hybrid on contract would not meet the agency’s operational needs. Justification must be comprehensive and should include the following:
    
    - Narrative describing the vehicle’s operational function and what about that function requires an increased cargo/passenger capacity, and;
    
    - Detailed interior space or trunk space requirements, including the number of people being transported and/or a detailed listing of the items being transported that require increased space.

Priority 3: Hybrid-Electric Alternative Fuel Vehicles

Exemptions

- Environmental Impact: vehicle requested has a higher U.S. Environmental Protection Agency (EPA) Fuel Economy and Greenhouse Gas Emissions score (1 through 10 scale, with 10 being the best) than the contracted hybrid in that vehicle category.

Required Certifications/Justifications

- Comparison of the Environmental Protection Agency’s (EPA) Fuel Economy and Greenhouse Gas Emissions score for the requested vehicle to the EPA score of
SAM—TRANSPORTATION SERVICES

the comparable Hybrid-Electric AFV on statewide contract. EPA Fuel Economy and Greenhouse Gas Emissions scores can be found by:

  o Use the “Find a Car” feature on Fuel Economy Web Site to look up the vehicle for which you would like the score.

  o Once at the vehicle’s information page, click on the “Energy and Environment” tab to find the Greenhouse Gas Emissions score.

  o
50 PERCENT PURE ZEV PURCHASING EXEMPTION

(New 12/2016)

Beginning in FY 16/17, agencies that have integrated Zero Emission Vehicle (ZEV) compatible telematics solutions into 100 percent of their ZEV fleet and commit to providing DGS with monthly reporting demonstrating proper charging/fueling of these ZEVs shall be exempt from the 50 percent pure ZEV purchasing requirement.

Charging/fueling information captured by the telematics solution shall be uploaded monthly, in accordance with Executive Order (EO) B-2-11 and Public Resource Code Section 25722.5, into the Fleet Asset Management System (FAMS). The Department of General Services (DGS), Office of Fleet and Asset Management (OFAM) will monitor charging/fueling data to ensure proper use of ZEV assets.

ZEVs include plug-in electric vehicle such as Battery Electric Vehicles (BEV) and plug-in hybrid electric vehicles (PHEV) as well as Fuel Cell Vehicles (FCV). An ZEV capable vehicle telematics solution must be able to accurately report electricity, petroleum (as applicable), and hydrogen fuel usage, as well as other vehicle reporting data such as odometer information and days used on a monthly basis.

A telematics solution is a system that is installed in a vehicle that records and transmits information about the vehicle such as the current odometer, maintenance needs, and fuel consumption.
Zero Emission Vehicle (ZEV) Credits
ZEV credits earned and retained prior to July 1, 2017, are treated as State Agency ZEV Credits. State Agency ZEV Credits, which were earned as a result of purchasing more ZEVs than was required for a given fiscal year, may be used by the owning agency in subsequent years to meet applicable yearly mandatory ZEV acquisition requirements. Effective July 1, 2017 agencies will no longer acquire State Agency ZEV Credits for purchases that exceed the amount required for a given fiscal year; after July 1, 2017, all excess ZEV credits achieved will become statewide ZEV credits (see next section: Statewide ZEV Credits).

Please note, state agencies that have not received an exemption to the 50 percent Pure ZEV requirement through the installation of telematics on 100 percent of their ZEVs, as indicated in section 4121.2, may not use credits acquired from the purchase of plug-in hybrid vehicles (PHEV) credits to satisfy the 50 percent requirement.

Statewide ZEV Credits
As of July 1, 2017, any excess ZEV credits earned as the result of purchasing more ZEVs than was required in a given fiscal year will be treated as Statewide ZEV Credits. Statewide ZEV Credits will be tracked by the Department of General Services (DGS), Office of Fleet and Asset Management (OFAM). Statewide ZEV Credits will be used, if available, at the end of a given fiscal year to offset any statewide deficiency resulting from Operational Need Exemption (see next section: Operational Need Exemption) in meeting the state fleet’s overall ZEV purchasing requirements. Statewide ZEV credits may be used as either Pure ZEV or PHEV credits, regardless of which ZEV type was purchased to generate the original credit.

Operational Need Exemption
State agencies that meet applicable eligibility criteria (see next section: Operational Need Exemption Eligibility Criteria) may request an Operational Need Exemption from a given fiscal year’s ZEV purchasing requirements. To request an Operational Need Exemption, state agencies shall submit their request on an OFAM-190 form along with their Fleet Acquisition Plan (FAP). State agencies requesting an Operational Need Exemption that are not required to submit a FAP, due to having earned accreditation for Level Three fleet acquisition delegation, may submit a completed OFAM-190 form without a FAP once they have determined their annual light-duty purchases and ZEV purchasing requirements for a given fiscal year.

Operational Need Exemption Eligibility Criteria
To qualify for an Operational Need Exemption, state agencies must meet the following eligibility criteria:

(Continued)
1. The requesting state agency has sufficiently demonstrated that they are unable to purchase the requisite number of ZEVs to meet that fiscal year’s applicable purchasing threshold. DGS shall make the final determination that a state agency has sufficiently demonstrated that they are unable to purchase the requisite number of ZEVs to meet that fiscal year’s applicable purchasing thresholds. To make that determination, DGS will primarily use the following criteria:
   a. A full light duty fleet composition analysis has been conducted by DGS and the requesting agency, which demonstrates that all opportunities for replacement of eligible vehicles that could be converted to ZEVs, have been exhausted.
   b. The requesting state agency has certified on the OFAM-190 form that there are no opportunities for vehicle replacement downgrades or re-directions that could increase their ability to comply with the annual ZEV purchasing threshold.
   c. The requesting state agency shall have exhausted all of their applicable State Agency ZEV credits.

2. The following criteria will not be used in determining a state agency’s eligibility:
   a. Lack of sufficient charging infrastructure
   b. Cost to procure the ZEVs

### ZEV Credit Ratios

#### Light Duty (LD) and Heavy Duty (HD) ZEV and PHEV Ratio Table

<table>
<thead>
<tr>
<th>Vehicle Type</th>
<th>Minimum Range</th>
<th>Maximum Range</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Battery Electric Vehicle</td>
<td>Not Applicable</td>
<td>Not Applicable</td>
<td>1:1</td>
</tr>
<tr>
<td>Low-Range PHEV</td>
<td>10</td>
<td>19</td>
<td>5:1</td>
</tr>
<tr>
<td>Mid-Range PHEV</td>
<td>20</td>
<td>34</td>
<td>3:1</td>
</tr>
<tr>
<td>Long-Range PHEV</td>
<td>35</td>
<td>49</td>
<td>2:1</td>
</tr>
<tr>
<td>Extra Long-Range PHEV</td>
<td>50</td>
<td>Not Applicable</td>
<td>1:1</td>
</tr>
</tbody>
</table>

(Continued)
## Medium Duty (MD) and Heavy Duty (HD) ZEV and PHEV Ratio Table

<table>
<thead>
<tr>
<th>Vehicle Type</th>
<th>Minimum Range</th>
<th>Maximum Range</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>MD (^2) ZEV</td>
<td>Not Applicable</td>
<td>Not Applicable</td>
<td>1:1.5</td>
</tr>
<tr>
<td>HD (^3) ZEV</td>
<td>Not Applicable</td>
<td>Not Applicable</td>
<td>1:3</td>
</tr>
<tr>
<td>MD ZEV</td>
<td>100</td>
<td>Not Applicable</td>
<td>1:1</td>
</tr>
<tr>
<td>HD ZEV</td>
<td>100</td>
<td>Not Applicable</td>
<td>1:2</td>
</tr>
<tr>
<td>MD ZEV</td>
<td>50</td>
<td>Less than 100</td>
<td>2:1</td>
</tr>
<tr>
<td>HD ZEV</td>
<td>50</td>
<td>Less than 100</td>
<td>1:1</td>
</tr>
<tr>
<td>MD ZEV</td>
<td>30</td>
<td>Less than 50</td>
<td>3:1</td>
</tr>
<tr>
<td>HD ZEV</td>
<td>30</td>
<td>Less than 50</td>
<td>1.5:1</td>
</tr>
<tr>
<td>HD Bucket Truck (conventional ICE) with Electric Power Takeoff (ePTO)</td>
<td>Not Applicable</td>
<td>Not Applicable</td>
<td>12:1</td>
</tr>
</tbody>
</table>

### Note

1. For example, a 1:3 ratio means each corresponding Class 4-8 HD ZEV is equivalent to 3 LD ZEVs.
2. Medium Duty includes Class 2B-3 Gross Vehicle Weight Rating (GVWR) from 8,501 to 14,000 lbs.
3. Heavy Duty includes Class 4-8, GVWR greater than 14,000 lbs.
EO B-16-12 specifies that only public safety vehicles with special performance requirements are exempted from a state agency’s annual zero emission vehicle (ZEV) purchasing requirements. Governor Brown’s 2016 ZEV Action Plan requires the Department of General Services (DGS) to evaluate and provide further guidance to agencies as to the appropriate circumstances under which the public safety exemption should be invoked so as to ensure that ZEVs are integrated into public safety mobile assets wherever feasible.

Accordingly, when evaluating the invocation of this exemption for a specific light-duty vehicle within its fleet, a state agency must be able to demonstrate that:

1) The vehicle is an authorized emergency vehicle pursuant to California Vehicle Code §165; and,
2) The vehicle, pursuant to California Vehicle Code §21055, may be
   a. driven in response to an emergency call or while engaged in rescue operations, or
   b. driven in immediate pursuit of an actual or suspected violator of the law,
   c. driven in response to, but not returning from, a fire alarm, or
   d. operated from one place to another as rendered desirable or necessary by reason of an emergency call and operated to the scene of the emergency, or
   e. operated from one fire station to another or to some other location by reason of the emergency call; and,
3) The vehicle must be able to reach the anticipated emergency location within 30 minutes to no more than 1 hour.
4) Where emergency response is not the primary purpose of a vehicle, a state agency must be able to demonstrate that the specific vehicle may be used as part of an established mutual aid agreement that would necessitate an emergency response as outlined above.
Agencies shall submit a public safety special performance exemption justification either through the EO B-16-12 Public Safety Special Performance Exemption Request form located on the DGS website or include the agency justification in the Fleet Acquisition Plan Spreadsheet. Agencies are expected to evaluate their entire light-duty fleet for every opportunity to incorporate ZEVs over traditional vehicles. (An electronic copy of the EO B-16-12 Public Safety Special Performance Exemption Request Form can be found at the DGS website located at Office of Fleet and Asset Management Web Site.)
ZEV ACQUISITION PROCESS 4121.5

(New 12/2016)

ZEV Purchase Orders

To ensure approved ZEVs are purchased and agencies comply with applicable annual ZEV purchasing requirements, purchase orders for ZEVs must be issued within the same fiscal year or three months after receiving a FAP approval, whichever is later.

Abbreviated ZEV Acquisition Process

To expedite the purchase of ZEVs OFAM has established an abbreviated FAP process for ZEV requests that can be submitted separate from an agency’s full FAP. To use the expedited ZEV process agencies will need to submit a completed Fleet Acquisition Plan Spreadsheet listing all the ZEVs being requested to be purchased. In addition agencies will need to provide a completed and signed Fleet Acquisition Certification for the ZEV vehicles. Expedited ZEV requests shall include the same level of justification for additional vehicles and meet the disposition criteria for vehicle replacements. ZEV requests processed under this method will be approved by the Chief of OFAM. ZEV purchases approved through this process will be reconciled with the agency’s full FAP to ensure overall compliance.

ZEV INFRASTRUCTURE READYNESS 4121.6

(New 12/2016)

When submitting a Fleet Acquisition Plan (FAP) to the Department of General Services (DGS), Office of Fleet and Asset Management (OFAM), state agencies must be able to demonstrate sufficient zero emission vehicle (ZEV) charging infrastructure (to support an agency’s existing and requested ZEV’s) in order to receive approval.

To demonstrate sufficient ZEV charging infrastructure, agencies must submit answers to the following applicable questions with their FAP. Please see the Fleet Acquisition Plan Narrative Instructions form for more details.

1. What is the address of the location where this vehicle will be domiciled at (please provide this address on the FAP spreadsheet in the column titled “ZEV Domicile Address”)?
2. How many electric vehicle (EV) chargers (broken down by charger type) are currently installed at the vehicle’s anticipated domicile location?

3. Are the EV chargers single or dual capacity?

4. Does the facility utilize a charging rotation schedule?

5. Are there any other electric charging outlets that could be, or are being, used for EV charging?

6. Are any EV charging stations being currently installed and, if so, when is the anticipated completion date of the installation?

7. How many plug-in electric vehicles are currently domiciled at the anticipated location?

8. For requested Fuel Cell Vehicles, where is the closest Hydrogen Fueling Station?
A. Restriction on Purchases of Internal Combustion Engine Sedans

State agencies are prohibited from purchasing sedans powered solely by an internal combustion engine utilizing fossil fuels, as well as sedans powered by flex-fuel or bi-fuel engines utilizing petroleum-based fuels and other alternative fuels, such as ethanol. This prohibition does not include sedans powered by a hybrid electric-powered engine.

To receive an exemption to this policy, state agencies must meet the criteria outlined in Subsection B.

B. Public Safety Special Performance Exemption

State agencies that can sufficiently demonstrate the need for one or more vehicles with special performance requirements necessary for the protection of public safety and welfare shall not be subject to the restriction on purchases of internal combustion engine sedans outlined in Subsection A. When invoking the Public Safety Special Performance (PSSP) exemption, state agencies must submit sufficient justification with the agency's fleet acquisition plan that demonstrates:

1. the sedan qualifies for the PSSP exemption, per State Administrative Manual Section 4121.4; and
2. the sedan being requested is either pursuit-rated or has non-exempt license plates and is used for undercover purposes.
A. California Air Resources Board Aligned Vehicle Manufacturer Purchasing Mandate

Beginning January 1, 2020, state agencies are required to purchase vehicles from Original Equipment Manufacturers (OEMs) that recognize California’s authority to set vehicle emission standards under section 209 of the Clean Air Act, and have aligned with the California Air Resources Board (CARB) in their commitment to reducing their fleets’ emissions, pursuant to the policies set forth in this section. A current list of CARB-aligned OEMs can be found on the Department of General Services (DGS), Office of Fleet and Asset Management (OFAM) website (https://www.dgs.ca.gov/OFAM/Resources/Page-Content/Office-of-Fleet-and-Asset-Management-Resources-List-Folder/Vehicle-Manufacturer-Purchasing-Restrictions).

Pursuant to SAM Section 4120, state agencies are required to submit a fleet acquisition plan (FAP) to DGS when seeking to add or replace vehicles within their fleets. When submitting a FAP to DGS, state agencies shall select vehicles from DGS-issued state vehicle contracts, in designated vehicle categories subject to this policy, based on the following priority structure:

- Priority Level 1: Vehicles from CARB-aligned OEMs.
- Priority Level 2: Vehicles from non-CARB-aligned OEMs.

Designated vehicle categories subject to this policy are listed on the DGS OFAM website (https://www.dgs.ca.gov/OFAM/Resources/Page-Content/Office-of-Fleet-and-Asset-Management-Resources-List-Folder/Vehicle-Manufacturer-Purchasing-Restrictions). In vehicle categories where there is no available Priority Level 1 vehicle, state agencies must meet the exemption criteria outlined in Subsection B to purchase a Priority Level 2 vehicle.

State agencies requesting to purchase a Priority Level 2 vehicle, where there is a Priority Level 1 vehicle available in the same vehicle category, must be able to sufficiently demonstrate why their programmatic transportation requirements could not be satisfied with the available Priority Level 1 vehicle. To be approved for exemption from Priority Level 1, the purchase request must be fully justified in accordance with criteria outlined in Subsection B.

(Continued)
B. CARB-Aligned OEM Vehicle Priority Level Exemptions

Agencies requesting an exemption from procuring a CARB-aligned OEM Level 1 vehicle must submit a justification for each non-CARB-aligned OEM Level 2 vehicle being requested with the agency’s FAP. Exemptions will only be considered and approved under limited circumstances and will require final approval by the director of the Department of General Services, subject to review by the secretary of the California Government Operations Agency. For an exemption to be approved, state agencies must provide justification that sufficiently demonstrates:

1) the acquisition of a Priority Level 1 vehicle would have a severe and extended impact to the agency’s ability to execute its programmatic responsibilities; and
2) the requested acquisition is necessary to protect the health, safety, or security of the public or is necessary to provide critical services and functions; and
3) the requested acquisition cannot be supported with an existing fleet asset; and
4) the requested acquisition is urgently required to ensure the state’s ability to execute its programmatic responsibilities and cannot be postponed to subsequent years.

C. Public Safety Special Performance Exemption

State agencies that can sufficiently demonstrate the need for one or more vehicles with special performance requirements necessary for the protection of public safety and welfare shall not be subject to the CARB-Aligned Vehicle Manufacturer Purchasing Mandate outlined in Subsection A. When invoking the Public Safety Special Performance (PSSP) exemption, state agencies must submit sufficient justification with the agency’s FAP that demonstrates:

1) the requested acquisition(s) is necessary to protect the health, safety, or security of the public or is necessary to provide critical services and functions; and
2) the requested acquisition(s) meets the PSSP criteria outlined in SAM Section 4121.4.

Note: This purchasing policy shall take precedence over all other non-statutorily mandated fleet purchasing policies.
Note: This purchasing policy shall take precedence over all other non-statutorily mandated fleet purchasing policies.
DONATIONS AND GIFT OF FLEET ASSETS  4123
(New 2/2016)

Pursuant to Government Code Section 11005 all gifts or dedication of personal property shall be approved by the Director of the Department of Finance (Finance). OFAM request that Finance approval be included with a department FAP that includes donated assets. However, in the event that Finance approval is not obtained prior to submittal of the FAP, OFAM will process the request and recommend a conditional approval until the department is able to obtain Finance approval. OFAM will also notify Finance of the donated assets and conditional approval. Departments shall submit the Finance approval to OFAM once approved.

VEHICLE INSPECTIONS  4124
(New 2/2016)

All vehicles shall be inspected for acceptance at the delivering dealer’s place of business prior to delivery to the purchasing State agency. See SAM Section 4112. This inspection determines that all specifications are met and that the dealer has performed properly the pre-delivery inspection and servicing. The DGS will provide the services of Inspectors of Automotive Equipment to perform the acceptance inspection prior to delivery for all departments in the Inspection Services Program. The owning agency, on receipt of vehicle, should check for any damage incurred in transit from dealer to point of delivery. It is the owning agency's responsibility to license the vehicles and put them in service.

STATE FLEET ASSET OVERSIGHT  4125
(New 10/2019)

OVERVIEW

Pursuant to Executive Order B-2-11 (https://www.ca.gov/archive/gov39/2011/01/28/news16890/index.html), state agencies are required to update their fleet asset information into Department of General Services Office of Fleet and Asset Management (OFAM)’s Fleet Asset Management System (FAMS) on a monthly basis, including fuel and utilization data. This policy applies to all fleet assets (owned or rented) that are in the agency’s control for more than 30 consecutive calendar days or more than four (4) consecutive work weeks (excluding weekends and holidays). State agencies are required to seek OFAM approval prior to acquiring a fleet asset. See SAM section 4120 Acquisition of Vehicles (https://www.dgsapps.dgs.ca.gov/dgs/sam/DocumentsDetail/DetailByChapter/4100) for state fleet asset acquisition policy in accordance with Government Code section
DEFINITION OF FLEET ASSETS
OFAM defines a fleet asset as: mobile equipment that is self-propelled and/or registered by the Department of Motor Vehicles with certain exceptions (see chart below).

FLEET ASSET ACQUISITION AND REPORTING INCLUSIONS & EXCLUSIONS

<table>
<thead>
<tr>
<th>Ref. #</th>
<th>Asset Type</th>
<th>Acquisition Requires OFAM Approval¹</th>
<th>Reporting FAMS Data Required²</th>
<th>OFAM Inspection Services Required³</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Aircraft</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>2</td>
<td>Motorized Boats/Watercraft⁴</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>3</td>
<td>Non-motorized Boats/Watercraft</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>4</td>
<td>Farm and Construction Equipment</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>5</td>
<td>Heavy-duty Vehicles (14,000 GVWR or more)</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>6</td>
<td>Medium-duty Vehicles (8,501 – 13,000 GVWR)</td>
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<td>Yes</td>
<td>Yes</td>
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<tr>
<td>7</td>
<td>Light-duty Vehicles (8,500 or less GVWR)</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>8</td>
<td>Light-duty off road equipment⁵</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>9</td>
<td>Mobile Carts (manufacturer rated below 35 mph)</td>
<td>Delegated</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>10</td>
<td>Trailers (2,999 lbs GVWR or less)⁶</td>
<td>Delegated</td>
<td>Yes</td>
<td>No</td>
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<tr>
<td>11</td>
<td>Trailers (3,000 lbs GVWR or above)⁷</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

¹ Authority to acquire those asset types identified as “delegated” without OFAM oversight/approval is provisional.
² See Required FAMS Fields Table.
³ Excludes departments with OFAM approval to conduct self-inspections.
⁴ Outboard boat motors are not their own fleet asset, and their purchase or replacement is treated as a repair or modification to a motorized boat.
⁵ Including but not limited to: motorcycles, ATVs, quad-runners, snowmobiles, etc.
⁶ Pertains to the small trailers only, and not the equipment mounted on trailers, e.g.: generators, welders, signs, message boards, kettle pots, outhouses, etc. Assets carried on trailers such as: motorcycles, snowmobiles, ATVs, etc., are considered fleet assets and are referenced separately.
⁷ The California Vehicle Code §26302, requires trailers having a gross weight of 3,000 lbs. or more be equipped with brakes. A mobile home or mobile office that is not permanently parked is considered a trailer.
<table>
<thead>
<tr>
<th>Ref. #</th>
<th>Asset Type</th>
<th>Acquisition Requires OFAM Approval¹</th>
<th>Reporting FAMS Data Required²</th>
<th>OFAM Inspection Services Required³</th>
</tr>
</thead>
<tbody>
<tr>
<td>12</td>
<td>Mobile Home or Office (only if permanently parked. If moved, use trailer footnote)</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>13</td>
<td>Indoor Fork Lift</td>
<td>Delegated</td>
<td>Limited (See Required FAMS Field Table)</td>
<td>No</td>
</tr>
<tr>
<td>14</td>
<td>Outdoor Fork Lift</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>15</td>
<td>Electric Pallet Jack</td>
<td>No</td>
<td>No</td>
<td>No</td>
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<tr>
<td>16</td>
<td>Floor Scrubber</td>
<td>Delegated</td>
<td>Limited (See Required FAMS Field Table)</td>
<td>No</td>
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<tr>
<td>17</td>
<td>Self-Propelled Lawn Mower (25 hp or more)</td>
<td>Yes</td>
<td>Limited (See Required FAMS Field Table)</td>
<td>Yes</td>
</tr>
<tr>
<td>18</td>
<td>Self-Propelled Lawn Mower (24 hp or less)</td>
<td>No</td>
<td>No</td>
<td>No</td>
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<tr>
<td>19</td>
<td>Personnel Lift</td>
<td>Delegated</td>
<td>Limited (See Required FAMS Field Table)</td>
<td>No</td>
</tr>
</tbody>
</table>

Rev. 444
# SAM—TRANSPORTATION SERVICES
## REQUIRED FAMS FIELDS
### For Assets with Limited Reporting Requirements

[Indoor Fork Lifts, Personnel Lifts and Self-Propelled Lawn Mowers (25HP or more)]

### REQUIRED FAMS FIELDS TABLE

<table>
<thead>
<tr>
<th>REQUIRED FIELDS</th>
<th>REASON REQUIRED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equipment Number</td>
<td>Asset Identification</td>
</tr>
<tr>
<td>Vehicle Category</td>
<td>Required for Mobile Equipment Report</td>
</tr>
<tr>
<td>Model Year</td>
<td>Asset Identification</td>
</tr>
<tr>
<td>VIN (enter serial number here)</td>
<td>Asset Identification</td>
</tr>
<tr>
<td>Make</td>
<td>Asset Identification</td>
</tr>
<tr>
<td>Model</td>
<td>Asset Identification</td>
</tr>
<tr>
<td>Vehicle Location Zip Code</td>
<td>Asset Identification</td>
</tr>
<tr>
<td>Agency Billing Code</td>
<td>Required for Mobile Equipment Report</td>
</tr>
<tr>
<td>Vehicle Type</td>
<td>Required for Mobile Equipment Report</td>
</tr>
<tr>
<td>GVWR Range</td>
<td>Informational Item</td>
</tr>
<tr>
<td>Fuel Type</td>
<td>Informational Item</td>
</tr>
<tr>
<td>Engine Configuration</td>
<td>Informational Item</td>
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<tr>
<td>Confidential Asset</td>
<td>FAMS Required</td>
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<tr>
<td>Primary Application</td>
<td>Required to track asset use type</td>
</tr>
<tr>
<td>Acquisition Delivery Date</td>
<td>Required to track asset activity</td>
</tr>
<tr>
<td>Acquisition Method</td>
<td>Required to differentiate a purchase from a lease</td>
</tr>
<tr>
<td>Acquisition Reason</td>
<td>Required to differentiate an additional asset from a replacement asset</td>
</tr>
<tr>
<td>Purchase Price</td>
<td>Informational Item</td>
</tr>
<tr>
<td>Disposition Date ( (date vehicle leaves the facility) )</td>
<td>Required to track asset activity</td>
</tr>
<tr>
<td>Disposition Method</td>
<td>Required to obtain method of disposition</td>
</tr>
<tr>
<td>Disposition Sold Amount</td>
<td>Informational Item</td>
</tr>
</tbody>
</table>
To ensure that the state maximizes its resources and that state-owned fleet vehicle assets (fleet assets) are replaced at the most economical mileage and age thresholds, it is recommended that state agencies adhere to the following replacement criteria for fleet assets. Once a fleet asset has met the vehicle age or vehicle mileage criteria listed below, it will be at a state agency’s discretion to replace the fleet asset – though vehicle replacement at or near the thresholds is highly advised. These replacement standards are based upon optimum replacement threshold recommendations developed in a 2016 Vehicle Replacement Methodology report. Vehicle condition may also affect replacement.

Age and Mileage

Fleet assets that fall within the listed vehicle categories below and meet the applicable age or mileage threshold, whichever comes first, are eligible for replacement.

<table>
<thead>
<tr>
<th>Vehicle Type</th>
<th>Age of Vehicle (in months)</th>
<th>Vehicle Mileage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vehicles with Gross Vehicle Weight Rating (GVWR) up to 8,500 Pounds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Law Enforcement Vehicles</td>
<td>60</td>
<td>100,000</td>
</tr>
<tr>
<td>Sedans</td>
<td>72</td>
<td>65,000</td>
</tr>
<tr>
<td>Mini Vans</td>
<td>96</td>
<td>80,000</td>
</tr>
<tr>
<td>Cargo Vans</td>
<td>60</td>
<td>65,000</td>
</tr>
<tr>
<td>Pickup Trucks</td>
<td>60</td>
<td>65,000</td>
</tr>
<tr>
<td>Sport Utility Vehicles</td>
<td>84</td>
<td>85,000</td>
</tr>
<tr>
<td>Vehicles with GVWR of 8,501 – 16,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Law Enforcement Vehicles</td>
<td>60</td>
<td>100,000</td>
</tr>
<tr>
<td>All Trucks, Vans, and SUVs</td>
<td>72</td>
<td>70,000</td>
</tr>
<tr>
<td>Vehicles with GVWR of 16,001 – 26,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>All Trucks, Vans, and SUVs</td>
<td>132</td>
<td>115,000</td>
</tr>
</tbody>
</table>

Vehicle Condition

A fleet asset may be disposed of or replaced when it is determined that due to the asset’s condition it would be cost-effective to do so, regardless of age or mileage. To determine whether a fleet asset should be disposed of or can be safely and economically continued in service, an evaluation must be conducted by an Inspector of Automotive Equipment (IAE). If it is determined by the IAE that a fleet asset should be disposed of or replaced, an OFA-6: Inspection Survey Report form shall be provided to the Department of General Services’, Office of Fleet and Asset Management.
REPLACEMENT SCHEDULE CRITERIA

(Continued)

The decision whether to retain, reutilize, or dispose of any fleet asset not meeting the minimum replacement criteria shall be based on an inspection of the following factors:

- Current mechanical condition;
- Previous maintenance and repair record;
- Extent of needed repairs and availability of parts and life expectancy of vehicle after repair;
- Current sale value;
- Cost and availability of replacement unit and accessories;
- Owning agency’s ability to replace unit.

All fleet assets being disposed of require a Property Survey Report STD. 152.
Fleet Acquisition Plan (FAP) Due Dates:

Electronic copies of the FAP [and all required applicable documents, as detailed in State Administrative Manual (SAM) Section 4120] must be submitted to OFAM (email to FARSInfo@dgs.ca.gov) on or after the first day of the fiscal year (July 1st) for which the FAP is being submitted and no later than:

- First business day of February for one-time-buy acquisitions (Purchase Estimate Form STD. 66 and STD. 66A);
- First business day of April for master vehicle contract acquisitions, donations, and long-term rental/lease acquisitions.

FAP Due Dates Timeline:

Fleet Asset Approval Expirations:
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- The FAP, including any approved addendums, is valid for the fiscal year in which the plan was approved plus one additional fiscal year.

- Approved assets on a FAP requiring a STD. 66 and STD. 66A shall remain in effect for the fiscal year in which the plan was approved plus two additional years.

Upon the expiration of an approved FAP for which approved assets were not purchased, departments are required to re-justify the need to acquire these asset(s) through submission of a new FAP and required documents.

KEY DUE DATES AND TIMEFRAMES 4127 (Cont. 1) (New 2/2016)

Timeframe for ZEV Purchase Orders Approval:

Purchase orders for ZEVs must be issued within the same fiscal year or three months after receiving a FAP approval, whichever is later.
This chapter provides major policy for the state's Public Safety communications systems and services. The program includes, but is not limited to, design, engineering, acquisition, installation, maintenance, and operation of the state's Public Safety communications systems and facilities; establishing policies, standards, practices, and procedures for managing public safety communications systems and services; and developing strategic and tactical policies and plans for statewide Public Safety communications.

This program ensures that statewide public safety communications management is timely and efficient. It also ensures that the specialized communications needs of public safety are met. This is accomplished through policies that maximize the state's resources and direct the consolidation and joint use of communications systems and services where it makes economic, programmatic, and technical sense to do so.

Directives, procedures, and service information for complying with this policy are contained in the Public Safety Communications Services Guide (PSCSG). The PSCSG is available from the Department of General Services, Office of Public Safety Communications Services, located at 601 Sequoia Pacific Boulevard, Sacramento, CA 95814, or on the Web Site at http://www.caloes.ca.gov/psc/pages/psc.aspx.

See SAM Section 0030 for contact names and telephone numbers.
Government Code Sections 15252 through 15253 authorizes Office of Emergency Services (OES) to improve and coordinate the use of radio and other communications facilities owned and operated by the state, and to coordinate and cooperate with cities, counties, and other political subdivisions thereof, in order to eliminate duplications and interferences, to bring about economies which could not otherwise be obtained.

Government Code Section 15275 authorizes OES to:

a. Provide adequate representation of local and state governmental bodies and agencies before the Federal Communications Commission in matters affecting the state and its cities, counties, and other public agencies regarding public safety communications issues.

b. Provide, upon request, adequate advice to state and local agencies in the state concerning existing or proposed public safety communications facilities between any and all of the following: cities, counties, other political subdivisions of the state, state departments, agencies, boards, and commissions, and departments, agencies, boards, and commissions of other states and federal agencies.

c. Recommend to the appropriate state and local agencies rules, regulations, procedures, and methods of operation that it deems necessary to effectuate the most efficient and economical use of publicly owned and operated public safety communications facilities within this state.

d. Provide, upon request, information and data concerning the public safety communications facilities which are owned and operated by public agencies in connection with official business of public safety services including information required to be submitted to California Department of Technology pursuant to California Emergency Services Act, Government Code 8592.35.

e. Carry out the policy of this section. (Continued)
Government Code Section 15277 establishes within OES, a Public Safety Communications Division (division) whose duties shall include, but not be limited to, all of the following:

a) Assessing the overall long-range public safety communications needs and requirements of the state considering emergency operations, performance, cost, state-of-the-art technology, multiuser availability, security, reliability, and such other factors deemed to be important to state needs and requirements.

b) Developing strategic and tactical policies and plans for public safety communications with consideration for the systems and requirements of the state and all public agencies in the state, and preparing an annual strategic communications plan that includes the feasibility of interfaces with federal and other state telecommunications networks and services.

c) Recommending industry standards for public safety communications systems to assure multiuser availability and compatibility.

d) Providing advice and assistance in the selection of communications equipment to ensure that the public safety communications needs of state agencies are met and that procurements are compatible throughout state agencies and are consistent with the state's strategic and tactical plans for public safety communications.

e) Providing management oversight of statewide public safety communications systems developments.

f) Providing for coordination of, and comment on, plans, policies, and operational requirements from departments that utilize public safety communications in support of their principal function, such as the Office of Emergency Services, National Guard, health and safety agencies, and others with primary public safety communications programs.
g) Monitoring and participating on behalf of the state in the proceedings of federal and state regulatory agencies and in congressional and state legislative deliberations that have an impact on state government public safety communications activities.

h) Developing plans regarding teleconferencing as an alternative to state travel during emergency situations.

(Continued)
i) Ensuring that all radio transmitting devices owned or operated by state agencies and departments are licensed, installed, and maintained in accordance with the requirements of federal law. A request for a federally required license for a state-owned radio transmitting device shall be sought only in the name of the “State of California.”

j) Acquiring, installing, equipping, maintaining, and operating new or existing public safety communications systems and facilities for public safety agencies. To accomplish that purpose, the division is authorized to enter into contracts, obtain licenses, acquire property, install necessary equipment and facilities, and do other necessary acts to provide adequate and efficient public safety communications systems. Any systems established shall be available to all public agencies in the state on terms that may be agreed upon by the public agency and the division.

k) Acquiring, installing, equipping, maintaining, and operating all new or replacement microwave communications systems operated by the state, except microwave equipment used exclusively for traffic signal and signing control, traffic metering, and roadway surveillance systems. To accomplish that purpose, the division is authorized to enter into contracts, obtain licenses, acquire property, install necessary equipment and facilities, and do other necessary acts to provide adequate and efficient microwave communications systems. Any system established shall be available to all public safety agencies in the state on terms that may be agreed upon by the public agency and the division.

OFFICE OF PUBLIC SAFETY COMMUNICATIONS SERVICES

The Office of Public Safety Communications Services (OPSCS) provides a number of services designed to support public safety agency requirements for systems and services in a cost-effective manner to the state as a whole. Specific information on the services, their availability, rates, and ordering procedures are found in the PSCSG.
CONSOLIDATED SERVICES. Refers to Public safety communications systems and services provided either directly or via contract by DGS designed to serve multiple agencies within a geographic area. Services include communications engineering design, project management, installation, maintenance, and operations. Specific systems offered by the Office include the Public Safety Microwave network as well as the California Multi Agency Radio System (CMARS).

SYSTEMS AND SERVICES. Refers to a compilation of communications equipment, staff, or contracts configured to provide end-to-end communications for Public Safety agencies.

COMMUNICATIONS. Refers to the transmission of information by electronic means. This includes telephone, data, radio, microwave, lightwave, video, facsimile, and other forms of electronic transmission.

PUBLIC SAFETY AGENCIES. Refers to state agencies whose responsibilities include the safety and protection of life and property within California. That includes agencies connected with official business of law enforcement services, fire services, natural resources services, agricultural services, highway maintenance, transportation, critical infrastructure, and those that are in control of the state or of cities, counties, and other political subdivisions during an emergency, such as the Office of Emergency Services, National Guard, health and safety agencies, and others with primary public safety programs.
State Public Safety agencies are responsible for the effective use and management of communications in accordance with the policies, directives, and procedures established in SAM and the PSCSG.

Heads of state agencies and institutions should:

a. Ensure that systems and services are efficiently used to support Public Safety agency programs.

b. Assess and plan for agency Public Safety communications needs and communicate those needs to the Office of Public Safety Communications Services (OPSCS).

c. Ensure that projects that require OPSCS involvement are made known during the earliest planning stages.

d. Work with OPSCS to make sure that projects have sufficient funding.

e. Establish policies and controls within the agency related to agency use of Public Safety communications.

f. Establish a Public Safety communications management function within the agency that is responsible for

g. representing the organization in Public Safety communications matters. Provide OPSC with the name of the person designated as the primary contact for the agency.

Specific directives, procedures, and recommended policies are found in the PSCSG.
As required by SAM, a feasibility study may be required prior to the encumbrance or expenditure of funds on defined information technology projects. If an information technology project also incorporates public safety communications services or equipment, a copy of the FSR should be sent to OPSCS at the same time as the original is submitted for approval per SAM.

Details on submitting copies of the FSR to OPSCS can be found in the PSCSG.
Effective communications is essential to the conduct of state government's public safety activities. Government Code Section 15277 requires OPSCS to develop strategic and tactical plans for systems and services considering the requirements of state agencies, counties, and other local jurisdictions. For OPSCS to plan effectively, it must rely on input from public safety agencies.

Therefore, each public safety agency that uses or plans to use communications systems or services shall submit an up-to-date plan to OPSCS. The plan should describe the public safety agency's needs for new or modified communications programs, projects, equipment, or services.

Procedures for developing and filing Public Safety Communications Plans are found in the PSCSG.

When there is a state emergency, the Governor may direct the Office of Emergency Services to take control of some or all of the state’s communications services. When this occurs, OPSCS shall respond directly to the Office of Emergency Services and may not be able to provide routine services.

The engineering, installation or modification, and maintenance of state-owned or state-leased public safety communications systems are accomplished through OPSCS.
SAM—TRANSPORTATION SERVICES

All state microwave equipment must be budgeted, purchased, owned, maintained, and managed by OPSCS. The only exception is where microwave is to be used exclusively for traffic signal and signing control, traffic metering, or roadway surveillance.

PUBLIC SAFETY COMMUNICATIONS SERVICES

(Revised 03/06)

Public Safety agencies are required to utilize services and contracts provided by the OPSCS to obtain all forms of public safety communications, including voice, video, radio, and data services.

Use of Consolidated Services

Communications is an essential element to the successful delivery of public safety services within state government. The state’s public safety communications infrastructure should be leveraged to streamline processes, enhance interagency and intergovernmental coordination, and rapidly deliver quality services to the people of California.

Enabling communications technology is expensive and requires highly skilled, trained staff to manage and operate. The ability to spread the costs for the purchase, operation, and maintenance of this technology over a large base of users allows the state to develop, provide, and expand services at the lowest overall costs to the state.

Economies of scale allow the state to:

1) Leverage its purchasing power as a single entity.

2) Maximize the use of its infrastructure.

3) Reduce redundant and duplicative networks.

4) Reduce staff requirements by centralizing highly skilled resources for all public safety agencies to access.

Considering the above philosophy, OPSCS develops, implements, and manages a variety of statewide telecommunications services that are designed to accommodate multiple

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SAM—TRANSPORTATION SERVICES

state agency users. Public Safety agencies shall consider utilizing consolidated services whenever and wherever available.

Refer to the PSCSG for information on consolidated services, availability, rates, and ordering procedures.
Radio Installation, Modifications, and Maintenance

any installation, modification, or maintenance, including the programming of radio frequencies of radio and microwave transmitting equipment licensed to the state, must be done by, or with the technical approval of, DGS.

Radio Transmitter Licensing

The Federal Communications Commission (FCC) must license all radio transmitting devices before being put into service. The OPSCS performs all processes required to obtain the licenses for all public safety radio equipment owned or operated by the state. This includes the frequency coordination with other users required before application can be made to FCC.

Purchase of Radio and Electronics Equipment

The purchase of public safety radio and related electronic equipment requires OPSCS technical review and approval.

Availability of Services to Public Agencies

All communications services provided to state public safety agencies shall also be available to any public agency operating within the state on terms that may be agreed upon by the agency and DGS.
The OPSCS is responsible for developing uniform cable and wire distribution standards for public safety communications, controlling access to DGS operated communications equipment rooms, managing radio vault occupancy, and acquiring sites for public safety communications. Specific guidelines and procedures are found in the PSCSG.
The TD provides a number of services designed to support agency requirements for systems and services in a cost-effective manner to the state as a whole. Specific information on the services, their availability, rates, and ordering procedures are found in STMM.
DELEGATION

(Renumbered from 4520 and Revised 9/96)

Agencies may request delegated project approval authority. Delegation parameters and procedures for filing delegation requests are found in STMM.
The TD publishes a State Telephone Directory. State agencies are responsible for timely submission of information for inclusion in the directory. Procedures for maintaining agency information in the directory and ordering procedures are found in STMM.

Public Directory Listings

See STMM for guidelines for listing state numbers in public telephone directories.
The TD bills clients for use of TD services on a “fee-for-service” basis. Agencies are responsible for paying bills rendered for their use of TD services. Specific billing directives and procedures are found in STMM.
CHAPTER 4700 INDEX

This chapter describes the State Merit Award Program.

PROGRAM SUMMARY 4700

STATUTORY AUTHORITY 4702

CONTACTS AND RESOURCES 4705
The Department of Human Resources (CalHR) is responsible for establishing policy and guidelines for the administration of the State Merit Award Program. The Merit Award Program was established in 1950, to recognize employee contributions to State government.

The Merit Award Program is responsible for the administration of the Employee Suggestion Program. This program rewards State employees for their innovative ideas which result in a direct benefit to the State’s operations. Suggestions are categorized into three types: improved procedure, improved safety, and cost savings.

The Merit Award Program is responsible for the administration of the Superior Accomplishment and the Sustained Superior Accomplishment Awards. These awards are for an exceptional contribution to State government.

The Merit Award Program is responsible for the administration of the Governor's State Employee Medal of Valor Award Program. The Medal of Valor is the highest honor that the State bestows to its employees.

The Merit Award Program also administers the 25-Year Service and Retirement Awards recognizing State employees who have completed 25 years of State service, and retiring employees who have completed 25-years or more of State service.

The Merit Award Program is authorized by Government Code Sections 19815.4 (d), 19823, and 19849.9. The law grants CalHR the authority to adopt rules and regulations governing the conduct of the Program. See CalHR Regulations, Article 4, Sections 599.655–599.664.
The Merit Award Program may be contacted at (916) 322-1360. The mailing address for the Merit Award Program is 1515 “S” Street, North Building, Suite 400, Sacramento, California 95811-7258.

The Merit Award Program website may be accessed at: CAL HR Merit Award Program

CalHR's website may be accessed at: CAL HR Home Page
Note: Effective January 1, 2008, the Office of Information Security (Office) restructured and renumbered the content and moved SAM Sections 4840 – 4845 to SAM Sections 5300 – 5399. See also the Office's Government Online Responsible Information Management (GORIM) Web site for statewide authority, standards, guidance, forms, and tools for information security activities.

Transferred ownership and content to SAM Section 5300 et seq. SECURITY AND RISK MANAGEMENT POLICY from SAM Section 4840. AGENCY/STATE ENTITY RESPONSIBILITIES from SAM Section 4841.

RISK MANAGEMENT from SAM Section 4842.

DISASTER RECOVERY PLANNING from SAM Section 4843.

AGENCY INFORMATION SECURITY REPORTING REQUIREMENTS from SAM Section 4845.

Transferred the following SAM Sections:

ACCESS TO INFORMATION BY THE OFFICE OF THE LEGISLATIVE ANALYST from SAM Section 4841.8 to SAM Section 4804.

ACCESS TO INFORMATION BY THE CALIFORNIA STATE AUDITOR from SAM Section 4841.9 to SAM Section 4806.

CHAPTER 4800 INDEX

STATE INFORMATION MANAGEMENT PRINCIPLES 4800

ACCESS TO INFORMATION BY THE OFFICE OF THE LEGISLATIVE ANALYST 4804

CALIFORNIA STATE AUDITOR 4806
# STATUTORY PROVISIONS AND APPLICATION

## STATUTORY PROVISIONS

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## GENERAL

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<th>Topic</th>
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<tr>
<th>Exclusions</th>
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<tbody>
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**CERTIFICATION REQUIREMENTS**

| INFORMATION TECHNOLOGY ACCESSIBILITY POLICY                     | 4833    |
| EXCEPTIONS TO ACCESSIBILITY                                   | 4833.1  |
| WEBSITE ACCESSIBILITY CERTIFICATION POLICY                    | 4833.2  |
| INFORMATION TECHNOLOGY INFRASTRUCTURE POLICY                  | 4834    |
| CALIFORNIA SOFTWARE MANAGEMENT POLICY                         | 4846    |
| Software Management Plan                                      | 4846.1  |
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IT PERSONNEL MANAGEMENT – ORGANIZATION, STAFFING, AND TRAINING

STATUTORY REFERENCES

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<td>TRAINING AND EMPLOYEE DEVELOPMENT</td>
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</tbody>
</table>
The California Department of Technology (Department of Technology) has broad responsibility and authority to guide the application of information technology (IT) in California State Government. The Department of Technology’s areas of responsibility include policy making, interagency coordination, IT budget and procurement review, technical assistance, and advocacy. In view of the scope of these activities and their potential impact on state government, the Department of Technology has articulated the fundamental principles, policies, and procedures to govern the use of IT in Sections 4800 through 5180 of the State Administrative Manual (SAM).

Note that any and all project approvals or conditions made by the Department of Technology’s predecessor organizations, the California Technology Agency (CTA) prior to July 1, 2013, the Office of the State Chief Information Officer (OCIO) prior to January 1, 2011, or the Department of Finance (Finance) prior to January 1, 2008; remain in effect unless otherwise notified. Priority of Information Technology.

Information technology (IT) is an indispensable tool of modern government. Accordingly, each Agency/state entity is expected to seek opportunities to use this technology to increase the quality of the services it provides and reduce the overall cost of government.

Authority and Responsibility.

Each Agency/state entity director should be knowledgeable about the information requirements and information management practices of the Agency/state entity and should provide active leadership in the exploration of new opportunities to use IT. Each Agency/state entity should establish clear lines of authority and responsibility for information management.

Management of Information.

Each Agency/state entity shall establish and maintain an information management function consistent with its own operational needs and organizational structure. This function shall serve to ensure the Agency/state entity’s ability to identify the information it collects, maintain the integrity and security of the information, and provide for appropriate access to the information.

Management Methods.

Each Agency/state entity shall employ proven management methodologies to guide and control the planning, acquisition, development, operation, maintenance, and evaluation of information management applications. Pilot projects and/or independent oversight shall be required for larger, more complex applications.

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Basis for Decisions.

Decisions regarding the application of IT shall be based on analysis of overall costs and benefits to the people of California over the life of the application. Each Agency/state entity shall plan far enough into the future to ensure that adequate time is available for analysis of alternatives, for obtaining necessary management approvals, and for the administration of procurements. Agencies/state entities shall determine the impact of their decisions across Agency/state entity lines and give priority to alternatives that provide the greatest benefit from a statewide perspective.

Record of Decisions.

Each Agency/state entity shall maintain records of management decisions concerning the use of IT. These records must be sufficiently detailed to satisfy the requirements of oversight agencies as well as internal management. The records must address such topics as:

1. Identification of IT needs;
2. Setting of priorities for applications of IT;
3. Evaluation of application alternatives;
4. Project management and control;
5. Contingency planning and risk management; and,
6. Operational controls and maintenance provisions.

Agency/State Entity Personnel.

Agency/state entity managerial, technical and user personnel should possess the knowledge and skills necessary to use IT to the best advantage for the state. Each Agency/state entity should regularly assess the IT skills and knowledge of its personnel in relation to job requirements, identify and document training needs, and provide suitable training within the limits of available resources.

Compatibility.

In selecting or developing applications of IT, each Agency/state entity shall consider the benefits and costs of maintaining compatibility with other planned and existing applications within the Agency/state entity and in other Agencies/state entities. Such consideration of compatibility shall include computer languages, applications and system software, computer hardware and telecommunications equipment, data formats, and the specific knowledge and skills required of state personnel.
Procurement.

In acquiring equipment, software, and services involving IT, Agencies/state entities shall seek maximum economic advantage to the state. Procurements shall normally be competitive, in conformance with the applicable sections of the Public Contract Code and SAM. Agencies/state entities shall use master contracts whenever the functional requirements for which the contract was awarded are substantially the same as the Agency/state entity’s requirements.
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Cost Allocation.
Each Agency/state entity shall adopt policies and establish procedures for assignment of costs associated with IT by program or operational unit within the Agency/state entity, as well as for the assignment and recovery of the costs of services provided to other Agencies/state entities, private individuals, and organizations.

Risk Management.
Each Agency/state entity shall adopt and maintain a risk management program for the purpose of identifying and avoiding or minimizing threats to the security of information it maintains and the operational integrity of its information systems, telecommunications systems, and data bases.

Documentation.
Applications of IT shall be fully documented with respect to the needs of (1) non-technical users; (2) technical personnel; (3) Agency/state entity measurement; and (4) outside auditors. The adequacy of documentation shall be an evaluation criterion in all procurements involving IT (equipment, software, services and telecommunications facilities). Project plans shall include specific provision for the creation of suitable documentation.

Provision for Emergencies.
In planning for the use of automated information systems and telecommunications facilities, Agencies/state entities shall develop policies and procedures to be followed in times of emergency; when systems are preempted to preserve the public health, welfare or safety; and when other events occur which prevent reliance on automated systems for extended periods of time.

Individual Rights.
Information management policies and procedures shall be consistent with the California Constitution, the Public Records Act, the Information Practices Act, and other applicable laws. Each Agency/state entity shall safeguard the right to privacy of individuals who are the subjects of the records it maintains.

Ethics.
In the conduct of their operations and in the accomplishment of the policies stated above, Agencies/state entities and their employees shall employ IT in a legal and ethical manner consistent with government statues, rules and regulations. IT shall not be used for purposes that are unrelated to the Agency/state entity’s mission or that violate state or federal law. Contract provisions, including software licensing agreements, shall be strictly followed.
Section 11534.6(f) of the Government Code requires that procedures be published in SAM to allow the Legislative Analyst to use data in, or products of, state data processing information systems to analyze programs and budgets.
In order to enable the Legislature to determine the fiscal or program effects of changes proposed by the Administration or (2) considered by the Legislature, any Agency/state entity operating an automated information system shall, upon receiving a written request, allow the Legislative Analyst reasonable access to any relevant data contained in the system's master files, transaction files, history files and/or other appropriate automated files.

However, such access shall not be provided to information: (1) specifically prohibited by Federal law or (2) relating to proposed administrative actions (such as Budget Change Proposals submitted by individual Agencies/state entities) not yet approved by the Administration.

It is the responsibility of the Agency/state entity to which the information pertains to ensure that any data made available under these provisions are as accurate and up-to-date as is consistent with the Agency/state entity's normal use of data.

The Legislative Analyst must agree that any confidential information obtained under these provisions shall remain confidential.

ACCESS TO INFORMATION BY THE CALIFORNIA STATE AUDITOR

Section 11534(f) of the Government Code requires that procedures be published in SAM to allow the Auditor General in the conduct of his/her audit to use data in, or products of, state data processing information systems. Section 8545.2 of the Government Code provides that the Auditor General shall have access to, and authority to examine, records of any Agency/state entity. Section 8543.1 of the Government Code provides that the Auditor General shall examine and report annually upon the financial statements of the state and make special audits and investigations, including performance audits, of any Agency/state entity.

In order for the Auditor General to conduct these audits in an expeditious manner, any Agency/state entity operating a statewide information system shall, upon receiving a written request, allow the Auditor General "read only" access to any relevant data.
contained in the system's master files, transaction files, history files and/or other appropriate automated files.

The Agency/state entity operating the information system is authorized to require the Auditor General to reimburse it for any additional costs incurred as a direct result of the Auditor General's acquisition of data from the system.

It is the Auditor General's responsibility to check with the individual Agencies/state entities to which the information pertains to ensure that any data acquired under these provisions are accurate and up-to-date.

Any confidential information obtained by the Auditor General under these provisions shall remain confidential.
The following provisions apply to all Agencies/state entities. State entities include every state office, officer, department, division, bureau, board, and commission, including Constitutional Officers. State entities do not include the University of California, California State University, the State Compensation Insurance Fund, the Legislature, or the Legislative Data Center in the Legislative Counsel Bureau.

**California Department of Technology:**

Pursuant to Government Code Sections 11545 and 11546, the Director of the California Department of Technology is charged with the duty to advise the Governor on the strategic management and direction of the state's information technology (IT) resources. In addition to this advisory role, the Department of Technology is responsible for: establishing, maintaining, and enforcing the State's IT strategic plans, policies, standards, procedures, and enterprise architecture; approval and oversight of IT projects; approval and oversight of IT procurements for reportable projects where the procurement has not been delegated by DGS to the department; consulting with Agencies/state entities during initial project planning; and suspending, reinstating, or terminating IT projects.

**Department of Finance:**

Pursuant to Government Code Section 11547, the Department of Finance shall perform fiscal oversight of the state's IT projects. The oversight shall consist of a determination of the availability of project funding from appropriate sources and project consistency with state fiscal policy.

**AGENCY INFORMATION OFFICER AND STATE ENTITY CHIEF INFORMATION OFFICER RESPONSIBILITIES**

Within the authority of Government Code (GC) Section 11545 and 11546, the Director of the California Department of Technology (CDT) shall be responsible for providing technology direction to Agency Chief Information Officers (AIOs) and state entity Chief Information Officers (CIOs) to:
1. Integrate statewide technology initiatives,

2. Ensure Agencies/state entities are in compliance with IT and security policies and standards, and

3. Promote the alignment and effective management of IT resources.

Agency Information Officers

All Agency Information Officers (AIOs) are responsible for overseeing the management of IT assets, projects, data systems, infrastructure, services and telecommunications through the oversight and management of Agency-affiliated State Entity CIOs. Each AIO is responsible for developing an Agency Enterprise Architecture to rationalize, standardize and consolidate IT infrastructure, data, and procedures for all state entities within their Agency. Additionally, AIOs have been delegated CDT approval authority for Project Approval Lifecycle Stage 1 Business Analyses prepared by Agency-affiliated State Entities.

Specific responsibilities for the AIOs are published in the State Administrative Manual (SAM), Technology Letters (TLs), and the Statewide Information Management Manual (SIMM). Each AIO must be compliant with the responsibilities as described in SAM, SIMM, and TLs.
Chief Information Officers

State entity CIOs are directly responsible for all IT activities within the state entity. CIOs are responsible for all IT systems, assets, projects, purchases, and contracts and will ensure state entity conformity with the Agency Enterprise Architecture. State entity CIOs are also responsible for:

- Portfolio management of the state entity’s technology initiatives.
- Operational oversight of IT functions, IT personnel and operations including:
  - Web application development;
  - Application and database management;
  - Security administration;
  - Telecommunications;
  - Project planning, consulting, and management; and
  - Help desk and customer service management.

AIOs and CIOs must be in compliance with state IT policies and procedures as described in SAM, SIMM and Technology Letters.

Non-Affiliated Chief Information Officers

With the exception of the responsibilities related to the oversight of Agency-affiliated state entity CIOs, non-affiliated Agency/state entity CIOs have the same responsibilities as AIOs. In addition, non-affiliated Agency/state entity CIOs also have the same responsibilities as Agency-affiliated state entity CIOs.
Reporting

AIOs and CIOs are accountable to the Director of the Department of Technology with respect to technology direction, including, but not limited to, IT policy, planning and management.

All state employees in IT classifications, and all other state employees or contractors performing IT activities and/or functions must be in a direct reporting relationship to the appropriate AIO or CIO.

Consistent with the federated governance model, the Department of Technology will work with the Agencies/state entities to implement this operating model in a way that aligns with their business operations.

STATUTORY PROVISIONS AND APPLICATION/GENERAL

(Revised 6/2015)

The State Administrative Manual (SAM) Section 4819 provides definitions and summarizes the compliance requirements for the administration of information technology (IT) in state government. Additional detail regarding specific requirements, policies or procedures is provided throughout SAM Sections 4800–5953, SAM Sections 6700–6780, and the Statewide Information Management Manual (SIMM).

DEFINITIONS

(Revised 09/2018)

The following definitions of administrative and technical terms are provided to assist Agencies/state entities in their application of information technology (IT) policy.

The primary source for technical definitions is the Information Processing Systems Technical Report, American National Dictionary for Information Processing Systems, developed by the American National Standards Committee, X3 Information Processing Systems. In some cases, the definitions have been modified to meet state needs.

Accessibility/Accessible: Individuals with disabilities are able to acquire the same information, engage in the same activities, perform the same functions, and access the same content and services as individuals without disabilities, with similar ease.
Agency: This term refers to one of the state's umbrella Agencies. Umbrella Agencies include the Natural Resources Agency, California Environmental Protection Agency, Government Operations Agency, Business Consumer Services and Housing Agency, California Department of Corrections and Rehabilitation, California State Transportation Agency, Labor Agency and the California Health and Human Services Agency.

Agency-affiliated State Entities: This term refers to State Entities that are governed by one of the state's umbrella Agencies. See definition of Agency.

Agency Information Management Strategy: An Agency/state entity’s information management strategy is the Agency/state entity’s comprehensive plan for using IT to address its business needs, i.e., to successfully carry out its programmatic mission. Ideally, the Agency/state entity’s information management strategy represents one aspect of a well-defined overall Agency/state entity business strategy and is therefore closely aligned to its business strategy. If the Agency/state entity has not established a business strategy, Agency/state entity staff that are responsible for the Agency/state entity information management strategy must make assumptions based on their knowledge of the Agency/state entity’s overall mission, its program resources and priorities, and the changing nature of its environment.

Ancillary Solicitation: An acquisition that may be necessary to achieve and/or support the primary procurement activities and objectives of an IT project. An IT project may be supported by many Ancillary Solicitations.

Assistive Technology: Any item, piece of equipment, software, or system that is designed to increase, maintain, or improve the functional capabilities of individuals with disabilities.

Business Strategy: An Agency/state entity’s business strategy is its overall plan for accomplishing its mission in a changing environment with the resources it can reasonably expect to be available. Such a strategy typically addresses the Agency/state entity’s statutory mission and historical role, the expectations of its key stakeholders (individuals and organizations that affect the Agency/state entity or that the Agency/state entity affects), the factors that are critical to its success as an organization, the Agency/state entity’s internal strengths and weaknesses, and the political, social, economic, and technological forces in its environment that support or constrain its programs. Business strategies articulate the key issues that must be successfully addressed by the Agency/state entity and identify the priorities and required resources for proposed actions. A strategy may have a time frame that is as short as a few months. However, most Agency/state entity business strategies present
a three- to five-year perspective, with some Agencies/state entities finding it useful to extend their strategic vision as much as ten to twenty years into the future.

Strategic planning is not a one-time effort; it is a fundamental, continuing management process that allows the Agency/state entity to respond in an effective manner to a changing environment.

**California Project Management Framework:** The California Project Management Framework (CA-PMF) is a collection of project management best practices and scalable resources, tools, and templates to be used by project management practitioners to effectively plan and manage projects. The CA-PMF is based on the Project Management Body of Knowledge (PMBOK® Guide), as well as project management lessons learned in the State of California.

**Cloud Computing:** A model for enabling ubiquitous, convenient, on-demand network access to a shared pool of configurable computing resources (e.g., networks, servers, storage, applications, and services) that can be rapidly provisioned and released with minimal management effort or service provider interaction.

**Cloud Software as a Service (SaaS):** The capability provided to the consumer is to use the provider’s applications running on a cloud infrastructure. The applications are accessible from various client devices through a thin client interface such as a web browser (e.g., web-based email). The consumer does not manage or control the underlying cloud infrastructure including network, servers, operating systems, storage, or even individual application capabilities, with the possible exception of limited user-specific application configuration settings.

**Cloud Platform as a Service (PaaS):** The capability provided to the consumer is to deploy onto the cloud infrastructure consumer-created or acquired applications created using programming languages and tools supported by the provider. The consumer does not manage or control the underlying cloud infrastructure including network, servers, operating systems, or storage, but has control over the deployed applications and possibly application hosting environment configurations.

**Cloud Infrastructure as a Service (IaaS):** The capability provided to the consumer is to provision processing, storage, networks, and other fundamental computing resources where the consumer is able to deploy and run arbitrary software, which can include operating systems and applications. The consumer does not manage or control the underlying cloud infrastructure but has control over operating systems;
storage, deployed applications, and possibly limited control of select networking components (e.g., host firewalls).

**Commercial Off-the-Shelf (COTS):** A computer hardware or software product that is ready-made for specific uses and available for sale to the general public. COTS products are designed to be installed without requiring custom development. For example, Microsoft Office is a COTS product that is a packaged software solution for businesses and individuals. The set of rules for COTS is defined by the Federal Acquisition Regulation (FAR).

**Computer Accessibility:** In human-computer interaction, computer accessibility (also known as accessible computing) refers to the accessibility of a computer system to all people, regardless of ability.

**Confidential Information:** Information maintained by Agencies/state entities that is exempt from disclosure under the provisions of the California Public Records Act (Government Code Sections 6250-6265) or other applicable state or federal laws. See SAM Section 5320.4.

**Continuing Costs:** Costs associated with the operation and maintenance of an IT system or application after development and implementation of the system.

**Critical Application:** An application that is so important to the state that the loss or unavailability of the application is unacceptable. With a critical application, even short-term unavailability of the information provided by the application would have a significant negative impact on the health and safety of the public or state workers; on the fiscal or legal integrity of state operations; or on the continuation of essential Agency/state entity programs.

**Data:** A representation of facts, concepts, or instructions in a formalized manner suitable for communication, interpretation, or processing by humans or by automated means.

**Data Processing:** The systematic performance of operations upon data, e.g., handling, merging, sorting, computing. Synonymous with information processing.

**Data Processing System:** A system, including computer systems and associated IT personnel, that performs input, processes storage, output, and control functions to accomplish a sequence of operations on data.
Data/Information Storage: The retaining of data/information on any of a variety of mediums (i.e., magnetic disk, optical disk, or magnetic tape) from which the data can be retrieved.

Data Transmission: The conveying of data from one functional unit to one or more additional functional units through the transmission of signals by wire, radio, light beam, or any other electromagnetic means. (Voice or video transmissions are not considered data transmission for the purposes of state policy.)

Delegated Cost Threshold: See SAM Section 4819.39

Development: Activities or costs associated with the analysis, design, programming, staff training, data conversion, acquisition, and implementation of new IT applications.

DGS Delegated Purchasing Authority: Through Statutory Authority, the Department of General Services (DGS) may grant delegated purchasing authority to Agencies/state entities to procure non-information technology goods and information technology goods and services with a total cost equal to or less than the delegated purchasing authority amount under each category, as defined within the State Contracting Manual (SCM), Volume 3, Chapter 1.

Domain Name Service: A series of computer databases that resolve or link Internet Protocol (IP) addresses with an alphanumeric domain name. Domain names are divided into hierarchical fields separated by a period. The field to the farthest right is the top-level (or first-level) domain, in "ca.gov" for example, "gov" is the top-level domain. In the same example, "ca" is the second-level within the domain, and the field to the left of the second-level domain is the third-level domain (e.g., cdt.ca.gov). Names that fall to the right of the domain following a "/" are subdirectories of the domain (e.g., ca.gov/services).

Electronic and Information Technology (EIT or E&IT): Includes IT and any equipment or interconnected system or subsystem of equipment that is used in the creation, conversion, or duplication of data or information. The term electronic and IT includes, but is not limited to, telecommunications products (such as telephones, cell phones, smart phones, and radio receivers), information kiosks and transaction machines, World Wide Web sites, multimedia, and office equipment such as copiers and fax machines.

Emergency: A sudden, unexpected occurrence that poses a clear and imminent danger, requiring immediate action to prevent or mitigate the loss or impairment of life, health, property, or essential public services”. SAM Section 6560 specifies that when the Governor declares an emergency, expenditures cannot exceed $25,000, unless approved by the Department of Finance.
Hardware: See Information Technology equipment.

Information Processing: The systematic performance of operations upon data, e.g., handling, merging, sorting, computing. Synonymous with data processing.

Information Technology: Information technology (IT) means all computerized and auxiliary automated information handling, including systems design and analysis, conversion of data, computer programming, information storage and retrieval, voice, video, data communications, microwave, light wave, routers, network equipment, requisite systems controls, and simulation.

Information Technology Activities: Any activity listed below, or any combination of these activities for a single IT project, is to be considered an "IT activity."

1. IT facility preparation, operation and maintenance.
2. Information management planning.
3. Feasibility determination, development and implementation of application systems or programs, or changes to application systems or programs to meet new or modified needs, or maintenance, including: Project Approval Lifecycle Stage/Gate deliverable preparation, systems analysis, systems design, purchase and installation of software, programming, conversion of data or programs, documentation of systems and procedures, and project appraisal or assessment.
4. Operation of application systems or programs including handling, assembling, or editing of input-output data or media where IT equipment or IT personnel are used.
5. Information Technology Procurement.
6. Installation, operation, and maintenance of data processing equipment, IT equipment, goods and services, and software.
7. Other installation management activities including performance measurement, system tuning, and capacity management.
8. Preparation and administration of requests for proposals or bid solicitations for contracts for any of the above activities.
9. Preparation of contracts, interagency agreements, and purchase estimates for any of the above activities.
10. Employment of personnel in support of, or directly related to, any of the above activities, including: administration, technical services, clerical services, travel, training, and preparation of periodic and special reports.
11. Control functions directly related to any of the above activities.

IT Equipment: Information Technology devices used in the processing of data electronically. The following are examples of IT equipment:
1. Mainframes and all related features and peripheral units, including processor storage, console devices, channel devices, etc.;

2. Minicomputers, midrange computers, personal computers, laptop, tablets, smart phones and all peripheral units associated with such computers;

3. Special purpose systems including word processing, Optical Character Recognition (OCR), bar code readers/scanners, and photocomposition;

4. Communication devices used for transmission of data such as: modems, data sets, multiplexors, concentrators, routers, switches, local area networks, private branch exchanges, network control equipment, or microwave or satellite communications systems; and

5. Input-output (peripheral) units (off-line or on-line) including: display screens, optical character readers, magnetic tape units, mass storage devices, printers, video display units, data entry devices, plotters, scanners, or any device used as a terminal to a computer and control units for these devices.

**Information Technology Expenditure:** The expenditure of funds regardless of source by any Agency/state entity for IT activities, equipment, facilities, personnel, services, supplies and the automated processing of information.

**Information Technology Infrastructure:** An Agency/state entity’s IT infrastructure is the base or foundation for the delivery of information to support the Agency/state entity’s programs and management. The infrastructure contains elements upon which an Agency/state entity’s IT activities are dependent. An Agency/state entity must therefore define, implement, and manage these infrastructure elements to successfully employ IT.

The desirable characteristics of this infrastructure are efficient support for the exchange of information within the Agency/state entity and between the Agency/state entity and other organizations; reliable availability of information processing capabilities whenever and wherever they are needed; preservation of the integrity and confidentiality of information maintained by the Agency/state entity; sufficient flexibility to allow the timely and efficient addition of new information management capabilities and modifications of established capabilities; and consistency with a coherent set of technical and managerial standards for the employment of IT.

Typical elements in an IT infrastructure include:

**Application Systems.** The applications that an Agency/state entity purchases and/or develops to achieve personal productivity and program support benefits.

**Architecture.** The guidelines or blueprints that an Agency/state entity follows in designing, acquiring, and implementing IT solutions. Organizationally approved definitions, specifications, and standards are the primary components in an Agency/state entity’s IT architecture.

**Communications.** Local area and wide area network components, including linkages with other organizations.
**Equipment.** An Agency/state entity’s hardware platforms and components ranging from individual personal computers to mainframes and associated peripherals.

**Facilities.** The electrical, ventilation, fire suppression, physical security, wiring, and other components required to support an Agency/state entity’s IT capability, including the physical structure itself.

**Funding.** Current and projected funding for IT planning, acquisition, development, and operations activities.

**Partnerships.** Relationships with other public and private sector organizations that support and enable the Agency/state entity’s pursuit and use of IT.

**People.** An Agency/state entity’s technical staff, user community groups, and executive steering and oversight committees that are charged with IT planning, approval, development, management, operations, and security responsibilities.

**Plans.** Detailed designs or methods for aligning IT activities with Agency/state entity business strategies and accomplishing business objectives. Typical Agency/state entity IT plans includes strategic, risk management, and operational recovery.

**Policies.** The rules, conventions, and protocols adopted by the Agency/state entity to govern the pursuit and use of IT.

**Processes and Procedures.** The defined steps for planning, approving, acquiring, developing, operating, maintaining, enhancing, and using IT within the Agency/state entity.

**Service Definitions.** The types of services provided, accepted service levels, and service delivery time frames established for an Agency/state entity’s IT support organization.

**Software.** The set of operating system, utility, communications, user interface, and management programs that enable users to operate and control computers and develop application systems.

The infrastructure includes elements owned by the Agency/state entity and available under contract or through interagency agreement. For Agencies/state entities that employ the services of a consolidated data center, for example, the required data center resources are considered part of the Agency/state entity’s infrastructure.

**Reengineering the Business Process.** The search for, and implementation of, radical changes in business processes that result in dramatic efficiencies, reductions in turnaround time, improvements in quality, or improvements in customer service.

**Strategic Planning Process for Information Technology.** The process of aligning Agency/state entity plans for, and uses of, IT with the Agency/state entity’s business strategies.

**Information Technology Procurement:** Any process to obtain IT goods/services through competitive, non-competitive, purchase or lease, for the benefit of the State. Sometimes referred to as contracting, purchase or acquisition.
**Information Technology Project:** A unique endeavor involving activities required to plan, design, develop, implement, operate and maintain an Information Technology (IT) solution that meets a specific and measurable policy or programmatic objective. IT projects include the entire systems development lifecycle from project initiation through the normalized operational cycle. IT activities related to the refresh of non-data center hardware required to operate an IT project shall not be considered an IT project. See SAM Section 4819.37 for Project Delegation Criteria.

**Information Technology Project Oversight Framework:** Minimum requirements for IT project management, risk management and IT project oversight activities for Agencies/state entities. Description of control agency project reporting requirements and processes for assessing Agency/state entity project management and oversight activities. See SIMM Section 45.

**Information Technology Personnel:** All state personnel employed in IT or telecommunications classifications as defined by the Department of Human Resources or by the Trustees of the California State University and Colleges, and all personnel of other classifications in Agencies/state entities who perform IT activities for at least 50 percent of their time. Users of personal computers and office automation are not included in this category unless they are in IT classifications or spend at least 50 percent of their time performing IT activities.

**Information Technology Supplies:** All consumable items and necessities (excluding equipment defined as IT equipment) to support information technology activities and IT personnel, including:

1. Documents (such as standards and procedures manuals, vendor-supplied systems documentation, and educational or training manuals);

2. Equipment supplies (such as printer cartridges and magnetic tape); and

3. Furniture (such as terminal tables and printerstands).

**Input-Output Unit/Device:** A unit or device in an IT system by which data may be entered into the system, received from the system, or both.

**Life Cycle:** The anticipated length of time that the IT system or application can be expected to be efficient, cost-effective and continue to meet the Agency/state entity’s programmatic requirements. Synonymous with operational life.

**Maintenance:** Activities or costs associated with the ongoing upkeep of operational applications of IT. Maintenance includes correcting flaws, optimizing existing systems or applications, responding to minor changes in specified user requirements, renewal of

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equipment maintenance agreements, software or hardware upgrade or refresh to maintain the health of the systems, and meeting normal workload increases using substantially the same applications, facilities, IT personnel, supplies and software.

**Mobile Web:** Mobile web refers to access to the Internet or Web applications using a mobile device, such as a smart phone, connected to a wireless network.

**Network Equipment:** Equipment facilitating the use of a computer network. This includes routers, switches, hubs, gateways, access points, network bridges, modems, firewalls, and other related hardware and software.

**Non-affiliated State Entities:** This term refers to State Entities that are not governed by an Agency. See definition of Agency.

**Non-Delegated Project:** An IT Project that meets one or more of the criteria listed in SAM Section 4819.37. Non-Delegated Projects must be formally approved by the Department of Technology through the Project Approval Lifecycle. Agency/state entity directors are delegated approval authority for IT Projects that do not meet any of the criteria listed in SAM Section 4819.37.

**One-Time Costs:** Costs associated with the analysis, design, programming, verification and validation services, staff training, data conversion, acquisition, and implementation of new IT applications. See SIMM Section 19F (Financial Analysis Worksheets).

**Open Source Software:** Software that includes distribution terms that comply with the following criteria provided by the Open Source Initiative: (The open source definition used here is from the Open Source Initiative and is licensed under a Creative Commons Attribution 2.5 License
1. Free Redistribution: The software can be given as part of a package with other applications;

2. Source Code: The code must either be distributed with the software or easily accessible;

3. Derived Works: The code can be altered and distributed by the new author under the same license conditions as the product on which it is based;

4. Integrity of the author's source code: Derived works must not interfere with the original author's intent or work;

5. No discrimination against persons or groups;

6. No discrimination against fields of endeavor: Distributed software cannot be restricted in who can use it based on their intent;

7. Distribution of license: The rights of the program must apply to all to whom the program is re-distributed without need for an additional license;

8. License must not be specific to a product; Meaning that an operating system product cannot be restricted to be free only if used with another specific product;

9. License must not contaminate other software;and

10. License must be technology-neutral.

**Operational Life:** See LifeCycle.

**Operations:** Activities or costs associated with the continued use of applications of IT. Operations includes IT personnel associated with computer operations, including network operations, job control, scheduling, key entry, and the costs of computer time or other resources for processing.

**Peripheral Unit/Device:** With respect to a particular processing unit or device, any equipment that can communicate directly with that unit or device.

**Power Management:** A feature of some electrical appliances, especially copiers, computers and computer peripherals such as monitors and printers, which turns off the power or switches the system to a low-power state when in active.

**Previously Approved Effort/Project:** An IT activity or project previously approved by the California Department of Technology or the Agency/state entity’s executive officer in accordance with SAM Section 4819.3. Qualification of an activity as a previously approved effort requires an approved Stage 4 Project Readiness and Approval AND an approved Post-Implementation Evaluation Report (PIER). Applicable activities include meeting modified needs, improving the effectiveness of the activity, program or system maintenance, or extension of existing services to new or additional users performing essentially the same functions as those that the project was designed to support. A previously approved effort/project must use substantially the same equipment, facilities, technical personnel, supplies and software to meet substantially the same
requirements or to meet normal workload increases. (Note: "Substantially the same equipment" does not include the addition, upgrade or replacement of a central processing unit.)

**Primary Solicitation:** The acquisition that will procure and obtain the main IT Goods and/or Services for an IT project solution. An IT Project may only have one Primary Solicitation, but may be supported by many Ancillary Solicitations.

**Procurement Oversight:** An independent review and analysis to determine if the procurement methodology is sound and feasible. Procurement Oversight includes coaching, guidance and direction in all aspects of IT procurement. Oversight activities may include procurement planning, assistance in developing deliverables, review and approval of procurement documents and the execution and award of contracts.

**Program:** A sequence of instructions suitable for processing. See Information Processing or Data Processing.

**Programming:** The designing, writing, testing, debugging, and documentation of programs.

**Project:** See Information Technology Project.

**Project Approval Lifecycle (PAL):** The policy, procedures and templates that make up the State of California’s process for gaining approval of IT projects. The Project Approval Lifecycle is divided into four stages, separated by gates. Each stage consists of a set of prescribed, cross-functional, and parallel activities to develop deliverables used as the inputs for the next gate. The gates provide a series of “go/no go” decision points that request only the necessary and known information needed to make sound decisions for that particular point in time. The four stages, which document the business analysis, alternatives analysis, solution development and project readiness analysis, must be approved by the Department of Technology prior to the encumbrance or expenditure of funds, including the use of staff resources, on any IT project beyond the Project Approval Lifecycle.

**Project End Date:** The proposed project end date should reflect the conclusion of project activities; the last date that proposed project activities are estimated to be completed. This should exclude any activities related to the Post Implementation Evaluation Report (PIER).

**Project Oversight:** An independent review and analysis to determine if the project is on track to be completed within the estimated schedule and cost, and will provide the functionality required by the sponsoring business entity. Project oversight identifies and quantifies any issues and risks affecting these project components.

**Project Planning Start Date:** The project planning start date is the date an Agency/state entity begins a Stage 2 Alternatives Analysis. The planning phase of an IT project proposal begins with the Stage 2 Alternatives Analysis and ends at the conclusion of Stage 4 Project Readiness and Approval (Gate 4).
**Project Planning End Date:** The project planning end date should reflect the conclusion of project planning activities; the last date that project planning activities are estimated to be completed at the conclusion of Stage 4 Project Readiness and Approval (Gate 4).

**Project Start Date:** The project start date is the date an IT project proposal is both approved and funded. For most projects dependent on a funding request, this date will be July 1st of the year the project funding is approved. For projects without this dependency, the project start date is the project approval date (Gate 4 approval).

**Proprietary Software:** Computer programs which are the legal property of one party, the use of which is made available to a second or more parties, usually under contract or licensing agreement.

**Public Facing Applications:** Applications available to the broadest base of potential users as well as designed and delivered with the intent of access by all individuals or organizations over the public internet.

**Public Information:** Any information prepared, owned, used or retained by an Agency/state entity and not specifically exempted from the disclosure requirements of the California Public Records Act (Government Code Sections 6250-6265) or other applicable state or federal laws.

**Sensitive Information:** Information maintained by Agencies/state entities that requires special precautions to protect it from unauthorized modification or deletion. See SAM Section 5320.4. Sensitive information may be either public or confidential (as defined above).

**Server Room:** Any space that houses computer operations. Such computer operations could utilize mainframes, servers, or any computer resource functioning as a server.

**Shutdown:** Turning the power off in a controlled manner.

**Software:** Programs, procedures, rules, and any associated documentation pertaining to the operation of a system. (Contrast with hardware.)

**Staff Augmentation Procurement:** The acquisition of contracted services to address state staff resource constraints or skill gaps for IT project activities.

**Staff Redirection:** The redirection of existing Agency/state entity staff resources to support IT project activities or backfill behind existing staff redirected to support IT project activities. Contracted services are not considered Staff Redirection.

**Stage/Gate Deliverables:** The formal deliverable documents that support the Project Approval Lifecycle. Stage/Gate deliverables are the Stage 1 Business Analysis, Stage 2 Alternatives Analysis, Stage 3 Solution Development and Stage 4 Project Readiness and Approval. Formal project approval occurs upon approval of the Stage 4 Project Readiness and Approval.

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**State Entity**: Includes every state office, officer, department, division, bureau, board, and commission, including Constitutional Officers. “State entity” does not include the University of California, California State University, the State Compensation Insurance Fund, the Legislature, or the Legislative Data Center in the Legislative Counsel Bureau.

**Statewide Information Management Manual (SIMM)**: The Statewide Information Management Manual (SIMM) as structured by the Department of Technology that contains standards, procedures, instructions and guidelines, as well as samples, models, forms and communication documents that Agencies/state entities either must use, or will find helpful to use, in complying with established state policy relating to IT. For clarity, references in SIMM to "Department of Finance" that are not related to budget documents such as Budget Change Proposals or Finance Letters, should be read as references to the "California Department of Technology".

**State Telecommunications Management Manual (STMM)**: The State Telecommunications Management Manual (STMM) as structured by the Department of Technology contains state telecommunications policies and procedures based on SAM 4500-4555 and Government Code Section 11534-11543. The STMM is continually updated to reflect current telecommunications policies and practices, and links to helpful outside resources are included throughout the STMM.

**System Standby**: A low power mode for electronic devices such as computers, televisions, and remote controlled devices (aka “sleep mode”). These modes save significant electrical consumption compared to leaving a device fully on and idle but allow the user to avoid having to reset programming codes or wait for a machine to reboot.

**Technology Letter**: Letters issued by the Department of Technology conveying official communications regarding state IT, announcing new or changes to existing IT policies and procedures, or announcing new or changes to existing state IT services or standards.

**Telecommunications**: Includes voice and data communications, the transmission or reception of signals, writing, sounds, or intelligence of any nature by wire, radio, light beam, or any other electromagnetic means.

**Tenant Managed Services**: Centralized Tier III-equivalent data center space providing participating state Agencies/state entities the ability to operate their own environment with a degree of independence in the overall management of their server infrastructure. Additionally, Agencies/state entities can plan utilization of the Tenant Managed Services (TMS) as a disaster recovery site.

**Tier III-Equivalent Data Center**: Data Center facility consisting of multiple active power and cooling distribution paths; however, only one path is active. The facility has redundant components and is concurrently maintainable providing 99.982% availability.
**Total Planning Cost:** The total planning cost is the sum of all costs associated with the planning activities conducted in Stage 2 Alternatives Analysis through Stage 4 Project Readiness and Approval.

**Total Project Cost:** The total project cost is the sum of ALL costs associated with the project planning phases (Stage 2 through Stage 4) and the project execution phase (design, development and implementation), plus one full year of maintenance and operations costs.

**Validation:** The process of evaluating software during or at the end of the development process to determine whether it satisfies specified requirements. [IEEE-STD-610]

**Verification:** The process of evaluating software to determine whether the products of a given development phase satisfy the conditions imposed at the start of that phase. [IEEE-STD-610]

**Virtualization:** A framework or methodology of dividing the resources of a computer into multiple execution environments, by applying one or more concepts or technologies such as hardware and software partitioning, time-sharing, partial or complete machine simulation, emulation, quality of service, and many others.

**Workload Increase:** Employing substantially the same resources (equipment, facilities, IT personnel, supplies, software) to process a greater volume of the same or similar information. The results of the processing are the same or similar outputs distributed to comparable users.
STATE INFORMATION MANAGEMENT AUTHORITY AND RESPONSIBILITY 4819.3

(Revised 1/2016)

Pursuant to Government Code Sections 11545 and 11546, the Director of the California Department of Technology is charged with the duty to advise the Governor on the strategic management and direction of the State's IT resources. In addition to this advisory role, the Department of Technology is responsible for: establishing, maintaining, and enforcing the state's IT strategic plans, policies, standards procedures, and enterprise architecture; approval and oversight of IT projects; acquisition of reportable IT projects over the DGS Delegated Purchasing Authority; consulting with Agencies/state entities during initial project planning; and suspending, reinstating, or terminating IT projects.

BASIC POLICY 4819.31

(Revised 11/2016)

Each Agency/state entity is required to:

1. Establish and maintain a Technology Recovery Plan, so that it will be able to protect its information assets in the event of a disaster or serious disruption to its operations, and submit the plan or its update to the California Information Security Office (CISO) as outlined in the Technology Recovery Plan Reporting Schedule (SIMM Section 05B). See SAM Section 5325.1.

2. Establish an ongoing information management strategic planning process to support the accomplishment of its overall business strategy (e.g., its strategy to carry out its programmatic mission) and submit its strategic plan to the Department of Technology for approval. See SAM Section 4900.2.

3. Adopt standards for an Agency/state entity IT infrastructure consistent with SAM Section 4989.1.

4. Prepare Stage 1 Business Analysis (SIMM 19A) for all Information Technology Projects and submit to the Department of Technology for long term planning of the state's strategic IT investments. See SAM Section 4904.

5. Use the California Project Management Framework (CA-PMF) as described in SAM Section 4910 for managing all IT projects. Agencies/state entities may use other comprehensive PMBOK® Guide-based frameworks if the framework encompasses project management practices, processes, and deliverables that meet the minimum level of planning included in the CA-PMF.

6. Implement their Enterprise Architecture in accordance with the guidelines and instructions included in SIMM Section 58.

7. Conduct a study for each proposed IT project (development or acquisition) and obtain approval through the Project Approval Lifecycle from the Department of Technology or from the Agency/state entity director (if approval authority has been delegated). See SAM Sections 4819.34-4819.35.
8. Submit, upon request from the Department of Technology, all IT Reportable Procurements (as defined in SAM Section 4819.2) to the Department of Technology for review prior to release to the public.

9. Obtain approval of all IT Acquisitions related to Reportable Projects that exceed the Agency/state entity’s DGS Delegated Purchasing Authority (as defined in SAM Section 4819.2), from the Department of Technology’s Statewide Technology Procurement Division (STPD) prior to release to the public. These IT Acquisitions shall be included with the PAL Stage 3 Solution Development prepared in accordance with SIMM Section 19C. The instructions and time frame for submitting IT Acquisitions to the Department of Technology for review is specified in SIMM Section 05A.

10. Manage IT projects following the established IT Project Oversight Framework (SIMM Section 45) minimum requirements, to ensure that projects are completed on-time, within budget, and that they accomplish the objectives defined in their Stage 1 Business Analysis.

11. Protect the integrity of its information management capabilities and databases and ensure the security and confidentiality of information it maintains.

12. Establish an acquisition planning process for IT project acquisition of IT goods and services as determined by the Department of Technology.

13. Agencies/state entities shall implement power management practices on all desktop and laptop computing devices, thin client devices, printers copiers, scanners, and monitors. During hours of normal operation, devices which are not in use for 30 minutes shall automatically go into an energy-saving mode. Devices shall be shut down at the end of the normal business day.

In addition, Agencies/state entities shall fully implement power management software for desktop and laptop devices by December 31, 2010, or six months after the 2010-11 Budget has been enacted, whichever is later. Agencies/state entities shall also implement standby and shutdown practices for all devices within the scope of this policy beginning December 31, 2010.

Exemptions must be approved in writing by the Agency Information Officer (AIO) or the state entity’s Chief Information Officer (CIO). Exemptions are limited to:

- Devices which must remain in active mode to meet state operational needs. An example of a valid exemption would be a desktop computer and monitor utilized to manage batch programs 24 hours per day, seven days per week.

- Facilities with electrical service bundled-in with facility lease contracts where Agencies/state entities would not likely receive offsetting benefits from acquired power management software. In this instance, compliance
can be achieved through the use of standard operating systems functionality (e.g., Windows).

If an Agency/state entity fails to meet these requirements, the Agency/state entity will be required to obtain Department of Technology approval before expending any resources on IT projects.

The project approval process is described in SAM Section 4819.34
EXCLUSIONS

(Revised 06/2018)

For purposes of IT Project Submittal and Approval, the following are excluded from State Administrative Manual (SAM) Section 4819.34, which defines state project approval authority and responsibility for IT projects:

1. IT activities directly associated with single-function process-control systems (such as those applied in the controlling of water gates, traffic signals, or environmental systems for buildings), analog data collection devices, or telemetry systems are excluded from SAM Section 4819.34. Process Control, for the purposes of the exclusions from the Department of Technology project approval and oversight, includes automated processing systems that monitors and controls the operation of a single function system, and that can perform that control in isolation from other systems. Examples may include all components necessary to monitor and control the traffic lights at an intersection, the position of water restriction and diversion components in a water supply and distribution system, or to adjust the behavior of a motorized conveyer in response to changes in load and demand.

Sensors, telemetry devices, alarm and physical entry controls (such as, facility access cards and badge readers), functional components such as motors or traffic lights, electronic control processors, and the network system that connects those devices into a single-function process control system meet the process control system exclusion.

Process control should not be interpreted to include information processing and network systems in which data is gathered, stored, transmitted, processed, analyzed, displayed, printed or reported for purposes other than the direct, automatic monitoring and controlling of a single function system, or for the manual review of the performance and activities of that single system.

Any component that may be added to any process control system, such as additional sensors, processing capacity or network communications capability, that is necessary for use in conjunction with a current or planned IT system must be included in all Project Approval Lifecycle Stage/Gate deliverables, plans, proposals and budget estimates for the IT system.

2. Projects, activities, or acquisition of telecommunications equipment used exclusively for voice communications. Any project where approval and initiation is within the jurisdiction of the Public Safety Communications Office, per California Government Code Section 15275-15277, such as public safety telecommunications including microwave, satellite, 911, telematics, and radio/rf.

3. Installations of Voice Over Internet Protocol (VOIP) phone systems that are stand alone and do not interface with other systems on the network.

4. Acquisition of printers, scanners, and copiers. If any of these components are part of a planned IT system they must be included in all Project Approval Lifecycle Stage/Gate deliverables, plans, proposals and budget estimates for the IT system.
SAM Section 4819.32 is not an exclusion from SAM Section 4819.3,
State Information Management Authority and Responsibility, which applies to all Agencies/state entities.

Questions regarding exclusions should be directed to your Department of Technology, IT Project Oversight Division (ITPOD) Manager.

PROJECT APPROVAL AUTHORITY

(Revised 9/2018)

Authority for approval of information technology (IT) projects lies with the Department of Technology, but it is the intention of the State’s Chief Information Officer to delegate approval authority to Agency/state entity directors to the maximum extent practicable.

When an Agency/state entity’s proposed expenditures on IT are consistent with established policies and when the Agency/state entity has consistently adhered to those policies and successfully implemented IT projects, the Department of Technology will consider delegating authority for the approval of resources to Agency/state entity directors, as defined below.

The Department of Technology will establish an Agency/state entity-specific cost delegation level, i.e., the project cost level above which the Agency/state entity must obtain project approval from the Department of Technology (see SAM Section 4819.37) before the Agency/state entity is authorized to initiate the project.

The Department of Technology’s delegations fall into one of four general groups:

**Group 1 – Desktop and Mobile Computing Delegations** – Agencies/state entities that have established and currently maintain an acceptable Technology Recovery Plan and plan for the appropriate application of desktop and mobile computing will be delegated authority for the acquisition of equipment and software to support their desktop and mobile computing activities. See SAM Section 4989.2.

**Group 2 – Commercial-off-the-Shelf (COTS) Software and Cloud Software-as-a-Service (SaaS) Delegations** – Agencies/state entities are delegated the authority for the approval and acquisition of COTS software and Cloud SaaS solutions which are classified as Delegated (see SAM Section 4819.37 for a list of Project Delegation Criteria). The acquisition must meet “ALL” of the following conditions:

- Software licenses and consulting services will be acquired through a leveraged purchasing agreement managed by the Department of General Services (e.g. CMAS or MSA) or through one of the Department of Technology’s Data Center Service Offerings.
- Does not require installation of new hardware on premises at the Agency/state entity or its designated data center.
- Solution is single purpose use, not mission critical, and used for internal purposes only.
- Does not exchange confidential or sensitive data with other systems.

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Pursuant to the Cloud Computing policy (SAM Section 4983), Agencies/state entities must utilize Cloud SaaS services provided by the Office of Technology Services (OTech) whenever feasible. Additionally, COTS software services provided by OTech must be utilized whenever feasible. Agency/state entities must notify the Department of Technology of all COTS and SaaS acquisitions prior to project initiation as defined in Statewide Information Management Manual (SIMM) Section 22.

**Group 3 – Agency/state entity Delegated Projects** – Approval authority for projects which are delegated to the Agency/state entity director. Agencies/state entities undertaking delegated projects are expected to employ appropriate project review, approval, and reporting procedures as specified in SAM Sections 4819.35 and 4819.36. See SAM Sections 4819.37 and 4819.39 for a list of project reporting criteria and a definition of delegated cost threshold.

**Group 4 - Requested Delegation for Non-Delegated Projects** – An Agency/state entity with an acceptable Technology Recovery Plan and an Agency Information Management Strategy that has been approved by the Department of Technology may submit a Project Delegation Request (see SAM Section 4819.38) to the Department of Technology for new projects prior to the encumbrance or expenditure of funds, including the use of staff resources, on the project beyond the Stage 1 Business Analysis. The Department of Technology will review the form and notify the Agency/state entity whether it has been delegated project approval authority for the proposed project. If delegation is not granted, the Agency/state entity must submit a Stage 2 Alternatives Analysis to the Department of Technology for approval.

1. Among the factors considered by the Department of Technology in determining whether to grant delegated project approval authority:
   a. The apparent adequacy of the Agency/state entity’s planning process;
   b. The cost, scope, and complexity of the IT project;
   c. The size and composition of project staff;
   d. The Agency/state entity executive staff’s project management experience;
   e. The level of complexity and completeness of prior Project Approval Lifecycle documentation prepared by the Agency/state entity;
   f. The number and complexity of previous IT projects attempted by the Agency/state entity;
   g. The demonstrated ability of Agency/state entity project management staff to successfully monitor, control, and report progress during a complex undertaking; and
   h. The Agency/state entity’s past success in applying IT to attain goals on time and within budget and to realize expected objectives.
2. Delegation of project approval authority will NOT normally be given for projects which:
   a. Have significant statewide, interdepartmental, or intergovernmental impact;
   b. Involve the establishment or use of nonstandard or extensive communication facilities;
   c. Propose software or equipment acquisition expenditures that are large in relation to the Agency/state entity's IT budget;
   d. Have the potential for involving new or unfamiliar technology;
   e. Produce revenue for the state, such as licensing fees, tax collection, etc.;
   f. Have a high potential risk associated with the security and confidentiality of the information being processed
   g. Involve IT acquisitions that exceed the Agency/state entity’s Department of General Services Delegated Purchasing Authority (as defined in SAM Section 4819.2) or
   h. Depend upon decisions to be made during the development or enactment of the Governor's Budget, such as approval of a Budget Change Proposal or Budget Revision.

3. Splitting a project into smaller projects to avoid either fiscal or procedural controls is prohibited.

4. Agencies/state entities undertaking delegated projects are expected to employ appropriate project review, approval, and reporting procedures as specified in SAM Sections 4819.35 (Project Approval Lifecycle) and 4819.36 (Project Reporting/Oversight) below.

5. All IT projects are subject to audit. Documentation supporting project decisions must be kept by the Agency/state entity for a minimum of two years following approval of the Post-Implementation Evaluation Report (PIER). See SAM Sections 4947-4947.2.

6. The Department of Technology, at its discretion, may rescind previously delegated approval authority for individual projects or for all IT activities in progress or proposed by an Agency/state entity. The Department of Technology may require that project planning, design or implementation be halted or redirected.

The decision to rescind delegation will typically be based on review (audit) of the Agency/state entity's information management practices; review of a specific project; redefinition of the project; significant increases in project cost projections; major cost overruns; specific control language placed on expenditures through legislation (i.e., the Budget Act); identification of significant unresolved technical issues; or a change in the direction of state policy.
1. The mechanism for approving IT projects is the Project Approval Lifecycle (PAL). The PAL ensures projects are undertaken with a strong business case, clear business objectives, accurate costs, and realistic schedules.

2. PAL Stage/Gate deliverables, prepared in accordance with SAM Section 4922 through 4927, and must be approved for every IT project prior to the encumbrance or expenditure of funds on the project, including the use of staff resources, beyond project approval. Agencies/state entities are required to follow the SIMM Section 19 instructions for preparing and submitting the PAL Stage/Gate deliverables. If, during project development or implementation, the Agency/state entity finds that program requirements cannot be adequately satisfied by the course of action described in the approved Stage 4 Project Readiness and Approval and that an alternative course of action is more appropriate, a Special Project Report (SPR) (SAM Sections 4945-4945.2 and SIMM Section 30) shall be prepared. No encumbrance or expenditure of funds, including the use of staff resources, shall be made to implement such change or alternative course of action until approval has been received from the Department of Technology, or from the Agency/state entity director if the Department of Technology has delegated approval of the project to the director and the project remains within the limitations of the Agency/state entity’s delegated authority. SPRs that must be submitted to the Department of Technology must be transmitted within 30 days after recognition of the situation that necessitates preparation of the SPR. Agencies are required to follow the SIMM Section 30 instructions for preparing and submitting the SPR.

In the event an SPR approved by the Department of Technology results in a procurement that exceeds the Department of General Services Delegated Purchasing Authority, the procurement will be subject to the Department of Technology/Statewide Technology Procurement Division (STPD) approval.

3. Projects subject to approval by the Department of Technology (non-delegated projects) require submission of PAL Stage/Gate deliverables (beginning at the Stage 2 Alternatives Analysis through the Stage 4 Project Readiness and Approval) to the Office of the Legislative Analyst. See SIMM Section 19.

4. The Department of Technology will review the procurement planning information in the Stage 2 Alternatives Analysis, as applicable, to evaluate the proposed IT procurement strategy.

5. Projects whose approval has been delegated to the Agency/state entity’s director normally require all PAL Stage/Gate deliverables to be prepared in accordance with SAM Section 4928 and approved by the Agency/state entity director (SAM Sections 4921 and 4927). A copy of the analysis, and a signed document indicating approval by the Agency/state entity director, must be on file in the Agency/state entity.
6. The Department of Technology may decide to review specifications in procurement documents before they are advertised to ensure that the specifications are consistent with the solution requirements and proposed architecture in the PAL Stage/Gate deliverables or SPR for the projects. See SAM Section 5211.

PROJECT REPORTING/OVERSIGHT

(Revised 04/2017)

1. **Projects Approved by the Department of Technology**—Project reporting documentation submitted to the Department of Technology usually will require:

   a. Submission of a Special Project Report (SPR) (SAM Sections 4945-4945.2) to the Department of Technology and the Office of the Legislative Analyst, if:

      1) The total IT project costs deviate or are anticipated to deviate by ten percent (higher or lower) or more, or by more than a specifically designated amount as determined by the Department of Technology, from the last approved estimated IT project budget (to be measured against the combined total of each fiscal year’s One-time Project Costs Plus Continuing Project Costs);

      2) The last approved overall project development schedule falls behind or is anticipated to fall behind by ten percent or more;

      3) The total program benefits deviate or are anticipated to deviate by ten percent (higher or lower) or more from the last approved estimated total program benefits (to be measured against the combined total of each fiscal year’s Cost Savings and Cost Avoidances);

      4) A major change occurs in project requirements or methodology;

      5) Any conditions occur that require reporting to the Department of Technology as previously imposed by the Department of Technology; or

      6) A significant change in state policy draws into question the assumptions underlying the project.

   b. Development of an Independent Project Oversight Report (IPOR), (see SIMM Section 45), on a monthly basis for projects classified by the Department of Technology as medium or high criticality. The Department of Technology may modify the IPOR reporting frequency based on project performance.

   c. Submission of a Project Status Report (PSR), (see SIMM Section 45) on a monthly basis for projects classified by the Department of Technology as medium or high criticality and quarterly for low criticality projects unless the Department of Technology has specified a more frequent reporting period.

Please see SIMM Section 05A for the PSR submittal schedule.

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d. Submission of a baselined and current Microsoft Project schedule with the submission of each PSR.

e. Submission of a Post-Implementation Evaluation Report (PIER) (SAM Sections 4947-4947.2) to the Department of Technology and the Office of the Legislative Analyst at the conclusion of the project.

f. The Department of Technology **MAY** require submission of periodic project reports (SAM Section 4944) to the Department of Technology and the Office of the Legislative Analyst.

The Department of Technology may require Agencies/state entities to submit an SPR under other circumstances, such as the Agency/state entity’s failure to meet a critical milestone or a significant increase in the project’s cost in any fiscal year relative to the costs that were forecast when the project was approved by the Department of Technology. Additionally, the Department of Technology may require periodic reviews to be conducted at any point during the project.

2. **Projects Approved by the Agency/state entity Director**—Projects for which reporting was delegated to the Agency/state director require at a minimum:

a. Appropriate project oversight and project reporting to the Agency/state entity director in lieu of the Department of Technology, and maintenance of documentation in support of Agency/state entity decisions on the project. Documentation should be sufficient to meet the needs of outside auditors and to prepare the PIER. Project oversight activities must comply with the IT Project Oversight Framework (see SIMM Section 45).

b. Approval of a PIER (SAM Sections 4947-4947.2) by the Agency/state entity director at the conclusion of the project.

c. Submission of an SPR (SAM Sections 4945-4945.2) to the Department of Technology and the Office of the Legislative Analyst if:

1) Any criteria listed in SAM Section 4819.37, other than the project’s cost exceeding the level the Department of Technology may have delegated to the Agency/state entity, arise during the development or implementation of the project;

2) A significant change in state policy draws into question the assumptions underlying the project; or

3) The project costs exceed or are estimated to exceed the cost level the Department of Technology may have delegated to the Agency/state entity AND one or more of the following conditions are true:

   1. The total IT project costs deviate or are anticipated to deviate by ten percent (higher or lower) or more from the

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estimated IT project budget (to be measured against the combined total of each fiscal year’s One- time Costs plus Continuing Costs);

2. The overall project development schedule falls behind or is anticipated to fall behind by ten percent or more;

3. The total program benefits deviate or are anticipated to deviate by ten percent (higher or lower) or more from the estimated total program benefits (to be measured against the combined total of each fiscal year’s Cost Savings and Cost Avoidances); or

4. A major change occurs in project requirements or methodology.

Based on the Department of Technology’s review of the Agency Information Management Strategy (see SAM Sections 4900-4900.6) and its assessment of the Agency/state entity’s project management capabilities, the Department of Technology MAY require one or more of the following additional project reporting/oversight responsibilities for projects subject to oversight by the Agency/state entity director:

1. Submission of the PAL Stage/Gate deliverables and/or approval document(s), signed by the Agency/state entity director, to the Department of Technology and the Office of the Legislative Analyst.

2. Submission to the Department of Technology of a detailed project schedule showing key milestones during the life of the project;

3. Submission of periodic project reports (SAM Section 4944) or SPRs (SAM Sections 4945-4945.2) to the Department of Technology and the Office of the Legislative Analyst; or

4. Submission of a PIER (SAM Sections 4947-4947.2) to the Department of Technology and the Office of the Legislative Analyst at the conclusion of the project.
Responsibilities and Tasks California Department of Technology

1. The Department of Technology is responsible for developing and maintaining the state-level IT Project Oversight Framework (see SIMM Section 45), which provides the minimum requirements for IT project management, risk management, project oversight, and project reporting activities at the Agency/state entity and control agency levels.

2. The Department of Technology is responsible for assessing Agency/state entity IT project management and oversight activities to ensure compliance with state-level IT policies and standards. The Department of Technology will assess IT projects to determine the degree to which projects are progressing, in accordance with the planned cost, schedule, and scope as compared to the approved project plan.

3. The Department of Technology will recommend and pursue prescriptive measures and corrective actions to minimize risk to the state and help ensure that IT projects achieve expected outcomes in accordance with the approved project plan.

Agencies/state entities

1. Agencies/state entities are responsible for developing IT strategic plans that are aligned with their business plans and ensuring that IT plans are updated as their business needs and requirements change.

2. Agencies/state entities have ultimate responsibility and accountability for the successful implementation of their IT initiatives and must implement processes and procedures to facilitate success, including appropriate project management, project delivery, and quality assurance processes and methodologies.

3. Agencies/state entities are responsible for establishing the required project management and oversight activities and functions defined in the IT Project Oversight Framework (see SIMM Section 45). Each Agency/state entity must update its project management and oversight practices to reflect changes in state policy, processes, and the IT Project Oversight Framework.

4. Agencies/state entities are responsible for ensuring that projects consistently follow state-level IT oversight policies and requirements, legislative mandates, and applicable laws.

5. Agencies/state entities are responsible for providing project status information sufficient to allow the Department of Technology to meet its oversight reporting and full disclosure responsibilities.
Pursuant to Government Code Section 11545(a), authority for the approval of Information Technology (IT) Projects resides with the California Department of Technology (CDT), but it is the intention of the State’s Chief Information Officer to delegate approval authority to Agencies/state entities to the maximum extent practicable. IT Projects must be approved or delegated before an Agency/state entity can encumber or expend funds on, or dedicate staff resources to, the IT Project. The following categories identify the criteria for project delegation:

A. **Delegated IT Projects**: Pursuant to Government Code Section 11546(b), the CDT will delegate approval authority for IT Projects to Agencies/state entities based on an assessment of the Agency/entity’s project management, project oversight, and project performance. If an Agency/state entity is assessed to be capable in those respects and the IT project does not meet one or more of the criteria identified in paragraph (B), the IT project will be delegated to the Agency/state entity and the Agency/state entity will have approval authority pursuant to SAM Section 4819.34. Those projects are referred to as “Delegated IT Projects.”

B. **Non-Delegated IT Projects**: Notwithstanding paragraph (A), IT Projects are considered Non-Delegated if one or more of the following criteria applies:

1. Initiation of the IT Project depends upon decisions to be made during the development or enactment of the Governor’s Budget, such as approval of a Budget Change Proposal or Budget Revision to increase the Agency/state entity’s existing IT activities related to the IT Project;

2. The IT Project involves a new system development or acquisition that is specifically required by legislative mandate or is subject to special legislative review, as specified in budget control language or other legislation;

3. The IT Project has an anticipated cost that exceeds the Agency/state entity’s delegated cost threshold assigned by the CDT and does not meet the criteria of a desktop and mobile computing commodity expenditure (see SAM Section 4989–4989.3);

4. CDT and/or the Agency/state entity’s Agency Information Officer (AIO) has determined that the IT project has criticality/risk factors that warrant continued approval and oversight authority by CDT.

IT Projects that meet one or more of these criteria are referred to as “Non-Delegated IT Projects”. However, at any time throughout the Project Approval Lifecycle (PAL), CDT may further delegate “Non-Delegated IT Projects” back to an Agency/state entity based on the risk assessment and evaluation of PAL.
Non-Delegated IT Projects may be delegated back to an Agency/state entity upon the approval of a Project Approval Lifecycle - Project Delegation Request (PAL-PDR) (see SAM Section 4819.38), with the subsequent approval of PAL Stage/Gate deliverables by the Agency/state entity Director. An Agency/state entity must have a Technology Recovery Plan and an Agency Information Management Strategy that has been approved by the Department of Technology in order to submit a PAL-PDR.
REPORTING EXEMPTION REQUEST 4819.38
(Revised 9/2018)

SIMM Section 19E provides instructions for completing the Project Approval Lifecycle - Project Delegation Request (PAL-PDR). Agencies/state entities are required to follow the SIMM instructions for preparing and submitting the PAL-PDR.

PROJECT COST DELEGATION 4819.39
(Revised 10/2019)

The California Department of Technology (Department of Technology) assigns each Agency/state entity a minimum total Project Cost Delegation for reporting purposes. See SIMM Section 15. The Department of Technology delegates to the Agency/state entity the approval authority for any IT proposal with an estimated total development cost equal to or less than the Agency/state entity’s assigned Project Cost Delegation, provided the proposal does not meet any other Department of Technology established reporting criteria defined in Section 4819.37.

The total development cost is synonymous with one-time cost and is defined as all estimated or projected costs associated with the project planning, analysis, design, programming, verification and validation services, staff training, data conversion, acquisition, and implementation of an IT investment. Excluded from development costs are estimated costs of continued operations and maintenance.

EXPENDITURES FOR ONGOING INFORMATION TECHNOLOGY ACTIVITIES 4819.40
(Revised 1/2016)

Expenditures in support of an ongoing IT activity will normally not require Department of Technology approval provided that:

The activity meets the definition of previously approved project/effort as defined in SAM Section 4819.2:

Applicable activities include meeting modified needs, improving the effectiveness of the activity, program or system maintenance, or extension of existing services to new or additional users performing essentially the same functions as those that the project was designated to support. A previously approved effort/project must use substantially the same equipment, facilities, technical personnel, supplies and software to meet substantially the same requirements or to meet normal workload increases.
Qualification of an IT activity as a previously approved effort requires an approved FSR or PAL Stage 4 Project Readiness and Approval AND an approved Post Notes:

1. "Substantially the same equipment" does not include the addition, upgrade or replacement of a Mainframe.

2. Minor changes in functionality and/or equipment will normally meet the definition of previously approved effort/project. Significant changes in functionality and/or equipment that require budget actions do not meet the definition of previously approved effort/project.

Example: The Department of Justice maintains a system to enable the ownership registration of handguns. New legislation requires the addition of rifle registration to the system. This added functionality would not require Department of Technology approval.

Expenditures in support of activities not meeting the above criteria are considered to be new projects, not ongoing IT activities.

CERTIFICATION OF COMPLIANCE WITH IT POLICIES 4819.41

(Revised 1/2017)

A signed certification of compliance with state IT policies is required for all IT acquisitions of hardware, software, services, and IT Interagency agreements.

A certification is not required for:

a. Acquisitions less than $5,000;

b. Projects, activities, or acquisition of telecommunications equipment used exclusively for voice communications;

c. Projects, activities, or acquisitions of Voice over Internet Protocol (VoIP) phone systems that are stand alone and do not interface with other systems on the network.

Agencies/state entities are required to complete the certification form provided in SIMM Section 71B and adhere to the preparation instructions provided in SIMM Section 71A, this includes obtaining the required signatures prior to commencing work on an acquisition. The certification must be completed by the Agency/state entity that will directly utilize the procured goods or services. Certifications completed by Agency-affiliated state entities must be approved by their governing Agency if the total cost of the IT acquisition exceeds the Agency/state Entity’s assigned Department of Technology Delegated Cost Threshold (as identified in SIMM Section 15) or $1 million, whichever is lower. When an acquisition requires the approval of either the California Department of Technology.
Technology (CDT) or the Department of General Services (DGS) the original signed certification must be submitted with the applicable transmittal document for each IT acquisition transaction (including requests to approve Non-Competitively Bid Justifications and Limited to Brand or Trade Name Statement). For audit and review purposes, a copy of the signed certification must be retained in the Agency/state entity’s procurement file. When an acquisition is conducted under purchasing authority granted by the DGS, the original signed certification must be retained in the procurement file.
Budget Change Proposals (BCP) containing specified information technology (IT) components are reviewed by Department of Technology staff and an evaluation is provided to the Department of Finance Program Budget Manager responsible for review of the Agency/state entity’s budget.

BCPs which request funding for IT projects must be consistent with the Agency/state entity’s Agency Information Management Strategy (see SAM Sections 4900.3-4900.5) and the Conceptually Approved IT Project Proposals Report (see SAM Section 4904). The BCP must be supported by approved Project Approval Lifecycle Stage/Gate deliverables (SAM Section 4928), or Special Project Report (SPR) (SAM Sections 4945-4945.2) prior to approval of the funding request. In exceptional circumstances, with Department of Technology approval, the funding request may be supported by an approved PAL Reporting Exemption Request.

Project Approval Lifecycle Stage/Gate deliverables and SPRs must be submitted in the format and within the time frames specified in SAM, SIMM, and Technology Letters issued by the Department of Technology. BCPs must be submitted in the format and within the timeframes specified in annual budget letters issued by Department of Finance. Incomplete or “placeholder” Stage/Gate deliverables or SPRs submitted for consideration with an associated BCP may be returned to the Agency/state entity without consideration.

It is the policy of the State of California that information and services within California State Government, and provided via electronic and information technology (IT), be accessible to people with disabilities.

Agencies/state entities must comply with federal and state laws forbidding discrimination against persons with disabilities, including accessibility of their electronic and IT. Under existing federal and state laws and policies, Agencies/state entities, as well as any contractors working for them, are responsible for ensuring that their Agency/state entity public Web sites are accessible to both the general public and that their internal Agency/state entity electronic and IT systems are accessible by state employees, including persons with disabilities.
California Government Code section 7405 directs that: “state government entities, in developing, procuring, maintaining, or using electronic or IT, either indirectly or through the use of state funds by other entities, shall comply with the accessibility requirements of Section 508 of the Rehabilitation Act of 1973, as amended (29 U.S.C. Sec. 794d), and regulations implementing that act as set forth in Part 1194 of Title 36 of the Code of Federal Regulations.”
Government Code section 7405, in requiring compliance with Section 508, mandates that electronic and information technology (EIT) are accessible to individuals with disabilities, specifically:

- State Agencies/state entities must develop, procure, maintain, or use EIT, that employees with disabilities have access to and use of information and data that is comparable to the access and use by employees who are not individuals with disabilities, unless an undue burden would be imposed on the Agency/state entity.

- Individuals with disabilities, who are members of the public seeking information or services from an Agency/state entity, have access to and use of information and data that is comparable to that provided to the public who are not individuals with disabilities, unless an undue burden would be imposed on the Agency/state entity.

EXCEPTIONS TO ACCESSIBILITY

The following are exceptions which are allowed for compliance with this policy:

1. A state IT project that is for a “national security system” (FAR 39.204(b) and 36 CFR 1194.3(a)).

2. Acquisition of IT for a state project that is “acquired by a contractor incidental to a contract” (FAR 39.204(c) and 36 CFR 1194.3(b)).

3. A state IT project that is “located in spaces frequented only by service personnel for maintenance, repair, or occasional monitoring of equipment (FAR 39.204(d) and 36 CFR 1194.3(f))” in what is called the “back-office” exception.

4. Compliance with this policy would present an “undue burden”. Undue burden is defined as “a significant difficulty or expense,” considering all Agency/state entity resources available to the program or component for which the product is being procured.

5. No commercial solution is available to meet the requirements for the IT project that provides for accessibility.

6. No solution is available to meet the requirements for the IT project that does not require a fundamental alteration in the nature of the product or its components.

See SIMM Section 25, IT Accessibility Resource Guide, for additional information.
WEBSITE ACCESSIBILITY CERTIFICATION

Before July 1, 2019 and biennially thereafter, each Agency/state entity shall post on the home page of the Agency/state entity’s internet website a signed certification from the Agency/state entity’s Director and Chief Information Officer certifying that they have determined that the Agency/state entity’s internet website is in compliance with Government Code Sections 7405 and 11135, and the Web Content Accessibility Guidelines 2.0, or a subsequent version, published by the Web Accessibility Initiative of the World Wide Web Consortium at a minimum Level AA success criteria.

The California Department of Technology (CDT) has adopted the Department of Rehabilitation’s Accessibility toolkit to serve as the standard form that each Agency/state entity’s Chief Information Officer shall use to determine whether the Agency/state entity’s internet website is in compliance with the accessibility standards specified above.

To meet the certification requirements of this policy, each Agency/state entity may use the optional Website Accessibility Certification form in SIMM Section 25B or develop an Agency/state entity specific form that satisfies the statutory requirements.

INFORMATION TECHNOLOGY INFRASTRUCTURE POLICY

Agencies/state entities’ information technology infrastructures must enable information sharing across traditional barriers, enhance California’s ability to deliver effective and timely services, promote interoperability, support departments and Agencies/state entities in their efforts to improve government functions, and promote migration to enterprise solutions with reduced complexity and support costs.

CALIFORNIA SOFTWARE MANAGEMENT POLICY

Each Agency/state entity shall establish and maintain appropriate computer software management practices and ensure that computer software they use and/or have purchased with state funds is legally procured and is used in compliance with licenses, contract terms, and applicable copyright laws. Each Agency/state entity shall develop and implement policies and procedures to ensure that all staff understand and adhere to proper software management policies.
SOFTWARE MANAGEMENT PLAN 4846.1

(Revised 6/2015)

To prevent software piracy and promote good software management practices, each Agency/state entity must maintain a software management program. Each Agency/state entity must document this effort through a software management plan. See SIMM Section 120 for guidelines on the development and maintenance of this plan.

SOFTWARE MANAGEMENT POLICY

REPORTING REQUIREMENTS 4846.2

(Revised 6/2015)

Beginning January 31, 2004, and ongoing, each Agency/state entity shall retain internally for three years, by the Agency Information Officer, an annual certification along with the summary of updated inventories conducted by the Agency/state entity as part of its ongoing software management practices. This certification must also identify the individual responsible for ensuring Agency/state entity compliance with the California Software Management Policy, SAM Section 4846. In support of this certification, each Agency/state entity must maintain a detailed inventory report that must be made available upon request to the Department of Technology and/or the Department of General Services. See SIMM Sections 80 and 120 for this and any other reporting requirements.

STATUTORY REFERENCES 4851

(Revised 1/2016)

Chapter 834, Statutes of 2006 (SB 834) created the Office of the State Chief Information Officer (OCIO), and its responsibilities were expanded via Chapter 183, Statutes of 2007 (SB 90) as described in Government Code Sections 11545 and 11546.

Chapter 404, Statutes of 2010 (AB 2408), renamed the OCIO the California Technology Agency (Technology Agency) and transferred the responsibilities of the OCIO to the Technology Agency.

Chapter 352, Statutes of 2013 (AB 1317) abolished the California Technology Agency and transferred its responsibilities and authority to the California Department of Technology (Department of Technology) within the newly-created Government Operations Agency. (GRP 2, 2012)

TRAINING AND EMPLOYEE DEVELOPMENT 4854

(Revised 1/2016)

General Philosophy. The Department of Technology recognizes that training and employee development is primarily a responsibility of line management. The
identification of needs, establishment of priorities, and implementation of training clearly reside with the discretion of each Agency/state entity. These guidelines relate to technical IT training since management training and development and other general training activities are often intermixed with broader Agency/state entity goals. The following statements of policy are intended to facilitate these key objectives.
Policy. Employee training and employee development are the responsibility of each Agency/state entity. Within an Agency/state entity, line management is responsible for identification of needed skills, development and implementation of a training plan and establishment of priorities.

Training Coordinator. Agencies/state entities should appoint a training coordinator to assist line management in inventoring employee skills, assessing training needs and developing a training schedule. This may be a person in the Agency/state entity training office or a person in the IT organization.

Additional responsibilities of the training coordinator will be to act as liaison with other Agencies/state entities for the purpose of joint or coordinated training efforts.

Training Plans. The dynamic field of IT requires continuous upgrading of skill in order to remain abreast of rapidly changing technology. Because of technological changes and evolving personnel needs, it is imperative that Agencies/state entities have a plan that will ensure that skills required by the Agency/state entity are developed in an orderly fashion. Management should be aware of the extent to which the effectiveness of their programs is dependent upon the technical skills of their staff.

Training Priorities. It is recommended that priority be given to development of those skills necessary in the effective performance of each person's current position. After essential needs are met, career-related training needs may be addressed.

Source of Training. Agencies/state entities should assess their training needs and attempt to satisfy their needs through the most cost-beneficial source. Some training alternatives are: on-the-job training; development of in-house training; cooperative training programs with other Agencies/state entities; training programs through the state data centers; Agency/state entity group contracts with outside vendors; and attendance of one or more employees at an outside vendor's training class. The Department of Technology encourages close coordination and cooperation between Agencies/state entities.

Out-Service Training Needs. Agencies/state entities should make every effort to identify those skills areas where they anticipate the need to contract for training with outside vendors. These needs should be outlined in their training plans. Inclusion in the preliminary plans will provide an opportunity to determine whether comparable training may be made available through a more cost-effective source or whether these needs might be coordinated with the needs of other Agencies/state entities.
Note: Effective January 1, 2008, the Office of Information Security (Office) restructured and renumbered the content and moved SAM Sections 4840 – 4845 to SAM Sections 5300 – 5399. See also the Office’s Government Online Responsible Information Management (GO RIM) Web site at https://cdt.ca.gov/infosecurity/ for statewide authority, standards, guidance, forms, and tools for information security activities.

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Strategic planning is essential to the successful adoption of IT in state government. An Agency/state entity information management strategy provides a means of coordinating systems development throughout the Agency/state entity over the long term. It enables the Agency/state entity to build systems within a common infrastructure and recognizes that no investment in systems should be made without proper planning. Inherent in the concept of information strategy is the commitment to develop business systems that are based on the real business priorities of the Agency/state entity.

The purposes of the planning requirements in this section are to ensure that:

1. Agency/state entity plans for and uses of IT are closely aligned with Agency/state entity business strategies;
2. Each Agency/state entity identifies opportunities to improve program operations through strategic uses of IT; and
3. Each Agency/state entity establishes and maintains an IT infrastructure that supports the accomplishment of Agency/state entity business strategies, is responsive to Agency/state entity information requirements, and provides a coherent architecture for Agency/state entity information systems.

**DEFINITIONS**

**Agency Information Management Strategy.** An agency's information management strategy is the agency's comprehensive plan for using information technology to address its business needs, i.e., to successfully carry out its programmatic mission. Ideally, the agency's information management strategy represents one aspect of a well-defined overall agency business strategy and is therefore closely aligned to its business strategy. If the agency has not established a business strategy, agency staff who are responsible for the agency information management strategy must make assumptions based on their knowledge of the agency's overall mission, its program resources and priorities, and the changing nature of its environment.

**Business Strategy.** An agency's business strategy is its overall plan for accomplishing its mission in a changing environment with the resources it can reasonably expect to be available. Such a strategy typically addresses the agency's statutory mission and historical role, the expectations of its key stakeholders (individuals and organizations that affect the agency or that the agency affects), the factors that are critical to its success as an organization, the agency's internal strengths and weaknesses, and the political, social, economic, and technological forces in its environment that support or constrain its programs. Business strategies articulate the key issues that must be
successfully addressed by the agency and identify the priorities and required resources for proposed actions. A strategy may have a time frame that is as short as a few months, if there is a limited window of opportunity for significant change. However, most agency business strategies present a three- to five-year perspective, with some agencies finding it useful to extend their strategic vision as much as ten to twenty years into the future. Strategic planning is not a one-time effort; it is a fundamental, continuing management process that allows the agency to respond in an effective manner to a changing environment.

**Information Technology Infrastructure.** An agency's information technology infrastructure is the base or foundation for the delivery of information to support the agency's programs and management. The infrastructure contains elements upon which an agency's information technology activities are dependent. An agency must therefore define, implement, and manage these infrastructure elements to successfully employ information technology.

The desirable characteristics of this infrastructure are efficient support for the exchange of information within the agency and between the agency and other organizations; reliable availability of information processing capabilities whenever and wherever they are needed; preservation of the integrity and confidentiality of information maintained by the agency; sufficient flexibility to allow the timely and efficient addition of new information management capabilities and modifications of established capabilities; and consistency with a coherent set of technical and managerial standards for the employment of information technology. Typical elements in an information technology infrastructure include:

**Application Systems.** The applications that an agency purchases and/or develops to achieve personal productivity and program support benefits.

**Architecture.** The guidelines or blueprints that an agency follows in designing, acquiring, and implementing information technology solutions. Organizationally approved definitions, specifications, and standards are the primary components in an agency's information technology architecture.

**Communications.** Local area and wide area network components, including linkages with other organizations.

**Equipment.** An agency's hardware platforms and components ranging from individual personal computers to mainframes and associated peripherals.

**Facilities.** The electrical, ventilation, fire suppression, physical security, wiring, and other components required to support an agency's information technology capability, including the physical structure itself.

**Funding.** Current and projected funding for information technology planning, acquisition, development, and operations activities.
Partnerships. Relationships with other public and private sector organizations that support and enable the agency's pursuit and use of information technology.

People. An agency's technical staff, user community groups, and executive steering and oversight committees that are charged with information technology planning, approval, development, management, operations, and security responsibilities.

Plans. Detailed designs or methods for aligning information technology activities with agency business strategies and accomplishing business objectives. Typical agency information technology plans include strategic, risk management, and operational recovery.
Policies. The rules, conventions, and protocols adopted by the agency to govern the pursuit and use of information technology.

Processes and Procedures. The defined steps for planning, approving, acquiring, developing, operating, maintaining, enhancing, and using information technology within the agency.

Service Definitions. The types of services provided, accepted service levels, and service delivery time frames established for an agency's information technology support organization.

Software. The set of operating system, utility, communications, user interface, and management programs that enable users to operate and control computers and develop application systems.

The infrastructure includes elements owned by the agency and available under contract or through interagency agreement. For agencies that employ the services of a consolidated data center, for example, the required data center resources are considered part of the agency's infrastructure.

Reengineering the Business Process. The search for, and implementation of, radical changes in business processes that result in dramatic efficiencies, reductions in turnaround time, improvements in quality, or improvements in customer service.

Strategic Planning Process for Information Technology. The process of aligning agency plans for, and uses of, information technology with the agency's business strategies.

BASIC POLICIES 4900.2

(Revised 6/2015)

Each Agency/state entity must establish an ongoing strategic planning process for IT and submit its strategic plan to the California Department of Technology for approval. The strategic planning process established by an Agency/state entity should be consistent with its needs, resources, uses of IT, and management style. However, the strategic planning process should:

1. Be consistent with the current statewide strategic direction for IT, with relevant statewide policies contained in the State Administrative Manual, Statewide Information Management Manual and current management memos, and with Agency/state entity policies for the management of information and IT;

2. Include active participation of Agency/state entity executive and program management;

3. Align Agency/state entity strategies for IT with Agency/state entity business strategies;
4. Identify emerging threats and opportunities in the Agency/state entity’s environment that have a potential impact on the Agency/state entity’s information management and its use of IT;

5. Assess the strengths and weaknesses of the Agency/state entity in terms of its IT infrastructure and information management capabilities;

6. Assess the potential of new information technologies to enable new business strategies and further the accomplishment of established strategies;

7. Provide for the creation and maintenance of an Agency/state entity IT infrastructure that will support Agency/state entity information requirements and business strategies; and

8. Establish goals and priorities for the acquisition of new information management capabilities.

Each Agency/state entity may determine the format and content of the documentation of its strategic plan for IT. The documentation must satisfy Agency/state entity management requirements and be sufficiently detailed to provide the Department of Technology with a clear understanding of the Agency/state entity’s information management strategy. Agency Information Management Strategy (AIMS) documentation guidelines can be found in SIMM Section 110.

It is the responsibility of the Agency/state entity to ensure that the information available to the Department of Technology represents its current strategy. The Department of Technology will base its decisions regarding the approval of an Agency/state entity’s IT activities and support for its budget augmentations in part upon its understanding of the Agency’s Information Management Strategy (AIMS) and the relationship between the AIMS and the Agency/state entity’s overall business strategy. In general, activities and proposals that are not supported by an AIMS that meets the basic requirements of this section or that are inconsistent with an Agency/state entity’s established strategy will not be approved or supported by the Department of Technology. Any Agency/state entity that does not have an approved AIMS will have all IT project delegation rescinded, including delegation for expenditures under the Desktop and Mobile Computing Policy (SAM Section 4989.)

The Agency/state entity must submit documentation of its information management strategy to the Department of Technology at the time it completes its initial strategic planning effort and, thereafter, whenever there is a significant change in strategy. SAM Section 4900.3 provides guidelines for the AIMS documentation that must be submitted to the Department of Technology. Additionally, the Agency/state entity must annually certify that the AIMS approved by the Department of Technology represent its current strategy. See SAM Section 4900.5 and SIMM Section 60.
Note that approval of an Agency/state entity’s AIMS does not imply approval of specific projects, nor does it guarantee funding for the plan or specific projects an Agency/state entity may initiate under the plan. Project funding must be addressed through the budget process, where final determination will be based on statewide as well as Agency/state entity priorities.
Each Agency/state entity is expected to tailor the documentation of its information management strategy to its own needs and to provide the Department of Technology with sufficient information for the Department of Technology to understand that strategy in light of the Agency/state entity’s overall business strategy. AIMS documentation guidelines can be found in SIMM Sections 60 and 110.

Agencies/state entities are requested to address at least the following in their submittal to the Department of Technology:

**Changes in Mission and Programs.** A summary of expected changes in the Agency/state entity’s mission and programs that will require changes to the Agency/state entity’s information management capabilities.

**Agency Business Strategy.** A summary of the Agency/state entity’s business strategy for the period covered by the information management strategy.

**Information Technology Vision.** A summary of the Agency/state entity’s values and principles that articulate the conceptual basis or foundation for the Agency/state entity’s chosen IT infrastructure.

**Impact on Information Management.** An assessment of the impact of the Agency/state entity’s business strategy upon its information management practices.

**New Information Technologies.** A statement of how new information technologies will be employed in the business strategy.

**Current Information Technology Infrastructure.** A description of key elements in the Agency/state entity’s current IT infrastructure: standards, hardware, software, communications, personnel, partnerships, and application systems.

**Planned Information Technology Infrastructure.** A description of how that infrastructure will be developed or leveraged to meet future information requirements.

**Information Management Priorities, Objectives, and Resources.** A statement of the Agency/state entity’s priorities, objectives, and resources for achieving the development or acquisition of new information management capabilities.

**Activities to Reengineer Agency/state entity Business Processes.** A description of changes the Agency/state entity has made, or is making, to restructure its business operations in an effort to achieve dramatic improvements in critical measures of performance, such as efficiency, turnaround time, customer satisfaction, and quality.
An Agency/state entity may prepare a separate summary of its information management strategy for submission to the Department of Technology or it may choose to provide the Department of Technology with copies of its internal documents. The Department of Technology may request additional information to clarify its understanding of an Agency/state entity’s strategy. Agencies/state entities are encouraged to submit informational copies of their business strategies with their information management strategies and to provide oral briefings to the Department of Technology in conjunction with submitting their strategies.
AGENCY INFORMATION MANAGEMENT

STRATEGY REPORTING REQUIREMENTS 4900.5

(Revised 6/2015)

The AIMS must be submitted to the Department of Technology at the time the Agency/state entity completes its initial strategic planning effort. A revised AIMS must be submitted to the Department of Technology for approval whenever there is a significant change in the Agency/state entity’s strategy. Additionally, to assist the Department of Technology in reviewing an Agency/state entity’s IT Budget Change Proposals (see SAM Section 4819.42), the Agency/state entity annually must certify, by August of each year, or as instructed by the Department of Technology, that the AIMS approved by the Department of Technology represents its current strategy. SIMM Section 60 provides a template for the AIMS transmittal letter, which must be signed by the Agency/state entity director or chief deputy director, for this annual certification.

INFORMATION MANAGEMENT ORGANIZATION 4903.1

(Revised 6/2015)

By June of each year, or as instructed by the Department of Technology in SIMM 05A, each Agency/state entity must submit to the Department of Technology organization charts showing:

1. The relationship between the organizational unit or units responsible for information management functions (including telecommunications) and other units within the Agency/state entity; and

2. The internal organization of the unit or units responsible for information management functions, including telecommunications. The internal organization chart should indicate numbers of positions by classification.

INFORMATION MANAGEMENT COSTS 4903.2

(Revised 01/2017)

By February 1 of each year, or as instructed by the Department of Technology in SIMM 05A, each Agency/state entity is required to summarize its actual and projected information technology costs, telecommunications costs and information security costs (including the expenditure of federal grant funds for information security purposes), including, but not limited to, personnel, for the immediately preceding fiscal year and current fiscal year, showing current expenses and projected expenses for the current fiscal year.

The format and instructions for submittal required by the Department of Technology are specified in SIMM Section 55.
EXHIBITS AND SUPPORTING DOCUMENTS

The documents required in SAM Sections 4903.1-4903.4 supplement the information in the Agency/state entity AIMS by providing details about the organization or information management within the Agency/state entity and the resources available to the Agency/state entity.

CONCEPTUALLY APPROVED IT PROJECT PROPOSALS REPORT

To forge the necessary integration of the business and Information Technology (IT) functions in California state government, the California Department of Technology (Department of Technology) publishes a Conceptually Approved IT Project Proposals Report each quarter. The Report will be based on the approved Stage 1 Business Analyses from Agencies/state entities. This information represents the Executive Branch's plan for IT investments in support of the California IT Strategic Plan. The information in the Conceptually Approved IT Project Proposals Report is used to:

- Ensure that IT investments drive program efficiency and effectiveness and improve the quality of government services for Californians.
- Facilitate improvements in internal business processes and financial management through IT investments.
- Link IT investments to Agency/state entity priorities and business direction.
- Promote the alignment of IT investments with the Agency/state entity's enterprise architecture (Technology, Standards, and Infrastructure).
- Enhance and promote enterprise data sharing through IT investments.
- Facilitate consideration and conceptual approval to pursue selected IT investments.

See SIMM Section 19A for Project Approval Lifecycle Stage/Gate deliverable Preparation Instructions.

1 State entity: Includes every state office, officer, department, division, bureau, board, and commission, including Constitutional Officers. “State entity” does not include the University of California, California State University, the State Compensation Insurance Fund, the Legislature, or the Legislative Data Center in the Legislative Counsel Bureau.
The statewide Enterprise Architecture (EA) is developed in a cooperative, managed, and coordinated effort facilitated by the California Department of Technology. The National Association of State Chief Information Officers methodology and the Federal Enterprise Architecture framework included in SIMM Section 58A are adopted as the state’s standards to develop and maintain the statewide EA.

Accordingly, Agencies/state entities shall implement EA in accordance with SIMM Section 58D. In addition, Agencies/state entities shall, to the extent practical, utilize the EA Practices included in SIMM Section 158.

“Project management is the application of knowledge, skills, tools, and techniques to project activities to meet the project requirements. Project Management develops and implements plans to achieve a specific scope that is driven by the objectives of the program or portfolio it is subjected to and, ultimately, to organizational strategies.” (PMBOK 5th Edition®). The purpose of project management is to ensure that the delivered product, service or result meets the customer’s requirements and is delivered on time and within budget. A project management methodology improves the quality of project planning, communication, control of the execution and closure processes, and thus the deliverables. As the project progresses, and as challenges or changes emerge, the Project Manager must understand and balance the project’s scope, schedule, cost, and quality objectives.

Agencies/state entities must assign Project Managers with the qualifications and skills commensurate with the complexity of the IT project they are managing. Assigning a skilled Project Manager is of critical importance to the success of IT projects. Project Management qualification requirements may be met through formal training, certification in industry stated project management, or previous experience. The following Project Manager qualification requirements are based on the project’s Complexity Rating and assessed by the Department of Technology IT Project Oversight Division through the Project Approval Lifecycle:

**Low Complexity Projects** – The Project Manager should have some training in project management methodology and project management tools. In addition, the Project Manager should have demonstrated leadership, organization, critical thinking, and interpersonal skills.
Medium Complexity Projects – In addition to the requirements identified for low complexity projects, the Project Manager should have substantial project management training and experience leading several low complexity project efforts through all phases of the project lifecycle requiring the effective management of people and technology. The Project Manager should have
proficiency in leadership, organization, critical thinking, stakeholder management, and Information Technology. Medium complexity projects typically incorporate more than one technology type or functional group, and the Project Manager needs to be able to manage several different functional groups with different needs.

High Complexity Projects – The Project Manager should possess advanced project management certifications and should have been directly responsible for all knowledge areas across all process groups for high-profile medium complexity project engagements and be well recognized for their efforts. The project manager must also have knowledge of various approaches to system development/replacement, procurement, contract management, personnel management, supplier management, stakeholder management, operation support, and Organizational Change Management. A project manager at this level must be able to understand the technology being used but not necessarily be an expert in it. Project managers will be spending most of their time working the planning and controlling aspects of the project as well as dealing with the “political” issues. Delegation, time management, and interpersonal skills are keys to success. Large complexity projects are those that are Agency/state entity-wide or extend beyond the Agency/state entity itself. The person must have the unwavering confidence of Agency/state entity management and be considered an acceptable and respected representative for the Agency/state entity.

The AIO or the Department CIO, as appropriate, is responsible for ensuring that project managers possess the appropriate qualification before their assignment to an IT project. The Department of Technology may require, at any time, the Agency/state entity to provide evidence of the Project Manager’s certification, training or previous project management experience.

CALIFORNIA PROJECT MANAGEMENT FRAMEWORK (CA-PMF) 4910.2
(New 5/2016)

The California Project Management Framework (CA-PMF) has been designed as an adaptable resource that provides California public sector organizations with an approach to project management that lays the foundation for project success. The CA-PMF offers guidance and insight on project management methods and approach through the use of scalable resources, tools, and templates. The CA-PMF is intended as a practical and useful guide to lead a Project Manager and project team through the project management lifecycle for projects of all sizes so that they achieve expected outcomes. The framework supports project management practices that conform to industry standards as defined by the Project Management Institute (PMI) and adapted to the context of California State government.

The CA-PMF includes all major project processes and activities, from initial project definition to closing the project. With project management described as a series of activities undertaken by the project team, the Project Manager is equipped with the tools
necessary to consider the needs of the project and how its organization can be structured and managed to deliver the intended result. The CA-PMF aligns with policy, identifies the connections to the project oversight and project approval processes, and directs practitioners to the appropriate resources for further information on those processes.

**PROJECT APPROVAL LIFECYCLE PURPOSE**

(Revised 6/2015)

The Project Approval Lifecycle (PAL) represents an opportunity for Agency/state entity’s management to assess the full implications of a proposed IT project. The PAL is also the means of linking a specific IT project to the Agency/state entity’s strategic business plans and IT plans, and to ensure that the proposed project makes the best use of the Agency/state entity’s IT infrastructure. The PAL is divided into four stages, separated by gates (business analysis, alternatives analysis, procurement analysis and solution analysis). Each stage consists of a set of prescribed, cross-functional, and parallel activities to develop deliverables used as the inputs for the next stage. The gates provide a series of “go/no go” decision points that request only the necessary and known information needed to make sound decisions for that particular point in time. As additional information is collected and refined through the lifecycle, the cost estimates, schedules, and business objectives will be progressively updated and evaluated to determine if the project is still practical and if the investment should continue to move forward towards project approval. The model also integrates procurement into the project approval lifecycle, providing better estimates regarding a project’s budget and schedule. The purpose of the PAL is to accomplish the following:

1. Better business outcomes for the State through successful IT projects.
2. Result in more successful projects and fewer Special Project Reports.
3. Improve efficiencies through effective project planning and analysis to meet State business needs, while also ensuring compliance with State IT policies.
4. Introduce scalability to the project approval process based on business and/or technical complexity.
5. Ensure each decision point requires only the necessary and appropriate level of information needed to make a sound decision, estimate, or product for that particular stage.
6. Determine whether there is a substantiation for a proposed project, i.e., whether the expenditure of public resources on the project is justified based on the following:
   a. Responsiveness to a clearly-defined, program-related problem or opportunity;
b. Selection of the best of the possible alternative;

c. Agency/state entity’s technical and program capabilities; and

d. Financial and/or non-financial benefits over the life of the solution that exceed development and operations costs. Project benefits typically include reduced program costs, avoidance of future program cost increases, increased program revenues, or provision of program services that can be provided most effectively through the use of IT.
7. Provide a means for achieving agreement between Agency/state entity’s executive management, program management, and project management regarding:
   a. The scope, benefits, schedule, and costs of a proposed project;
   b. Management responsibilities over the course of the project; and
   c. Opportunities to collaborate with the Department of Technology.

8. Provide executive branch control agencies and the Legislature with sufficient information to assess the merits of the proposed project and determine the nature and extent of project oversight requirements.

9. To the extent feasible, ensure each step and work product in the lifecycle is useful input into subsequent steps.

10. Ensure that a “no” or a “go back and re-think” decision is communicated as early as possible if the level of detail provided is inadequate.

PROJECT APPROVAL LIFECYCLE BASIC POLICY 4921
(Revised 11/2016)

Project Approval Lifecycle (PAL) Stage/Gate deliverables must be reviewed and approved in accordance with the general requirements of SAM Sections 4819.3-4819.42 (State Information Management Authority and Responsibility), as well as the specific requirements of Sections 4927-4928. See SIMM Section 19 for PAL Stage/Gate deliverable Preparation Instructions.

PROJECT APPROVAL LIFECYCLE SCOPE 4922
(Revised 6/2015)

The scope of the Project Approval Lifecycle (PAL) Stage/Gate deliverables must be commensurate with the nature, complexity, risk, and expected cost of the proposed use of IT.

The deliverables must provide sufficient information to assure the Agency/state entity’s program management that the proposed response meets program requirements. The deliverables must also provide sufficient information to allow Agency/state entity executive management to make a sound decision as to the merits of the proposed project as an investment of public resources.

PROJECT APPROVAL LIFECYCLE PARTICIPATION 4923
(Revised 6/2015)

The analysis performed in support of Project Approval Lifecycle Stage/Gate deliverables must be based on an understanding of the needs, priorities, and
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capabilities of: (1) the users of the information that is to be provided; and (2) the Agency/state entity’s unit or program that will have operational responsibility for the IT application. Representatives of program management and staff must be the business owners and drive the deliverable development process. Refer to SIMM Section 19.
The SAM Section 4928 and instructions and guidelines published by the California Department of Technology (see SIMM Section 19) specify the content of the Project Approval Lifecycle (PAL) Stage/Gate deliverables which must provide the results of the analysis performed. In addition to the PAL Stage/Gate deliverables, the Agency/state entity must maintain sufficient supporting documentation to ensure that project participants, Agency/state entity management, and control agency personnel can resolve any questions that arise with respect to the intent, justification, nature, and scope of the project.

CONSISTENCY WITH AGENCY INFORMATION MANAGEMENT STRATEGY AND CONCEPTUALLY APPROVED IT PROJECT PROPOSALS REPORT

Each proposed project must be consistent with the Agency/state entity’s overall strategy for the use of IT, as expressed in its current Agency Information Management Strategy (see SAM Sections 4900.2, 4900.3 and 4900.5) and Conceptually Approved IT Project Proposals Report (see SAM Section 4904).

PROJECT APPROVAL LIFECYCLE PROCESS

Each Agency/state entity must follow a systematic, analytical process for evaluating and documenting the analysis of proposed IT projects, as defined in SAM Section 4819.2.

This process includes:

1. Developing an understanding of a problem (or opportunity) in terms of its effect on the Agency/state entity’s mission and programs;
2. Developing an understanding of the organizational, managerial, and technical environment within which a response to the problem or opportunity will be implemented;
3. Establishing programmatic and administrative objectives against which possible responses will be evaluated;
4. Preparing concise solution requirements of an acceptable response;
5. Identifying and evaluating possible alternative responses with respect to the established objectives;
6. Preparing an financial analysis for each alternative that meets the established objectives and solution requirements;
7. Selecting the alternative that is the best response to the problem or opportunity;

8. Developing a solicitation package that will result in the selection of qualified vendors;

9. Developing a contract by which the state and the vendor can effectively leverage
to achieve project objectives and outcomes;

10. Preparing a management plan for implementation of the proposed response;

11. Capturing and documenting the results of the study in the form of analytical and comparable data in the Project Approval Lifecycle Stage/Gate deliverables, as specified in SAM Section 4928;

12. Validating the maturity and readiness of the Agency/state entity to undertake critical project activities (e.g., testing, release management, organizational change management, business process reengineering);

13. Reinforcing the commitment of stakeholders, state staff, and contractor/vendor resources prior to project design, development and implementation; and

14. Establishing accurate and realistic baselines to measure project health and success.

PROJECT APPROVAL LIFECYCLE STAGE/GATE DELIVERABLES

The Project Approval Lifecycle (PAL) Stage/Gate deliverables, here and after referred to as “deliverables”, must provide an accurate summary of the results of each Stage/Gate analysis. The deliverables must provide a complete summary of the results of the analysis and establish the business case for investment of state resources in a proposed project by setting out the reasons for undertaking the project and analyzing its costs and benefits. The PAL Stage/Gate model includes the following deliverables:

**Stage 1 Business Analysis:** Provides a basis for project management, program management, executive management, and state-level control agencies to understand and agree on business problems or opportunities, and the objectives to address them. In order to evaluate a Stage 1 Business Analysis, the Department of Technology must fully understand the business justification.

Therefore, each proposal must describe in detail the business driver(s), statutes or legislation, program background and context, business problems or opportunities, strategic business alignment, organizational readiness, and business and stakeholder impact. Additionally, the Stage 1 Business Analyses are used to generate the quarterly Conceptually Approved IT Project Proposals Report which represents the Executive Branch's plan for IT investments in support of the California IT Strategic Plan.

**Stage 2 Alternatives Analysis:** Provides a basis for how the proposal’s business objectives will be achieved, the evaluation of multiple alternative solutions, determines which alternative will yield the highest probability of meeting the business objectives, and to develop an acquisition strategy/plan for procuring services. In order to evaluate a Stage 2 Alternatives Analysis, the Department of Technology must fully understand how
the selected alternative will best achieve the proposed project’s business objectives. Each proposal must provide sufficient detail to describe the baseline processes, mid-level solution requirements, alternative solutions, recommended solution, procurement strategy and staffing considerations. This deliverable must also
include a financial analysis of the life cycle costs, benefits and source of funding of the
proposed project and the costs and benefits of the current method of operation during
the life cycle of the project.

**Stage 3 Solution Development**: Provides a basis for how the project will mature mid-
level solution requirements into clearly defined and detailed solution requirements,
develop solicitations to acquire solutions that best meet business objectives and yield
the highest probability of success. In order to evaluate a Stage 3 Solution Development,
the Department of Technology must fully understand the procurement methodology,
approach and selection criteria to obtain a value effective solution. Each proposal must
provide sufficient detail to describe the procurement profile, solution requirements,
evaluation criteria, cost and payment model, negotiation strategy, statement of work,
and staffing plan.

**Stage 4 Project Readiness and Approval**: Provides a basis for how the intended
awardee will contribute towards the successful achievement of the project’s business
objectives and yield the highest probability of success, ensure the Agency/state entity’s
readiness to execute the project and establish realistic schedule and cost baselines. In
order to evaluate a Stage 4 Project Readiness and Approval, each proposal must
provide sufficient detail to describe the solicitation results, contract management
strategy, organizational/project readiness and project baselines (scope, schedule, cost
and resources). This deliverable must also include an updated financial analysis which
will support the final approval of project funding requests.

PAL Stage/Gate deliverables must be submitted to the California Department of
Technology (Department of Technology), and to the Office of the Legislative Analyst,
and to the Department of Finance’s Information Technology Consulting Unit.

Deliverables must be submitted in a format specified by the Department of Technology
and signed by the Agency/state entity director or his/her designee. The Department of
Technology publishes detailed instructions and guidelines for Agency/state entity use in
preparing deliverables. A copy of the instructions, guidelines, and required forms is
available in SIMM Section 19. The instructions and guidelines specify the MINIMUM
amount of information necessary for the Department of Technology’s approval.

The Agency/state entity must maintain sufficient documentation of each analysis to
ensure that project participants, Agency/state entity management, and control agency
personnel can resolve any questions about the intent, justification, nature, and scope of
the project.

**PROJECT SUMMARY PACKAGE**

(Revised 7/2014)

A Project Summary Package must be prepared and included in each Feasibility Study
Report and Special Project Report. In addition, the Project Summary Package may be
used to document the feasibility study for projects with a total development cost equal to or less than ten percent of the Agency/state entity’s cost delegation threshold. See SAM Section 4819.39.
See SIMM Section 20 and/or 30 for instructions for completing the Project Summary Package.

IT PROJECT OVERSIGHT

(Renamed and Revised 04/2017)

Department of Technology project oversight is required for all Reportable Information Technology (IT) projects, unless otherwise exempted by the Department of Technology. IT Project Oversight is required to begin on the proposed project start date as identified in the Stage 4 approval letter and must continue through the duration of the project unless other direction is issued by the Department of Technology.

Agency/state entity management must comply with IT Project Oversight Framework (see SIMM Section 45) throughout all project phases to ensure the appropriate level of independent project oversight, project management practices and project risk assessments. Compliance with the IT Project Oversight Framework may be required to begin as early as the Stage 3 Solution Development, as a condition of Stage 2 Alternatives Analysis approval.

The Department of Technology will conduct Agency/state entity, IT project management and oversight assessments designed to provide Agency/state entity management and the Department of Technology information on the progress of a project, including compliance with the minimum requirements for IT project management, project risk management, project oversight and project reporting activities at the Agency/state entity and control agency levels as outlined in the IT Project Oversight Framework (see SIMM Section 45). The Department of Technology will schedule assessments based on an established criteria.

The fundamental requirements for project oversight and evaluation are specified in SAM Sections 4819.31-4819.42. All projects, including projects delegated by the California Department of Technology to the Agency/state entity director, are subject to these review, reporting and evaluation requirements including the requirements of SAM Section 4940. Projects that have been delegated to the Agency/state entity director in accordance with SAM Section 4819.36 require appropriate project reporting by the project manager to the Agency/state entity director. Project oversight services contracted by Agency/state entities or the Department of Technology must comply with the IT Project Oversight Framework (see SIMM Section 45) and the requirements outlined in SAM Section 4910. The Department of Technology may conduct assessments to ensure compliance with minimum requirements.

INDEPENDENT PROJECT OVERSIGHT REPORTS

(New 04/2017)

Independent Project Oversight Reports (IPORs) are used to detail a project's progress against the project objectives, scope, schedule, and cost defined in approved Project
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Approval Lifecycle documents. IPORs must be completed by the Department of Technology IPO Manager, who shall identify and quantify any issues and risks affecting project objectives. IPORs are required to be developed regularly based on project criticality (see SIMM Section 45).
CORRECTIVE ACTION PLAN

Based on the Independent Project Oversight Report (IPOR) findings, the California Department of Technology (Department of Technology) may require Agency/state entities to develop a Corrective Action Plan (CAP) for the purpose of altering the course of a task or project that may have significantly deviated from the pre-specified direction originally intended. The CAP must be well-documented and, upon approval by the Department of Technology, be executed to get the project back on track to better align with the goals, expectations, and ultimate results laid out in the Project Approval Lifecycle and/or project management plan.

The Department of Technology will actively monitor the progress of the planned remediation actions outlined in the approved CAP and document the independent assessment in the IPOR. If the Department of Technology determines that the Agency/state entity is not effectively implementing the actions outlined in the CAP, the Department of Technology may take action to further escalate any lack of progress and adherence to the CAP. If those escalation efforts fail to correct significant problems related to specified issues or risks, the Department of Technology will continue escalation activities up to and including IT project suspension or termination.

INDEPENDENT VERIFICATION AND VALIDATION

Independent Verification and Validation (IV&V) is the process for ensuring that a product, service, or system meets requirements and specifications and that it fulfills its intended purpose. Within IV&V, the term verification refers to the process of evaluating software to determine whether the products of a given development phase satisfy the conditions imposed at the start of that phase. [IEEE-STD-610]. The term validation refers to the process of evaluating software during or at the end of the development process to determine whether it satisfies specified requirements. [IEEE-STD-610].

IEEE–STD-1012 industry standards will be used to guide the IV&V activities.

When contracting for IV&V services, Agencies/state entities must use the standard Statement of Work (SOW) template (see SIMM Section 45A). Any changes to the standard SOW template requires approval by the California Department of Technology.

The following IV&V requirements apply to all reportable projects, based on the project criticality rating assigned by the Department of Technology:

- IV&V services are required for all reportable projects classified as medium or high criticality and must begin on or before the proposed project start date as identified in the Stage 4 approval letter issued by the Department of Technology
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and must continue through the duration of the project unless other direction is provided by the Department of Technology.

- IV&V services may be required for projects classified as low criticality at the discretion of the Agency Chief Information Officer (AIO) or the Department of Technology.

- IV&V services may be required during the Project Approval Lifecycle, as directed by the Department of Technology.

- To ensure independence, IV&V services for Agency-affiliated State Entity projects must report to the respective AIO.

- A single vendor may not provide both IV&V and Independent Project Oversight services for the same project.
OVERVIEW

(Removed 04/2017)

Information previously contained in this section has been consolidated into SAM section 4940.

COMPLIANCE REVIEW

(Revised 7/2014)

Specific projects or Agencies/state entities as a whole may be subject to compliance reviews conducted by the California Department of Technology (Department of Technology). The purposes of a compliance review are to verify Agency/state entity adherence to statewide IT policies as well as approved Agency/state entity policies, and to determine Agency/state entity fulfillment of approved plans. The Department of Technology will review project reporting documentation in conjunction with its compliance review and oversight responsibilities.

The Department of Technology may impose sanctions, such as a reduction or elimination of an Agency/state entity’s delegated cost threshold for reporting and approval of IT projects by the Department of Technology, or other sanction deemed appropriate by the Department of Technology, upon finding that an Agency/state entity is consistently and/or willfully out of compliance with state policies.

AUDIT OF INFORMATION TECHNOLOGY PROJECTS

(Revised 6/2015)

All information technology (IT) projects are subject to audit, with project reporting and evaluation documents an essential aspect of the audit trail. Documentation supporting project decisions must be kept by the Agency/state entity for a minimum of two years following approval of the post-implementation assessment.

Some projects may be subject to ongoing review by the Department of Finance’s Office of State Audits and Evaluations (OSAE). OSAE may review the Project Approval Lifecycle Stage/Gate deliverables of projects approved by the California Department of Technology (Department of Technology) and the Reporting Exemption Requests of projects delegated to agencies by the Department of Technology. OSAE will select projects for ongoing review based on their risk, cost, and materiality.

For projects selected for ongoing review, OSAE will develop and submit to Agency/state entity management periodic status reports and the project Post-Implementation Evaluation Report (PIER) required under SAM Section 4947. Agencies/state entities are required to submit final versions of the periodic status reports and the project PIER to the Department of Technology within five working days after they are received from OSAE.
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If OSAE determines that the project should be audited, the Agency/state entity must enter into an interagency agreement with OSAE for that purpose. Since the cost that the Agency/state entity otherwise would have incurred in monitoring the project and producing progress reports and the PIER will no longer be borne by the Agency/state entity, these costs should not be included in the project budget. However, the Agency/state entity should ensure that the project budget includes an amount sufficient to cover the costs of the interagency agreement with OSAE.

IT PROJECT OVERSIGHT AND REPORTING 4944

(Removed 04/2017)

Information previously contained in this section has been consolidated into SAM section 4940.

SPECIAL PROJECT REPORT-

GENERAL REPORTING REQUIREMENTS 4945

(Revised 6/2015)

Preparation of an Special Project Report (SPR) is required whenever a project substantially deviates from the costs, benefits or schedules documented in the approved Stage 4 Project Readiness and Approval, when a major revision occurs in project requirements or methodology, when criteria listed in SAM Section 4819.37, other than the project’s cost exceeding the level the California Department of Technology (Department of Technology) may have delegated to the Agency/state entity, arise during the development or implementation of the project, or when a significant change in state policy draws into question the assumptions underlying the project. No encumbrance or expenditure of funds shall be made to implement an alternative course of action until approval has been received from the Department of Technology or the Agency/state entity director, as appropriate. SAM Section 4819.36 lists specific conditions that require submission of an SPR to the Department of Technology.

If an SPR for a delegated project must be submitted to the Department of Technology, the Agency/state entity must attach to the SPR a copy of the approved Feasibility Study Report or all approved Project Approval Lifecycle Stage/Gate deliverables and the Transmittal signed by the Agency/state entity director or his/her designee.

The SPRs which must be submitted to the Department of Technology should be transmitted within 30 days after recognition of a substantial deviation. The SPR must be submitted to the Department of Technology and the Office of the Legislative Analyst.
SPRs must be submitted in a format specified by the Department of Technology and signed by the Agency/state entity director or the director's designee. See SIMM Section 30 for SPR Preparation Instructions.

SPECIAL PROJECT REPORT-CONTENT AND FORMAT 4945.2

(Revised 6/2015)

The Special Project Report (SPR) must provide sufficient information for Agency/state entity management, executive branch control agencies, and the Legislature to assess the merits of the proposed project change and determine the nature and extent of future project oversight requirements. If an SPR lacks sufficient information for these purposes, the California Department of Technology (Department of Technology) will request that the Agency/state entity provide additional information.

Information provided in the SPR must be commensurate with the level of deviation of costs, benefits, timelines, or project requirements from those of the approved FSR, Stage 4 Project Readiness and Approval or last approved SPR.

The SPRs must be submitted in a format specified by the Department of Technology and signed by the Agency/state entity director or his/her designee. The MINIMUM content for an SPR is project status, an explanation of the reason for the project deviation, a revised project management schedule, and financial summary information. The Department of Technology publishes instructions and guidelines for Agency/state entity’s use in preparing SPRs. See SIMM Section 30 for SPR Preparation Instructions.

MAINTENANCE AND OPERATIONS PLAN POLICY 4946

(Revised 6/2015)

The Maintenance and Operations (M&O) Plan provides an orderly, cost effective and planned process for ongoing routine M&O activities of implemented IT systems.

The California Department of Technology (Department of Technology) may request Agencies/state entities to submit an M&O Plan for IT projects. Agencies/state entities requested to submit an M&O Plan must have the plan approved by the Department of Technology before commencing M&O activities. Once an M&O Plan is approved, Agencies/state entities must provide the Department of Technology annual updates. The Department of Technology can suspend or withdraw its approval of the M&O Plan to respond to changing circumstances.

See SIMM Section 160 Maintenance and Operations Plan Guidelines.

POST-IMPLEMENTATION EVALUATION REPORT 4947

(Revised 04/2017)
A post-implementation evaluation report (PIER) must be prepared by the Agency/state entity following the completion of each IT project, unless the Agency/state entity has entered into an interagency agreement with the Department of Finance’s Office of State Audits and Evaluations (OSAE) under SAM Section 4943. The PIER shall:

1. Measure the benefits and costs of a newly-implemented IT application or system against the most recently approved project objectives; and
2. Document projected operations and maintenance costs over the life of the application or system.

No project is considered complete until the PIER has been approved by the Department of Technology or by the Agency/state entity director, as appropriate. Approval of a PIER by the Department of Technology or the Agency/state entity director, as appropriate, terminates the project reporting requirements.

If OSAE selects the project for review under SAM Section 4943, OSAE will conduct the post-implementation assessment and submit the PIER to Agency/state entity management. The Agency/state entity is required to submit the PIER to the Department of Technology within five working days after it is received from OSAE.

The post-implementation assessment must be conducted after the new IT capability has been operational for a sufficient period of time for its benefits and costs to be accurately assessed. Initial operational problems must have been resolved and sufficient experience and data must have been accumulated to determine whether the project met the proposed objectives, was completed within the anticipated time and budgetary constraints, and achieved the proposed benefits. The optimum time after implementation to conduct the assessment depends upon the nature of the project. Six months to one year after implementation is typical. The assessment MUST be completed within 18 months of project completion. Agencies/state entities are required to follow the instructions for preparing and submitting the PIER and Transmittal Letters, see SIMM Section 50.

POST-IMPLEMENTATION EVALUATION

REPORT-CONTENT AND FORMAT

(Revised 6/2015)

The Post Implementation Evaluation Reports (PIERs) must be submitted in a format specified by the California Department of Technology (Department of Technology) and signed by the Agency/state entity director or his/her designee, see SIMM Section 50. The level of detail included in the PIER must be commensurate with the scope and complexity of the project and its anticipated benefits. The narrative portion of the PIER for a minor project can be as brief as one or two pages. However, it must provide sufficient information for Agency/state entity management, executive branch control agencies, and the Legislature to assess the success of the project. In particular, the
PIER must contain a comparison of the timelines, costs and benefits forecast by the approved FSR or Project Approval Lifecycle Stage/Gate deliverables with the actual timelines, costs and benefits of the project. If the project was a limited success or involved significant differences between expectations and results, the Agency/state entity must present the actions it intends to take to improve the outcome. If the project was a failure and the problem or opportunity that led to the project still exists, the Agency/state entity must present the actions it intends to take to address that problem or opportunity.
INTRODUCTION

No single combination of information technology (IT) and management philosophy can be identified as being universally suitable for state government, nor can pre-determined rules be established to allow the routine assignment of a new application to the particular combination of technology and management practice which will be most appropriate. Each decision regarding a choice of IT and management structure must be made on a case-by-case basis, considering the particular circumstances of the application and the particular technological and managerial options available.

POLICY

The decision to select a particular technological approach must take into account the full range of significant factors which will influence the success of the application during its operational life. These significant factors include:

1. **Statutes, Regulations and Policies** - This factor consists of applicable statutes, regulations and policies which could impact a decision to use IT.

2. **Agency/state entity Management** - This factor includes assessment of the Agency/state entity’s prior experience with IT and the managerial resources it can bring to bear on the use and control of the technology, i.e., whether the Agency/state entity has an appropriate management infrastructure and Agency/state entity personnel possess the necessary qualifications.

3. **Cost** - Applications of IT must be reviewed in terms of their cost justification. Such review must take into account the potential impact of the application on the overall economy of state operations. Assessment of the costs associated with each technological alternative must cover a sufficient time span to allow for reasonable amortization of start-up costs as well as realization of cost savings and cost avoidance potentials.

4. **Nature of the Application** - This factor encompasses (1) the extent to which the application is critical to the accomplishment of the Agency/state entity’s mission, goals and objectives, (2) the degree of centralization or decentralization required for this activity, (3) the data communication requirements associated with the activity, (4) the characteristics of the data to be collected and processed, i.e., source, volume, volatility, distribution, and security or confidentiality, (5) the urgency of the application, and (6) backup requirements for personnel, software, data and hardware.

5. **Hardware Considerations** - This factor includes review of the alternative hardware configuration options capable of effecting the successful
implementation of a given IT activity. Consideration must be given to (1)
compatibility with existing hardware, including telecommunications equipment,
(2) physical plant requirements necessary for proper operation of the equipment,
(3) hardware maintenance, (4) the knowledge and skills required of state personnel, (5)
backup processing capability, and (6) the existing capacity, immediate required
capacity and future capacity.

(4)
6. **Software Considerations**-This factor includes a review of the software options available to achieve successful implementation of a given IT activity. Consideration must be given to (1) the compatibility of computer languages with existing and planned activities, (2) maintenance of the proposed software, e.g. vendor-supplied, (3) the urgency of the application, (4) the knowledge and skills required of state personnel, (5) the availability of complete documentation, and (6) the availability of necessary security features.

7. **Interagency Considerations**-This factor includes analyzing the Agency/state entity’s interfaces with other Agencies/state entities, or federal or local government. Consideration must be given to compatibility of communications and sharing of data.

**INTRODUCTION**

(Revised 1/2016)

Government Code Section 11534 and 11790 define two consolidated data centers in state government: 1) the Hawkins Data Center in the Department of Justice, and 2) the Office of Technology Services in the California Department of Technology. Other data processing centers are considered single-Agency/state entity, dedicated-use data processing centers rather than consolidated data processing centers. All data centers shall adhere to the following center policies.

**DATA CENTER CONSOLIDATION AND DETERMINATION OF AGENCY-DATA CENTER ASSIGNMENTS**

(Revised 6/2015)

It is the state’s policy to transition out of non-Tier III data centers and server rooms and to end upgrades during the transition, unless there is an emergency. The following policy shall be used to determine an Agency/state entity’s Tier III-equivalent facility assignment for services, and to ensure consolidation activities proceed timely:

1. The Hawkins Data Center shall serve as the Tier III-equivalent for the Department of Justice. Agencies/state entities assigned to other state-designated Tier III-equivalent facilities whose official business requires access to the data contained in the California Criminal Justice Information System’s (CJIS) data repositories, including those Agencies/state entities utilizing the California Law Enforcement Telecommunications System (CLETS), shall access CJIS serviced data repositories and CLETS through the Hawkins Data Center.

2. The Department of Water Resources Data Center serves as the Tier III-equivalent facility for the Natural Resources Agency and its associated Agencies/state entities.
3. The Franchise Tax Board (FTB) Data Center serves as the Tier III-equivalent data center for the FTB.

4. The following Office of Technology Services (OTech) facilities shall serve as the Tier III-equivalent Data Centers for all other Agencies/state entities in the state:
   
   a. The OTech Gold Camp Data Center serves as the production data center for the Executive Branch. In addition, the Gold Camp Data Center manages services and provides disaster recovery services to all state agencies not identified in 1, 2, and 3 above.
   
   b. The Federal Data Center (FDC) located at the OTech Gold Camp facility serves as a physically partitioned-off Data Center shared by agencies.
   
   c. The OTech Vacaville Data Center serves as a disaster recovery site with a secondary role as a production data center.
   
   d. Any other Tier III-equivalent facility designated by the Department of Technology.

5. To facilitate timely completion of consolidation activities:
   
   a. The OTech Customer Owned Equipment Managed Services (COEMS) is discontinued. COEMS customers will transition to one of the state’s Tier III-equivalent facilities previously referenced.
   
   b. Agency/state entity server rooms will be closed.
   
   c. File and print services in the greater Sacramento area will be consolidated.
   
   d. New applications, server refreshes, storage replacements, and new virtualization clusters shall be located at a state Tier III-equivalent facility.
   
   e. Agencies/state entities shall review all IT projects that are in progress in order to plan transition of servers and storage to a state Tier III-equivalent facility.
   
   f. The Computer Room Construction policy and requirements established in Technology Letter 12-05 remain in effect.
   
   g. Facility upgrades for server rooms designated for shutdown will be limited to emergencies. Agencies/state entities shall utilize the approval procedures described in Technology Letter 12-05.

6. Agencies shall use the Data Center Consolidation Survey and Assessment (S&A) included in SIMM Section 67, and will be reporting to the Department of Technology, Information Technology Project Oversight Division (ITPOD) in accordance with the timeframes and submittal instructions included in SIMM Section 05A.
Data Center Mission—Each data center shall have a statement of mission which states the data center’s objectives and outlines the services provided by the center.

Data Center User Interaction—

1. Each data center shall have a functional responsibility to provide liaison with the users of the center. This shall include establishing and maintaining user groups and forums appropriate to the requirements of the users and the mission of the center.

2. Each data center shall make readily available a data center user guide which shall contain detailed and up-to-date descriptions of and instructions for the use
of the various services offered by the center. This guide should describe the operational management processes required by user Agencies/state entities to avail themselves of data center services including resources scheduling, problem management, system backup and recovery procedures and data communications network management.

**Data Center Financial Management**—See SAM Section 6780 for the financial management policy applicable to the Office of Technology Services.

**Exchange of Data Between Data Centers**—The exchange or transfer of data between data centers by intercoupling or telecommunications shall be made only with the approval of the Department of Technology. Requests for approval to exchange or transfer data between data centers must contain programmatic justification and describe how the exchange or transfer will be accomplished. The request must also clearly describe what safeguards will be established to provide data confidentiality and security in compliance with SAM Sections 5300-5399, State Information Security Policy.

This section does not prohibit the transmission of data from the Department of Motor Vehicles to the Hawkins Data Center in order to obtain vehicle registration and driver license data for criminal justice purposes, or the transmission of data between centers in the same Agency/state entity.

**INTRODUCTION**

(Revised 08/2017)

Cloud Computing is an effective method for the secure, agile and reliable delivery of government services in the State of California. Cloud computing enables business programs to enhance service delivery while ensuring the underlying technologies are transparent, ubiquitous, and interchangeable. To harness the benefits of cloud computing, the State of California has adopted this Cloud Computing Policy. This policy is intended to accelerate the pace at which Agencies/state entities will realize the benefits of cloud computing while adequately addressing relevant statutory and policy requirements associated with State IT systems, including information security and risk management, privacy, legal issues, and other applicable requirements.

**POLICY**

(Revised 08/2017)

As part of the Cloud Computing policy, each Agency/state entity shall:

1. Evaluate, in consultation with their IT organization, secure cloud computing alternatives for all IT projects and infrastructure initiatives (e.g., storage, servers, and Wide Area Network equipment).
2. Use a cloud service model, i.e., Software as a Service (SaaS), Platform as a Service (PaaS), or Infrastructure as a Service (IaaS), whenever a feasible and cost effective solution is available. The use of cloud services must be consistent with the factors described in SAM 4981.1.

3. Use IaaS or PaaS solutions for new, expansion or refresh initiatives.

4. Use IaaS and PaaS solutions provided through the California Department of Technology (CDT). Requests shall be submitted to CDT through a Remedy Service Request.

5. If required IaaS or PaaS solutions are not available through CDT, CDT will partner with the Department of General Services (DGS) to determine the best procurement method.

6. Use SaaS solutions provided through CDT, e.g., all office productivity software (including email*), or through DGS' Software Licensing Program (SLP), when implementing commercial and/or government SaaS cloud computing solutions.

*Per Chapter 404, Statutes of 2010 (Assembly Bill 2408), all Agencies/state entities within the executive branch that are under the direct authority of the Governor must consolidate to the state’s share e-mail solution.

7. If required SaaS solutions are not provided through CDT, Agencies/state entities may acquire other commercial and/or government SaaS solutions.

8. If an Agency/state entity determines that the use of a cloud service solution is not feasible, or the required solution is not provided through CDT, they shall submit an exemption request to CDT for approval. The Cloud Computing Exemption Process is defined in Statewide Information Management Manual (SIMM) 18.

9. Classify the data managed by the applications that utilize cloud service models in accordance with SAM 5305.5.

10. Ensure compliance with the security provisions of the SAM (Chapters 5100 and 5300) and the SIMM (Sections 58C, 58D, 66B, 5305A, 5310A and B, 5325A and B, 5330A, B and C, 5340A, B and C, 5360B).

11. Based on data classification pursuant to SAM 5305.5, ensure compliance with relevant security provisions including those in the California Information Practices Act (Civil Code Section 1798 et seq.), Internal Revenue Service (IRS) Publication 1075, Social Security Administration (SSA) Electronic Information Exchange Security Requirements, Payment Card Industry Data Security Standard (PCI DSS) including the PCI DSS Cloud Computing Guidelines, Health Insurance Portability and Accountability Act (HIPAA) Security Rule,
Health Information Technology for Economic and Clinical Health (HITECH) Act, and Criminal Justice Information Services (CJIS) Security Policy.

12. Ensure that the commercial and/or government cloud service provider’s Standards for Attestation Engagements No.16 Service Organization Control (SOC) 2 Type II report along with the cloud service provider’s plan to correct any negative findings is available to the Agency/state entity.

13. Ensure that all confidential, sensitive or personal information is encrypted in accordance with SAM 5350.1 and SIMM 5305-A, and at the necessary level of encryption for the data classification pursuant to SAM 5305.5.

14. Ensure cloud service agreements include all of the DGS’ Cloud Computing Services Special Provisions, and all written agreements with cloud service providers address SAM 5305.8 provisions.

15. Ensure that the physical location of the data center, where the data is stored, is within the continental United States, and remote access to data from outside the continental United States is prohibited unless approved in advance by the State Chief Information Security Officer.

16. Maintain an exit strategy for IT solutions that utilizes a commercial and/or government cloud service. The exit strategy must include the Agency’s/state entity’s ability to export data in pre-defined formats and maintain, when needed, a current backup of the data in the Agency/state entity’s designated Tier III-equivalent data center facility. Designated data center facilities must be unrelated to the cloud provider; data center assignments are described in SAM 4982.1

17. Maintain an effective incident response and mitigation capability for security and privacy incidents in accordance with SAM 5340. Report suspected and actual security incidents in accordance with the criteria and procedures set forth in SIMM 5340-A and other applicable laws and regulations.

OPEN SOURCE AND CODE REUSE POLICY INTRODUCTION 4984

(New 05/2018)

The California Department of Technology (CDT) is committed to improving the way Agencies/state entities buy, build and deliver information technology (IT) and software solutions to better support cost efficiency, effectiveness, and public experience with government programs. Enhanced reuse of custom-developed code across state government can have significant benefits for taxpayers, including decreasing duplicative costs for the same code.

To maintain previous investment(s) in IT software, Agencies/state entities shall make code custom-developed by the State of California broadly available for reuse across
state government in a consistent manner. This policy is intended to avoid duplicative custom software investments and promote innovation and collaboration across state government while adequately addressing relevant statutory and policy requirements associated with State IT systems, including information security and risk management, privacy, legal issues, and other applicable requirements. The requirements outlined in this section apply to source code that is custom-developed by the State of California, subject to the limited exceptions outlined in SAM Section 4819.2.

OPEN SOURCE AND CODE REUSE POLICY REQUIREMENTS 4984.1

(New 05/2018)

As part of the Open Source and Code Reuse policy, each Agency/state entity shall:

1. Evaluate, as part of the Project Approval Lifecycle alternatives analysis, existing state software solutions for all reportable and non-reportable IT projects. Alternatives analysis shall give preference to the use of existing state software solutions.

2. If alternatives analysis concludes that existing state software solutions cannot efficiently and effectively meet the needs of the Agency/state entity, the Agency/state entity must explore whether its requirements can be satisfied with an appropriate commercially-available solution or open source solution.

3. Use best practices to ensure custom-developed code, documentation, and other associated materials are delivered from developers throughout the software development lifecycle.

4. Create and maintain an enterprise code inventory that includes all new State of California custom-developed code and related information and make this information available to all other Agencies/state entities on an ongoing basis. See code.ca.gov for additional information.

5. Make custom-developed code broadly available for reuse across state government and make their code inventories discoverable through code.ca.gov, the California Department of Technology’s code repository, pursuant to the limited exceptions outlined in SAM Section 4984.2.

6. Maintain and frequently update all custom-developed code available in the code repository to ensure code integrity.

7. Whenever possible, secure the rights necessary to make code custom-developed by the State of California available to the public as OSS, pursuant to the limited exceptions outlined in SAM Section 4984.2. Each Agency/state entity’s Chief Information Officer (CIO), with consultation from the Agency/state entity’s Information Security Officer (ISO), is responsible for determining if the Agency/state entity’s custom-developed code will be shared with the public as
Open Source Software (OSS) and controlling public access through the Department of Technology’s code repository. Agency/state entities must attribute Copyleft licenses (e.g. GPL v.3) to all custom-developed code made OSS to prohibit the creation of proprietary derivative software.

OPEN SOURCE AND CODE REUSE EXCEPTIONS

4984.2

(New 05/2018)

Nothing in SAM Section 4984 shall be construed to require Agencies/state entities to make custom developed-code available as Open Source, if, on the facts of the particular case, disclosure of that code would reveal vulnerabilities to, or otherwise increase the potential for an attack on, an information technology system of an Agency/state entity.

The exceptions provided below may be applied, in specific instances, to exempt an Agency/state entity from sharing custom-developed code with other Agencies/state entities. Any exceptions used must be approved and documented in the enterprise code inventory by the Agency/state entity’s Chief Information Officer (CIO) for the purposes of ensuring effective oversight and management of information technology resources.

Applicable exceptions are as follows:

1. The sharing of the source code is restricted by law or regulation, including—but not limited to—patent or intellectual property law, the Export Asset Regulations, the International Traffic in Arms Regulation, and the Federal laws and regulations governing classified information;

2. The sharing of the source code would create an identifiable risk to the detriment of national security, confidentiality of Government information, or individual privacy;

3. The sharing of the source code would create an identifiable risk to the stability, security, or integrity of the Agency/state entity’s systems or personnel;

4. The sharing of the source code would create an identifiable risk to the Agency/state entity’s mission, programs, or operations.

DESKTOP AND MOBILE COMPUTING POLICY

4989

(Revised 02/2017)

The California Department of Technology (Department of Technology) delegates authority to acquire desktop and mobile computing commodities to Agencies/state entities that have submitted acceptable Technology Recovery Plans or Technology Recovery Plan certifications, maintain compliance with all applicable state IT security provisions as defined in SAM Sections 5300-5399, and have appropriate plans for the use of desktop and mobile computing commodities.
Under the Desktop and Mobile Computing Policy, Agencies/state entities are delegated the authority to acquire desktop and mobile computing commodities to support increased staffing, as well as the ongoing replacement of obsolete or nonfunctioning desktop and mobile computing commodities. All acquisitions related to desktop and mobile computing must be consistent with the Agency/state entity’s overall strategy for the use of information technology, as expressed in its current Agency Information Management Strategy (AIMS) (See SAM Sections 4900.2 - 4900.6). Agencies/state entities must ensure that the use of mobile computing devices will cost-effectively meet a significant business need and increase the efficiency of the Agency/state entity.

Many desktop and mobile computing commodities are targeted to consumers rather than business users. While these consumer-based commodities are effective as consumer devices, they may not be well-suited for many business uses. To ensure commodities support business productivity and enterprise capabilities, Agency/state entities must understand their security and architecture requirements and acquire the right tools to meet those requirements. Desktop and mobile computing configurations must make use of proven, "off-the-shelf" hardware and software and must support business productivity and enterprise capabilities such as:

- Enterprise Productivity (MS Office)
- Access to Corporate Servers (File/Print, Active Directory, etc.)
- Enterprise Class Applications (Geographic Information Systems, Enterprise Resource Planning, etc.)
- Enterprise Security (VPN, Active Directory Authentication, Multifactor Authentication, etc.)

The acquisition of new mobile computing devices for existing staff should replace existing desktop computers or mobile computing devices, not be purchased in addition to a desktop computer (for example a new laptop should replace a desktop computer). Additionally, the acquisition of new mobile phones should replace desk phones when practical. Replacement of desktop and mobile computing commodities acquired as part of a previously approved IT project, as defined in SAM Section 4819.2, may be included in this policy as such commodities are incorporated into and are no longer distinguishable from the Agency/state entity’s IT infrastructure.

**DEFINITION OF DESKTOP AND MOBILE COMPUTING**

(Revised 02/2017)

**Communication** – For the purpose of interpreting this policy, communication is the requesting, sending, transmitting, or receiving of electronic data via cable, telephone wire, wireless, or other communication facility.
SAM – INFORMATION TECHNOLOGY

(California Department of Technology)

**Desktop and Mobile Computer Software** – Commercially licensed software necessary for the operation, use, and/or security of desktop and mobile computers.

**Desktop and Mobile Computer Supplies** – Consumable commodities used for data storage, printing, and/or other IT supplies as defined in SAM Section 4819.2.

**Desktop and Mobile Computing** – For the purposes of this policy, desktop and mobile computing is the use of desktop and mobile computing commodities in support of state Agency/state entity business operations.

**Desktop and Mobile Computing Commodities** – Hardware and software commonly required for most state employees to perform daily business transactions such as desktop computers, mobile computers (e.g., personal digital assistants, laptop computers), mobile phones (e.g., cell phones, smartphones), desktop and mobile computer software, servers, server software, peripheral devices (e.g., printers), supplies, and Local Area Network infrastructure.

**Desktop and Mobile Computing Servers** – Computer servers necessary for the operation, use, and/or security of desktop and mobile computers.

**Desktop and Mobile Server Software** – Commercially licensed server software necessary for the operation, use, and/or security of desktop and mobile computers.

**Desktop Computers** – Computing devices, generally designed to remain in a fixed location, that can connect by cable, telephone wire, wireless transmission, or via any Internet connection to an Agency/state entity’s IT infrastructure and/or data systems.

**Information Technology Asset Management** – The effective tracking and managing of IT assets for an Agency/state entity’s program and enterprise IT infrastructure and production systems, including the ability to identify and classify Agency/state entity-owned hardware and software, telecommunications, maintenance costs and expenditures, support requirements (e.g., state staff, vendor support), and the ongoing refresh activities necessary to maintain the Agency/state entity’s IT assets.

**Information Technology Infrastructure** – An Agency/state entity’s platform for the delivery of information to support Agency/state entity programs and management.

Included in the infrastructure are equipment, software, communications, rules, and vision.

**Local Area Network (LAN)** – Two or more desktop or mobile computers at the same site connected by cable, telephone wire, wireless or other communication facility providing the ability to communicate or to access shared data storage, printers, or other desktop and mobile computing commodities.

**Mobile Computers** – Portable-computing devices that can connect by cable, telephone wire, wireless transmission, or via any Internet connection to an Agency/state entity’s IT infrastructure.
infrastructure and/or data systems. The following devices are considered mobile computers:

**Laptop/Notebook** – A portable Personal Computer (PC) with a clamshell form factor that combines many desktop computer external components into a single device, such as display, speakers, keyboard, and pointing devices. These devices typically run standard PC operating systems. Laptop/Notebook category includes several variations and form factors which include the following:

- **Clamshell** - traditional laptop/notebook form factor. All the same attributes/components of a PC, but with the keyboard and monitor attached, and of a size that enables for mobile use.

- **Ultrabook** - laptops that are thinner with longer battery life and touchscreen, wireless display. The Ultrabook category includes 2-in-1 devices that have the ability to convert their look and feel from a traditional clamshell laptop to a tablet/slate. The conversion can be accomplished by detaching, sliding, folding, twisting, etc.

**Tablet/Slate** – A one-piece mobile computer usually equipped with a touchscreen and an on-screen, hide-able virtual keyboard. Touch is the primary user interface for a tablet/slate device. These devices are typically larger than smartphones and generally have larger screen size and greater computing capabilities. Tablet/Slate devices often have device-specific operating systems such as Apple IOS, Android, or Windows RT.

**Remote Access** – The connection of an information asset from an off-site location to an information asset on state IT infrastructure.

**Mobile Phone** – A device that can make and receive telephone calls over a cellular network. Mobile phones include smartphone devices which are computing devices that provide advanced computing capability and connectivity, and run a complete operating system and platform for application developers and users to install and run more advanced applications.

**Wide Area Network (WAN)** – Two or more physical locations connected by cable, wire, or other wireless transmission, providing the ability to communicate between locations and/or Internet connectivity.
The following activities require prior approval from the Department of Technology and are excluded from the delegation authority to acquire desktop and mobile computing commodities. These activities must be treated in accordance with SAM Sections 4819.3 through 4819.42.

**IT Projects** – As defined in SAM Section 4819.2, beyond the acquisition, installation, and operation of Desktop and Mobile Computing Policy commodities as defined in this policy. The acquisition of desktop and mobile computing commodities required for an IT project, whether reportable or delegated, must be included within the project scope and acquired under the approved project’s authority. Use of this policy to circumvent IT project reporting requirements or to make an otherwise reportable project fall within delegated thresholds is expressly prohibited.

**Budget Actions** – Any acquisition, maintenance, or support of desktop and mobile computing commodities which requires a Budget Change Proposal, a Budget Revision, or other budget action is not covered by the Desktop and Mobile Computing Policy. However, this policy may be used to acquire the standard complement of desktop and mobile computing commodities as approved by the Department of Finance for new positions.

**Specialized or Single-Purpose Systems** – Acquiring any specialized, single-purpose, non-modifiable system, such as computer-aided design systems, desktop publishing systems, programmer workbench systems, or artificial intelligence systems is excluded from the policy. However, software-based applications used on a general-purpose personal computer may be covered by the policy. For example, desktop publishing employing word processing, graphics, and page layout software packages on a general-purpose personal computer falls within this policy; desktop publishing employing a specialized computer system that has been developed and marketed for the sole purpose of doing desktop publishing does not. A specialized, single-purpose system that allows some connectivity to an Agency/state entity’s existing systems, such as electronic mail, is still considered a specialized or single-purpose system for the purposes of this policy.

**Infrastructure or Platform Migration** – Acquisitions associated with or mandated by a change in an Agency/state entity’s standard technical architecture for servers, desktops and/or mobile computing platforms are excluded from the policy. Migrating to a newer
version within the existing standard’s product family is not considered an infrastructure or platform migration.

Wide Area Networks (WAN) – The acquisition, maintenance, or support of desktop and mobile computing commodities specifically to install or operate a WAN are excluded from the policy. These activities for WANs are considered IT projects, or components of IT projects, for the purposes of this policy. However, upgrading the capacity of a previously approved WAN project may fall within the definition of a previously approved project. (See SAM Section 4819.2: “Previously Approved Effort/Project”.)

While the acquisition of desktop and mobile computing commodities specifically for or required by the above-mentioned activities is specifically prohibited under this policy, existing desktop and mobile computing commodities purchased under this policy may be used for some of these purposes. For example, existing desktop computers purchased under this policy may be used in the development of a reportable IT project. Whenever an Agency/state entity is uncertain as to whether a proposed use of desktop and mobile computing commodities falls within the scope of this policy, it should seek a determination from the California Department of Technology.

AGENCY/STATE ENTITY ROLES AND RESPONSIBILITIES 4989.3

(Revised 02/2017)

Management. Day-to-day management responsibility for desktop and mobile computing configurations resides with the manager who has supervisory responsibility for the individual or individuals who use the products. The manager must ensure that the acquisition and use of desktop and mobile computing commodities support the accomplishment of Agency/state entity objectives and that the individual or individuals who will be using the products are trained in their use.

Each Agency/state entity must have a plan for the appropriate application of desktop and mobile computing. Each Agency/state entity must ensure that its plans are consistent with the Agency/state entity’s information management standards, policies, and procedures and its IT infrastructure. Agency/state entity plans for implementing desktop and mobile computing must not preclude the implementation of other Agency/state entity’s applications on the same configuration. Agencies/state entities are responsible for establishing desktop and mobile computing standard configurations, ensuring each acquisition made under this policy is consistent with those standards, and accurately tracking the costs associated with such acquisitions. In addition, Agencies/state entities are responsible for the creation and maintenance of IT assets inventories for commodities purchased under this policy.

Agency/state entity’s management has a responsibility to establish standards of technical assistance in support of Local Area Network activities such as installation, configuration, problem-determination, maintenance, backup, recovery, and required
activities beyond those normally associated with stand-alone desktop or mobile computers. Agencies/state entities are expected to maintain internal processes to ensure that any IT commodities acquired under the authority of this policy are compliant with all applicable hardware, software, and security standards for the Agency/state entity.

Agency/state entity management is responsible for taking appropriate action in the event of employee misuse of desktop and mobile computing technology or employee failure to comply with State and Agency/state entity policy governing the use of desktop and mobile computing.

**Security.** Desktop and mobile computing environments owned by Agencies/state entities involve the risk of property loss, threats to privacy, and threats to the integrity of state operations. Accordingly, Agencies/state entities must be in compliance with all applicable provisions of the SAM and must implement appropriate safeguards to secure the Agency/state entity’s desktop and mobile computing infrastructure.

Use of personally owned smartphones is restricted to devices that are compatible with the CA.Mail or the California Email Service, and are consistent with the Statewide Enterprise Architecture.

Current Agency/state entity Technology Recovery Plans or acceptable Technology Recovery Plan certifications must be on file at the Department of Technology.

Agencies/state entities that do not demonstrate effective compliance with the State’s IT security policy and Business Continuity policy are not authorized to make any expenditures for desktop or mobile computing commodities until the Agency/state entity has complied. See SAM Sections 5300-5399.

**Desktop and Mobile Computing Coordinator.** In order to ensure ongoing IT asset management practices are followed, Agencies/state entities employing desktop and mobile computing should designate a unit or individual employee of the Agency/state entity as the Agency/state entity’s Desktop and Mobile Computing Coordinator or equivalent function. The coordinator must be knowledgeable about (a) desktop and mobile computing configurations; (b) state-level and Agency/state entity policies for the use of desktop and mobile computing commodities; and (c) the relationship between desktop and mobile computing and other uses of IT within the Agency/state entity.

The responsibilities of the coordinator should include:

1. Maintaining current specifications for the Agency/state entity’s desktop and mobile computing commodity standards;

2. Assisting in the completion and review of any Desktop and Mobile Computing (DMCP) documents if required by the Agency/state entity’s policies and procedures;

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3. Coordinating the acquisition of desktop and mobile computing commodities;

4. Informing desktop and mobile computing users of available training and technical support capabilities; and

5. Maintaining continuing liaison with Agency/state entity IT management to ensure that: (a) proposed desktop and mobile computing applications are consistent with the Agency/state entity’s established information management strategy and IT infrastructure, (b) the use of desktop and mobile computing devices is clearly demonstrated and the devices will cost-effectively meet a significant business need and increase the efficiency of the state entity, and (c) desktop and mobile computing configurations can support the implementation of other Agency/state entity applications.
If the Department of Technology determines that an Agency/state entity’s procedures or practices are not consistent with the Desktop and Mobile Computing Policy or with the Agency/state entity’s own approved policy, delegation of approval authority will be rescinded and the Agency/state entity will be deemed not to have an approved Desktop and Mobile Computing Policy until such time as it can assure the Department of Technology of compliance with an approved policy.
CHAPTER 5000 INDEX
Note: Effective January 1, 2008, the Office of Information Security (Office) restructured and renumbered the content and moved SAM Sections 4840 – 4845 to SAM Sections 5300 – 5399. See also the Office’s Government Online Responsible Information Management (GO RIM) Web site at www.infosecurity.ca.gov for statewide authority, standards, guidance, forms, and tools for information security activities.

MAINTENANCE RECORDS

| EQUIPMENT ACQUISITION, MAINTENANCE AND DISPOSITION | 5001 |
| POLICY | 5010 |

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Information technology equipment that is state-owned will be used as long as its use meets the operational requirements of the user and as long as relative costs versus benefits are favorable. Such equipment will be used, where appropriate and where benefits exceed costs, to replace installed equipment that is on rent or short-term lease anywhere in state government.

The relative merits of all methods of acquisition and maintenance of IT equipment shall be continuously evaluated to assure maximum economic advantages to the state. When selecting equipment, agencies will consider the requirements of interfacing to present systems. Conversion costs must be considered as well as the costs associated with exchanging information among machines. Standard commercially available general purpose IT equipment will be acquired in preference to specially designed and/or special purpose equipment, unless unusual circumstances warrant otherwise.

Duplicate or excess IT equipment will not be acquired as insurance against machine failure or as standby equipment, except in the case of legally required or otherwise necessary full-time or absolute service functions.

The disposition of IT equipment which is excessive to an agency’s requirements will be in accordance with the most economical and practical manner for the state as a whole.
(Reviewed 3/2011)

A uniform method for recording data relating to the repair or maintenance of data processing equipment, software, and facilities must be established to prevent degradation in customer and vendor support and excessive maintenance costs. Capturing this data at the time of the incident and ensuring its review by appropriate levels of management is necessary to effectively manage and control the maintenance function.

State agencies should develop a maintenance form which includes essential data pertaining to incidents of repair or maintenance. This essential data required in resolving disputes between the vendor and the state in respect to vendor performance includes:

1. The time at which the vendor maintenance contact was notified by the state;
2. The time at which the vendor maintenance personnel arrived to repair the malfunction;
3. The time at which the component and system were returned to service;
4. A description of the malfunction or incident; and,
5. Signature of the vendor and a representative of the state.

A maintenance form should be prepared whenever a system or any component of a system is inoperative because of the need for equipment, software or facilities repair or maintenance. The form is initiated at the time of the incident and remains open until the problem has been corrected and the component has been returned to service. Copies of completed forms must be maintained by the agency as long as the component is in service or there is a possibility of contractual claims.
CHAPTER 5100 INDEX

Note: Effective January 1, 2008, the Office of Information Security (Office) restructured and renumbered the content and moved SAM Sections 4840 – 4845 to SAM Sections 5300 – 5399. See also the Office's Government Online Responsible Information Management (GO RIM) Web site at www.infosecurity.ca.gov for statewide authority, standards, guidance, forms, and tools for information security activities.

IT STANDARDS

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The Department of Technology embraces the American National Standards Institute (ANSI) management information standards and the Federal Information Processing Standards (FIPS). The ANSI standards are national consensus standards which provide guidance on a variety of issues central to the public and industrial sectors. The FIPS standards are adopted and promulgated under the provision of Public Law 89–306 (Brooks Act) and Part 6 of Title 15, Code of Federal Regulations, and serve to improve the utilization and management of computers and automated data processing in the Federal Government.

State agencies must use the ANSI and FIPS standards in their information management planning and operations. Adoption of these standards will facilitate the interorganizational sharing and exchange of equipment, data, software and personnel.

Use of these standards will also facilitate communication (1) among state agencies; (2) between the state and its IT vendors; and (3) between the state and its IT information providers/Recipients.

COMPUTER PROGRAMMING LANGUAGES

The Department of Technology encourages the use of vendor supplied packages versus in-house development whenever vendor supplied packages can be demonstrated to be the most cost beneficial solution to IT project problems or opportunities.
The Public Records Act, Government Code (GC) Sections 6250-6270, provides public access to information that is collected and maintained by state and local entities, mindful of the right of individuals to privacy. The State of California is committed to unlocking the value of government data to propel innovation, improve the delivery of public services and empower the people of California while protecting privacy. Information is a valuable resource and a strategic asset to State Government, its partners, and the public.

Managing government information as an asset will increase operational efficiencies, enhance performance planning, improve services, support mission needs, inform policy decisions, safeguard personal information, and increase public access to valuable government information. Open data helps ensure that all public datasets are discoverable and fuels entrepreneurship, economic development and scientific discovery. To ensure that State Government is taking full advantage of its information resources, Agencies/state entities shall manage their data as an asset from the start and, wherever possible, release it to the public in a way that makes it open, discoverable and usable.
Effective July 1st, 2019, as part of the Open Data policy, each Agency/state entity shall:

1. Build or modernize Information Technology (IT) solutions in a way that maximizes interoperability and information accessibility. Although this policy does not require Agency/state entities to modernize existing IT solutions, it does require data considerations identified in this section be applied when a state entity undertakes a modernization effort that substantially modifies an existing IT solution.
   a. Exercise forethought when architecting, building, or substantially modifying an IT system to facilitate data distribution to the public, where appropriate.
   b. Use machine-readable and open formats for information as it is collected or created. Where applicable, machine-readable and open formats must be used in conjunction with electronic or paper-based information collection efforts.
   c. Prioritize the use of open formats that are non-proprietary, publicly available, and that place no restrictions upon their use.
   d. Apply open licenses, such as Creative Commons Zero (CC0), to information as it is collected or created so that if data are made public there are no restrictions on copying, publishing, distributing, transmitting, and adapting.
   e. Systems must be scalable, flexible, and facilitate extraction of data in multiple formats and for a range of uses as internal and external needs change, including potential uses not accounted for in the original design (e.g. leveraging standards and industry best practices for information sharing, separation of data from the application layer to maximize data reuse opportunities.)

2. Whenever feasible, make data broadly available to the public through the Agency/state entity’s open data site or portal, pursuant to the limited exceptions outlined in SAM Section 5160.2.

3. Describe information using standard metadata as the data is collected or created.
   a. Open Data shall include Project Open Data Catalog Vocabulary (DCAT) standards modified for California, see Open Data Handbook for specifications and formats.
   b. Agencies/state entities may expand upon metadata and data dictionaries based on standards, specifications, or formats developed within different communities (e.g., financial, health, geospatial, law enforcement). Groups that develop and promulgate these metadata specifications must review them for compliance with DCAT specifications and formats.
c. Metadata and data dictionaries shall be in a machine-readable format to provide users the ability to export when needed.

4. Adopt effective governance and data asset portfolio management approaches, including data management and release practices to ensure consistency.

   a. Create and maintain an Agency/state entity enterprise data inventory, see Open Data Handbook for inventory specifications and formats.

   b. The inventory shall indicate, as appropriate, if the Agency/state entity has determined that the individual datasets may be made publicly available (i.e., release is permitted by law, subject to all privacy, confidentiality, security, Agency/state entity has ownership of data, and other valid requirements) and whether they are currently available to the public.

   c. The inventory shall list any datasets that can be made publicly available at the Agency/state entity’s open data site or portal in a format that enables automatic aggregation by Data.ca.gov and other services (known as “harvestable files”), to the extent practicable. See Open Data Handbook for best practices, tools, and schema to implement the public data listing and harvestable files.

   d. Public data listing should include, to the extent permitted by law and existing terms and conditions, datasets that were produced as a result of legislative mandates, state grants, contracts, and cooperative agreements (excluding any data submitted primarily for the purpose of contract monitoring and administration), and, where feasible, be accompanied by standard citation information, preferably in the form of a persistent identifier.

   e. Assign a Data Coordinator to coordinate and maintain Agency/state entity’s public data. The Data Coordinator’s contact information must be identified in the enterprise data inventory.

5. Prioritize the collection of data sets.

   a. Agencies/state entities shall identify and engage stakeholders as part of the intake process.

   b. Create a process to engage with customers to solicit help in identifying data sets of value to the public, in prioritizing the release of public datasets.

(Continued)

OPEN DATA POLICY REQUIREMENTS

5160.1 (Cont. 2)

(Revised 03/2019)

and determining the most usable and appropriate formats for release. Agencies/state entities should make public data available in multiple file formats according to their
customer needs (e.g. high-volume datasets of interest to developers should be released using bulk downloads as well as Application Programming Interfaces (APIs)).

6. Ensure that privacy and confidentiality are fully protected, and that data is properly secured.

a. Leverage an internal data governance process to determine if information collected or created can be made publicly available or is subject to restrictions (e.g. privacy, confidentiality, security, trade secret, contractual). See Open Data Handbook for additional information.

b. If the Agency/state entity determines that information should not be made publicly available on one of these grounds, the Agency/state entity must document this determination through its internal data governance process.


d. Collect or create only that information necessary for the proper performance and evaluation of Agency/state entity functions and which has practical utility. Limit the collection or creation of information which identifies individuals to that which is legally authorized and necessary for the proper performance of Agency/state entity functions.

e. Limit the sharing of information that identifies individuals or contains proprietary information to that which is legally authorized and impose appropriate conditions on use where a continuing obligation to ensure the confidentiality of the information exists. Data sharing agreements must be created to exchange information across Agencies/state entities and with research institutions in compliance with the State’s information security and privacy policy and standards, see SAM Section 5300 and Statewide Information Management Manual (SIMM) Section 5305-A.

f. Ensure that information is protected commensurate with the risk and magnitude of the harm that would result from the loss, misuse, or unauthorized access to or modification of such information. Agencies/state entities shall consider the standard for information classification detailed in SIMM Section 5305-A and other publicly available information when determining whether information should be considered Personally Identifiable Information.
OPEN DATA EXCEPTIONS 5160.2

(Revised 03/2019)

The Information Practices Act (IPA) of 1977 (Civil Code Section 1798, et seq.) provides measures to assure fair treatment of individuals who are the subject of state entity records, providing specific requirements for the collection, use, maintenance and dissemination of information relating to individuals. Nothing in SAM Section 5160 shall be construed to require Agencies/state entities to make data available to the public, if, on the facts of the particular case, disclosure of that data would increase the potential to harm an Agency/state entity or the public. The exceptions provided below may be applied, in specific instances, to exempt an Agency/state entity from sharing data with the public.

Any exceptions used must be approved through the Agency/state entity’s internal data governance process and documented in the enterprise data inventory for the purposes of ensuring effective oversight and management of information assets.

Applicable exceptions are as follows:

1. The sharing of the data is restricted by statute, practice or legal precedent, including—but not limited to—patent or intellectual property law, the Export Asset Regulations, the International Traffic in Arms Regulation, and the Federal laws and regulations governing classified information;

2. The sharing of the data would create an identifiable risk to the detriment of national security, confidentiality of Government information, or individual privacy;

3. The sharing of the data would create an identifiable risk to the stability, security, or integrity of the Agency/state entity’s systems or personnel;

4. The sharing of data would create an identifiable risk to the Agency/state entity’s mission, programs, or operations.

OPERATING SOFTWARE, UTILITIES AND PROGRAMMING AIDS 5175.1

(Reviewed 3/2011)

It is state policy that standard, unmodified, vendor-supplied-and-maintained software aids be used in lieu of developing unique programs. The objective is to minimize and control the development of specialized programs that allocate, schedule and control the CPU, memory, peripherals, communication, data storage and retrieval.
APPLICATION PACKAGES 5175.2

(Reviewed 3/2011)

It is the state policy that all feasibility studies will address the availability, usability, maintainability and cost effectiveness of prewritten and tested application programs in lieu of developing major programs in-house. The objective is to minimize the development time and costs of major application programs when such programs are available from other sources.

COMPLIANCE WITH UNITED STATES POSTAL SERVICE,

OPTICAL CHARACTER RECOGNITION GUIDELINES 5179

(Reviewed 3/2011)

The United States Postal Service (USPS) has adopted guidelines to allow for optical character recognition of alphanumeric data contained in mailing addresses.

Government agencies are strongly encouraged to follow these guidelines as a means of ensuring more efficient and accurate mail processing; more consistent mail delivery; and more stable postal operating costs.

To the extent that it is determined to be cost-effective, agencies must follow the USPS Optical Character Recognition (OCR) guidelines in the design and operation of automated information systems that include preparation of mailing addresses.

The OCR guidelines apply to letter mail within the following dimensions;

1. Height at least 3–1/2" and no more than 6–1/8";

2. Length at least 5" and no more than 11–1/2";

3. Thickness at least 0.007" and no more than 0.25"; and,

4. Aspect ratio (length divided by height) of from 1.3 to 2.5.

The details of the guidelines are set forth in the USPS publication, "A Guide to Business Mail Preparation" (Publication 25), which is available without charge. Agencies should contact their USPS Commercial Account Representative to obtain the current edition.
The USPS offers a reduced postage rate to organizations for first-class mailings that use the 9-digit zip code (ZIP +4) in the mailing address. Both unsorted and sorted mailings are eligible for the reduced rate.
To the extent that it is cost-effective (taking into account the potential postage discount), agencies must provide for ZIP + 4 address coding and sorting of printed addresses in ZIP + 4 order in the design and operation of automated information systems that include preparation of mailing addresses.

There are two preliminary requirements for eligibility for the ZIP + 4 discount;

1. "Machinability," which includes quality of paper stock and adherence to the USPS standards for envelope size; and,

2. Optical Character Recognition (OCR) readability, which consists of adherence to the USPS OCR mailing guidelines.

Detailed specifications for these and other ZIP + 4 requirements are available from the USPS Commercial Account Representative assigned to each agency. Additional information is also contained in Section 324 of the USPS Domestic Mail Manual.

WEBSITE STANDARDS INTRODUCTION 5190

(Revised 3/2019)

Websites are an essential tool for government to interact with the public and deliver information and services to the people of California. The Website Standards policy is designed to strengthen the security, usability, accessibility and quality of State of California websites through standardization and adoption of best practices. This policy will foster a consistent look and feel and a common navigational framework across government, helping users recognize they are accessing official State of California information. This policy also encourages Agencies/state entities to design and develop websites that are accessible to people with disabilities and promotes the adoption of usability principles that adhere to California’s usability standards for website development.

WEBSITE STANDARDS 5190.1

(Revised 8/2018)

As part of the Website Standards Policy, Agencies/state entities must incorporate the mandatory website elements identified in this section for all public-facing websites within the CA.GOV domain. These elements include the following requirements: design, accessibility, domain, profile, usability, security, and analytics. See webstandards.ca.gov for standard and web template resources.
Mandatory Website Elements:

1. **Design:** Websites shall include a strong brand presence for the State of California and the Agency/state entity. The use of consistent design elements will help promote a standard look-and-feel while also improving the overall user experience.

   a. **Header** – The header provides a consistent, seamless look-and-feel to the State’s web presence. Key elements of the header shall include:

      i. **State Branding** – The CA.GOV logo shall be placed in the top left corner of the header area inside a horizontal band that is at least 40 pixels high.

      The CA.GOV logo must be at least 34 pixels high and contain a hyperlink to the CA.GOV web portal. A hypertext only link is not permitted in place of the hyperlinked graphic logo image.

      i. **Agency/state entity Branding** – An Agency/state entity logo must be used for identification. The logo must be clear and contain legible text. When an Agency/state entity logo is not available, the state seal should be used in its place followed by the Agency/state entity title.

      ii. **Navigation** – Provide a direct link to the most utilized landing pages or services within the website. Ensure link names are clear and concise and accurately represent the destination content. Ensure that the primary and secondary navigational elements are consistent and provides navigation on all webpages throughout the website.

      iii. **Search** – A search button or hyperlink must be present inside the main navigation or header area.

   b. **Footer** – The footer must appear at the bottom of all Agency/state entity web pages. Key elements of the footer shall include:

      i. **Link to Agency/state entity’s Privacy Policy specific to the published website.**

      ii. **Link to Agency/state entity’s Conditions of Use specific to the published website.**

Contact information or link to contact information. Contact information must identify the name of the Agency/state entity that owns the website so there is no question as to which Agency/state entity the user may contact.
iii. Online Voter Registration hyperlink to the California Secretary of State’s [Online Voter Registration webpage](#).

iv. Link to user visible sitemap which presents a systematic hierarchical view of the website. The sitemaps shall be made available to users and search engine crawlers. A user visible sitemap, which presents a systematic hierarchical view of the website, shall be linked in the footer section. A user visible sitemap does not need to contain every page on the website if there are a large number of resources, especially application generated dynamic pages. A system or XML sitemap shall be available and placed into the root folder of the website and should include all of the available links. Sitemaps shall regularly be updated when new pages are published. It is recommended that XML sitemaps be submitted to all major search engines.

v. Link to Website Accessibility Certification, see [SAM Section 4833.2](#).

c. **Content Area** – The content area in the Agency/state entity’s homepage provides a space for Agencies/state entities to include program specific content using a variety of elements and layouts. Key elements of the content area shall include:

i. Agency/state entity’s essential programs or digital service offerings targeting California residents, visitors, businesses, and government entities. Digital services include the delivery of digital information (e.g., data or content) and transactional services (e.g., online forms, benefits applications) across a variety of platforms, devices, and delivery mechanisms (e.g., websites, mobile applications, and social media).

ii. Link to current Governor’s website.

2. **Accessibility**: Per [SAM Section 4833](#), all Agencies/entities are responsible for ensuring their public websites are accessible to people with disabilities. Key elements of web accessibility shall include:

   a. **IT Accessibility Guidelines** - All Agency/State entity websites must comply with web accessibility guidelines defined in [SIMM Section 25](#) IT Accessibility Resource Guide.

   b. **Accessibility Page** – All Agency/state entity websites must include information regarding accessibility features and resources pertinent to the Agency/state entity website. See webstandards.ca.gov for sample information.
3. **CA.GOV Domain**: Per [SAM Section 5195](#), web domains occupying the CA.GOV domain zone must comply with domain name requirements, see [SIMM Section 40A](#) for additional information on naming conventions and protocols. Key elements of domain name policy compliance shall include:

   a. **Domain Name Certification** - All entities that use the CA.GOV web domain are required to annually certify compliance with state and federal policy and guidelines and confirm that domain contact information is current through the CDT [Domain Name Request System](#).

   b. **Agency/state Entity Profile** - All Agencies/state entities that use the CA.GOV domain are required to annually verify the accuracy of their Agency/state entity profile through the CDT [State Entity Profile Application](#). See [WebStandards.ca.gov](#) for additional information.

4. **Usability**: All public facing websites and digital services should be designed around user needs with data-driven analysis influencing management and development decisions. Agencies/state entities should use qualitative and quantitative data to determine user goals, needs, and behaviors, and continually test websites and digital services to ensure that user needs are addressed. Key elements of usability and user feedback shall include:

   a. **Responsive Design** - Ensure public websites and digital services are readily available to users on various devices and platforms. Websites must leverage responsive and adaptive capabilities that allow users of mobile devices, of varying sizes, equivalent access to government information and services available to desktop devices.

   b. **User Feedback** – Leverage user feedback and analytics to prioritize the modernization and optimization of legacy websites and digital services that are most frequently accessed by users.


5. **Security**: Agencies/state entities must protect user privacy, data integrity and sensitive information. Key elements of website security shall include:

   6. **Transport Layer Security** - Websites shall, at minimum, use Transport Layer Security (TLS) certificates (formerly referred to as Secure Socket Layer (SSL) certificates) that adhere to a minimum Secure Hash Algorithm (SHA) 2 and 2048-bit key encryption. At minimum the full Agency/state entity name shall be provided as the “unit” for TLS certificate purposes. The contact person(s) named in a TLS certificate must be consistent with the contact(s) registered for
the domain. Agency/state entities shall verify contacts are consistent as part of the annual Domain Name Certification process, see SAM Section 5195.

a. **Extended Validation** - Websites that process, store or transmit financial transactions and/or Personal Information, as defined by Civil Code Section 1798.3, shall use an Extended Validation (EV) TLS certificate.

7. **Analytics**: Agencies/state entities must participate in statewide analytics by deploying the statewide analytics tracking code on all public-facing websites. Participation in statewide analytics does not preclude Agency/state entities from using other analytics programs. The statewide analytics tracking code is available at WebStandards.ca.gov.

**Optional Website Elements:**

Agencies/state entities are encouraged, but not required, to include the following elements in the content area of their websites:

1. Governor’s picture/graphical banner near the top of the content area.

2. Agency Secretary and/or State Entity Director’s picture/banner (or equivalent).

3. Essential Services highlighting key information of importance to the Agency/state entity.

4. Tribal Liaison contact information on the contact page.

5. Small Business & Disabled Veteran Business Enterprise (DVBE) Advocate Information on the contact page if applicable.

**CALIFORNIA STATE WEBSITE TEMPLATE 5190.2**

(New 7/2018)

Agencies/state entities are strongly encouraged to use the latest version of the standard CA.GOV website template to achieve many of the requirements identified in SAM Section 5190.1. The standard template is designed to promote a responsive and standard look and feel to ensure a uniform user experience. The template includes many usability, security and accessibility requirements and is updated regularly to meet evolving industry standards and best practices. Agencies/state entities that utilize the standard CA.GOV website template shall ensure that the latest version of the template is implemented within one year from the date of the latest template release.

The standard CA.GOV website template and instructions related to this policy can be found at WebStandards.ca.gov. This online resource is a toolkit that provides standards,
code, functionality, implementation guidelines and best practices for Agencies/state entities to implement the Website Standards policy.

INTERNET DOMAIN NAME REQUIREMENTS 5195.1

(New 5/2017)

California Department of Technology approval is required for any state entity, city, county, and government group that requests to use the ca.gov web domain. Web domains occupying the ca.gov domain zone must comply with all of the following requirements. See SIMM Section 40A for additional information on naming conventions and protocols.

- Domain names must be owned by a California state entity, county, city, or government group.

- Domain names must be organizationally or functionally identifiable and derived from the official name of the organization.

- Domain names must be consistent with federal policy and guidelines including, but not limited to, 41 Code of Federal Regulations, Part 102-173 and the Federal Interagency Committee on Government Information’s Recommendations for Federal Public Websites.

- All websites in the “ca.gov” DNS Zone must contain a direct link to www.ca.gov and must provide both general information and details on digital services to be used on www.ca.gov.

INTERNET DOMAIN NAME ANNUAL CERTIFICATION 5195.2

(New 5/2017)

All entities that use the ca.gov web domain are required to annually certify compliance with federal policy and guidelines and confirm that domain contact information is current. Any entity that fails to complete this annual certification requirement risks having their ca.gov domain name removed. See SIMM Section 40A for additional information and instructions regarding the annual certification process.

INTERNET DOMAIN NAME POLICY 5195

(New 5/2017)

The State of California has been authorized to administer the “ca.gov” Domain Name Service (DNS) Zone by the United States General Services Administration (GSA). Web domains occupying this zone can only be acquired by an official state entity, county, city or government group within the State of California. The Government Operations
Agency (GovOps) has statewide responsibility to oversee the ca.gov domain name program and the California Department of Technology will manage the registration, change, and renewal process for ca.gov domains. This policy applies to all second-level and third-level domain names within the ca.gov domain.
# CHAPTER 5200 INDEX

(Office of the Chief Technology Officer – Procurement)

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This chapter provides policy direction applicable to information technology (IT) procurements pursuant to Public Contract Code section 12100 et seq. IT as defined in SAM Sections 4819 through 4819.42 includes telecommunications goods and services.
The Department of Finance (Finance) is responsible for review and approval of funding related to IT project proposals.

Pursuant to Public Contract Code (PCC) 12100(g), the Department of General Services (DGS) has statutory authority in the determination of IT procurement procedures for the purchase of IT goods and services that are:

1) Not related to IT projects

2) Related to delegated IT projects

3) Related to non-delegated IT projects that the California Department of Technology (Department of Technology) has authorized to be conducted by Agencies/state entities under acquisition authority granted by DGS.

These procedures apply to acquisitions conducted by DGS' Procurement Division (PD) and by Agencies/state entities under acquisition authority granted by DGS.

Pursuant to Public Contract Code section 12104(a), the DGS/PD has published procurement procedures in the State Contracting Manual (SCM). The DGS/PD, Office of Policies, Procedures and Legislation (OPPL), is the entity responsible for the maintenance of the SCM.

Pursuant to Public Contract Code (PCC) 12102.2(e), the DGS has statutory authority, in consultation with the Department of Technology, to delegate IT purchasing authority to those Agencies/state entities demonstrating the capability to make purchases that adhere to state statutes, regulations, policies, and DGS procedures. Procedures for granting purchasing authority to Agencies/state entities are described in the SCM. The DGS will consult with the Department of Technology when granting purchasing authority to a new Agency/state entity and when granting a general increase to IT purchasing authority (i.e. when a state agency moves from one Tier to another Tier). DGS may consult with the Department of Technology for transaction-based requests to increase purchasing authority (i.e. one-time increases in purchasing authority for specific acquisitions).

Pursuant to Public Contract Code (PCC) 12100(c), the Department of Technology has statutory authority in the determination of IT procurement policy for all IT acquisitions.

Pursuant to Public Contract Code (PCC) 12100(d), the Department of Technology has statutory authority in the determination of IT procurement procedures for the purchase of IT goods and services related to IT projects when the acquisitions are conducted by
the Department of Technology. The Office Statewide of Project Delivery was established within the Department of Technology to provide oversight, guidance, and direction to Agencies/state entities in all aspects of non-delegated IT project procurements, including maintenance and operation procurements associated with new or previously approved non-delegated IT Projects. Agencies/state entities must obtain required approval as appropriate before an IT procurement cycle commences.
General Procurement Procedures: Procurement of Goods and Services

Acquisitions Authority for IT Goods and Services Related to IT Projects

(Pursuant to Public Contract Code (PCC) 12100(b), all contracts for the acquisition of Information Technology (IT) goods and services related to IT projects, as defined in SAM Section 4819.2, shall be made by or under the supervision of the Department of Technology. The Department of Technology will conduct acquisitions on behalf of Agencies/state entities that are related to non-delegated IT projects, unless the Department of Technology authorizes an Agency/state entity to conduct the acquisition under purchasing authority granted by the Department of General Services (DGS).

Pursuant to Public Contract Code (PCC) 12102.2(e)(1), Agencies/state entities shall not conduct an acquisition for IT goods and services related to an IT project under acquisition authority (aka “purchasing authority) granted by DGS unless the Department of Technology has either;

1) Delegated project authority to the Agency/state entity; or

2) Authorized the Agency/state entity to conduct the acquisition.

The Department of Technology may authorize Agencies/state entities to conduct acquisitions related to non-delegated IT projects under the purchasing authority granted by DGS. Written authorization provided by the Department of Technology must be maintained in the Agency/state entity’s procurement file. Agencies/state entities must adhere to DGS procurement procedures in the State Contracting Manual (SCM) when conducting acquisitions.

The Department of Technology will consult with DGS prior to delegating IT projects with procurements over the Agency/state entity’s DGS Delegated Purchasing Authority.

Pursuant to Public Contract Code (PCC) 12100(g)(2), the DGS Procurement Division (PD) will conduct acquisitions on behalf of Agencies/state entities in accordance with SCM procurement procedures for acquisitions related to delegated IT projects when the acquisition dollar value exceeds purchasing authority granted by DGS (as referenced in each Agency/state entity’s purchasing Authority Approval Letter).
The California Department of Technology (Department of Technology) Information Technology Project Oversight Division (ITPOD) may decide to review specifications in procurement documents before they are advertised to ensure that the specifications are consistent with the requirements and specifications identified in the Project Approval Lifecycle Stage/Gate deliverables (see SIMM Section 19) or Special Project Reports (SPR) for the projects. The Department of Technology’s decision to review procurement documents will be based on whether it believes a project requires special oversight during the procurement process. Procurement documents that the Department of Technology determines are subject to its oversight under this section may not be released until the Department of Technology has approved their release.
Uniform standards are applicable to acquisitions of IT goods and/or services pursuant to Public Contract Code section 12100 et seq., regardless of dollar amount, type of IT goods/services, and acquisition approach. The following standards shall apply throughout the IT procurement process:

- Acquisitions shall be conducted in a manner consistent with applicable laws, regulations, policies, and procedures.
- Acquisitions shall be conducted to advance the public policy purpose of the State program that the technology will serve.
- Acquisitions shall be conducted in a professional manner that promotes direct, straightforward, and cooperative communication with the supplier community.
- Contracting opportunities shall be enhanced, whenever possible, for eligible certified small businesses and Disabled Veteran Business Enterprises (DVBEs).
- Acquisitions and projects shall comply with Americans with Disabilities Act (ADA) requirements.
- New systems should be conceived in terms of a solution.
- Regardless of the acquisition approach, the procurement process shall consist of three stages:
  - Acquisition Planning
  - Acquisition Phase
  - Post-award Activity
Elements of the Acquisition Planning stage include:

- Defining the program need
- Assessing operational needs
- Selecting the acquisition method
- IT General Provisions (GSPD 401-IT) and Cloud Computing Special Provisions (as applicable)
- Obtaining approvals

1. Defining the Program Need

For all IT acquisitions, these steps shall be followed:

- Define the business need that solutions are to address.
- Determine whether the acquisition is justified.
- Verify that the goods and/or services to be acquired are IT.

Additional issues and requirements for defining the need are discussed in Chapter 1 of SCM Volume 3.

In planning a new IT system procurement the focus should be towards a “solution” approach so that the State may consider and select from a potential array of IT goods and/or services to meet the public policy and business needs of a State program, rather than specifying a particular product design.

2. Assessing Operational Needs
In assessing operational needs, these steps shall be followed:

- Consider fiscal and budgetary issues.
- Assess the timeframe in which the acquisition must be completed and determine the schedule for delivery and/or implementation.
- Assess the impact on physical facilities.
- Consider the risks associated with the procurement and the goods and/or services to be acquired.
- Consider risk protection strategies that will both protect the State and encourage competition.
- Determine whether there are available sources of the goods and/or services to be acquired (including existing State sources and contracts), and whether there is competition in the marketplace.

Additional issues and requirements for defining the need are discussed in Chapter 1 of SCM Volume 3.

(Continued)
3. Selecting the Acquisition Method: See SCM Volume 3 2.B3.0

4. IT General Provisions (GSPD 401-IT)

The State’s IT General Provisions (GSPD-401IT, as applicable) shall be used or incorporated by reference in all competitive solicitations and purchase documents for IT goods and services (written or verbal) valued in excess of $4,999.99 (See SCM Volume 3 Section 4.B8.1). Under certain circumstances, the IT General Provisions associated with Reportable Projects (non-delegated), may be modified to meet project specific needs. These modifications are in addition to the supplemental language that may be added to the Statement of Work modifying certain sections of the IT General Provisions. All such modifications are to be approved by the California Department of Technology Statewide Technology Procurement Division (STPD) and Legal Services Division, before the contract may be considered valid and final.

5. Obtaining Approvals

For many IT acquisitions, it is necessary to obtain approvals before starting the procurement process. These approvals shall be obtained, as applicable, before releasing solicitation or purchase documents:

- Verify the authority to initiate the acquisition and to sign the resulting purchase document.
- Obtain and/or verify necessary approvals or delegated authority from the following Control Agencies: Department of Finance (Finance), California Department of Technology and/or Department of General Services (DGS).
- If the acquisition involves telecommunications goods and/or services, verify necessary authority or approvals from the Office of Technology Services (OTech), Statewide Telecommunications and Network Division (STND).
SAM – INFORMATION TECHNOLOGY

General Procurement Procedures: Procurement of Goods and Services

- If the acquisition is being conducted via the NCB process or requires Control Agency approval, verify there is an approved NCB request and/or Project Approval Lifecycle Stage 3 Solution Development deliverable prior to releasing solicitation or purchase documents.

- If the acquisition is being conducted using a procurement method, verify there is an approved procurement request and/or Project Approval Lifecycle Stage 3 Solution Development deliverable prior to release of the solicitation.

Further details on required approvals are contained in SCM Volume 3 and SIMM 19C.
ACQUISITION PHASE

The Acquisition Phase is when the acquisition is conducted. Acquisitions shall be conducted in a manner that complies with State policies and meets the State’s needs. In conducting acquisitions, the State shall follow these requirements:

- Acquisition documents shall clearly set forth the rules and authority governing the acquisition.
- Competitive solicitation documents shall clearly set forth the:
  - Business and technical requirements
  - Evaluation methodology to be used
  - Applicable protest procedures
  - Contract award procedures
- If the acquisition is for a personal services contract pursuant to Government Code §19130(a), the acquiring department must notify the State Personnel Board pursuant to Government Code §19131 prior to contract execution.
- Protests shall be handled in a manner consistent with law, regulation and policy. Requirements for protests are in Chapter 7 of SCM Volume 3.

Various chapters of SCM Volume 3 spell out requirements and procedures for specific acquisition approaches and methods. See SIMM 19C for additional requirements and procedures for reportable IT projects.
Post-award Activity includes elements such as contract management, project management, and reporting. Effective contract and project management ensures that the State and its contractors honor their agreements and deal with one another in good faith. Following the award of the contract, the acquiring department shall:

- Adhere to the provisions of the contract and comply with statutory requirements, policies and procedures.
- Enforce contractual requirements.
- Follow plans for project management and risk management, if applicable.
- Manage implementation of the goods and/or services in accordance with the level of project oversight directed by the California Department of Technology.
- Fulfill all reporting requirements.

SCM Volume 3 contains additional information related to Post-award Activity.
The general principles for IT procurement are as follows:

- The State obtains IT goods and/or services that meet its needs and advance its policy goals, in a timely fashion, within budget, and with the least possible administrative burden.

- Procurements are conducted with integrity and in a manner consistent with the State’s requirements and policies, including its commitment to small businesses and Disabled Veteran Business Enterprises (DVBEs).

- The State harnesses its expertise and purchasing power to obtain the best values available in the marketplace.

- The State communicates clearly and consistently from procurement to procurement with interested parties so that they understand its goals.

- The benefits of competition, which include obtaining a broad array of solutions to program and policy challenges, are maximized.

- The State is appropriately protected from risk.
Consideration shall be given to each of the following priorities to advance public policy for IT procurements:

- Business need
- Business requirements (mandatory or desirable)
- Functionality
- IT environment
EXEMPTION

5230.6

(New 06/07)

Procurements necessary to meet the requirements of the Hawkins Data Center in the Department of Justice are exempt from the requirements of Section 5230 Uniform Standards.
LEVERAGED PROCUREMENT AGREEMENTS

(Revised 01/2016)

There are instances when many State departments require goods or services to perform essentially the same functions. Individual procurements would require duplicative effort and extend lead times.

Leveraged Procurement Agreements (LPAs) combine State departments’ requirements for the same items or similar items thus providing standardization and leveraging the State’s buying power. LPAs also enable streamlined purchases by removing repetitive, resource intensive, costly and time consuming solicitation processes by departments.

Types of LPAs include Master Agreements, IT Master Agreement (ITMSA), Statewide Contracts, State Price Schedules, Software Licensing Programs (SLP), the California Multiple Award Schedules (CMAS), and Cooperative Agreements. Unless identified as a mandatory contract, the use of LPAs is optional. State departments must have approved purchasing authority for the applicable LPA category in order to place orders against an agreement in that category.
Note: Effective January 1, 2008, the California Information Security restructured and renumbered the content of this chapter and moved it from SAM Sections 4840 – 4845 to SAM Sections 5300 – 5365.3. See the Government Online Responsible Information Management (GO RIM) web site at www.infosecurity.ca.gov for statewide authority, standards, guidance, forms, and tools for information security activities.

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INTRODUCTION

Information security refers to the protection of information, information systems, equipment, software, and people from a wide spectrum of threats and risks. Implementing appropriate security measures and controls to provide for the confidentiality, integrity, and availability of information, regardless of its form (electronic, optical, oral, print, or other media), is critical to ensure business continuity, and protect information assets against unauthorized access, use, disclosure, disruption, modification, or destruction. Information security is also the means by which privacy of personal information held by state entities is protected.

The state's information assets, including its data processing capabilities, information technology infrastructure and data are an essential public resource. For many state entities, program operations would effectively cease in the absence of key computer systems. In some cases, public health and safety would be immediately jeopardized by the failure or disruption of a system. The non-availability of state information systems and resources can also have a detrimental impact on the state economy and the citizens who rely on state programs. Furthermore, the unauthorized acquisition, access, modification, deletion, or disclosure of information included in state entity files and databases can compromise the integrity of state programs, violate individual right to privacy, and constitute a criminal act.

ARRANGEMENT OF CHAPTER

This Chapter and its corresponding sections are organized as follows:

Introduction: A brief description introducing the section, when necessary.

Policy: A clear and unambiguous “Policy” statement which directs state entities at a high level as to required actions and outcomes.

Governing Provisions: Identifies any additional overarching laws, regulations or policies governing or related to the specific policy requirement.
Implementation Controls: Refers to the standards, instructions, procedures, and forms directing state entities in the “how” to comply with policy set forth in this Chapter.

GOVERNING PROVISIONS

(Government Code section 11549.3, state entities shall comply with the information security and privacy policies, standards and procedures issued by the California Information Security Office (CISO). In addition to compliance with the information security and privacy policies, standards, procedures, and filing requirements issued by the CISO, state entities shall ensure compliance with all security and privacy laws, regulations, rules, and standards specific to and governing the administration of their programs. Program administrators shall work with their general counsel, Information Security Officer (ISO), and Privacy Program Officer/Coordinator to identify all security and privacy requirements applicable to their programs and ensure implementation of the requisite controls.

Policy: As set forth in Government Code section 11549.3, state entities shall comply with the information security and privacy policies, standards and procedures issued by the California Information Security Office (CISO). In addition to compliance with the information security and privacy policies, standards, procedures, and filing requirements issued by the CISO, state entities shall ensure compliance with all security and privacy laws, regulations, rules, and standards specific to and governing the administration of their programs. Program administrators shall work with their general counsel, Information Security Officer (ISO), and Privacy Program Officer/Coordinator to identify all security and privacy requirements applicable to their programs and ensure implementation of the requisite controls.

GOVERNING PROVISIONS: Government Code section 11549.3 provides the CISO with the responsibility and authority to create, issue, and maintain policies, standards, and procedures; direct each state entity to effectively manage risk; advise and consult with each state entity on security issues; and ensure each state entity is in compliance with the requirements specified in the State Administrative Manual (SAM) Chapter 5300.

Government Code section 11549.3 also provides the CISO with the responsibility to coordinate the activities of state entity ISOs for purposes of integrating statewide security initiatives and ensuring compliance with information security and privacy policies and standards. The CISO is also provided with the authority to conduct, or require to be conducted, independent security assessments or audits of any entity. The cost of such assessments or audits shall be funded by the state entity being assessed or audited.

Many information security and privacy requirements are program specific; thus, the legal and regulatory requirements may vary from one program to another. For example, the laws governing security and privacy for health care programs differ from the laws governing energy programs. The following overarching laws, which affect the
categorization, classification, protection, and dissemination of information, are applicable to most state entities:

1. Article 1, Section 1, of the Constitution of the State of California defines pursuing and obtaining privacy as an inalienable right.

2. The Information Practices Act of 1977 (Civil Code section 1798, et seq.) places specific requirements on each state entity in the collection, use, maintenance, and dissemination of information relating to individuals.

3. The California Public Records Act (Government Code sections 6250-6265) provides for the inspection of public records and authorizes specific exemptions for not disclosing certain records or portions of certain records.

4. The State Records Management Act (Government Code sections 14740-14770) provides for the application of management methods to the creation, utilization, maintenance, retention, preservation, and disposal of state records, including determination of records essential to the continuation of state government in the event of a major disaster. (SAM sections 1601 through 1699 contain administrative regulations in support of the Records Management Act.)

5. The Comprehensive Computer Data Access and Fraud Act (Penal Code section 502) affords protection to individuals, businesses, and governmental entities from tampering, interference, damage, and unauthorized access to computer data and computer systems. It allows for civil action against any person convicted of violating the criminal provisions for compensatory damages.
Policy: SAM Chapter 5300 shall apply to the following:

1. All state entities unless otherwise specifically exempted by law or state policy.
2. All categories of automated and paper information, including, but not limited to, records, files, and databases.
3. Information technology facilities, software, and equipment, including personal computer systems owned or leased by state entities.

For the purposes of this Chapter, the term “state entity” shall denote a State of California agency, department, office, board, bureau, or other distinct governmental organization in the executive branch. Where a requirement, obligation, or responsibility is assigned to a state entity, the state entity head shall accept or delegate that requirement to an individual or individuals fully qualified to effectively ensure compliance with the requirement, and ensure the obligation and responsibility is met. Ultimately, the state entity head shall be responsible for policy compliance.

Policy: Each state entity shall use the information security and privacy definitions issued by the CISO in implementing information security and privacy policy in their daily operations. The definitions are located on the CISO website at Security Technical Definitions.

Policy: California has adopted the National Institute of Standards and Technology (NIST) Special Publication (SP) 800-53 as minimum information security control.
requirements to support implementation and compliance with the Federal Information Processing Standards (FIPS). Each state entity shall use the FIPS and NIST SP 800-53 in the planning, development, implementation, and maintenance of their information security programs. Adoption of these standards will facilitate a more consistent, comparable, and repeatable approach for securing state assets; and, create a foundation from which standardized assessment methods and procedures may be used to measure security program effectiveness.

The CISO has also adopted additional standards and procedures to address more specific requirements or needs unique to California. These additional standards are referenced in the applicable policy section and maintained in the Statewide Information Management Manual (SIMM).

**Governing Provisions:** SAM section 5100 requires state entities to use the American National Standards Institute (ANSI) and the FIPS standards in their information management planning and operations.
INFORMATION SECURITY PROGRAM 5305

(Revised 6/14)

Policy: Each state entity is responsible for establishing an information security program. The program shall include planning, oversight, and coordination of its information security program activities to effectively manage risk, provide for the protection of information assets, and prevent illegal activity, fraud, waste, and abuse in the use of information assets.

Each state entity shall:

1. Align the information security program, its activities, and staff with the requirements of this Chapter;
2. Establish a governance body to direct the development of state entity specific information security plans, policies, standards, and other authoritative documents;
3. Oversee the creation, maintenance, and enforcement of established information security policies, standards, procedures, and guidelines;
4. Ensure the state entity’s security policies and procedures are fully documented and state entity staff is aware of, has agreed to comply with, and understands the consequences of failure to comply with policies and procedures;
5. Identify and integrate or align information security goals and objectives to the state entity’s strategic and tactical plans;
6. Develop and track information security and privacy risk key performance indicators;
7. Develop and disseminate security and privacy metrics and risk information to state entity executives and other managers for decision making purposes; and
8. Coordinate state entity security efforts with local government entities and other branches of government as applicable.
Implementation Controls: NIST SP 800-53: Planning (PL); Program Management (PM)

INFORMATION SECURITY PROGRAM MANAGEMENT 5305.1
(Revised 8/2015)

Policy: Each state entity must provide for the proper use and protection of its information assets. Accordingly each state entity shall:

1. Develop, implement, and maintain a state entity-wide Information Security Program Plan.

2. Ensure the plan documentation provides the following:
   an overview of the requirements for the state entity’s information security program;
a. a description of the state entity’s strategy and prioritization approach to information security, privacy, and risk management;

b. a plan for integrating information security resource needs into the state entity’s capital planning and funding request processes; and

c. a plan of action and milestones (POAM) process for addressing program deficiencies. State entities shall use the standardized POAM reporting instructions and tool (SIMM 5305-B and SIMM 5305-C, respectively).

3. Ensure the plan is approved and disseminated by the state entity head responsible and accountable for risks incurred to the state entity’s mission, functions, assets, image and reputation.

4. Identify roles and responsibilities, and assign management responsibilities for information security program management consistent with the roles and responsibilities described in the Information Security Program Management Standard (SIMM 5305-A).

**Implementation Controls:** NIST SP 800-53: Planning (PL); Program Management (PM); Information Security Program Management Standard (SIMM 5305-A); Plan of Action and Milestones (SIMM 5305-B and SIMM 5305-C)

**POLICY, PROCEDURE AND STANDARDS MANAGEMENT 5305.2**

(Revised 6/14)

**Policy:** Each state entity must provide for the protection of its information assets by establishing appropriate administrative, operational and technical policies, standards, and procedures to ensure its operations conform with business requirements, laws, and administrative policies, and personnel maintain a standard of due care to prevent misuse, loss, disruption or compromise of state entity information assets. Each state entity shall adopt, maintain and enforce internal administrative, operational and technical policies, standards and procedures in accordance with SIMM 5305-A to support information security program plan goals and objectives.

**Implementation Controls:** NIST SP 800-53: Planning (PL); Program Management (PM); SIMM 5305-A
Policy: Information security is a shared responsibility. All personnel have a role and responsibility in the proper use and protection of state information assets. Each state entity shall ensure information security program roles and responsibilities identified in SIMM 5305-A are acknowledged and understood by all state entity personnel.

Implementation Controls: NIST SP 800-53: Planning (PL); Program Management (PM); SIMM 5305-A
Policy: Each state entity must identify security and privacy roles and responsibilities for all personnel. This will ensure personnel are informed of their roles and responsibilities for using state entity information assets, to reduce the risk of inappropriate use, and a documented process to remove access when changes occur. Personnel practices related to security management must include:

1. Employment history, fingerprinting, and/or criminal background checks on personnel who work with or have access to confidential, personal, or sensitive information or critical applications may be necessary for a particular state entity. Each state entity should consult the California Human Resources Department and the Department of Justice for specific rules and regulations relative to employment history, fingerprinting, or criminal background checks.

2. Initial training of state entity personnel with respect to individual, state entity, and statewide security and privacy responsibilities and policies before being granted access to information assets, and annually thereafter.

3. Signing of acknowledgments of security and privacy responsibility by all personnel.

4. Transfer procedures that ensure access rights and permissions to state entity information assets are reviewed for appropriateness and reauthorized by program management when personnel is transferred within the state entity, so that access to information assets is limited to that which is needed by personnel in the performance of their job-related duties.

5. Termination procedures that ensure state entity information assets are not accessible to separated personnel.

INFORMATION ASSET MANAGEMENT

(Revised 6/14)

Introduction: In order to provide for the proper use and protection of information assets, the value and level of protection needed must be clearly specified and understood.

Policy: Each state entity must understand the value of its information assets and the level of protection those assets require. To this end, each state entity shall establish and maintain an inventory of all of its information assets, including information systems,
information system components, and information repositories (both electronic and paper). The inventory shall contain a listing of all programs and information systems identified as collecting, using, maintaining, or sharing state entity information. The inventory must include categorization and classification of the information assets by program management, and based on the Information Security Program Management Standard (SIMM 5305-A), California Public Records Act (Government Code sections 6250-6265), Information Practices Act of 1977 (Civil Code Section 1798, et seq.), FIPS Publication 199, and laws governing administration of the state entity’s programs.

The categorization and classification of information assets shall be used in the determination of an asset’s needed level of protection. If the information asset’s level of protection is not clear, the state entity is to protect the asset to the categorization level of “Moderate” as defined by FIPS Publication 199. Where the state entity is the custodian or user of the information asset, and not the owner, as in the case of Federal Tax Information, Criminal Justice Information Services information, and so forth the state entity shall ensure the data owner specifies the level of protection. The state entity shall adhere to the data owner’s classification and level of protection requirements.

Each information asset for which the state entity has ownership responsibility shall be inventoried and identified to include the following:

1. Description and value of the information asset.
2. Owner of the information asset.
3. Custodians of the information asset.
4. Users of the information asset.
5. Classification of information.
6. FIPS Publication 199 categorization and level of protection (Low, Moderate, or High).
7. Importance of information asset to the execution of the state entity’s mission and program function.
8. Potential consequences and impacts if confidentiality, integrity and availability of the information asset were compromised.
Implementation Controls: NIST SP 800-53: Planning (PL); Program Management (PM); Information Security Program Management Standard (SIMM 5305-A); and FIPS Publication 199.

RISK MANAGEMENT

Policy: Each state entity shall create a state entity-wide information security, privacy and risk management strategy which includes a clear expression of risk tolerance for the organization, acceptable risk assessment methodologies, risk mitigation strategies, and a process for consistently evaluating risk across the organization with respect to the state entity’s risk tolerance, and approaches for monitoring risk over time.

The state entity’s risk management strategy and methodologies shall be consistent with NIST SP 800-30 and NIST SP 800-39, and must include:

1. Risk assessments conducted at the three various levels of the risk management hierarchy, including:
   a. Organizational level;
   b. Mission/Business process level; and
   c. Information asset level.

2. A risk assessment process to identify and assess risks associated with its information assets and define a cost-effective approach to managing such risks; including, but not limited to:
   a. Risk associated with introducing new information processes, systems and technology into the state entity environment;
   b. Accidental and deliberate acts on the part of state entity personnel and outsiders;
SAM – INFORMATION SECURITY
(Office of Information Security)

c. Fire, flooding, and electric disturbances; and,
d. Loss or disruption of data communications capabilities.

Implementation Controls: NIST SP 800-53: Planning (PL); Program Management (PM); and SIMM 5305-A

RISK ASSESSMENT 5305.7
(Revised 6/14)

Policy: Each state entity shall conduct an assessment of risk, including the likelihood and magnitude of harm from the unauthorized access, use, disclosure, disruption, modification, or destruction of the information system/asset and the information it processes, stores, or transmits. Each state entity shall conduct a comprehensive risk assessment once every two years which assesses the state entity’s risk management strategy for all three levels and documents the risk assessment results in a risk assessment report.

The risk assessment process must include the following:

1. Assignment of responsibilities for risk assessment, including appropriate participation of executive, technical, and program management.

2. Identification of the state entity information assets that are at risk, with particular emphasis on the applications of information technology that are critical to state entity program operations. Identification of the threats to which the information assets could be exposed.

3. Assessment of the vulnerabilities, e.g., the points where information assets lack sufficient protection from identified threats.

4. Determination of the probable loss or consequences, based upon quantitative and qualitative evaluation, of a realized threat for each vulnerability and estimation of the likelihood of such occurrence.

5. Identification and estimation of the cost of protective measures which would eliminate or reduce the vulnerabilities to an acceptable level.

6. Selection of cost-effective security management measures to be implemented.
7. Preparation of a report, to be submitted to the state entity head and to be kept on file within the state entity, documenting the risk assessment, the proposed security management measures, the resources necessary for security management, and the amount of residual risk to be accepted by the state entity.

**Implementation Controls:** NIST SP 800-53: Risk Assessment (RA)

**PROVISIONS FOR AGREEMENTS WITH STATE AND NON-STATE ENTITIES**

(Revised 6/14)

**Introduction:** State entities are required to enter into written agreements with state and non-state entities when they engage such entities in the development, use, or maintenance of information systems, products, solutions, or services.
Policy: Each state entity shall ensure agreements with state and non-state entities include provisions which protect and minimize risk to the state. Agreements shall include, at a minimum, provisions which cover the following:

1. Appropriate levels of security (confidentiality, integrity and availability) for the data based on data categorization and classification and FIPS Publication 199 protection levels.

2. Standards for transmission and storage of the data, including encryption and destruction, if applicable.

3. Agreements to comply with statewide policies and laws regarding the use and protection of information resources and data, including those set forth in this Chapter.

4. Signed confidentiality statements.

5. Agreements to apply security patches and upgrades, and keep virus software up-to-date on all systems on which data may be used.

6. Agreements to notify the state data owners promptly if a security incident involving the information system or data occurs.

7. Agreements that the data owner shall have the right to participate in the investigation of a security incident involving its data or conduct its own independent investigation, and that data custodian shall cooperate fully in such investigations.

8. Agreements that the data custodian shall be responsible for all costs incurred by the data owner due to security incident resulting from the data custodian’s failure to perform or negligent acts of its personnel, and resulting in an unauthorized disclosure, release, access, review, or destruction; or loss, theft or misuse of an information asset. If the contractor experiences a loss or breach of data, the contractor shall immediately report the loss or breach to the data owner. If the data owner determines that notice to the individuals whose data has been lost or breached is appropriate, the contractor will bear any and all costs associated with the notice or any mitigation selected by the data owner. These costs include, but are not limited to, staff time, material costs, postage, media announcements, and other identifiable costs associated with the breach or loss of data.

9. Agreements that the data custodian shall immediately notify and work cooperatively with the data owner to respond timely and correctly to public records act requests.
10. Agreements between the data custodian and data owner to address the appropriate disposition of records held by the data custodian during the term of its agreement with the data owner.

**Implementation Controls:** NIST SP 800-53, *System and Services Acquisition (SA)*

**INFORMATION SECURITY PROGRAM METRICS** 5305.9

(Revised 6/14)

**Introduction:** Performance with respect to security controls must be measured to determine whether the needs of the state entity are being met. Security metrics assist with adjustments to security controls in order to improve effectiveness.
Policy: Each state entity shall establish outcome-based metrics to measure the effectiveness and efficiency of the state entity’s information security program, and the security controls deployed.

Implementation Controls: NIST SP 800-53: System and Services Acquisition (SA); Security Assessment and Authorization (CA); Contingency Planning (CP)

Introduction: Privacy can be understood as the rights of individuals, as defined by law, to control the collection and use of their personal information. This privacy policy is based generally on the Information Practices Act of 1977 (Civil Code section 1798, et seq.). In addition to its general application, the Information Practices Act of 1977 is broad in scope, drawing from the Fair Information Practice Principles (FIPPs), which form the basis for most privacy laws in the United States and around the world. The FIPPs help entities attain public trust and mitigate loss and risk stemming from privacy incidents.

Included among the principles are transparency, notice, and choice. Some state entities are also subject to additional state and federal privacy laws related to particular types of personal information.

Governing Authority: The following overarching privacy laws are applicable to state entities:

1. Article 1, Section 1, of the Constitution of the State of California defines pursuing and obtaining privacy as an inalienable right.
2. The Information Practices Act of 1977 (Civil Code section 1798, et seq.) places specific requirements on each state entity in the collection, use, maintenance, and dissemination of information relating to individuals.

3. Government Code Section 11019.9 requires state agencies to enact and to maintain a privacy policy and to designate an employee to be responsible for the policy. The policy must describe the agency's practices for handling personal information, as further required in the Information Practices Act.

**Policy:** State entity heads shall direct the establishment of an entity-specific Privacy Program. The Privacy Program shall ensure, and privacy coordinators shall confirm, that the requirements contained in the California Information Practices Act, this policy and the associated standards are adhered to by the state entity and its personnel.

**Implementation Controls:** NIST SP 800-53: Appendix J-Privacy Control Catalog

**STATE ENTITY PRIVACY STATEMENT AND NOTICE ON COLLECTION**

(Revised 6/14)
Policy: Information asset owners shall be open about state entity information handling practices, including the purposes for which the state entity collects, uses, and discloses personal information of individuals. Each state entity Privacy Program Coordinator shall prepare, publish, and maintain a General Privacy Policy Statement and a Privacy Notice on Collection for each personal information collection in accordance with the Privacy Statement and Notices Standard (SIMM 5310-A).

General Privacy Policy Statement

Each state entity’s general privacy policy, as required by Government Code section 11019.9, shall apply to the entire state entity and its subdivisions.

Privacy Notice on Collection

When personal information is collected from an individual on or with any form, the information asset owner shall ensure that notice is provided to the individual at or before the time of collection. The content and presentation of the notice shall comply with requirements outlined in the Privacy Statement and Notices Standard (SIMM 5310-A).

Implementation Controls: NIST SP 800-53: Appendix J-Privacy Control Catalog, and SIMM 5310-A

LIMITING COLLECTION 5310.2

(Revised 6/14)

Policy: Information asset owners shall collect the least amount of personal information that is required to fulfill the purposes for which it is being collected. Information asset owners shall obtain personal information only through lawful means and shall collect personal information to the greatest extent practicable directly from the individual who is the subject of the information rather than from another source. Information asset owners shall endeavor to collect non-personal information, instead of personal information, if it is able to fulfill the same requirements.

Implementation Controls: NIST SP 800-53: Appendix J-Privacy Control Catalog

LIMITING USE AND DISCLOSURE 5310.3

(Revised 6/14)
SAM – INFORMATION SECURITY
(Office of Information Security)

**Policy:** Information asset owners, custodians and users shall not disclose, use, or make available personal information collected from individuals for purposes other than those for which it was originally collected, except in the following situations:

1. The disclosure is made to the individual who is the subject of the information;
2. The nature of the disclosure is included in the Privacy Notice on Collection provided at or before the time of collection;
3. The individual who is the subject of the information, subsequent to collection, provides explicit consent to the disclosure or use; or
4. The use or disclosure is explicitly allowed under Civil Code section 1798.24.

**Accounting of Disclosures**
Information asset owners shall keep an accurate accounting of the date, nature, and purpose of each disclosure of a record made under exception number 4 above. The
accounting shall include the date of the disclosure, and the name, title, and business address of the individual or state entity to which the disclosure was made.

Information asset owners shall retain the above referenced accounting for at least three years after the disclosure for which the accounting is made, or until the record is destroyed in accordance with the state entity record retention policy, whichever is shorter.

Information asset owners shall inform any individual or state entity to whom a record containing personal information has been disclosed during the preceding three years of any correction of an error in the record or notation of a dispute about its accuracy.

Use of Information by Third Parties

Information asset owners and users shall apply the requirements of this policy to any third party who handles personal information collected by the state entity, in order to accomplish a state entity function that is consistent with the original purposes for which it was collected. Any such third party and its personnel or agent with access to the personal information shall formally agree to be subject to the state entity’s privacy policies and practices in the same manner as an employee of the state entity.

Social Security Numbers

Information asset owners shall minimize the collection and use of Social Security numbers. Information asset owners shall not publicly post or publicly display in any manner an individual's Social Security number or otherwise permit handling of Social Security numbers in any manner inconsistent with the Privacy Individual Access Standard (SIMM 5310-B).

Information asset owners shall not permit Social Security numbers to be either entered into systems as authentication credentials or used as user unique identifiers within systems. This requirement shall apply to all new systems, and major changes or upgrades to existing systems.

Implementation Controls: NIST SP 800-53: Appendix J-Privacy Control Catalog, and SIMM 5310-B
INDIVIDUAL ACCESS TO PERSONAL INFORMATION 5310.4
(Revised 6/14)

Policy: Each state entity shall ensure individuals are provided with information about their access rights and the procedures for exercising those rights.

Individuals Right to Access

Each state entity Privacy Program Coordinator shall publish procedures for individuals to follow in exercising their rights to access records held by the state entity which contain their personal information. Such rights include the right to inquire and be informed as to whether the state entity maintains a record about the individual and the right to request a correction of or an amendment to their personal information. Such procedures shall be made available online if the state entity has a website, and shall otherwise comply with the Privacy Individual Access Standard (SIMM 5310-B).
Personal Information in Public Records

Each state entity head shall include in the state entity's procedures for access to public records, a provision requiring the redaction of personal information prior to allowing inspection or releasing records in response to a California Public Records Act request.

Mailing Lists

Upon written request of an individual, an information asset owner maintaining a mailing list shall remove the individual's name and contact information from such list, unless such name and contact information is exclusively used by the state entity to directly contact the individual. Information asset owners shall inform individuals, in the requisite Privacy Notice on Collection forms used to collect personal information, of their right to have their information removed from such mailing lists.

Implementation Controls: NIST SP 800-53: Appendix J-Privacy Control Catalog, and SIMM 5310-B

INFORMATION INTEGRITY

(Revised 6/14)

Policy: Information asset owners shall maintain all records with accuracy, relevance, timeliness, and completeness.

Maintaining Record Integrity

When an information asset owner uses a record to make a determination about an individual or transfers a record to another state or non-state entity, the owner shall correct, update, withhold, or delete any portion of the record that it knows or has reason to believe is inaccurate or out of date.

Maintaining Information Sources

Whenever an information asset owner collects personal information, the owner shall either ensure that the individual is provided a copy of the source document or shall record and maintain the source of the information, unless the source is the individual record subject.
Ownership of Stored Records and State Archived Records

1. Stored Records: When records that contain personal information are transferred to the Department of General Services (DGS) for storage, information asset owners for the state entity transferring the records shall retain all owner responsibilities for the protection of the record as provided in this Chapter. The DGS shall not disclose the record except to the information asset owner or his designee, or in accordance with their instructions which must be in accordance with this policy and relevant laws.

2. State Archives: Information asset owners shall transfer a record pertaining to an identifiable individual to the State Archives only after determining, with concurrence by the state entity head, that the record has sufficient historical or other value to warrant its continued preservation by the California state government. In the event of this transfer, information asset ownership shall be formally transferred to an information asset owner in the State Archives, who shall accept all owner responsibilities contained in the enterprise information security and privacy policies and standards.
DATA RETENTION AND DESTRUCTION 5310.6
(Revised 6/14)

Policy: Information asset owners shall retain and/or destroy records of personal information in accordance with the state entity’s record retention and destruction policy and the Privacy Individual Access Standard (SIMM 5310-B). Information asset owners shall take reasonable steps to keep personal information only as long as is necessary to carry out the purposes for which the information was collected.

However, no record of personal information shall be destroyed or otherwise disposed of by any state entity unless:

a. It is determined by the state entity head that the record has no further administrative, legal, or fiscal value;

b. The state entity head has determined that an audit has been performed for any record subject to audit; and

c. The Secretary of State has determined that the record is inappropriate for preservation in the State Archives.

Destruction of Electronically Collected Personal Information

An information asset owner shall, upon request by the record subject, securely discard without reuse or distribution, any personal information collected through a state entity’s website.

Implementation Controls:

NIST SP 800-53 Accountability, Audit and Risk Management (AR): Appendix J-Privacy Control Catalog

SIMM 5310-C
Policy: Information asset owners shall apply all applicable statewide and state entity information security laws, policies, standards, and procedures in order to protect personal information under the information asset owner’s responsibility.

Implementation Controls: NIST SP 800-53: Appendix J-Privacy Control Catalog

Privacy Threshold and Privacy Impact Assessments (Revised 11/2019)

Policy: Information asset owners shall apply all applicable statewide and state entity information privacy and security laws, policies, standards, and procedures in order to protect personal information under the information asset owner’s responsibility. This includes, but is not limited to conducting a Privacy Threshold Assessment (PTA) and if necessary, a Privacy Impact Assessment (PIA) when the collection, use, maintenance, storage, sharing, disclosure or disposal of personal information, as defined by Civil Code section 1798.3, is involved. A PTA and PIA shall be performed upon the development or procurement of new information system, and when proposing changes to an existing system. Information systems in this context may be manual or technology based. State entities shall use SIMM 5310-C or an equivalent tool to meet this requirement.

Governing Provisions: Civil Code Sections 1798.21 and 1798.30

Implementation Controls:
NIST SP 800-53 Accountability, Audit and Risk Management (AR): Appendix J-Privacy Control Catalog
SIMM 5310-C

INFORMATION SECURITY INTEGRATION (Revised 6/2014)

Policy: Each state entity is responsible for the integration of information security and privacy within the organization. This includes, but is not limited to, the designing of appropriate security controls in new systems, or systems that are undergoing
substantial redesign, including both in-house and outsourced solutions. Each state entity shall ensure its ISO, and where applicable its Privacy Program Coordinator and Technology Recovery Coordinator, are actively engaged with the owners of information, and project, procurement and technical personnel involved with information asset acquisition, development, operations, maintenance and disposal to:

1. Ensure information security is considered throughout the asset lifecycle, from acquisition and development through maintenance and operations, to retirement.

2. Integrate information security design requirements into both manual information handling and information processing functions, and information technology activities, including throughout the system development lifecycle (SDLC);

3. Create system security plans outlining key information security controls to mitigate risks;

4. Create and maintain residual risk documentation consistent with the State Information Management Principles, Record of Decisions (SAM Section 4800);

5. Integrate information security (confidentiality, integrity, and availability) requirements into contracts for outsourced products and services, and any agreements with state and non-state entities;

6. Create, maintain, and enforce information security policies, standards, procedures, and guidelines;

7. Create secure configuration standards for hardware, software, and network devices; and

8. Implement administrative, technical, and physical controls for the protection of information assets as part of the system engineering process.

Implementation Controls: NIST SP 800-53: System and Services Acquisition (SA)

SYSTEM AND SERVICES ACQUISITION 5315.1
(Revised 11/2019)

Policy: Each state entity shall determine the information security requirements (confidentiality, integrity, and availability) for its information assets in mission/business process planning; determine, document and allocate the resources required to protect the information assets as part of its capital planning and investment control process; and, establish organizational programming and budgeting documentation.
For all information system acquisitions, the state entity shall identify security functional, strength and assurance requirements; privacy protection requirements; security-related documentation requirements; a description of the information system development and intended operational environments; and acceptance criteria.

**Implementation Controls:** NIST SP 800-53:
- [System and Services Acquisition (SA) and Accountability, Audit, and Risk Management (AR); Appendix J – Privacy Control Catalog, FIPS 199](#)
- SIMM 5310-C

**SYSTEM DEVELOPMENT LIFECYCLE**

(Revised 11/2019)

**Policy:** Each state entity shall manage its information assets using a documented SDLC methodology that:

1. Incorporates information security (data confidentiality, integrity and availability) including business impact assessment requirements and considerations;
2. Incorporates information privacy protection requirements and considerations;
3. Incorporates technology recovery requirements and considerations, per SAM Sections 5325-5325.6 and SIMM Section 5325-A and SIMM Section 5325-B;
4. Defines and documents operational information security roles and responsibilities throughout the information asset lifecycle including, but not limited to adoption of secure coding practices and security and vulnerability testing during test phases;
5. Defines and documents operational information privacy roles and responsibilities throughout the information asset lifecycle;
6. Identifies individuals having information security roles and responsibilities;
7. Identifies individuals having information privacy roles and responsibilities;
8. Identifies individuals and entities having technology recovery roles and responsibilities;
9. Integrates the organizational information security risk management process into the development lifecycle activities;
10. Integrates the Privacy Threshold Assessment (PTA) for all information system projects and proposals, and the Privacy Impact Assessment (PIA) into the system development lifecycle activities when personal information or a privacy risk is involved. PTA and PIA shall be through the use of SIMM 5310-C; and
11. Integrates the organizational technology recovery solution that meets the
business recovery requirements and the recovery plan within the security risk management process into the development lifecycle activities.

**Implementation Controls**: NIST SP 800-53:

- System and Services Acquisition (SA) and Accountability, Audit, and Risk Management (AR); Appendix J – Privacy Control Catalog, FIPS 199
- SIMM 5310-C

**INFORMATION ASSET DOCUMENTATION**

(Revised 6/14)

**Policy**: In conjunction with Records Management (SAM Chapter 1600) and Property Accounting (SAM Chapter 8600) requirements, each state entity shall ensure information security documentation is prepared and maintained as part of the overall documentation for all information assets. Documentation shall include a description of the effective use and maintenance of security controls and the state entity’s responsibilities in maintaining the security of the information assets. Each state entity shall obtain administrator and user documentation for each information system, and provisions for the protection of documentation from loss, theft, damage, or misuse.

**Implementation Controls**: NIST SP 800-53: System and Services Acquisition (SA); SAM Chapters 1600 and 8600

**SYSTEM DEVELOPER SECURITY TESTING**

(Revised 6/14)

**Policy**: Each state entity shall require that system developers create and implement a security test and evaluation plan as part of the system design and build. When a contract is required, it shall specify the acceptance criteria for security test and evaluation plans and vulnerability remediation processes.

**Implementation Controls**: NIST SP 800-53: System and Services Acquisition (SA)
Policy: Each state entity shall establish a documented process regarding controlled modifications to hardware, firmware, and software to protect the information asset against improper modification before, during, and after system implementation.

Implementation Controls: NIST SP 800-53: Configuration Management (CM)

ACTIVATE ONLY ESSENTIAL FUNCTIONALITY

Policy: Each state entity shall configure information assets to provide only essential capabilities and functionality, and shall adhere to the principle of least privilege and restrict the use of unnecessary ports, protocols, and/or services to minimize the state entity’s risk.

Implementation Controls: NIST SP 800-53: Configuration Management (CM)

SOFTWARE USAGE RESTRICTIONS

Policy: Each state entity shall ensure its Software Management Plan (SAM sections 4846.1 and 4846.2) addresses the following:

1. Use of software and associated documentation in accordance with contract agreements and copyright laws;

2. Enforcement of explicit rules governing the authorized installation of software by users; and

3. Maintaining control over the types of software installed by identifying permitted and prohibited software installations.

Implementation Controls: NIST SP 800-53: Configuration Management (CM)

INFORMATION ASSET CONNECTIONS
Policy: Each state entity shall carefully consider the risks that may be introduced when information assets are connected to other systems with different security requirements and security controls, both within the state entity and external to the state entity.

Each state entity shall identify and maintain an inventory of its authorized information system connections with other state entities which establish authorized connections from information assets as defined by their authorization boundary, to other information systems. Each state entity shall document, for each connection, the interface characteristics, security requirements, the nature of the information communicated, and ensure written agreements are established and maintained which include the minimum provisions for agreements with state and non-state entities as outlined in SAM Section 5305.8.

This policy applies to dedicated connections between information assets and does not apply to transitory, user-controlled connections such as email and website browsing.

Implementation Controls:  NIST SP 800-53: Access Control (AC)

A 5315.9

(Revised 12/13)

Introduction: The authorizing official(s) provide budgetary oversight for state entity information assets and assume responsibility for the mission/business operations supported by those systems.

Policy: Consistent with the State Information Management Principles, Record of Decisions (SAM section 4800), each state entity shall establish a documented security authorization method which tracks official management decisions authorizing the operation of information assets and explicit acceptance of risks based on implementation of agreed-upon information security measures. The state entity head shall assign senior-level executive(s) or manager(s) as the authorizing official(s).
Policy: Each state entity must establish and maintain an information security and privacy training and awareness program. State entity personnel must possess the knowledge and skills necessary to use information technology to the best advantage for the state.

Each state entity must regularly assess the skills and knowledge of its personnel in relation to job requirements, identify and document training and professional development needs, and provide suitable training within the limits of available resources.

The training and awareness program shall ensure:

1. All personnel receive general security and privacy awareness training so that they understand the state entity information security policies, standards, procedures, and practices; and are knowledgeable about the various management, operational, and technical controls required to protect the information assets for which they are responsible.

2. Groups of personnel with special security training needs, such as application developers receive the necessary training.

3. Training records are maintained to support corrective action, audit and assessment processes.

4. The program content is maintained and evaluated for effectiveness on an ongoing basis.

State entity heads, Chief Information Officers (CIOs), ISOs, management, and information asset owners have key roles in information security training and awareness. The state entity head is responsible for ensuring an effective program is implemented state entity-wide. The scope and content of the awareness program must align with statewide policy, and with any state entity specific security needs and requirements.

Implementation Controls: NIST SP 800-53: Awareness and Training (AT)
Policy: Each state entity shall provide basic security and privacy awareness training to all information asset users (all personnel, including managers and senior executives) as part of initial training for new users and annually thereafter.

Each state entity shall determine the appropriate content of security awareness training based on statewide requirements, specific state entity requirements, and the information processes and assets to which personnel have access.
SECURITY AND PRIVACY TRAINING 5320.2

(Revised 6/14)

**Policy:** Each state entity shall determine the appropriate content of security and privacy training based on the assigned roles and responsibilities of individuals and the specific security requirements of the state entity and the information assets to which personnel have access. Privacy training content will ensure personnel understand their responsibility for compliance with the Information Practices Act of 1977 and the penalties for non-compliance.

**Governing Provisions:** Civil Code section 1798

**Implementation Controls:** NIST SP 800-53: Awareness and Training (AT)
SECURITY AND PRIVACY TRAINING RECORDS

Policy: Each state entity shall document and monitor individual information security and privacy training activities including basic security and privacy awareness training and specific information system security training; and retain individual training records to support corrective action, audit and assessment processes. The ISO will be responsible for ensuring that training content is maintained and updated as necessary to address the latest security challenges that may impact users.

Implementation Controls: NIST SP 800-53: Awareness and Training (AT)
PERSONNEL SECURITY

(Revised 6/14)

**Policy:** Each state entity shall establish processes and procedures to ensure that individual access to information assets is commensurate with job-related responsibilities, and individuals requiring access to information assets sign appropriate user agreements prior to being granted access.

Access agreements shall include acceptable use provisions, and may also include nondisclosure agreements and conflict-of-interest agreements. If required by law, regulation or policy, each state entity must ensure individuals obtain applicable security clearances.

Personnel transfers or reassignments to other positions within the state entity must be reviewed to prevent accumulation of access and support least access privilege.

Returning and issuing keys, identification cards, and building passes; closing information system accounts and establishing new accounts; and changing information system access authorizations are all examples of personnel security practices related to staff transfer or reassignment.

**Implementation Controls:** NIST SP 800-53: [Personnel Security (PS)](http://www.nist.gov)
BUSINESS CONTINUITY WITH TECHNOLOGY RECOVERY

(Revised 06/2018)

Introduction: The entire concept of business continuity is based on the identification of all business functions and critical infrastructure within a state entity in order to assign a level of importance to each business function and infrastructure (including critical infrastructure). A business impact assessment (BIA) is the primary tool for gathering this information and assigning criticality, recovery point objectives, and recovery time objectives; along with the identification of critical information systems, critical infrastructure systems and information supporting critical business functions and critical infrastructure. Therefore, the BIA is part of the basic foundation of contingency planning, business continuity and technology recovery development.

Policy: Each state entity shall ensure individuals with knowledge about business functions, and the critical infrastructure and infrastructure systems of the organization lead and participate in the business continuity planning process to:

1. Identify and document all business functions and critical infrastructure;
2. Conduct a business impact assessment to identify:
   a. critical business functions, critical infrastructure information and controls, and the supporting information systems; prioritizing them based on necessity;
   b. threats and vulnerabilities; and
   c. preventive controls and countermeasures to reduce the state entity’s risk level.
3. Develop recovery strategies to ensure systems, functions and infrastructure can be brought online quickly;
4. Develop the Business Continuity Plan to include procedures for how the state entity will stay functional and how critical infrastructures will continue providing necessary services in a disastrous state;
5. Conduct regular training to prepare individuals on their expected tasks;
6. Conduct regular tests and exercises to identify any deficiencies and further refine the plan; and
7. Develop steps to ensure the Business Continuity Plan is maintained and updated regularly.

Note: The Business Continuity Plan must also address the Office of Emergency Services’ continuity planning requirements. These are available at: http://www.caloes.ca.gov/cal-oes-divisions/planning-preparedness/continuity-planning
Implementation Controls: NIST SP 800-34; NIST SP 800-53: Contingency Planning (CP)

Rev 441
TECHNOLOGY RECOVERY PLAN

(Revised 6/14)

**Introduction:** The Technology Recovery Plan (TRP) is a sub-set of the state entity’s Business Continuity Plan. The TRP is activated immediately after a disaster strikes and focuses on getting critical systems back online.

**Policy:** Each state entity shall develop a TRP in support of the state entity’s Continuity Plan and the business need to protect critical information assets to ensure their availability following an interruption or disaster. Each state entity must keep its TRP up-to-date and provide annual documentation for those updates to the CISO. The annual requirements are:

1. Each state entity must file a copy of its TRP and the Technology Recovery Program Compliance Certification ([SIMM 5325-B](#)) with the CISO, in accordance with the Technology Recovery Plan Submission Schedule.

2. If the state entity employs the services of a data center it must work with the data center to establish and document TRP coordination procedures.

Each state entity TRP must cover, at a minimum, the program areas which are listed and described in the Technology Recovery Plan Documentation for Agencies Preparation Instructions ([SIMM 5325-A](#)). If the TRP does not follow the format in [SIMM 5325-A](#), a cross reference sheet, [SIMM 5325-B](#), must be included with the update to indicate where required information is located.

The TRP must outline a planned approach to managing risks to the state entity’s mission, including risk and potential impact to critical information technology assets. The TRP must be derived from the state entity’s business impact assessment and Business Continuity Plan. Instructions for preparing the TRP are described in [SIMM 5325-A](#).

**Implementation Controls:** NIST [SP 800-34](#); NIST SP 800-53: Contingency Planning (CP)
TECHNOLOGY RECOVERY TRAINING

(Revised 6/14)

Policy: Each state entity shall establish technology recovery training and exercises for personnel involved in technology recovery, to ensure availability of skilled staff. The training exercises shall include a crisis communication plan, event status reporting requirements, and focused role-based training for managers and system administrators.

Implementation Controls: NIST SP 800-53: Contingency Planning (CP)
TECHNOLOGY RECOVERY TESTING 5325.3

(Revised 6/14)

Policy: Each state entity shall test the TRP to determine its effectiveness and the state entity’s readiness to execute the TRP in the event of a disaster. Each state entity shall initiate corrective actions and improvements to the TRP based upon deficiencies identified during testing and exercises.

Implementation Controls: NIST SP 800-53: Contingency Planning (CP)
Policy: Each state entity shall establish an alternate storage site, including the necessary agreements to permit the storage and recovery of backup information. Each state entity shall ensure that the alternate storage site provides information security safeguards equivalent to that of the primary site.

Implementation Controls: NIST SP 800-53: Contingency Planning (CP)
Policy: Each state entity shall ensure they have alternate telecommunications services including necessary agreements to permit the resumption of information asset operations for essential missions and business functions when the primary telecommunications capabilities are unavailable at either the primary or alternate processing or storage sites.

Implementation Controls: NIST SP 800-53: Contingency Planning (CP)
INFORMATION SYSTEM BACKUPS

(Revised 6/14)

Policy: Each state entity shall perform regularly scheduled backups of system and user-level information. Backups shall be:

1. Conducted at the operating system, application, and user level;
2. Conducted of information system documentation including security-related documentation;
3. Stored in a protected location; and
4. Securely destroyed upon expiration of retention period.

System-level information includes system-state information, operating system and application software, and software licenses. User-level information includes any information other than system-level information. Mechanisms to protect the integrity of information system backups shall include digital signatures and cryptographic hashes. Information system backups shall reflect the requirements in contingency plans as well as other state entity requirements for backing up information.

Implementation Controls: NIST SP 800-53: Contingency Planning (CP)
Policy: Each state entity shall validate compliance with statewide information security policy, standards, and procedures as set forth in this Chapter, and the state entity’s internal information security policies to verify that security measures are in place and functioning as intended. Each state entity’s validation processes shall include:

1. Ongoing assessments of key security measures and controls in both in-house and outsourced systems;
2. Completion of independent “pre-production” assessments of security controls in new systems or systems that are undergoing substantial redesign;
3. Adherence to the CISO reporting requirements;
4. Coordination of all IT audit and assessment work done by third-party auditors; and
5. Monitoring of third-party auditors’ compliance to statewide information security requirements as set forth in this Chapter.

Implementation Controls: NIST SP 800-53: Security Assessment and Authorization (CA)
SECURITY ASSESSMENTS 5330.1
(Revised 6/14)

Policy: Each state entity shall perform security assessments to determine whether the security controls selected by the state entity are implemented correctly and working as intended to mitigate risk. Security assessments conducted by the state entity shall include, but are not limited to, the following:

1. Legal, policy, standards, and procedure compliance review;
2. Vulnerability scanning; and
3. Penetration testing.

Implementation Controls: NIST SP 800-53: Security Assessment and Authorization (CA)
Policy: Each state entity shall comply with the following reporting requirements:

1. **Designation Letter (SIMM 5330-A)** – Annual submissions are due to the Office of Information Security (OIS) on the last business day of the state entity’s scheduled reporting month, as outlined in the Information Security Compliance Reporting Schedule (SIMM 5330-C). The state entity head shall designate the Chief Information Officer (CIO), Information Security Officer (ISO), Technology Recovery Coordinator and Privacy Officer/Coordinator, along with their back-up designees, using SIMM 5330-A. Upon the designation of a new CIO, ISO, Technology Recovery Coordinator, and a Privacy Officer/Coordinator, the state entity must submit an updated SIMM 5330-A to OIS within ten (10) business days.

2. **Information Security and Privacy Program Compliance Certification (SIMM 5330-B)** – Annual submissions are due to OIS on the last business day of the state entity’s scheduled reporting month, as outlined in SIMM 5330-C. The state entity head shall certify that the entity is in compliance with state policy governing information security, risk management and privacy program compliance by submitting the SIMM 5330-B.

3. **Technology Recovery Plan (TRP) and Technology Recovery Program Compliance Certification (SIMM 5325-B)** – Each year the state entity head shall submit a copy of its TRP, along with the SIMM 5325-B to OIS by the last business day of the state entity’s scheduled reporting month, as outlined in SIMM 5330-C. If the state entity employs the services of a data center, it must also provide the data center with a copy of its TRP or subset of the relevant recovery information from the state entity’s TRP.

4. **Incident Report** – Incidents must be immediately reported in accordance with SAM Sections 5340-5340.4 requirements through the California Compliance and Security Incident Reporting System (Cal-CSIRS). The OIS may require, in conjunction with its assessment of the incident, that the state entity provide additional information.

Program deficiencies identified through compliance certification reporting, risk assessments, audits, incidents or oversight reviews also require the submission of a Plan of Action and Milestones Worksheet (POAM) (SIMM 5305-C). State entities shall follow the standardized POAM Instructions (SIMM 5305-B) when completing SIMM 5305-C. Unless otherwise directed, each state entity shall, at a minimum, provide quarterly updates on progress toward completion of the plans.
Quarterly submissions are due on the last business day of the following months; January, April, July and October.

**Implementation Controls:** Designation Letter (SIMM 5330-A); Information Security and Privacy Program Compliance Certification (SIMM 5330-B); Information Security Compliance Reporting Schedule (SIMM 5330-C); Technology Recovery Program Compliance Certification (SIMM 5325-B); Information Security Incident Report (SIMM 5340-B); and Plan of Action and Milestones Instructions and Worksheet (SIMM 5305-B and SIMM 5305-C).
Policy: Each state entity is responsible for continuous monitoring of its networks and other information assets for signs of attack, anomalies, and suspicious or inappropriate activities.

Each state entity shall ensure:

1. An event logging and monitoring strategy which provides for audit trails and auditability of events and appropriate segregation and separation of duties;

2. Event logging and log monitoring are performed with sufficient regularity that signs of attack, anomalies, and suspicious or inappropriate activities are identified and acted upon in a timely manner;

3. Sensors, agents, and security monitoring software are placed at strategic locations throughout the network;

4. Situational awareness information from security monitoring and event correlation tools are monitored to identify events that require investigation and response; and

5. Potential security events are reported immediately to the security incident response team.

Implementation Controls: NIST SP 800-53: Audit and Accountability (AU); Physical and Environmental Protection (PE); Risk Assessment (RA)
CONTINUOUS MONITORING 5335.1
(Revised 6/14)

Introduction: Continuous monitoring programs facilitate ongoing awareness of threats, vulnerabilities, and information security to support state entity risk management decisions.

Policy: Each state entity shall develop a continuous monitoring strategy and implement a continuous monitoring program.

Implementation Controls: NIST SP 800-53: Audit and Accountability (AU); Physical and Environmental Protection (PE); Risk Assessment (RA); Security Assessment and Authorization (CA)
Introduction: Audit records can be generated at various levels of abstraction, including at the packet level as information traverses the network. Selecting the right level of abstraction is a critical aspect of an audit capability and can facilitate the identification of root causes to events. Each state entity may determine that information systems must have the capability to log every file access, both successful and unsuccessful, but not activate that capability except for specific circumstances due to the extreme burden on system performance.

Policy: Each state entity shall ensure that information systems are capable of being audited and the events necessary to reconstruct transactions and support after-the-fact investigations are maintained. This includes the auditing necessary to cover related events, such as the various steps in distributed, transaction-based processes (e.g., processes that are distributed across multiple organizations) and actions in service-oriented architectures.

Implementation Controls: NIST SP 800-53: Audit and Accountability (AU); Physical and Environmental Protection (PE); Risk Assessment (RA)
Policy: Each state entity must promptly investigate incidents involving loss, theft, damage, misuse of information assets, or improper dissemination of information. All state entities are required to report information security incidents consistent with the security reporting requirements in this policy and manage information security incidents to determine the cause, scope, and impact of incidents to stop unwanted activity, limit loss and damage, and prevent recurrence. Additionally, each state entity shall develop, disseminate, and maintain a formal, documented incident response plan that provides for the timely assembly of appropriate staff that is capable of developing a response to, appropriate reporting about, and successful recovery from a variety of incidents.

Each state entity shall develop documented procedures to facilitate the implementation of the incident response plan and associated incident response controls including, but are not limited to:

1. Immediately reporting suspected and actual security incidents in accordance with the criteria and procedures set forth in SIMM 5340-A and other applicable laws and regulations;
2. Managing security incident case assignments and the security investigation process in a timely and effective manner;
3. Managing security incidents involving a breach of personal information in accordance with the criteria and procedures set forth in SIMM 5340-C.
4. Mobilizing emergency and third party investigation and response processes if necessary;
5. Consulting with system owners to help quarantine incidents and limit damage;
6. Consulting with Personnel Management if there is a violation of appropriate use policy; and
7. Communicating with law enforcement when actual or suspected criminal activity is involved.

Implementation Controls: NIST SP 800-53: Incident Response (IR); SIMM 5340-A; SIMM 5340-C
INCIDENT RESPONSE TRAINING

(Revised 6/14)

Policy: Each state entity shall provide incident response training to information system users consistent with assigned roles and responsibilities.

Incident response training shall be at an appropriate level for the assigned roles and responsibilities of state entity personnel. For example, regular users may only need to know who to call or how to recognize an incident; system administrators may require additional training on how to handle/remediate incidents; and incident responders may need more specific training on chain of custody, forensics, reporting, system recovery, and restoration. Incident response training shall include, at a minimum, user training in the identification and reporting of suspicious activities, both from external and internal sources.

Implementation Controls: NIST SP 800-53: Incident Response (IR)
Incident response testing includes an assessment of the effects on state entity operations (e.g., reduction in mission capabilities), state entity assets, and individuals due to incident response, and involves the use of checklists, walk-through or tabletop exercises, and simulations to prepare personnel and mitigate the impacts of actual incidents.

Policy: Each state entity shall exercise or test their incident response capability to determine its effectiveness, document the results and incorporate lessons learned to continually improve the plan.

Implementation Controls: NIST SP 800-53: Incident Response (IR)
INCIDENT HANDLING

(Revised 8/2015)

Policy: Each state entity shall implement incident handling for information security and privacy incidents that includes preparation, detection and analysis, containment, eradication, and recovery. Incident handling shall coordinate with business continuity planning activities (SAM section 5325). Incident handling capability shall include procedures for coordination among many groups within a state entity, for example, mission/business owners, information system owners, authorizing officials, human resources offices, physical and personnel security offices, legal departments, operations, personnel, procurement offices, and executive management.

If during the recovery and lessons learned phase of an incident, the state entity uncovers a deficiency in their program, the state entity shall take action to prevent reoccurrence and report their action plan through the Plan of Action and Milestone (POAM) process. State entities shall use the standardized POAM reporting instructions and tool (SIMM 5305-B and SIMM 5305-C, respectively)

Implementation Controls: NIST SP 800-53: Incident Response (IR); Plan of Action and Milestones (SIMM 5305-B and SIMM 5305-C).
INCIDENT REPORTING

(Revised 6/14)

Policy: Each state entity shall follow the incident reporting procedures as described in SIMM 5340-A.

Implementation Controls: NIST SP 800-53: Incident Response (IR); SIMM 5340-A
VULNERABILITY AND THREAT MANAGEMENT

(Revised 6/14)

Introduction: Threats and vulnerabilities provide the primary inputs to the state entity’s risk assessment process.

Policy: Each state entity shall continuously identify and remediate vulnerabilities before they can be exploited. Vulnerability and threat management include, but not limited to, the following:

1. Strategic placement of scanning tools to continuously assess all information technology assets;
2. Implementation of appropriate scan schedules, based on asset criticality;
3. Communication of vulnerability information to system owners or other individuals responsible for remediation;
4. Dissemination of timely threat advisories to system owners or other individuals responsible for remediation; and
5. Consultation with system owners on mitigation strategies.
6. Implementation of mitigation measures.

Implementation Controls: NIST SP 800-53: Risk Assessment (RA); System and Services Acquisition (SA); System and Communication Protection (SC)
Introduction: In order to mitigate against successful attacks, each state entity is responsible for separating and controlling access to various systems and networks with different threat levels and sets of users which may operate or interface within their technology environment.

Policy: Each state entity shall develop, implement, and document, disseminate, and maintain operational security practices which include, but are not limited to:

1. A network security architecture that:
   a. includes distinct zones to separate internal, external, and DMZ traffic; and
   b. segments internal networks to limit damage, should a security incident occur.
2. Firewall, router, and other perimeter security tools which enforce network security architecture decisions.
3. Periodic review of perimeter security access control rules to identify those that are no longer needed or provide overly broad access.

Each state entity’s security architecture shall align with the following security controls and best practices:

1. Application partitioning;
2. Denial of service protection;
3. Boundary protection;
4. Confidentiality of transmitted information or appropriate compensating security controls if protection assurances cannot be guaranteed; and
5. Cryptographic protections using modules that comply with FIPS-validated cryptography.

Implementation Controls: NIST SP 800-53: System and Information Integrity (SI); System and Communications Protection (SC)
Policy: End-to-end encryption or approved compensating security control(s) shall be used to protect confidential, sensitive, or personal information that is transmitted or accessed outside the secure internal network (e.g., email, remote access, file transfer, Internet/website communication tools) of the state entity, or stored on portable electronic storage media (e.g., USB flash drives, tapes, CDs, DVDs, disks, SD cards, portable hard drives), mobile computing devices (e.g., laptops, netbooks, tablets, and smartphones), and other mobile electronic devices. In rare instances where encryption cannot be implemented, compensating control(s) or alternatives to encryption must be in place. Compensating controls and alternatives to encryption must be reviewed on a case-by-case basis and approved in writing by the state entity ISO, after a thorough risk analysis.

Implementation Controls: FIPS 140-2, FIPS 197, NIST SP 800-53: Access Control (AC), and System and Communications Protection Controls (SC)
Policy: Each state entity shall be responsible for protecting information on computers that routinely interact with untrusted devices on the internet or may be prone to loss or theft.

Each state entity shall develop and implement capabilities, methods and techniques to manage processes and tools to:

1. Detect malicious software;
2. Permit only trusted software to run on a device, commonly referred to as white listing;
3. Prevent certain software from running on a device, commonly referred to as blacklisting;
4. Identify unauthorized changes to secure configurations;
5. Encrypt confidential and sensitive data; and
6. Comply with the Endpoint Protection Standard (SIMM 5355-A)

Implementation Controls: Endpoint Protection Standard (SIMM 5355-A); NIST SP 800-53: System and Information Integrity (SI)
Policy: Each state entity shall employ malicious code protection mechanisms at information asset entry and exit points and at workstations, servers, or mobile computing devices on the network to detect and eradicate malicious code.

Malicious code protection mechanisms may not always detect malicious code; therefore, each state entity shall implement additional safeguards to help ensure that software does not perform functions other than those intended. Examples of additional safeguard include, but are not limited to, secure coding practices, configuration management and control, trusted procurement processes, and monitoring practices.

Implementation Controls: NIST SP 800-53: System and Information Integrity (SI)
SECURITY ALERTS, ADVISORIES, AND DIRECTIVES 5355.2

(Revised 6/14)

Policy: Each state entity shall receive information asset security alerts, advisories, and directives from various legitimate external sources and shall act on those to mitigate state entity risk, including generating internal security alerts, advisories, and directives as deemed necessary.

Implementation Controls: NIST SP 800-53: System and Information Integrity (SI)
IDENTITY AND ACCESS MANAGEMENT

(Revised 6/14)

Policy: Each state entity shall safeguard access to information assets by managing the identities of users and devices and controlling access to resources and data bases on a need to know basis throughout the identity lifecycle. Each state entity shall establish processes and procedures to ensure:

1. Maintenance of user identities, including both provisioning and de-provisioning;
2. Enforcement of password policies or more advanced multifactor mechanisms to authenticate users and devices;
3. Management of access control rules, limiting access to the minimum necessary to complete defined responsibilities;
4. Separation of duties to avoid functional conflicts;
5. Periodic recertification of access control rules to identify those that are no longer needed or provide overly broad clearance;
6. Use of privileged accounts that can bypass security are restricted and audited;
7. Systems to administer access based on roles are defined and installed; and
8. Encryption keys and system security certificates are effectively generated, exchanged, stored and safeguarded.

Implementation Controls: NIST SP 800-53: System and Information Integrity (SI)
REMOTE ACCESS

(Revised 6/14)

Policy: Each entity shall establish and document allowed methods of remote access to its information systems; establish usage restrictions and implementation guidance for each allowed remote access method; and monitor the information asset for unauthorized remote access. Allowed methods shall comply with the Telework and Remote Access Security Standard (SIMM 5360-A).

Implementation Controls: NIST SP 800-53: Access Control (AC); SIMM 5360-A
WIRELESS ACCESS 5360.2
(Revised 6/14)

**Policy:** Each state entity shall establish appropriate restrictions and implementation instructions for wireless access, and enforce requirements for wireless connections to information systems. Each state entity shall also proactively search for unauthorized wireless connections including scans for unauthorized Wi-Fi access points.

**Implementation Controls:** NIST SP 800-53: [Access Control (AC); SIMM 5360-A]
Policy: Each state entity shall establish and implement physical security and environmental protection controls to safeguard information assets against unauthorized access, use, disclosure, disruption, modification, or destruction.

Physical security and environmental controls shall include management and maintenance of:

1. Facility entry controls and badging systems for personnel and visitors;
2. Equipment and media handling/destorption processes;
3. Building emergency procedures;
4. Screening and/or background check processes;
5. Ventilation and temperature control systems; and
6. Fire suppression, water damage prevention, and electrical power fluctuation or failure detection systems.

Each state entity shall issue physical access authorization credentials to state entity personnel and visitors, as appropriate. Personnel with long-term physical access authorization credentials are not considered visitors. Authorization credentials include, but are not limited to, badges, identification cards and smart cards. The strength of authorization credentials necessary, including level of forge-proof badges, smart cards, or identification cards, shall be determined through a risk assessment.

Each state entity shall monitor physical access to information systems to detect and respond to physical security incidents; review physical access logs and, upon occurrence of an incident, coordinate results of reviews and investigations with the state entity incident response capability.

Implementation Controls: NIST SP 800-53: Physical and Environmental Protection (PE)
ACCESS CONTROL FOR OUTPUT DEVICES

(Revised 6/14)

Policy: Each state entity shall control access to information system output devices, such as printers and facsimile devices, to prevent unauthorized individuals from obtaining the output.

Implementation Controls: NIST SP 800-53: Physical and Environmental Protection (PE)
MEDIA PROTECTION

(Revised 6/14)

**Policy:** Each state entity shall safeguard media in digital and/or non-digital form from unauthorized access, use, modification or disposal, inside or outside of the state entity’s control areas whether in storage or transport.

**Implementation Controls:** NIST SP 800-53: [Media Protection (MP)](https://csrc.nist.gov/publications/detail/sp/800-53/rev-4/section/11.1.1)
MEDIA DISPOSAL

(Revised 6/14)

Introduction: Sanitization techniques, including clearing, purging, and destruction, prevent the disclosure of information to unauthorized individuals when such media is reused or released for disposal. Sanitization of non-digital media include, but are not limited to, removing a classified appendix from an otherwise unclassified document, deleting meta data or tags embedded in the document properties that may reveal sources of the document, or redacting selected sections or words from a document.

Policy: Each state entity shall sanitize digital and non-digital media prior to disposal or release for reuse, in accordance with applicable standards and policies, including media found in devices such as hard drives, mobile devices, scanners, copiers, and printers.

Implementation Controls: NIST SP 800-53: Media Protection (MP)
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PURPOSE

(Reviewed 2/2015)

Salvage value of state-owned IT equipment (SAM Section 4819.2) and purchase option credits for leased IT equipment are a source of value to the state. Each agency must ensure that such value is received to the extent that doing so is in the best interest of the state.
The disposition of surplus IT equipment must be in accordance with the most economical and practical manner for the state as a whole.

Government Code Sections 14674–14675 authorize the Director, Department of General Services, to approve the competitive sale, exchange, or interagency transfer of personal property owned by the state if such action is in the best interest of the state. Each agency must receive approval from the Department of General Services, Office of Surplus Property and Reutilization (OSPR), Interagency Support Division, prior to disposing of surplus IT equipment.
Agency Responsibility

(Reviewed 2/2015)

Each agency is responsible for ensuring that any residual value in surplus IT equipment is realized. Each agency must explore the reutilization of surplus IT equipment prior to requesting approval for disposal or attempting to use the equipment as a credit toward the purchase or lease of new equipment.

The agency must submit a completed Property Survey Report (STD. Form 152) to the Department of General Services, Office of Surplus Property and Reutilization (OSPR), at least 30 days prior to the disposal of surplus IT equipment.

Each agency must comply with the state property accounting requirements described in SAM Section 8633 and 8640–8642 when disposing of surplus IT equipment.
PURPOSE

(Reviewed 2/2015)
The state realizes salvage value from the IT supplies (SAM Section 4819.2) it owns. Each agency must ensure that such value is received to the extent that doing so is in the best interest of the state.
The disposition of surplus IT supplies must be in accordance with the most economical and practical manner for the state as a whole.
PURPOSE

(Revised 2/2015)
Each agency is responsible for ensuring that any residual value in surplus IT supplies is realized. Each agency must comply with the state property accounting requirements described in SAM Sections 8633 and 8640–8642 when disposing of surplus IT supplies. The agency must prepare and maintain a Property Survey Report (Standard Form 152) when disposing of surplus IT supplies. The agency must certify that all memory assets have been sanitized.

A diligent effort must be made to secure at least three competitive bids for the supplies. If three bids cannot be obtained, a list or organizations or individuals solicited must be prepared and signed by an authorized representative of the agency. The list and the bids received must be attached to the Property Survey Report.

IT paper goods, e.g., computer printouts, punch cards, and pre-numbered forms, must be disposed of in accordance with SAM Section 1600.

Magnetic media for data processing devices, e.g., magnetic tapes and disk packs, must be disposed of in accordance with the procedures of this section. If sale is not possible, the magnetic media may be disposed of through any organization that will retrieve them without charge to the state.

The handling and disposal of IT supplies containing information classified as confidential or sensitive as defined in SAM Section 5300 must be conducted according to the policies stated in SAM Section 1600 and the procedures established by the agency program having ownership responsibility for such information. Agencies must ensure that all information assets or computing devices with digital memory and storage capacity are completely sanitized prior to disposal. Should DGS find confidential, sensitive or personal information in state-owned surplus personal property, the disposing agency must retrieve the materials immediately, and is responsible for incident notification and filing of any necessary reports related to any security event or incident that occurred (SAM Section 5340 for Agency Information Security Incident Management). (Management Memos #12-01 and Management Memo #12-02).
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Rev. 440
INTRODUCTION TO THE BUDGETING CHAPTER

(Revised 11/2017)

The budgeting chapter of SAM provides an overview of the state’s budget process including a description of the events, actions, and documents related to the state’s annual financial plan. It provides illustrative examples and instructions for completion of the forms and schedules that are integral to the preparation, enactment, and administration of the state budget.

Due to the dynamic nature of state budgeting in California, this manual cannot and does not contain a comprehensive set of all the relevant instructions necessary for the development, enactment, and administration of the state budget. Evolving budget policy direction and supplemental instructions are issued by the Department of Finance through Budget Letters, Management Memos, and other methods of communications to supplement this manual.
The following information is available to departments on the Department of Finance’s Website:

1. **eBudget**: http://www.ebudget.ca.gov/
2. **Budget Letters**: http://www.dof.ca.gov/budget/Budget_Letters/
3. **Historical budget information**: http://www.dof.ca.gov/Budget/Historical_Budget_Information/
4. **Finance budget forms**: http://www.dof.ca.gov/budget/Resources_for_Departments/Budget_Forms/
5. **FI$Cal Resources**: http://www.dof.ca.gov/Budget/Fiscal_Resources_For_Budget/

Standard state budget forms may be obtained from the Department of General Services website.

Publications prepared by Finance such as the Governor’s Budget, Governor’s Budget Summary, Salaries and Wages Supplement, Final Budget Summary, Final Change Book, May Revision to the Governor’s Budget, Enacted Budget, and answers to “Frequently Asked Budget Questions” may be accessed via http://www.dof.ca.gov/.

The budget process for the State of California defies a simple definition. It consists of the development of the Governor's Budget, the Legislature's enactment of a budget, and the executive branch's administration of the budget, including all the ramifications and influences of political interactions, relationships with federal and local governments, public input, natural events, legal issues, the economy, initiatives, and legislation, etc.

Although the size and complexity of California, and the dynamics of the budget process, make it challenging to establish and maintain an orderly and predictable state budget process, an effective state budget process is essential for the important work of many
indispensable state government programs to continue. The following sections summarize the major steps and procedures of California’s state budget process.
The State Constitution, Article IV, Section 12, requires the Governor to submit a budget to the Legislature by January 10 each year. The budget must contain itemized statements for recommended expenditures and estimated revenues. California Constitution requires a balanced budget; therefore, if the proposed level of recommended expenditures for the budget year exceeds available resources, the Governor is required to recommend the sources from which the additional revenues should be provided.

The Director of Finance, as the chief financial advisor to the Governor, directs preparation of the Governor's Budget and its subsequent update in the May Revision. Under the policy direction of the Governor, the Director of Finance issues instructions and guidelines for budget preparation to agencies and departments.

Although California does occasionally use budgeting concepts such as Zero-Based Budgeting, Mission-Based Budgeting, Management by Objectives, and Total Quality Management, the primary method utilized to prepare the budget is incremental budgeting for support budgets and zero-based budgeting for capital outlay appropriations. Incremental budgeting uses current department/program levels of funding as a base amount to be adjusted by budget change proposals (BCPs). BCPs have traditionally been the method for departments to propose changes to their existing budgets. Finance issues specific instructions for preparation of BCPs annually in a Budget Letter, and departments submit BCPs to Finance for review and analysis. Capital outlay budgets do not generally have a base amount. The amount of funding is one-time in nature.

A fundamental goal in the budget development process is to resolve budget issues at the lowest level possible. Departments under an Agency Secretary must clear their proposals through their respective Agency before submitting them to Finance. For non-Agency departments, proposals are presented directly to Finance. Issues which are not resolved between departments and Finance staff are discussed with the Finance Program Budget Manager. Issues still not resolved at this level are potentially discussed further at appeals conducted by the Director of Finance. The most sensitive issues are ultimately presented to the Governor for a decision.
After all decisions are completed, Finance coordinates with the Office of State Publishing for printing of the various publications related to the Governor’s Budget. They are also available on Finance’s public website at http://www.dof.ca.gov:

Governor's Budget Summary–A summary volume which includes the Governor's goals and objectives for the forthcoming fiscal-year, and the policy perspectives and highlights of the changes in the Governor’s Budget.

Governor’s Budget–A detailed presentation for each department for the past, current, and budget fiscal-years.

Salaries and Wages Supplement–A detailed presentation of authorized staffing and related salaries.

The Governor annually unveils the budget at a formal press conference. The Governor's State of the State address also typically includes a general presentation of the Administration's budget policies and priorities.

By constitutional requirement, the Governor's Budget must be accompanied by a Budget Bill itemizing recommended expenditures not to exceed estimated revenues which shall be introduced in each house of the Legislature. Proposition 58 (2004) amended the Constitution by requiring the Legislature to send a balanced Budget to the Governor for consideration and the Governor to sign a balanced budget. The Constitution also requires that the Legislature pass a Budget Bill by June 15 (or the legislators’ pay will be forfeited during the delay).

**BUDGET ENACTMENT**

(Revised 10/2017)

The Senate Budget and Fiscal Review Committee and the Assembly Budget Committee are the two legislative committees that hear the Budget Bill. See SAM 6945, Legislative Process. They each assign items in the bill to several subcommittees (by major subject areas such as Education or Health and Human Services) which conduct budget hearings. These hearings generally begin in February. The Legislative Analyst is appointed by the Joint Legislative Budget Committee and is charged with providing a
nonpartisan analysis and recommendations for changes to the Governor's budget plan. The Legislative Analyst publishes a number of reports on its website and in hard copy form that include these analyses and recommendations.

In addition to the Legislative Analyst, Finance and departments typically provide testimony at the subcommittee hearings. Input is generally provided by partisan fiscal committee consultants of both the majority and minority parties. Additionally, lobbyists and the public may provide testimony at the hearings.

Finance proposes adjustments to the Governor's Budget through "Finance Letters." By statute, Finance is required to give the Legislature all proposed adjustments, other than Capital Outlay and May Revision, to the Governor's Budget by April 1. Capital Outlay adjustments are due by May 1. The traditional May Revision adjustments are due by May 14, and consist of an update of General Fund revenues and changes in proposed expenditures for school funding requirements pursuant to Proposition 98, caseload, enrollment, or population. The Legislature typically waits for the May Revision update before final budget decisions are made on major programs such as Education, Corrections, and Health and Human Services.

Typically, when the subcommittees complete their actions, they report their recommendations to the full committee. Upon adoption of the budget by the full committee, a recommendation is made to the Floor (full house). Upon simple majority vote of the house, the Budget Bill is passed to the other house. A Budget Conference Committee is then appointed to work out differences between the Senate and Assembly versions of the bill. Upon completion of action by the Conference Committee and a simple majority vote, this conference version is then sent to the two houses for approval.

Sometimes the Conference Committee does not reach final resolution on the budget. This stalemate typically results from non-resolution of a few major issues. These issues are then resolved by the "Leadership" or "Big 5" (Governor, Speaker of the Assembly, President Pro Tempore, and the minority leaders of both houses).

When the Budget Bill receives a simple majority vote of each house, it is passed on to the Governor. The Constitution allows the Governor to reduce or eliminate an item of appropriation.
The Constitution requires the Legislature to submit a balanced budget to the Governor for consideration, and the Governor sign a balanced budget. The Constitution also requires the Legislature to pass a Budget Bill by June 15, or forfeit their pay during any delay.

Finance publishes these two particular documents upon enactment of the Budget Act which are available for purchase in hard copy from the Office of State Publishing and are available on Finance’s website:

- Final Budget Summary – An annotated version of the Budget Act which includes summary tables, technical corrections to the Budget Act, and the effect of vetoes on the items and sections of the Budget Act.
- Final Change Book – The detail of changes between the January 10 budget proposal and the enacted budget.

Often budget changes proposed by the Governor or the Legislature require changes to existing law in order to implement. To accomplish this, various separate bills (called “trailer bills” because they trail the Budget Bill) are introduced to implement these changes. By law, all proposed statutory changes necessary to implement the Governor’s Budget are due to the Legislature by February 1.
The annual Budget Act is the primary source for appropriations that provide legal authority to expend. The Constitution and other legislation also provide expenditure authority.

Departments have the primary responsibility to operate within budgeted levels and to comply with any restrictions or limitations required by law. Further, the general expectation is that state departments comply with the legislative intent. Although the general expectation is to conform to the enacted budget, the Legislature has recognized a need to establish some flexibility to adjust budgets. For example, statute provides a continuous appropriation for allocations by the Director of Finance to meet expenditures resulting from natural disasters for any emergency proclaimed by the Governor. The Legislature has also included provisions in the Budget Act to allow for budget adjustments. Generally, such authority requires Director of Finance’s approval; many require a formal notice to the Legislature and a waiting period to provide the opportunity for legislative review and response before final approval. Budget Act provisions to allow adjustments include authorizations for:

1. Changes to federal funding levels
2. Unanticipated costs (shortage of expenditure authority)
3. Changes to reimbursements
4. Intra-item transfers

Finance approves budget changes using Budget Revisions, Executive Orders, and letters. These changes are transmitted to the State Controller's Office, which maintains the statewide appropriation control accounts for accounting.

The Governor has certain powers to adjust expenditures; but these powers do not permit adjustment of appropriations. For example, past Governors have issued executive orders to implement hiring and equipment purchase freezes and to delay capital expenditures. The Governor is also authorized to declare an emergency and may redirect state resources to meet emergency needs, or ask the Legislature to appropriate funds from the Budget Stabilization Account ("rainy day fund").
Due to the dynamic nature of California's state budget process, no single document provides a comprehensive reflection of the process. The dynamics require changing instructions, descriptions, forms and procedures, law, etc. The SAM provides a general description for some of the major documents that result from the budget process in the following sections:

- Governor's Budget proposal (Budget Development—SAM Section 6120)
- Legislative Analyst's Analyses of the Governor's Budget (SAM Section 6330)
- May Revision (Budget Enactment—SAM Section 6130)
- Budget Act and Final Budget Summary (SAM Sections 6333 and 6350)
- Final Change Book (SAM Section 6355)

Budget Letters provide technical instructions for departmental budget offices. Budget Letters are available online through the following link.

**Budget Letters website:** [http://www.dof.ca.gov/budget/Budget_Letters/](http://www.dof.ca.gov/budget/Budget_Letters/)

The annual state budget process is illustrated in a flow chart on the following page.
• **The Annual Budget Process**

• Departments review expenditure plans and annually prepare baseline budgets to maintain existing level of services; they may prepare Budget Change Proposals (BCPs) to change levels of service.

• Finance analyzes the baseline budget and BCPs, focusing on the fiscal impact of the proposals and consistency with the policy priorities/direction of the Governor. Finance estimates revenues and prepares a balanced expenditure plan for the Governor’s approval. The Governor’s Budget is released to the Legislature by January 10th of each year.

• Governor issues State of the State Address setting forth policy goals for the upcoming fiscal year. Two identical budget bills are submitted (one in the Assembly and one in the Senate) for independent consideration by each house.

• Finance and departments testify before budget subcommittees on the proposed budget. Finance updates revenues at May Revision and expenditures with Finance Letters.

• Public input to Governor, legislative members, and subcommittees.

• As non-partisan analysts, the Legislative Analyst’s Office (LAO) prepares an “Analysis of the Budget Bill” and “Perspectives and Issues”. Testifies before the budget subcommittees on the proposed budget.

• Assembly Budget Committee — divided into several subcommittees to review (approve, revise, or disapprove) specific details of the budget. Majority vote required for passage.

• Senate Budget and Fiscal Review — divided into several subcommittees to review (approve, revise, or disapprove) specific details of the budget. Majority vote required for passage.

• Assembly Floor examines committee report on budget attempting to get majority vote for passage. The Budget moves to conference committee.

• Senate Floor examines committee report on budget attempting to get majority vote for passage. The Budget moves to conference committee.
• Budget Conference Committee works out differences between Assembly and Senate versions of the Budget — also amending the budget to get a majority vote from each house.

• Assembly Floor reviews conference report attempts to reach majority agreement. If no agreement is reached in conference or on the floor, the Big 5 gets involved.

• Senate Floor reviews conference report attempts to reach majority agreement. If no agreement is reached in conference or on the floor, the Big 5 gets involved.

• Sometimes the Big 5 (Governor, Speaker of the Assembly, Speaker Pro Tempore, and Minority Leaders of both houses) meet and compromise to get the majority required vote in each house.

• Final budget package with majority vote in each House submitted to the Governor for signature. Governor may reduce or eliminate any appropriation through the line-item veto. The budget package also includes trailer bills necessary to authorize and/or implement various program or revenue changes.

• Individual departments and Finance administer, manage changes, and exercise oversight of the Budget on an ongoing basis. The Joint Legislative Budget Committee (JLBC) provides some coordination between the two houses and oversees the LAO. The JLBC is involved in the ongoing administration of the Budget and reviews various requests for changes to the Budget, after enactment.
Over time, the state budget format has evolved from the traditional format based on department functions to incorporate elements of the program budget concept.

Before the adoption of the program budget concept, “traditional” budgets were oriented to show expenditures according to a department’s organizational structure. Departments were generally organized by function so the line-item objects in their budgets were directly related to those various departmental functions. The last exclusively traditional budget was in 1969–70.

The program budget concept and structure, established and implemented by Section 13335 of the Government Code (Chapter 1284, Statutes of 1978), was intended to emphasize the purpose, meaning, and benefits of the various programmatic activities of departments, rather than their functional costs.

A program is a group of closely related and interdependent activities. A program should be clearly delineated, have minimum overlap and interaction with other programs, and lend itself to at least partial quantification. It should be end-product or intermediate-product oriented. Programs should involve specific objectives of the department, bringing together all associated costs displayed in the program budget.

The program budget is the department’s budgetary presentation designed to display its program activities. A program budget defines objectives and relates the proposed level of expenditures to meet those objectives in the given fiscal year. It is not uncommon to find different ways to subdivide programs and program budgets. In the earlier budget presentations, the hierarchical program structure divided programs into elements, elements into components, and components into tasks. However, as presentations began to expand and proliferate to the lower levels of the program structure, a general policy was adopted to limit departmental presentations in the Governor's Budget to no lower than the sub-program or project level.
Program Descriptions

All of the department’s pertinent program facts are shown in the program description. The complete program description becomes a tool for departmental program managers. It should be kept up-to-date to reflect executive and legislative action. Some parts of the program description may be used in the annual departmental budget.
3-Year Expenditures and Positions

The 3-Year Expenditures and Positions display in the Governor’s Budget and enacted budget provides a department’s expenditures and positions by program. Expenditure and positions information is given for past, current, and budget years.

THE PROGRAM BUDGET CONCEPT 6220 (Cont. 1)
(Revised 10/2017)

Detailed Expenditures by Program

The Detailed Expenditure by Program section in the Governor’s Budget and enacted budget displays a department’s detailed funding outlined by program. The department’s state operations and local assistance funding is reflected by fund source for each program area.

Expenditures for each program funding source are provided for past, current, and budget year.

Legal Citations and Authority

Provides the legal (Constitutional or statutory) or administrative (Executive Order, regulation, SAM, etc.) authority for the program.

Major Program Changes

Major Program Changes describe significant program adjustments to the department’s program budget compared to the previous fiscal year and the reason for the change.

Major Program Changes may include increases and or decreases of positions, funding, and reason for changes.
THE PROCESS IN BRIEF

(Revised 10/2017)

The annual financial plan consists of the Governor's Budget, as amended in the May Revision, to the extent approved as part of the final budget, Budget Bill and other bills with fiscal or program impact as enacted, estimated revenues, and spending authority.

The Governor has complete and final responsibility for "the Governor's Budget" and the "initial Budget Bill." However, preparation of the Governor's Budget and the initial Budget Bill is actually a product of the entire executive branch. Although the constitutional officers and the segments of higher education have a certain level of autonomy, the Governor typically requests their cooperation in seeking, establishing, and implementing the fiscal policies of the Administration. Decisions, small and large, must be made by many persons. While legislative and administrative leaders make crucial decisions on specific questions raised during the budget process, they are largely dependent on information presented to them. It is essential therefore that everyone involved in the preparation of the budget try to create a meaningful, well developed and fully justified plan, and not expect the budget review process of the Administration to accomplish an impossible task for which it is not designed.

Once the Governor has submitted the Governor’s Budget and the Budget Bill to the Legislature, the process involves both the Administration and the Legislature. Both houses of the Legislature schedule budget hearings where the Administration defends the Governor’s proposals and the Legislature takes actions on those proposals. At May Revision, the Governor updates revenues and expenditures, and proposes a revised plan to the Legislature. Once both houses have adopted a joint budget after resolving differences through Conference Committee or other meetings, a balanced budget bill is sent to the Governor for consideration, which the Governor may sign, veto partially, or veto the entire bill.

BUDGET POLICY

(Revised 10/2017)

The Governor's Budget policy provides guidance for the formulation of the budget. Such guidance may provide specific instructions for expenditure programs (e.g., limiting cost increases or no expansion), growth in positions, and other direction with the goal to balance the budget and other objectives such as to maintain structurally balanced in the
future years or to build rainy day funds. The Governor may disseminate budget policy
direction through a formal announcement, through the Agency Secretaries, when
applicable, issuance of Executive Orders, or by instructions issued by Finance (e.g.,
Budget Letters). Budget policy may also be set forth in control sections of the annual
Budget Act.

AGENCY BRIEFINGS AND GOVERNOR’S REVIEW

(Revised 10/2017)

Finance staff conduct meetings with Agency and departments under such an Agency to
review proposed budgets and Budget Change Proposals. For significant unresolved or
sensitive budget issues, recommendations may be prepared for the Governor’s
decision. In the same manner, Finance conducts meetings with non-Agency
departments and prepares recommendations for the Governor’s decision.
Each department is responsible for the preparation and submission of information related to its own budget to Finance in accordance with direction provided by Finance. Information may be required to be provided in FI$Cal/Hyperion or in other methods. It is suggested that budget officers preparing departmental budget information for submission to Finance discuss with the assigned Finance budget analyst to confirm timing and expectations.

Approved budget information in FI$Cal/Hyperion is used to generate detailed and summarized budget information in Finance’s published Governor's Budget and Budget Enactment. The detailed and summarized budget information can be found on Finance’s web page at www.dof.ca.gov.

THE GOVERNOR’S BUDGET— 6320
PUBLICATION, DISTRIBUTION, ORDERING, AND PUBLIC SALE
(Revised 09/2017)

The Governor's Budget is printed in quantities sufficient to fill official distribution requirements and to provide a limited stock for sale to the public or other departments.

The Governor's Budget and Governor’s Budget Summary including the summary schedules are available on the Department of Finance Home Page: http://www.dof.ca.gov or http://www.ebudget.ca.gov/.

The Office of State Publishing (OSP) determines the quantity to be published based on Finance’s estimates to meet distribution requirements.

Departments and members of the public may obtain hard copies in the following ways:

- The Department of General Services, Office of State Publishing, has been contracted to print/produce the Governor’s Budget and the Governor’s Budget
Summary for Finance. To purchase hard copies of these publications, please contact:

Department of General Services Legislative Bill Room  
344 North 7th Street  
Sacramento, CA 95811  
(916) 324-0221

- PDF documents of the Governor’s Budget and Governor’s Budget Summary can be viewed or printed at http://www.ebudget.ca.gov/ from the Printable Budget Documents sections available on each web page.
The Budget Bill is prepared by the Department of Finance and is submitted to the Legislature in January accompanying the Governor's Budget. The Budget Bill is the Governor's proposal for spending authorizations needed for the subsequent fiscal year. Spending authorizations proposed in the Budget Bill are in addition to spending authority contained in the constitution and other statutes. Each house will begin its legislative budget hearing process with this version of the bill, and make various changes to reflect its actions. The California Constitution requires the Legislature to pass the Budget Bill and send it to the Governor by midnight on June 15 each year for signature. The Budget Bill sent to the Governor must represent a balanced budget, as specified in the Constitution. After signature by the Governor, the Budget Bill becomes the Budget Act.

Following release of the annual Governor's Budget and related Budget Bill, the Legislative Analyst's Office prepares an "Analysis of the Governor's Budget", as well as a series of publications covering various programs and departments. These reports provide comprehensive, non-partisan reviews and recommendations on the funding proposed in the Governor's Budget. The reports can be obtained in hard copy directly from the Legislative Analyst's Office and also on their website: www.lao.ca.gov.

A Budget Bill is introduced in each house of the Legislature at the time the Governor presents the proposed budget to the Legislature. These bills are amended by the Legislature to reflect changes to the Governor's proposed version. One of the bills is passed by both houses of the Legislature no later than June 15 or the legislators' salary, travel, and living expenses will be forfeited permanently during the late period. Items in the Budget Bill passed by the Legislature may be vetoed or decreased but not increased by the Governor prior to signature. Once signed by the Governor, the Budget Bill becomes the Budget Act.
The veto actions of the Governor are listed near the beginning of the publication. However, the veto actions are not amended into each item/section of the Budget Act. When referring to an item of the Budget Act, check for possible veto actions which may be applicable to the item. See SAM Section 6350 for information regarding the Final Budget Summary.
See SAM Sections 6130 and 6150 (chart) for descriptions of the budget enactment process regarding subcommittee, committee, and floor actions on Budget Bills.

**BUDGET COMMITTEE ON CONFERENCE**

The Joint Rules provide that when the Senate or Assembly refuses to concur in amendments to a bill made by the other, the Senate and the Assembly will each appoint three members to the Budget Committee on Conference (Committee). However, the Senate or Assembly may deviate from the Joint Rules and appoint more than three members to the Committee. Generally, the appointees for each house will include two members from the majority party and one from the minority party. Meetings of the Committee are held in public.

Passage requires a majority vote of two senators and two assembly members unless there are more members appointed. The Committee shall only consider differences between the versions of the Budget Bill unless rules are waived and an open Conference is declared. The Committee shall not approve any item of expenditure which exceeds that contained in one of the two versions. If the Committee fails to gain passage, a second Committee on Conference will be selected and the process repeated. No more than three different conference committees may be appointed on any one bill.

**THE GOVERNOR’S VETO**

The Governor may reduce or eliminate one or more items of appropriation while approving other portions of a bill. The Governor will then provide a statement of the items reduced or eliminated with the reasons for his/her action to the house of origin. Items reduced or eliminated may be separately reconsidered and may become law by a two-thirds vote of each house (veto override).
The Department of Finance publishes the Final Budget Summary, which is available on Finance’s website at www.dof.ca.gov. This is an annotated version of the Budget Act and includes fiscal summaries.

The Budget Act does not incorporate additional annotations that are contained in the Final Budget Summary. The additional annotations included in the Final Budget Summary may include technical corrections, revisions made by bills that amend the Budget Act in time to be included in the enactment budget totals, and the effect of veto actions on specific items or sections. Annotations reflected in the Final Budget Summary are described on the Detail of Changes page at the beginning of the publication.

THE LIST OF CHANGES TO THE GOVERNOR’S BUDGET,

FINAL CHANGE BOOK
(Revised 09/2017)

The Final Change Book publication, released after budget enactment, includes all spending authority changes made to proposals contained in the Governor’s Budget, as submitted to the California State Legislature by January 10 each year. Changes are presented in three columns that represent different points-in-time during the budget process. The May Revision column presents changes since the Governor’s Budget, as proposed in the May Revision. The Conference Committee column contains legislative changes to the proposed budget plan, as well as the Legislature’s acceptance of the Administration’s proposals. The Enacted Budget column includes all changes to the Governor’s Budget, including any changes resulting from vetoes by the Governor.

Each change is identified by an item number or control section related to the Budget Act or other authority, and a budget request name and title. Only changes for the newly enacted fiscal year are displayed (changes to the prior fiscal years are not included). Details include information for the categories and programs changed in the identified department for state operations, local assistance, capital outlay, and unclassified items. The Final Change Book also includes statewide fiscal summaries.
1. Departmental estimates of expenditures and revenue in the Governor's Budget should be based on existing law and policies. No consideration should be given in the budget presentation to proposed program changes in laws and policies except for those approved by the Administration as part of the Governor’s Budget.

2. Past Year Presentation of the Governor’s Budget

   a. It is important that fund balance, revenues, expenditures, and other data included in the past year’s presentation of the Governor's Budget reconciles with similar data published in the State Controller’s Budgetary/Legal Basis Annual Report. Therefore, departments must ensure that budget information reconciles with year-end financial reports. In very limited circumstances, there may be differences between the amounts in the Governor’s Budget and the year-end financial reports (e.g., pending budget decisions or legislation).

   b. Each department head or designee (one level below department head) must complete a DF-117, Certification of Past and Prior Year Information, when submitting past year budget information to Finance to certify the following:

   - Past/prior year information provided to Finance is accurate and reconciles between budget and accounting information, and
   - Accounting records and information are consistent with information provided to the Controller.

   The certification is required for all funds with past/prior year activity.

3. The following sections of SAM deal with departmental budget presentations. The first section, management of funds, includes the responsibilities of fund administrators and fund users. Following the management of funds are sections dealing with the presentation of personal services, as the reconciliation of the position base to the legislative authorizations typically is an initial task in building the next budget, operating expenses and equipment, supplementary schedules,
Expenditures by Category, Details of Appropriations and Adjustments, and Fund Condition Statements
RESPONSIBILITIES AND AUTHORITY OF FUND ADMINISTRATORS AND FUND USERS 6401

(The New 09/2017)

The Department of Finance designates an administering department for each fund, which is indicated in the description of the fund in the Manual of State Funds (found at: http://www.dof.ca.gov/accounting/manual_of_state_funds/). The administering department is responsible for the overall management of the fund.

This section outlines the responsibilities of a fund administrator for both non-shared and shared funds, and users of shared funds. Responsibilities pertaining to Fund Condition Statements apply to Fund Condition Statements prepared for and published in the Governor's Budget or the Enacted Budget.

Responsibilities of a Fund Administrator that is the sole user of a (non-shared) fund:

1. Verifies the accuracy of departmental accounting records by performing monthly reconciliations with source documents and corresponding appropriation and general ledger accounts maintained by the State Controller’s Office (SCO).
2. Calculates prior year adjustments and keeps documentation for such adjustments.
3. Submits Fund Condition Statement to Finance with prior year adjustment, past year revenues, transfers, loans, and past year expenditures, and appropriate backup documents. Departments should work with Finance to determine any special adjustments or reserves.
4. Ensures accuracy and consistency of data between budget documents (e.g., Fund Condition Statement) and year-end financial reports submitted to the SCO.
5. Ensures both sets of documents are prepared with the same method and on the same accounting basis as in the Governor’s Budget and Budget Act per Government Code section 12460. No variance should exist. No exceptions, unless approved by Finance or authorized in law.
6. Coordinates with Finance budget analyst who oversees the fund to ensure there are no other statewide changes to be included in the Fund Condition Statement.

Rev. 441
7. Tracks and manages changes and ensures a prudent reserve is maintained, working with Finance to determine the level necessary for a prudent reserve.

8. Provides all necessary information on a timely basis when Finance performs its review of the fund’s components, including the following:
   - Year-end financial reports or other backup documents related to the fund’s prior year adjustments and past year revenues/expenditures.
   - DF-117, Certification of Past and Prior Year Information.

ADMINISTRATORS AND FUND USERS
(New 09/2017)

Authority and Responsibilities of a Shared Fund Administrator:

1. Performs all responsibilities as listed above.

2. Possesses authority to request information from user department(s). User departments include departments that collect revenues and/or spend from the fund. The shared fund administrator can request the following information from user departments at any time:
   - Copies of the year-end financial reports or other backup documents related to the fund’s prior year adjustments and past year revenues/expenditures.
   - Copies of reconciliations and reports as necessary to allow the shared fund administrator to reconcile departmental account and fund balances to SCO.
   - DF-117, Certification of Past and Prior Year Information.

3. Reviews data from other fund users for reasonableness. Except during the budget development period (when changes are tracked by Finance), tracks and manages changes and ensures a prudent reserve is maintained. Works with Finance to determine the level necessary for a prudent reserve. Once all budget
proposals are developed and approved, Finance will share a copy of the Fund Condition Statement with the fund administrator.

4. Based on latest available information, provides a letter of support or opposition to fund users when they ask for a determination of sufficiency of the fund to fund a proposal. Fund users are not to provide details of the proposal, but must obtain a letter of support from fund administrators regarding adequacy of fund balance.

5. Assists Finance when requested in determining the use of the fund for new purposes.

Responsibilities of Shared Fund Users:

1. Verifies the accuracy of departmental accounting records by performing monthly reconciliations with source documents and corresponding appropriation and general ledger accounts maintained by the SCO.

2. Ensures the accuracy and consistency of data between budget documents (e.g., Fund Condition Statement, if applicable) and year-end financial reports submitted to the SCO.

3. Provides all necessary information requested by the fund administrator to manage and reconcile the fund on a timely basis, including the following:
   - Copies of year-end financial reports or other backup documents related to the fund’s prior year adjustments and past year revenues/expenditures.
   - Reconciliations and reports necessary to allow the shared fund administrator to reconcile departmental account and fund balances to SCO.
   - DF-117, Certification of Past and Prior Year Information.

Note: Assessments by statewide projects/programs are not considered fund users for purposes of the responsibilities above.
A category of expenditure which includes such objects of expenditures as the payment of salaries and wages of state employees and employee benefits, including the state’s contribution to the Public Employees' Retirement Fund, insurance premiums for workers’ compensation, and the state’s share of employees' health insurance. (See also “Object of Expenditure.”) (SAM 6506.)

The category of Personal Services includes all payments for personal services except:

(1) those obtained under contract and (2) payments for health and welfare benefits for prevailing rate employees as authorized by Government Code Section 19831. The Personal Services Account/Category code (AC_51XXXXX) contains two types of expenditures: (1) salaries and wages (AC_510XXXX), which includes all direct payments for personal services and (2) staff benefits (AC_515XXXX), except for those services obtained under contract. See Government Code Section 19830 and SAM Section 6412.

Government Code Sections 19130-19135 provide criteria and procedures regarding the state’s use of personal service contracts. These provisions basically provide for personal services contracts to achieve savings when specific conditions are met and allows an employee organization that represents state employees to request that the State Personnel Board review the contracts for compliance with the specified standards.
State contributions to the Public Employees' Retirement Fund, Old Age and Survivor Insurance, State Employees' Health Benefits, Worker's Compensation, and contributions to prefund Other Post-Employment Benefits (retiree healthcare costs, commonly referred to as "OPEB") for state officers and employees will be combined and entered immediately following "Net Totals, Salaries and Wages" in the "Expenditures by Category." The item will be entitled "Staff Benefits" and will show the total contributions by year. Estimates will be prepared in accordance with instructions issued by the Department of Finance such as Budget Letters. For the past year, the amount of actual contributions may be taken from the appropriate allotment expenditure account.

1. The Public Employees' Retirement component includes all state contributions for state employees covered under the Public Employees' Retirement System (Government Code Sections 20000 through 21703).

2. The Old Age and Survivors' Insurance data include all state contributions for state employees covered under the Federal System (Government Code Sections 22000 through 22603).

3. The State Employees' Health Benefits component includes all state contributions for state employees enrolled under any approved health benefit plan (Government Code Sections 22750 through 22944.5). Costs of payments for health and welfare for nonpermanent, prevailing rate employees as authorized by Government Code Section 19830 will be applied as operating expenses.

4. Workers' Compensation for state officers and employees is budgeted as an item of Staff Benefits.

   State entities that carry Workers' Compensation policies with the State Compensation Insurance Fund will not budget additional funds for Workers' Compensation benefits. They will continue to budget funds for payments of premiums that will be included as a part of Staff Benefits.

   Because of the nature of this type of expense, some agencies may have to rely upon certain subjective factors in computing requirements. Departments should prepare estimates taking into consideration all pertinent factors, particularly those which might result in a difference in cost from that experienced in past years. Accident and injury experience loss rates, changes in working conditions affecting risk exposure, changes in number of employees and salary rates are examples of areas that can fluctuate yearly.

5. Other Post-Employment Benefits includes all state prefunding contributions for state employees covered under the Public Employees' Medical and Hospital Care Act.
(Government Code Sections 22750 through 22944.5) for postretirement health benefits and the State Employees' Dental Care Act (Government Code Sections 22950 through 22959) for postretirement dental care benefits.

If a department is proposing additional funding for staff benefits, a BCP must be submitted to Finance. Any BCP must meet the guidelines and policy provided by Finance through Budget Letters or other notification process. If no variation is expected, the following method may be used in computing Workers' Compensation Insurance expense:

1. Determine total Workers' Compensation Insurance expenses for departmental employees for each of the past three years. This information is available from the Compensation Insurance Fund.

2. Determine total salaries and wages paid to departmental employees for each of the past three years excluding staff benefits.

3. Divide the total expenses for three years by total salary and wages for three years to determine the ratio of Workers' Compensation Insurance expenses to salaries and wages. Apply this ratio to the total salaries and wages estimated to be required for the budget and current years to determine the amount required.
The Uniform State Payroll System records maintained by the State Controller’s Office (SCO) are used as the basis for the preparation of the Salaries and Wages (Schedule 7A) publication. Each department served by the Uniform State Payroll System will use SCO’s information, as of June 30, to update the Schedule 7A spreadsheets.

Departments not included in the Uniform State Payroll System will update the Schedule 7A using payroll information from their own system.

The Schedule 8 tabulation is prepared from SCO’s payroll records of "Established Positions."

Generally, adjustments will be required to bring the payroll-based data to authorized levels in the Schedule 8. If adjustments are required they should be explained fully on the form 33 (STD 33, Supplementary Schedule of Salaries and Wages). Adjustments may be required to bring the department and SCO records into agreement. Differences may arise due to problems with position documentation, timing, or error.

The Schedule 7A spreadsheets are distributed to departments via e-mail from their Finance analyst, usually in late July. Departments should carefully review and complete the Schedule 7A per the instructions provided in the Salaries and Wages Budget Letter. The Schedule 7A will summarize the information presented in detail in the Schedule 8 received from the SCO. The totals for the current and budget years must reconcile to the legislatively authorized positions.

Upon completion, the Schedule 7A spreadsheets are to be submitted to Finance.
changes per the instructions provided in the Salaries and Wages Spreadsheet Budget Letter.

Only the important, significant programs or sub functions which are necessary to understand the department's organization or operations should be presented.

Insignificant sub functions should not be shown separately even though they may have been separately shown on the Schedule 8 tabulation. Changes to the arrangement may be made in the latest salary supplement only after consulting with Finance.

Within each such significant expenditure class or subclass, combine all identical full-time equivalent positions by classification regardless of differences in pay rates or other factors. Part-time or part-salary positions of the same class are combined irrespective of the fraction of time. Position classifications are listed in descending order of the minimum step of the salary range.

Under the Number of Positions column, show each year’s number of positions for each classification or title. Positions should be shown with the net position count, based on establishment or abolishment dates. Temporary help blanket position counts and the dollars associated with them must be displayed on the temporary help line, not the overtime line. Dollar amounts are to be reported to the nearest dollar. All full time equivalent positions approved in the immediate past final budget are to be included. For the past year, positions are counted on an actual basis. Do not make any proposed staff changes in the Schedule 7A spreadsheets. Such changes should be reported in the Changes in Authorized Positions presentation under Workload and Administrative Adjustments in the Governor’s Budget. A position counts for temporary help blanket positions (seasonal, temporary help, etc.) is included in totals. For the past year, enter actual full time equivalent positions of employment. For the current and budget years enter the exact number of full time equivalent positions authorized by the Legislature as of the immediate past enacted budget. The necessary changes in temporary help positions will be reported under Workload and Administrative Adjustments in the Changes in Authorized Positions presentation.

The Salary Range column will show, for each classification, the established minimum and maximum rates of the approved monthly salary range as of June 30, past year; or, if appropriate, show the established flat monthly rate (e.g., $1,430-2,138; or $2,101). Flat rate salaries fixed by Constitution or statute are shown on an annual basis.
For each temporary help position (or authorization), show the actual amounts used in the past year in parenthesis. For the current and budget years enter the full time equivalent positions and dollar amounts authorized by the Legislature. Generally, the authorized temporary help amounts do not change from year to year. However, they may be increased to include previously approved general or special salary range changes. If general salary increases are not effective at the start of the current fiscal year, it may not be included in Schedules 7A and 8. All other changes proposed for temporary help positions must first be approved by the Legislature as Workload and Administrative Adjustments before being included in the Salary and Wages Supplement. When the Salary and Wages Supplement is prepared in this fashion, no additional explanation or justification of temporary help positions is required.

If an administratively authorized position has been established and has been paid from temporary help blanket funds, the position will terminate on June 30 of the same fiscal year. However, it may be reestablished upon approval of Finance, provided it is included in the budget submitted to the Legislature as described previously, and provided that this does not result in the establishment of positions previously deleted by the Legislature. See Section 31.00 of the Budget Act.

For a more complete definition and description of temporary help positions, see SAM Section 6518.

The Totals, Authorized Positions line shows the count of full time equivalent positions filled and actual amount expended for the past year, the number of full time equivalent positions and amounts approved by the Legislature in the immediate past approved budget for the current and budget years.
In July, the State Controller’s Office (SCO) prepares a Schedule 8 report from the position and payroll rosters of all positions existing on June 30 of the immediate past fiscal year which are maintained by that office. The report is then distributed to departments.

No transactions effective July 1 or later will be included with the following exceptions:

- A reorganization effective July 1 which has prior approval of SCO and Finance will be included.

New permanent positions (full time or fractional) to become effective on July 1 (this does not include California State University positions).

**DESCRIPTION OF SCHEDULE 8 TABULATION**

The SCO prepares a schedule of established positions (excluding blanket and other positions having serial numbers in the 900 series) as of June 30 of the past year that are authorized to extend beyond June 30, indicating the following for each budget function, in numerical order of budget function code:

1. Class title.
2. Position number—includes codes for department, reporting unit or function, class, and serial.
3. The last four digits of the social security number and name (or "vacant" or "termin"). An asterisk will appear to the right of the name if the employee has OASDI coverage.
4. Salary rate June 30 of the past year. If vacant, the minimum will be shown. Salary type and range code are also shown.
5. Minimum and maximum salary for the class as of June 30 of the past year.
6. Anniversary date—month and year of next adjustment authorized or estimated (month is shown by a two-digit code and year by a two-digit code, XX/XX). Shown as 99/99 if employee is at maximum pay in their class.

For positions paid on a monthly basis, are vacant, or for which the anniversary date is not known, the estimated anniversary date will be shown as 7 (July of the budget year) or 1 (January of the current year) for classes which have a merit or special in-grade salary adjustment, and an asterisk will appear to the right of the date.

7. Appointment fraction if not full time. A four-digit code of which the first two digits are the numerator and the last two the denominator of the fraction. (0102 = 1/2 time; 0104 = 1/4 time; 0304 = 3/4 time; 1112 = 11/12 time, etc.)

8. Position termination date—stated as 06 30 18 for June 30, 2018, or 12 31 18 for December 31, 2018.

9. Positions to the nearest tenth expended for the past year by class within each reporting unit (or budget function). Position expenditures by individual position are not available and will not be required.

10. Positions authorized by position for the current year to the nearest tenth.

11. Positions authorized by position for the budget year to the nearest tenth. (Fractional positions extended at same fraction as authorized for the current year).

12. Amount expended by class for the past year.

13. Estimated expenditures by position for current year.

14. Estimated expenditures by position for budget year.

The SCO tabulation will also include totals of positions and amounts expended by reporting unit (or budget function) within agency and a grand total for each agency code.
Each department will proceed as follows, with clear entries made on all copies:

1. Compare the Schedule 8 to department payroll roster. Any differences on the Schedule 8 should be analyzed and corrected. A spot-check should be made of the anniversary dates and extensions. A list of State Controller’s Office (SCO) discrepancies or errors should be prepared and attached to each copy of the schedule. For each item on the list, include a cross-reference to the specific document which has not been recorded in SCO records, so that SCO may check original documents before making corrections.

In the case of a full-time authorized position that is filled on a part-time basis, the SCO’s tabulation will carry the position as a part-time position and the amount will be that of a part-time position. This condition will be shown for both current and budget years. The department should make the changes to provide for continuation on a full-time basis, if applicable.

Differences other than SCO’s discrepancies or errors must be corrected through submission of payroll or position documents. The preparation and submission of such documents are a follow-up condition for certification procedures established in accordance with SAM Section 6521.

2. Correct all of the totals to account for the above changes.

For positions marked "vacant" in the tabulation, insert, after the word "vacant," the date the position became vacant.
EXPIRING FILLED POSITIONS

(Revised 4/2018)

The SCO prepares a separate listing titled Report for Schedule 8—Supplementary Tabulation. This listing reflects all authorized appointments that continue beyond June 30 of the past year, but do not have approved positions to continue beyond June 30. The purpose of this listing is to remind the department that these employees should have been separated or placed in an authorized position.

BLANKET POSITIONS 6439

(Revised 2/2018)

The State Controller’s Office prepares a separate listing of actual expenditures from blanket positions (temporary, seasonal, and overtime) for the past year. This Blanket Positions Report includes past year expenditures that are posted through June 30 of the past year. These expenditures will need to be reflected in the Schedule 7A. (See also “Temporary Help or Overtime Blankets.”) (SAM 6518).

BUDGET TRANSPARENCY (CONTROL SECTION 4.11) 6446

(New 4/2018)

The 2015-16 budget package, abolished Government Code section 12439, which required positions that have been vacant for six consecutive months or more to be abolished unless departments could justify the extended vacancy. Additionally, Control Section 4.11 was revised to provide transparency for departments’ actual filled positions and the budgeting of personal services, staff benefits, and operating expenses and equipment. As such, the Budget Transparency display is included in the Governor’s Budget biennially (every other year). The intent is to identify the number of positions out of a department’s total authorized positions that are historically held vacant and reallocate funds associated with those vacancies to other expenditure categories where those funds are actually being expended. Finance issues instructions to departments on how to complete this evaluation.
The Schedule 8 consists of two parts, the summary and detailed tabulation. The instructions for the detailed listing are found in SAM sections 6424, 6427, and 6429, while the instructions for preparing the summary are provided below. The Schedule 8 acts as a payroll authorization for the current year, and an encumbrance document for posting to salaries and wages allotments as well as a source of information for Schedule 7A. See SAM section 6521.

The Schedule 8 Summary will be prepared on the Supplementary Schedule of Salaries and Wages form, STD. 33, as follows:

1. Using the total of each budget function from the Schedule 8 tabulation, enter the total number of personnel years for each of the three years (columns 8, 9, and 10), the total estimated expenditures for the current year for established positions in column 11, and total proposed expenditures for the budget year in column 13.

2. The total of column 11 should be used to encumber current year allotments for salaries and wages.

3. Following each function total, an individual and newly authorized position in the Governor’s Budget for the current year but not yet established is to be listed with the estimated expenditures for the current year inserted in column 12 and the projected expenditures for the budget year in column 13.

4. Following function totals, insert information regarding blanket position expenditures for the past year (columns 6 and 7), and estimated expenditures for the current year (column 12), and the budget year (column 13). This is not the normal use of columns 6 and 7.

5. At the end of the Schedule 8 Summary, set forth a reconciliation of the total positions shown in column 9, to the current year from printed budget documents as of the latest enacted budget. Differences in the number of positions in any function or program should be explained with reference to the supporting STD. 607, limited-term positions expired, or proposed new positions not yet established.

6. Upon completion of the above, send the original STD. 33 and one copy of the Schedule 8 prepared by the SCO to Finance as part of the agency budget request. A copy of the STD. 33 should be retained by the department.
Each department must prepare supplementary schedules of the various items of operating expense and equipment needed to support the programs of the department. Schedules must be prepared and furnished to Finance per instructions issued in a Budget Letter. The Supplementary Schedule of Operating Expenses and Equipment (DF 300), and the Supplementary Schedule of Equipment, (DF 302), are required from each department. The DF-300 report is available in FI$Cal (Hyperion) to assist departments in preparing this schedule.
DGS’s Real Estate Leasing and Planning Section uses the Space Action Request (CRUISE Form 9), as part of the Form 10 package when required to obtain Department of Finance (DOF) approval.

NOTE: Departments initially request RESD services via Global CRUISE, which is RESD’s online project initiation system. The Global CRUISE system should be used to request services such as:

- New or additional space (including swing space), lease extensions, or renewals desired by an agency in non-institutional buildings—whether state-owned or state-leased, relocatable buildings, and trailers.

If DOF approval is needed prior to proceeding with a new project, the requesting department with the assistance of the Real Estate Officer, prepares the CRUISE Form 9 and supporting documents for the Form 10 package based on the data contained in the Global CRUISE summary.

**BUDGET FOR EQUIPMENT**

DOF’s Review Requirements. A request is submitted to RESD via the Global CRUISE system. DGS forwards a copy of the CRUISE Form 9 as part of the Form 10 package to the DOF Capital Outlay Unit for approval if any one of the following conditions exists:

1. Rental costs (excluding one-time costs) as determined by DGS are estimated to exceed $300,000 in any year of the firm term of a lease. Lease renewals are exempt from this requirement unless:
   a. A ten percent or greater increase in space is requested; or
   b. The department will propose a budget augmentation to meet rent increases.

2. The department will require a budget augmentation for any year within the firm term of the proposed lease. In this respect, one-time costs, including moving, equipment, furniture, telephones, and data processing related costs, etc. must be considered.

3. The department (or DGS) proposes:
   a. A lease with a purchase option pursuant to Government Code Section 14669(b):
b. A lease-purchase (installment purchase) arrangement; note that a lease with a—bargain‖ purchase option is defined, for the purpose of this section, as a lease-purchase;

c. A lease which in any other fashion meets the definition of a capitalized lease per the Capital Outlay Section in SAM 8363.

d. A lease which must be noticed to the Legislature pursuant to Government Code Section 13332.10.

4. The DOF re-reviews any CRUISE Form 9 or which costs significantly exceed the level originally indicated by DGS and concurred with by DOF. Thresholds for re-review are established by memorandum of understanding between DGS and DOF. Whenever a CRUISE Form 9 is submitted to DOF, it must be accompanied with an Estimate of Occupancy Costs form, STD. 10, prepared by DGS and reflecting DGS’ recommended space strategy. The STD. 10 provides a clear synopsis of the reasons for the recommended move or other action; how the action is consistent with approved asset management plans; a schedule of estimated costs for each year of the expected term of the lease and a detailed breakdown of the estimated one-time costs and/or savings associated with the action; and any rent overlaps expected. In addition, an OREDS 4083 Space Planning Data Form must be submitted which provides information on employee classifications for the tenant department, type of space, and specifics on specialized space needs.

For certain requests, DGS also prepares a separate economic analysis for DOF verifying that the selected method of procuring space (lease, lease-purchase, lease with purchase option) is the most cost effective, including a comparison with state construction. The conditions of this analysis (i.e., for which projects, and the content) are set by memorandum of understanding between DGS and DOF.

The DOF’s review of CRUISE Form 9s consists of two parts:

1. The Capital Outlay analyst reviews DGS’ analysis justifying the method of procuring space and the consistency with approved asset management plans.

2. The appropriate DOF support analyst determines whether the program assumptions for the space request are valid, including any possible future growth requirements.

The DOF Capital Outlay unit coordinates this review. The normal time frame for DOF review is less than 30 days. Questions on the status of any space action request which has been forwarded to DOF should be directed to this unit.
The DOF’s approval of the CRUISE Form 9 does not constitute approval of additional funding for any future rental increase or other costs related to the CRUISE Form 9. The department may wish to coordinate the timing of space action requests with the budget process to avoid making commitments to new space prior to budgetary approval. Requests for a budget adjustment must be submitted as part of the normal budget preparation process. Requirements are reviewed below.

Coordination of CRUISE Form 9s with Support Budget Change Proposals (BCPs). The BCPs are required for any request to increase support budget funding for new or additional space, rent increases on an existing lease, furniture (such as modular), or costs associated with moving. The BCP must be submitted with a copy of the Form 10 package previously approved by DOF. If a final version of this package is not available because the leasing transaction is still under development, DOF will base its review of the BCP on the department’s initial estimate on draft version of the package. However, the department is still required to complete the Form 10 package approval process by having DGS submit a final set of forms: CRUISE Form 9 and Estimate of Occupancy Cost Form 10 and OREDS 4083, with complete data, for approval to DOF. As appropriate, DOF may adjust any prior budget decisions to conform with the final CRUISE Form 9.

It is not necessary to coordinate the BCP process with the CRUISE Form 9 process if the BCP is requesting facility funding as a per-position complement. For example, the department may request five new positions for a program, with a per-position facility component. However, such complements are usually adequate only for marginal adjustments of staff. Therefore, departments are cautioned against using per-position complements if large numbers of staff are being added or specialized space is required. Additional facility funding may not be provided later to correct budget shortfalls.

Coordination of CRUISE Form 9 with Capital Outlay Budget Change Proposals (COBCPs). Informational COBCPs are required for proposals to enter in the budget year into a lease-purchase agreement, lease with purchase option, or any other lease which meets the definition of a capital lease, as described in the "capitalized Assets" Chapter (Capital Outlay Section) of SAM. The opportunity to enter into such a lease may arise, on an unplanned basis, off-cycle with the budget process. The DOF may waive the formal COBCP requirement in this situation, but the client department and DGS must nonetheless provide the same information as well as the economic analysis referred to above as part of Form 10 approval package.
This supplementary schedule (form DF 300) is designed for summarizing the operating expenses and equipment requirements of the department. The DF 300 schedule can be generated from the FI$Cal/Hyperion budget system by running the DF 300 report. Submit the report as generated with other supplementary schedules and approved budget change proposals, per the timeframe specified in Budget Letters. Departments may modify the DF 300 schedule per agreement with your Finance budget analyst.

The DF 300 lists the items of operating expenses in account category code order, and includes operating expenses for equipment. The amounts in the Supplementary Schedule of Equipment (DF 302) will not tie to a particular line on the DF 300 because of the account category code structure.

Expenditures for the past, current, and budget years are shown in three separate columns with totals in the DF 300. These totals must be consistent with the Expenditures by Category in the departmental budget presentation. (Revised 09/2017)

Each department must prepare a Supplementary Schedule of Equipment, DF 302. The schedule should be forwarded with the budget package, per the timeframe and guidelines set forth in the Budget Letters.

For uniformity in budgeting, accounting, and purchasing, the definition of equipment in SAM Section 8602 governs whether equipment/personal property will be budgeted and reported as equipment on DF 302. Some expenditures for equipment may be budgeted as capital outlay if purchased as an initial complement of equipment for the capital outlay project.

Departments should work with their Finance budget analyst if they wish to develop and use internal equipment request forms in preparing the supplemental schedule.
Budget submissions are required to include a Supplementary Schedule of Federal Funds. The total amount on the Supplementary Schedule of Federal Funds must correspond to the amount shown as federal funds in the “Detail of Appropriations and Adjustments” in each department's budget. Federal funds are all monies received directly from an agency of the federal government.

The information will be prepared on Supplementary Schedule of Federal Funds/Reimbursements, DF 301, or such other format approved by the Finance budget analyst. Each grant (project) must be listed separately by departmental program.

Separate listings will be prepared for each character of expenditure.

For each grant, include the following: (1) the title or popular descriptive name as listed in the Catalog of Federal Domestic Assistance; (2) the federal catalog number; and (3) the dollars for the past, current, and budget years. Each page should be numbered for ready reference. Instructions for preparation of DF 301 are included on the second page of the form.

If changes have been made during the budget preparation process before submittal of the Governor's Budget to the Legislature which affects this schedule, a final submission of the affected schedule must be made by the originating department to agree with the printed budget and returned to Finance by the timeframe specified in Budget Letters.
A reimbursement is cash or other assets received as repayment for the cost of work or services performed, or for other expenditures made for or on behalf and for the convenience of another governmental unit, fund, or department, or for an individual, firm, or corporation. There should be a positive, direct relationship of the charge to the cost of the particular services performed for an individual or entity before one should consider a receipt to be reimbursement. Reimbursements represent the recovery of expenditure and are shown in the Budget Act as a reduction of the expenditures of an item of appropriation. In FI$Cal (Hyperion), budget galleys, and most other budget documents and reports, expenditure authority and expenditures are displayed using a positive amount in Fund 0995.

Federal funds received directly from the federal government by a state department are federal receipts. The spending of those receipts by the receiving department is reported as federal fund expenditures. When these federal funds are used to pay another department for goods or services, the funds received by the second department are treated as reimbursements for the cost of work or services performed.

**SUPPLEMENTARY SCHEDULE OF REIMBURSEMENTS**

Budget submissions are required to include a Supplementary Schedule of Reimbursements. The information is prepared on the Supplementary Schedule of Federal Funds/Reimbursement, DF 301 or such other format approved by the Finance budget analyst. For a definition of "reimbursement," see SAM Section 6463. All changes to reimbursements are subject to the provisions of Section 28.00, Section 28.50, or Section 1.50, as appropriate, of the Budget Act. The Schedule must include the following: (1) descriptive title; (2) source of funds (indicate the organization code of the paying state department, if applicable); and (3) the past, current, and budget year expenditures. Each page should be numbered for ready reference. Instructions for preparation of DF 301 are included on the second page of the form.

If changes have been made during the budget preparation process before submittal of the Governor's Budget to the Legislature, which affects this schedule, a final submission of the affected schedule must be made by the originating department to agree with the printed budget and returned to Finance by the timeframe specified in Budget Letters.
SPECIAL ITEMS OF EXPENSE 6469
(Revised 09/2017)

Special items of expense are those non-recurring large expenditures or special purpose expenditures that normally require a separate appropriation or schedule to present a clearer fiscal picture.

This class of expenditure appears in the “Expenditures by Category” display (SAM Section 6475) in the Governor’s Budget and the Enacted Budget and are reported as a single line entry following Operating Expenses and Equipment.

CLAIMS AND TORT LIABILITY BUDGET PROCEDURE 6472
(Revised 06/2016)

Each year, one or more pieces of legislation is pursued which authorizes payment of:

1) government claims approved by the Department of General Services (DGS) when there is no other statutory authority for payment, and 2) judgments and settlements by Department of Justice (DOJ) when there is insufficient expenditure authority.

DGS Approved Claims

In this situation, DGS has approved a claim and, with input from the affected department, determined that there is no statutory authority for its payment. Generally, twice a year, DGS sends a list of claims with no statutory authority for payment to the Department of Finance (Finance). Finance analysts work with the affected departments to identify the appropriation to be charged and to certify that the necessary funds are available. These claims are then included in a claims bill and the chaptered bill reduces individual Budget Act items and transfers the authority for payment of claims to DGS.

When statutory authority for payment already exists, legislation is not required and the department may pay DGS approved claims directly without obtaining approval from Finance. The most common reason why a claim may lack statutory authority for payment is because it arose from a stale-dated warrant and the department no longer has expenditure authority for the fiscal year in which the warrant was issued.
Government Code section 905.2(f) authorizes DGS to assess a surcharge in an amount not to exceed 15 percent of the total approved claim. These surcharges are treated as expenditures to the Budget Act items listed in the legislation.

**Judgments and Settlements**

In this situation, a chaptered claims bill authorizes DOJ to pay settlements or judgments directly from specified fund balances because there are insufficient funds available in an individual appropriation. To initiate inclusion of a judgment or settlement in a DOJ claims bill, Finance is required to send a letter to DOJ approving the settlement or judgment claim and certifying that the affected department’s appropriation cannot absorb the cost of claim.

If the department has sufficient expenditure authority for payment of the claim, legislation is not required and it may pay the claim directly after obtaining approval from Finance. In accordance with SAM section 8712, Finance approval is required for all claims in excess of $35,000.

Upon request of Finance, DOJ, the Department of Transportation, and DGS shall submit reports to Finance providing actual cost data for the prior fiscal year. Such data is to include the following:

1. Claim payment expenditures by fund.
2. Staff services expenditures by fund.

Although the state no longer carries general tort liability insurance, several departments and agencies carry specialized insurance policies for specific purposes, e.g., Cal Expo and water project bond programs. The Department of General Services Insurance Office shall maintain, and submit to Finance upon request, for all departments and agencies, actual prior year, estimated current year, and anticipated budget year expenditures for tort liability insurance premiums.
The Expenditures by Category statement is prepared for the Governor’s Budget and the Enacted Budget, and summarizes salaries and wages, staff benefits, and operating expenses and equipment. Expenditures by Category presentations include state operations and local assistance expenditures.

Operating expenses and equipment are reported as a single line entry. Details are provided in supplementary schedules. See SAM Section 6451.

Special Items of Expense are also reported as a single line entry following operating expenses and equipment. See SAM Section 6469.

Totals, Expenditures, All Funds bottom-line represents the sum of all budgetary expenditures separated by state operations and local assistance.

The Detail of Appropriations and Adjustments display shows the source and amount of appropriations available for the department and the disposition of such appropriated funds between expenditures and unexpended balances.

The order, wording, and meaning of the various entries in each display are set forth below.

1. **Budget Act Appropriation.** Amount appropriated or proposed to be appropriated in the annual Budget Act.

2. **Continuous Appropriation. Provides the Legal Citation (such as Government Code section XXXXX).** Amount, actual or estimated, available each year under a permanent constitutional or statutory appropriation which is renewed each year without further legislative action. The amount available may be a specific, recurring
sum each year; all or a specified portion of the proceeds of specified revenues which have been dedicated permanently to a certain purpose; or it may be whatever amount is required for the purpose as determined by formula—such as school apportionment. For example: Section 42238, Education Code (School District Apportionments).

3. **Allocations For (Purpose).** Total amounts requested or authorized by Executive Order (EO) from an appropriation, which is subject to allocation by Finance or other authority without further action by the Legislature. A separate entry is made for the total amount from each such appropriation from which an allocation is made or requested.

4. **Augmentations for Contingencies or Emergencies (Purpose).** Augmentations for contingencies or emergencies per Items 9840-001-0001, 9840-001-0494, and 9840-001-0988 of the Budget Act, use the citation “Allocation for contingencies or emergencies.”

5. **Transferred From (Plus Entry) and/or Transferred To (Minus Entry).** Amount moved or proposed from one appropriation to another by means of an expenditure transfer. Cites the authority for the transfer. Does not include transfers charged to or credited against expenditures, such as reimbursements or redistribution’s of expense by plans of financial adjustment. A short “purpose” phrase may be included to describe the reason for the transfer.

6. **Special Appropriation Chapters.** This applies to an appropriation in financial legislation (other than the Budget Act) for the year of enactment only. Continued availability of such an appropriation in a fiscal year subsequent to the fiscal year of enactment is a carryover and will show under “Prior Year Balances Available”.

7. **Proposed Bills Authorizing Augmentations for Contingencies or Emergencies.** This applies to proposed legislation sponsored by a department to provide an appropriation. Departments sponsor their own bills for sensitive issues or when the timing precludes use of the statewide omnibus bill for contingencies or emergencies which is generally passed late in the fiscal year. Uses citation of the chaptered legislation.

8. **Prior Year Balances Available.** This is for continued availability of an appropriation in a fiscal year subsequent to the fiscal year of enactment.

9. **Unexpended Balance, Estimated Savings – (Minus Entry).** Unencumbered amount remaining at the end of the year, after providing for expenditures, and not available for encumbrance thereafter.
The Fund Condition Statement displays the summary of a fund’s operations for the past, current, and budget years. This statement is generally prepared for all funds classified as special funds within the Manual of State Funds. Fund Condition Statements are also prepared for other funds which are of special interest to the Legislature or the Administration.

The body of the Fund Condition Statement includes the following information, as applicable, in the order indicated below:

1. **Beginning Balance – Past year ending balance from the previous Enacted Budget.**
   a. **Prior Year Adjustment** – Changes to the past year beginning balance, consisting of net total adjustments of expenditures, revenues, and refunds to reverted appropriations for previous years. It may also include minor past year assessments, as determined by the Department of Finance. The prior year adjustment affects only the past year column. The current year and budget year columns must always show zero.
   b. **Adjusted Beginning Balance** – The sum of the Beginning Balance and the Prior Year Adjustment.

2. **Revenues, Transfers, and other Adjustments.**
   a. **Revenues** – Detail is provided by type of revenue.
   b. **Transfers and Other Adjustments** – Transfer of resources between funds (transfers to and transfers from other funds).
   c. **Total, Revenues, Transfers, and Other Adjustments.**

3. **Total Resources** – The sum of the Adjusted Beginning Balance and the Total Revenue, Transfers, and Other Adjustments.

4. **Expenditures and Expenditure Adjustments** – Spending by department, displayed by character (State Operations, Local Assistance, Capital Outlay, and Unclassified), as applicable.
a. Expenditures – Spending is typically shown in the Business Unit code of entities that spend from the fund. The expenditures are shown in those departments’ Governor’s Budget and Enacted Budget displays.

b. Expenditure Adjustments – Transfers from other funds that are treated as Expenditure Reductions.
5. Total Expenditures and Expenditure Adjustments – Sum of Expenditures and Expenditure Adjustments, if applicable.

6. Fund Balance – May include reserves for various purposes.
   a. Reserve for economic uncertainties.
   b. Other reserves as appropriate – (e.g., unencumbered balance of continuing appropriations).

The Fund Condition Statement printed in the previous Enacted Budget should always be reviewed before preparation of the new Fund Condition Statement. As noted above, the beginning fund balance for the past year must agree with the ending fund balance for the past year as shown in the Fund Condition Statement published in the previous Enacted Budget display.

The department's year-end accounting reports should provide most of the information needed to prepare the past year portion of the Fund Condition Statement. However, when there are acceptable and reconcilable differences between budgeting and accounting treatment of transactions, the budgeting treatment of the transactions is used to prepare the past year Fund Condition Statement. Use the latest and best information in the Statement to facilitate best budget decisions.

**ADMINISTRATION OF THE OPERATING BUDGET**

(Revised 10/2017)

The system for budget administration and control is provided in the State Constitution, Government Code provisions, and a number of control sections of the Budget Act. The system also adheres to the Attorney General’s opinions.

The operating budget is the total of all the expenditure authorizations provided by law. This includes the Budget Act, continuing or continuous authorizations provided by the State Constitution and statutory law, and separately enacted appropriation measures and initiatives.

The Department of Finance provides an Enacted Budget with departmental details on its
website after the Budget Bill is signed by the Governor. Each department sets up its initial operating budget accounts based upon its portion of the Enacted Budget and the Budget Act.

In administering each department’s operating budget, Finance has established a system of delegation of the approval authority for routine documents to the department head. Only those transactions which do not meet the criteria for delegation must be referred to Finance for budgetary approval.
The following summaries are intended to serve as a guide to the applicable laws affecting budgetary control. Read the law, not the summary, for an accurate and complete understanding.

1. Government Code provisions relating to fiscal year budgets:

Section **13070**: Gives the Department of Finance general powers of supervision over all matters concerning the financial and business policies of the state.

Section **13310**: States that Finance sets statewide fiscal and accounting policies and procedures, and provides adequate fiscal and accounting training, advice, and consulting services to any state agency that is authorized or required to handle public money or its equivalent.

Section **13320**: Every agency and court for which an appropriation has been made is required to submit an operating budget for the fiscal year.

Section **13321**: Prescribes that the operating budget documents display allotments of appropriations or other funds by quarter or other period of time and by organization unit. Authorizes Finance to require a state agency or court to set aside a reserve for contingencies or other purposes in an amount as specified by Finance.

Section **13322**: Authorizes Finance to amend, alter, or revise any budget until enactment of the Budget.

Section **13324**: Fixes liability of persons, both personally and on official bond, who incur expenditures in excess of budget.

Section **13326**: Requires every state agency to submit requests for federal funds through Finance, for advanced approval before such requests are submitted to the Federal Government, except as specified in SAM Section 0912. Authorizes Finance to approve, disapprove, modify, or amend any request before it is submitted to the Federal Government.

Section **13335**: Requires Finance to develop, issue, and implement consistent and adequate guidelines to be utilized by departments to submit budgets.

Section **13337**: Provides that the Governor’s Budget shall be prepared in accordance with guidelines and instructions adopted by Finance.
Section 13344: Requires state agencies to prepare and maintain financial and accounting data for inclusion in the Governor’s Budget, Budget Act and related documents, and the budgetary-legal basis annual report described in Section 12460, according to the methods directed by the Department of Finance.

Section 19381.12: Position establishment subject to budgetary authorization and availability of funds.
2. Control Sections of the Budget Act:

A number of sections of the Budget Act impose limitations on expenditures, extend periods of availability of appropriations, authorize specific adjustments, authorize exceptions, and require reports to the Legislature. As appropriate, Budget Letters are issued to inform departments of long-standing or new or revised sections.

Departmental budget staff should be familiar with all the sections in the Budget Act. The Budget Act includes an index of the sections and provides a short description of the subject matter.

**PERMANENT POSITIONS**

(Revised 11/2018)

The budgetary definition of a permanent position is any position authorized by the Legislature for indefinite continuation within a specific classification established by a salary setting authority. They may be full-time, fractional time, or intermittent.

Permanent positions must be certified for continuation at the beginning of each fiscal year.

The continuation of permanent positions is accomplished by reconciling the Schedule 8 with the Final Budget. Permanent positions are equivalent to the Current Year Regular/Ongoing Positions line on the Salaries and Wages (Schedule 7A), which is comprised of the Schedule 8, Supplemental Schedule 8, and any position changes (STD. 607) not included in those reports. See SAM Section 6521.

As a matter of clarification, the appointment process is a method of filling positions. A permanent appointment is any appointment which continues for any length of time exceeding the probationary period for that class.

**NEW POSITIONS**

(Revised 9/2010)

A new position is one which has been newly authorized for establishment in the approved budget. Normally these are presented in the Governor’s Budget (—Changes In Authorized Positions‖ section) as Proposed New Positions.

Proposed new positions (other than in the California State University System) that are
likely to be approved by the Legislature should be established as soon as possible if they are to become effective on July 1. The documentation should be submitted to reach the State Controller's Office (SCO) by the June pay period document cut-off date. Departments should prepare the forms STD. 607 and 625 (if necessary) in advance and release those as soon as the legislative intent and the Governor's veto actions are known. The certification in SAM Section 6527 may be used and will be accepted by the SCO. Documents reaching the SCO after the June pay period document cut-off date will not be included in the Schedule 8 Tabulation and the initial galley (Schedule 7A) of the Salaries and Wages Supplement.
A **limited-term position** is any position that has been authorized for a specific length of time. Limited-term positions are footnoted in the Salaries and Wages (Schedule 7A) publication.

As a policy, the Department of Finance does not approve limited-term positions. However, the authority for limited-term appointments is still available pursuant to Government Code Section 19080.3.

**TEMPORARY HELP OR OVERTIME BLANKETS**

Temporary help blanket positions are for short-term or intermittent uses when it would be impractical to use permanent positions. Blanket positions are intended to be used for temporary, seasonal, or intermittent workload, whereas permanent positions are normally used for longer-term, more permanent, staffing needs. Any type of blanket position must be paid from the approved budget appropriation authority at the discretion of the department.

Blanket authorizations in the approved budget must be reviewed annually or established by the submission or approval of STD. 607 in accordance with the provisions of SAM Section 6527 and Control Section 31.00. Continuing monthly or periodic payments may not be made to any person for an indefinite period (on a permanent basis). Employees, who are employed on a full year basis, whether full-time or part-time, should be paid from an authorized position rather than a blanket authorization. Temporary help blankets may be used for the following purposes.

**Position overlaps.** This includes filling behind:

1. Employees on temporary or extended leaves of absence, sick leave, military leave, etc.
2. An employee for training purposes. This may be necessary for the continuity of operations when an employee in a key role leaves a department.

3. Payment to a separating employee for unused, accrued leave.

**Employment of limited duration or intermittent use.** Such usage would include, but not be limited to, the hiring of additional employees for the following uses:

1. Special consultant studies.

2. Student assistants.

3. Special projects or contracts of a limited nature such as compilation of statistical data or purge of files.
4. Seasonal workload such as processing income tax forms, or inspection of produce before shipment.

Overtime peak workloads that are anticipated in program and administrative areas.

5. Special uses may be established for blankets to keep track of funds expended for limited purposes such as escapes and emergencies and other differentiations meaningful to the department.

**Overtime blankets** are authorizations used to pay employees for compensable, authorized time worked in excess of the regularly scheduled workweek. At the discretion of the department and in accordance with personnel rules of the salary setting authority, overtime may be used in place of temporary help to meet peak workload requirements where feasible and economically advantageous.

If a temporary help blanket has been established, but an overtime blanket has not, it may be more economical to make minor payments for overtime of short duration from the temporary help blanket than to establish a separate overtime blanket for a relatively small total amount.

Department of Finance approval is required for the establishment of a permanent position from a blanket authorization.

**CERTIFICATION FOR CONTINUED PAYMENT OF ESTABLISHED POSITIONS 6521**

(Revised 11/2018)

It is the responsibility of each department to certify to the Department of Finance that existing positions established on the State Controller’s Office (SCO) position roster, as amended by appropriate department payroll and position documents (STD. 607), reflect the approved program. Each department must reconcile (see SAM Section 6448) the existing positions as reported in the Schedule 8 prepared by the SCO and the positions authorized in the department's Final Budget. The STD. 607s to adjust to authorized staffing need to be prepared and sent to the SCO.
This certification shall meet the following broad criteria:

1. The positions have been established in accordance with approved program, legislative intent, and Administration policy.

2. The positions in the roster have been established in accordance with pertinent statutory and administrative regulations including, but not limited to, the control sections of the current Budget Act, pay scales, Department of Human Resources (CalHR) rules, State Personnel Board (SPB) rules (CEA established only), and prior approvals such as that of CalHR, SPB, or Finance.
Establishment, amendment, or abolishment of positions, blanket positions, and other position-related transactions are documented by the use of the "Change in Established Positions form," STD. 607.

STD. 607s which meet the following four criteria are exempt from review and approval of Finance, provided budgetary review is not otherwise mandated for that transaction.

1. The position has been: (a) specifically identified in the Governor’s Budget and approved by the Legislature and is under the threshold in Control Section 31.00 or (b) approved by the Legislature and identified in the Final Change Book or enacted legislation and is under the threshold in Control Section 31.00.

2. The purposes are consistent with the approved program, legislative intent, and Administration policy. The STD. 607 does not provide for new or expanded programs in this or any subsequent fiscal year nor require supplemental financing.

3. The position transaction is in accordance with a staffing plan for the program or a change to the staffing plan which has been approved by Finance as part of the department proposal approved by the Legislature either before or after enactment by the Legislature. The departmental staffing plan and amendments will be maintained as part of departmental records.

4. All pertinent statutory and administrative regulations, such as those of CalHR, SPB, and SCO have been applied and prior approvals secured, when necessary.

Notwithstanding the general criteria for exemption listed above, budgetary review by Finance is mandated for the types of transactions listed below.
Administrative establishment of positions not authorized by the Legislature.

Reclassification to positions with a maximum step per month as specified in Control Section 31.00 of the Budget Act.

Reclassification to a Career Executive Assignment (CEA) from a non-CEA classification must be within the delegated authority approved by the Department of Human Resources (CalHR) and must be approved by Finance. Departments establishing new CEA positions are required to go through the standard CEA approval process with CalHR.

Establishment of permanent positions out of the blanket.

Temporary downgrading of positions with a maximum salary as specified in Control Section 31.00 of the Budget Act.
No STD. 607 executed for the above purposes will be exempt from review by Finance under the provisions of this manual or any special exemptions heretofore granted.

Departments shall not reclassify positions above statutory thresholds set annually in Control Section 31.00—and cannot make appointments under any circumstances to those positions—before Finance approval has been received.

Departments entering position changes into the payroll system prior to Finance approval could be subject to audits, loss of delegated authority, reduced appropriation authority, and/or other administrative actions.

All departments should conform to Control Section 31.00 of the latest Budget Act. Position-related transactions that are exempt from Control Section 31.00 of the Budget Act per this this section must place the required certificate on each copy of STD. 607 prepared in accordance with the instructions in this section.

The officer or employee signing on behalf of the department shall use the following certification, which shall appear on all copies of the STD. 607.

"I hereby certify that all conditions for exemption set forth in SAM Section 6527 have been complied with and this action is exempt from review by Finance."

The authority to sign this certification is limited to those officers who have been duly authorized by the department head to execute STD. 607s and whose names and position titles are on record with SCO and maintained in the department records for audit purposes.

The STD. 607s that qualify for this certificate may be forwarded directly to SCO.

All proposed establishment of positions and reclassification of positions with a maximum salary step per month as specified in Control Section 31.00 of the Budget Act require full justification and explanation on the personnel document. Any additional costs are to be absorbed within existing appropriation authority.
Transactions documented under the provisions of this section shall be subject to audit by representatives of Finance, and a copy of such documents shall be retained for this review.

REVISION OF PROGRAMS

(Revised 10/2017)

The annual expenditure program approved by the Legislature may require revision. Each revision must be made separately.

The authority for revising a budget may be provided by existing statute, Budget Act language, and other legislation, and to some extent, by administrative authority.
Departmental budget officers should be thoroughly familiar with the “control sections” in the Budget Act which provide most of the authority for adjusting Budget Act appropriations.

Departments should track bills regularly to determine any impact that financial legislation may have on departmental programs and funding. Adjustments must be estimated and viewed carefully for timely submission of revisions.

REQUEST OF NECESSITY FOR APPROPRIATION AUGMENTATION

(Revised 10/2017)

The appropriations in the Budget Act for the Augmentation for Contingencies or Emergencies (Business Unit 9840) require that funds may be allocated for contingencies or emergencies which, in the judgment of the Director of Finance, constitute cases of actual necessity. As a result, the Director of Finance requires submission of a signed form DF-580 (Unanticipated Cost Funding Request) from the head of each state department or agency when requesting an allocation from an Augmentation for Contingencies or Emergencies item. The form should state why the additional funds are required to meet a case of actual necessity and the nature or cause of such need.

Refer to the provisions of the 9840 items in the annual Budget Act for up-to-date information.

BUDGET REVISION FORM, STD. 26

(Revised 10/2017)

The STD. 26, generally prepared by the department, is required when any of the following are proposed:

1. Program changes are involved.

2. The changes require additional funds and an Executive Order (EO) cannot be used.
3. Funds are to be transferred in the State Controller's Office records between programs or phases within the same item.

4. It is desired to augment (or reduce) a category or program, with a corresponding increase (or decrease) in an estimated source of funds (reimbursements, etc.).

5. The change requires reduction or increases in the remaining balance of an appropriation.
These instructions apply to changes to a schedule within an item of appropriation.

1. Separation of Requests
The STD. 26 is limited to a single item of appropriation.

Each request for revision within an item must be limited to transactions associated with a single proposal. Accordingly, each will be reviewed on its own merits.

However, all budget changes within the item dependent upon approval of the proposal should be included in the STD. 26. If space on the form is insufficient, insert totals only and include detail in a supporting schedule.

2. BR Number
Document numbers are assigned by the department in order of submission. A new series is started each fiscal year.

3. Appropriations–Source of Funds (Top Portion)
Under this section, list the appropriation (e.g., Budget Act Item) to be revised followed by prior budget revisions, miscellaneous adjustments, EOs, etc. The beginning appropriation amount must agree with the Final Budget Summary. This section must agree with the appropriation accounts maintained by the SCO. For a current operations budget revision, the format of available funds includes such items as:

Item No._____, Budget Act of 20_______
EO No._____, Allocation for Contingencies and Emergencies EO No.___________,
Deficiency Authorization
Transfer (from item______, Budget Act of__________) Totals

4. Appropriations–Amounts Available (Top Portion)
This column will carry the dollar amounts available (before giving effect to this revision) of items listed under the Appropriations–Source of Funds column.
5. **Appropriations–Revision Requested (Top Portion)**
This column reflects the dollar amounts of the proposed revision as listed under the Appropriations–Source of Funds column.

Show “no change” in this column if the revision does not affect the appropriated amount at the item level (e.g., reimbursement authority).
6. **Source of Funds (Bottom Portion)**
This section will reflect the distribution of funds when there is an applicable appropriation schedule, by listing the individual programs and any existing or proposed appropriated reimbursement.

7. **Amounts Available (Bottom Portion)**
This column will carry the distribution of the dollar amounts available, (before giving effect to this revision) for funds to which an appropriation schedule is applicable. All amounts of appropriated reimbursements will be deducted from the Total of Schedule amount to arrive at the Net Appropriations Total which will agree with the total of the balances maintained by SCO.

8. **Revision Requested Column (Bottom Portion)**
This column will reflect the distribution, by individual programs or categories, of the dollar amounts related to any proposed increase (+) or decrease (-).

Any proposed change in appropriated reimbursements will be shown in this column and either added to or deducted from the Total of Schedule amount.

To avoid doubt of intended distribution place a dash (-) in the column for each program or category line not used.

9. **Revision Approved**
This column is left blank by the department. It is used by the Finance analyst to indicate amounts approved that are different than revision request column.

10. **Purpose of Revision**
Present in this section, or in supporting schedules, all of the facts necessary for consideration of the proposal. Complete information will result in more expeditious handling of documents.

**Number and Distribution of Copies:**
Four copies of BR, **STD.26**, are required by the Finance budget staff, one of which is returned after approval. The original is forwarded to **SCO** whenever the request involves any of the following changes of a Budget Act appropriation:

a. Transfers between programs or projects scheduled in the Budget Act.

b. Transfers between projects of a major construction appropriation. Generally, STD. 26 is not used for capital outlay adjustments.

c. Augmentations or reductions in programs or projects by reason of increases or decreases in reimbursements.

d. Scheduling the detail of unallocated adjustments.
Section 26.00 authorizes Finance to augment any program, project, or function of an appropriation by transfer from any other program, project, or function scheduled within the same appropriation. However, augmentations by such transfer are limited to specific percentage increases as detailed in the control section. Departmental fiscal staff should be familiar with all the provisions of this section.

Each department requesting a transfer using Section 26.00 must submit a separate STD. 26 for each proposed transfer. The revision should contain no other transaction and clearly state the need and purpose for the transfer.

Any transfer in excess of $200,000, or in excess of the limitations provided in the control section, may be authorized not sooner than 30 days after notification in writing of the necessity for the request is provided to the Joint Legislative Budget Committee and to the Chair of each of the legislative committees and appropriate subcommittees.

11. SECTION 28.00 AND SECTION 28.50 REPORTING

Departmental fiscal staff should be familiar with all the provisions of Section 28.00 and Section 28.50. Section 28.00 (federal and other non-state funds) and Section 28.50 (reimbursements from state departments) require reporting to the Legislature of increases and decreases in the amounts available for expenditure which have not been previously considered and approved by the Legislature.

The majority of Section 28.00 and Section 28.50 actions are necessitated by a department or agency receiving federal funds and reimbursements which have not been previously considered by the Legislature in the regular budget review process. To minimize the number of Section 28.00 reports, every effort should be made by departments to anticipate federal funds which may be received, and to include in the Governor’s Budget or May Revision a description of the project and a cost estimate.

Forms DF–90 (Section 28.00) and DF-91 (Section 28.50) are to be used by departments to request adjustments to existing spending authority. The primary responsibility for
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completing the information on the Section 28.00/28.50 forms rests with the applying department. The completed form may serve as an attachment to a transmittal letter to the Legislature prepared by Finance following a review of the application submitted.

Section 28.00

Section 28.00 authorizes Finance to approve the expenditure of unanticipated funds to be received from federal or local governments, or any other non-state entity.

However, for federal funds, Section 28.00 does not allow Finance to increase items of appropriation authorized by the Legislature. Instead, Section 8.50 provides the authority to increase federal fund items of appropriation. Other non-state, unanticipated
receipts must be appropriated by other authority, or be received as reimbursements under Section 28.00. Regardless of the source of the additional funding, any augmentation that exceeds either $400,000 or 10 percent of the amount available for expenditure in the affected program, project, or function must be reported to the Legislature and may not be authorized until 30 days after the notification. This reporting requirement does not apply to federal funds related to caseload increases in the Medi-Cal, CalWORKs, and Supplemental Security Income/State Supplementary Payment programs.

No proposed expenditure may be made from any additional funds reported in a Section 28.00 letter to the Legislature prior to the approval and return of the Section 28.00 application by Finance.

Augmentations for items for which the Administration had knowledge to include in its current budget plan should not be submitted through this Section.

To receive consideration for an augmentation, departments are required to either (1) notify Finance within 45 days of receiving official notice of the availability of additional, unanticipated federal or non-state funds, or (2) explain in writing to Finance why the 45-day notification was infeasible or impractical. In either case, the department must provide Finance a copy of the official notice of fund availability. If a department expends funds without proper approval, it will be required to absorb such expenditures within its existing appropriations or sponsor legislation to authorize the expenditure.

Section 28.50

Section 28.50 authorizes Finance to approve a state department’s expenditure of money received as reimbursement from another state department. Finance approvals that exceed $200,000 must be reported to the Legislature and may not be authorized until 30 days after the notification. However, if the funding for the department providing the reimbursement has previously been approved by the Legislature, these approvals are considered technical in nature and are authorized in Section 1.50 of the Budget Act.

COMPLETION OF SECTION 28.00 AND SECTION 28.50 APPLICATIONS

(Revised 10/2017)
The Section 28.00 and 28.50 Applications (Forms DF-90 and DF-91) are to be initiated by the applying departments. The application must be signed by the department director before sending to Finance. The Finance budget analyst will be responsible for verifying all the information provided.

When appropriate, the Section 28.00 or 28.50 Application will be sent by Finance to the Joint Legislature Budget Committee and to the Chair of each of the legislative committees and appropriate subcommittees. A copy of the application as transmitted will be sent to the Agency Secretary, the department director, and/or the department budget officer, as appropriate.
It is the responsibility of Finance to review and determine whether the Applications will need to be sent to the Legislature. Finance, when appropriate, will also transmit an approved copy of the Application, with the related budget revision, to the applying department upon receipt of a concurrence letter from the Chairperson of the Joint Legislative Budget Committee, or at the end of the 30-day legislative review period. Finance will send a copy of the approved budget revision to State Controller’s Office.

In instances where the Legislature requires more information, or requests the 30-day review period be extended, the Finance budget analyst will inform the applying department and will assist in obtaining the additional data.

EMERGENCY SERVICES BY STATE AGENCIES

The California Emergency Services Act establishes the basis for the state to mitigate the effects of natural, man-made, or war-caused emergencies.

Government Code section 8649 provides that, subject to the approval of Finance, any state agency may use its personnel, property, equipment, and appropriations in emergencies declared by the Governor. Because of the need to respond to emergency situations immediately, there may be times when it may be difficult to secure advance approval of Finance. For this reason, Finance, under the authority of Government Code section 13078 and EO B–48–78, has given standing authority to the Secretary of the California Emergency Management Agency (Cal EMA) formerly the Office of Emergency Services (OES)), or the Director’s duly designated representative, to direct any agency to utilize and employ state personnel, equipment, and facilities to prevent or alleviate actual or threatened damage due to an emergency, without prior DOF approval, providing the cost of such urgency actions by all state agencies does not exceed $25,000 for each emergency response as directed by the Secretary of the Cal EMA. For expenditures above this level, Finance approval is required.
Government Code section 8649 further provides that any state agency which uses its personnel, property, equipment and appropriation for such declared emergencies, and said agency contains funds which are subject to constitutional restriction prohibiting their use for such purposes, shall be provided reimbursements, and the original expenditure shall be considered a temporary loan to the General Fund.

In the event a department is unable to absorb all the costs associated with an emergency response, it should request assistance from Finance. Appropriate Finance staff will direct immediate attention to the anticipated funding deficiency and provide guidance to the department projecting the shortage. The Director of Finance will evaluate and make decisions on each request for supplemental funding on an individual basis. Budget Letter 09-13, issued April 20, 2009, describes this process.
Preparing for an Emergency

By EO B–48–78, the Governor ordered in part that:

1. Specific assignment of emergency functions to a given agency will be made in an Administrative Order by the Secretary, Cal EMA, following consultation with the respective agency head.

2. Draft copies of agency procedures designed to carry out emergency assignments shall be submitted to the Secretary, Cal EMA, for review and approval prior to publication.

3. Each agency shall prepare for and ensure the utilization of minimum resources required for continuation of normal services and redirection of all other resources to accomplish objectives in accordance with the California Emergency Plan.

Accordingly, each agency must prepare to use existing resources for its assigned emergency response to protect the health and safety and to preserve the lives and property of the people of the State of California.

STANDARDIZED REGULATORY IMPACT ASSESSMENT

FOR MAJOR REGULATIONS 6600
(New 6/2014)

Pursuant to Government Code section 11346.36(f), Finance’s regulations regarding major regulations and Standardized Regulatory Impact Assessments are published below.

A state agency promulgating a major regulation is required to send a completed Standardized Regulatory Impact Assessments and the form required by California Code of Regulations, title 1, section 2002 to the Department of Finance for review and comment. Please send these documents electronically to majorregulations@dof.ca.gov or send three copies to:

Economic Research Unit Department of Finance 915 L Street
Sacramento, CA 95814
Fax No.: (916) 449-5253

Rev. 426
Title 1, California Code of Regulations Division 3. Department of Finance


For purposes of this chapter:

(a) —Agency has the meaning given to that term in Section 11342.520 of the code.

(b) —As estimated by the agency means the agency has estimated the economic
impact of a proposed action in the manner prescribed by section 2003.

(c) —Codell means the Government Code.

(d) —Department means the Department of Finance.

(e) —Economic impact means all costs or all benefits (direct, indirect and induced) of the proposed major regulation on business enterprises and individuals located in or doing business in California.

(f) —GO-Biz means the Governor’s Office of Business and Economic Development.

(g) —Major regulation means any proposed rulemaking action adopting, amending or repealing a regulation subject to review by OAL that will have an economic impact on California business enterprises and individuals in an amount exceeding fifty million dollars ($50,000,000) in any 12-month period between the date the major regulation is estimated to be filed with the Secretary of State through 12 months after the major regulation is estimated to be fully implemented (as estimated by the agency), computed without regard to any offsetting benefits or costs that might result directly or indirectly from that adoption, amendment or repeal.

(h) —Notice of proposed action means the notice required by Section 11346.5 of the code.

(i) —OAL means the Office of Administrative Law.

(j) —SRIA means the standardized regulatory impact assessment required by Section 11346.3(c) of the code.


(a) (1) An agency that anticipates promulgating a major regulation shall provide the department, not later than February 1 of each calendar year, with a list of all major regulations that it anticipates proposing during that entire calendar year. The information shall be provided on a form prescribed by the department. The list shall specifically identify the following for each major regulation that the agency proposes to adopt, amend or repeal: subject matter, title and section of the California Code of Regulations that will be affected, statute or court decision being implemented, interpreted or made specific and the anticipated date on which the agency proposes to publish the notice of proposed action for each major regulation. The list shall also contain the name of the agency, the responsible unit within the agency, and the name, telephone number, email, and mailing address of a contact person.
(2) In the event an agency determines after February 1 that it anticipates promulgating a major regulation, the agency shall submit to the department the information required in subdivision (a)(1) as soon as possible but in no event later than 60 days prior to filing a notice of proposed action with OAL.

(b) Within 15 days of receipt of a list of proposed major regulations, the department shall provide a copy of that list to GO-Biz and to any other agency that has requested a copy.
Within 15 days of receipt of a list of proposed major regulations, the department shall post that list on its Internet web site.

(c) The agency shall also seek public input regarding alternatives from those who would be subject to or affected by the regulations (including other state agencies and local agencies, where appropriate) prior to filing a notice of proposed action with OAL unless the agency is required to implement federal law and regulations which the agency has little or no discretion to vary. An agency shall document and include in the SRIA the methods by which it sought public input.


(a) An agency that anticipates promulgating a major regulation as defined in section 2000 shall, pursuant to Section 11346.3(f) of the code, submit its completed SRIA to the department within the following time frame:

(1) Not less than 60 days prior to filing a notice of proposed action with OAL if the agency has notified the department of the proposed regulation within the time prescribed by 2001(a); or

(2) Not less than 90 days prior to filing a notice of proposed action with OAL if the agency has not notified the department of the proposed major regulation within the time prescribed by section 2001(a);

(b) (1) The SRIA shall contain all of the information required by Section 11346.3(c) of the code, which shall have been prepared in compliance with section 2003.

(2) The SRIA shall also include a description and explanation of each of the following:

(A) The economic impact method and approach, including the underlying assumptions the agency used and the rationale and basis for those assumptions;

(B) The specific categories of individuals and business enterprises who would be affected by the proposed major regulation;

(C) The inputs into the assessment of the economic impact;

(D) The outputs from the assessment of the economic impact;
(E) The agency’s interpretation of the results of the assessment of the Economic impact.

(3) The SRIA shall also include documentation sufficient to substantiate compliance with the requirements of this section and section 2003.

(c) The SRIA shall be accompanied by a form prescribed by the department that includes all of the following:

(1) Name of the agency.

(2) The name, telephone number, email and mailing address of the contact person.

(3) Statement of the need for the proposed major regulation.

(4) A summary of the categories of individuals and business enterprises who will be impacted by the proposed major regulation and the amount of
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the economic impact on each such category.

(5) An identification and description of all costs and all benefits due to the proposed regulatory change, calculated on an annual basis from estimated date of filing with the Secretary of State through 12 months after the estimated date the proposed major regulation will be fully implemented as estimated by the agency.

(6) Description of the 12-month period in which the agency estimates the economic impact of the proposed major regulation will exceed $50 million.

(7) Description of the baseline that the agency used to compare proposed regulatory alternatives.

(8) Identification of each regulatory alternative for addressing the stated need for the proposed major regulation, including each alternative that was provided by the public or another governmental agency and each alternative that the agency considered; all costs and all benefits of each regulatory alternative considered; and the reasons for rejecting each alternative.

(9) Description of the methods by which the agency sought public input as required by section 2001, accompanied by documentation of that public outreach.

(10) A description of the economic impact method and approach, including the underlying assumptions the agency used and the rationale and basis for those assumptions.

(11) Date, printed name, and signature of the head of the agency.

(d) Within 10 days of receiving an SRIA, the department shall post a copy of the form required by subdivision (c) on its Internet web site.

(e) Within 10 days of receiving an SRIA, the department shall provide a copy of the form required by subdivision (c) to Go-Biz and any other agency that requests it. GO-Biz and any other agency may provide comment to the department within 10 days thereafter.


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(a) In conducting the SRIA required by Section 11346.3(c) of the code, an agency shall use an economic impact method and approach that has all of the following capabilities:

(1) Can estimate the total economic effects of changes due to regulatory policies over a multi-year time period.

(2) Can generate California economic variable estimates such as personal income, employment by economic sector, exports and imports, and gross state product, based on inter-industry relationships that are equivalent in structure to the Regional Industry Modeling System published by the Bureau of Economic Analysis.

(3) Can produce (to the extent possible) quantitative estimates of economic variables that address or facilitate the quantitative or qualitative estimation of the following:

   (A) The creation or elimination of jobs within the state;
The creation of new businesses or the elimination of existing businesses within the state;

The competitive advantages or disadvantages for businesses currently doing business within the state;

The increase or decrease of investment in the state;

The incentives for innovation in products, materials, or processes;

The benefits of the regulations, including but not limited to benefits to the health, safety, and welfare of California residents, worker safety, and the state’s environment and quality of life, among any other benefits identified by the agency.

The department’s most current publicly available economic and demographic projections, which may be found on the department’s website, shall be used unless the department approves the agency’s written request to use a different projection for a specific proposed major regulation. Such approval shall be made on a case-by-case basis. An agency that anticipates that it will take more than one year to develop a major regulation is encouraged to work with the department in determining the most appropriate projections to use.

Costs and benefits shall be separately identified for different groups of agencies, businesses and individuals if the impact of the regulation will differ significantly among identifiable groups.

The agency shall compare regulatory alternatives with a baseline that reflects the anticipated behavior of individuals and businesses in the absence of the proposed major regulation and shall identify the baseline it used.

In comparing proposed regulatory alternatives with an established baseline, an agency should consider including the following in its analysis:

(1) A description of feasible alternatives to the proposed major regulation and the rationale for choosing the proposed major regulation over the other alternatives considered. This description should also include:

(A) An explanation of how the need for the proposed major regulation affects the selection of regulatory alternatives;

(B) An evaluation of the legal and statutory constraints that limit the selection of regulatory alternatives.

(2) Whenever possible, at least two alternatives should be compared to the proposed major regulation, including:
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(A) An alternative that could achieve additional benefits beyond those associated with the proposed major regulation; and

(B) A next-best alternative that would not yield the same level of benefits associated with the proposed major regulation, or is less likely to yield the same level of benefits.

(3) A comparison of the cost-effectiveness of different alternatives.

(A) Both total and incremental benefits and costs should be estimated. Incremental benefits and costs are the differences between the estimates associated with the alternatives considered.

(B) Whenever possible, final rather than intermediate outcomes should be used as measures of effectiveness.
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(C) In cases where the proposed major regulation addresses more than one measure of effectiveness, weights should be applied to different categories of effects.

(D) The uncertainties associated with the estimates should be discussed.

(4) If there are significant differences between the incidence or timing of costs and benefits of a regulation, distributional effects should be addressed, including how the effects of the regulation are distributed, for example, by industry, income, race, sex, or geography, and how the effects are distributed over time.

(5) The assumptions, analytical methods, and data used in the analysis should be documented.

(A) To the extent possible, the analysis should rely on peer-reviewed literature.

(B) The source for all original information should be documented.

(f) An analysis of estimated changes in behavior by businesses and/or individuals in response to

the proposed major regulation shall be conducted and, if feasible, an estimate made of the extent to which costs or benefits are retained within the business and/or by individuals or passed on to others, including customers, employees, suppliers and owners.

(g) For each assessment of the value of benefits of the proposed major regulation required by section 11346.3(c)(1)(F) of the code, the agency shall describe the applied analytical methods and data sources used and the results of that analysis.

(1) The agency’s assessment may rely on current and (if applicable) projected market transaction data where a market exists that can directly reveal the quantity or monetary value of a projected benefit of the proposed major regulation.

(2) The agency may use an indirect approach (e.g., use values derived from related markets) in cases where the value of the benefits can be inferred from actual choices made by individuals in related markets. The assessment should rely on current and (if applicable) projected market transaction data.

(3) The agency may use a direct approach (e.g. use values from surveys), estimating the value of the benefits based on hypothetical choices made by individuals responding to a survey.

(4) The agency may estimate the value of the benefits based upon an existing study of another regulatory policy with similar subject or physical characteristics. This estimate should describe how the agency took into account the differences in the characteristics
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(such as time span, specific benefits to value, population, and other socio-economic factors) between the study and the proposed major regulation.

(h) In assessing the effects of a regulatory proposal on the General Fund and special funds of the state and affected local government agencies attributable to the proposed major regulation, including the cost of enforcement and compliance to the agency, an agency shall follow the Department of Finance instructions in the State Administrative Manual sections 6601, 6602, and 6604 through 6616.


2004. Failure to Comply with Requirements of this Chapter.
When an agency fails to comply in whole or in part with this chapter, the department shall identify in its comments the area(s) where the agency is out of compliance.


PREPARATION OF LOCAL MANDATE DETERMINATIONS AND COST ESTIMATES FOR EXECUTIVE REGULATIONS AND ORDERS

GENERAL 6601

(New 6/2014)

This and the following sections set forth the guidelines to complete the Economic and Fiscal Impact Statement (STD. 399). Pursuant to Government Code Section 11346.5, a rulemaking agency is required, prior to the issuance of an executive regulation, to include in the notice of proposed adoption, amendment, or repeal of a regulation the following:

1. A determination as to whether the regulation imposes a mandate on local agencies or school districts and, if so, whether the mandate requires state reimbursement pursuant to Part 7 (commencing with Section 17500) of Division 4 of the Government Code.

2. An estimate, prepared in accordance with instructions adopted by the Department of Finance (DOF), of the cost or savings to any state agency or local government; the cost to any local government that is required to be reimbursed under Part 7 (commencing with Section 17500) of Division 4 of the Government Code; any other nondiscretionary costs or savings including revenue changes imposed on state and local governments; and the cost or savings in federal funding to the state.

3. A statement of the results of the assessment of the economic impacts of a proposed regulation pursuant to Government Code sections 11346.2 and 11346.3.

DEFINITION 6602

(Revised 6/2014)

For the purposes of implementing these guidelines, the following definitions apply:

Agency, Local. Any city, county, special district, authority, or other political subdivision of the state.
Agency, State. Every office, officer, department, division, bureau, board, council, or commission in state government. A —state agency— does not include an agency in the judicial or legislative branches of state government.

Direct Fiscal Costs

1. Personnel needed to perform a line function or activity prescribed (expressed or implied) in the regulation.

2. Fringe benefits associated with those personnel, e.g., retirement, OASDI, workers’ compensation.
3. Operating expenses associated with those personnel, e.g., if compliance is achieved by contracting with a private vendor.

4. Any additional equipment which will have to be purchased or leased in order to comply with the regulation.

5. Allocation of other personnel-related costs if not otherwise allocated through an indirect cost system. Some agencies may allocate the costs of rent, space, utilities, etc., directly to the personnel involved.

Economic Impact. All costs or all benefits, (direct, indirect and induced) of the proposed major regulation on business enterprises and individuals located in or doing business in California. All costs or all benefits, (direct, indirect and induced) of the proposed major regulation on business enterprises and individuals located in or doing business in California.

A direct economic impact is the first-round impact of the policy change from the proposed regulation, e.g., a cost to a business of investing in new required equipment or a benefit to consumers of having additional health coverage. There are two additional types of economic impacts – indirect and induced – which are the reactions to the direct economic impact. An indirect economic impact is the secondary economic impact resulting from the direct economic impact, e.g., the extra sales of equipment to the regulated businesses, or the additional supply or demand for health care from expanded coverage. An induced economic impact is any other economic impact of the policy change from the proposed regulation not accounted for by the direct or indirect economic impacts, e.g., the additional household spending by employees of firms selling extra equipment or in the health care industry, or the additional tax burden on businesses and individuals from fiscal costs associated with enforcing the regulation.

Calculating an economic impact for a major regulation includes all costs or all benefits, computed without regard to any offsetting benefits or costs that might result directly or indirectly, to business enterprises and individuals directly affected by the regulation.

Fiscal Costs. All additional expenses for which either supplemental financing or the redirection of existing staff and/or resources (with or without the need for supplemental funding) is required. Costs include those which can be absorbed in an agency’s existing budget.

Indirect Fiscal Costs. Any costs related to the additional personnel or operating expenses described in the preceding which are not directly allocated or assigned to those personnel. They do not include a pro rata share of the costs of any manager or supervisor above the first line supervisors since it is assumed that any such supervisors would be in place whether or not the personnel hired to comply with the regulations were there. For
example, if a regulation necessitated the hiring of additional staff in a county welfare department, it would not be appropriate to assign, through an indirect cost system, a portion of the costs of the county welfare director to those new personnel since the director would exist to perform his/her functions even if the new personnel were not hired.

**Major Regulation.** Any proposed rulemaking action adopting, amending or repealing a regulation subject to review by OAL that will have an economic impact on California business enterprises and individuals in an amount exceeding fifty million dollars
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($50,000,000) in any 12-month period between the date the major regulation is estimated to be filed with the Secretary of State through 12 months after the major regulation is estimated to be fully implemented (as estimated by the agency), computed without regard to any offsetting benefits or costs that might result directly or indirectly from that adoption, amendment or repeal.

**Mandate.** A requirement with a consequence of noncompliance of either (1) a criminal penalty, (2) a civil liability, or (3) an administrative penalty.

**Public Agency.** Any state agency, city, county, special district, school district, community college district, county superintendent of schools, or federal agency.

**Reasonable Compliance.** No universal definition is available. However, the —prudent person‖ test can be utilized to arrive at an appropriate definition of the term. For example, if an agency is required by regulation to provide transportation for certain persons, it clearly would not be appropriate to purchase limousine-type luxury automobiles to do so. On the other hand, it would not be appropriate to provide the service by purchasing tandem bicycles. Reasonable compliance can be achieved with some mode of transportation between the two extremes cited. The issuing agency must evaluate each instance separately and determine what —reasonable compliance‖ would be. The estimate developed must clearly indicate the mode or level of activity it has assumed would achieve such compliance.

Since compliance connotes that the regulation involves a requirement, costs incurred by state or local agencies in exercising any authority granted by a regulation which is permissive or optional are not germane and need not be estimated.

**Regulation.** Every rule, order, or standard of general application or the amendment, supplement, or revision of any rule, order or standard adopted by any state agency to implement, interpret, or make specific the law enforced or administered by it, or to govern its procedure.

The term "emergency" means a situation that calls for immediate action to avoid serious harm to the public peace, health, safety, or general welfare. An emergency regulation is adopted pursuant to Government Code Section 11346.1.

**Revenues.** Any changes in the amounts of operating income received by state and local agencies as the result of an executive regulation must also be identified. In this context, —revenue‖ includes taxes, state and/or federal assistance, fees, licenses, and so forth.

**Savings.** Both actual budget reductions and the —freeing up‖ of staff and/or resources for reassignment to other areas of legitimate concern of the agency.

**School District.** Any school district, community college district, or county superintendent of schools.

**Special District.** Any agency of the state which performs governmental or proprietary functions within limited boundaries. Special district includes a redevelopment agency, a joint powers agency or entity, a county service area, a maintenance district or area, an
improvement district or improvement zone, or any other zone or area. Special district does not include a city, a county, a school district, or a community college district.

County free libraries established pursuant to Chapter 6 (commencing with Section 19100) of Part II of the Education Code, areas receiving county fire protection services
pursuant to Government Code Section 25643, and county road districts established pursuant to Chapter 7 (commencing with Section 1550) of Division 2 of the Streets and Highways Code shall be considered special districts for all purposes of this section.

Standardized Regulatory Impact Assessment. An analysis of the economic impacts of proposed major regulations which is required for any proposed regulation that has an estimated economic impact to business enterprises and individuals located in or doing business in California exceeding $50 million in any 12-month period between the date the major regulation is estimated to be filed with the Secretary of State through 12 months after the major regulation is estimated to be fully implemented.

ECONOMIC IMPACT STATEMENT

(Revised 6/2014)

A state agency that proposes to promulgate a regulation must include a completed STD. 399 with each proposed regulation that is submitted to OAL for publication in the California Regulatory Notice Register. Government Code sections 11346.2, 11346.3, 11346.5 and Health and Safety Code section 57005 establish requirements for assessing a proposed regulation’s estimated economic impact. This SAM section will relate each section of the Economic Impact Statement of the STD. 399 to the corresponding statutory requirements specified in the codes referenced.

A. Estimated Private Sector Cost

1. This section references the specific economic impacts of a proposed regulation. If the proposed regulation fits any of the a-g criteria, then the appropriate section of the economic impact statement must be completed.

2. This section references the estimated economic impact of the proposed regulation which an agency must compute to determine if the proposed regulation is a Major Regulation in accordance with California Code of Regulations, title 1, section 2000.

3. Total businesses impacted

Government Code section 11346.5(a)(7)(A) requires agencies to identify the types of businesses affected by the proposed regulation.

4. Businesses created or eliminated

Government Code section 11346.3(b)(1)(B) requires agencies to assess the proposed regulation’s impact on the creation or elimination of businesses within the state, including regional impacts.
5. Geographic extent of regulation

Government Code section 11346.3(b)(1)(C) requires agencies to assess the proposed regulation’s impact on the expansion of businesses within the state.

6. Employment factors

Government Code section 11346.3(b)(1)(A) requires agencies to assess the proposed regulation’s impact on the creation or elimination of jobs in California.

7. Competition

Government Code section 11346.3(a)(2) requires agencies to evaluate the impact on the ability of California businesses to compete with businesses in other states.
B. Estimated Costs

1. Initial and ongoing costs to business and individuals

Government Code section 11346.3 requires agencies to evaluate the potential cost of compliance of the proposed regulation for businesses and individuals.

2. Share of total costs

Government Code section 11346.5(a)(7)(A) requires agencies to describe the types of businesses affected by the proposed regulation and their share of the total cost of the proposed regulation if the proposed regulation has a significant statewide adverse economic impact.

3. Reporting requirements

Government Code section 11346.5(a)(7)(B), requires agencies to identify reporting requirements for businesses if the proposed regulation has a significant statewide adverse economic impact.

4. Housing

Government Code section 11346.5(a)(12) requires agencies to determine if the regulation will directly impact housing costs.

5. Federal regulations

Government Code section 11346.5(a)(3)(B) requires the agency to determine if the regulation differs from an existing comparable federal regulation.

C. Estimated Benefits

Parts 1-3 of this sections are required by Government Code section 11346.3(b)(1)(D) which requires agencies to discuss the benefits of the regulation, including, but not limited to, benefits to the health, safety, and welfare of California residents, worker safety, and the state’s environment and quality of life, among any other benefits identified by the agency.

4. Expansion of businesses

Government Code section 11346.3(b)(1)(C) requires agencies to assess the proposed regulation’s impact on the expansion of businesses within the state.

A. Alternatives to the Regulation
Parts 1 and 2 of this section are required by Government Code section 11346.2(b), which requires agencies to discuss alternatives to the proposed regulation.

3. This section supplements the comparisons of the proposed alternatives and the proposed regulation in parts 1 and 2 of this section to allow for a standardized comparison.

4. Consideration of performance standards
Government Code section 11346.2(b) requires agencies, when mandating the
use of specific technology or equipment, to consider performance standards to help lower compliance costs

B. Major Regulations

Parts 1 through 3 of this section apply only to boards, offices and departments within the California Environmental Protection Agency. Health and Safety Code section 57005 requires each board, office and department to follow internal guidelines for regulations with an estimated economic impact on the state’s business enterprises in an amount exceeding ten million dollars.

Parts 4 and 5 of this section apply to a proposed regulation that is a major regulation. Government Code section 11346.3(c)(1) requires all state agencies proposing to adopt, amend, or repeal a regulation which is subject to review by OAL and not specifically exempted from the Administrative Procedure Act to conduct a Standard Regulatory Impact Assessment (SRIA) for a major regulation. Three copies of the SRIA and the form required by California Code of regulations, title 1, section 2002 should be submitted to the Department of Finance.

Questions concerning the Economic Impact Statement may be directed to:

California Department of Finance 915 L Street
Sacramento, California
Telephone Number: (916) 322-2263

CONTENTS OF FISCAL IMPACT STATEMENT (FIS) 6604

(Revised and renumbered from 6610 on 3/2009)

A state agency that adopts, amends, or repeals a routine regulation or emergency regulation must make a local mandate determination and an estimate of fiscal impact resulting from the "regulation" on the following:

Local Government

1. Any costs which must be reimbursed pursuant to Section 6 of Article XIII B of the California Constitution and Part 7 (commencing with Section 17500) of Division 4 of the Government Code. See Government Code Section 17514 and SAM Section 6620.
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2. Any costs which are not reimbursable under that provision of the Constitution but which will necessarily be incurred in reasonable compliance with the regulations.

3. Any savings.

4. Any other impacts such as revenue changes.

State Agencies

1. Any costs that necessarily will be incurred in reasonable compliance, administration, implementation, and/or enforcement by the issuing state agency and/or any other state agency.
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2. Any savings.

3. Any other impacts such as revenue changes.

Federal Funding to the State

1. Any additional funding required.

2. Any reduction in such funding.

The required estimate must include a definitive statement on each of these items. For example, even if there are no resultant reductions in or savings of federal funds, that fact must be so stated and reported. Each of the items is further defined and explained along with suggested methodologies for developing estimates of —costs‖ and —savings,‖ in the succeeding sections.

FISCAL IMPACT ON LOCAL GOVERNMENT

6605

(Revised and renumbered from 6620 on 3/2009)

Subdivision (a) of Article XIII B provides that whenever the Legislature or any state agency mandates a new program or higher level of service on any local government, the state shall provide a subvention of funds to reimburse that local government for the costs of the program or increased level of service, except that the Legislature may, but need not, provide a subvention of funds for the following mandates:

1. Legislative mandates requested by the local agency affected.

2. Legislation defining a new crime or changing an existing definition of a crime.

3. Legislative mandates enacted prior to January 1, 1975, or executive orders or regulations initially implementing legislation enacted prior to January 1, 1975.

Subdivision (c) of Article XIII B provides that a mandated new program or higher level of service includes a transfer by the Legislature from the state to cities, counties, cities and counties, or special districts of complete or partial financial responsibility for a required program for which the state previously had complete or partial financial responsibility.

Government Code Sections 17500 et seq. require the state to reimburse local agencies...
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and school districts for any costs that they are required to incur after July 1, 1980, as a result of a statute enacted or any executive order implementing any statute enacted on or after January 1, 1975, which mandates a new program or higher level of service of an existing program.

Government Code Section 17516 defines —executive order— as:

Any order, plan, requirement, rule, or regulation issued by any of the following: (1) the Governor, (2) any officer or official serving at the pleasure of the Governor, or (3) any agency, department, board, or commission of state government.

It is important to note that only those executive orders which implement state statutes that impose a mandate on local governments fall within the purview of Section 6 of Article XIII B of the California Constitution, and that any regulation listed as a statutory
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exception under subdivisions (a) through (g) of Government Code Section 17556 may have a fiscal impact, but is not a state reimbursable mandate. Specifically, any costs which local governments incur as the result of a regulation which implements a ballot measure approved by the voters, a court order, or a federal directive would not be reimbursable by the state; however, as described in the following sections, the issuing state agency is nevertheless required to include an estimate of these non-reimbursable costs.

FUNDING FOR REIMBURSABLE LOCAL COSTS 6606

(Revised and renumbered from 6621 on 3/2009)

Pursuant to Government Code Section 17561(b)(1) (B), when a regulation involves reimbursable costs, it —...shall be accompanied by a bill appropriating the funds therefore, or alternatively, an appropriation for these costs shall be included in the Budget Bill for the next succeeding fiscal year.‖ Use of the second alternative must receive prior approval of DOF. If the state agency fails to provide appropriate funding, then affected local agencies are authorized to file claims for reimbursement with the Commission on State Mandates.

In order to prepare the local mandate determination required by Government Code Section 11346.5; i.e., a determination as to whether the proposed regulation imposes a mandate on local agencies or school districts, it is necessary to first answer the following question:

Will the regulation require local entities to undertake a new program or to provide an increased level of service in an existing program?

If the answer to this question is —No,‖ then check box 4, 5, or 6 in Section A of STD. 399. If the answer is —Yes,‖ it is then necessary to determine if the costs resulting from the mandate are not state reimbursable based one or more of the statutory exceptions in subdivisions (a) through (g) of the Government Code Section 17556 as follows:

1. Implements a federal mandate.
2. Implements a court mandate.
3. Implements a mandate in a ballot measure approved by the voters.
4. Results from a documented request from the only local governments affected.
5. Provides (or fall within the purview of existing) revenue sources or other financing mechanisms.
6. Results in savings that are equal to or exceed any costs.
7. Creates, eliminates, or changes the penalty for a new crime or infraction.
In addition to these statutory exclusions, the courts have held that costs of statutes and regulations are not reimbursable if they:

1. Result from an action undertaken at the option of a local government (County of Contra Costa vs. State of California, 177 Cal App 3d 62.79 (1986)).

2. Are not unique to local government, e.g., affect both the private sector and the public sector (County of Los Angeles vs. State of California et al, 43 Cal App 3d 46 (1987)).

If it is determined that the regulation does not impose a reimbursable mandate on local government, it is still necessary to include a specific statement reflecting that determination in the notice and to develop estimates of any non-reimbursable local costs. If it is determined that the regulation does impose a reimbursable mandate on local government, then it is important to state the mandate precisely. This is normally best accomplished by employing a statement, expressed in mandatory terms, which identifies both the affected local governments by group and the activity that will be required of them, e.g., —county clerks shall provide each polling precinct worker with an American flag,—school districts shall provide each student with a lunch box at no cost to the student,—all local governments shall record on videotape all meetings of their governing bodies. With the mandate so stated, it is then possible to proceed to develop an estimate of its cost to local government.

**COST ESTIMATING METHODOLOGY**

A standard methodology has been developed for use in estimating costs in regulations. The main components of that methodology are (1) statement of the mandate, (2) background or introductory material, (3) working data, (4) assumptions, (5) calculations, and (6) conclusion.
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Descriptions of these components are as follows:

**Statement of the Mandate**

This is described in SAM Section 6606. **Background or Introductory Material** This component must include the following:

1. A legal description of the legislation which is the basis for the regulation, e.g., Chapter 1234, Statutes of 1996 (SB 123, Smith).

2. Any other pertinent historical data.

**Working Data**

Working data are any available statistical data and their sources which would identify the affected universe. (For example: Secretary of State data on the number of registered voters and/or polling places, State Department of Education data on school enrollees, or State Controller’s reports for the number of local governments.) Also, any
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—market place‖ information or standard costs of items needed to comply with the mandate, e.g., quoted process for forms, lunch boxes, video cameras (sales, rentals, or contract services). In addition, it is very useful and, in some instances essential, that a representative sampling of the affected local governments be contacted and queried as to the impact of the mandate on them. Very often organizations representing the affected local governments such as the California State Association of Counties (CSAC) and the League of California Cities can either provide such information directly or identify those local governments most likely to be most affected by and/or able to provide information regarding the mandate’s impact on them. Each county has designated a person, usually in the County Executive’s Office, as a —local mandate coordinator‖ for purposes of providing information, upon request, on pending legislation and handling Commission on State Mandates claims. Those coordinators should also be able to assist in developing fiscal estimates for regulations.

Assumptions
On occasion, data regarding the affected universe and/or the price of the mandated item are not readily obtainable. In these instances, it may be necessary to make some reasonable assumptions about the impact. These assumptions must be clearly stated and kept separate from the —hard‖ data used in developing the estimate.

Calculations
Any mathematical computations using working data and/or assumptions necessary to arrive at a resultant cost figure must be displayed. Costs for both the balance of the current fiscal year and for the subsequent two fiscal years must be developed.

Separate calculations must be provided for local, state, and federal costs, as appropriate, as described in the succeeding sections. Any savings to each level of government must be similarly identified.

Conclusion
Determinations made by the issuing state agency regarding the applicability of the California Constitution to any resultant costs and/or the need to provide additional funding of any state costs. See SAM Section 6606 for the required information.

NONREIMBURSABLE LOCAL COSTS 6608
(Revised and renumbered from 6623 on 3/2009)
Local governments may incur costs as the result of the issuance of executive regulations. These costs must be identified and estimated by the issuing state agencies even when they are not reimbursable state mandated costs. These costs will generally result from regulations which fall under one of the statutory exceptions listed in Section 6606.
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The basic estimating methodology is the same as that set forth in SAM Section 6607; however, it is important to clearly indicate that these are not constitutionally reimbursable mandates and to develop estimates of offsetting savings and costs. For these regulations no estimate of costs is required since only —other nondiscretionary costs‖ are specified in law; however, there may be occasions where it would be desirable to have an estimate of the costs that would be incurred if all eligible local governments took advantage of the authority conferred by the regulation.
In a sense, savings result from what might be called —negative mandates”, since local governments are relieved from doing something they were previously required to do.

The same basic estimating methodology as set forth in SAM Section 6607 can be employed to determine local savings in state regulations. In fact, it should be relatively simple to derive estimates of savings since affected local governments must be able to identify what they are doing and what the associated costs are. The discretionary savings must also be identified since the state would be providing local governments with the option, if they choose to take it, to reduce the cost of government.

**INCREASES OR REDUCTIONS IN LOCAL REVENUES**

The state agency must prepare an estimate of any revenue changes at the local level as the result of a state executive regulation, any such impact must be included in the estimate prepared by the issuing agency. Any local revenue losses resulting from state executive regulations are not reimbursable under the mandate law.

**COSTS TO STATE AGENCIES**

The issuing state agency must accurately identify costs that other state agencies incur as a result of its regulation. The identification will allow the other affected state agencies to take the appropriate action to secure any needed funding. The basic methodology for estimating costs is set forth in SAM Section 6607. The primary difference, of course, is that the governments contacted for cost data would be state, rather than local agencies or school districts.

Each state agency must carefully review the weekly —California Regulatory Notice Registerll published by the Office of Administrative Law (OAL) in order to determine whether any proposed regulation therein would impact that department. The state agency proposing to issue the regulation must notify any affected state agency of any potential impact. Each state agency will have to determine for itself whether it needs to obtain additional funding.

**SAVINGS TO STATE AGENCIES**

It is especially important to identify savings to a state agency or agencies when there may be corresponding costs to another state agency, e.g., a transfer of responsibility. Any savings must also be identified so that the total potential magnitude of such savings can be known.
Increase in Federal Funding

Federal funding of state programs could increase as the result of state regulations if the state acts to exercise authority granted by the federal government. Most likely, this would involve programs which have established sharing ratios and the state acts to increase the size of either the client group or the payments themselves. In this context, it is important to distinguish between regulations which implement federal mandates and those which are issued under authority granted by the federal government.

It must be noted that recent court cases have held that the threatened loss of federal funds is not equivalent to a federal mandate.

Rather than sampling any affected state and/or local entities, it would be appropriate and acceptable for the issuing state agency to either calculate the increased federal fund (based on an established sharing ratio) or to contact the federal agencies involved for their estimates of any fiscal impact.

Reductions in Federal Funds

As with increased federal funds decreases would most likely result for programs involving sharing ratios. The same methodology suggested for estimating federal fund increases may be used for federal fund reductions.

SIGNATURE REQUIRED FOR FISCAL IMPACT STATEMENT (FIS)

A state agency adopting, amending, or repealing a routine or emergency regulation shall use the STD. 399 to make a determination and develop an estimate of that proposed regulation's fiscal impact on local governments. The Fiscal Impact Statement section of the STD. 399 must be completed and signed by the agency when a notice of proposed action is submitted for publication in the California Regulatory Notice Register. If the proposed regulation is modified and this modification would cause a change to the fiscal impact of the proposed regulation after the STD. 399 was submitted to Finance and

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signed, an updated STD. 399 must be submitted to Finance. The STD. 399 and related documents must be submitted in the agency’s rulemaking file for the proposed action.

The STD. 399 must be approved and signed by (1) the Agency fiscal officer and (2) the Agency Secretary; the highest ranking official in the state agency, if it is not under an Agency Secretary; or a designee having a written delegation from the Agency Secretary or the highest ranking official before it is submitted to OAL. Prior to submitting an emergency regulation to OAL, a Finance signature on the STD. 399 is not required. In accordance with Government Code section 11346.1, a Finance signature is required when the agency submits to OAL the rulemaking file and certification stating compliance with Government Code sections 11346.2 to 11347.3.

A Finance Program Budget Manager (PBM) or designee signature is required when the
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Fiscal Impact Statement on the STD. 399 reflects either costs or savings, whether budgeted or not. The estimate in a STD. 399 that is signed by the agency must reflect the actual language of the proposed regulation adopted by the agency. A PBM signature reflects a concurrence that the estimates provided on the STD. 399 are an accurate estimation of the fiscal impact of the proposed regulation. A PBM signature does not reflect a policy endorsement of the regulation itself, a concurrence that the proposed regulation is the most cost-effective option, or an approval to submit a Budget Change Proposal (BCP) to address any identified fiscal impact. Any estimated budget costs or savings must be addressed through the annual budget development and BCP process.

If a proposed regulation is determined to be a major regulation, comments submitted by Finance relating to the required Standardized Regulatory Impact Assessment (SRIA) and a PBM’s signature on the STD. 399 do not reflect an endorsement of the SRIA or of the proposed major regulation.

ESTIMATES WHICH REQUIRE DEPARTMENT OF FINANCE ACTION 6615

(Revised and renumbered from 6660 on 3/2009)

Subdivision (c) of Government Code Section 11357 specifically authorizes the DOF to —….review any estimate…for content including, but not limited to, the data and assumptions used in its preparation."

A state agency is not required in all instances to obtain the concurrence of the DOF in its estimate of the fiscal impact of its proposed regulation on governmental agencies. Such concurrence is required when the adoption, amendment, or repeal of a regulation results in local agency costs or savings, in state agency costs or savings, or in other nondiscretionary instances such as local/state revenue increases or decreases which must be depicted on the STD. 399 as follows:

A.1 - Reimbursable Local Costs
A.2 - Non-Reimbursable Local Costs
A.3 - Local Savings
A.6 - Other
B.1 - State Costs
B.2 - State Savings
B.4 - Other

In addition, the DOF’s approval is required for the inclusion in any such estimate of any statement to the effect that reimbursement of local costs will be requested in a subsequent Governor’s Budget, Section A.1 (b) on the STD. 399.

Requests for the DOF’s concurrence in or approval of a cost estimate for a proposed regulation must be forwarded to the DOF Principal Program Budget Analyst assigned to the issuing state agency at least 30 days prior to the date on which the —notice of
proposed adoption is to be issued. The completed STD. 399 must be submitted to the DOF along with copies of the calculations and assumptions leading to dollar estimates. Those calculations and assumptions must address the proposed regulation’s fiscal impact in the current fiscal year and in the two subsequent fiscal years. A copy of the local mandate determination and any attachments thereto must be retained by the
ISSUING STATE AGENCY IN THE RULEMAKING FILE REQUIRED BY GOVERNMENT CODE SECTION 11347.3. QUESTIONS REGARDING ANY TECHNICAL ASPECTS OF THE STATE MANDATE LAW SHOULD BE DIRECTED TO THAT DOF ANALYST OR OTHER GOVERNMENTAL AGENCIES THAT MAY BE AFFECTED BY THE PROPOSED REGULATION.

INPUT FROM OTHER GOVERNMENTAL AGENCIES IN THE DEVELOPMENT OF FISCAL ESTIMATES

(Revised and renumbered from 6670 on 3/2009)

State agencies that propose to issue regulations must allow for input from any and all other governmental agencies which express concern about the potential fiscal impact of the regulation on them. Such input must be solicited by the issuing state agency by practical means such as holding public hearings, publishing a notice in the California Regulatory Notice Register, and offering any other appropriate means.

Although the DOF's concurrence is required only for those circumstances set forth in SAM Section 6615, such concurrence may be requested for any other circumstances as well. When the DOF has concurred in the fiscal estimate, the DOF will, if requested, be primarily responsible for providing evidence and testimony to the Commission on State Mandates on any claim from a local government that the regulation results in increased costs. Conversely, the issuing state agency will be primarily responsible in instances where the DOF's concurrence was not obtained.

INFORMATION TECHNOLOGY EXPENDITURES

(Revised 12/2013)

In accordance with Government Code (GC) Section 13070, the Department of Finance (Finance) has general powers of supervision over all matters concerning the financial and business policies of the State. In addition, GC Section 11547 states that Finance shall determine availability of information technology (IT) project funding from appropriate sources and project consistency with state fiscal policy.

Established within Finance is the Information Technology Consulting Unit (ITCU). The ITCU performs fiscal analysis of statewide IT policies and enterprise initiatives proposed by the California Department of Technology, as well as fiscal oversight of Finance-identified critical IT projects. The Department of Technology coordinates review of IT proposals with Finance to streamline the review process and produce one decision for the Administration.

DEFINITIONS

(Reviewed 12/2013)
SAM - BUDGETING

For the purposes of this section:

1. An information technology (IT) activity is classified as either new or existing, and is defined as: (a) an IT project, comprised of one-time development and continuing operations/maintenance components, or (b) an ongoing IT effort, such as technical, production, or user support services.
SAM - BUDGETING

2. Budgetary authority refers to the funds appropriated, expenditure authorizations granted, and expenditure limits/conditions imposed on a department through the provisions of a budget act or other superseding authorization.

EXCLUSIONS

(Reviewed 12/2013)

See SAM Section 4819.32

REQUIREMENTS

(Revised 12/2013)

The California Department of Technology may impose conditions on information technology (IT) activity expenditures for individual departments or for specific IT activities. Such conditions must be met to gain or continue receiving Department of Finance (Finance) support for the IT activity expenditures.

Department of Technology approval is required prior to the commitment of resources to procure, develop, or implement a new IT activity and/or modify an existing IT activity that:

1. Has estimated total development and acquisition costs above a Department of Technology-established delegated cost threshold and does not meet the criteria of a desktop and mobile computing commodity expenditure (see SAM Sections 4989 through 4989.3);

2. Is a new system development or acquisition that is specifically required by legislative mandate or is subject to special legislative review as specified in budget control language or other legislation;

3. Involves a Finance budget action to fund all or part of the IT activity expenditures; or

4. Meets conditions previously imposed by the Department of Technology.

Note that all formal IT solicitations, as defined in SAM 4819.31, must be submitted to the Department of Technology for review prior to release to the public. In addition, departments are responsible for reporting to the Department of Technology the completion of an IT activity that meets one or more of the criteria listed above and the expenditures associated with that activity (see SAM Section 4947).

Splitting an IT activity into smaller components to avoid fiscal reporting requirements and controls is prohibited.

See SAM Sections 4800 through 5180 and Sections 5300 through 5365.3, and the Statewide Information Management Manual (SIMM), for statewide policy and process instructions for IT activities.
(Continued)

**EXPENDITURE SUPPORT**

(Revised 12/2013)

The [Department of Finance](#) (Finance) reviews and makes recommendations regarding funding and/or expenditure requests associated with proposed information technology (IT) expenditures through the budgetary process. In addition to business and fiscal factors, considerations to determine whether proposed IT expenditures are supportable include compliance with [SAM](#). Contact your departmental budget analyst or your Finance Budget Analyst for information concerning the various budget request documents available, their intended purpose, and the appropriate use of each. Funding requests associated with IT projects require [California Department of Technology](#) approval of a Feasibility Study Report, Special Project Report, or equivalent document.

Finance, at its discretion, may impose expectations and/or conditions for approving a department’s proposed IT expenditures when such expectations and/or conditions are in the best interest of the State. Departments will be notified of any such expectations and/or conditions Finance may impose on a department’s IT expenditures.

**INFORMATION TECHNOLOGY AUDITS**

(Reviewed 12/2013)

All information technology expenditures are subject to audit at the discretion of the [Department of Finance](#).

**COST ALLOCATION**

(Reviewed 12/2013)

Each department shall adopt policies and establish procedures for assignment of information technology (IT) costs by program or operational unit within the department, as well as for the assignment and recovery of IT costs for services.

**DATA CENTER FINANCIAL MANAGEMENT**

(Reviewed 12/2013)

This financial management policy applies to the [Office of Technology Services (OTech)](#), an office within the [California Department of Technology](#).

The data center is to operate on a breakeven cost basis by fiscal year (within any Government Code (GC) provision for carryover of operating surpluses or deficits), charging customer departments for its services according to an approved published service rate.
(Continued)
schedule. OTech will maintain a formal rate methodology approved by the Department of Finance (Finance). The approved rate methodology will be used to develop and adjust rates as necessary. Rate changes are proposed as circumstances warrant, often annually, and sometimes more frequently.
OTech will submit proposed rates to Finance. Consistent with GC Section 11540, Finance will review and approve the proposed rates based on the reasonableness of the rates and any significant budget impacts to customer departments. Rate changes that result in cost decreases for customer departments will be effective as soon as is reasonably possible.

Changes to the rate schedule that result in cost increases to customer departments will be announced at least 30 days in advance of the effective date. All details necessitating such change shall be available to customer departments for review. The approved rate schedule will be published on the OTech website.

To assist customer departments in their planning and budget preparation process, OTech will annually develop a statement for inclusion in a Budget Letter issued by Finance.

**OVERVIEW OF CAPITALIZED ASSETS**

(Revised 09/2017)

The Capitalized Assets sections of SAM reference policies and procedures on budgeting and financial administration of capital outlay projects and—more broadly—on programs for capitalized asset financing. These sections are divided into five parts:

1. An **overview of capital outlay** and **capitalized asset financing** (Sections 6800–6809);

2. **Budgeting** capital projects (Sections 6810–6839);

3. The administrative approval process for **implementing** acquisition, planning, design, construction, and equipping of capital projects (Sections 6840–6868);

4. **Long-term financing** of capitalized assets (Sections 6870–6888); and

5. **Glossary** and cross-index of capital outlay terminology, acronyms, and forms (Section 6899).

The Department of Water Resources for the State Water Project and the Department of Transportation for highway-related projects are not subject to the instructions contained in this chapter. In addition, this chapter does not address projects undertaken with funds not subject to legislative appropriation, such as higher education’s housing, student union programs, and other auxiliary organizations.

Rev. 424
As used in this chapter, the term capitalized assets refers to all processes which may result in the acquisition, new construction, alteration, renovation or betterment of real property, regardless of character of appropriation for the expenditure. This includes capital outlay projects and budget change proposals, certain leases that meet the definition of a capitalized lease, long-range plans for infrastructure, and financing of projects and capitalized leases.

The term capital outlay refers to a subset of these activities, funded specifically under the capital outlay character of appropriation. See Section 6806 for a discussion of characters of appropriation.

CAPITALIZED ASSETS: WHO DOES WHAT

Departments, the State Public Works Board (PWB), the Department of Finance (Finance),
the Department of General Services (DGS), the Pooled Money Investment Board (PMIB), and
the State Treasurer's Office (STO) all perform key roles in carrying out the state's infrastructure program.

a. Each department manages the programs for which infrastructure acquisition, construction or improvement is a supporting activity. The department identifies program needs in a strategic plan, determines the related infrastructure requirements, prepares a five-year infrastructure plan, prepares individual capital outlay budget change proposals, works with Finance and DGS to budget and implement the plan, and may work with PMIB and STO to provide interim and long-term financing for the project. At all stages of a capital outlay project or a capitalized lease project, departments are responsible for justifying program needs, keeping the project within scope and cost, and meeting administrative requirements set forth in statute and SAM.

The following departments have authority to design and construct projects, exclusive of the control or oversight of DGS, with certain limitations:

Departments authorized to manage capital outlay projects

- 0250 – Judicial Branch
- 3540 – Forestry and Fire Protection (limited authority)
- 3790 – Parks and Recreation
- 5225 – Corrections and Rehabilitation
- 6870 – California Community Colleges
- 6610 – California State University
- 6440 – University of California
- 8940 – California Military Department

Although the above departments have authority to manage capital outlay projects exclusive of DGS' control and oversight, these departments are subject to Finance and PWB control and oversight (special rules apply for the universities).

b. Finance reviews capital outlay budget change proposals (COBCPs) for inclusion in the Governor's Budget, reviews legislation proposing capital outlay projects and capitalized leases, has authority to adjust the scope of projects subject to legislative reporting requirements, chairs and provides staff to PWB in that board’s oversight of project implementation, and has delegated authority from PWB to carry out certain of the PWB’s
tasks. Finance also participates in bond sale activities for capital outlay and capitalized lease projects.

c. **PWB** acquires property for the state, must approve the preliminary plans or performance criteria for capital projects, may set reasonable conditions for any project, and may issue debt instruments and authorize interim financing to construct facilities. PWB ensures that projects remain within legislatively approved scope and cost and are carried out in a timely manner and with proper due diligence. PWB has authority to augment projects by up to 20 percent, and may terminate projects, under circumstances defined in statute.
and subject to legislative notification requirements. In addition, the PWB is vested with the power of eminent domain (condemnation authority) for the state entities under its purview. An overview of PWB’s role and responsibilities is presented in SAM Section 6842.

d. **DGS** has broad authority for real property acquisition, sales, statewide property inventory, and energy efficiency services for state and K-14 school facilities. Its services are offered on a reimbursable basis. DGS determines whether departments are capable of carrying out minor projects directly, and may delegate the management of minor capital projects to departments. Additional information about minor capital outlay projects is provided in Section 6807. DGS is also staff to PWB for property acquisition.

e. The **PMIB** has the authority to grant requests for Pooled Money Investment Account loans for projects needing interim financing before bonds are sold. Additional information on PMIB is provided in SAM Section 6878.

f. **STO** is the state’s official agent for the sale of debt instruments. STO chairs the PMIB and sits as a member on the PWB (Bond Items only). In addition, STO provides (or makes arrangements for) trust services for debt issuances. As agent for sale, STO holds the exclusive right to select financing teams for issuances. STO’s agent-for-sale role includes all debt financings of joint powers authorities, regardless of whether the state is a member of the authority. Additional information on STO is provided in SAM Sections 6870–6888.

**CAPITAL OUTLAY VERSUS STATE OPERATIONS**

**AND LOCAL ASSISTANCE**

(Revised 11/2017)

The state appropriates funds in three broad classifications—state operations (support), local assistance, and capital outlay—referred to as the *character of appropriation*. Unless statutory language specifically allows otherwise, once budgeted as one of the three characters, a program or activity must follow that classification’s expenditure rules.

Infrastructure management uses all three characters of appropriation, depending on the activity. The general rule is that the acquisition/creation/renovation of real property is
classified as capital outlay when the state holds or has the equivalent of fee ownership. If the state does not hold title to the real property but has a long-term interest in the property, such as a long-term lease, the betterment or improvement of this property may be classified as capital outlay, as determined by Finance.

Operation and maintenance of state real assets is classified as state operations. State-funded but locally-owned infrastructure is classified as local assistance.

Certain types of leasing activities—called capitalized leasing—which are funded as state operations can also result in a capital acquisition. As used in this chapter, the term *capitalized assets* covers both traditional capital outlay as well as capitalized leasing. (Reminder: Capitalized assets are to be reported to the DGS Statewide Property Inventory [SPI] Unit for inclusion in the SPI.)
Exception to the prohibition against using support funds for capital outlay: Section 6.00 of the Budget Act provides a limited exception to the rule that support funds may not be used for capital outlay purposes. This section allows up to $100,000 of support funds to be encumbered for preliminary plans, working drawings, performance criteria, construction, or design build of any project for the alteration of a state-owned facility upon Finance Approval (Section 6.00 does not apply to leased facilities). This amount may be exceeded only if:

1. Finance determines the proposed alteration is critical and the use of a higher level of support funds is necessary; and

2. The maximum cost of the project does not exceed $656,000.

Finance must notify the Legislature not less than 30 days in advance when approving more than $100,000 in support funding for a capital project. Section 6807 on minor capital outlay describes the approval process for projects of more than $100,000.

Guidelines for determining character of appropriation: The following discussion and table are intended as a guide to assist departments in determining whether an activity should be budgeted as capital outlay, support, or local assistance.

Capital outlay: Section 3.00 of the Budget Act defines capital outlay as the expenditure of funds for the acquisition of land or other real property, major construction, improvements, equipment, designs, specifications, and equipment necessary in connection with a construction or improvement project. Administratively, capital outlay is defined as:

1. Any real property acquisition or new construction.

2. Any alteration, renovation, addition or betterment (including interior asbestos removal/remodeling) which extends the design life or alters/upgrades the function of a structure.
a. This does not include repairs and maintenance, which are intended to keep a facility functional at its designed level of services and life expectancy.

b. Alteration means any modification of existing space (buildings, structures or other facilities) that changes the use as to function, layout, capacity, or quality. Typical alterations include demolition of fixed partitions and/or construction of new fixed partitions or initial installation of carpeting and movable partitions. However, there are two instances in which alterations may be done with state operations funding:

- In a leased space situation, the landlord generally makes the alterations and amortizes them through the lease. The lease, including increases for amortized alterations or lump-sum payment for alterations, is a state operations expense subject to the support budget review process; and

- As noted in preceding text, Section 6.00 of the Budget Act allows the use of the support appropriation for alterations, within specified limits.

c. Betterment means any modification that increases the designed level of services or life expectancy of a facility or other state infrastructure (e.g. seismic improvements, upgrades,
3. Fixed and movable equipment needed for initial occupancy of a new facility or space, but usually only if the new facility is not replacing an existing facility (see 6806 Illustration). Fixed equipment is referred to as Group 1 equipment, and movable equipment is referred to as Group 2 equipment (Section 6855).

4. A lease-purchase (installment payment) agreement. Although the actual lease payments will be budgeted in state operations, the transaction is a capitalized assets acquisition, and because equity is built as payments are made. All planned lease-purchases, whether authorized through the budget or special legislation, must be included in the department’s five-year capitalized assets plan. If the lease-purchase will be authorized through the Budget Act, a COBCP is required to verify economic benefits, whether or not there is a related support BCP for lease costs. (For lease-purchase agreements authorized through special legislation, Finance may require information similar in content to a COBCP at the proposed legislation stage.) These requirements apply to lease-purchases for state infrastructure financed through a joint powers authority, another level of government, or a private developer (Sections 6818 and 6820).

5. Both the request for, and the exercise of, a purchase option. A lease with a purchase option gives the state the right, during the course of the lease, to purchase the asset for a predetermined price, if desired, which is a capital outlay acquisition. Adding a purchase option in a lease agreement is considered initiating a potential capital outlay acquisition. Although the lease payments prior to the exercise of the option are classified as state operations, the potential acquisition must be tracked as part of the department’s overall capitalized asset plan. Therefore, if authorization is sought through the Budget Act, anticipated purchase options and their exercise must both be presented for review as COBCPs, subject to dollar thresholds noted in Sections 6818 and 6820. Regardless of method of authorization, the planned use of purchase options must be included in the department’s five-year infrastructure plan.

6. Generally, the following are not considered capital outlay: relocation (including temporary —swing space while a project is under construction) and moving expenses, although Finance may authorize moving expenses as a capital outlay cost on a case-by-case basis.

**State operations**: The following facility-related expenses are classified as state operations:

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(Continued)

etc.)
1. Replacement equipment items (regardless of amount).

2. Repair projects, including special repairs, not connected with a construction or improvement project. Examples of special repair projects include repainting, re-roofing, electrical rewiring, plumbing repairs, dredging of river or stream beds to restore original flow capacity, replacing old equipment items, and road repairs. (Regardless of amount, special repairs are budgeted in the department’s state operations appropriation.)

3. Maintenance, including deferred maintenance. Maintenance is budgeted as facilities operations in the department’s operating expense schedule.

4. Most relocation costs—including temporary—"swing" space—and moving expenses, whether or not related to a capital outlay project. Exceptions to this must be approved by Finance.

5. Lease or rental costs, and associated budget requests. (However, as noted in the preceding
text, capitalized leasing must be reflected in the five-year capitalized asset plan and COBCPs are required under specified conditions per Section 6818.)

6. Generally NOT alterations in state-owned buildings, except as provided in Section 6.00 of the Budget (see preceding). In leased facilities, support funds may be used for alterations.

Local assistance: The following infrastructure-related expense is classified as local assistance:

1. Grants to local agencies for the operation, maintenance, and acquisition or development of facilities or land, provided the local entity retains ownership after completion of the project.

<table>
<thead>
<tr>
<th>Description of Project 1/</th>
<th>State Operations: Operating Expenses and Equipment</th>
<th>Capital Outlay: PROJECT LEVEL MINOR PROJECTS</th>
<th>Capital Outlay: Major Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction projects: New construction, alteration2/, or betterment of existing structure. (<em>Construction projects include necessary Group I fixed equipment.</em>)</td>
<td></td>
<td>If $656,000 or less and scheduled as minor projects in Budget Act3/</td>
<td>In excess of $656,000</td>
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<tr>
<td>Repair and maintenance projects:</td>
<td>Irrespective of amount</td>
<td></td>
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<tr>
<td>Repair and maintenance projects that continue the usability of a facility at its designed level of services</td>
<td></td>
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<tr>
<td><strong>Equipment (Group II, movable) projects</strong> <em>(Section 6855):</em> If related to a specific construction project. New equipment to meet program needs and not related to a construction project; replacement of existing equipment even though the new equipment is to be used in a new facility</td>
<td>Irrespective of amount</td>
<td></td>
<td>Irrespective of amount or time of purchase</td>
</tr>
</tbody>
</table>
### Description of Project 1/

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</thead>
<tbody>
<tr>
<td>Purchase of land and/or facility/structure: Including related costs such as condemnation</td>
<td>Irrespective of amount</td>
<td></td>
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</tbody>
</table>
| **Capitalized leases of real property:** All leases which build equity as payments are made. *(Section 6818):*  
  - Lease-purchase  
  - A lease with purchase option agreement or amendment to an existing lease to add a purchase option.  
  - Any other capitalized lease per section 6818 | The lease payments are budgeted in support appropriation. Use a support BCP to request a budget increase. Provide a copy of the BCP to the capital outlay unit also. | Transaction is reviewed for infrastructure cost/benefits because the property is acquired—or may be acquired—as a result of the lease. *Submit a COBCP when requesting authority through the Budget Act, per Section 6818* |
| Operating leases of real property: Pure leases that do not build up equity as payments are made *(Section 6876).* | Irrespective of amount | |
| **Exercise of purchase option:** for currently rented or leased space *(Section 6820)* | Irrespective of amount | |
| **Relocation and moving costs:**  
  - Unrelated to a specific construction project. | Irrespective of amount | |
(Continued)

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<thead>
<tr>
<th>Description of Project 1/</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Technical assistance/consultants:</td>
<td>Depends on timing and nature/scope of activities.</td>
<td>Budget packages are generally capital outlay; other studies and assistance depend on timing and nature/scope of activities.</td>
<td></td>
</tr>
<tr>
<td>This may include studies, master planning, feasibility studies, program management, and budget packages.</td>
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</table>

1/ State-funded but locally-owned infrastructure is classified as local assistance.

2/ Control Section 6.00 allows the use of limited support appropriations for the alterations of state-owned facility. 3/ See Public Contract Code Section 10108.5 for exceptions.

4/ Finance may authorize exceptions to this rule.
Minor capital outlay is any project under $656,000 (except an acquisition project) which is scheduled in the Budget Act specifically as minor capital outlay. However, Resources Agency capital outlay projects of up to $903,000 may be proposed as minor projects with the concurrence of DOF (Public Contract Code 10108.5). The $903,000 limit does not apply to district agricultural associations or the State Lands Commission.

Important budgeting points include:

1. Per Section 3.00 of the Budget Act, the term *minor projects* includes planning, working drawings, construction, improvements, and equipment projects not specifically set forth in the budget schedule. It does not include any acquisition project, regardless of amount.

2. Minor projects are generally budgeted in a single schedule. Any project not scheduled specifically as a minor project, regardless of amount, is a major project. (The decision on how to propose scheduling the project is determined by Finance.)

3. DGS may delegate the authority to individual departments to carry out a minor project directly, pursuant to the Public Contract Code Section 10808 and 10808.5.

4. Per Section 1.80 of the Budget Act, the period of appropriation availability for minor projects is one year, followed by a two-year liquidation period. (Major projects have up to three years of expenditure availability.)

5. A minor project is not subject to PWB oversight. Consequently, by practice, PWB will not augment minor projects since they are not subject to the PWB approval processes.

6. Finance may increase the approved amount of a minor capital outlay project through a redirection within the minor program if the project is not scheduled individually and the amount of the increase does not result in a project of over $656,000. Substitution of minor projects is permissible with Finance concurrence and based on critical need. A complete COBCP (Section 6818) for the new project is required when requesting the substitution of a minor project along with all other justification.

Rev. 440
7. Minor projects may be subject to provisions of the California Environmental Quality Act (CEQA) as described in Section 6850.

8. Each year, Finance issues a budget letter requesting the submission of all minor project budget requests. Each proposed project must be submitted in the format for major projects outlined in Section 6818.
9. Reappropriation of minor projects is not generally permitted. Minor projects should be projects where all funds can be encumbered in one year.

10. It is not permissible to “piecemeal” larger projects through several minor projects.

**Minor projects created through Section 6.00 of the Budget Act:** As described in Section 6806, a minor project may be created for *alteration of a state facility* using support funds, subject to Finance approval when the total project amount is between $100,000 and $656,000.

The request must include all the information required in a COBCP (Section 6818). The request must be submitted at least 60 days in advance of proposed project implementation (30 days for Finance to review the request and notify the Legislature; 30 days for the Legislature’s review), and no later than April 30 of each year. (Submit copies of the request to both the Finance support analyst and the Capital Outlay Unit, along with any related Form 22 for transfer of funds to DGS’ Architecture Revolving Fund.)

**THE CAPITAL OUTLAY PROCESS IN BRIEF**

(Revised 5/1998)

The ten major phases of the capital outlay process, along with their supporting activities, are described in following text. For projects implemented through multiple or phase appropriations, parts of Phase 3 will need to be repeated for each appropriation.

Note that this description of the capital outlay process is based on the standard *design-bid-build* approach to project delivery. Other project delivery methods, such as the *design-build* approach, have slightly different project phases. Section 6842 discusses project delivery systems.

Reference to DGS in the following text applies to any department authorized to act as its own project manager.

1. **Concept and documentation phase:** 2 to 5 months (Sections 6816–6821)
   
a. Client department defines problem and develops conceptual solution.
b. Client department collects supporting data and documents how the project supports the department’s strategic plan.

c. Client department documents findings and conclusions in its five-year plan and COBCPs.

2. **Historical resources phase**: Usually coincides with phases 1 and 3 (Section 6822)

a. Client department submits proposed project and *Historic Resources Inventory* to State Historic Preservation Officer for review *if* the project will impact a state-owned structure over 50 years of age.

b. The State Historic Preservation Officer may propose mitigations which, if
unacceptable to the department, must be mediated by Office of Planning and Research.

3. **Budget approval phase:** 17 months (Section 6814 describes the budget enactment timetable; Sections 6824–6832 gives detailed descriptions of processes).

   a. DOF reviews the five-year plan and COBCPs, including their relationship to the department’s strategic plan.

   b. DGS prepares a technical feasibility review for the project, if requested by DOF.

   c. DGS develops budget packages, as requested by DOF.

   d. DOF conducts scope meetings, as required.

   e. DOF conducts Administration budget hearings and includes approved COBCPs in the *Governor’s Budget*.

   f. The Legislative Analyst comments on selected projects in *The Analysis of the Budget Bill*.

   g. Policy or technical changes to capital outlay projects proposed in the *Governor’s Budget* are submitted by Finance Letter to the Legislature.

   h. The Legislature holds budget subcommittee and conference committee hearings, and approves the capital outlay budget, with any revisions.

   i. After reducing or vetoing selected appropriations in the enrolled bill, the Governor signs the measure.

4. **Site selection and acquisition phase:** Up to 12 months (Section 6849)

   a. Client department and DGS make site selection.

   b. PWB approves site selection.
c. As PWB’s agent, DGS acquires property (through the exercise of eminent domain, if needed).

d. PWB approves settlement price, if any.

5. **Environmental review phase**: May coincide with phases 1 through 4 (Section 6850)

   a. Department meets the CEQA requirements. By policy, if land is purchased as part of a project, CEQA requirements must be completed before acquisition. Otherwise, environmental review must be completed by the end of Phase 6.

   6. **Preliminary plan phase**: 3 to 12 months (Section 6851)

   a. Design architect/engineer prepares schematic documents.
b. Design architect/engineer prepares design development and estimate of project costs.

c. Environmental process certified by department.

d. PWB approves preliminary plan design.

7. **Working drawing phase:** 3 to 11 months (Section 6852)

a. Design architect/engineer prepares plans and specifications for bidding and construction work and refines the cost estimate.

b. Responsible lead design agency obtains mandatory review and approvals (e.g., State Fire Marshal).

c. DGS submits the design certification to DOF.

d. DOF approves working drawings and proceeding to bid.

8. **Bidding phase:** 3 to 6 months (Sections 6852 and 6853)

a. DGS advertises the project for construction bids.

b. Interested bidders prepare and submit construction bids to DGS.

c. DOF authorizes award (if within approved funding levels) and approves transfer of construction funds.

d. DGS awards construction contract to contractor.

9. **Construction phase:** 3 to 36 months (Section 6854)

a. Contractor constructs project.

b. DGS processes construction progress payments and change orders within approved contingency amount.
c. DGS files contract completion notice with DOF.

10. **Claims and close-out phase**: (Section 6856)

a. Contractor files notice of claims.

b. DGS and contractor resolve claims through arbitration, mediation, and/or court.

c. DGS closes-out project per Government Code 14959.

Projects funded through bonds and financing leases have additional administrative steps addressed in Sections 6870–6888. Project changes for cost and scope are addressed in Sections 6861 and 6863, respectively.
Most citations for capital outlay planning, budgeting, and fiscal administration are contained in the Government Code and annual Budget Act. Citations for capitalized asset financing are also provided in the Government Code. However, the Public Contract Code, the Public Resources Code, and the California Code of Regulations provide significant instruction and constraints on project implementation. Statutory authorization for individual general obligation bond measures is placed programatically in the code (e.g., prison authorizations are placed in the Penal Code), and are not cited in the following 6809 Illustration. In addition, individual project descriptions (called project scope), which are provided in supplemental language to the Budget Act, are not cited in the following table.

Because legal citations change periodically, this table is a only a guide. The citations are not comprehensive, and information should be checked against current publications.

### CITATIONS FOR CAPITALIZED ASSETS AND FINANCING

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<td>Exclusions, emergencies</td>
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<td>10290 et seq.</td>
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<td>University of California</td>
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<td>Rules Governing Selection of A&amp;E Firms</td>
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<td>Historical Resources</td>
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<td>5024 et seq.</td>
<td>CA Code of Reg., Title 24</td>
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Errors unresolved:

P 10  Needs SME

P 31  section 30  need SME - vorig document was scanned and then font was changed to 12 formatting and spelling were goofed by OCR? Unclear what some items are

P33  image needs an SME

Review pages 29 -33
No base budget for capital outlay. Capital outlay budgets are zero-based each year. This means the department must submit a written capital outlay budget change proposal (COBCP) for each new project or subsequent phase of an existing project for which the department would like funding. The requirements for COBCPs are presented in Section 6818.

When COBCPs are due. In general, COBCPs for major and minor capital outlay projects are due to Finance in early August of each year for the fiscal year commencing 11 months later. See Section 6814 for an overview of the budget enactment timetable. See Section 6816 for a listing of documents in addition to COBCPs required to request capital outlay funding.

Scope Meetings. Departments may be requested to schedule meetings and/or arrange site visits to help Finance clarify and evaluate project necessity and scope of their COBCPs. Participants usually include Finance capital outlay staff, department staff, and the Department of General Services (DGS). The scope meeting establishes a common understanding among all parties about project scope and priority. Scope is defined in Section 6863.

When COBCPs are updated. New project proposals, unless of a truly urgent nature, are usually not accepted after initial submittal of the COBCPs and five-year plan in August. However, each COBCP submission is evaluated on a case-by-case basis and exceptions can be made to allow for a spring submission if the request is deemed critical and cannot wait until the next fall submission deadline. Cost updates received from DGS (based on budget package estimates) will be incorporated into the Governor’s Budget if received by late October. Otherwise, technical cost updates will be presented to the Legislature through a Finance Letter due to the Legislature no later than May 1. If possible, technical updates should be made by the April 1 deadline for spring Finance Letters. Requests accepted at May 1 may be rolled into the overall May Revision process at the discretion of Finance. Scope changes to existing projects, or new projects justified on an urgency basis, may be presented to the Legislature in a Finance Letter due no later than April 1. Department requests for technical and policy
Finance Letters are generally due in mid-February; specific due dates are published annually in a Finance Budget Letter. An updated or new COBCP may be required for policy and technical Finance Letters.

**COBCPs must clearly support the department’s plan.** Each department must have a strategic plan, and its COBCPs must demonstrate the relationship and relevancy on how the project supports the implementation of its strategic plan.

**Five-year infrastructure plans are required annually.** Each department submitting a COBCP must also submit, at the same time, a five-year infrastructure plan that includes the specific projects it intends to pursue in the following five-year time period.

The requirements for this plan are set out in Section 6820. A copy of the five-year plan is due simultaneously to the LAO. Exceptions to project-level plans must be approved by Finance.
Annual Budget Letters for COBCPs and five-year plans. Finance releases a Budget Letter each July setting specific due dates for COBCPs and five-year plans, reiterating information requirements, and describing any form or processing changes. A separate Budget Letter is released in January setting due dates for requests for Finance Letters the following Spring to make policy or technical changes to capital outlay projects proposed in the Governor’s Budget. Another Budget Letter is released biannually in the spring publishing the updated cost indexes used to adjust construction costs for inflation.

Capital Outlay augmentations. If a project is anticipated to exceed its budget, the remedies are a scope reduction (subject to approval by Finance and legislative notification) and/or an augmentation of up to 20 percent (subject to approval by the PWB and when required, legislative notification). If those remedies are insufficient, the remaining options are to terminate the project or halt it while seeking a new or supplemental appropriation. Augmentations and scope changes are discussed in Sections 6861 and 6863.

No transfer of capital outlay funds between scheduled projects. The annual Budget Act includes control section language (Sec. 26.00) forbidding the transfer of funds between scheduled projects in a department’s capital outlay item. There may be some exceptions on an item-by-item basis; however, the PWB retains the authority to augment a project’s appropriation, provided there are sufficient resources available in the source fund.

CEQA review required. The California Environmental Quality Act (CEQA) requires environmental review of any project undertaken in whole or in part by any public agency. See Section 6850 for more information.

Process exceptions for certain departments. The University of California, the California State University, California Community Colleges, some Resources Agency departments, and the Department of Corrections and Rehabilitation may handle the design and construction of their own projects without using the services of the Department of General Services. In addition, the Department of Water Resources (for the State Water Project) and the Department of Transportation (for highway-related projects) are not subject to the instructions contained in this chapter.
The following 6814 Illustration will help departments plan their capital outlay budget work. To meet statutory budget time frames, departments must submit requests for major and minor capital outlay projects in late July/early August, 11 months prior to the budget year for which funding is requested. Finance will publish a Budget Letter each year with more detailed instructions and due dates. Late requests will be accepted only if Finance has previously approved a late submittal. Departments within agencies must have agency concurrence for their proposals, prior to submittal. Submission dates indicated are when documents are due to Finance.

References to the Department of General Services in the following table also apply to any department which is authorized to act as its own project manager. Due dates on the chart are approximate; actual dates are set by Budget Letter.

### TIMETABLE FOR FIRST YEAR ACTIVITIES

<table>
<thead>
<tr>
<th>Period</th>
<th>Activity Description</th>
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<tr>
<td>July/August</td>
<td>Per annual Budget Letter instructions from Finance, the last date to submit five-year capitalized assets plans and major/minor capital outlay budget change proposals (COBCPs) for each new or continuing projects to Finance.</td>
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<tr>
<td>September-October</td>
<td>Capital outlay meetings with departments and Finance to discuss COBCPs (if necessary).</td>
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<tr>
<td>January 10</td>
<td>Governor's Budget and Budget Bill presented to the Legislature.</td>
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<tr>
<td>February</td>
<td>Departments submit requests for technical and policy amendments to capital outlay projects proposed in the Governor's Budget per annual Budget Letter instructions from Finance. A new or updated COBCP is required.</td>
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<tr>
<td>March–June 15</td>
<td>Legislative budget hearings held.</td>
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<tr>
<td>April 1</td>
<td>By statute, any capital outlay Finance Letter of a policy nature (i.e., proposing a scope change or new project) must be submitted to the Legislature by this date.</td>
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<tr>
<td>Date</td>
<td>Event Description</td>
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<tr>
<td>May 1</td>
<td>By statute, any capital outlay Finance Letter proposing a technical adjustment to a capital outlay project must be submitted to the Legislature by this date. If possible, technical changes should be submitted by the April 1 deadline. If Finance approves technical changes after the April deadline, they may be rolled in to the overall May Revision process at the discretion of Finance.</td>
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<tr>
<td>June 15–</td>
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<tr>
<td>June 30</td>
<td>Budget Bill signed by Governor.</td>
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A department must make a formal request to DOF by February 1 of each year to have a major capital outlay project included in the annual Governor's Budget presented to the Legislature the following January. The following documents are required:

1. A capital outlay budget change proposal (COBCP), as described in Section 6818.

2. The five-year capitalized assets plan, showing projected needs by project (or capitalized lease) for the budget year and four additional years, as described in Section 6820.

3. A current fund condition statement for the proposed fund source, if the department manages the fund. (Obtain the fund condition statement from the departmental budget officer.)

4. For departments planning to use prototypes, any proposed new prototypes or changes to existing prototypes (provide with the five-year plan per Section 6821.)

5. A copy of the facility inventory is optional, but departments must keep the inventories current in the event DOF or LAO requires a copy.

In addition, all departments within the Administration (which excludes constitutional officers, constitutionally created boards and commissions, and the higher education segments) must have a strategic plan approved by the Governor's Office before DOF will consider a COBCP.

The required items must be approved by the appropriate agency secretary before release to DOF. The department then submits the information package simultaneously to DOF (2 copies), LAO (1 copy), and DGS (2 copies). Minor projects are included in the five-year plan as a lump sum for each of the five years. This lump sum for minor projects must be detailed later—by July 1—as described in Sections 6807 and 6814.
A COBCP (or an updated COBCP) is required for:

1. **Any request for a capital outlay appropriation or appropriation**, whether for acquisition of land or structures or for construction. (Definitions of what cost elements are classified as capital outlay are provided in Section 6806.) A COBCP is also required for project augmentations which exceed the Public Works Board’s (PWB) authority (i.e., more than 20 percent of the original appropriation). See Section 6861.

2. **Requests for Finance Letters** to adjust an existing project proposal, whether for technical or policy reasons, or to add an urgent new proposal.

3. **Entering into a lease with purchase option**. Although no capital expenditure is made when entering into a lease with a purchase option, the potential for a capital acquisition is created. At the time the department submits a STD. 9 space action request for Finance review, it must demonstrate that it has analyzed the potential alternatives (state construction, lease-purchase agreement, pure lease) and selected the best alternative. *For projects then seeking statutory authority for the purchase option through the Budget Act, the cost-benefit or economic analysis must be updated and presented as a COBCP.* (A COBCP is required whether or not there is a related support BCP for lease costs.) For projects seeking purchase option authority through special legislation, similar information will be required as part of Finance’s review of proposed legislation. For projects under $2 million, DGS has general statutory authority for purchase options (Government Code Section 14669).

4. **Exercising a purchase option on capital assets**. Exercising a purchase option (even if a nominal amount) requires a capital outlay appropriation. This also includes trailers and relocatable or modular buildings. At the time the acquisition appropriation is requested, the department submits an updated COBCP with an economic analysis showing that the proposed purchase is still cost-beneficial, considering any changes in program need, lease market conditions, and state construction alternatives.
5. **Entering into a lease-purchase agreement for capital assets.** Although no capital expenditure is made under a lease-purchase agreement, a capital acquisition occurs. If the authorization for a lease-purchase is sought through the Budget Act, the department must submit a COBCP comparing alternatives to meeting its space requirements and demonstrating that a lease-purchase agreement is the most cost-beneficial.

6. **Entering into any other lease which meets the definition of capitalized lease, and where authority is sought through the Budget Act.** A lease agreement is a capitalized lease (an “in-substance purchase”) when substantially all of the risks and benefits of ownership are assumed by the lessee. If a lease meets any one of the following conditions, it is a capitalized lease:

   a. Ownership of the leased asset is transferred to the state at the end of the lease period.
   
   b. The lease gives the lessee the option of purchasing the leased asset at a nominal value at some point during or at the end of the lease period.
   
   c. The period of the lease (a single term of a lease, not including renewals) is 75 percent or more of the estimated useful life of the leased asset.
   
   d. The present value of the sum of the minimum lease payments is 90 percent or more of the fair market value of the leased asset (i.e., the lease payments over a single term of the lease are substantially the same as the purchase price).

Unless existing statute authorizes a capitalized lease (for example, Government Code Section 14669 for DGS), the lease requires specific authority. If the Budget Act will be used to provide that authority, a COBCP is required whether or not a capital outlay appropriation is needed.

7. **Minor alterations projects authorized by Section 6.00 of the Budget Act.** Section 6.00 projects which require Finance approval and legislative notification must be submitted for review to the Finance Capital Outlay Unit with a signed letter justifying
the criticality of the project. For more information, refer to Section 6806.

Additionally, if a support budget increase is needed as a result of a capital outlay project—including for rent increases pursuant to a lease—a support BCP must also be submitted separately to the appropriate Finance support unit.

**Timelines for submitting and updating COBCPs.**

**Submission Date:** The deadline for submitting COBCPs is generally early August for the fall and mid-February for the spring process (the specific dates are published in a Finance Budget Letter).

Project costs are adjusted in the fall prior to the budget year, using budget packages prepared by DGS and submitted by the department. (See Section 6814 for time-frames.) This information is given directly to Finance by DGS.

Final budget package estimates are sometimes not available in time to include in the Governor’s Budget. Therefore, Finance annually prepares a Finance Letter for technical adjustments to capital outlay projects which is due to the Legislature by May 1 before the budget year. However, Finance generally will include such adjustments as part of the April 1 Finance Letter. The departments must request technical changes in writing, using a COBCP format, generally no later than mid-February (the specific date is published in a Finance Budget Letter). Finance Letters proposed by the Administration are reviewed by the Legislature in conjunction with the Governor’s Budget.

The Finance Letter process may also be used to propose scope changes to projects in the Governor’s Budget, to add new (urgent) projects, or to accelerate project phases. These are termed “policy changes” and are due to the Legislature by April 1. The due date for requests from departments is the same as for technical changes (i.e., mid-February). An updated or new COBCP is required for policy Finance Letters.

An overview of the project phases—including the budget approval phase—is provided in Section 6809. A timetable for budget preparation and enactment is provided in Section 6814.

**Instructions to complete a COBCP.** The COBCP form can be found on Finance’s website: http://www.dof.ca.gov/Budget/Resources_for_Departments/Budget_Forms/Documents/DF-151_Capital_Outlay_Budget_Change_Proposal-COBCP.docx

Additionally, helpful resources for writing effective Budget Change Proposals can be found here: http://www.dof.ca.gov/budget/budget_details/good_BCPs.html

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The information required to complete a COBCP can be found below.

**Purpose of project:** What is the problem? What is the underlying program need or infrastructure deficiency?

1. **Explain a program-based need** by relating the infrastructure request to the program that the real property serves. (The Capital Outlay Unit of Finance will verify program-driven needs with the department’s Finance support analyst.) At a minimum, address:

   a. The program change.
b. The overall infrastructure requirement related to that change.

(1) *Capacity requirements:* Express capacity (total size) needs in terms of patients housed, inmates, full-time equivalents (FTEs), office space requirements, or other accepted "units" for the program. Some programs are required to use specific Finance-generated data for enrollment or growth, or to use "capacity" measurements approved by Finance and/or the Legislature. If reference is made to any space or cost studies, append these to the COBCP.

(2) *Special space requirements:* All special purpose rooms and offices must be fully described by purpose, square footage, and need (based on program requirements).

c. What the project accomplishes towards that infrastructure requirement. For projects providing an increment towards an overall goal (such as total acreage of wetlands) specify:

(1) What portion of the requirement has already been met;
(2) How much the project would add; and

(3) What the remaining need will be and how the department proposes to meet that need.

2. If the need is not program related, explain the real property deficiency in terms of specific mechanical/electrical system inadequacies, code requirements, maintenance/repair difficulties, etc. Include copies of the State Fire Marshal citations, the Department of Health Services citations, surveys, or other documents to substantiate need.

**Relationship of Project to Strategic Plan:** Explain the project’s relevancy to the department’s strategic plan. Projects which lack a clear supporting relationship to the department’s strategic plan will be returned.

**Alternatives:** Present all reasonable alternatives to solve the problem. In developing potential alternatives, address the following questions:

1. Program delivery: are there different ways to achieve the same program outcomes?
2. Is there more than one potential site? What are the required site characteristics?

3. Given a specific site, are there alternative facility solutions? For new construction or capitalized leasing proposals, submit an economic analysis comparing facility alternatives over a 25-year period (i.e., compare straight lease, lease-purchase, new building construction, renovation of existing facility, etc.).

4. What are the alternative funding solutions? Which state funds sources are available? Are funding partnerships feasible with other state agencies or other levels of government?

5. What other management factors are critical in selecting an alternative?
6. For each alternative, provide the following information in brief:

   a. Description of alternative;
   b. Overview of scope;
   c. Total cost of all phases of the project (use only approved cost indices, and identify both short term and life-cycle costs);
   d. Funding source, including project eligibility for that source;
   e. Summary of related program benefits and costs (include impacts on the support budget such as personnel years and operating costs specific to the program).

   Indicate if a support BCP will be required, and when; and

   f. Summary of facility management benefits, such as impact on the department’s maintenance budget, extension of the facility’s design life, etc.

**Recommended Solution and Why:**

Which is the best alternative, and why? Describe the recommended alternative in detail. This description is the basis on which initial scope will be defined.

1. All factors influencing site selection must be fully justified. *For land acquisition projects where a specific site is already selected*, identify why that site is critical. Address landscape character; existing resource values; existing access, utilities and structures (and how they would be used); and statewide significance.

2. If the recommended solution is not the least expensive, describe the factors/benefits that justify the extra cost. (This justification could address life cycle savings, support budget offsets, or other program/management factors.)

3. Provide a detailed scope description. Include:

   a. Specific program needs to be addressed through the project, including: proposed size (number of stories, gross and usable/assignable square feet, etc.); special features (food service, auditoriums, child care facilities, etc.); special Group 1 or Group 2 equipment needs; types of basic materials to be used if known; and any other items that will allow full understanding of the proposed project. Include any project drawings or renderings if available.

   b. Specific location of the project, including a vicinity map that describes the area served. If the project is for a replacement facility, explain how Group 2 replacement equipment will be funded.
c. For land acquisition projects, an inventory of existing structures and the approximate appraised value of each parcel (or group of parcels), including the basis for the appraisal (staff appraisals, previous sales, AIA appraisal, etc.). Upon formal request, DGS will assist departments in preparing this information (specifically, parcel values, site selection factors and the economic analysis).

4. Provide a proposed project time schedule that takes into consideration the environmental review process. Section 6846 describes the required format.

5. Provide full cost information.
a. Approximate cost by phase, indicating the basis on which the estimate was prepared. If costs are based on a previously developed budget package, append that package to the COBCP. Note if costs have been adjusted for inflation and on what basis, (i.e., which specific CCCI).

b. A proposed funding source for each phase, including identification of any funding partners at the federal, state or local level.

c. A complete funding history, including all previous submissions and any other data to completely describe past project history and future funding requirements. Section 6845 Illustration 2 describes the required format.

6. Describe the impacts on the support budget.

a. Include an analysis that identifies future maintenance and operation costs (in operating expenses and personnel years). Identify the proposed source of funds. Note whether a support BCP will be needed concurrently or in the future.

b. Identify potential cost savings and/or potential revenues or reimbursements with proposed disposition and the basis for calculation.

7. Identify and explain any project risks. If the project was previously rejected by either the Administration or the Legislature for any reason other than lack of funding, explain the basis of the rejection and any significant project changes from the previous submission.

8. List coordination responsibilities with other state agencies and levels of government, including any mandatory reviews and approvals.

a. Impacts on other departments.

b. Required coordination with the State Historic Preservation Officer (see Section 6822).

c. CEQA requirements as described in Section 6850. Note any probable opposition to CEQA approvals (SAM sections 1000–1099).

d. Clearances required from planning or review agencies such as the State Fire Marshal, the State Coastal Commission, local jurisdiction general plans, etc.

9. List all items proposed for agency retention. Agency-retained items are project elements which the department rather than the architect/engineer or contractor provides. Typical examples include movable equipment, installation, resource protection, etc. Finance approval of a DF-14D (Section 6845, Illustration 1) is required before the department may commence these activities. Identify whether this includes department personnel costs.

Technical Notes:

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1. Capital outlay projects which include an information technology (IT) component must also comply with the IT reporting requirements contained in Sections 4800–5953 and Sections 6000–6965 of the State Administrative Manual. Examples of IT activities typically included in capital outlay projects include: the purchase and/or upgrade of IT equipment or software; the installation and/or upgrade of telecommunications equipment (excluding voice only); or the installation and/or upgrade of local area network equipment or software. The Department of Information Technology (DOIT) is
responsible for the review and approval of IT activities from a technology feasibility perspective; the Technology Investment Review Unit of Finance reviews IT proposals from a business cost/benefits perspective. In both cases, the review vehicle is the feasibility study report (FSR). Questions regarding DOIT’s IT reporting requirements should be directed to DOIT. All IT reporting requirements must be met before the IT component of a capital outlay project may be approved.

2. **Group 2 equipment phases of projects**. Group 1, fixed equipment, is incorporated into or attached to the facility and therefore is included in the construction phase of a project. Group 2, movable equipment, is budgeted as a separate phase. For a COBCP requesting the Group 2 equipment phase of a project, provide the project appropriation history, including the project name, budget act items, and project code. Definitions of Group 1 and Group 2 equipment are provided in Section 6855.

For Group 2 equipment, identify how funding needs were determined. Show *all* items of equipment to be placed in a room, indicating whether the item is to be purchased by the agency or transferred from another building or location. Account for all equipment currently available in buildings to be replaced by the new structure. Final approval of equipment lists generally follows approval of preliminary plans.

Exceptions to this rule are discussed in Section 6855.

Movable equipment which does not meet the definition of capital outlay per Section 6806 is not proposed in a COBCP. These costs are proposed and funded in the state operations appropriation (i.e. they require a support budget change proposal).

3. **Coordination of STD. 9s with COBCPs and BCPs**: Departments submit space action requests *(STD. 9s)* for:
   a. New or additional space (including swing space), lease extensions, or renewals desired by an agency in no institutional buildings—whether state-owned or leased, and
   b. Relocatable buildings and trailers.

Finance approval of a STD. 9 does not constitute approval for a support budget increase or a capital outlay appropriation, or approval to include authorization language for a lease-purchase, purchase option, or option execution in the Budget Act. If any of these is required, either a support BCP or a COBCP (or both) must be submitted to Finance. SAM Section 6453 provides additional information.

4. **Architectural and engineering (A&E) fees**: A&E fees (basic and non-basic) are charged for architectural and engineering work performed either by the department or by consulting professionals. Expenses may also include project-related construction management support, such as construction inspection, travel, bidding expenses, and drawings. Generally, A&E fees do not exceed 13 percent of the proposed construction

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contract amounts (excluding construction contingencies). *Special items exceeding 13 percent* (such as services related to asbestos or seismic) should be separately identified in the COBCPs. Contact the DGS Customer Account Management Branch for assistance with budgeting A&E fees.

5. **Swing space for capital outlay projects**: Swing space, i.e., temporary accommodations during a facility remodel, is a state operations cost which should be
noted informationally on the COBCP but requested separately as a support BCP.

6. **Allowable cost indices:** Departments must use the California Construction Cost Index (CCCI). Use of any other index requires Finance concurrence. Each July, Finance releases a Budget Letter identifying the approved CCCI to be used when updating COBCPs for the following fiscal year (Section 6812).

**FIVE-YEAR INFRASTRUCTURE PLAN**

(Revised 11/2017)

The California Infrastructure Planning Act requires the Governor to submit a Five-Year Infrastructure Plan (Plan) to the Legislature in conjunction with the Governor’s Budget. The Plan identifies infrastructure needs statewide and sets out priorities for funding. The Plan also evaluates these infrastructure needs in the overall context of available funding sources, what the state could afford, and how the state could grow in the most sustainable way possible.

As part of their Five-Year Plan submissions, departments with capital outlay needs are required to include the following information:

- Mission and program responsibilities,
- Description of the department’s existing facilities,
- Summary of the department’s drivers of infrastructure needs,
- Summary of the department’s proposal,
- Description of how departments integrate climate adaptation strategies into planning their infrastructure projects.

**Executive Order (EO) B-30-15:** In April 2015, the Governor issued EO B-30-15, establishing greenhouse gas reduction targets and specifying steps for consideration of climate impacts. The EO requires all state agencies to consider the impacts of climate change in all planning and investment activities, including capital outlay projects. All Five-Year Infrastructure Plans must include information about how departments will integrate climate adaptation strategies into planning their infrastructure projects, and how this information will be used to inform the development of future guidance for incorporating climate adaptation and resilience into infrastructure planning.

**PROTOTYPE DEVELOPMENT/CHANGES**

(New 5/1998)
DOF encourages the use of prototype plans in construction programs. The process for authorizing a facility prototype has three steps:

1. Assessing whether a department’s construction program would benefit from development of a prototype;

2. Development of the budget package for the prototype by DGS; and

3. Evaluation and adoption of the prototype for capital outlay planning and budgeting purposes.

DOF participates in the first and third step; LAO participates in the third step only. Any department planning to propose the use of prototype plans, or to amend an existing
prototype, should contact its DOF capital outlay budget analyst to determine specific information needs. In general, submit requests to use or change prototypes along with the five-year capitalized assets plan (Section 6816). This allows DOF and LAO to review the proposed change within the context of the overall program. DOF may authorize exceptions to this submittal time-frame for projects on critical time paths.

**HISTORICAL RESOURCES**

(Revised 5/1998)

The State Historical Building Code ([Title 24, California Code of Regulations](#)) allows alternatives to any and all prevailing codes as they relate to qualified historical buildings.

An historical resource is defined as any state-owned structure, over 50 years of age which is listed—or could be listed—either on the National Register of Historic Places maintained by the United States Department of the Interior or as a state historical landmark. Under Public Resources Code 5024, each department must:

1. Prepare and annually update its *Historic Resources Inventory* (DPR-523) listing the structures under its jurisdiction which are over 50 years of age:

   a. Contact the State Historic Preservation Officer at the Office of Historic Preservation, Department of Parks and Recreation for the latest version of the inventory form and instructions on how to complete it.

   b. Each department should assign a staff member as a cultural resources coordinator to prepare and maintain the inventory.

2. Submit the inventory annually to the State Historic Preservation Officer.

3. Notify the State Historic Preservation Officer of any capital outlay or special repair project which proposes any alteration, transfer of ownership, or demolition of any structure on the inventory, *prior to requesting funds for the project*.

The State Historic Preservation Officer has 30 days to comment on the project (Public Resources Code [5024.5](#)). Based upon review of the inventory, if the officer determines the structure is potentially eligible for the National Register of Historic Places and that a proposed project will have an adverse effect, the officer may propose measures to eliminate or mitigate adverse impacts. If a department and the officer cannot concur on mitigations or alternatives, the Office of Planning and Research mediates the issue.

**Requirements for COBCPs:** The department must note on the COBCP whether the project potentially affects a structure which is on, or could be on, the inventory. If the outcome of the historical resources review process affects project costs or scope, the client department must notify the DOF Capital Outlay unit.
Technical consultant assistance: Departments may need professional input from consulting architects, facilities planners, engineers, or contractors in the development of a potential Capital Outlay Budget Change Proposal (COBCP) or the completion of a study/budget package. Such assistance may also be solicited to prepare a needs
assessment or facilities plan which examines current and future space and employee data, transportation issues, etc. DGS can assist in preparing such plans. In addition, the Department of Technology is a resource for technology phases of projects. Services from both offices are available on a reimbursable basis.

Program management consultants: For large/complex projects, or a series of related projects which comprise a program, a department may need the services of a program management consultant to provide expertise in the unique needs of the agency. In this case, the consultant assists in the preparation of a long-range, multiple-year program to:

1. Establish facilities planning criteria and objectives;
2. Develop time-lines for designing and constructing the various facilities; and
3. Estimate the design, construction, and related costs for each facility.

The consultant may also help prepare a multiple year budget for the total program, work with DGS to obtain the services of design, construction management, and other consultants, and assist in the preparation of construction bid data.

Funding technical or program management consultants: Technical or program management consultants may be funded from either the department’s state operations appropriation or as a capital outlay project, depending on the timing and scope of the services. The department should discuss budgeting alternatives with Finance before submitting a support Budget Change Proposal, a COBCP, or using existing support funding. COBCPs which include funding for these services should clearly identify these costs and provide a cost-benefit analysis.

DGS’ FEASIBILITY REVIEW

(Deleted 10/2017)

SCOPE MEETINGS

(Revised 5/1998)

Departments may be requested to schedule meetings and/or arrange site visits to help DOF clarify and evaluate project necessity and scope. Participants usually include DOF capital outlay staff, department staff, DGS, and LAO, and may also include other legislative staff. The scope meeting establishes a common understanding among all parties about project scope and priority. Scope is defined in Section 6863.

STUDIES

(Revised 10/2017)

After a preliminary review of the department’s Capital Outlay Budget Change Proposal (COBCP) and Five-Year Plan, or any time prior to official submittal of a proposed project,
Finance may recommend funding for a study phase be included in the Budget, approve the use of existing department funds for the completion of a study, or approve the use of existing Statewide Planning and Studies funding (BU 9860) for the completion of a study. The objective of the study is to understand the project’s feasibility and to refine the project cost estimates. Finance then uses this information along with a revised Project Cost Summary (6828 Illustration 1), prepared by DGS, for budgetary decision making purposes.
BUDGET PACKAGES

A budget package is the formal output used to communicate the information gathered during the study phase. The budget package is distributed to DGS, departments, and Finance. DGS will often prepare, and facilitate the completion of, budget packages for state departments; however, the following entities are authorized, by statute, to prepare their own budget packages: higher education, the Department of Water Resources, and the California Department of Corrections and Rehabilitation (for new prison construction.) See Section 6847 for the process of transferring funds to DGS for new projects or phases of work, such as a study.

PROJECT COST SUMMARY

Completed budget packages/studies must be accompanied by a Project Cost Summary when they are completed and submitted to Finance and the department (if DGS is completing the budget package) for review. DGS prepares the Project Cost Summary from information provided by the department, in scoping meetings, during the environmental review process, and from data compiled during the budget package/study feasibility review process (if any). See 6828 Illustration 2 for a description of the categories included in the Project Cost Summary. Any department authorized to act as its own project manager is required to provide equivalent information using the same format and business process described in this section.
This project includes the purchase and renovation of two parcels located at 1802 and 1808 Santa Fe Road, In South Lake Tahoe (Meyers), CA. Renovation would include adding insulation to the exterior walls, replacing windows and overhead doors, installing structural seismic upgrades, repairing exterior CMU walls and concrete floor slabs, repainting the entire facility, replacing existing toilet rooms to include live accessible toilet rooms. Replace existing electrical service drops and equipment and provide new utility service and new equipment. Replace interior and exterior lighting with energy-efficient systems and provide a Fire Alarm System with callout capabilities. Install asphalt pavement rehabilitation and provide striping for parking stalls and accessible paths. Install vehicle barrier protection (concrete filled steel bollards) improvements.
## ESTIMATE SUMMARY

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**ESTIMATED TOTAL CURRENT COSTS:**  
Nov-13  $832,900

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<td>ESTIMATED TOTAL CONSTRUCTION COST:</td>
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DGS / RESD I PMDB

Page 1

Rev.440

(6828 Illustration 1)
### SUMMARY OF COSTS
#### BY PHASE

**PROJECT:** Tahoe Base Center - Equipment Storage  
**LOCATION:** Meyers, South Lake Tahoe  
**ABMS #:** 140609  
**DATE ESTIMATED:** 2/28/2017

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| TOTAL ESTIMATED PROJECT COST | $2,437,000 | $216,500 | $34,000 | $1,351,000 | $4,038,000 |
| LESS FUNDS TRANSFERRED | $850,000 | $0 | $0 | $0 | $850,000 |
| LESS FUNDS AVAILABLE NOT TRANSFERRED | $0 | $0 | $0 | $0 | $0 |
| CARRY OVER | $1,447,000 | $1,663,000 | $1,757,000 | $3,088,000 | $3,088,000 |

**DGS / RESD / PMDB**  
**PAGE 2**

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(6828 Illustration 1)
FUNDING DATA & ESTIMATE NOTES

PROJECT: Tactical Base Center - Equipment Storage
LOCATION: Meyers South Lake Tahoe
A0498: 10299

FUNDING DATA

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ESTIMATE NOTES

1. The construction costs in this estimate are included from the CCCI Index as of the date of estimate preparation to the CCCI Index that is current as of January 1, 2017. The project estimate is brainstormed for a 2.5 month period to its assumed construction endpoint. Additionally, the project has been escalated to the assumed start of construction.

2. The Agency may have retained items that are not included in this estimate. RESD has not verified Agency retained pricing.

3. Special Consultant costs include geotechnical survey.

4. Acquisition costs include $1,620,000 July 2016 apportionment of a CCCI update for $32,400 and associated fee for $3,542 for site acquisition for a total of $1,701,400 plus all $75,000 in Real Estate fees.

5. $5,000 is included for anticipated TRPA mitigation.

6. $200,000 is included for anticipated Relocation Assistance mitigation.

7. CEQA for acquisition includes an updated Phase 1, updated Condition of Property, and Notice of Exemption. CEQA for the project includes a Mitigated Negative Declaration and the TRPA Environmental Assessment. In PP phase, includes TRPA application and El Dorado County regulatory review assistance.

8. "Site Selection" fees include $940,000 previously spent, $20,000 Real Estate Labor, $20,000 Site Survey (Metry & Boardman), $27,200 Relocation Consultant, $153,000 Environmental Neg. Def (See Note 7), and $87,000 DOS Labor.

9. 0

10. 0

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(8820 Illustration 1)
Every project should be analyzed individually to determine the appropriate fees based on the scope, location, duration, staffing levels, and disciplines required to complete the project.

**Architectural and Engineering (A&E) Design** (All Phases)

A&E fees are based on the project’s scope and are determined by a detailed task analysis of each participating design discipline (architecture, civil, structural, mechanical, electrical engineering, and estimating). This analysis considers, among other factors, the hours required to prepare a set of design (preliminary plans) and construction (working drawings) documents, provide construction support, and complete as-built drawing preparation. No two projects are the same. While there may be design similarities (prototypes), each design and construction project must be developed based upon the specific site, the department and their programmatic needs, and current code and executive order/directive requirements (i.e. clean energy).

Additional fees for renovations may be required depending on complexity, hazardous materials, and historical requirements of the project.

**Construction Inspection/Travel/Guarantee** (Construction Phase)

Inspection fees are calculated on individual project needs and will vary depending on the size, type, duration, construction value, and location, as well as the services requested. Essential Services, Field Act, and Office of Statewide Health Planning and Development (OSHPD) projects will tend to have a higher fee based on the nature of the increased level of inspection and documentation required by the applicable regulatory agencies. Inspection also covers contract and code compliance at the project site as well as coordinating any regulatory or special inspections.

**Advertising/Printing** (Working Drawings Phase)

These costs are based upon the locality of the project, the number of newspapers that will receive ads, and the advertising rate. There are two paid advertisements for a project in each paper. These ads are also posted online and in magazines. Some large projects may require more extensive advertising. Printing costs include the production of plans and specifications as needed for the project team.

**Special Consultants** (All Phases)

This category is calculated based on the project scope, location, and duration and may consist of the following disciplines: commissioning, Leadership in Energy and Environmental Design (LEED), Zero Net Energy, hazardous material/air monitoring,
survey, geotechnical, traffic, kitchen, cultural/biological/archeological, aviation, security, landscape, telecom, urban/land planning, constructability, fire life safety, and healthcare.

**Materials Testing** (Construction Phase)

This category is calculated based on individual project requirements and may include special inspection requirements. Tests may include the measurement of material characteristics, such as properties, structure, and composition. The data and test results determine whether materials, fasteners, and treatments meet the requirements of design engineers and regulatory agencies, and are suitable for their intended application.
**Project/Construction Management** (PCM) (All Phases)

PCM costs are based on scope, complexity, location, and duration of a project. Project manager travel time and the time associated with managing the project from the planning and design phases through project closeout and occupancy are part of these costs as well.

Services may include:
- Scope management
- Cost management
- Schedule management
- Document management
- Quality control
- Optimizing strategies for procurement and phasing construction
- Closeout and document turnover
- Transition to occupancy

**Contract Construction Management** (Working Drawing and Construction Phase)

Contract Construction Management firms may be utilized to supplement PCM staff on large and/or complex projects. Fees on smaller projects will be used for specialized services such as pre-bid/construction activities, schedule analysis, cost estimating, and document management, etc.

**Site Acquisition Cost & Fees** (Acquisition Phase)

Services related to the acquisition of a proposed property such as an appraisal, an appraisal review, real estate due diligence services, site testing, environmental studies, relocation assistance, and easement or property rights issues are included in site acquisition costs and fees. Design services like legal descriptions, site testing, and environmental studies will be provided by the A&E team.

**Agency Retained Items** (All Phases)

The Agency Retained category are project-specific items that may include modular and institutional furniture, guarding costs, agency staff time, and equipment.
Small Business Enterprise/Disabled Veteran Business Enterprise Assessment
(SAM Section 8752, Full Cost Recovery) (Construction Phase)

Refers to fee that is applied to all consultants and contracts used throughout all project phases.

Division of the State Architect (DSA) structural and fire life safety checking refer to DSA Fee calculator on DGS’ website for the costs associated with DSA Services. Below are the various services offered by DSA and the associated statutory references:

- **Hospital Checking** (Health and Safety Code 12990)

- **Essential Services** (Health and Safety Code, Sections 16000-16023)

- **DSA Structural Safety Checking**

- **Access Compliance** (Government Code, Sections 4450-4461)
**Environmental Document** (Preliminary Plans and Construction Phases)

Provides the preparation and management of environmental studies and documents (environmental impact reports/statements, etc.) as required by the California Environmental Quality Act (CEQA), the National Environmental Policy Act (NEPA), and regulatory agencies.

Environmental services may include:

- Preparation and management of environmental review and planning documents and the CEQA and NEPA processes
- Development permits and/or consultation with environmental agencies for wetlands, waste discharge, endangered species, stream crossings, and traffic studies
- Storm water Pollution Prevention Plans (SWPPPs)
- Environmental site assessments and hazardous materials investigation, remediation, and monitoring
- Site suitability studies as part of site selection and acquisition
- Assistance with community planning meetings and public involvement
- Environmental resources and site development studies
- Cultural resource and historical resource consultation and site surveys
- Assistance on project planning, budgeting, and site acquisition

**Due Diligence** (Acquisition and Preliminary Plans Phases)

A report prepared for State Public Works Board (SPWB) staff which, outlines all findings of the real estate due diligence review for a specific property. This report includes outstanding issues and recommendations for the mitigation of any known condition on the parcel area which may affect the financing, value, desirability, or utility of the project site. The A&E consultant is responsible for providing preliminary reports, copies of all vesting and reference documents, title exceptions maps, project maps, vicinity maps, and written legal descriptions/sketches. For lease revenue bond funded projects, the A&E service support need may run up to the time of the bond sale for the project.
During the review process there will be an attempt to clear minor property rights and other real estate due diligence issues. Clearing substantial issues such as those requiring abandonment or relocation of existing road/utility right-of-way, recordation of correction deeds to perfect title, establishment of the property’s boundary lines, quit claiming surface or mineral rights, quit claiming interests held by outside parties, and condemnation actions need to be included as required.

State-owned leases that encumber a project site may require modification and consent of the SPWB if the project is a lease revenue bond funded project.

**State Fire Marshal (SFM) Fees** (Health and Safety Code, §13109 Health and Safety Code, §13145 and 13146) (All Phases)

Plans are reviewed for compliance with the adopted State of California Building and Fire Codes, California Code of Regulation, Title 19, Title 24, and applicable nationally recognized standards. Plan review consists of, but is not limited to, preliminary review, design development consultations, initial review, conferences, back check, addendums, change orders, instructional bulletins, and requests for information. SFM provides field inspection for code compliance during the construction phase of the project. The SFM must issue a Temporary and/or Final Certification of Occupancy of the project before the project can be occupied for its intended use.
**Permit/Regulatory/Utility Fees (All Phases)**

As required by the project scope:

- Electrical service
- Water service
- Storm water discharge
- State/City/County Fee
- Mitigation
- Others as determined

**BUDGET HEARINGS, FINAL BUDGET DOCUMENT PREPARATION 6830**

(Revised 5/1998)

Following review of the budget packages, DOF may conduct budget hearings on capital outlay proposals with departmental staff, and as applicable, with agency secretaries and the Governor's Office. Upon completion of these hearings, the client department must:

1. Adjust any approved COBCPs to reflect final decisions;
2. Post decisions in its capital outlay budget galley and supporting budget schedules; and
3. Distribute copies of final COBCPs to DOF and legislative staff in accordance with instructions issued by DOF in its annual Budget Letter.

**GOVERNOR’S BUDGET AND LEGISLATIVE APPROVAL 6832**

(Revised 5/1998)

The Governor's Budget and related budget bill are presented annually to the Legislature on January 10th. Following the formal submission of the budget, LAO prepares its analysis of the projects included in the budget bill. The results of this analysis are usually published the third week of February. Using the findings of the LAO and any independent subcommittee analysis, the Legislature then conducts formal hearings involving the LAO, DOF, departments, and agencies, as appropriate. *During this time, it is the client department’s responsibility to work closely with DOF to answer legislative questions on proposed projects.* Based on the outcome of these hearings, the Legislature revises the Senate and Assembly versions of the budget bills. The Budget Conference Committee is held to resolve differences between these versions, and a single bill is passed by both houses and sent to the Governor. After making line item vetoes, the Governor signs this bill. The final product is referred to as the Budget Act.
DOF reviews the need to appropriate funding for capital outlay projects during the annual budget development process. Reappropriations, when appropriate, are proposed in the annual budget bill.

Appropriations for capital outlay included in the Budget Act are available for expenditure pursuant to Control Section 2.00 of that act unless otherwise noted. Funding authority for studies, preliminary plans, working drawings, or minor capital outlay is generally available...
for expenditure for one year unless reappropriated. Construction appropriations that have not been allocated through fund transfer or approval to proceed to bid by June 30 of the fiscal year of appropriation are reverted to the fund from with appropriated unless reappropriated.

The availability period for expenditure of reappropriations is consistent with the original appropriation. For instance, reappropriations of studies, preliminary plans, and working drawings are generally available for expenditure for one year. Minor capital outlay is not generally eligible for reappropriation (Section 6807).

The client department must monitor project status to determine if a project will require re-appropriation. Department project liaisons should consult with DGS project managers to maintain current schedule information and to determine (in consultation with DOF Capital Outlay Unit staff) the need for re-appropriations.

Departments must submit a COBCP outlining the need for re-appropriations consistent with COBCP and finance letter deadlines, as discussed in Section 6818. Use the COBCP form, Page 1 as a cover sheet for all re-appropriations and provide narrative using COBCP form, Page 4, for the follow questions for each re-appropriation requested:

1. Original Budget Act Year, Item, Schedule and Project ID;
2. Project Title and narrative description;
3. Dollars to be re-appropriated; and
4. Reasons why the re-appropriation is needed.

TEN-YEAR SURVEY OF CAPITAL OUTLAY AND INFRASTRUCTURE NEEDS 6837
(New 5/1998)

DOF annually surveys departments to determine ten-year needs for state capital outlay and state-funded local infrastructure, by program and fund source. Specific instructions and timetables are issued annually by Budget Letter. Surveys are typically due at the end of summer. Summary results are shared with the Legislature for capital outlay and bond financing planning purposes.

The first five years of capital outlay needs reported on the ten-year survey must match the annual totals and fund source break-out for the department’s five-year capitalized assets plan (Section 6820). However, for most departments the second five years will be based on a general assessment of program need, rather than on specific projects.
This section addresses the FI$Cal coding structures for project identification numbers, categories, and phases.

**Project identification numbers.** The objective of project identification numbers is to:

a. Provide consistency in project identification across fiscal years and in the various automated state budgetary and accounting systems;

b. Provide unique project identification from start to finish, eliminating the need to assign different codes to phases or appropriations of a specific project; and

c. Eliminate code duplication.

Phases of work necessary to implement projects are not separate projects and are not given separate project identification numbers. Land acquisitions associated with capital outlay projects use the same number as the balance of the project. However, a general acquisition for habitat or recreation may be treated as a separate project and be given a separate number.

**Project identification number structure.** The FI$Cal project identification number, as shown in the Governor's Budget and Budget Act, and as utilized by the State Controller's Office and departments, is a nine-digit auto generated number that is established in PeopleSoft when a new project is created. Therefore, there is no way to select or standardize project identification numbers. Note that the first three numbers (usually zeros) of a project identification number are excluded in the Budget Act and other budget publications as these publications are designed to only use a seven-digit project identification number.

**Project Categories.** Beginning with the 2017-18 Budget, all capital outlay expenditures are budgeted to the same category. Therefore, the only way to delineate project expenditures is by phase. Project categories describe functional purpose. Use the following coding structure for COBCPs (Section 6818) and in the five-year capitalized assets plans (Section 6820). Note that these categories can be found, and should be updated, in the Project Details tab in Hyperion.
<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
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<tbody>
<tr>
<td>FLS</td>
<td><strong>Fire Life Safety.</strong> Projects required to avoid imminent danger to state employees or the public from physical characteristics or facility siting.</td>
</tr>
<tr>
<td>WRK</td>
<td><strong>Enrollment/caseload/population (ECP).</strong> Usage is limited to changes to existing programs for recognized ECP departments.</td>
</tr>
<tr>
<td>CD</td>
<td><strong>Workload Space deficiencies.</strong> For non-ECP departments these projects for existing programs resulting from workload (non-policy) changes. Non-critical fire/life safety projects, and all other code deficiencies except Americans with Disabilities Act (ADA) requirements.</td>
</tr>
<tr>
<td>CRI</td>
<td><strong>Critical infrastructure deficiencies.</strong> Which impair program delivery, such as replacement of aging mechanical systems.</td>
</tr>
<tr>
<td>SM</td>
<td><strong>Seismic.</strong></td>
</tr>
<tr>
<td>ADA</td>
<td><strong>Public Access and Recreation.</strong> ADA compliance</td>
</tr>
<tr>
<td>O</td>
<td><strong>Other Critical Infrastructure.</strong></td>
</tr>
<tr>
<td>RC</td>
<td><strong>Resource Conservation.</strong> Examples include savings, cost avoidance, or revenue generation.</td>
</tr>
</tbody>
</table>
Phases. Phases describe the activity to be funded within the sequences of activities, from project inception to completion. Not all projects require studies, acquisition, or equipment to complete the project. Some projects are solely for acquisition (either property—such as wetlands or a park—or improvements). Prior to the 2018-19 Budget, if multiple phases of funding were included in an appropriation, the funding by phase did not have to be scheduled separately (i.e. $1 million for acquisition, preliminary plans, and working drawings). However, beginning with the 2018-19 Budget, each phase of funding must be scheduled separately (i.e. $100,000 acquisition, $300,000 preliminary plans, and $600,000 working drawings).

Below is a list of all capital outlay phases used for budgetary purposes. Note that the bolded phases are “parent” of the “children” phases below them. In FI$Cal, dollars can only be entered at the child level. However, expenditures are rolled up to the parent level for the Budget Act and other budget publications. See section 6808 for a detailed description of project phases.

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<table>
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<tbody>
<tr>
<td>S</td>
<td>Studies.</td>
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<td>A</td>
<td>Acquisition.</td>
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<td>P</td>
<td>Preliminary plans.</td>
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<td>W</td>
<td>Working drawings.</td>
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<td>PC</td>
<td>Performance Criteria</td>
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<td>C</td>
<td>Construction</td>
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<td></td>
<td>Contract</td>
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<td>Contingency</td>
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<td>Agency Retained</td>
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<td>Construction—Other</td>
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<td>Construction—Actual</td>
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<td>DB</td>
<td>Design Build</td>
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<td>Design Build—Contract</td>
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<td>Design Build—Contingency</td>
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<td>Design Build—A&amp;E</td>
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<td>Design Build—Agency Retained</td>
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<td></td>
<td>Design Build—Other</td>
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<tr>
<td></td>
<td>Design Build—Actual</td>
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<tr>
<td>E</td>
<td>Equipment (i.e., Group 2 equipment).</td>
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<tr>
<td>M</td>
<td>Minor Projects</td>
</tr>
<tr>
<td>V</td>
<td>Various Items</td>
</tr>
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ADMINISTRATION OF THE CAPITAL OUTLAY PROGRAM

(Revised 5/1998)

Sections 6840–6869 address policy and procedures for fiscal administration of funded capital outlay projects. The primary oversight entities are PWB, DOF, and the Joint Legislative Budget Committee (JLBC). Although long-term and interim financing for capital outlay projects are part of project implementation, they are addressed in a separate financing portion of the chapter (Sections 6870 et seq.). An overview of capital outlay is provided in Section 6801 to 6809. Acronyms, terminology and forms are defined and indexed in the glossary, Section 6899.

METHODS OF PROJECT DELIVERY

(New 5/1998)

The state traditionally uses the design-bid-build method of procuring design and construction services for most of its capital outlay projects. In addition, the state also uses various lease methods to obtain the use of facilities, both with and without facility acquisition at some point in the lease. The following discussion briefly outlines standard procurement methods in the building industry and the resulting budget implications.

**Design-bid-build.** The state’s contract law and budget processes for capital outlay are based on design-bid-build processes because that approach allows the state to determine the exact product before it begins construction. Projects are not bid on by construction contractors until working drawings are completed by a separate architect-engineering firm.

In the traditional design-bid-build process, preliminary plans, working drawings, and construction are all separate phases; an overview of all typical capital outlay phases is provided in Section 6808. Funds are not normally committed to a phase unless there is a strong assurance that they can be encumbered within a single fiscal year. Consequently, most design-bid-build projects are budgeted in several phases over two to three years (sometimes longer). Each separate appropriation requires a COBCP (Section 6818) and must be included in the client department’s five-year capitalized assets plan (Section 6820).

In addition, PWB and DOF perform an oversight role for design-bid-build projects by reviewing and approving the design phases of a proposed project (Sections 6842 and 6851).

**Design-build.** In design-build projects, design work is performed by the same entity that constructs the project, and the design-build contract award is made in a lump sum.

Consequently, there are no separate phases—or appropriations—for preliminary plans, working drawings, and construction. The client is responsible for providing a project definition which the design-build firm uses as the basis for its bid. The advantage of the design-build approach is that the project delivery team has single-point responsibility for the project. This helps expedite construction time-frames and may reduce the number of change orders.

There are variations of design-build in which the project definition is elaborated through more detailed narrative specifications and/or drawings. This modified approach is called bridging.
design-build and for some projects may result in project performance specifications that are nearly as detailed as preliminary plans. Greater specificity is helpful when program needs reduce the range of acceptable design solutions or materials. From
a budget perspective, the development of performance specifications may require a separate phase appropriation since the level of detail required could substantially exceed that of a budget package (Section 6828).

State contract law currently does not support the design-build process, except for the California State University and the University of California which have specific design-build authority. Similarly, the PWB process does not presently recognize an alternative to preliminary plans approval.

**Turnkey, Design-Build-Lease, Lease-Purchase.** These are financing methods in which an owner retains an entity which has single-point responsibility for developing a project. In addition to design and construction, the selected entity is responsible for providing one or more other project development functions, such as selecting and acquiring a site, financing, and even owning or operating the facility which is leased to the client department (with or without an option to purchase). From a budget perspective, these financing approaches are subject to this chapter if they meet the definition of a capitalized lease (Section 6818), or if—when being financed—an obligation for continuing state disclosure is created (Sections 6876 and 6884).

The following discussion on capital outlay administration (Sections 6842–6869) deals with design-bid-build state construction projects—i.e., excludes leased facilities. Leasing alternatives are addressed in the capital asset planning and budgeting portion of the chapter (Sections 6810–6839) and as part of capital asset financing (Sections 6870–6888).

**STATE PUBLIC WORKS BOARD (PWB) OVERVIEW**

(New 5/1998)

The following summarizes statutory and administrative provisions relating to PWB.

**Origin/Role:** PWB was created by the Legislature in 1946 to offset any economic decline due to the cessation of a wartime economy, with two major areas of responsibility:

1. Approving plans, allocating funds and determining the timing of major construction projects of state agencies after appropriations for such projects have been made by the Legislature; and

2. Selection and acquisition of real property for location or expansion of state facilities and programs.

Over the past 50 years, the role of PWB has changed to:

1. Providing a review and approval process for adherence to the Legislature’s intent in its appropriation of funds for capital outlay projects;
2. Carrying out various statutory control provisions relating to capital outlay projects;

3. Selecting and acquiring real property for location or expansion of state facilities;

4. Approving sales of surplus property pursuant to annual statutes authorizing the disposal of surplus real property; and
5. Acquiring property and constructing facilities from the proceeds of revenue bonds (also called lease-revenue bonds) issued by the board.

Membership: Voting members are the:

1. Director of Finance, who historically has chaired PWB;

2. Director of Transportation;

3. Director of General Services;

4. State Controller (for revenue bond matters only); and

5. State Treasurer (for revenue bond matters only).

In addition, PWB has the following advisory members: The Director of the Employment Development Department when PWB is engaged in contingency planning for emergency public works per Government Code Section 15799.2; and non-voting legislative advisors (three Senators appointed by the Senate Rules Committee and three Assembly members appointed by the Speaker).

PWB staff: The DOF Capital Outlay unit administers the functions of PWB and provides whatever assistance the board may require. DGS provides staff support for real property acquisitions and sales, and for energy assessment programs.

Meetings: The PWB process, including monthly meetings, is described in Section 6844.

Certifications/notifications to the Legislature that the project is within scope and cost: Prior to board action on any capital outlay appropriation, DOF certifies in writing to the Chairperson of the JLBC, the chairpersons of the respective fiscal committees, and the legislative members of PWB whether the requested action is in accordance with scope and cost as approved by the Legislature. If DOF approves changes to the legislatively approved scope or cost, or both, it must detail the changes and associated cost implications. Such reports also include all proposed or potential augmentations, as well as anticipated recognized deficits in excess of ten percent of the amount appropriated for the capital outlay projects. See additional procedures for certifications/notifications in Sections 6844, 6861, and 6863 of this chapter.
Approval of preliminary plans: Per Government Code Section 13332.11, funds appropriated for capital outlay may not be expended by any state department until DOF and PWB have approved preliminary plans for the project. PWB’s approval of preliminary plans ensures that a project proceeding into the working drawing and construction phases is consistent with legislatively approved cost and scope. This requirement does not apply to the Department of Transportation, to higher education segments’ non-state funded capital outlay, to the California Exposition and State Fair, or to any project specifically exempted from Section 13332.11. In addition, this provision does not apply to acquisitions, equipment, minor projects, or amounts appropriated specifically for preliminary surveys, studies, or program planning. Finally, PWB processes in general do not apply to the State Water Project.

Project augmentation: Sections 16352, 16352.5, 16354, and 16409 of the Government Code make appropriations and authorize PWB to approve allocations of additional funds to
augment construction and acquisition appropriations when projects cannot be undertaken because the cost exceeds the funds available for the projects.

PWB’s authority to augment projects is limited to the following by Government Code Section 13332.11:

1. PWB must defer any augmentation in excess of 20 percent of the amount appropriated for a capital outlay project until the Legislature makes additional funds available for the specific project;

2. Augmentations in excess of 10 percent (but no greater than 20 percent) of the amount appropriated for each capital outlay project must be reported to the Chairperson of the JLBC, or his or her designees, 20 days prior to PWB approval.

3. PWB must defer approval of preliminary plans or any portion of an acquisition project if the estimated cost of the total project exceeds 20 percent of the amount appropriated, unless in the case of an acquisition project the board determines that a lesser portion of the property is sufficient to meet the objectives of the project approved by the Legislature.

By resolution, PWB has authorized the Director of Finance to augment projects within the following limits:

1. 10 percent of the total of the official estimate for that portion of the work, including related overhead and contingency expenses for such portion, or $50,000 whichever is the lesser; or

2. The anticipated deficit previously recognized by the board; or 3 $1,000 or less.

See Section 6861 for further discussion of PWB practices in interpreting Government Code Section 13332.11.

Property acquisition law: The Legislature enacted the property acquisition in 1944, which is now set forth in Government Code Sections 15850–15866. Principal provisions include:

1. PWB selects and acquires real property for state departments when funds are appropriated by the Legislature, except for acquisitions for the following entities: Department of Water Resources; the State Reclamation Board; the Wildlife Conservation Board; the Department of Transportation; the Public Employees Retirement System; the Department of Fish and Game; the State Teachers’ Retirement System; the Department of Housing and Community Development; and the State Lands Commission. In addition, PWB approval processes for real property transactions do not apply to projects for the University of California and the California State University which are not funded through state appropriations. (Limited exemptions for the state conservancies have been authorized in statute.)

2. All proposed acquisitions are brought to PWB for site selection and acquisition by negotiation or, if unable to purchase by negotiation, by filing an eminent domain action (Government Code Section 15853). Sites for lands acquired on behalf of the State Park System are selected by the Director of Parks and Recreation (Section 5006, Public Resources Code).
3. Government Code Section 15853 also requires PWB to make reports on the status and timing of park acquisitions to the Legislature. The essential feature is:
   a. For any park acquisition not completed through negotiations and/or condemnation, or abandoned by the Department of Parks and Recreation within six months of commencement of purchase negotiations, notice is given to appropriate fiscal committees and legislative members whose districts are affected; and
   b. Six months after the notice set forth in the preceding text, the same legislators are given the status of the projects, if parcels have been abandoned or not acquired. DGS prepares this report for PWB.

4. PWB may acquire any interest in real property it deems advisable.

5. PWB may purchase furnishings contained with any acquired improvement if the owner agrees to sell.

6. PWB has eminent domain (condemnation) authority as described in Section 6866. Pursuant to Government Code Section 15855 (b), the board is the only state agency that may exercise this authority, with the exception of the following entities:
   a. The Department of Transportation,
   b. The Department of Water Resources,
   c. The State Lands Commission,
   d. The State Reclamation Board,
   e. The Department of Fish and Game,
   f. Hastings College of the Law, and
   g. The University of California.

Current law and procedure require that certain —evidencesll (discussed in Section 6849) must be provided before an acquisition is submitted for board consideration. Until the property acquired is actually needed, jurisdiction lies with DGS (Government Code Section 15862).

As staff to PWB on acquisition matters, DGS obtains the information needed to assure PWB that:

- The location of the proposed site meets the requirements of the department for which it is being acquired;
- The site is suitable for the project’s purpose and will not result in increased project costs;
• The site can be acquired within the funds available and is in accordance with the intent of the Legislature; and

• The price paid for the property is fully supported by an appraisal.

Sale of surplus property: DGS sponsors an annual bill to authorize disposition of excess state-owned real property (Government Code Section 11011). The legislation typically provides that PWB approves final disposition. However, DGS does not handle the sale of property for the Department of Transportation and the Department of Water Resources, or
for properties of the University of California, the California State University or the California Community Colleges acquired through non-state funds.

**PWB lease-revenue bonds**: PWB is authorized to issue revenue bonds (commonly referred to as lease-revenue bonds). The board administers four lease-revenue programs: public building construction, new prison construction, high technology educational and research facilities in public universities, and energy conservation. For additional information on these programs, see Section 6873.

**Contingency plan for emergency public works**: If conditions warrant, PWB may develop a contingency plan for emergency public works pursuant to Sections 15799.2 and 15799.4 of the Government Code. The plan consists of capital outlay or maintenance projects that have not been included in the Governor's Budget or otherwise presented for legislative review but which PWB believes would serve a useful public purpose if implemented. PWB then submits the plan to the Governor for incorporation into the annual economic report to the Legislature required by Section 15901 of the Government Code.

**Public land trusts**: Section 831.5 of the Government Code allows non-profit public land trusts to enter into agreements with the state to preserve open space and allow public access to natural resources and, in return, receive certain immunities from liability for injuries caused by natural conditions of unimproved property. The State Coastal Conservancy can enter into such agreements for projects in the Coastal Zone, and the Tahoe Conservancy can enter into agreements in the Tahoe Basin. PWB is responsible for agreements in the rest of the state.

**Department of Parks and Recreation concessions agreements**: Public Resources Code Section 5080.20 requires PWB to approve any proposed concessions agreements with a total investment or estimated annual gross sales in excess of $500,000, which has not been approved by the Legislature in the Budget Act. The agreement may not be advertised for bid, negotiated, or amended in any way until PWB has notified the Legislature that:

1. The proposed concession agreement could not have been presented to the Legislature for review and approval or that it is necessary to revise the terms after legislative approval; and
2. It would be adverse to the interests of the public to defer the review and approval to the time the Legislature next considers a budget bill.
PWB may approve the proposed concession after giving at least 20 days written notice to the JLBC and the appropriate fiscal and policy committees.

**Long-lead capital outlay equipment:** Pursuant to Government Code Section 15792, PWB approval is required for state departments to incur obligations, to be met during the fiscal year following the year of project completion, for the purchase of equipment related to capital outlay projects for which the Legislature has approved construction funds. See also Section 6855, —long-lead equipment.

**Quarterly reports:** Client departments must submit quarterly reports to PWB on each project’s progress with respect to schedule, scope, and actual and projected expenditures (Section 6864).

**MONTHLY PUBLIC WORKS BOARD PROCESS**

(New 5/1998)

**Board meetings:** PWB meets monthly to consider proposed capital outlay expenditures. Meetings are normally held in Sacramento on the second Friday of each month. The meeting notice and the agenda are distributed at least ten days in advance of the board meeting (Government Code Section 11125). To be placed on the mailing list, contact the Capital Outlay Unit of DOF. Agenda package requirements for proposed board actions are described in Section 6845.

The chairperson may call special meetings to consider projects of an emergency or high priority nature. For example, a special meeting might be called if a critical project milestone cannot otherwise be met, such as awarding of low bid or acceptance of a time-limited acquisition settlement. Special meetings are held to a minimum and require a ten-day notice, except for emergency meetings due to the disruption or threat of disruption of state facilities.

**Screening meetings:** PWB staff conducts a screening meeting for proposed agenda items, usually three Wednesdays prior to the monthly meeting. The purpose of the screening meeting is to verify the accuracy of all information contained in the proposed agenda and resolve any open questions the board’s staff may have. Departments must attend the screening meeting if they have submitted an agenda item, unless attendance is waived by PWB staff.

**Annual calendars:** PWB approves an annual calendar showing planned board meetings as well as staff screening meetings. The annual calendar and its updates are distributed to all departments with active capital outlay programs and to interested parties who request inclusion on the mailing list.

**Key monthly time-frames:**

1. **Proposed board actions requiring legislative notification:** Prior to any board action, DOF reviews projects with proposed scope changes or cost increases and, if concurring, may need to notify the Legislature. (Section 6861 describes which project cost increases require legislative notification.) Capital outlay legislative notifications are referred to as
—20-day letters, meaning the Legislature has twenty calendar days to respond before PWB will take action on the project. For requests which require a 20-day letter, departments must submit PWB agenda items 30 working days in advance of the scheduled board meeting.
2. **Proposed board actions NOT requiring legislative notifications:** All items except scope changes and certain project cost increases may be approved by the board without waiting for a legislative response. These items are due at least **20 working days prior to the board meeting.**

3. **Certification letters:** In conjunction with each PWB agenda, DOF must certify to the Legislature whether proposed PWB actions are within legislatively approved limits. Although minimum time requirements are not specified in law, DOF submits this certification letter to the Legislature not less than seven calendar days prior to the scheduled PWB meeting. (See also Section 6842.)

**Delegated agenda items (reportable):** By resolution, PWB has delegated to DOF approval for selected non-policy actions. These actions, referred to as —reportable—, include:

1. Lesser augmentations, described in Section 6842 under the heading —Project Augmentations, II

2. Reversions of a non-policy nature (Section 6862),

3. Cost increases within appropriation (Section 6861),

4. Settlements related to real estate transactions of a non-policy nature,

5. Revisions of previous board actions of a non-policy nature.

**STANDARD INFORMATION REQUIRED WHEN REQUESTING PWB OR DOF ACTION**

PWB and DOF information needs related to capital outlay projects are very similar. Both require an action request called the DF-14D, *Request for Approval to Proceed or Encumber Funds*, as well as standardized project cost and history information. This chapter refers to that common block of information as —standard fiscal reporting requirements. II In addition, PWB requires an agenda package made up of a specifically-formatted agenda item, a briefing document, and additional information depending upon the type of proposed board item.
This section describes the standard reporting requirements used by both PWB and DOF, and the PWB agenda package.

**Standard fiscal reporting requirements:** When submitting a request for an action or approval by either PWB or DOF, the department must provide completed versions of the following standard reporting forms. (Only one set of standard reporting forms is required if submitting a request for multiple actions on the same project.)

1. **DF-14D, Request for Approval to Proceed or Encumber Funds:** The DF-14D, shown in 6845 Illustration 1 of this section, is the official request document which identifies the project and the requested action, and serves as the official, signed certification by the department related to scope, cost and CEQA compliance. For projects managed by DGS, the —Project Manager‖ signature is the DGS project manager, otherwise it is the department’s project manager. The —Department Director}
or Designee’s signature is the department requesting the action (submitting the DF 14D). DOF’s signature on the returned DF-14D is evidence of PWB/DOF approval of the request. Any conditions of approval will be noted on the document.

2. **Project Cost, Funding and Schedule Summary:** This summary, shown in 6845 Illustration 2 of this section, is a chronological history of costs, funding and schedules. Each submittal requires a new column with the most recent totals and dates. The cost summary is provided in the same manner as in the project’s COBCP. A section is provided to detail construction costs. The funding data includes all approved appropriations and executive orders, changes included in this request, and future funding requirements. —Total funding‖ must equal —total costs‖. The schedule reflects the same events as those in the initial budget package. The first column must reflect the project as initially approved. Additional columns reflect the project at the time of the submittal of the requested action.

3. **Project Cost Detail Worksheet:** The department must provide cost information in sufficient detail to communicate and support the request. The level of detail should be consistent with the budget package detail displayed in 6828 Illustration 2. The total costs must tie to the Project Cost, Funding and Schedule Summary, 6845 Illustration 2.

**PWB agenda package:**

1. **Who submits an agenda package:** The project manager—either DGS or the client department if it is authorized to act as project manager—submits the agenda item. However, if DGS submits the agenda item, the client department is nonetheless responsible for the accuracy of program information and for providing all required supporting documents to DGS in a timely manner.

2. **What comprises the agenda package:**
   a. *An agenda item*, which is the legal action the client department is asking the board to take.
   b. *A briefing document*, which is used as part of the staff analysis for the board agenda. Briefing documents must include all the information described in the following text and in general should fit on one page.
   c. *All pertinent backup material.* Different types of agenda items have different information requirements. See the various sections on site selection and acquisition, preliminary plans, construction, bond items, augmentations, and project scope.
   d. *A draft 20-day notification letter* for items which must be noticed to the Legislature (scope changes and certain augmentations). See Section 6861 for augmentations and Section 6863 for scope changes. Examples of notification letters to the Legislature are available from the DOF Capital Outlay Unit.

3. **Format for agenda items:** Departments must use a specific format for each type of agenda item. Because there are a number of possible board actions, formats are not included in this chapter. Obtain format guidelines from the DOF Capital Outlay unit and use only those guidelines when preparing agenda items for PWB action.

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4. **How to submit agenda packages:** For all agenda items and briefing documents, provide both an electronic copy on disk as well as a hard copy. The rest of the agenda package is submitted only in hard copy.
5. **When to submit agenda packages:** See —key monthly time-frames‖ in Section 6844.

**Briefing document for agenda packages:** As noted in the preceding text, a board briefing document must accompany each agenda package requesting a board action. This information is used in the staff analysis for the board meeting. Present information in the following format:

1. Project title, matching agenda item.
2. Project authority (all phases).
3. Purpose of project and nature of proposed action:
   a. For preliminary plan approvals:
      (1) Square footage by program use, and
      (2) Number and type of buildings and landscaping etc.
   b. For site selection approvals:
      (1) Estimated dollar amount,
      (2) Acreage, and
      (3) Ultimate purpose.
   c. For reversions, the reason for the reversion and the fund source reverted monies will be returned to (Section 6862 describes types of reversions).

4. **Statement of scope and cost:**
   a. Identify any legislatively-imposed restrictions on the project;
   b. If the project is within scope and cost, a statement of consistency is adequate;
   c. If the scope has changed, provide a brief description of change, its necessity and the date that the request for JLBC notification was submitted;
   d. If the cost has changed, cite the dollar amount of the change. For increases, also provide the percentage of increase based on the legislatively approved cost for that phase. (Section 6861 provides instructions for computing augmentations.) If the increase exceeds 10 percent, provide the date that the request for JLBC notification was submitted to DOF; and
   e. Identify any previously approved augmentations and the total cumulative costs in both dollars and percentages.
SAM - BUDGETING

5. Depending upon the type of item, certify that funds are available. If the fund is managed by another department, provide a certification from that department that funds are available. If the appropriation is not project-specific, the department should declare that use of these funds for this project is consistent with the department’s expenditure plan for the appropriation. Fund certification is not required for funds managed by DOF (e.g., the General Fund, Public Resources Account, etc.).

6. For construction projects, departmental certification per Section 6850 that CEQA requirements have been met.

7. For site selections and acquisitions, departmental certification per Section 6849 that:
   a. CEQA has been complied with, including date final review period will be
b. Implied dedication has been considered in the property value.

c. If necessary, a relocation study has been prepared and adequate funds are available for relocation costs.

8. Project identification code (Section 6839).


10. Identify and discuss any other risks, concerns, controversy or other information that the board may need to make a fully informed decision.

Examples of briefing documents are available from the DOF Capital Outlay unit.
REQUEST FOR APPROVAL TO PROCEED OR ENCUMBER FUNDS

The Department of ______________________ hereby requests PWB / DOF action related to the following project:

1. Project ID: ___________ Project Title: ____________________________

2. Requested PWB/DOF Action Date: ___________ Date of last approval: ___________

3. Requested Action: (all reporting requirements related to this request as defined in SAM, are attached)
   - Site Acquisition - Section 6848 (an agenda package has been submitted to DGS)
   - Approve Preliminary Plans - Section 6851
   - Approve Working Drawings - Section 6852
   - Approve Proceed to Bid - Section 6852
   - Approve Construction Contract Award - Section 6853
   - Request for Augmentation / Reversion - Section 6861, 6862
   - Approve Scope Change - Section 6863
   - Other, Specify: ____________________________________________________________

4. Project Completion Reporting: (reporting requirements as defined in Section 6856 are attached)
   - Project Occupancy
   - Project Completion
   - Project Close-out

5. Project Certifications: (reporting requirements as defined in Section 6850 are attached)
   - CEQA Compliance: This project meets CEQA compliance requirements.
   - The action requested does not invalidate the CEQA compliance.
   - The action requested mandated a review of the CEQA compliance.

Scope Changes: (reporting requirements as defined in Section 6863 are attached)
   - Project scope has not changed from that as defined in the previous reporting.
   - A change in project scope is necessary in order to proceed with the project.
   - Costs/Funding/Schedule Changes: (reporting requirements as defined in Section 6861 are attached)
   - Costs, funding, and schedules have not changed from that as defined in the previous reporting.
   - Changes in cost, funding and/or schedules are necessary in order to proceed with the project.

(Continued)

Rev. 364
(6845 Illustration 1)
REQUEST FOR APPROVAL TO PROCEED OR ENCUMBER FUNDS

I hereby certify that the preceding text is accurate and that the necessary reporting requirements as defined in SAM are included with this request.

Project Manager: ____________________________  Department Director/Designee: ____________________________

Date: ____________________________  Date: ____________________________

RESULTING ACTION

_____ The following action(s) are approved. Authority is granted to proceed when funding authority permits.

_____ The following must be addressed prior to granting approval of all actions:

________________________________________________________________________

________________________________________________________________________

Department of Finance
DF 14D (rev 12/97)

Rev. 364
(6845 Illustration 1, Cont. 1)
Capital Outlay Cost, Funding and Schedule Summary

Organization Code: ___________________ Department: ___________________
Project ID Code: ___________________ Project Title: ___________________

This form provides a chronological history of the project. The initial column reflects the detail related to implementing the Budget Act or authorizing legislation. Subsequent columns reflect all reportable project phases listed in the schedule section below plus additional reporting for mid-phase scope/funding changes.

Requested Action: ___________________
PWB/DOF Action Date: ____________

<table>
<thead>
<tr>
<th>COSTS - Display new totals for each category</th>
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<tbody>
<tr>
<td>Study</td>
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<td>Acquisition</td>
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<tr>
<td>Preliminary Plans</td>
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<tr>
<td>Working Drawings</td>
</tr>
<tr>
<td>Total Construction</td>
</tr>
<tr>
<td>Equipment Phase (Group 2)</td>
</tr>
<tr>
<td>Other</td>
</tr>
<tr>
<td>Total Costs</td>
</tr>
<tr>
<td>Construction Detail - Must tie to total construction costs above</td>
</tr>
<tr>
<td>Contract</td>
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<tr>
<td>Contingency</td>
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<tr>
<td>A&amp;E Costs</td>
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<tr>
<td>Group 2 Equipment</td>
</tr>
<tr>
<td>Agency Retained</td>
</tr>
<tr>
<td>Total Construction</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FUNDING DATA - Include all funding provided. For reversions and augmentations indicate EO number.</th>
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</thead>
<tbody>
<tr>
<td>Chapter / Item</td>
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<td>97-3680-301-0516</td>
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<tr>
<td>Must tie to Total Costs, above</td>
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<tr>
<td>Change Requested</td>
</tr>
<tr>
<td>Future Funding</td>
</tr>
<tr>
<td>Total Funding</td>
</tr>
</tbody>
</table>

<table>
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<tr>
<th>SCHEDULE - Include all project dates (MM/DD/YYYY).</th>
</tr>
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<tbody>
<tr>
<td>Study Completion</td>
</tr>
<tr>
<td>Acquisition Completion</td>
</tr>
<tr>
<td>Start Preliminary Plans</td>
</tr>
<tr>
<td>Preliminary Plan Approval</td>
</tr>
<tr>
<td>Approval to Proceed to Bid</td>
</tr>
<tr>
<td>Contract Award Approval</td>
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<tr>
<td>Project Completion</td>
</tr>
</tbody>
</table>

Rev. 364
(6845 Illustration 2)
Sections 6848–6856 describe project phases and processes for a *design-bid-build project approach*. This discussion relates primarily to securing DOF/PWB budget approval to initiate new phases and for project changes; it is not intended to address other project administrative requirements, such as state procedures related to contract law or project accounting. For assistance with capital outlay administrative requirements other than budget authorizations, contact DGS. Section 6841 provides further information on the design-bid-build process.

**STARTING PROJECTS**

(Revised 10/2017)

No Public Works Board (PWB) action is required to start projects. However, Finance or the Department of General Services (DGS) must authorize release of funds and give approval to proceed, depending upon the phase of the project and the task.

Unless the project involves an acquisition, the first (and frequently only) PWB approval normally occurs at the preliminary planning stage.

Once the Legislature authorizes funding for DGS-managed minor projects, studies, site acquisition, or preliminary plans in the Budget Act or separate statute, DGS initiates a Form 22 (or for bond funds a Form 220) requesting that funding for this phase be transferred to the Architectural Revolving Fund. The DGS forwards the form to the department for approval, which then submits it to Finance for approval. See DGS State Forms Directory for samples of the fund transfer forms. The form is then forwarded to the State Controller’s Office.

**Reminder to departments on “project” per State Contract Act:** Before beginning a project, departments are reminded to verify whether the project is governed by the State Contract Act. Section 10105 of the Public Contract Code sets a specific dollar threshold for projects, beyond which the act has governance. That dollar threshold is updated every two years by Finance in a Budget Letter.

**STUDIES**

(Deleted 10/2017)

**SITE SELECTION AND ACQUISITION**

(Revised 5/1998)

**PWB’s role:** Using DGS as its agent, PWB selects and acquires real property for most departments when the appropriation is subject to the Property Acquisition Law (Government Code Sections 15850–15866). Exceptions are listed in Section 6842.
**SAM - BUDGETING**

Even if a specific site is designated for acquisition by the Legislature, PWB must approve the site before any purchasing activities can begin, including negotiating with the prospective seller. DGS prepares all land acquisition and related agenda items for consideration and approval by the PWB.

**Overview of site selection and acquisition:** The phase has two major steps:

1. Site selection, CEQA compliance, and PWB approval of the chosen site with authorization to proceed to purchase; and

2. Site purchase with subsequent PWB approval of the settlement price only if it exceeds the previously reported appraisal price.

This phase starts when the client department makes a written request to DGS to prepare a formal appraisal for the approved project. The request must be made by a department manager authorized to commit project funds and must give the Budget Act appropriation citation or statutory authority.

After the appraisal, but before beginning any formal acquisition activities, DGS obtains PWB approval for a specific site consistent with the requirements of the Budget Act or enabling statute. (Where a specific site is not designated in the appropriation, DGS first assists the department in selecting a site).

After PWB approves the site, DGS negotiates a settlement with the owner. If the settlement price exceeds the appraised value DGS reported to PWB at the time acquisition was authorized, DGS returns to the board for approval of the higher settlement price (and may, as necessary, request augmentation). Typically, the property acquisition phase must be completed before DOF releases design and construction funds to improve the site. Site selection and acquisition costs include:

1. Investigations,

2. Surveys,

3. Title costs,

4. Appraisal fees,

5. Staff time, and

6. Relocation assistance (depending upon DOF’s assessment of need; requires specific justification).

**Evidence required by PWB:** Current law requires that before a project is submitted to PWB for concurrence on site selection, there must be evidence that:

1. Implied dedication has been considered in the appraised value. *Implied dedication* refers to a public easement which has been created through a history of use. (Determination of implied dedication is case-specific and based on facts involved in a given situation.) Implied dedications may reduce the value of a property.

2. The project has complied with CEQA, as described in Section 6850.
SAM - BUDGETING

3. If improved property is to be acquired, a relocation study has been prepared and adequate funds are available for relocation costs.

4. A legal description and title report covering each parcel to be selected has been completed.

5. Notice has been given of the time and place of the PWB meeting and an agenda has been mailed to interested parties.
Types of board action to acquire property: There are three types of board actions associated with this phase (not including any possible augmentations or scope changes):

1. Approval of site selection and authorization of acquisition;

2. Possibly approval for acquiring less property than originally contemplated;
   a. Submit this item only if the project is solely an acquisition project, the reduction in property exceeds 20 percent of the legislatively-approved acquisition value, and the client department believes that a lesser portion of the property is sufficient to meet the objectives of the project approved by the Legislature (see Section 13332.11 [g] of the Government Code);
   b. Legislative notification is required; therefore, the item must be submitted 30 working days in advance of the proposed PWB meeting date.

3. Possibly approval of the settlement price, but only if it exceeds the appraisal price previously reported at the time PWB authorized the acquisition.

In all cases, DGS is responsible for submitting the agenda package to DOF for those departments which must acquire property through PWB (for exempt departments, see Section 6842). However, client departments are responsible for meeting DGS’ information needs to prepare the agenda packages.

Agenda information:

1. Site selection and acquisition. The following information is required:
   a. All elements specified in Section 6845 for both the agenda package and standard fiscal reporting requirements;
   b. CEQA documents per Section 6850.

2. Acquiring less property pursuant to Government Code Section 13332.11 (g).
   The agenda package includes:
   a. All the elements specified in Section 6845 for both the agenda package and standard reporting requirements. However, if this request is made at the same time as the board item for site selection and acquisition, it is handled as a sub-item and uses the agenda package and standard reporting requirements for the main item;
   b. A written statement explaining why the purchase of lesser property fulfills the Legislature’s intent; and
   c. A draft notification letter to the Legislature.

3. A settlement price which exceeds the appraisal. The agenda package includes:
   a. All elements specified in Section 6845 for both the agenda package and standard reporting requirements. However, if this request is made at the same time as the board item for site selection and acquisition, it is handled as a sub-item and uses the agenda package and standard reporting requirements for the main item;
   b. An explanation for the increase in the settlement price;
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c. If an augmentation is required, a separate agenda package is not needed but the submittal must include the additional information outlined in Section 6861.

Interim property management by DGS after acquisition:Until property acquired under the Property Acquisition Law is needed, jurisdiction lies with DGS:
SAM - BUDGETING

1. The Director of General Services may transfer jurisdiction to the client department if in his opinion early transfer is in the best interest of the state (e.g., the department requires interim use for parking);

2. DGS may lease all or any part of the property;

3. DGS may remove or demolish structures;

4. DGS may sell or dispose of the improvements; and

5. Rentals received are deposited in a special account in the General Fund and, when appropriated by the Legislature, are available to DGS to maintain, improve or care for the property until needed for the purpose acquired (Government Code Section 15863), with the exception of lands acquired for the State Park System (Public Resources Code 5003.17). However, proceeds of sale of improvements are not deposited in the special account or available for maintenance.

ENVIRONMENTAL IMPACT REVIEW PROCESS

PWB requires satisfaction of environmental concerns in accordance with the California Environmental Quality Act (CEQA) before it will approve preliminary plans for a project and generally prior to approval of site selection as well.

Legal statutes and related regulations covering CEQA can be found in Public Resource Code Section 21000 et seq. and its accompanying regulations, California Code of Regulations (CCR) 15000 et seq. Many actions brought before PWB for consideration and approval are —projects‖ within the definition of CEQA. These statutes and regulations set out the environmental review requirements for such projects.

Key definitions: For assistance on understanding the documents and notices required by CEQA, see the Guidelines for California Environmental Quality Act, Section 15000–15387, CCR, Title 14, Chapter 3. The guidelines provide an explanation of the environmental process and the definition of many common terms. The following summarizes a few frequently used terms and describes what CEQA documents include:

1. **Project per CEQA**: The term project per CEQA is defined in CCR Section 15378(a) (3) as an activity involving a lease, permit, or license issued to a person or entity.

2. **Environmental impact report**: An environmental impact report (EIR) is one of the three basic types of environmental documents that may be prepared by a lead agency to disclose the potential environmental consequences of an action. An EIR consists of draft and final documents. There are several types of EIR (focused, supplemental, program, etc.). An EIR —...is an informational document which will inform public agency decision-makers and the public generally of the significant environmental effect of a project,
identify possible ways to minimize significant effects, and describe reasonable alternatives to the project (Section 15121, Title 13, Chapter 3 of the CCR). An EIR is required when a project will have one or more significant environmental effects that cannot be either avoided or reduced to a level of insignificance through the use of mitigation measures or changes to the project.
3. **Negative declaration/initial study:** A second type of environmental document is a *negative declaration*. A negative declaration may be used if the project is not expected to have one or more significant effects on the environment. A negative declaration typically is supported by an initial study or initial study checklist.

4. **Categorical exemption:** A *categorical exemption* is an exemption from CEQA based on one or more classes of actions/projects established in regulation. Each class of projects has been determined to not have a significant effect on the environment.

Related notices include:

1. **Notice of determination:** A *notice of determination* is a brief notice filed by the lead or responsible agency after it approves or determines to carry out a project or action that was subject to CEQA. For state projects, the notice is filed with the State Clearinghouse, Office of Planning and Research. Filing of this notice starts a 30-day litigation period. See Sections 15075 and 15094 of CCR, Title 14, for the contents of this notice. A notice of determination is used for both EIRs and negative declarations.

2. **Notice of exemption:** A *notice of exemption* is a brief notice that may be filed by the lead agency after it approves or determines to carry out a project or action that was exempt from CEQA because the project was *ministerial, categorically exempt*, etc. For state projects, the notice is filed with the State Clearinghouse. Filing of this notice starts a 35-day litigation period.

**Client department’s role:** Environmental review is typically required for construction projects, projects funded through multi-year capital programs, land acquisitions, and land transfers. Other PWB actions may also be subject to the CEQA environmental review process. The lead agency in each case has the responsibility for determining whether the project is subject to CEQA.

The client department is responsible for meeting the requirements of CEQA. Departments must certify to the PWB that CEQA requirements have been met, including successful completion of the litigation period on each respective project approval, and must provide corroborating evidence (such as a date-stamped notice of determination or categorical exemption). In addition, departments must notify DOF of any developments, subsequent to completion of CEQA, that may indicate environmental contamination or other environmental issues that may require additional activities and/or costs.

**Changes in the project:** The client department as lead agency ensures that there have been no changes in the project, site conditions, or other factors that may make it necessary to prepare additional environmental documentation. The need for additional documentation could arise for a variety of reasons, especially if there has been a substantial period between completion of the environmental review process and project submittal to the board. For example, if information becomes available that there is an
unexpected problem of soil contamination within the project site, the lead agency may need to revise the previously approved environmental document. Other examples include the adoption of new regulatory standards that impose constraints on the project, changes in the setting of the project site such as the reduced availability of on-site utilities (water supplies, sewer service, etc.), increased traffic congestion, or
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the development of adjacent land uses that conflict with the project.

The client department must also ensure that all projects remain in compliance with the environmental document prepared and adopted for each respective action. In some cases, it may be necessary to provide additional documentation to support the finding that the original environmental process remains valid. Both state and federal environmental review processes provide guidance on when supplemental or revised environmental documentation may be needed subsequent to the approval of a project.

PWB practices: Because resolution of CEQA concerns should generally precede PWB's approval of state funds for a project, PWB follows these practices:

1. **When processes should be completed**: Departments must provide PWB with evidence that the state’s environmental review process has been completed by the lead agency (the public agency with primary authority for carrying out the action) prior to the required PWB action.
   a. For construction projects, this means prior to approval of preliminary plans; and
   b. For acquisition projects, this means prior to approval of site selection and acquisition.

2. **Notice of determination, categorical exemption**: In most cases, completion involves filing of the applicable project approval notice by the lead agency—either a notice of determination or a categorical exemption, as required by state regulation.

3. **Litigation period**: The litigation period (described in the preceding text) on the notice must have expired without a valid challenge before PWB will consider the item. The litigation period for a notice of determination is 30 calendar days; the litigation period for a categorical exemption is 35 calendar days. Consult the regulations for litigation periods for other types of notices.

Evidence of the completion of this process assures the board that it has minimized risk in committing state funds to a particular project or undertaking.

**CEQA compliance outside the PWB process**: CEQA requirements are not limited to projects reviewed by PWB. Actions not reviewed by PWB, such as minor capital outlay projects, may nonetheless constitute —projects within the definition of CEQA and its accompanying regulations. Again, in each case the lead agency is responsible for determining the application of CEQA to each project and fulfilling the relevant requirements.

Sections 6849 and 6851 describe how CEQA compliance should be presented in the PWB agenda package.

**PRELIMINARY PLANS REVIEW**

(Revised 5/1998)

**What are preliminary plans?** Preliminary plans are the initial design phase in preparing the construction bidding documents. The discussion in this section applies to the design-bid-build process used for most state projects (Section 6841).
These documents are developed from the information contained in the budget package. Typically, the preliminary plans are developed in two distinct steps referred to as schematics and design development. The two-step process allows the
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department and architect/engineer to interact before the design is developed, helping to ensure a mutual understanding of the design objectives, limitations and budget.

1. **Schematic documents**: Schematic documents are the initial architectural and engineering plans prepared during the preliminary plan phase, depicting the designer’s conceptual solution to project needs. The major difference compared with design documents is the amount of detail.

2. **Design documents**: These are the final documents which result from the preliminary plan phase, defined by Section 3.00 of the Budget Act as a site plan, architectural floor plans, elevations and a cost estimate. For each utility, site development, conversion, and remodeling project, the drawings must be sufficiently descriptive to convey accurately the location, scope, cost, and the nature of the improvement being proposed.

**Beginning and end of phase**: If a department contracts with DGS for project management, the preliminary plans phase starts with the request to DOF to release funds for preliminary plans funds using a Form 22 or a GS-OSA 220 for bond items (6868 Illustrations 1 and 2). Upon approval of the release of funds, the design/construction administrator has the design prepared either by state personnel or through contracts with private sector architects/engineers. This phase ends when PWB approves the preliminary plans. An overview of all capital outlay phases is provided in Section 6808.

**Client department’s role**: The client department is responsible for obtaining PWB review and approval of preliminary plans prior to expenditure of appropriated funds for subsequent phases. When requesting approval of preliminary plans, the client department must either:

1. Certify on the DF-14D that all present and future phases will be within scope and cost per supplemental budget language and legislatively-approved COBCPs; or

2. Request adjustment through the appropriate change process (Section 6861 discusses cost increases; Section 6863 discusses scope changes).

In addition, the client department must demonstrate that it has met environmental requirements for the project before PWB will approve preliminary plans (Section 6850).

Departments are reminded not to start preliminary plans (or any other phase) with any funds other than the approved phase appropriation or in advance of DOF authorization of a DF-14D.

**PWB’s role/restrictions related to preliminary plan approval**: Section 13332.11 (a) of the Government Code requires both DOF and PWB to approve all preliminary plans to ensure that projects proceeding to working drawings and construction are consistent with legislatively approved cost and scope. Section 13332.11 (g) requires the board to defer action with respect to approval of preliminary plans if the estimated cost of the project exceeds 20 percent of the amount appropriated.

If construction has not yet been appropriated, there is no requirement under statute for the board to defer action on the preliminary plans. However, PWB will calculate the
SAM - BUDGETING

project's estimated percentage increase based on the last legislatively recognized project cost.

Depending upon the circumstances, it is generally board practice to defer action
and notify the Legislature when such increases are estimated to exceed 20 percent.

**Value engineering may be required before PWB considers a request for a recognized deficit:** If a project is expected to exceed cost based on the preliminary plans, PWB may require value engineering to determine cost savings strategies before it will recognize a potential deficit. The principal concepts which underlie the value engineering methodology are function, cost, and worth. The approach is to analyze the functional requirements of a project’s materials, methods, components and subsystems in order to explore alternate solutions which improve project efficiency without reducing program value. During this process, all expenditures relating to design, construction, maintenance, operation, replacement, etc., are considered.

**Mandatory review approvals:** Various statutes require that certain elements of preliminary plans and working drawings be reviewed by oversight agencies before proceeding to bid. Examples of possible mandatory reviews at the preliminary plans stage include the State Fire Marshal, the California Coastal Commission, and the State Historic Preservation Officer. (Note: mandatory review approvals must be identified in the COBCP per Section 6818.)

**PWB agenda package for preliminary plans:** When submitting requests for approval of preliminary plans, provide the following:

1. All information requested in Section 6845, including both the standard fiscal reporting requirements and the agenda package;

2. A completed, dated set of preliminary plans, outline specifications, and a cost estimate (note: all department-retained funds and federal or other non-state funds contributing to the total project costs must be accounted for);

3. For proposed cost increases, the information required in Section 6861;

4. For proposed scope changes, the information required in Section 6863;

5. A "Public Works Project Authorization and Transfer Request"—Form 22 (6868 Illustration 1) for the working drawings phase. Projects financed from bond funds use a different transfer form (GS-OSA 220, 6868 Illustration 2); and

6. Evidence of CEQA compliance per Section 6850, such as a copy of the *filed* Negative Declaration.

**Preliminary plans presentation meeting:** Client departments must present their preliminary plans to PWB staff in a plans review meeting before PWB staff will consider a request for plans approval. This meeting must occur prior to the screening meeting for that month’s agenda. The purpose of the meeting is to verify that the project is within scope based on document review.

**After the board has approved preliminary plans:** DOF will sign copies of the DF-14D and Form 22 and return them to the client department for distribution to DGS and SCO. Time-frames for submitting requests for preliminary plans approval to board staff are presented in Section 6843.
Approved preliminary plans become the final definition of project scope: For most projects, scope is initially defined in the COBCP and published in supplemental language to the Budget Act. The preliminary plans and specifications, as approved by the PWB, later become the final definition of the approved scope of the project. Scope changes to these documents must be specifically approved by DOF in writing before...
the department can make additional expenditures to revise the plans or to redesign the project, unless such changes are authorized in the Budget Act or other subsequent legislation (Government Code Section 13332.11[b]). Scope changes are discussed in Section 6863.

**APPROVE WORKING DRAWINGS AND PROCEED TO BID**

(Revised 5/1998)

**What are working drawings?** Working drawings are the final design phase in preparing the construction bidding documents. Section 3.00 of the Budget Act further defines working drawings as —a complete set of plans and specifications showing and describing all phases of a project, architectural, structural, mechanical, electrical, civil engineering, and landscaping systems to the degree necessary for the purposes of accurate bidding by contractors and for the use of artisans in constructing the project. All necessary professional fees and administrative service costs are included in the preparation of these drawings. Documents also include a dated final cost estimate.

The discussion in this section applies to the design-bid-build process used for most state projects.

This phase starts with the approval by DOF to release working drawing funds and ends with DOF approval to proceed to bid. Both approvals use a Form DF-14D as shown in Illustration 1.

Before the working drawing phase can begin, PWB must approve the project’s preliminary plans (see Section 6851). A Form 22 is used to authorize transfer of working drawings funds to the Architectural Revolving Fund (ARF) (Section 6868). Departments use a DF-14D to request authority to spend working drawing funds. The architect/engineer then prepares the documents described in the preceding text along with any approved bid alternates as described in the following text.

**NOTE:** Requests for Approval of Working Drawings and Approval to Proceed to Bid are generally submitted concurrently if the construction funding has been appropriated. The requirements are separated in the following discussions for clarity. If submitted simultaneously, duplicated requirements should be combined.

**Approval of working drawings:** Government Code Section 13332.11(b) requires PWB to approve working drawings and also authorizes DOF to approve working drawings.

PWB delegates its approval to DOF and therefore an agenda package is not required. However, if the drawings result in cost or scope changes, those changes must be approved by DOF and then submitted as an agenda item the PWB (see Sections 6861 and 6863). To obtain DOF’s approval of workings drawings, the client department must:

1. **Develop adequate working drawings:** Demonstrate that the working drawings are adequate for bidding and construction of the proposed project:
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a. For most projects, DOF requires a letter attesting to the adequacy of the working
drawing documents (as defined in Section 3.0 of the Budget Act), and
summarizing the estimated construction, contingency, and project support costs.
b. DOF may elect to review actual working drawings. If requested, departments must provide DOF with a complete, dated set of working drawings, bid specifications, and a final cost estimate with a statement from the department Director/designee that the documents are adequate for constructing the proposed project.

2. **Evaluate changes:** Attest that any changes from the preliminary plans have been evaluated for scope changes as defined in Section 6863 and funding changes as defined in Section 6861.

3. **Obtain mandatory review approvals:** Various statutes require that certain elements of preliminary plans and working drawings be reviewed by oversight agencies before proceeding to bid. Examples of mandatory reviews which may be required at the working drawing phase include the State Fire Marshall, the State Historic Preservation Officer, and the California Coastal Commission.

4. **Information requirements for approval of working drawings:**

   a. Standard fiscal reporting defined in Section 6845;

   b. Working drawing completion letter or set of working drawings as detailed in the preceding text; and

   c. If the request includes changes in scope and/or costs, an agenda package as defined in Section 6845 and reporting requirements as defined in Section 6861 and/or 6863.

**Obtaining approval to proceed to bid:** Prior to initiating the bidding process, the client department must request approval to proceed to bid. To obtain DOF approval to proceed to bid after working drawings are completed, the client department must:

1. **Have a construction appropriation:** A construction appropriation for the project must be authorized (chaptered budget act and/or legislation) prior to advertising the project or issuing the bid.

2. **Obtain approval of bid alternates:** Public Contract Code Section 10126 allows bids to be accepted on alternates, additions or deductions from a basic project bid, not to exceed 10 percent (10%) of the estimated cost of the base project. Government 13332.11(b) requires DOF approval of bid alternates.
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The purpose of bid alternates is two-fold. If a project comes in over budget, deductive alternates can help avoid the need to re-bid the project. Conversely, if bids come in under budget, additive alternates can allow project improvements. Bid alternates (which must be bid separately from the main contract) must include all proposed deductive items in priority order followed by all additive items in priority order. DOF encourages submittal of at least three deductive alternates to ensure a successful contract award in the event that all bids submitted exceed budget.

3. **Obtain PWB/DOF approval for combined bids:** Public Contract Code 10127 authorizes DGS to receive bids for construction of several projects,
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treated as a single project for bidding purposes. PWB must first approve combined bids. Departments are required assign costs to the various projects and appropriations and to maintain separate cost accounting for each project.

4. Reporting requirements for approval to proceed to bid:
   a. Standard fiscal reporting requirements as defined in Section 6845;

   b. If proposed, a list of bid alternates, deductive and additive, in priority order;

   c. If the request includes a request for combined bids, an agenda package as defined in Section 6845 and an explanation of the benefits of combined bids in this situation; and

   d. If the request includes a change in scope and/or costs, an agenda package as defined in Section 6845 and reporting requirements as defined in Section 6861 and/or Section 6863.

As soon as DOF signs the DF-14D, the client department notifies DGS to proceed to bid. Typical activities during the bidding process include advertising the project in construction trade papers, submission of bids by interested parties, analysis of those bids, and selection of the lowest responsible bidder.

AWARD CONSTRUCTION CONTRACT

(Revised 5/1998)

Awarding the construction contract is the first step in the construction phase. The construction phase consists of awarding the bid (this section) and the actual construction (Section 6854). Please note that the discussion in this section applies to the design-bid-build process used for most state projects. Projects built under the design-build process use different phases.

What occurs during the bidding step of the construction phase? Typical activities during the bidding step are advertising the project in construction trade papers, submission of bids by interested parties, analysis of those bids, selection of the lowest responsible bidder, contract execution, and delivery of a formal notice to the contractor to begin the construction work.

Information requirements to release construction funds. After bids have been received and DGS certifies that a valid low bid exists, the client department requests DOF to authorize award of the contract and to transfer construction funds to the Architecture Revolving Fund (ARF). The client department provides the following information with this request:

1. The standard fiscal reporting requirements specified in Section 6845;
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2. Form 22, Request to Transfer Funds (6868 Illustration 1). Projects financed with bond funds use a different transfer form—GS-OSA 220—also discussed in Section 6868;

3. A copy of the bid tabulation (see 6853 Illustration); and

4. A PWB agenda item and briefing document for reversion. These are required only if there are savings in the appropriation because of a favorable bid. The item must
request reversion of savings and a proportional reduction in contingency funds at the next regular PWB meeting. Formats and examples for PWB agenda items are available from the DOF Capital Outlay unit. Include all information required in Sections 6845 and 6862.

**Steps following release of construction funds:** Upon approval of the DF-14D and related documents, DOF signs the Form 22 and returns all documents to the client department for transmittal to SCO and DGS. With this approval, an official award of the contract may be made to the low bidder. Following execution of the construction contract, DGS gives the contractor formal notice to proceed with construction.

**Construction without bid/contact:** If a department is authorized to construct a major project in-house, either by statute or provisional language in the Budget Act, the department may submit the standard fiscal reporting requirements specified in Section 6845 to request release of funds to proceed to construction. The option —other— should be selected on the DF-14D and write: —in-house construction."
**CAPITAL OUTLAY PROJECT REPORTING**

**BID TABULATION**

<table>
<thead>
<tr>
<th>Org Code:</th>
<th>Organization:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Code:</td>
<td>Project Title:</td>
</tr>
<tr>
<td>Award Period:</td>
<td></td>
</tr>
</tbody>
</table>

Latest PWB/DOF Approved Contract Estimate (excluding Contingency):

<table>
<thead>
<tr>
<th>BIDDERS</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>BID ITEMS</td>
<td></td>
</tr>
<tr>
<td>BASE BID</td>
<td></td>
</tr>
</tbody>
</table>

DEDUCTIVE ALTERNATES

| ADDITIVE ALTERNATES | |

| BASE + ALTERNATES | $ - $ - $ - $ - $ - $ - |

| ACCEPTED BID TOTAL | $ - $ - $ - $ - $ - $ - |

Explanation of Rejected Bidder(s):

I certify that this is a true tabulation of bids received.

Departmental Approving Officer ____________________________ Date ____________________________

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*(6853 Illustration)*

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The actual construction is the second step in the construction phase: As noted in Section 6853, the construction phase consists of two steps: awarding the bid (previous section) and actual construction (this section). Section 3.00 of the Budget Act stipulates that —construction, when used in connection with a capital outlay project, shall include all such related things as fixtures, installed equipment, auxiliary facilities, contingencies, project construction, management, administration and associated costs. Construction may also include departmental staffing costs for agency-retained construction work.

Construction cannot begin until the contractor receives a notice to proceed from the project manager (which occurs after DOF has approved the DF-14D and released construction funds as described in Section 6853). Construction occurs in accordance with contract requirements. Any changes must be by contract.
amendment, and in some cases, DOF must concur with those changes (see following change orders). The phase ends when construction is complete and the contractor files a *Notice of Completion* with DGS or other project manager.

**Competitive versus non-competitive construction**: In a competitive bid situation, work during the construction phase is accomplished under a contract. In non-competitive situations, the work is done by either the DGS, the California Department of Corrections inmate labor, or departmental staff, as appropriate.

**What are the contract documents?** The contract documents consist of the agreement between the state and the contractor, notices to contractors, instructions to bidders, the written specifications and drawings prepared by the architect/engineer for constructing a project, general and supplementary conditions, contract bonds, addenda, change orders, and supplementary agreements.

**What are the cost elements of construction?**

1. **Construction support**: The terms *construction support* or *project administration* are applied to all project expenses incurred during the construction phase other than actual construction costs. The major construction support/project administration cost items are inspection, construction management, architect/engineer review, and special consultants—primarily for materials testing and asbestos abatement monitoring. Project *soft costs* include costs for all pre-construction phases, plus construction support expenses.

2. **Construction contract**: This is the actual amount of the construction bid award, plus any approved change orders (referred to as —hard costs‖).

   a. **Change orders** are formal contract amendments executed during the course of construction as required to address unforeseen site conditions, errors and omissions in the contract documents, and changes in the work resulting from client department requests. When a proposed change order potentially modifies project scope or would require a project augmentation, the client department must discuss the desired change with DOF before executing the change order to determine if the matter requires DOF/PWB action. (See Section 6863 for scope changes.) Change orders are funded from the contingency line item of the project budget, discussed in the following text. Approved scope changes may be funded partially or entirely from the contingency line-item, depending upon cost and how close the project is to completion. DOF makes this determination, in consultation with the client department, on a case-by-case basis.

**Construction contingency**: The construction contingency is a set percentage of the construction contract amount budgeted for unforeseen emergencies or design shortfalls identified after a construction project commences.

   a. Construction contingencies are limited to 5 percent of the construction estimate/bid for a new facility and 7 percent of the construction estimate/bid for remodeling/renovation projects.
b. A construction contingency is included in the budget so the project can proceed with minimal interruption for small (non-scope) changes or cost overruns. The typical construction contract includes a specific completion date or working days to complete clause, and the contractor can be assessed liquidated damages if the work is not completed within this specified time. Concurrently, the contractor is entitled to proceed with the work without interruption. To minimize state-caused
delays, the client department must be able to implement minor (i.e., non-scope) changes without administrative delay.

c. Generally, the project manager approves the use of contingency funds. However, if the project requires an augmentation or a scope change, DOF may require that contingency funds be used in part to meet that need. This decision is made on a case-by-case basis. (Likewise, if an augmentation is requested and a review of change orders reveals that contingency funds were used for a non-essential purpose, PWB may disapprove the request for additional funds and direct the client department to identify alternative solutions.)

Construction augmentations: See Section 6861.

EQUIPMENT

Group 1 and 2 equipment: Capital outlay equipment is categorized either as Group 1 or Group 2 equipment:

1. Group 1 equipment is installed equipment such as heating and air conditioning units and is budgeted as part of the construction phase.

2. Group 2 equipment is movable equipment, such as tables and chairs (but not replacement equipment) and is budgeted as its own project phase, typically following construction.

Not all equipment is classified as capital outlay: See Section 6806 for the difference between equipment budgeted through the support appropriation versus capital outlay equipment.

How to request funds for capital outlay equipment: Specific information is required when requesting funding for capital outlay equipment. See Section 6818 for budgeting instructions.

Expenditure of equipment funds requires DOF approval: Government Code Section 13332.11 (c) limits the cumulative expenditure of project funds for equipment to $2,000 without prior approval by DOF. This refers to the purchase of Group 2 equipment budgeted in the equipment phase of a project. The project manager requests approval by providing the standard fiscal reporting requirements specified in Section 6845.

Long-lead equipment: Although final equipment lists are generally not approved for purchase until after PWB has approved preliminary plans, there are instances when equipment must be ordered in advance because of installation problems or extended manufacturing time. Subject to DOF and PWB approval, Government Code Section 15792 allows departments to incur equipment obligations to be paid during the fiscal year following the year of a project completion. This authorization:
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1. Is limited to the purchase of equipment related to capital outlay projects for which the Legislature has appropriated construction funds;

2. Applies to both Groups 1 and 2 equipment, although in practice the request is made generally for the latter; and

3. Is subject to the determination of future year equipment funding needs based on the
project schedule.

See also Section 6842 on PWB’s role and responsibilities related to capital outlay equipment.

Agenda package for approval of long-lead equipment. Provide the following:

1. All information required in Section 6845, including the standard fiscal reporting requirements and the agenda package; and

2. Identification of which equipment needs to be ordered early and why.

PROJECT COMPLETION 6856

(Revised 09/2017)

Project Occupancy: Finance must be notified by the department when the project is ready for occupancy (the date of final inspection, beneficial use or occupancy of the project, whichever is earliest). A copy of the Certificate of Occupancy must be sent to Finance. For lease-revenue funded projects, this is typically the date when insurance must be in place and triggers when lease payments begin.

1. Information requirements related to notification of project occupancy:

   a. The standard fiscal reporting requirements described in Section 6845; and

   b. A copy of the “Certificate of Occupancy”

Modifications after occupancy: If the department has determined that there are modifications necessary to complete the project after occupancy, and savings are available or an augmentation can be justified, the department may submit an item to the PWB for either a “cost increase within appropriation” or an augmentation (Section 6861). The PWB item should include a list of proposed modifications to be completed under the existing contract and, for each modification, a justification narrative including cost estimates and scheduled completion date.

Project Completion: When the contract has been accepted and completed by both the contractor and DGS (or exempt department) and claims have been settled, the DGS (or exempt department) prepares a “Notice of Completion” pursuant to Section 3093 of the Civil Code. A copy of this notice is sent to Finance and for lease-revenue funded projects a copy is also sent to the STO. This notification must be prepared within 1 year of the date of occupancy as described in the preceding text. Extensions to the deadline (i.e. for scheduled completion of approved “modifications after occupancy”) must be approved by Finance.

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1. **Information requirements related to notification of completion:****

   a. The standard fiscal reporting requirements described in Section 6845; and

   b. A copy of the “Notice of Completion.”
Project Close Out: "Project close out" reflects the closing of the financial records related to a project. Final project financial statements are reportable to Finance within three months of project completion unless an extension has been approved by Finance.

1. Return of Funds Transfer: Government Code, Section 14959 requires that DGS transfer the unencumbered project funds out of the Architectural Revolving Fund to the originating appropriation within three months of project completion. The department must submit a Return of Funds Transfer form (available from DGS) to effect that transfer.

2. Financial statements: Departments shall provide final project financial statements to Finance. These statements should include an accountability for agency retained authority. Outstanding claims should be treated as encumbrances.

3. Reversion of remaining project funds: Departments must submit an item to the PWB for reversion of any remaining project appropriation authority to the originating fund (Section 6862). Reversion items should include an accountability for agency retained authority. Outstanding claims should be treated as encumbrances.

PUBLIC WORKS BOARD (PWB) ITEMS FOR INTERIM FINANCING AND BOND SALE

Interim financing: For projects funded from PWB lease-revenue bonds, departments may need financing for expenses incurred in the interim period before a bond sale is conducted. The PWB must approve the use of interim financing, and simultaneously authorize a future bond sale to provide assurance that the interim financing will be repaid. The PWB action includes the approval of various supporting documents (indenture, site agreements, facility agreements, etc.). This is all presented in a single PWB item, with several sub-items.

1. Agenda requirements for interim financing. Provide the following information for the PWB:
   a. Standard fiscal reporting requirements specified in Section 6845. Also submit the agenda briefing package. However, PWB staff will format the agenda item itself;
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b. A completed PMIB loan application;

c. Anticipated project schedule;

d. The date planned to go to PMIB; and

e. The anticipated amount and duration of the loan.

2. **When ready for the actual sale:** The actual bond sale will require a subsequent bond item. This request is initiated by STO rather than the department, and PWB prepares the
AUGMENTATIONS, ADDITIONAL COSTS (WITHIN APPROPRIATION) AND RECOGNITION OF DEFICITS

(Published 09/2017)

**PWB’s authority to augment:** The PWB’s authority to augment capital outlay projects, and the appropriations for those augmentations, are set out in Government Code Sections 16352, 16352.5, 16354, and 16409. Sections 13332.11 (for design-bid-build projects) and 13332.19 (for design-build projects) of the Government Code limits that authority as follows:

1. Augmentations are limited to 20 percent of the amount appropriated;
2. Any single augmentation or cumulative augmentation exceeding 10 percent of the funds appropriated requires a 20-day notification to JLBC prior to action by the PWB;
3. PWB may recognize a potential augmentation of a future project phase, which the board terms a recognized anticipated deficit.

In addition, by board policy and practice:

1. Recognition of anticipated deficits is generally limited to the construction phase.
2. Augmentations of less than 10 percent may be treated as a delegated item by PWB staff, and at their discretion may be approved prior to the PWB monthly meeting. In this case, the augmentation approval will be reported as a “reportable” at the PWB meeting.

The balance of this section describes PWB procedures in implementing Section 13332.11. A broad overview of PWB authority is provided in Section 6842.

**Compelling need:** While PWB is authorized to augment capital outlay projects, augmentations are not approved unless there is a compelling need, and only after:

1. Non-committed project funds (contingencies) have been considered as a possible source of funding;
2. Cost reductions which do not affect scope are evaluated. PWB staff may request the client department to evaluate and include deductive alternates before proceeding to bid (see Section 6852); and
3. For projects by the Department of Parks and Recreation, the California Science Center, and the various Conservancies under the Natural Resources Agency, the use of non-state funds is evaluated when potentially available.

PWB authority to augment projects does not relieve departments of the responsibility to keep projects within approved cost and scope to the maximum extent possible. PWB will not use its augmentation authority to fund client revisions for non-essential items.
How to compute the augmentation:

1. If an appropriation is for a single project phase—such as preliminary plans, working drawings or construction—the amount of the phase is used to calculate the allowable augmentation (i.e., no more than 20 percent).

2. If the appropriation funds multiple phases, PWB staff has the option to use the total appropriation to determine the allowable augmentation.

3. If a project has multiple funding appropriations, the total of the combined appropriations can be used as the baseline for augmentation, and PWB staff has the option to determine which funding source(s) and which appropriation(s) will be augmented.

PWB agenda item requirements for augmentations, anticipated deficits, and cost increases within appropriation: A PWB agenda item is required for any augmentation or departmental request for PWB to recognize an anticipated deficit or cost increase within appropriation. If the request requires formal board action (i.e., not delegated to PWB staff), it must be submitted to Finance 20 working days preceding the PWB meeting. Those requests for augmentation and recognition of anticipated deficits which require legislative notification (i.e., those in excess of 10 percent) must be submitted to Finance 30 working days prior to the scheduled PWB meeting. Formats and examples for agenda items are available from the Finance Capital Outlay unit.

Agenda packages for augmentations:

1. Construction augmentations to award bid. Provide the following:
   a. All information requested in Section 6845, including the standard fiscal reporting requirements and the agenda package;

   b. A draft legislative notification if the augmentation exceeds 10 percent;

   c. A copy of the bid tabulation for construction augmentations (see the illustration in Section 6853); and

   d. A narrative description justifying the need for such augmentation. This must address efforts to include deductive alternates, value engineering, contingency reductions or scope modifications to address augmentations needs, and the consequences if the request is not approved.
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2. Construction augmentations during construction. Provide the following:

a. All information requested in Section 6845, including the standard fiscal reporting requirements and the agenda package;

b. A draft legislative notification if the augmentation exceeds 10 percent;

c. A complete narrative description justifying the need for such cost increases, including the following:

   (1) Status of the project and percentage complete;
   (2) Full description of the unanticipated items, their cost, why needed, and alternative solutions;
   (3) Reason(s) why costs were not included in the original bidding documents and/or as deductive or additive alternatives to the bid, as appropriate;
   (4) Reason(s) why deductive alternates cannot be change ordered to cover the additional costs;
   (5) Reasons why these items cannot be funded within the construction contingency;
   (6) Explanation of efforts to value engineer remaining project components;
   (7) Consequences if not approved; and
   (8) Whether the additional items are within the scope approved by the Legislature.

3. Agenda package for augmentations of land acquisition projects. Provide the following:

a. All information requested in Section 6845, including the standard fiscal reporting requirements and the agenda package;

b. A draft legislative notification if the augmentation exceeds 10 percent;

c. A listing of all budgeted parcels and a description of the acquisition status of each parcel (acquired, in negotiation, etc.);

d. A complete narrative description of alternative solutions, including why the augmentation is the correct solution, and consequences if not approved; and

e. A parcel map showing the relationship of the parcels requiring augmentation to the total funded acquisitions.
Agenda packages for recognized anticipated deficits: At the end of the preliminary plans, if the project is estimated to exceed its construction budget, the client department may request PWB to approve the preliminary plans and to recognize an anticipated deficit. PWB notifies the JLBC of the anticipated deficit if it exceeds 10 percent of the construction appropriation. In the absence of a construction appropriation, PWB generally interprets these limits and notification requirements based on the last legislatively recognized estimate for construction.

When requesting a recognized deficit as part of preliminary plans approval, provide:

a. A sub-item recognizing the anticipated deficit including a complete narrative description justifying the need for the cost increase in the briefing text as follows:

   (1) A full description of the unanticipated items and estimated cost;
   (2) The need for the items, the reasons why those items were not included in the original proposal, alternative solutions, and consequences if not approved;
   (3) Discussion of alternatives such as value engineering, deductive alternates, or reworking the preliminary plans or working drawings; and
   (4) Whether the additional items are within the scope approved by the Legislature (if not, a separate scope change item is required with the information specified in Section 6863).

b. A draft legislative notification if the anticipated deficit exceeds 10 percent.

Agenda packages for cost increases within appropriation: Occasionally a department may need PWB to approve additional project costs for items not anticipated in the bidding documents. If there are bid savings to cover the costs (i.e., revised project cost remains within the original appropriation), and the additional items are within approved scope, PWB may approve the increase without notifying the Legislature. (Otherwise, such a request must be for an augmentation and/or scope change). For cost increases within appropriation, provide the following information:

1. All information requested in Section 6845, including the standard fiscal reporting requirements and the agenda package;

2. A complete narrative description justifying the need for such cost increases. At a minimum, include the following:

   a. Full description of the unanticipated items;
   b. Reasons why they were not included in the original bidding documents;
   c. Reasons why these items cannot be funded within the construction contingency;
d. Consequences if not approved; and

e. Whether the additional items are within the scope approved by the Legislature.
There are five potential reasons for project reversions:

1. The construction bid came in lower than budget (i.e., experienced bid savings) permitting reversion of surplus funds. (Bid savings are reverted at time of award; any other use of bid savings requires Finance review and concurrence.) This is a non-policy reversion delegated to Finance for approval.

2. The project is complete and there are project savings (which would be net of any bid savings previously reverted). This is also a non-policy reversion delegated to Finance for approval.

3. The project failed to meet requirements of Section 1.80 or the provisional language attached to the Item in the Budget Act. This is a policy reversion that Finance considers.

Section 1.80 provides that appropriated funds shall revert if Finance has not allocated them (either through a fund transfer or approval to proceed to bid) on or before June 30 of the fiscal year. This means that Finance must approve Form 22 and Form 220 requests for either the preliminary plan phase or the working drawing phase by June 30, or, in the case of construction, approve the Form DF-14D to proceed to bid by June 30. A department must be familiar with these requirements and with the time-frames laid out in Finance Budget Letters. The department is advised to discuss deadlines for submitting these forms with its Finance capital outlay analyst to determine whether there will be a need to re-appropriate project funding.

4. The project has a proposed scope change which will result in project termination or project savings to be reverted. This is a policy reversion that the PWB considers.

5. The project has been terminated by statute or for a policy reason creating a scope change. This is a policy reversion that the PWB considers following legislative notification for a scope change.

**Agenda packages for reversion items.** Submit the following information for proposed reversions:

1. All information requested in Section 6845, including the standard fiscal reporting requirements and the agenda package;

2. The type of reversion (see preceding);
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3. If the reversion is of a policy nature as defined in the preceding text, an explanation of the cause (including a 20-day notification letter if a proposed scope change); and

4. The fund to which savings will be reverted.

SCOPE CHANGES

(Revised 9/2017)

What is scope? The scope of a project is what will be constructed (or acquired) and why. Thus, scope encompasses both the physical characteristics of the project and the intended
program use. Scope is established initially in the COBCP, with key elements reiterated (or restricted) in supplemental language to the Budget Act. The preliminary plans, and later the working drawings for design-bid-build projects, and performance criteria for design-build projects—refine scope in terms of the physical characteristics of the project. The various information sources for a project’s scope are discussed in more detail in the following text.

**Scope changes require Finance approval.** Section 13332.11(c) of the Government Code states that "A substantial change shall not be made from the preliminary plans or working drawings without written approval by the Department of Finance". This approval must be granted before the department can make any expenditures to redesign the project or to revise the plans, unless those revisions are authorized in the Budget Act or other subsequent legislation.

Sections 13332.11(h)(2) and 13332.19(g)(2) require Finance to report approved scope changes to the Legislature. In practice, this restriction and related notification requirement begins with project authorization, even before preliminary plans are considered by PWB.

After Finance approves a scope change and the Legislature has been noticed, PWB "recognizes" the scope change in a board item, incorporating it into the board’s official record for the project. As appropriate, PWB may also require that a formal revision to the preliminary plans be submitted for approval.

**When is a proposed change substantial?** Finance determines whether a proposed change is substantial and therefore a scope change, based on a review of the facts on a case-by-case basis and in consideration of legislative intent. Therefore, it is not practical to publish absolute definitions for scope. However, administrative guidelines follow for determining which project changes should be discussed with Finance to assess their significance.

**Guidelines to determine which project changes are potentially substantial:** The department is required to report to Finance any proposed project change as outlined in the following text. Finance will work with the department to assess whether the change is substantial. (The initial report can be made by phone or e-mail; Finance may require written follow-up for its records. For changes deemed to be scope adjustments, the client department must submit all information required at the end of this section.)

A department must discuss the following with its Finance capital outlay analyst to determine whether a scope change would result:

1. Changes to the **approved program use**, as defined by:

   a. Assigned program space for facilities. Any change which would add or lessen space for a new function, change capacity for a program activity, use space for a function or activity different than originally intended, or alter the ratios in multi-use space, is reportable to Finance for evaluation as a **potential** scope change;
b. Land use purpose for acquisition projects; and

c. Any other expectations or restrictions regarding program use set forth in the authorizing statute.

In this context, program is defined at the activity level (i.e., a narrower definition of
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program than typically used in the Governor’s Budget or the Budget Act).

2. Changes to the physical characteristics of the real asset as it relates to:
   a. Facility size, shape, major structural characteristics, and location.

   (1) Size generally may be described in either gross square feet or assignable
       square feet. For some projects, such as sewer, electrical or HVAC, size may be
       a function of capacity.

   (2) Shape is a function of both the footprint and elevation of a structure. Footprint
       includes the interior arrangement as well as the facility perimeter.

   (3) Major structural characteristics will vary by project, but may include the structural
       system, architectural style, construction materials, and major mechanical,
       electrical or utility systems.

   (4) Location may be as specific as parcel number, or more generally city, county or
       region, depending upon initial definition in the COBCP, statutory language, or
       supplemental language.

   b. Acreage size, land type, and location; and

   c. Any other expectations or restrictions regarding the physical characteristics of the
      real asset as set forth by authorizing statute.

Changes which meet the reporting requirements to Finance, as described in the preceding
   text, are not necessarily scope changes unless Finance so determines. Reasonable
   judgment is required in contacting Finance; however, because the consequences of
   unapproved scope changes can be severe (including project termination), departments and
   project managers should err on the side of caution.

Generally, the following project changes are not reportable to Finance (as potential
   scope changes):

1. Cost, although the impact of a scope change on project and related operational costs
   must be carefully considered (cost changes may or may not result in scope changes;
   conversely, scope changes can occur with or without associated cost changes). See
   Section 6861 for instructions on approval processes for project cost changes.

2. Changes to correct minor errors and omissions in the construction documents or to
   respond to minor unforeseen site conditions (i.e., substitution of fixtures when products

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are no longer manufactured, corrections required by code authorities, minor demolition of materials not foreseen during design, addition of electric services to motors, etc.). However, when such changes cannot reasonably be categorized as minor, or if they alter programmatic capability or requirements, the matter must be discussed with Finance to assess impact on project scope.

Construction contingency funds should be reserved for correcting problems in achieving approved scope and for essential scope changes. Construction contingency funds should be used to pay for the cost of resolving problems arising from design errors/oversights, unforeseen conditions, code requirements, and the cost (if any) for approved scope changes. Non-essential client change orders should be avoided. See Section 6854.

Source references for project scope: As noted in the preceding text, a project’s scope is defined in several source documents.

1. For budget act projects, the COBCP: A detailed description of project scope is required in the COBCP (Section 6818). This description becomes one of the primary references for later interpretation of potential scope changes.

2. For budget act projects, the supplemental language report of the Legislature: This language summarizes the COBCP for each specific project and outlines costs for studies, acquisition, preliminary plans, working drawings, construction and equipment using the California Construction Cost Index (CCCI) as published in Engineering News Record for the year of the original project appropriation. While a proposed schedule for the commencement and completion of various phases of each project is contained in the scope language, this project schedule is not considered part of the project scope for purposes of scope changes.

3. For non-budget act projects, special legislation: For projects approved through special legislation, where preliminary program guides and budget packages are not available, the language in the legislation may provide initial definition of approved scope. Other documents used to support the need for the legislation, such as project descriptions, which may be included or supplemented in master plans, special reports, and costs estimates, may provide more detailed scope definition. Also, subsequent documents submitted to and approved by the Legislature (if applicable), further define legislatively approved scope.

4. Preliminary plans and working drawings as approved by Finance and PWB. Once preliminary plans have been approved by the board, the specific plans and specifications become the final definition of the scope of the project, as it pertains to physical characteristics.

5.
Agenda packages for scope changes: Provide the following information:

1. All information requested in Section 6845, including the standard fiscal reporting requirements and the agenda package; and the following additional information:
   a. Any mandated reviews and approvals required related to the project change;
   b. Any required CEQA compliance related to the change;
   c. What design corrections were required, and why;
   d. What programmatic changes were required, why, and when those changes were approved by the Finance support analyst; and
   e. What the change’s savings or cost implications are, and why.

2. If an augmentation is also required, a sub-item must be attached consistent with Section 6861 (and also noticed to the Legislature, if necessary).
Each department with an active capital outlay appropriation must submit a quarterly report to DOF no later than April 15, July 15, October 15, and January 15 of each calendar year as shown in 6864 Illustration 1.
The fiscal data should include all funding (appropriations and executive orders) related to the project plus any transfers related to each appropriation. Comments should describe the status of the current phase. Detail of change orders should recap any scope changes and construction change orders issued or pending. The schedule, at a minimum, should reflect the original dates (at time of project funding approval), and the latest revised dates and actual dates. In addition, it is helpful to enter into a history of schedule changes.

(6864 Illustration)
Public Contract Code Section 10103.5 provides an exclusion to the State Contract Act for work performed by prisoners pursuant to an order by the Director of the Department of Corrections. If the total cost of a project for the construction of new, previously unoccupied prison facilities or additions to an existing facility exceeds $50,000, use of inmate/ward labor must first be approved by PWB.

If the project budget was not estimated using inmate/ward labor, there should be bid savings. These savings should either be reverted, or—if proposed for redirection within the contract—be approved by DOF.

**Agenda package for inmate/ward labor:** The request to use inmate/ward labor for services exceeding $50,000 is normally presented as a sub-item under the request for approval of preliminary plans, although it can be presented later. Assuming that the main item (approval of preliminary plans) has been prepared with all the information requirements specified in Section 6845, the only additional information required is:

1. Check —"other" on the DF-14D and write: use of inmate/ward labor;
2. Indicate whether the use of inmate/ward labor was assumed in the original project cost estimate; and
3. If not, indicate the anticipated savings, and whether it is to be reverted or redirected contingent upon DOF approval. If no savings are anticipated, explain why.

These rules also apply if the use of inmate/ward labor is needed for a minor capital outlay project. In this case, PWB approval is needed if the minor project or projects exceed $50,000. A PWB agenda item needs to be submitted as well as a DF-14D.

**CONDEMNATIONS (EXERCISE OF EMINENT DOMAIN)**

PWB holds the power of eminent domain under property acquisition law. Prior to commencing condemnation proceedings, PWB must first adopt a resolution of necessity authorizing condemnation in accordance with the Code of Civil Procedure (CCP) Sections 1245.220 and 1245.230. At least 15 days notice of the board hearing is given in writing to the property owner (CCP 1245.235). Also, the board must have made a good faith offer to purchase the property or, if an offer has not been made, must determine that the property owner cannot be located (Government Code Section 7267.2).

PWB may reach agreement with the owner of part or all of the property being condemned on the price to be paid, and may incorporate the agreement in a stipulation in the condemnation
proceeding (Government Code Section 15857). PWB may abandon a condemnation proceeding (CCP Section 1268.510). Upon completion of condemnation

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proceedings, PWB has the right to immediate possession (CCP 1255.010).

Agenda packages for proposed condemnations: When requesting that the board condemn a property, the client department (and/or DGS) must provide all the following:

1. All information requested in Section 6845, including the standard fiscal reporting requirements and the agenda package;
2. A statement of the property’s proposed public use;
3. A description of the general location and extent of the property to be taken, with sufficient detail for reasonable identification;
4. An analysis of necessity showing that:
   a. The public interest and necessity require the proposed project;
   b. The proposed project is planned or located in the manner that will be most compatible with the greatest public good and the least private injury; and
   c. The property is necessary for the public good;
5. Chronology of attempts to purchase the property and/or contact the owner; and
6. Certification that 15 days advance notice has been provided the owner.
PWB’s resolution is conclusive evidence that the elements of necessity have been met.

TRANSFER OF FUNDS TO THE ARCHITECTURE

REVOLVING FUND (ARF)

Section 14957 of the Government Code establishes ARF which receives, through transfer, funds for the construction, alteration, repair, and improvement of state buildings, including:

Studies,
New construction,
Major construction and equipment, Minor construction,
Maintenance, Improvements, Equipment, and
Other building and improvement projects.

Transfers require approval from DOF. Construction funds transferred for major capital outlay projects may not exceed the amount necessary based on competitive bids. Any excess amounts must be transferred immediately back to the source fund through the reversion process. DOF also approves the use of ARF to advance the cost of federally or locally reimbursed projects, provided assurances specified in statute are received from the federal
government. Money in ARF is available for the purposes transferred without regard to fiscal year; however, funds in ARF will revert to the originating fund source if they are not encumbered within three years of being placed in ARF or within three months of a project's completion (see Section 6856) in accordance with Government Code Section.
DGS tracks expenditures in the ARF and generates a Return of Funds Transfer for any unencumbered balance that remains beyond the earlier of these time frames. Time extensions may be approved by DOF. DGS estimates upon receipt of bids are considered valid encumbrances for determination of the amount of an unencumbered balance.

Forms used to transfer funds to ARF:

1. Transfer of non-bond funds: Client departments use Public Works Board Authorization and Transfer Request form, STD. 22, to move non-bond funds into ARF. This form is initiated by DGS when it serves as project manager. This form is available from DGS.
   a. Departments use STD. 22 to transfer funds to ARF for each budgeted phase of a capital outlay project. This type of transaction is approved by the DOF capital outlay analyst for the department.
   b. Departments also use STD. 22 to transfer support funding for those facilities expenses (such as carpeting or modular furniture) which are classified as state operations. This type of transaction is approved by the DOF support analyst for the client department.
   c. Since the same form is used to transfer either support funds or capital outlay funds into ARF, the client department must correctly identify the nature of the transaction—i.e., support or capital outlay. Section 6806 identifies how facilities expenses are classified by character of appropriation.
   d. Except as allowed in Section 6.00 of the Budget Act, transfer of support funds to ARF for capital outlay purposes is not allowed. See Section 6806 and 6807 of this chapter. Section 6.00 transfers of support funds to ARF must be approved by both the DOF support analyst and the DOF capital outlay analyst. Submit the original STD. 22 to the support analyst, with a copy to the capital outlay analyst. The last day to submit a STD. 22 for a Section 6.00 purpose is April 30. Allow 30 days for DOF review and 30 days for review by JLBC, as needed.
   e. Due to the volume of proposed STD. 22s at the end of the fiscal year, and the potential for incorrect classification of the request, departments must allow extra time for verification by DOF of the nature of—and need for—the transaction. Proposed transfers to ARF which cannot be verified in the time available will not be approved.

(STD Form 22 Instructions Related to Capital Outlay Transfer Requests:

To complete STD. 22 related to Capital Outlay transfers, provide the described information for each of the following fields:

f. Work Order Number - The DGS/RESD work order number.

g. Description of Project - Request transfer of $ _ _ _ _ _ _ _ _ _ _ _ _ _ _ to complete the _______ _
Phase for the following project: followed by a brief project description. This block may also contain any restrictions and or qualifications on the use of funds, i.e. these funds will not be utilized prior to __ __ __ __. (Note: departments cannot request transfer of funds for more than one phase at a time.)

h. Date of Public Works Board Approval - The intended date of PWB approval (blank if
prior action did not require PWB approval).

i. Prior Expenditures for Preliminary Plans -

j. Fund - Title of fund(s) from which the preliminary plans were funded; and

k. Amount - Total amount of the preliminary plans.

l. Total Estimated Project Cost - Latest reported and approved total project cost (as displayed on the Project Cost, Funding, and Schedule Summary).

m. Source of Funds -

n. Fund - Title of fund(s) from which the transfer will occur;

o. Appropriation - Appropriation authority related to each source of funds; and

p. Dollar Amount - Amount to be transferred.

q. Unencumbered Balance Before Posting This Estimate - Funding available for this project from prior transfers.

r. Amount to be Transferred - Dollar amount to be transferred. This amount must match the request in the Description of Project.

s. Approved By - The signature of the client department’s project manager.

t. Funding Certification - The signature of the client department’s Accounting Officer.

u. Approved By - The signature of the client department’s Director or designee.

2. **Transfer of bond funds**: For bond-funded projects, a Public Works Project Authorization Bond Proceeds Funded Projects (GS–OSA 220) accomplishes the same purpose as a STD 22. This form is available from DGS. The form is used to request SCO to reserve a portion of the department’s project appropriation authority in a separate account within the appropriate bond fund. This reserve is used to reimburse ARF for actual expenditures.

a. All transfer requests from lease-revenue bond funds must be submitted first to DOF’s Capital Outlay unit to determine whether the purpose of expenditure is lawful under the bond indenture and state/federal tax law. This applies whether or not the transfer is for a support purpose. The Capital Outlay unit will then coordinate the request with the appropriate support unit in DOF.

b. For budgetary purposes (as distinguished from cash flow purposes), GS-OSA 220 is treated as an encumbrance recorded in the fiscal year in which approved by DOF. Departments which manage their own projects—such as the higher education segments and the Department of Corrections for the new prison construction program—do not use GS-OSA 220.
3. Form GSA-OSA-220 Instructions Related to Capital Outlay Bond Transfer Requests

To complete form GSA-OSA-220 related to bond transfers, provide the described information for each of the following fields:

a. Work Order Number - The DGS/RESD work order number.

b. Description of Project - Request transfer of $___. to complete the ____ Phase for the following project: followed by a brief project description.
This block may also contain any restrictions and or qualifications on the use of funds, i.e. —these funds will not be utilized prior to _ _ _ _ _ __.II (Note: departments cannot request transfer of funds for more than one phase at a time.)

c. Date of Public Works Board Approval - The intended date of PWB approval (blank if prior action did not require PWB approval).

d. Amount Requested - Total amount to be transferred.

e. Cumulative Authorization - Total (net) amount transferred to date including this request.

f. Signature/Title/Date - The signature of the client department’s project manager.

g. Amount to be Transferred - Dollar amount to be transferred. This amount must match the request in the Description of Project and the Amount Requested fields.

h. PMIA Loan No. - Loan Number of the loan from the Pooled Money Investment Account prior to bond sale.

i. Agency Certification - The signature of the client department’s Accounting Officer.

j. Authorized Signature/Date - The signature of the client department's Director or designee.

CAPITALIZED ASSETS FINANCING 6870

(Revised 09/2017)

This portion of the Capitalized Assets chapter addresses the methods to secure long-term financing for the ownership and/or use of infrastructure. In addition, this chapter addresses interim (short-term) financing needs for projects. Please note that nothing in this chapter is intended to commit either the State Treasurer’s Office (STO) or the State Public Works (PWB) to policies or practices.

Capitalized assets may be paid by direct appropriation—sometimes called “pay-as-you-go”—or financed over multiple years. Long-term financing generally follows one of three paths:

1. If the project authority is a GO bond appropriation, the state issues GO bonds to finance the project. Debt service is paid through an appropriation in the applicable bond act from the General Fund.

2. If the project authority is a lease-revenue appropriation, lease-revenue bonds are generally issued by the PWB. A separate lease rental payment item is included in the annual Budget Act under the department’s business unit.
3. When the department has obtained authority to acquire real assets through leasing, it may execute a financing lease using an installment sale agreement or lease-purchase agreement. Payments are made from the department’s support appropriation.

GENERAL OBLIGATION (GO) BONDS 6871

(Revised 10/2017)

Definition: General Obligation (GO) bonds are a form of long-term borrowing in which the state issues municipal securities and pledges its full faith and credit to their repayment.
Bonds are repaid over many years through semi-annual debt service payments. The California Constitution requires that GO bonds be approved by a majority vote of the public and sets repayment of GO debt before all other obligations of the state except those for the public school system and public institutions of higher education.

**Key statutory authorities:** Article XVI, Section 1 of the California Constitution prohibits the Legislature from creating debt or liability exceeding $300,000 without a majority vote by the people, except in the case of war.

Government Code, Title 2, Division 4, Part 3 (Section 16650 et seq.) sets out the statutory framework for GO bonds. Statutory authorization for individual GO bond measures is placed programmatically in the codes (e.g., water authorizations are located in the Water Code).

**Key highlights:**

1. GO bond debt is a major component of the overall bond debt burden of the state. The most commonly used measure of debt is annual debt service as a percentage of General Fund revenues.

2. There is no California statutory or constitutional limit on the absolute level (or any other measurement) of state debt, other than that specified in Article XVI.

3. GO debt repayment is continuously appropriated and therefore not included as a separate appropriation in the annual Budget Act.

4. Debt service consists of both principal and interest payments.

5. GO debt repayment structure is determined by the State Treasurer’s Office (STO) at the time bonds are sold based on a variety of factors including the taxable status of the bonds and bond market conditions, among others.

6. The California Constitution authorizes GO bonds with up to 50-year maturities, but federal tax requirements and market practice usually dictate that bonds be issued no longer than 30 years. In addition, certain bond acts may further limit maturities.

7. GO bond Finance committees, created in respective bond acts, must authorize the sale of new money and refunding bonds, as well as the use of interim financing as authorized in law (See Section 6878).
8. Finance surveys departments semiannually to determine their projected cash flow needs for GO bond-funded programs.

9. The STO is the agent for sale and trustee for state GO bonds.
Lease-revenue bonds are used in the state’s capital outlay program to finance projects. The revenue stream paying the debt service on the bond is created from lease payments made by the occupying department to the governmental financing entity which constructs the facility or causes it to be constructed. Generally, this entity is the State Public Works Board (PWB). The governmental financing entity constructs the facility, issues bonds, and retains title to the facility until the debt is retired. PWB’s lease-revenue program is described in Section 6873.

Pursuant to the California Constitution, public agencies cannot enter into an indebtedness or liability without voter approval. However, under the Offner-Dean lease exception rule, long-term lease revenue bonds entered into by public agencies are not considered an indebtedness or liability under the debt limit if the lease meets certain criteria.

Nonetheless, bond rating agencies include lease-revenue payment obligations when calculating the state’s bonded indebtedness. Thus, there is a distinction between the concept of California constitutional debt and debt as defined by the municipal bond market.

Key highlights:

1. In contrast to GO bonds, annual appropriations are necessary for rental payments that support lease-revenue debt service. However, the obligation to pay is not extinguished if appropriations are not provided.

2. Government Code Section 15848 provides for debt service payment in the event of no budget and in certain situations when there is a budget that failed to include an appropriation for debt service.

Generally, lease-revenue bonds pay interest at tax-exempt rates, which are slightly higher than tax-exempt rates for GO bonds.

3. Lease-revenue payments are due if there is “beneficial use and occupancy” of the facility. If all or part of the facility cannot be occupied, the rent will be abated proportionate to that part of the facility unavailable.

4. Lease-revenue bond issuances are sized larger than actual project needs primarily for:

   a. A capitalized interest account to pay debt service during the construction period until the facility can be occupied and sometimes for a limited post-construction period; and
b. A debt service reserve fund. A reserve fund is created by the indenture or trust agreement and is usually funded from bond proceeds. Reserve funds are generally required by rating agencies for bonds other than GO bonds as a prerequisite for investment grade rating. A reserve fund may be used to replenish the interest and principal accounts in case of deficiency or to pay debt service if no other money is lawfully available (i.e. insurance proceeds). Drawing on a reserve fund is absolutely
a last resort and is an event frowned upon by the financial markets. The amount of the reserve fund is governed by tax law. Currently, most PWB lease-revenue bonds are secured in part by a pooled master reserve fund.

5. Lease-revenue debt service is structured as level debt payments because the repayment schedule must be similar to that for a commercial operating lease.

6. The term of the bonds cannot exceed the useful life of the facility.

7. Lease-revenue bonds may not be issued for any project for which a lease cannot be created. (Without a legally-enforceable lease, there is no security for the issue.)

8. Lease-revenue projects may require interim financing for costs incurred before the bonds are issued. Interim financing for preconstruction and construction costs generally requires assurance that the loan will be repaid in another manner in the event bonds authorized for the project are not sold. For PWB projects, this is generally in the form of Budget Act language, which authorizes repayment of interim costs from a department’s support appropriation.

9. The Department of Finance, the State Treasurer’s Office, the department (and in some cases the Department of General Services) all have roles in the successful completion of lease-revenue project financing. For further discussion, see Sections 6873 for PWB lease-revenue bonds, Section 6880 for preparing for a bond sale, and Section 6884 for continuing disclosure. The department responsibilities are summarized in Section 6886.

10. Other lease requirements are set forth in Section 6876.

STATE PUBLIC WORKS BOARD (PWB)
LEASE-REVENUE BOND PROGRAMS 6873
(Revised 09/2017)

The PWB is authorized to issue lease-revenue bonds to finance acquisition and construction projects when such projects are authorized by the Legislature.

In a typical project, the department leases the site for a nominal fee to the PWB, although for some projects the PWB may acquire the site directly. The department then constructs the project as PWB’s agent. The PWB leases the completed facility back to the department for a rental fee equal to the amount needed to provide for the debt service on the revenue bonds and associated administrative expenses. Leases can be for periods up to 35 years, although 15 to 25 years is typical. The lease term cannot exceed the useful life of the capital asset.

The proceeds of lease revenue bonds need to be expended in certain time frames under federal tax law. Until spent, there may be restrictions on interest earnings. These limits need to be monitored for compliance with federal tax law and may factor into a determination of when bonds are sold.

Key highlights:
1. The PWB adopts resolutions authorizing bond sales and setting policy guidelines for the issuance of its lease revenue bonds, works with the State Treasurer’s Office (STO)
in preparing for the bond sale and sizing the bonds, executes key documents, has responsibility for providing certain disclosure information on an initial and continuing basis, and periodically reviews balances in bond fund accounts to determine surplus status.

2. The Department of Finance (Finance) has general powers of fiscal supervision pursuant to Government Code Section 13070, works with STO in preparing Appendix A (the state’s main fiscal disclosure document), may participate in rating agency meetings, prepares fund condition statements as required for the bond sale and for continuing disclosure. In addition, Finance includes appropriations in the Governor’s Budget for lease-revenue rental payments based on calculations prepared in coordination with the STO.

3. The State Controller’s Office and the State Auditor participate in the due diligence process and provide certain financial information necessary for General Fund disclosure in Appendix A.

4. The State Attorney General’s Office also participates in the due diligence process and, together with bond counsel, provides a validity opinion for the issuance of the bonds.

5. During a bond sale, departments provide project time tables, make recommendations to PWB/Finance on bond sizing, participate in due diligence meetings, and keep the PWB, Finance, and STO informed of any events with material impact on the project status or budget.

6. The department manages the facility after construction and it is responsible for obtaining rental interruption, casualty (fire) insurance per facility-lease requirements.

7. The STO is the agent for sale of PWB bonds, with all associated rights and responsibilities including appointment of the underwriter(s), setting the bond sale date, organizing document review meetings and due diligence associated with the sale, securing ratings and bond insurance (if any), and pricing. The STO coordinates continuing disclosure for PWB issues. The PWB’s current practice is to use the STO as a trustee of the PWB bonds and allow the STO to appoint bond counsel and to select a financial advisory services provider related to sales activities.

Fiscal information generic to lease-revenue bonds is found in Section 6872. The PWB oversight of lease-revenue projects is described in the portion of this chapter on project administration (Sections 6840–6869). Lease requirements for lease-revenue bonds are described in Section 6872 and in Section 6876 under the heading “financing leases.”
JOINT POWERS AUTHORITY (JPA)
LEASE-REVENUE BOND PROGRAMS   6874
(Deleted 09/2017)
Financing leases:

1. **Background**: If a department has the authority to acquire real assets, a financing lease provides an alternative to finance capital assets over a multi-year period. A tax-exempt financing lease typically falls into one of two general categories:

   a. A capital asset may be financed by leasing it directly from the vendor or leasing entity, with the lessor receiving a portion of each rental payment as tax-exempt interest; or

   b. Certificates of participation (COPs) may be sold to the public. COPs are similar to lease-revenue bonds but represent undivided interests in the rental payments under the tax-exempt lease.

If statute does not clearly create financing lease authority for a transaction, the department is limited to an operating lease (see following).

2. **Statutory reference**: Government Code Section 14669 authorized the Department of General Services (DGS) to hire, lease, lease-purchase, or lease with the option to purchase any real or personal property for the use of any state agency, subject to specified restrictions.

3. **Requirements for a financing lease**: The tax-exempt obligation may be structured as an installment purchase agreement, installment sale agreement or lease-purchase agreement. As with lease-revenue bonds, the state’s debt obligations under the lease must be structured consistent with the Offner-Dean exception, i.e., cannot be structured in a way which would classify them as constitutional debt:

   a. Rentals are paid only for those periods in which beneficial use and occupancy of the leased property is available to the lessee;

   b. If there is no annual appropriation for rent when the leased property is available for use and occupancy, the state will be in default under the lease, and remedies may be available against the state. These remedies may include the vendor’s or lessor’s right to continue the lease in existence and sue the state for each installment of rent as it becomes due.

   c. Acceleration of rental payments is not permitted;

   d. The obligation to pay rental payments may be from any lawfully available funds of the department, which may covenant to place in its annual budget and seek appropriation of the rentals that are due and payable during the fiscal year;

   e. The terms and conditions in the lease must be similar to the lease terms found in a commercial context for similar types of facilities;

   f. The lease term should not extend beyond the anticipated useful life of the leased property, and fair market rental should be paid;
g. Termination provisions must match the underlying capital financing (such as certificates of participation). Usually the lease may be terminated only if the remaining unpaid rental payments are prepaid and title to the leased property vests in the department (or other state agency, such as DGS); and

h. The credit underlying the transaction is the state lease and the fund from which lease payments are made. Financial statements for that fund may be included in the official statement and are subject to continuing disclosure.

Operating leases/contracts used as security for third-party financings:

1. **Background**: A department may be limited to entering into an operating lease or contract for the use of real assets (i.e., no authority to enter into a financing lease to acquire assets). Typically such operating leases or contracts may be terminated before their maximum term if there is no legislative appropriation for their payment. In some cases, the vendor may elect to use the operating lease or contract as security for borrowing funds to acquire or construct those real assets. However, in this situation there is no authority to commit the state legally or morally to any obligation to appropriate funds beyond the current fiscal year.

2. **Statutory reference**: Same as for financing leases described in the preceding text.

3. **Fiscal highlights for operating leases/contracts**:

   a. The provisions of the lease must include:

      (1) All restrictions applicable to a financing lease as stated in the preceding text; and

      (2) Termination provisions, including the right of the state to terminate the lease before the end of the term. For example, the state may include the right to terminate the lease if the state is not satisfied with the condition of the building or the lessor’s compliance with the lease terms, may no longer need the space, or for any reason applicable in a commercial context. The exact terms will depend upon the specific factors applicable to each lease. Termination provisions may be short-term—i.e., the useful life of the leased property (e.g. 20 years) may be substantially greater than the stated maximum lease term (e.g. 10 years). In addition, the operating lease or a contract typically will terminate if there is no appropriation of rentals for a fiscal year (hence the name nonappropriation lease is sometimes used to describe these operating leases or contracts).

   Upon termination, the leased property must be returned to the vendor, who may sell or relet the leased property to someone else. In this case, however, the vendor or lessor cannot have the right to continue the lease in existence and sue the state for each installment of rent as it becomes due.
b. The borrowing may not represent itself as an obligation of the state. Therefore, disclosure of state fund financial statements in an official statement or offering memorandum is generally not desirable since this may carry an implication of a state commitment greater than that of an operating lease. The official statement or offering memorandum must specifically acknowledge that the state’s commitment or credit relationship to the transaction is limited to what is appropriate for an operating lease.

However, tax-exempt financing of operating leases may require State General Fund disclosure. In those cases, the financing becomes very similar to financing leases and the involvement of the Department of Finance (Finance), State Treasurer’s Office (STO), and other state agencies is necessary (refer to financing leases in preceding text.)

c. All financing needs, including interim needs, must be provided by the vendor (i.e., the project is not eligible for state-funded interim financing).

d. Most long-term operating leases require legislative notification before a lease can be executed. Because the state can terminate an operating lease/contract more easily than a financing lease, the market risk is greater, and financing costs charged back through the lease rates will be correspondingly higher.

e. STO is not typically the agent for sale. STO, Finance, and DGS all have an interest in ensuring that non-state financings using a state lease or contract as security do not misrepresent the state’s credit relationship to the transaction.

f. The key department responsibilities are:

(1) Verify authority to enter into the specific operating lease or contract;

(2) Verify that the public or private vendor has no expectations that the state will provide continuing disclosure relating to the financing transaction; otherwise, contact STO and Finance at least eight months in advance of the anticipated issuance sale date (preferably one year) to determine whether such disclosure requests are appropriate and whether STO will require being the agent for sale. As with financing leases, the department needs to consult with the STO before final financing terms are negotiated in the lease;

(3) Include in the lease or contract all provisions required to prevent the creation of constitutional debt;

(4) If the operating lease or contract is to include a tax-exempt interest component in the rental payments, be sure that a nationally recognized bond counsel firm has reviewed the terms of the operating lease or contract to confirm that it qualifies as “debt” for purposes of federal income tax laws and that appropriate arrangements have been made to satisfy the ongoing federal income tax requirements concerning arbitrage rebate and other tax rules; and
(5) Include in the lease or contract all termination provisions appropriate for an operating lease. Contact the Attorney General, as necessary, for direction on appropriate contract or lease requirements.

Depending on the nature of the lease or contract, the department may also be responsible for verifying project cost and financing information used as the basis for lease or contract payments. (For example, the agreement with the vendor may be that the state pays only actual construction costs, financing costs, or both.) In this situation, the department should participate in financing meetings and/or the preparation of audit financing documents.

Depending upon the complexity and cost of the transaction, the department may benefit from the services of a financial advisor to protect the state’s interests, especially to assess what is included in the financing costs.

Other department responsibilities are summarized in Section 6886.

**INTERIM FINANCING**

(Revised 09/2017)

The purpose of interim financing is to meet project cash flow needs for expenses incurred after project authorization, but prior to the issuance of long-term debt instruments. Unless statute provides otherwise, projects eligible for state-funded interim financing are those financed through:

1. General Obligation (GO) bonds; and
2. Public Works Board (PWB) lease-revenue bonds.

Most GO bond programs are eligible for commercial paper interim financing.

Interim financing for lease-revenue bonds may be necessary for preconstruction costs (preliminary plans and working drawings) as well as a portion or all of construction costs. Lease-revenue bonds are typically sold after the construction bids are received. When long-term bonds are sold, proceeds are used, in part, to repay interim financing costs.

**General Fund loans:** Section 15849.1 of the Government Code authorizes loans from the General Fund for PWB lease-revenue projects to be repaid from the proceeds received from the sale of bonds.

**Pooled Money Investment Account loans:** Government Code Section 16470 et seq. establishes the Pooled Money Investment Board (PMIB) and Pooled Money Investment Account (PMIA) for investment of surplus state and local government funds. Government Code Section 16312 permits PMIB to make loans to projects otherwise eligible for interim financing through a General Fund loan. PMIB may also make loans to any special fund for a project authorized to be debt-financed. The PMIB has adopted a PMIA Loan Policy which imposes additional restrictions and requirements on loans eligible for funding through the PMIB. For more information on PMIB and its policy, see the State Treasurer’s Office website.

PMIB meets monthly (usually the third Wednesday of each month).
1. PMIB Loans are made at taxable rates set by PMIB in accordance with policies set forth in Government Code Section 16314.

2. PMIB requires substantial assurance that the loan will be repaid. This is generally met for PWB lease-revenue projects with the following provisional or statutory language:

   In the event the bonds authorized for the project are not sold, the Department of ________ shall commit a sufficient portion of its support appropriation provided for in this act to repay any loans for interim financing. It is the intent of the legislature that this commitment shall be included in future Budget Acts until outstanding loans for interim financing are repaid either through the sale of bonds or from an appropriation.

3. PMIB loans for interim financing do not exceed 12 months in length. If a project requires a longer loan, it must apply to PMIB annually for loan renewal.

**Commercial paper program:** Commercial paper notes are short-term negotiable instruments which may be used to meet a project’s interim financing needs. Government Code 16731.6 authorizes the use of short-term negotiable instruments for interim financing needs for general obligation projects.

**THE BOND SALE**

(New 5/1998)

The bond sale process begins months in advance of the actual sale. Throughout the process, the framework for the sale is developed and the legal interests of the client department, the state, the prospective bondholders, and potential third-party financing entities (such as a vendor or local government entity) are reviewed and safeguarded. The brief discussion that follows assumes that the Legislature has authorized a financing, interim financing needs have been met, and the project is ready for a bond sale. For further information, contact the California Debt and Investment Advisory Commission which offers a course entitled Mechanics of a Bond Sale.

**When STO is agent for sale:** Pursuant to Government Code Section 5700, STO is the agent for sale for all state and JPA debt issuances, including those over $10 million, unless statute specifies otherwise. In this context, JPA means any joint powers authority whether or not the state is a member. By policy, STO reserves the right to be agent for sale for any issuance in which ongoing disclosure is required relative to state credit.

**Bond sales calendar/timing restrictions:** Each spring and fall, STO prepares a sales calendar for the following half of the calendar year. Bond sales usually require a minimum of eight weeks of preparation before pricing is conducted. Closing (which is when funds become available) is typically two to four weeks following pricing. No sales using state General Fund disclosure (appendix A of the Official Statement) are conducted during the
—blackout periods—from January 1 to the issuance of the Governor’s Budget and the time between the May Revise and the enactment of the annual budget bill. In addition, certain holiday periods are avoided when scheduling sales due to slack market interest.

Considering these timing factors, requests for a bond sale should be made at least eight months in advance of the proposed sale date, and preferably one year in advance.

Although STO routinely contacts client departments to determine sales needs, the responsibility for requesting a sales date lies with the client department (or DGS for projects it manages, and PWB for its projects). STO sets sales dates at its discretion,
considering overall program priorities for access to the municipal bond market. See also Section 6860 for instructions on preparing PWB agenda requests bond sale.

**Appointment of members to the financing team; kickoff meeting:** For negotiated sales, the issuer appoints bond counsel and financial advisors; STO appoints the underwriters. PWB has delegated to STO the appointment of bond counsel and the selection of financial advisors for pricing of bond sales. These parties, the issuer, the client department, STO, DOF and other state agencies (and DGS for projects it manages) convene at a kickoff meeting to initiate the sale formally and to establish a time and responsibilities (T&R) schedule for the project.

**Document review and due diligence:** Bond sales involve the preparation of a number of documents. STO, other state agencies, department representatives, DOF and the financing team jointly review bond sales documents throughout a series of meetings, ensuring that the documents are properly drawn and that disclosure requirements are fully met. Brief definitions of key documents are provided in the following text:

1. **Authorizing resolution:** Authorizes the issuance of bonds, the execution of major legal documents, and delegates the authority to close the issue and administer the program. The resolution is executed by the governing body of the issuer (e.g., GO finance committee, PWB or a JPA).

2. **Indenture:** Pledges certain revenues and other property as security for the repayment of the issue, sets forth the terms of the bonds, and contains the responsibilities and duties of the trustee and the rights of the bondholders. (The responsibilities of the trustee are discussed in Section 6882.) The indenture may be in the form of bond and sales resolutions or trust agreement and typically contains the text to be printed on the bond. A supplemental indenture is an indenture that amends or supplements a prior indenture, whether that prior indenture stands by itself, is a general indenture, or a series indenture. The indenture is executed by an issuer and the trustee (who may be the STO). The client departments administering lease-revenue bond programs should review the indenture carefully because it establishes the disposition of surplus project funds, if any.

3. **Official statement (including preliminary official statement):** Provides all information that would be —materiallto a prospective purchaser of the bonds, including descriptions of the issuer, terms of the bonds, security for the bonds, major legal documents, risk factors and tax matters, and financial statements.

The preliminary official statement is a version used by the issuer or underwriters to inform the marketplace of the terms of the bonds being issued prior to receipt of bids at a competitive sale or prior to the determination of interest rates and purchase price in a negotiated sale. The official statement is of particular interest to the client departments.
administering lease-revenue bond programs because it contains departmental disclosure requirements and project descriptions, as well as debt service requirements and the cost of issuance. However, note that because GO bonds are backed by the full faith and credit of the state, disclosure about the client department(s) is not necessary.

4. **Bond purchase agreement/contract**: In a negotiated sale, an agreement between an issuer and an underwriter or group of underwriters, i.e., a syndicate who has agreed to
purchase the issue. The agreement sets forth the purchase price, interest rates and other terms of the bonds (often by reference to the official statement), date and time of closing, representations and warranties of the issuer, conditions to underwriters' payment for bonds, and underwriter duties. In a competitive sale, the notice of sale serves the same function, specifying the factors used to determine the winning bid; the notice, the underwriter's bid, and the issuer's acceptance of the bid together constitute a bond purchase agreement.

5. **Continuing disclosure agreement**: Sets procedures for continuing disclosure, the contents of the annual report, and specific events to be disclosed. Parties to the document may include the issuer, trustee, dissemination agent, client department, and bond holders as third-party beneficiaries. See Section 6884 for a more complete discussion of continuing disclosure. The client department, if an obligated party, should review its disclosure responsibilities carefully. Failure to disclose material events as required under the agreement can result in liability.

6. **Tax certificate or agreement**: Certifies to the facts and expectations necessary for the tax-exempt treatment of interest on the bonds. Those signing the document include the issuer, and other obligated parties. For GO bonds, the client department signs a department tax certificate.

7. **Reimbursement agreement**: If applicable, provides: the terms of the repayment of credit enhancement (e.g., a letter of credit); the terms of obligation to reimburse, including the maturity and interest rate; the pledge of security for reimbursement obligation; and covenants and security. Parties to the document are the issuer, other obligated parties and the credit enhancement provider.

8. **Revenue source agreements**: The following descriptions are written from the perspective of PWB, but they apply to other lease-purchase financings. The revenue source agreements require careful review by the client department because they outline departmental obligations to PWB.

   a. **Site lease**: The client department leases the site on which the project will be constructed to PWB for the term of the bonds. The rental fee is generally nominal and paid through the financing. PWB agrees to use the site solely for the purpose of constructing the project. It then leases the facility and site back to the department (see following facility lease). The term of the lease is the same as the debt repayment.

   b. **Facility lease**: PWB leases the facility, defined as the project and the site, to the client department including, without limitation, the terms and conditions of the site lease. The department covenants to use the facility during the term of the lease solely for public purposes and to take no actions related to the facility that would jeopardize the tax-exempt status of the bonds. The term of the lease is the same as that of the debt related to the project. The rental amount is equal to the annual principal and interest on the bond debt, plus any additional rental amounts ordered by PWB (such as trustee fees, accounting fees, PWB costs, etc.). The lease includes a requirement for the department to maintain replacement insurance for
loss, damage, and earthquake (the latter only if available at a reasonable cost), liability
insurance, and rental interruption insurance (normally to cover an interruption of up to two years).

c. **Equipment lease**: PWB leases the facility equipment acquired with proceeds of either interim financing or the long-term bonds. The department covenants to use the equipment solely for public purposes. The term of the lease is consistent with the debt for the equipment (generally shorter than the facility lease). The rental amount is calculated in a manner similar to that for the facility lease. The lease contains a requirement that the department maintain both the equipment and insurance on it.

d. **Construction agreement**: PWB and the client department enter into an agreement wherein PWB finances the facility and the department—acting as PWB’s agent—performs all activities required to plan, construct and equip the facility, in accordance with the applicable provisions of the State Building Construction Act and the Budget Act.

9. **Closing documents**: Documentation of satisfaction of closing conditions, receipts, and legal opinions.

The term **due diligence** means the inquiry made to disclose all facts about the issuer, the client department, the issue, and the security for the issue that would be material to a prudent investor in making a decision to purchase the issue. Due diligence inquiries are made by underwriters, lawyers, and other members of the financing team to determine, for example, whether the issue follows the purpose and scope outlined by the enabling legislation, statutes, and resolutions of the issuer and whether all material facts have been accurately disclosed in the official statement.

In lease-revenue and financing lease transactions, the client department has an obligation to participate in the due diligence process and to disclose all material facts relating to the transaction. (This responsibility may also occur in third-party financings of operating leases; see Section 6876.) In GO bond sales, DOF, STO and the State Controller handle most due diligence tasks; the client department’s responsibility is limited to providing project cash flow needs.

**Structuring the issuance**: The structure of an issue refers to the amount and timing of principal repayments (maturities) and interest payments. GO issuances are typically structured with level principal repayment (Section 6871); lease-revenue issuances are structured with level total payments (Section 6872). STO normally prepares a schedule which has serial maturities for the first 10 to 15 years, and term maturities subsequent to that. A serial maturity is one which is due every year. A term maturity is usually due from two to ten years beyond the last serial maturity. However, regardless of the structure of the serial and term maturities, departmental payments for debt service are still made every year into a bond sinking fund. The total repayment schedule for GO bonds may extend up to 50 years, although market pressures generally require maturities of half that length.
Lease-revenue repayment schedules may extend to 35 years but are also usually only 20 or 25 years in length.

STO solicits information from client departments and PWB (or DOF) to assist in structuring lease-revenue issuances. Client departments provide information on cash flow needs and whether sub-schedules are needed for assets (such as equipment) with shorter effective life-spans than the main facility. PWB (or DOF) provide direction on the overall length of
Obtaining the bond rating: The state generally sells only investment-grade municipal securities. An investment rating is secured prior to the bond sale from one or more independent third parties, called rating agencies.

1. Generally, an investment rating lowers interest rates by giving investors additional comfort and increasing the universe of buyers.

2. Ratings are based on an analysis of the relative strengths and weaknesses of the various factors potentially affecting the likelihood of debt repayment for the specific obligation. (The ratings apply only to that obligation.)

3. Long-term debt ratings are expressed in symbol form: Aaa means the best quality, with extremely strong capacity to pay principal and interest. Baa means medium grade quality, with adequate capacity to pay principal and interest (the lowest — investment grade long-term rating). Ba and lower means speculative quality with low capacity to pay principal and interest. Typically, the state receives ratings from three rating agencies: Moody's Investor Services, Standard & Poor's and Fitch Investor Services.

Presentations made to the rating agencies generally involve STO, the issuer, and potentially the client department when a new market credit is being established.

Pricing: GO bonds are sold on a competitive basis; low bid establishes price (i.e., interest rates and other underwriting costs). Lease-revenue bonds are normally sold on a negotiated basis. STO prices the bonds (i.e., negotiates interest rates and any discounts with the market). PWB delegates pricing to STO. STO advises the client department of the final financing costs by maturity and in total.

Bond closing: Moneys are not exchanged in a bond sale—and interest rates are not effective—until the bond sale closes, typically two to four weeks after pricing. The client department (in the case of lease-revenue bonds) and issuer must review and sign all pre-closing documents prior to closing to ensure a smooth conclusion to the sale, and should have a representative at the closing (except for GO sales). Net proceeds are normally transferred by the underwriter to the State Treasury by wire in immediately available funds.

POST-SALE ACTIVITIES

(Revised 09/2017)

Establishing account records/transferring funds for debt service:
Departments must establish accounting and budgetary records so that lease rental payments can be budgeted and paid to provide for debt service during the life of the bonds. For lease-revenue bond projects, lease rental payments are generally budgeted as a separate item under the department's organization code in the annual budget. The department, in accordance with the terms of the lease agreement, pays the lessor the lease rental payments from the department's lease rental appropriation. The lessor deposits the
lease rental payment into the appropriate debt service accounts of the bonds. The trustee for the bonds (generally the STO) submits claims against the debt service accounts of the bonds on behalf of the bondholders. For GO debt service, STO arranges transfer of funds with SCO; the department is not involved.

**Project management—staying within funds availability**: The department is
responsible for completing its lease-revenue project within available bond proceeds. Lease-revenue projects that cannot be completed within available funds present a risk to bondholders and therefore to the state’s credit rating. For this reason, a construction reserve may be included when sizing lease-revenue or financing lease projects. Any material threat to project progress or budget must be reported immediately to Finance and STO. (This is also an element of continuing disclosure responsibilities as described in Section 6884.)

**Trust services/payment of debt service:** The state acts as trustee for GO bonds and PWB lease-revenue bonds; STO provides the majority of the services with Finance and SCO performing specific support functions. Trustee services for other state bonds may be provided by (or arranged through) STO. Other trustees, such as the trust departments of commercial banks, are used for some bond programs.

The responsibilities and duties of the trustee may include, among others, the following:

1. Regulating the disbursement of the proceeds of the issue for the intended purposes;

2. Fund transfers to assure that bondholders receive timely and complete payment;

3. Protecting the assets of the trust if a default occurs; and

Exercising a specified standard of care in the administration of those trusts (the timing of interest and principal payments, interest rate setting provisions, investment of funds, events of default, remedies, and the mailing of notices of various events).

Departments should refer questions from bondholders to STO (or other trustee). Communication of any confidential information to bondholders is not permitted (e.g., the possible refinancing of outstanding bonds).

**Computation of lease-revenue debt service for budgetary purposes:** See Section 6888.

**Project completion:** When the lease-revenue project is complete and no additional funds are necessary to complete approved work, the department files a Notice of Completion with STO and Finance. Any excess funds after completion of the project are budgeted by Finance and used by the trustee to pay debt service. Finance specifically discourages leaving the project status open to use surplus funds available for tasks not part of the approved project scope.

If a department believes moneys are available to pay debt service from excess project funds or surplus revenue, it must submit a request to use such funds to Finance and STO. After approval, funds are then moved from the construction and/or surplus funds to the revenue fund to pay debt service.
Continuing disclosure: All obligated persons to a municipal security have a requirement under Securities Exchange Commission (SEC) regulations to make continuing disclosure (i.e., until debt is fully repaid) of certain specified information which is material to investment decisions on the securities. This is a major responsibility for issuers and departments, with serious legal ramifications for failure to perform. See Section 6884 for a detailed discussion.
CONTINUING DISCLOSURE

(Revised 09/2017)

The Securities and Exchange Commission requires issuers and other parties to an issuance who meet the definition of obligated persons to make disclosures about their bonds after the date of issuance (Rule 15c2-12). An obligated person is “any person who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all, or part of the obligations on the municipal securities to be sold.” Therefore, continuing disclosure is required on virtually all lease-revenue bonds, financing lease issues, and even on operating lease transactions, unless the transaction meets narrow exceptions to continuing disclosure set forth in SEC rules (e.g., certain private placements of securities with a limited number of sophisticated investors, certain short-term issues, and variable rate issues with tender options).

Disclosure is made through annual reports and notices of certain events. Material misstatements or omissions in the annual reports or events notices may be the basis for claims of securities fraud under federal or state securities laws, actionable by the Securities and Exchange Commission or private plaintiffs, with substantial potential liability for issuers or other obligated persons.

When STO acts as the agent for sale, it will apprise departments of their disclosure responsibilities. These will relate primarily to any actions which might modify the rights of security holders or release, substitution or sale of property securing repayment of the securities, and maintenance of required insurance. In transactions where STO is not the agent for sale, departments are advised to obtain independent legal review of potential disclosure responsibilities.

In lease-revenue bond issues and other issues where rentals are payable from specific state special funds (e.g., the State Highway Account), the continuing disclosure agreement may require that particular information concerning the special fund be updated and provided in an annual report to investors. This information should be described in detail in the continuing disclosure agreement and carefully reviewed by the department to be sure that it can be made available each year and that appropriate procedures have been established within the department to assure compliance in future years.

DEPARTMENT’S RESPONSIBILITIES

(Revised 9/2017)

The 6886 Illustration for this section summarizes key department responsibilities when obtaining long-term financing for projects. For a more complete discussion, refer to Section 6871 for general obligation bonds, Section 6872 for lease-revenue bonds, Section 6873 for JPA lease-revenue bonds, Section 6876 for financing leases and operating leases used as security for vendor debt issuances, and Section 6884 on continuing disclosure.
<table>
<thead>
<tr>
<th>Department Key Responsibilities Related to Financing (DGS may handle certain tasks if managing the project)</th>
<th>GO Bond Type of Project</th>
<th>PWB Lease-Revenue Type of Project</th>
<th>JPA Lease-Revenue Type of Project</th>
<th>Financing Lease Type of Project</th>
<th>Securitized Operating Lease/Contract Type of Project</th>
</tr>
</thead>
<tbody>
<tr>
<td>Explain project requirements; determine which other responsibilities DGS will handle</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Notify Finance and STO, at least eight months in advance—preferably one year—of any pending project outside the normal budget process which may require the services of STO as agent for sale or continuing disclosure agent. Meet as necessary with STO to clarify agent-for-sale role. Make no commitments to local government entities or private vendors regarding financing structure, timing, teams, or use of state credit until concurrence is received from STO. Meet Finance requirements for economic analysis.</td>
<td>NA</td>
<td>NA</td>
<td>Yes</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Provide cash flow, project status, and other relevant project information to Finance and STO when requested to support bond sales.</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>See Sec 6876</td>
</tr>
<tr>
<td>Projections of cash flow needs for design and construction</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Make projection</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Review vendor projections</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>Yes</td>
<td>See Sec 6876</td>
</tr>
<tr>
<td>Submit all required information to issuer on a timely basis for authorizing resolutions for bond sales and interim financing.</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>See Sec 6876</td>
<td>No</td>
</tr>
<tr>
<td>Submit requests for interim financing (commercial paper) to PMIB or other provider of interim financing</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Participate in pre-sale meetings, including document review and due diligence; provide information necessary to meet initial and continuing disclosure requirements.</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>See Sec 6876</td>
</tr>
</tbody>
</table>

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(6886 Illustration)
<table>
<thead>
<tr>
<th>Department Key Responsibilities Related to Financing (DGS may handle certain tasks if managing the project)</th>
<th>GO Bond Type of Project s</th>
<th>PWB Lease-Revenue Type of Project</th>
<th>JPA Lease-Revenue Type of Project</th>
<th>Financing Lease Type of Project</th>
<th>Securitized Operating Lease/ Contract Type of Project</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ensure that the issuer understands: STO’s roles and responsibilities when agent for sale; time-frames for bond sales scheduling and other preparation activities; any required. Finance reviews for economic viability; any required lease notifications to the Legislature.</td>
<td>NA</td>
<td>NA</td>
<td>Yes*</td>
<td>Yes*</td>
<td>See Sec 6876</td>
</tr>
<tr>
<td>Stay within available funds; inform Finance and STO immediately of any material threat to project progress or budget which may affect completion within available funds.</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Send STO and issuer Project Closure Memo when project is done.</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>See Sec 6876</td>
</tr>
<tr>
<td>Obtain liability and rental interruption insurance for project.</td>
<td>NA</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Set up accounting and budgetary records for payment of debt service.</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Sec 6876</td>
<td>No</td>
</tr>
<tr>
<td>Refer bondholder questions to STO; do not communicate confidential information.</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>See Sec 6876</td>
</tr>
<tr>
<td>Obtain Finance and STO concurrence on use of any potential surplus or excess bond funds.</td>
<td>Maybe</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>See Sec 6876</td>
</tr>
<tr>
<td>Repay interim financing from support appropriation if project is not completed.</td>
<td>No</td>
<td>If required</td>
<td>Not usually</td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>

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(6886 Illustration, cont. 1)
The STO prepares a schedule annually of debt service payments for all programs with outstanding issuances. STO works with departments and Finance to estimate debt service for any new programs (or additional issuances for existing programs) for the budget year. This information, in addition to administrative and insurance costs, is used to prepare the Governor’s Budget and the debt service payment items in the budget bill for lease-revenue projects.

Prior to budgeting annual debt service items, Finance reviews lease-revenue bond accounts to determine whether surplus bond funds are available (in advance of project completion) to schedule as reimbursements towards debt service, thereby reducing the net cost of the appropriation. The department is required to maintain a forecast of project cash flow needs and budget requirements to assist in these tasks.

Glossary and Index for Capital Outlay

Terminology and Forms

The following definitions and discussions clarify capital outlay and financing terms. These definitions are only a guide; statutory definitions and context take precedence.

20-day letters/notifications: A notification to the Legislature that a project is proposed for an augmentation between 10 and 20 percent, a scope change, or other specific circumstances. Section 6861 (“Augmentations”); Section 6863, (“Scope Changes”); and Section 6844, (“Monthly Public Works Board Process”).

Additional costs within appropriation: The PWB may approve additional project costs within the approved appropriation if there are bid savings to cover the costs. This action normally takes place within the construction phase. Section 6861.

Agency-retained items: Project elements which the department rather than the architect/engineer or contractor provides. Typical examples include equipment, moving, easements, installation, resource protection, etc. Section 6818, requirements related to COBCPs. Approval process uses a DF-14D form (see following forms).

Agent for sale: The entity providing sales services for the bonds on behalf of the issuer; for state and JPA issuances, this is the State Treasurer’s Office. Sections 6805 and 6880.

Alterations: Any modification of existing space (buildings, structures or other facilities) that changes the use as to function, layout, capacity, or quality. Must be budgeted as a capital outlay expenditure; for exceptions, see Section 6806 (“Capital Outlay Versus State Operations and Local Assistance”) and Section 6807 (“Minor Capital Outlay”).

Anticipated deficit: See recognized anticipated deficit.
Arbitrage: Interest earnings on the investment of bond proceeds that result in a return in excess of borrowing costs. Section 6873.

Architect/engineer: Usually design work is done under the general direction of a professional architect. However, for very technical work (e.g., electrical upgrading, personal alarm systems, etc.), the lead may be assumed by an engineer.

Architect/engineer services are provided by DGS or through contracts with approved
firms in the private sector. Certain departments are authorized to secure these services directly by statute.

**Architecture and engineering (A&E) fees:** Fees (basic and nonbasic) charged for architectural and engineering. These fees could be internal to the department or for external professional services. Items include professional charges for A&E construction management support that are project-related, such as construction inspection, travel, bidding expenses, and drawings. Depending on the nature of the project, A&E fees typically do not exceed 13 percent of the proposed construction contract amounts (excluding construction contingencies). See Section 6818 for requirements related to COBCPs.

**Architectural Revolving Fund (ARF):** A DGS non-governmental cost fund used for project management. Client departments transfer project monies to DGS which are held in this account. Section 6868.

**ARF:** See Architectural Revolving Fund.

**Augmentation:** PWB may approve allocations of additional funds to a project, up to 20 percent, subject to reporting to the Legislature. Sections 6842 and 6861.

**BCP:** Budget change proposal—usually meaning a support proposal.

**Betterments:** Any modification that increases the designed level of services or life expectancy of a facility or program infrastructure. Section 6806.

**Bid alternates:** Additions to or deductions from a basic project bid, not to exceed ten percent of the estimated cost of the base project. If a project comes in over budget, deductive alternates can help avoid the need to re-bid the project; conversely, if bids come in under budget, additive alternates can allow project improvements. Finance approval is required. Section 6852.

**Bidding phase:** The bidding phase is a set of activities, starting after completion of working drawings, which results in the selection of a contractor for a design-bid-build project. Typical activities in this period are advertising the project in construction trade papers, submission of bids by interested parties; analysis of those bids, selection of the lowest responsible bidder, contract execution, and delivery of a —Notice to Proceed— to the contractor to begin the construction work. Section 6809 (“Overview of Capital Outlay Phases”) and Section 6852 (“Working Drawings and Proceeding to Bid”).

**Bid tabulation:** A listing of bids received for a project; must be submitted to DOF when requesting release of construction funds and the awarding of a construction contract. Section 6853.

**Bond counsel:** An attorney (or firm) retained by the issuer to give a legal opinion that the issuer is authorized to issuer proposed securities, has met all legal requirements, and that the interest will be exempt from federal income taxation and, where applicable, from state and local taxation. Sections 6873 and 6874.
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**Bond anticipation notes**: Short-term negotiable instruments with a fixed maturity used to meet projects’ interim financing needs. Section 6878.

**Bonds**: A method of financing capital projects through long-term borrowing. The state raises money by issuing financial securities to investors. Section 6870. See also general obligation bonds and lease-revenue bonds.
**Bond insurance**: Non-cancellable insurance purchased by the issuer from a bond insurer where the insurer promises to make scheduled payments of interest, principal and mandatory sinking fund payments if the issuer fails to make timely payments. In an insured issue, the investor relies on the insurer’s credit, not the issuer’s. The insurer’s payment of an installment does not relieve the issuer of repaying the insurer. Sections 6873 and 6874.

**Bridging design-build**: See design-build.

**Budget letter**: A statewide communication from the Department of Finance containing budget development or implementation instructions.

**Budget packages, budget package estimate**: Prepared under the direction of DGS, budget packages refine departments’ initial project estimates and are used by Finance to evaluate a project and size a project appropriation. They generally contain a project description, pre-schematic drawings, outline specifications, and a cost estimate. Refined cost estimates developed in this process are referred to as budget package estimates (as distinguished from preliminary cost estimates of a project provided by the department in the COBCP). Section 6828.

**Building Cost Index**: See California Construction Cost Index.

**California Construction Cost Index (CCCI)**: The construction cost index departments must use in escalating construction costs. Based on the average Building Cost Index (BCI) for Los Angeles and San Francisco as published in the Engineering News Record. Section 6818, technical notes.

**California Environmental Quality Act (CEQA)**: A body of law and regulation setting out environmental review requirements for projects, including capital projects. Sections 6808, 6812, and 6850.

**Capitalized assets**: As used in this chapter, all processes which may result in the acquisition, new construction, alteration, renovation, extension or betterment of real assets, regardless of character of appropriation for the expenditure. Includes capitalized leases as well as processes which may result in a capital acquisition, such as leases with purchase options. Sections 6801, 6806, and 6876.

**Capitalized interest account**: Bond proceeds which are reserved to pay interest on a revenue (or lease-revenue) bond issue for a period of time early in the term of the issue; also called funded interest. Commonly, in a project financing, interest is capitalized through the date on which it is anticipated that construction will be completed (and up to six months after the completion of construction at the discretion of the PWB) and the project capable of providing lease payments for repayment of debt service.

**Capitalized lease**: A lease agreement is classified as a capital lease (in-substance purchase) when substantially all of the risks and benefits of ownership are assumed by the lessee. Sections 6818 and 6820.
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Capital outlay: A subset of capitalized asset activities, funded specifically under the capital outlay character of appropriation. Includes acquisitions, new construction, alterations, renovations, extensions, and betterments. Does not include capitalized (financing) leases where payment is made through the rent line item. Sections 6801 and 6806.
Capital outlay budget change proposal (COBCP): A written request for funding required for each project proposed in the Governor’s Budget (both new projects and continuing phases of previously funded projects). Section 6818.

Capital outlay concept papers (COCP): A written request for funding required for each project or program area where specific project detail is not available. These proposals may to be used as part of the department’s five-year infrastructure plan except for budget year proposals that require a COBCP.

Categorical exemptions: An exemption from CEQA based on one or more classes of actions/projects, as established in regulation. Section 6850.

Category codes: Program categories and project type categories are used on the COBCP to classify the broad purpose for the proposed project. Public safety and education are examples of program categories; fire/life safety, code correction are examples of project type categories. Section 6839.

CEQA: See California Environmental Quality Act.

Certification letters: A periodic notification from PWB to the Legislature certifying that projects on which it is taking action at its next meeting are within scope and cost, or (otherwise) the dates and amounts of approved changes. Sections 6842 and 6844.

Certificates of participation (COPs): A certificate (which looks like a bond) representing an undivided interest in the payments made by a public agency pursuant to a financing lease (or an installment purchase agreement). Although not treated as state constitutional debt, federal tax law treats the lease obligation as if it were debt. Section 6876.

Change orders: Formal revisions of the construction contract based on approved modifications to the capital outlay project. Change orders must be approved by DGS or other department managing the construction and are funded from the contingency line-item of the project budget. Section 6854.

Character of appropriation: The three broad classifications: (state operations, local assistance, and capital outlay) the state uses when appropriating. Generally, once a program or activity is budgeted as one of the three characters, it must follow the expenditure rules for that classification. Section 6806.

Department: The department that manages the programs for which capital outlay is needed. Section 6805.

COBCP: See capital outlay budget change proposal.

COCP: See capital outlay concept paper.

Combined bids: Bidding construction for two different projects as if they were one. Requires Finance and PWB approval. Section 6852.
Commercial paper: Short-term negotiable instruments with variable maturity and interest rates used to meet projects’ interim financing needs. Section 6878.

Concession agreement: Subject to legislative notification, PWB has the power to review and approve the Department of Parks and Recreation’s park concession agreements where the need arises off the normal budget cycle. Section 6842.

Condemnation authority: See eminent domain.

Constitutional debt: Article XVI of the California Constitution prohibits the Legislature from creating debt or liability which exceeds $300,000 without a majority vote by the people, except in case of war.

Construction cost index: Standardized value for estimating construction cost escalation over time. In application, generally projected to the mid-point of construction. See California Construction Cost Index (CCCI). Section 6818, technical notes.

Construction phase: The construction phase begins with the award of the construction contract (see Section 6853) and ends when construction is complete and a Notice of Completion is filed with DGS or other project manager (see Section 6854). An overview of capital outlay phases is provided in Section 6808.

Construction management: Construction management services include reviewing construction documents; clarifying contract documents during construction, including change order analysis and estimating; coordinating among designers, contractors, inspectors, facilities operations, etc.; monitoring schedules; and generally overseeing daily on-site construction operations. DGS is the project manager for most state departments.

Departments which have the authority to manage their own projects may use contracted project management services. Such services are most commonly used for large or complex projects, (e.g. the construction of new prisons). Fees for these services typically range from 1.0 to 4.5 percent of the estimated contract cost and do not include fees for architectural and engineering services. Section 6854.

Construction support (project administration): The terms construction support or project administration are applied to all project expenses other than construction contract costs incurred during the construction phase. The major construction support/project administration cost items are inspection, construction management, architect/engineer review, and special consultants—primarily materials testing and asbestos abatement monitoring. Section 6854.

Contingency funds: The construction contingency is a prescribed percentage of the construction contract amount which is budgeted for unforeseen emergencies or design shortfalls identified after a construction project commences. Construction contingencies are limited to 5 percent of the construction estimate/bid for a new facility and 7 percent of the construction estimate/bid for remodeling/renovation projects. Section 6854.

Contract documents: The agreement between the state and the contractor, notices to contractors, instructions to bidders, the written and diagrammatic instructions prepared by the architect/engineer for constructing a project, general and supplementary conditions, contract bonds, addenda, change orders, and supplementary agreements. Generally, the written source is referred to as the specifications and the diagrammatic source is referred to as the working drawings. The contract documents are typically developed in phases.
Contractor: The builder; generally selected through competitive bidding. In some instances, the contractor is DGS, the Inmate/Ward Labor Branch of the Department of Corrections, or the individual department. The contractor uses the contract documents prepared by the architect/engineer to build the project.
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**Cost changes:** For augmentations, additional costs (within appropriation) and recognized deficits, see Section 6861. For bid savings, project savings, and reversions. See Section 6862.

**Cost increase within appropriation:** See additional cost within appropriation.

**Cost index:** See construction cost index.

**Debt service ratio:** Annual debt service (for non-self-liquidating bonds) as a percentage of General Fund revenues or receipts. One of the most commonly used measure of debt.

**Delegated items:** By resolution, PWB has delegated selected non-policy actions to Finance for approval. Section 6844.

**Department of Finance (Finance):** Financial control agency for the state. For capital outlay, Finance reviews and approves project proposals for inclusion in the Governor’s Budget, approves movement from one project phase to the next, releases funds for phases, and has other administrative oversight functions related to the Public Works Board.

**Department of General Services (DGS):** The state department responsible for real property management, project planning, project management, construction management, construction and leasing services, real property acquisition and sales, the Statewide Property Inventory (SPI), and energy efficiency services for state and K-14 school facilities. DGS is also staff to PWB for property acquisition and energy efficiency contracts.

**Department of Technology (CDT):** Department charged with assessing the technical feasibility of information management proposals. Works with Finance’s Information Technology Consulting Unit (ITCU), which determines whether the proposal is the appropriate business solution. Capital outlay projects with technology components must be reviewed by CDT and ITCU. Section 6818.

**Design-bid-build:** The state’s traditional method of project delivery in which construction is not bid out until preliminary plans are approved by PWB and a full set of working drawings is produced. Section 6841.

**Design-build:** A method of project delivery that combines the design and construction of a facility into a single contract, preceded by a separate phase to develop project specifications, usually more detailed than a budget package, but less detailed than full preliminary plans. Modified or bridging design-build is a version of the process that results in very detailed project specifications, more closely approximating preliminary plans.

**Design documents:** The final documents of the preliminary plans stage, including a site plan, architectural floor plans, elevations, outline specifications, and a cost estimate. Section 6851.

**DGS:** See Department of General Services.

**Due diligence:** In preparing for a bond sale, the inquiry made to disclose facts about the issuer, the issue and the security for the issue that would be material to a prudent investor in making a decision to purchase the issue. Section 6880.

**EIR:** See environmental impact report.
**Eminent domain:** The taking of private property by a governmental entity for public necessity; also called condemnation authority. Sections 6842 and 6866.

**Engineering News Record (ENR):** See cost index.

**Enterprise revenue bonds:** Revenue bonds which are self-liquidating based on project-generated revenues such as airport fees, hospital fees, dormitory fees, etc. Section 6870 and 6872.

**Environmental impact report (EIR):** An informational document which informs public agency decision-makers and the public generally of the significant environmental effect of a project. Section 6850.

**Equipment:** Capital outlay equipment is divided into Group 1 and Group 2. Group 1 equipment is installed equipment such as heating and air conditioning units and is budgeted as part of the construction phase. Group 2 equipment is movable equipment, such as tables and chairs (but not replacement equipment) and is budgeted as its own project phase, typically following construction. Not all equipment is classified as capital outlay. See Section 6855 for a discussion of capital outlay equipment, Section 6818 for capital outlay budgeting instructions, and Section 6842 for PWB’s role in approving long-lead equipment.

**Finance Letter:** An amendment to the Governor’s Budget proposed by the Administration to the Legislature in the spring immediately following introduction of that budget. Finance Letters are considered by the Legislature in budget subcommittees coincident with review of the Governor’s Budget. Sections 6812 and 6818.

**Financial advisor:** With respect to municipal securities, a consultant who advises an issuances’ structure, timing, marketing, fairness of pricing, terms and bond ratings. May also provide advice on cash flow and investment matters. Sections 6872–6876.

**Financing lease:** The document by which the issuer leases to another public entity (the "obligor") the project to be acquired or constructed with the proceeds of the issue and by which the obligor agrees to make periodic lease payments to the issuer, generally for the period of time the issue is outstanding. Section 6876.

**Fiscal Impact Worksheet (FIW):** This document is used to report the funding data, detail costs, schedules, project specific codes, detail information, support costs and scope language related to the project or proposal. All COBCPs and COCPs must be accompanied by an FIW.

**Fitch Investor Services:** See rating agency.

**FIW:** See Fiscal Impact Worksheet.

**Forms, standard notices and other required formats:**

* **Bid Tabulation:** A listing of bids received for a project; a copy of the bid tabulation must be submitted to Finance when requesting release of construction funds. Section 6853.

* **Closure memo:** A notification from the client department to Finance, and in the case of bond projects, to the issuer and to the project bond trustee, that the project is
complete, the construction account may be closed, and for bond projects, the surplus funds—if any—may be disposed of in accordance with the indenture.

Sections 6856 and 6882.
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* **DF-14D: Request For Approval to Proceed or Encumber Funds:** Used by client department to request Finance/PWB approval of various steps in capital outlay phases, e.g., approval of preliminary plans; approval to proceed to working drawings phase, approval to proceed to bid. Section 6845.

* **DF-150, Fiscal Impact Worksheet (FIW):** This document is used to report the funding data, detail costs, schedules, project specific codes, detail information, support costs and scope language related to the project or proposal. All COBCPs and COCPs must be accompanied by an FIW.

* **DF-151, Capital Outlay Budget Change Proposal:** Used to request funding for a capital outlay project to be included in the annual Governor’s Budget. Section 6818.

* **DF-152, Capital Outlay Concept Proposal:** A written request for funding required for each project or program area where specific project detail is not available. These proposals may to be used as part of the department’s five-year infrastructure plan except for budget year proposals that require a COBCP.

* **FORM 22, Public Works Board Authorization and Transfer Request:** For state agencies which contract with DGS for project management, used to transfer funds to the Architecture Revolving Fund (ARF) for each budgeted phase of work. DGS initiates the form; the client department signs and forwards it to Finance for final approval. Section 6868.

* **Form 220, Public Works Project Authorization Bond Proceeds Funded Projects:** This form is used to request SCO to reserve a portion of the department’s project appropriation authority in a separate account within the appropriate bond fund. This reserve is used to reimburse the Architecture Revolving Fund for actual expenditures. Section 6868.

* **Historic Resources Inventory (DPR 523):** A Department of Parks and Recreation form on which departments list their facilities, 50 years or older, which are on—or potentially on—the National Register of Historic Places. Section 6822.

* **Negative Declaration:** Under CEQA, a negative declaration is a form of finding which may be used if the project is not expected to have one or more significant effects on the environment. A negative declaration typically is supported by an initial study or initial study checklist. Section 6850.

* **Notice of Completion:** A notice initiated by DGS or the project manager to advise Finance of the completion of the project. Section 6856.

* **Notice of Determination:** A notice filed by the lead or responsible agency after it approves or determines to carry out a project or action subject to CEQA requirements. Section 6850.

* **Notice of Exemption:** A notice filed by the lead agency after it determines to carry out a project or action exempt from CEQA. Section 6850.

* **Project Cost, Funding and Schedule Summary:** A chronological history of costs, funds and project schedules that is part of the standard fiscal reporting
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requirements for any request to Finance or PWB to approve phase completion and release of funds for the next stage (or for project scope or funding changes).

Section 6845.
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* **Return of Funds Form**: A DGS form used to transfer surplus project funds at project completion, or upon appropriation reversion, from ARF back to the source fund. Section 6856.

Forms, standard notices and other required formats (continued):

* **STD. 9, Space Action Request**: Used to request DGS real estate services; for projects meeting conditions specified in Section 6453, also used to solicit Finance approval for budget-related impacts of lease renewals, new space requests, and associated support impacts. The Finance review process for all STD. 9s is coordinated through the Finance capital outlay unit. Section 6818, technical notes.

**General Fund**: The state fund into which non-dedicated revenues are deposited and from which the majority of state expenditures are made.

**General obligation (GO) bonds**: A form of long-term borrowing in which the state issues municipal securities and pledges its full faith and credit to their repayment. Requires approval by a majority vote of the public. Section 6871.

**Hard costs**: Actual construction costs. See architectural and engineering fees.

**Historical resources**: Any state-owned structure over 50 years of age, which is listed—or could be listed—on either the National Register of Historic Places maintained by the United States Department of the Interior or as a state historical landmark. Section 6822. See also Historic Resources Inventory (DPR 523) under forms in this glossary.

**Implied dedication**: The term refers to a public easement that has been created through a history of use. Implied dedications can reduce the value of a property; such effects must be considered in appraisals for site selection. Section 6849.

**Indenture**: An agreement executed by an issuer and a trustee that pledges certain revenues and other property as security for the repayment of the issue, sets forth the terms of the bonds, and contains the responsibilities and duties of the trustee and the rights of the bondholders. Section 6880.

**Information Technology Consulting Unit (ITCU)**: The Finance unit charged with assessing whether the technology aspects of a capital outlay proposal are an appropriate business solution. Works in conjunction with the Department of Technology (CDT) which assesses the technology aspects of information management proposals. (Section 6818). Sections 6818 (technical notes) and 6823.

**In-substance purchase**: See capitalized leases.

**Interim financing**: The financing project costs, on an interim basis, until long-term securities are sold. Depending upon project statutory authorities, may include pre-construction appropriations, bond anticipation notes, commercial paper, PMIB loans, General Fund loans, or other loan programs. Section 6878.

**Installment payment**: In a lease-purchase agreement, the periodic payment which builds equity in the capital asset. Section 6876.
**Issuer:** The public entity that issues securities and is named as the issuer-obligor on those securities. The public entity is the "issuer" even in those cases where the actual source of the money to pay debt service is to be an entity other than the issuer. See Capitalized Assets Financing, Sections 6870–6888.

**Items to complete:** Items necessary to complete a project, not included in the initial project. Finance may approve the funding of such items through project savings or an augmentation (requires PWB action), but only if it can be shown these items are critical and not the responsibility of the contractor. Section 6856.

**Joint Legislative Budget Committee (JLBC):** A fiscal oversight committee, with members from both houses, charged with reviewing budget administration.

**Joint powers authority (JPA):** An agreement between governmental entities (sometimes in the form of a separate entity) that provides for the joint exercise of powers. May issue revenue (and lease-revenue) bonds. Section 6874.

**LAO:** See Legislative Analyst’s Office.

**Lease-purchase agreement:** An installment purchase agreement under a financing lease. Section 6876.

**Lease-purchase bonds:** Same as lease-revenue bonds.

**Lease-revenue bonds:** A variant of revenue bonds used in the state’s capital outlay program. The revenue stream backing the bond is created from lease payments made by the occupying department to the entity issuing the bonds (usually PWB or a joint powers authority). Sections 6873 and 6874.

**Legislative Analyst’s Office (LAO):** A governmental entity under the Legislature, providing staff support to the Joint Legislative Budget Committee. Produces analysis of the annual budget bill; reviews and may comment on variety of administrative transactions, including capital outlay actions such as augmentations and scope changes.

**Legislative notifications:** See 20-day letters and Section 6.00 of the Budget Act.

**Mandatory review and approvals:** Refers to various provisions in statute requiring preliminary plans and working drawings for certain projects to be reviewed and approved by oversight agencies such as the State Fire Marshall (within the Department of Forestry and Fire Protection). Section 6852.

**Master reserve account:** See reserve account.

**Major capital outlay:** Any project not meeting the definition of a minor capital outlay project. Currently, any project over $656,000, although there are exceptions. The dollar threshold is adjusted every two years.
Minor capital outlay: Excluding the purchase of land, any capital outlay project with current total estimated project cost of $656,000 or less. The specific dollar value is adjusted every two years. However, Resources Agency projects up to $903,000 may be budgeted as minors if DGS makes the determination that its services are not required (Public Contract Code 10108.5). Every two years the threshold for minor capital outlay projects is recalculated. There are additional requirements to qualify as a minor project; see Section 6807 and Section 6.00 of the Budget Act.

Modified design-build: See design build.

Moody’s Investor Services: See rating agency.

National Register of Historic Places: See historical resources.


Obligated person: See continuing disclosure.

Official statement: A document prepared for the bond sale which provides all information that would be material to a prospective purchaser of the bonds, including descriptions of the issuer, terms of the bonds, security for the bonds, major legal documents, risk factors and tax matters, and financial statements. The preliminary official statement is a version used by the issuer or underwriters to inform the marketplace of the terms of the bonds being issued prior to receipt of bids at a competitive sale or prior to the determination of interest rates and purchase price in a negotiated sale. Section 6880.

Offner-Dean rule (or exception): Case law that has established that lease-revenue bonds does not meet the constitutional definitions (and therefore restrictions) of debt. Sections 6872 and 6876.

Operating lease: A pure lease for facility space. Where client departments have long-term lease authority, the lessor may choose to use such a lease as security for a debt offering to finance the project, but the state’s credit involvement is limited solely to that of a party to a lease or contract. Section 6876.

Option to purchase: See purchase option.

Phase: Steps in a project which may be budgeted separately or together, depending upon project complexity. The most common phases are studies, site selection/acquisition, preliminary plans, working drawings/bidding, construction, and equipment to complete a design-bid-build project. Design-build projects have two phases (performance criteria and design-build). Section 6808.

Pooled Money Investment Board (PMIB): The Pooled Money Investment Board (PMIB) administers the Pooled Money Investment Account (PMIA) for investment of surplus state and local government funds. Among other investment strategies, PMIB may make loans – known as AB55 loans – to projects otherwise eligible for interim financing through a General Fund loan. PMIB may also make loans to any special fund for a project authorized to be debt-funded. Section 6878.

Preliminary official statement: See official statement.

Preliminary plans/phase: Initial design phase in preparing the construction bidding documents, typically developed in two distinct steps: schematics and design development. Final documents include a site plan, architectural floor plans, elevations, outline specifications, and a cost estimate. This phase starts with Finance releasing funds via a Form 22 or Form 220 and ends when PWB approves the preliminary plans. Section 6851.

Pre-schematic documents: Plans prepared during development of a budget package, usually by DGS, to depict a possible solution – or solutions – to the department’s stated needs and to serve as the basis for a project cost estimate. The design architect/engineer later may use these plans to develop the schematic documents as part of the preliminary plans phase. Section 6828 ("Budget Package Preparation, Budget Estimates") and Section 6851 ("Preliminary Plans Review").

Program management: Program management, which is a department responsibility, is the overall administration of a major capital outlay program such as new prison construction or renovating mental health facilities to meet licensing requirements. When needed for program planning, special consultant assistance may be funded from either the support appropriation or from the capital outlay budget, depending on the timing and scope of the services. Sections 6805 and 6823.


Project Cost Detail Sheet: see forms.

Project Cost, Funding and Schedule Summary: see forms.

Project management: See construction management.

Project per CEQA: Section 15378 (a) (3) of Title 14 of the California Code of Regulations defines project as an activity involving a lease, permit or license issued to a person or entity. Section 6850.

Project per State Contract Act: For purposes of contract law, Section 10105 of the Public Contract Code defines project as the erection, construction, alteration, repair, or improvement of any state-owned structure, building, road, or other state improvement of any kind with a total cost exceeding an amount periodically adjusted by the Director of Finance by Management Memo. Section 6847.
Project phase: See phase.

Public lands trust: Landowner agreements with the state to preserve openspace and allow public access to natural resources, in exchange for certain immunities.

Certain agencies may create public land trusts; PWB has the authority for the balance of
the state. Section 6842.

**Public Works Board (PWB):** The state board empowered to oversee administration of most state capital outlay projects, exercise eminent domain, make augmentations, and establish final project scope through review of preliminary plans. Sections 6842 (overview) through 6866, and Section 6873.

**Purchase option:** A lease with a purchase option gives the state the right, during the course of the lease, to purchase the asset for a predetermined price, if desired. The exercise of a purchase option, regardless of dollar amount, is always a capital outlay expenditure and therefore requires a COBCP. Entering into a purchase option is not a capital outlay expenditure, and lease payments until the option is exercised are a support expense. However, if using purchase options as a capital acquisition strategy, a COBCP. Sections 6818 and 6876.

**PWB agenda package:** A standard set of narrative project information required whenever requesting PWB to take an action on a project. The package consists of the formatted agenda item, the briefing document, and whatever specific information is needed for the type of actions proposed. Section 6845.

**Rating:** Designations used by rating agencies to give indications of relative credit quality. Section 6880.

**Rating agency:** An investment rating is secured prior to the bond sale from one or more independent third parties, called rating agencies. The three largest and traditional rating agencies in the tax-exempt market are Moody’s Investors Service, Standard & Poor’s, and Fitch Investors Service. Section 6880.

**Recognized anticipated deficit:** A request for PWB to recognize a possible future augmentation (generally construction). Section 6861.

**Reportables:** By resolution, PWB has delegated approval for certain actions to Board staff. These actions are referred to as “reportables” because they are reported to the board each month after they have been completed. Section 6844.

**Reserve account/fund:** An account from which moneys may be drawn to pay debt service on an issue if pledged revenues and other amounts available to satisfy debt service are temporarily insufficient. In lease-revenue issuances, the reserve account is typically sized to the maximum annual debt service payment. PWB uses a master reserve account program—in effect, a pooled reserve approach which reduces the aggregate amount of funds its issuances must hold in reserve. Section 6872.

**Revenue bonds:** A bond payable from a specific source of revenue and to which the full faith and credit of an issuer with taxing power is not pledged. Pledged revenues may be derived from operation of the financed project, grants and excise or other specified non-ad-valorem taxes. Generally, no voter approval is required prior to issuance. Section 6872.

**SAM:** [State Administrative Manual](#).
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Schematic documents: The initial architectural and engineering plans prepared as the first step during the preliminary plan phase, depicting the designer’s conceptual solution to the department’s capital outlay needs. See Section 6851.

SCO: State Controller’s Office.

Scope: The project program as it relates to location, site, facility size and shape, use of assigned program space, or physical characteristics of a facility. Scope is typically
approved by the Legislature and published in the Supplemental Report of the Budget Act prepared by the Legislative Analyst’s Office. Section 6863.

Scope changes: A revision to the approved project program requiring the advance written approval of Finance. Section 6863.

Section 1.80 of the Budget Act: Establishes appropriation time-frames (both encumbrance and liquidation) for capital outlay projects. Section 6807 and 6812.

Section 3.00 of the Budget Act: For capital outlay projects, defines key terms as used in the Budget Act. Sections 6807 (minor projects), 6851 (preliminary plans), 6852 (working drawings), and 6854 (construction).

Section 6.00 of the Budget Act: Provides a limited exception to the rule that support funds may not be used for capital outlay purposes. Section 6806.

SEC: Securities and Exchange Commission. See continuing disclosure, Section 6884.

Settlement price: Acquisition price. Requires PWB approval if the amount exceeds the appraised price reported to the board at the time of site selection. Section 6849.

Site selection: The process that results in identification of a site for a project; requires PWB approval. Section 6849.

Soft costs: All preconstruction costs, plus the A&E portion of the construction phase. See architectural and engineering fees.

State Historic Preservation Officer: See historical resources.

State Treasurer’s Office (STO): The agent for sale for most state debt issuances. Sections 6805 and 6870—6888.

Standard and Poor’s: See rating agency.

Standard fiscal reporting requirements: A set of three documents (DF-14D, Project Cost, Funding and Schedule Summary, and Project Cost Detail Worksheet) required whenever requesting action from Finance or PWB to approve completion of a phase and release funds for the next phase (or requesting changes to project scope or cost). See forms. See also Section 6845.

State Property Inventory (SPI): An inventory of all real property held by the state. Each agency is required to update its real property and structure records in the SPI. Section 6820.

STO: See State Treasurer’s Office.

Technical consultants: Consulting architects, facilities planners, engineers, or contractors used in the development of a potential project. Section 6823 and 6806 Illustration.

TIC: See true interest cost.

Total project costs: All project costs from the start of the design phases until the completion of construction and equipping of the project. Major line item costs include:
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architect/engineer fees, construction contract, inspection fees, administration, agency-
retained items, mandatory review fees, small business administration fees, and bidding phase costs.

Transferring funds to Architecture and Revolving Fund (ARF): See forms (Forms 22 and Form 220). Section 6868. See also Architecture and Revolving Fund.
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True interest cost (TIC): A measure of the interest cost of an issue that accounts for the time value of money; sometimes called the internal rate of return or the net effective interest rate.” Overall interest costs on a bond sale are expressed as the TIC.

Turnkey construction: A procurement method in which the vendor delivers a ready-to-operate facility to the client department’s specifications, either through a long-term (pure) lease or a financing lease. Section 6841.

Underwriter: A dealer which purchases municipal securities for resale to investors. The underwriter may acquire the securities either by negotiation with the issuer or by award on the basis of competitive bidding. In either case, the underwriter assumes complete risk and responsibility for selling the bonds. Section 6880.

Value engineering: A project evaluation technique which seeks to reduce costs and/or increase value by analyzing the functional requirements of a project’s materials, methods, components and subsystems. PWB may require value engineering prior to authorizing an augmentation or recognizing an anticipated deficit. Section 6851.

Working drawing phase: The final design phase in preparing the construction bidding documents. Includes a complete set of plans and specifications and a final cost estimate (dated). Section 6852.

THE LEGISLATURE

6900

(New 2/1998)

The California State Legislature is a two-house (bicameral) body composed of an Assembly, whose 80 members are elected to two-year terms; and a Senate, whose 40 members are elected for four-year terms. The California Legislature meets for two-year sessions and each house conducts business in its own chamber within the Capitol, often referred to as the Senate and Assembly "floors."

Each house of the Legislature has established a number of standing committees with differing purviews. When a legislative measure is sent to a committee for review, it is said to be "referred" to that committee. It is the job of the committees to review legislation and to recommend amendments to the floor of the house if the committee believes them warranted. A committee may also "hold" a measure by making no recommendation to the floor to pass or amend it. Technically, only the house floors can (by majority vote) amend a piece of legislation. However, the recommendations of the committees are nearly always carried out by the floors as a matter of course.

There are basically two types of committees: "policy" committees and "fiscal" committees. The vast majority of measures are sent to a policy committee for review of the proposed
programmatic or public policy change. If a measure would have a fiscal impact on the state, then it is also sent to a fiscal committee for review of financial implications of the measure.

In the Senate, there are two fiscal committees, Appropriations and Budget and Fiscal Review. The Budget and Fiscal Review Committee deals primarily with the Budget Bill. However, it will also conduct hearings on other pieces of legislation which would directly amend or otherwise significantly affect the Budget Act. The Appropriations Committee hears all non-Budget Bill legislation that would have a fiscal impact. The Assembly has two fiscal committees, Appropriations and Budget, whose functions are the same as their
Each house also has a Rules Committee which is considered neither a policy nor a fiscal committee since it deals with "housekeeping" and other matters internal to that house. It is the Rules Committees that assign bills to the various standing committees.

There also are a number of "joint" committees comprised of members from both houses. Some examples of these are the Joint Legislative Budget Committee (which oversees the operation of the Legislative Analyst), and the Joint Rules Committee (which develops rules that govern the two houses in addition to the individual houses' rules).

Each house may also establish "special" and "select" committees. These committees generally are established to conduct research into or provide oversight on narrow areas of subject matter for the purpose of providing special expertise and advice to the house which created them. They generally do not hear bills and meet infrequently.

A complete listing of all committees and their memberships can be found in each "Daily File."

LEGISLATIVE CALENDAR

The Legislature meets in two-year sessions. The sessions roughly coincide with the biennial elections at which all of the Assembly seats and half of the Senate seats are up for election. Each two-year session is considered a —regular session.— The California Constitution (Article IV, Section 3) prescribes that the regular session shall begin on the first Monday in December in each even-number year (i.e., following the election the preceding November) and end November 30 two years hence (i.e., after the next election). The sessions are referred to by the two calendar years which they almost encompass (e.g., the session after the elections in 1996 is the 1997–98 regular session—it begins in December 1996 and ends in November 1998.)

Within the constitutionally prescribed dates of convening and adjourning the session, the Legislature has freedom to set its own calendar of meetings and recesses. Generally, however, the Legislature begins meeting in January each year and concludes its work for the year in September. During the year, the Legislature traditionally has scheduled two recesses, an Easter recess of one week and a summer recess of usually four weeks.
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In addition to the regular session, the Governor may by proclamation require the Legislature to meet in —special session. A special session may run concurrently with the Legislature’s normally scheduled meeting time and/or during its recesses. During the special session, the Legislature may only act on subjects specified in the proclamation. To handle both the regular session and a special session at the same time, the Legislature may have to temporarily recess its work in the regular session, convene in the special session and then reconvene the regular session after temporarily recessing the special session. This recessing and reconvening may happen more than once on the same day.

Other than being limited to the subject matter for which it was called, there is no significant difference in process between a regular and special session. However, the effective dates
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for bills enacted during a special session are somewhat different than those for a regular session. (See Article IV, Section 8 for more details.)

LEGISLATION

(New 2/1998)

Measures considered by the Legislature fall into six classes. There are differences among these classes in their requirements for passage and the weight of authority they carry.

The six classes are Bills, Constitutional Amendments, Joint Resolutions, Concurrent Resolutions, House Resolutions, and Rules Committee Resolutions. Each of these types of measures are designated as originating either in the Assembly or the Senate and are assigned a number. The first of any given type of measure to be introduced in a session is numbered —1‖ and the numbering continues sequentially throughout the two-year session. At the beginning of a new session, the numbering starts over. For example, the tenth Senate bill introduced in a session is labeled —SB 10‖; the third Assembly Constitutional Amendment is —ACA 3‖)

BILLS (AB/SB)

(New 2/1998)

In California, most laws are enacted, repealed, or amended through the medium of bills, which are proposals to add new laws or change or repeal existing laws.

To become law, a bill must be passed in both houses by at least a simple majority. A two-thirds vote is required if the bill contains a General Fund appropriation, unless the appropriation is for education, in which case only a majority vote is required. In addition, any bill which contains an urgency clause (i.e., a provision which would make the bill effective immediately upon gubernatorial approval, rather than on Jan. 1 following signature by the Governor as is normally the case) requires a two-thirds vote.

After passage by both houses of the Legislature, the bill is sent to the Governor who may either sign or veto the bill within a specified period of time (either 12 or 30 days depending on what time of the year it is sent to him/her) or it becomes law without his signature.

There is no "pocket veto" in California such as exists at the federal level. If the Governor fails to act on a bill sent to him/her within the prescribed period, the measure becomes law without the Governor’s signature. (For more specifics regarding deadlines for gubernatorial actions on bills, refer to Section 10 of Article IV of the State Constitution.)

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A constitutional amendment can be initiated by the Legislature if it passes both houses by a two-thirds vote. A constitutional amendment does not need the Governor's signature, but becomes part of the constitution only if the electorate approves it at the next general election. A special election can also be called by the Governor to consider a proposed constitutional amendment, if it is deemed necessary.

When the Legislature adopts a proposed constitutional amendment, it often also adopts a
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"companion bill"; i.e., a bill which takes effect only if the constitutional amendment is passed by the people. These companion measures generally contain detailed statutory provisions which would implement the constitutional amendment.

The constitution can also be amended through the "initiative process," in which the signatures of the requisite number of voters on a petition is sufficient to cause the Secretary of State to place the petition on the ballot. No action by the Legislature is needed in this process and the Legislature cannot prevent it from occurring.

JOINT RESOLUTIONS (AJR/SJR) 6925
(New 2/1998)

Joint resolutions are initiated when the Legislature wants to comment to Congress and/or the President on a federal matter of concern to the state. These resolutions require a majority vote in both houses. Joint resolutions neither need the signature of the Governor nor have the force of law. They take effect upon their being filed with the Secretary of State.

CONCURRENT RESOLUTIONS (ACR/SCR) 6930
(New 2/1998)

Concurrent resolutions deal with state matters that are of concern to both houses. They are used for such things as adopting the joint rules, creating joint committees, requesting studies, expressing legislative intent and expressing the Legislature's congratulations to organizations, persons, or other states. Concurrent Resolutions need a majority in each house to pass and take effect upon their being filed with the Secretary of State. These measures do not go to the Governor for approval.

HOUSE AND SENATE RESOLUTIONS (HR/SR) 6935
(New 2/1998)

"House" (i.e., Assembly) and Senate resolutions are acted on in one house only. These resolutions are usually congratulatory, but they are also used to adopt and amend the house rules and create house interim committees. These measures do not go to the Governor for approval.

RULES COMMITTEE RESOLUTIONS 6940
(New 2/1998)
The Rules Committee of each house also takes action by way of the resolution. A majority vote of the committee is required to pass such measures which usually deal with internal operations of the Legislature.

THE LEGISLATIVE PROCESS

(New 2/1998)

When a legislator wants to propose a measure, she/he must go to the Legislative Counsel to have the specific language of the proposal put in proper bill form. The Legislative
SAM - BUDGETING

Counsel's staff, which provides legal services to both houses in support of the legislative process, will draft the language of the code section amendments to accomplish the author's purpose.

The staff attorney will also write the Legislative Counsel's Digest for the bill, which includes a summary of the current law and what the proposed changes will do. At the end of the Digest, Counsel will indicate the vote required for passage of the bill (usually "majority" or "two-thirds"), whether the bill must be referred to the fiscal committees, and whether the bill contains a state-mandated local program.

When the bill is written, it is returned to the author who will then introduce it in the house of which she/he is a member. From there, the bill proceeds through the legislative process.

The following presents the steps a bill typically goes through to become law.

BILL FLOW IN THE CALIFORNIA LEGISLATURE

I. Introduction (first reading)
   A. Author puts a legislative measure "across the desk" of the floor of the member's house.
   B. Measure is given a number (e.g., AB 456, SB 612, ACA 3, SJR 1).
   C. Title of measure is read on the floor of the house of origin. (The State Constitution prohibits any bill from being enacted unless it is "read" on three separate days in each house, or unless two-thirds of the members of a house vote to dispense with the reading of a bill. Reading aloud the title of a bill at this point constitutes the first of the three readings.)
   D. Measure is assigned ("referred") to a standing policy committee by the Rules Committee of the house of origin. The committee of assignment is based generally on the subject matter of the bill.

II. Consideration by Policy Committee
   A. Committee holds public hearing.
      1. Date set by committee and published in advance in the Daily File of the house of origin.
2. Hearing may be scheduled any time beginning 30 days after introduction of the bill unless it is an urgency measure, in which case the 30-day provisions can be waived by a 3/4 vote of the house.

3. On the day of the hearing, the author presents the bill to the committee and explains why the committee should approve it. The policy committee is concerned primarily with the policy or programmatic features of the bill, not its fiscal consequences. Proponents and opponents also present their views on the measure. In addition, the committee may invite experts on the issue under consideration to testify.
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B. Committee recommendations to the floor, which generally require a majority vote of the committee, are customarily in one of the following forms:

1. "Do pass"—if the committee wants the bill to become law.

2. "Amend and do pass as amended"—if the committee rejected the original form of the bill, but approved it with certain specified changes or amendments.

3. "Amend and re-refer"—if the committee wants the bill to be considered by a committee again after it is reprinted as amended. "Amend and re-refer" may bring the amended bill back to the same committee or it may specify another committee (usually a fiscal committee) that can properly consider the measure.

4. "Do pass and re-refer"—if the committee recommends the bill favorably without amendments but sends it to another committee. If the bill has a fiscal impact ("Fiscal committee: yes" at end of digest) it will be re-referred to the fiscal committee.

5. "Do not pass"—if committee opposes the bill, but prefers to let the house decide.

6. "To the house without recommendation"—if the committee is divided or uncertain and wants the house to decide the bill on its merits.

7. "Refer to Interim"—if the committee believes the subject is of sufficient importance to need further in-depth study by a legislative committee before adequate legislation can be written, then this recommendation suggests that the bill receive detailed analysis and hearings during the Legislature's recess (interim) period.

C. Instead of reporting its recommendation, the committee may effectively kill the bill by voting to "lay it on the table" or by taking no action (i.e., holding the bill in committee).

III. Consideration by Fiscal Committee

Essentially the same procedural requirements apply to the fiscal committees as do to the policy committees. However, these committees' attention, and the testimony they hear, is focused primarily (though not necessarily exclusively) on the fiscal ramifications of legislation, not the program or policy issues involved.

IV. Second Reading in House of Origin

A. The measure is listed in second reading file of the floor of the house of origin, but consideration usually involves no more than reading the bill number to satisfy procedural requirements.

B. If the committee recommended amendments, such amendments are printed as part of the bill and may be discussed and adopted.

V. Third Reading in House of Origin

A. The measure listed on third reading file is taken up for final passage when the author is ready to present it.
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1. The author of a bill makes the case for approving the bill and floor debate may take place.

2. Members of the House may ask questions of the author and make statements of support or opposition to the measure.

3. Vote on final passage of bill is by roll call.

B. According to the California Constitution, "Any bill introduced during the first (odd) year of the biennium of the legislative session that has not been passed by the house of origin by January 31 of the second (even) calendar year of the biennium may no longer be acted on by the house. No bill may be passed by either house on or after September 1 of an even numbered year except statutes calling elections, statutes providing for tax levies or appropriations for the usual current expenses of the state, and urgency statutes, and bills passed after being vetoed by the Governor."

VI. Procedure After Bill Passes House of Origin 1

A. Sent to other house where same general procedure is followed.

B. If passed in second house, bill is returned to house of origin with a transmittal message stating either:

1. Bill passed second house and may be enrolled and sent to the Governor 2

2. Bill passed second house with amendments, and concurrence in amendments by house of origin is requested so that bill may be enrolled and sent to Governor 2

An exception to the above is specified in the Constitution: "Until the budget bill has been enacted, the Legislature shall not send to the Governor for consideration any bill appropriating funds for expenditure during the fiscal year for which the budget bill is to be enacted, except emergency bills recommended by the Governor or appropriations for the salaries and expenses of the Legislature."

C. If amendments are not satisfactory to house of origin, it appoints members of its house to a Committee on Conference and notifies the other house to appoint its Committee on Conference members (each house appoints three members to a conference committee).

1. Conference Committee considers the bill and seeks agreement on its final form.

   a. If conferees cannot agree, a new Committee on Conference is appointed.

   b. If no agreement is reached on the third conference try, the bill is dead.

2. Conference Committee reports its recommendations to both houses, each of which must adopt the conference report at a roll-call vote (majority or two-thirds, depending upon the nature of the bill) before the bill can be sent to the Governor.
1 Simple resolutions (HR and SR) require no further action than acceptance by the house of origin.

2 Neither resolutions nor constitutional amendments require the signature of the Governor. Constitutional amendments, however, must receive a favorable vote at the next statewide election before they become effective.

VII. Action by Governor

A. Sign or Veto—Article IV, Section 10 of the California Constitution provides: "Each bill passed by the Legislature shall be presented to the Governor. It becomes a statute if he signs it. He may veto it by returning it with his objections to the house of origin, which shall enter the objections in the journal and proceed to reconsider it. If each house then passes the bill by roll-call vote entered in the journal, two-thirds of the membership concurring, it becomes a statute." This latter action of the Legislature to approve by a two-thirds vote a bill vetoed by the Governor is referred to as a "veto override."

B. Item Veto—The California Constitution provides: "The Governor may reduce or eliminate one or more items of appropriation while approving other portions of a bill.

C. He shall append to the bill a statement of the items reduced or eliminated with the reasons for his action. The Governor shall transmit to the house originating the bill a copy of his statement and reasons. Items reduced or eliminated shall be separately reconsidered and may be passed over the Governor's veto in the same manner as bills." Overriding a gubernatorial veto requires a two-thirds vote.

D. Deadlines for Action—The Constitution goes on to specify how much time the Governor has to act on (sign or veto) a bill sent to him/her. If the Governor does not act within that time, the bill becomes law without signature. Generally, the Governor’s deadlines are as follows:

1. In the first year of the session:
   
   If the bill is delivered to the Governor before the interim recess: 12 days to act. If the bill is delivered after the beginning of recess: 30 days to act.

2. In the second year of the session:
   
   If the bill is delivered before adjournment: 12 days to act.

   If the bill is delivered on or after September 1: until September 30 to act.

The Governor’s timeframe for action begins when the bill is received. The date a bill passes the Legislature usually is not the day the Governor receives it. After passage by the Legislature, the bill must go to –enrolling and engrossing– where it is prepared for formal transmission to the Governor. Sometimes, several days will elapse between the time of final legislative approval of a bill and the time the Governor receives it.
VIII. Effective Dates of Statutes

A. Under the State Constitution, except for statutes calling elections, statutes providing for tax levies or appropriations for the —usual current expenses of the state,‖ and urgency statutes, "...a statute enacted at a regular session shall go into effect on January 1 next following a 90-day period from the date of enactment of the statute and a statute enacted at a special session shall go into effect on the 91st day after adjournment of the special session at which the bill was passed."

B. Urgency statutes are those "...necessary for immediate preservation of the public peace, health, or safety." A statement of facts constituting the necessity shall be set forth in one section of the bill (the —urgency clause‖). Urgency bills become effective upon enactment unless a different effective date is specified in the bill. An urgency statute may not create or abolish any office or change the salary, terms, or duties of any office, or grant any franchise or special privileges, or create any vested right or interest.

DEPARTMENTAL PROPOSED LEGISLATION 6950

(New 2/1998)

The subject matter of legislation is derived from a variety of sources. In some instances, legislators introduce bills based on their own knowledge of, or personal experience with, the subject matter the bill proposes to affect. More frequently, legislators are asked by individuals or organizations to introduce (or —authorize‖ or —carry‖) a bill for them. Those making such requests are said to be the —sponsors‖ of the bill.

One large source of sponsorship is the individual departments within state government. A department may feel that if a particular statute is amended, repealed, or enacted, then some aspect of its administrative function will be done more efficiently or the effectiveness of a program will be enhanced. If this is the case, the department will request a member of the Legislature to introduce such legislation.

No department under the authority of the Governor may sponsor legislation without the prior approval of the department’s Agency Secretary and the Governor’s Legislative Secretary.

All proposals to introduce legislation from departments under the control of the Governor are sent to the Legislative Unit in the Governor’s Office after approval at the Agency Secretary level. The Legislative Unit then forwards copies of the proposals to DOF for review and comment. In addition, a department's proposal may also be forwarded to other departments which may be affected by the proposal for their comment.
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All legislative proposals must be consistent with the decisions made during budget preparation. Proposed legislation is routed by the Governor’s Office through the DOF for analysis. The fiscal impact of proposed legislation is of particular concern. Fiscal impact includes proposals which would: (1) appropriate money; (2) result—for any reason—in additional expenditure of state money by any state agency or to reimburse any local government for a state mandate; (3) result in any loss or gain of revenue to a state or local government entity; or (4) result in a substantial reduction in expenditures of state money.
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by reducing, transferring, eliminating or making more efficient the administration of any existing responsibilities of any state agency, program or function.

It is the responsibility of the originating organization to develop valid fiscal information for proposed legislation. This information must include the estimated fiscal impact to both state and local government.

The proposal must include an estimate of the initial fiscal impact in the first year of implementation and the full-year cost for a succeeding fiscal year. It must also identify the source of funds involved (e.g., General Fund, a particular special fund, a specific federal grant). When funds are available in the department's budget to cover any costs of a proposal, those resources must be identified to DOF by the proposing department. If the proposal does not involve an appropriation or state fiscal impact, a statement attesting to that fact and noting that funds will not be requested in subsequent budgets is to be included in the department’s proposal.

HEARINGS
(Revised 9/2010)

If it has prepared a bill analysis (see Bill Analysis section below) and recommended a position which has been approved by the Governor’s Office Legislative Unit, a department under the control of the Governor may testify at policy committee hearings. A department should not express any position on a measure unless that position has been approved by the Governor’s Office Legislative Unit.

In the Assembly and Senate Revenue and Taxation committees (which are policy committees), Finance has an established role. Staff of Finance present testimony on the Administration's position on each bill heard by those committees. The basis of both the testimony and the Administration's position is the Finance bill analysis after it has been approved by the Governor’s Office Legislative Unit.

Except for the Revenue and Taxation Committees, Finance typically does not get involved with a bill while it is in the jurisdiction of a policy committee. Finance does, however, have a role in the fiscal committee (Appropriations and Budget) hearing process. A Finance testifier attends the hearings of the Assembly and Senate Appropriations committees to present testimony and the Administration's position on legislation before those committees. The basis of both the testimony and the Administration's position is the Finance bill analysis after it has been approved by the Governor's Office Legislative Unit. On bills that would
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affect them, departments may join Finance in this testimony to augment or reinforce the view expressed by Finance.

In the Budget committees, which deal almost exclusively with the Budget Bill, Finance staff play the essential role of presenting and defending the Governor’s Budget in hearings of the subcommittees which review different components of the Budget Bill. Departments under the control of the Governor join Finance in this function by elaborating on the justification for decisions reflected in the Governor’s Budget.
Bill analyses are prepared for bills, constitutional amendments, joint resolutions, and concurrent resolutions when they are set for a hearing or otherwise requested by the Governor’s Office. Bills which are passed by both houses and referred to the Governor have enrolled analyses prepared (see Enrolled Bill Report, SAM Section 6965).

The purpose of the bill analysis function is to provide the Governor, his/her staff, Agency Secretaries, the department heads, and DOF with information concerning the probable program and fiscal effects of proposed legislation pending before the Legislature.

Typically, the bill analysis also recommends a position which the Administration should adopt on the proposed legislation. The analyses from various departments are used by the Governor’s Office in determining what position will be taken by the Administration on the proposed legislation.

Until approved by the Governor’s Office, bill analyses prepared by departments under the control of the Governor are not public documents and may not be made available to anyone outside of the review process. Once a position has been determined by the Governor’s Office, an analysis consistent with that position generally is made available to the public and the Legislature. An analysis that has not yet been approved, or which expresses a position inconsistent with that adopted by the Governor’s Office may not be made public, since such documents are working papers of the Administration and do not necessarily reflect the policy position of the Governor.

ENROLLED BILL REPORT

When a bill is passed by the Legislature and sent to the Governor, departments under the control of the Governor that would likely be affected by the bill must prepare an enrolled bill report (EBR) for the Governor’s Office. The EBR serves essentially the same function as the bill analysis except that it recommends to the Governor what action (i.e., sign, veto, sign with a message) should be taken on the measure. EBRs are considered confidential communications with the Governor and therefore are not public documents.

Consequently, even if approved, EBRs may not be released to the public by anyone without Governor’s Office approval.

The EBRs are not prepared for constitutional amendments and resolutions as these kinds of legislative measures are not sent to the Governor for approval.

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CHARACTER AND PURPOSE OF A SYSTEM OF ACCOUNTING

System is defined as the orderly arrangement of parts and elements into a complete whole. An adequate accounting system is concerned with all phases of financial record keeping to the end that there be a complete coordination and that certain objectives be attained. A system of accounting for governmental finance must furnish the means of:

1. Rendering an accountability of the stewardship of each of the administrative officers of the governmental agencies.

2. Presenting currently and accurately the financial condition of each and all of the agencies and funds of government.

3. Producing comprehensive data relating to governmental finances as a history of past performance and as a guide for future action.

4. Providing effective executive financial control of all agencies.

NECESSITY FOR UNIFORMITY

Uniformity of accounts and accounting procedure among the agencies of a government obviously is necessary. Hopeless confusion would result if each agency maintained its individual methods and accounts. Comparison among agencies would be impossible. Consolidation of detailed statements of agencies, each with dissimilar methods and classifications, into any such documents as an executive budget or Annual Report of the State Controller would be an overwhelming task.
DISTINCTIVE FEATURES OF GOVERNMENTAL ACCOUNTING

Although the basic principles of accounting apply in government as in commerce, certain features of governmental accounting make its pattern quite different from that of the typical set of commercial accounts. The underlying differences should be understood to avoid confusion that sometimes results in attempting to apply, with little or no modification, conventional commercial accounts to a governmental unit.

The distinctive features of governmental accounting are the reflection of the essential difference in the method of financing governmental operations as contrasted with business undertakings.

Private business must obtain its capital from voluntary investments made with the hope of deriving an increment. Private business, then, to survive must realize a profit over and above the cost of the commodities or services it sells in order to preserve its capital and to return a profit to its proprietors or shareholders. Accordingly, commercial accounts are focused upon "net profit"—the amount gained over costs, the difference between income and expenses—and "net worth"—the current value of the invested capital, the difference between assets and liabilities.

Government furnishes services to all directly or indirectly and levies taxes or provides other revenue measures to meet the cost of those services. Governmental accounting usually has no "net profit" to report. Particular sources of revenue generally have no direct relation to particular items of expenditures. An excess of revenues over expenditures is not "net profit" and is not necessarily an indication of good financial policy in the government unit. Capital invested in government by its citizen-proprietors (represented by such capital assets as land, buildings, highways, and equipment) is investment in future public services. "Net worth," if that term can be employed, of a governmental unit has an entirely different significance from "net worth" of a commercial enterprise.

Another difference is the necessity that the governmental unit account its authorizations to incur expenditures. It is a long established principle of free government that public moneys be expended only as authorized by the legislative body. Hence, the governmental unit must maintain budgetary accounts in which are reflected the authorization for expenditures. While large commercial organizations are coming more and more to establish budget procedures somewhat similar to those employed by government, the budget and the accounts essential to its operation are still largely a distinctive feature of governmental accounting.

(Continued)
Still another peculiar characteristic of governmental accounting is the employment of separate funds. A business enterprise, even the largest and most extensive, usually is engaged in activities closely interrelated with the ultimate objective of profit in one particular field. The governmental unit, on the other hand, is engaged in an ever-growing number of operations and activities which are quite unrelated to each other.

Particular sources of revenue or income often are dedicated to use for a particular phase of the government's operations. The accounts must segregate these specially dedicated resources and isolate them from all other transactions in a separate "fund." While a business concern can maintain a single set of accounts for all of its transactions, a governmental agency must maintain a number of independent sets of accounts, one for each "fund."
The need for a uniform system of accounting for California State agencies was first recognized in 1911, when the Legislature established the Department of Public Accounting. This department, under the State Board of Control, was charged with the duty of devising and installing a uniform system of accounting and reporting "to the end that there shall be a general systematic and uniform check upon the receipt and disbursement of public revenues." In 1921, this duty was transferred to the then newly-formed Department of Finance. In 1965, the duty of prescribing uniform accounting procedures (see Section 14626, Government Code) was transferred to the newly-formed Department of General Services. In 1973, Section 13300 was added to the Government Code transferring duties related to the State accounting systems back to the Department of Finance.

The first accounting manual for California State agencies was published in 1920. This manual described the system then in use. Later, in 1929 and again in 1934 and 1939, revised manuals were published which incorporated various modifications and changes but left the fundamentals of the system virtually unchanged. It was not until 1951 that substantial changes were made to the system. They were made largely to meet an increasing need for more-comprehensive and more-timely reporting of State financial affairs which was caused by the rapid post-way growth of California's population and its State government. At that time the accounting manual was revised and designated as the fiscal affairs section of the State Administrative Manual (SAM).

In 1959, the chart of General Ledger accounts was devised, and released by Management Memo, which provided greater standardization and integration between the accounts maintained by agencies and those maintained by the State Controller's Office. It also provided greater standardization among agency accounts for Non-Governmental Cost Funds.

In 1965, the fiscal affairs section of SAM was revised to incorporate the revised chart of accounts and other procedures that had been adopted since the last general revision of the accounting manual.

Under provisions of AB 3322, Chapter 1284/78, all State agencies are required to have a fully automated accounting and program cost accounting system. A study of the State's basis of accounting and general ledger was undertaken by the Department of Finance, with advice from the General Ledger and Accounting Basis Advisory Committee and a national certified public accounting firm. This study included a review of the State's general ledger accounts and account titles. This study resulted in standardizing the accounts to facilitate reporting in automated systems and the restructuring and renaming of the accounts for conformance with Generally Accepted Accounting Principles. SAM Chapters 7400 and 7600 provide further detail on the State's basis of accounting and general ledger accounts.
The uniform accounting system for California state departments was devised pursuant to Government Code Section 13300 and is contained in SAM Sections 7000–19000.

Proprietary and fiduciary funds often require complete special manuals of accounting instructions. Accounting manuals for such funds will be prepared by the departments concerned—based upon principles prepared by or approved by the Fiscal Systems and Consulting Unit (FSCU), Department of Finance, and will be sent to FSCU for general review before being placed in effect. Departments are responsible for keeping current their accounting manuals. Amendments to such manuals will be sent to FSCU for approval before such changes are incorporated in the system. Departments will send copies of approved manuals and approved amendments to such manuals to the State Controller’s Office, Division of Accounting and Reporting and FSCU.

The major objectives of the system of accounts are:

1. Coordination of the system of accounts kept by the individual state departments with the central accounts kept by the State Controller's Office.
2. Uniform and consistent accounting and reporting among all state departments insofar as requirements for accounting data and practical considerations permit.
3. Consistency between accounting and budgeting procedures.
4. Uniform reporting by all state departments for inclusion in financial statements prepared by the State Controller's Office.

The State's uniform codes that must be used on budgeting and accounting documents and records are contained in the Uniform Codes Manual. This manual is maintained by FSCU and can be accessed on the Internet at Policies_and_Procedures Uniform_Codes_Manual.
## CHAPTER 7200 INDEX

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The governmental accounting cycle consists of the following:

1. The budget,
2. The accounting records,
3. The reports,
4. The audit.

The budget is a plan of financial operation embodying an estimate of proposed expenditures for a given period or purpose and the proposed means of financing them.

The accounting records consist of:

1. Documents,
2. Books of original entry,
3. Ledgers, both general and subsidiary.

These records show the financial operations of governmental agencies and, as necessary, relate such transactions to the plan of operations; namely, the budget.

Reports are prepared by governmental agencies from accounting records and provide the executive branch of government, the legislature, and the public with information concerning the agencies’ financial operations and the relation of such operations to the budget.

The audit is an examination of the accounting records and reports to determine among other things whether:

1. All transactions have been properly recorded and reflected in the accounting records and reports in accordance with accepted accounting principles,
2. Money and property have been handled properly, and
3. Administrative policies and procedures have been adhered to.
ACCOUNTING RECORDS 7220

(Accounts are used to record transactions evidenced by documents and to express such transactions.

Accounts shown in the Chart of General Ledger Accounts will be used. (See SAM Section 7610) The individual accounts are described in SAM Section 7620 et seq.

Agencies will maintain a set of accounts for each fund.

The accounts of Governmental Funds deal with assets, deferred credits, receipts, and expenditures in somewhat the same manner as is usual in commercial accounts, except that the balances of the accounts of various assets not available for appropriation are ignored in computations of surplus. These assets are offset by contra-accounts.

The accounts of Proprietary and Fiduciary Funds are generally similar to the accounts of commercial enterprises of a similar nature.

Each General Ledger account has been given a uniform account number. Agencies requiring accounts not included in the chart will request permission of the Fiscal Systems and Consulting Unit, Department of Finance, to use additional accounts and will maintain a file of such approvals.

DOCUMENTS 7221

(Documents provide the basis for recording transactions. Every transaction is recorded at the time of its occurrence based on a form or document which contains the essential facts of the transaction. Examples of documents are: checks, receipts, warrants, agency invoices, stock received reports, stores requisitions, etc.)
Books of original entry consist of registers and the General Journal. Registers are special journals designed to provide separate chronological records of the different types of transactions. A register may include transactions of more than one fund provided such arrangement facilitates bookkeeping. The appropriate journal entry or entries required to summarize transactions recorded each month in each register will usually be written in the register in the space beneath the footings for that month or, if this is not possible, on the following page. These end-of-month entries will be posted to the ledgers. Therefore, the General Journal will be used solely for recording adjusting entries, closing entries, other transactions occurring too infrequently to justify establishing a register, and wherever the agency believes it is more practical to journalize from a tape attached to a batch of documents than from a register. Agencies may use tapes attached to batches of documents, instead of a register, as the source of a journal entry whenever they consider it will save time to do so. The batches of documents and tapes will be filed in a manner satisfactory for audit.

In order that posting sources can be readily identified in the General Ledger (or in subsidiary ledgers if postings are made to them from registers) a code of symbols will be used as posting references. The code is as follows:

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<tr>
<td>CF</td>
<td>Claims Filed Register</td>
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<td>IR</td>
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<td>CR</td>
<td>General Cash Receipts Register</td>
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<tr>
<td>C</td>
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<td>CD</td>
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<td>Trust Claims Filed Register</td>
</tr>
<tr>
<td>J</td>
<td>General Journal</td>
</tr>
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</table>

(Continued)
Sample registers are shown in this manual for instructional purpose only. In practice, columnar arrangement and degree of summarization of daily transactions will vary with agency requirements.

Sundry purposes forms without printed columnar headings are available at Central Stores, Office of Procurement in Sacramento. These forms are flexible in use, contain wide monetary columns and have a large columnar heading space for account titles. The double-page version of each size is designed so that additional "fly" or insert sheets can be added by simply cutting the form at the double line to the right of the total column. These forms are:

1. Form 341 - Sundry Purpose Sheet, 4 Columns, 13–3/4" x 10–3/8", Contains date, description, reference column and four monetary columns on each side.

2. Form 342 - Sundry Purpose Sheet, 12 Columns, 13–3/4" x 10–3/8", Side with binding holes on right contains date, description, reference column and four blank columns, reverse side with eight blank columns, providing a total of twelve monetary columns.

3. Form 343 - Sundry Purpose Sheet, 7 Columns, 11" x 14", Contains date, description, reference column and seven monetary columns on each side.

4. Form 344 - Sundry Purpose Sheet, 7 Columns, 11" x 14", Contains date, description, reference column and seven monetary columns on each side.

5. Form 345 - Sundry Purpose Sheet, 9 Columns, 13–1/4" x 17", Contains date, description, reference columns and nine monetary columns on each side.

6. Form 346 - Sundry Purpose Sheet, 23 Columns, 13–1/4" x 17", Side with binding holes on right contains date, description, reference column and nine blank columns, reverse side with fourteen blank columns, providing a total of twenty-three monetary columns.
An agency ordinarily will have need to stock and use the 10–3/8” width and one of the two larger widths. The 14” width is limited to 35 separate line entries per page, which is 10 less than provided by the other two forms. These forms are intended for all purpose use. This includes, but is not restricted to, the following books of original entry:

**BOOKS OF ORIGINAL ENTRY**

- Claims Filed Register
- Payroll Expenditure Register
- Invoice Register
- General Cash Receipts Register
- Clearance Register
- General Cash Disbursements Register
- Controller’s Receipts Register
- Revolving Fund Cash Book
- Controllers transfers Register
- Donated Farm Stores Received Register
- Analysis of Produced Stores Issued
- Livestock Inventories Report
- Trust Fund Cash Receipts Register
- Trust Fund Cash Disbursements Register
- Trust Claims Field Register

Specialized forms are desirable for certain books of original entry. The table below shows the form that normally will be used.

1. Form 505 – General Journal
2. Form 564 – Estimates Register
Accounts are grouped in ledgers. A General Ledger and various subsidiary ledgers are prescribed.

The General Ledger, which consists of such accounts as are needed from the accounts shown in the Chart of General Ledger Accounts and any additional accounts the agency is authorized to use, normally will be kept on Form 515.

Agencies may, where they deem appropriate, combine on the same Sundry Purpose Sheet a general ledger account and its related subsidiary ledger. Such procedures can be advantageous where a column suffices for a subsidiary account, the number of subsidiary accounts related to a given general ledger account is relatively small, and the same source is used in posting to the general ledger account and its related subsidiary accounts.

Most General Ledger accounts control either subsidiary ledgers or files of documents. Subsidiary ledgers prescribed are described in SAM Section 7800.
LEDGER POSTINGS 7223.3

(Revised 5/1985)

Sources of posting to subsidiary ledgers will vary because of such factors as:

1. Number of transactions,
2. Number of subsidiary accounts, and
3. Division of work among employees. Common posting sources are:
   1. Individual documents,
   2. Summaries of batches of documents,
   3. Register column totals, and

Wherever two accounts are contra to each other, one account may partially or wholly offset the other account. The purpose of contra accounts is to preserve the identity of such accounts, as well as to accumulate periodic transfers to other accounts and/or funds. Departments must review carefully the general ledger account description/use/prohibitions contained in SAM Sections 7620–7680 to determine how each contra account should be shown on financial reports. EXAMPLES: 6150 Encumbrances and 5350 Reserve for Encumbrances; 1730.602 Prepayments to Architecture Revolving Fund, and 5330 Reserve for Prepaid Items.

LEDGER FORMS 7223.4

(Renumbered 2/1965)

Sundry Purpose Sheets, STD. Form 341 through STD. Form 346, or General Ledger, STD. Form 515, are appropriate for most hand kept subsidiary ledgers for which no specific form is provided.

REPORTS 7230

(Revised 6/2014)

Reports are prepared from accounting records and provide information on a department's financial operations. See SAM sections 7900–7999 for quarterly and special year-end financial reporting requirements.
AUDIT

Government Code section 8546.4 requires the California State Auditor's Office (State Auditor) to examine and report annually upon the general purpose financial statements included in the State Controller's Office (SCO) annual report to the Governor. The State Auditor may examine accounts and records, accounting procedures, and internal auditing performance as determined necessary in conducting the audit in accordance with the Government Auditing Standards published by the Comptroller General of the United States and the standards published by the American Institute of Certified Public Accountants. In performing this annual audit and any other audit or investigation undertaken by the office, the State Auditor may examine all the financial records, accounts, and documents of any state department.

The Department of Finance (Finance) is responsible for coordinating and providing technical assistance to the internal auditors of state departments. In addition, Finance conducts audits of department accounts as often as the Director deems necessary and provides audit advisory services.

All audit activities of the State Auditor, the SCO, Finance, the internal auditors of the state departments, and independent public accountants are coordinated so that duplication of auditing effort may be minimized.

RETENTION OF FISCAL RECORDS

Recommended retention periods are provided by the Department of General Services for those fiscal records common to most offices. (See SAM Chapter 1600) These retention periods are listed on your agency's Records Disposition Schedule, STD. Form 73. Contact your agency Records Management Coordinator for copies of your Records Disposition Schedule or for records retention information.

Rev. 422
The Financial Information System for California (FI$Cal)
FI$Cal is the state’s integrated financial and administrative information technology (IT) system that supports accounting, budgeting, cash management, and procurement functions. FI$Cal is a statewide enterprise resource planning (ERP) system that maximizes efficiency in the state’s business, implements best practices, limits the number of duplicative systems, provides the ability to produce statewide reports and analysis, and standardizes the state’s business processes.

The broad functional areas in FI$Cal are listed below.

- Accounting
- Asset Accounting
- Budgeting
- Cash Management
- Cost Accounting
- Financial Reporting
- Grant Management
- Procurement
- Project Cost Management

For a description of the FI$Cal business functionality, see the Department of FI$Cal website or contact the FI$Cal Change Management Office at fiscal.cmo@fiscal.ca.gov for additional information regarding FI$Cal functionality.

Implementation of FI$Cal
The Department of Finance, Department of General Services, the State Controller’s Office, and the State Treasurer’s Office formed a cooperative partnership to develop, implement and utilize FI$Cal, which has replaced the California State Accounting and Reporting System. The Department of FI$Cal is responsible for implementing, onboarding, upgrading, and providing operational support for the system.

Entities Not Using FI$Cal
Except for specified deferred and exempt entities, all state agencies/departments are required to use FI$Cal. The deferred entities are not required to use the full functionality of FI$Cal until their existing systems become outdated or required upgrade. However, all the deferred and exempt entities must exchange necessary information with FI$Cal for specified purposes, such as budget development, contract and procurement reporting, and annual financial reporting.

(Continued)
Prior Approval Required to Acquire, Develop, and Enhance Financial and Administrative IT System

Agencies/departments may not design, develop, or acquire any automated financial and administrative IT systems or services that will duplicate the functionality in FI$Cal without prior approval from the California Department of Technology (CDT). Advance approval is required for any state agency/department that will:

1. Contract to design, develop, acquire, or implement a new financial and administrative IT system, or to modify, enhance, change, reconfigure, or upgrade an existing financial and administrative IT system.
2. Contract to procure hardware or software to modify, expand, change, enhance, or upgrade a financial and administrative IT system.

FI$Cal provides the financial, administrative, and business functionality needed by agencies/departments for their daily operations. State agencies/departments should leverage these functionalities to ensure the state derive maximum benefits from the ERP system.

IT systems whose core functions are not accounting or administrative operations may have overlapping functionalities similar to those FI$Cal provides. For example, a department case management system may also perform a billing function. Such sub-systems are exempt from the approval process but must interface to FI$Cal using the interface functionality available in FI$Cal. Contact the Department of FI$Cal Change Management Office at fiscal.cmo@fiscal.ca.gov to obtain a list of approved interfaces. The usage of FI$Cal interface functionality requires the approval of the Department of FI$Cal.

(Continued)
Exemption Request Process
A state agency/department with a critical business need that will not be met by FI$Cal may submit a request for exemption from this SAM section after consulting with the Department of FI$Cal, to ensure an exemption is needed. The written request should be submitted to the California Department of Technology (CDT) at ProjectOversight@state.ca.gov. The CDT will coordinate a review of the request with the Department of Finance, the Department of FI$Cal, and other partner agencies, if necessary, before responding to the requesting agency/department. Exemption approvals will be granted on a case-by-case basis. The exemption request must include the following minimum information:

1. A clear description of the critical business need or complex functionality that FI$Cal cannot address.
2. The adverse effects of not addressing the critical business need and the impact a delay could have on operations. The effects must be substantiated and quantified.
3. A summary of the alternatives considered. Include arguments for and against each alternative, as well as an estimate of one-time and ongoing implementation costs.
4. A high-level plan to implement the proposed solution with the following information:
   a. Design, development and implementation timeframes
   b. Critical project milestones
   c. Requisite approvals (state or federal if applicable)
   d. Funding decision points
   e. Procurement information
The state’s uniform coding structure is for the purpose of standardizing its fiscal reporting. Any department which implements CALSTARS, acquires a new accounting system, or redesigns an existing accounting system after approval by the Department of Finance (Finance), must incorporate into that system the standard codes and structures contained in the state Uniform Codes Manual (UCM) and the departmental program codes and structures contained in the Governor’s Budget or otherwise amended in accordance with Finance instructions.

Following are the data types, which must be coded, and the specific requirements for each.

**Organization**

The four-digit level 1 organization codes contained in the UCM need not be identified in departmental systems if a department is required to report data only at that level.

However, the system must be capable of appending the four-digit code to any system-generated documents or reports forwarded to any other state department.

The UCM levels 2 and 3 codes must be identified in the system if departments are required to report data at those levels and the system must be capable of summing all costs to each of the required four-digit organization codes.

Departments may use any internal sub organization codes and structures desired, provided that the system has the capability to properly sum to each of the required four-digit UCM organization codes.

**General Ledger Account**

The four-digit general ledger account codes contained in the UCM must be identified in the system. Specific subsidiary requirements are contained on page GL–2 of the UCM.
General ledger account codes must be used for all reports to the State Controller’s Office (SCO), State Treasurer’s Office, and Finance which require general ledger information.

Departments may use any internal subsidiary codes and structures desired, provided that the system can properly sum to each of the required four-digit general ledger account codes.

(Continued)
UNIFORM CODING STRUCTURE 7261 (Cont. 1)

(Revised 03/2011) Program

The program coding scheme contained in the UCM must be included in the system. Accountability must be maintained for the program levels displayed in the Governor’s Budget. Departments are encouraged to display program information in the Governor’s Budget no lower than the element level unless there are specific requirements to do so. Programs 95 through 99 must not be used in a department’s regular program structure. The purpose for each of these codes is contained on pages Dept. Prog. 2 and 3 in the UCM.

Departments may use any internal lower-level program codes and structures desired, provided that the system is capable of properly summing all costs to each of the required program levels.

Object (line-item)/Receipt

Department systems must identify a six-digit object (line-item) code and a six-digit receipt code and at a minimum use the UCM codes required for reporting data to various state systems. The system must be capable of summing object detail costs to object and category levels.

Departments may use lower levels of detail for objects and receipts than shown in the UCM. However, the system must be capable of summing each of the lower-level costs to the required UCM codes.

Appropriation/Fund Source

The UCM codes, which uniquely describe each of a department’s appropriations (Budget Act and others), must be identified in the system for reporting to the SCO (claim schedules, remittance advice, statements, etc.) and Finance.
Abbreviated coding may be used on input which looks up the UCM appropriation and funding source codes or the 13-digit code may be entered on input. Costs which cannot be identified to a single appropriation or funding source on input must be distributed by the system and appended with the proper appropriation/funding source codes. The system must be capable of summing, on a monthly basis, all costs to their applicable appropriations, funding sources, and program or category schedules contained in the appropriations.

(Continued)
UNIFORM CODING STRUCTURE

7261 (Cont. 2)

(Revised 03/2011) Fund

The four-digit fund codes contained in the UCM must be identified, as applicable, in department systems.

Certain fund accounts which may or may not have been given fund status in the UCM may need to be reported using a two-digit fund detail field. Therefore, department systems must contain a fund detail field and be capable of summing to the UCM fund level.

Departments may use any lower-level fund structures and codes desired, provided that the system is capable of properly summing all costs to each of the required four-digit UCM fund codes or two-digit fund detail codes.
OTHER REQUIREMENTS FOR NEW OR MODIFIED ACCOUNTING SYSTEMS  7262
(New 11/1985)

Any department which implements CALSTARS, acquires a new accounting system, or redesigns an existing accounting system after approval by the Department of Finance, must incorporate into that system the following capabilities:

Reconciliations of Appropriation Balances with the State Controller’s Office

The system must be capable of producing monthly appropriation reports which identify appropriations, expenditures, reimbursements, abatements, and unappropriated balances.

The system must also be capable of producing monthly cash and appropriated and unappropriated revenue reports in order to effect complete reconciliations with the SCO.

The system must also be capable of providing full transaction listings to support the above reports.

Allocation of Administrative and Other Indirect Costs

The system must be capable of collecting indirect costs and distributing them to direct programs and/or organizational units at the required levels of detail.

All allocated costs must be capable of maintaining their original object identity or changing it upon distribution.

Distribution of Costs to Funds

The system must be capable of accumulating multi-funded costs and distributing them to the proper funds/appropriations.
All distributed costs must be capable of maintaining their original organization and/or program and object identity.

Plans of Financial Adjustment

The system must be capable of providing supporting reports to enable preparation of plans of financial adjustment as required.
## CHAPTER 7300 INDEX

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</tbody>
</table>
The State's organization for fiscal management provides control over the State's expenditures, protection of the State's assets, and management of the State's funds. The following sections briefly describe the functions of the various organizational units specifically charged with the management of fiscal affairs.

DEPARTMENT OF FINANCE

The Department of Finance (DOF) has general powers of supervision over all matters concerning the financial policies of the State. (See Government Code Section 13070 et seq.) The Director of DOF is appointed by the Governor and sits on several fiscally oriented boards and commissions.

By statute, the Director of Finance serves as the Governor's chief fiscal policy advisor with emphasis on the financial integrity of the State and the maintenance of a fiscally sound and responsible Administration. The DOF responsibilities include the following:

a. Prepares, presents, and supports the State's annual financial plan.

b. Assures responsible and responsive State resource allocation within resources available.

c. Fosters efficient and effective State structure, processes, programs, and performance.

d. Establishes integrity in State fiscal databases and systems through the CALSTARS accounting system.

e. Maintains the State Administrative Manual (SAM) Sections 6000 to 6965, 7110 to 8535, 8538 to 8778, and 8785 to 20090. Input from State agencies fiscal staff helps make SAM a meaningful guide. Please send suggestions or proposed changes for any of the listed sections to the Department of Finance (DOF). Fiscal Systems and
Consulting Unit, at 915 L Street, Sacramento, CA 95814 or by e-mail to fscuhotline@dof.ca.gov. Your input will be forwarded to the applicable DOF unit and be considered for incorporation into subsequent revisions to SAM.

Website: Department of Finance
The State Controller is the State’s chief financial officer who is elected by a vote of the people every four years and serves as a member of fiscally oriented State boards and commissions. The State Controller’s Office responsibilities include the following:

a. Maintains central control accounts for all funds in the State Treasury including appropriation accounts that show the undisbursed balance of each appropriation.

b. Audits claims against the State for legality, authorized purpose, and sufficient appropriation.

c. Issues warrants for State obligations.

d. Administers the Uniform State Payroll System.

e. Prepares reports on the financial condition of the State including the Budgetary/Legal Basis Annual Report and the Comprehensive Annual Financial Report (generally accepted accounting principles basis).

f. Provides fiscal assistance and guidance to local governments.

g. Administers the State’s unclaimed property laws. Website: California State Controller

The State Treasurer is an elected State fiscal officer and sits on approximately forty boards and commissions. The State Treasurer's Office (STO) provides banking services for State government with a minimum interest and service cost and a maximum yield on investments. The STO responsibilities include the following:

a. Custody of all money and securities belonging to or held in trust by the State.

b. Investment of temporarily idle State money.

c. Sale of bonds and notes for the State and its various agencies.

d. Trustee, registrar, and paying agent for all general obligation bonds and certain revenue bonds.
e. Payment of warrants drawn by the State Controller’s Office and State agency checks.

Website: California State Treasurer
Pursuant to Government Code section 14659 et al., as of July 1, 2016, the responsibilities listed below will be transferred from the California Victim Compensation Board to the Department of General Services (DGS).

Presentation and audit of claims against the state for which (1) an appropriation has been made or a state fund is available and which the claims have been rejected by the Controller; (2) the appropriation made or fund designated is exhausted; (3) no appropriation has been made or no fund is available but the settlement of which has been provided for by statute or constitutional provision; and (4) settlement is not otherwise provided in statute or constitutional provision. Also, claims against the state will be presented to DGS for any other injury for which the state is liable.

Website: [Office of Risk and Insurance Management](#)

**POOLED MONEY INVESTMENT BOARD**

The Pooled Money Investment Board (PMIB) is comprised of the State Treasurer as chairperson, the State Controller, and the Director of Finance. The PMIB responsibilities include the following:

a. Designs an effective cash management and investment program to realize maximum return through safe and prudent investments of the State's idle money.

b. Designates the amount of money temporarily available for investment.
The Legislative Analyst is appointed by the Joint Legislative Budget Committee. The Legislative Analyst's Office (LAO) acts as the Legislature's nonpartisan fiscal and policy advisor. The LAO responsibilities include the following:

a. Advises the Legislature on fiscal matters which includes providing an extensive analysis of the Governor's annual budget proposals and updates on the State’s fiscal situation throughout the fiscal year.

b. Publishes several reports and documents regarding State and local fiscal and policy issues.

c. Prepares analyses of statewide initiatives and ballot propositions. Website: Legislative Analyst’s Office

The Department of Human Resources (CalHR), in conjunction with other state departments, develops management's negotiating positions, represents management in negotiations with exclusive representatives of bargaining units, and administers negotiated memorandums of understanding. In conjunction with the Department of Finance, CalHR administers financial activities stemming from collective bargaining and it oversees employee compensation for both represented and non-represented employees. It also administers rules and policies governing employee entitlements such as travel reimbursement and relocation expenses.

CalHR also contracts and administers benefit and deferred compensation programs for state employees.
The California State Auditor’s Office (State Auditor) was created in 1993 and serves as the state’s independent external auditor. To assure its independence, the law frees the State Auditor from the control of the executive and legislative branches. The State Auditor promotes the effective and efficient administration and management of public funds and programs by providing independent, nonpartisan, accurate, and objective assessments of California government’s financial and operational activities.

The State Auditor responsibilities are to provide the following:

1. Independent audits of the programs and fiscal operations of state government (see SAM section 7240 for further information).
2. Objective information to the Legislature, Governor, and other interested parties about the state's financial condition.
3. Identifies statewide issues or specific government entities as a high risk for waste, fraud, abuse, and mismanagement.
4. Administers the California Whistleblower Protection Act which has broad authority to perform investigations into allegations of improper governmental activities by governmental employees.
### CHAPTER 7400 INDEX

**Funds of the State – General** 7400

- **Legal/Budgetary Basis** 7410
- **GAAP Basis** 7420
- **Establishment of New State Funds** 7450
- **Capital Assets Group of Accounts** 7463
In state government finance and accounting, a fund is defined as a legal budgeting and accounting entity that provides for the segregation of moneys or other resources in the State Treasury for obligations in accordance with specific restrictions or limitations. A separate set of accounts must be maintained for each fund to show its assets, liabilities, reserves, and balance, as well as its revenue and expenditures. The state's funds are classified by type on both a legal/budgetary basis and a generally accepted accounting principles (GAAP) basis. The classification basis includes category types shown below:

**Legal/Budgetary Basis**
- Governmental Cost Fund
- Nongovernmental Cost Fund

**GAAP Basis**
- Governmental Fund
- Property Fund
- Fiduciary Fund

The classification assigned to each fund is located in the Uniform Codes Manual (UCM) and the Manual of State Funds. The UCM provides listings of funds alphabetically, numerically, and by classification. The Manual of State Funds provides a detailed description of each fund. Both resources are maintained by the Department of Finance (Finance), Fiscal Systems and Consulting Unit (FSCU) and can be found on Finance’s Accounting home page of Department of Finance.

This structure affects a fund’s basis of accounting, general ledger accounts, and year-end financial reports. Departments should carefully review the general ledger account descriptions, use, and prohibitions contained in SAM sections 7620-7680 and 10401-10475.
Governmental Cost Funds

These funds are used to account for moneys that are derived from general and special taxes, licenses, fees, or other revenue sources to provide financing for State activities that are the general purpose of State government.

1. **General Fund**: the main operating fund of the State. It accounts for transactions related to resources obtained and used for those purposes that are not required to be accounted for in any other fund.

2. **Special Funds**: these funds account for transactions related to dedicated revenue sources (other than expendable trusts or capital projects) that are legally restricted for specific purposes.

Nongovernmental Cost Funds

These funds are used to record and report activities from sources other than general and special taxes, licenses, and fees.

1. **Bond Funds**: these funds are used for the receipt and disbursement of general obligation bond proceeds. These funds do not account for the debt retirement since the liability created by the sale of general obligation bonds is not a liability of bond funds. Depending on the provisions of the bond act, either the General Fund or a sinking fund pays the principal of, and interest on, the general obligation bonds. The proceeds and debt of bonds to be paid by a particular fund (e.g. revenue bonds) are deposited and reported in that fund.

2. **Federal Funds**: these funds are used to account for any income received directly from the federal government and the program expenditures associated with it.
3. **All Other Non-Governmental Cost Funds**: this category includes: Trust and Agency Funds – Non-Federal, Retirement Funds, Unallocated Non-Governmental Cost Funds, Public Service Enterprise Funds, Working Capital and Revolving Funds, and various unclassified funds.
Governmental Funds

These funds are used to account for the receipt and disbursement of resources to provide governmental type services.

Proprietary Funds

These funds present financial data on governmental activities that are similar to those found in the private sector. Users are charged for the goods or services provided.

Fiduciary Funds

These funds are used to account for assets held by the government, either as a trustee or as an agent.
NEW STATE FUNDS

(Revised 09/2002)

New State funds are created in one of the three following ways:

a. Specific legislation
b. Administratively by DOF with the concurrence of SCO. (Government Code Section 13306)
c. Ballot Initiative

It is general policy to minimize the number of State funds.

Agencies that determine a need to establish a new State fund must submit a request to their DOF budget analyst. All requests should include the following information:

a. Authorization/justification for the new fund
b. Proposed fund title
c. Proposed administering organization
d. Specific statutory reference and/or legislation (with analysis, if available)
e. Purpose of the fund (nature of expenditures)
f. Source of revenue
g. Proposed period of fund availability
h. Appropriation status (annual, one-time, continuous, etc.)
i. Disposition of any balance upon abolishment of fund

The DOF budget analyst will forward the request to the appropriate unit for processing. FSCU will (a) coordinate the review and establishment of all funds, (b) notify the SCO, budget analyst, and administering organization when the new fund is established, and (c) incorporate the new fund information into the UCM and the Manual of State Funds.
The State uses a Capital Asset Group of Accounts for the capitalized assets acquired by those funds that use a modified accrual basis of accounting. Budgetary/Legal basis fund types that use the Capital Assets Group of Accounts are governmental cost funds, bond funds, federal funds, and some trust funds. The information is used to facilitate the capital assets presentation in the GAAP financial statements.

Departments will maintain their capital assets in the Capital Assets Group of Accounts. The group of accounts is a set of self-balancing accounts in the general ledger. The State’s capital assets will be capitalized in the group of accounts and not in a fund.

Departments will report their capital asset additions, deductions, and balances on Year-end Reports 18 and 19. The SCO does not maintain capital asset accounts.
CHAPTER 7600 INDEX
STRUCTURE OF GENERAL LEDGER ACCOUNTS  7605

CHART OF GENERAL LEDGER ACCOUNTS  7610

ASSETS
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Long-Term Assets  7622
Fixed Assets  7624
Intangible Assets  7625
Deferred Charges And Other Assets  7627

LIABILITIES
Current Liabilities  7630
Long-Term Liabilities  7634
Fund Equity  7640
Budgetary Accounts  7650
Sources Of Financial Resources  7660
Uses Of Financial Resources  7670
Other Financial Sources/Uses  7680
The Chart of General Ledger Accounts (SAM Section 7610) contains the accounts authorized for use in the state's accounting system. Each department will use the accounts required for its particular fund(s), fund type(s), and financial operations. The Chart of General Ledger Accounts contains basic account attributes, including:

- Account number,
- Account level, and
- Account title.

General ledger accounts are grouped into the following major categories:

<table>
<thead>
<tr>
<th>Account Numbers</th>
<th>Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>1100–1999</td>
<td>Current Assets</td>
</tr>
<tr>
<td>2000–2999</td>
<td>Long-Term Assets</td>
</tr>
<tr>
<td>3000–3999</td>
<td>Current Liabilities</td>
</tr>
<tr>
<td>4000–4999</td>
<td>Long-Term Liabilities</td>
</tr>
<tr>
<td>5000–5999</td>
<td>Fund Equity</td>
</tr>
<tr>
<td>6000–6999</td>
<td>Budgetary Accounts</td>
</tr>
<tr>
<td>7000–7999</td>
<td>Controller's Accounts Only</td>
</tr>
<tr>
<td>8000–8999</td>
<td>Sources of Financial Resources</td>
</tr>
<tr>
<td>9000–9799</td>
<td>Uses of Financial Resources</td>
</tr>
<tr>
<td>9800–9999</td>
<td>Other Financial Sources/Uses</td>
</tr>
</tbody>
</table>

The general ledger account numbers contain four-digits. The account numbers are structured into three hierarchical reporting levels:

- Level 1—Assigned to accounts used to prepare the Controller's Annual Report; Level 1 account numbers end with two zeros (XX00),
Level 2—Assigned to major general ledger accounts which are summarized into Level 1 accounts; Level 2 accounts end with one zero (XXX0), and

Level 3—Assigned to sub-accounts to Level 2 accounts; Level 3 account numbers do not end with zeros (XXXX).

(Continued)
Departments must be able to report accounting information to the lowest hierarchical level. This reporting requirement does not compel departments to maintain General Ledgers at levels 2 or 3. Instead, departments can meet the reporting requirements by accounting for the information in subsidiary records/ledgers (e.g. Allotment–Expenditure Ledger, Revenue Ledger, Accounts Receivable Ledger, etc.) and by maintaining the General Ledger at a more summarized level.

In a few cases, two different account numbers and two different account levels have been assigned to general ledger accounts with the same title. These assignments were made so that "like kind" accounts could be consolidated for reporting purposes.

Whenever a choice exists between using different account numbers for the same account title, departments will use the lower hierarchical level account number (e.g. use Account Number 2341 for Equipment rather than Account Number 2340; use Account Number 3010 for Accounts Payable rather than Account Number 3000; use Account Number 3110 for Due to Other Funds or Appropriations rather than Account Number 3100).

In addition to the four-digit account number, certain general ledger accounts require four-digit subsidiary numbers. Some four-digit subsidiary numbers signify the funds involved in interfund and intrafund transactions. Following are the general ledger accounts which require subsidiary fund coding:

- Account Number 1410, Due from Other Funds
- Account Number 1730, Prepayments to Other Funds or Appropriations
- Account Number 2120, Advances to Other Funds
- Account Number 2170, Interfund Loans Receivable
- Account Number 3114, Due to Other Funds
- Account Number 3120, Prepayments from Other Funds or Appropriations
Account Number 4010, Advances from Other Funds
Account Number 4050, Interfund Loans Payable
Account Number 9811, Operating Transfers In
Account Number 9812, Operating Transfers Out (Continued)
Other general ledger accounts also require four-digit subsidiary numbers. These four-digit subsidiary numbers signify the Accounts Receivable, Due From Other Funds and Other Long-Term Debt accounts involved in the transactions. Following are the general ledger accounts which require four-digit subsidiary account coding:

- Account Number 1390, Allowance for Uncollectible Amounts
- Account Number 1600, Provision for Deferred Receivables

Examples:
1390.1311—Allowances for Uncollectible Accounts—Accounts Receivable—Abatements
1600.1313—Provision for Deferred Receivables—Accounts Receivable—Revenue
1600.1410—Provision for Deferred Receivables—Due from Other Funds

The purpose and nature of general ledger accounts are contained in SAM Section 7620 through 7680.
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<tr>
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<th>Account Title</th>
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### Chart of General Ledger Accounts

#### Assets

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### SAM—STRUCTURE OF GENERAL LEDGER ACCOUNTS

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2920 | 2 | Amount to be Provided for Other Long-Term Debt

#### LIABILITIES

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**OTHER FINANCING SOURCES/USES**

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CURRENT ASSETS

ACCOUNT NUMBER 1100, Cash in State Treasury and Agency Accounts

A summary account of cash on hand or in deposit in State Treasury and agency accounts used for financial reporting purposes (Accounts 1110 through 1190).

ACCOUNT NUMBER 1110, General Cash (in Agency Accounts with State Treasurer)

Shows cash collected by the agency and deposited or to be deposited in its general checking account for remittance to a fund in the State Treasury, for refund to payers, or for buy back of dishonored checks. At least once each month receipts determined to be earned, and therefore proper for credit to a fund, are disbursed (remitted) to the State Treasury. Receipts determined to be not due to the state are refunded to payers. Receipts determined to be dishonored are repurchased from banks. At the end of the fiscal year an adjustment is made to this account for undeposited receipts, as described under Account Number 1190, Cash on Hand in Agency.

ACCOUNT NUMBER 1115, General Cash, Remittance in Transit

Shows cash disbursed (remitted) by the agency to the State Treasury via form CA 21A, Report to State Controller of Remittance to State Account, but not yet credited by the State Controller’s Office to the appropriate accounts. Upon notification from the State Controller’s Office that the money has been ordered into a fund in the State Treasury to the credit of the fund (and appropriation, if any), the agency records the transaction in its accounts and reduces this in-transit account balance.

ACCOUNT NUMBER 1120, Agency Trust Fund Cash (in Agency Accounts with State Treasurer)
SAM—STRUCTURE OF GENERAL LEDGER ACCOUNTS

Shows trust cash (such as Marketing Act trust, institutional trust, or departmental trust moneys) deposited in agency accounts with the State Treasury which are of a type that will not be remitted to a fund in the State Treasury. Trust cash in an agency account pending remittance to a fund in the State Treasury is recorded in Account Number 1110, General Cash. At the end of the fiscal year an adjustment is made to Account Number 1120 for undeposited receipts as described under Account Number 1190 Cash on Hand in Agency.

Use of this account requires separate accounting and reporting. In most instances, State of California accounting involves recording and reporting on activities that have occurred in a fund in the State Treasury. There are some exceptions to this procedure, one of which is Agency Trust Fund Cash. Although Agency Trust Fund cash has not been remitted/identified to a specific fund, the activities must be recorded and reported as if they were activities related to a unique and separate fund. Departments that use this account should keep a separate ledger and prepare separate year-end financial statements for activities of this account. For accounting systems that require an individual fund number to segregate activities, departments are instructed to use Fund Number 0990- Fiduciary Funds Outside the Centralized Treasury System.

(Continued)
ACCOUNT NUMBER 1130, Revolving Fund Cash (in Agency with State Treasurer)

Shows cash advanced from an appropriation in a State Treasury fund for office revolving fund purposes. See SAM Section 8100. The account balance remains the same during the year and will equal the sum of (1) cash on hand, (2) the centralized State Treasury system general checking account balances, plus (3) the Revolving Fund Receivables Ledger balance. If drawn from a fiscal-year appropriation, the department, at the end of the fiscal year, will request the State Controller to return the advance to the State Treasury or journalize the advance as a return to the appropriation from which it was drawn and a withdrawal from the subsequent fiscal year appropriation. At the end of each fiscal year the change and cash purchase funds and the undeposited receipts are reported in Account Number 1190, Cash on Hand in Agency.

ACCOUNT NUMBER 1140, Cash in State Treasury

For funds that are accounted entirely by one agency, this account shows the cash balance in the State Treasury to the credit of the particular fund. For funds that are not accounted entirely by one agency, this account shows the net agency remittances to or disbursements from the particular fund in State Treasury. During the fiscal year, it is affected only by documents issued by the State Controller’s Office. At the end of the fiscal year, for funds not accounted entirely by one agency, the account balance is transferred to Account Number 5570, Fund Balance–Clearing Account.

ACCOUNT NUMBER 1150, Cash in Transit to State Treasury

Shows cash disbursed (remitted) by the agency to the State Treasury via form CA21, Report to State Controller of Remittance to State Treasurer, and agency check, but not yet credited by the State Controller’s Office to the appropriate accounts. Upon notification from the State Controller’s Office that the money has been ordered into a fund in the State Treasury to the credit of the fund (and appropriation, if any), the agency records the transaction in its accounts and reduces this in-transit account balance.
ACCOUNT NUMBER 1160, Cash in Agency Accounts–Banks/Savings and Loan Associations

Shows cash deposited in agency demand and/or time bank/savings and loan association accounts. Deposits may be made in bank/savings and loan associations accounts only when specifically authorized by law or by the Director of Finance.


(Continued)
ACCOUNT NUMBER 1180, Cash with Fiscal Agents

Shows cash deposited with fiscal agents. Includes deposits made by the State Treasurer for redemption and interest payments on general obligation bonds.

ACCOUNT NUMBER 1190, Cash on Hand (in Agency)

Shows during the fiscal year, cash or checks that normally will not be deposited, such as bid deposits and partial or insufficient receipts which if deposited would prejudice the State’s right to make further collections. At the end of the fiscal year a journal entry is made transferring to this account (1) from Account Number 1110, General Cash, the undeposited receipts, (2) from Account Number 1130, Revolving Cash Fund, the change and cash purchase funds and the undeposited receipts, and (3) from other cash accounts, the undeposited receipts.

ACCOUNT NUMBER 1200, Temporary Investments

A summary account of temporary investments held for the production of revenue (Accounts 1210 through 1240).

ACCOUNT NUMBER 1210, Deposits in Surplus Money Investment Fund

Fund cash on deposit in the Surplus Money Investment Fund for the production of interest revenue. Surplus Money Investment Fund money is invested in U.S. Government Securities, commercial paper, time certificates of deposit, and bankers’ acceptances. Interest earned from these securities is credited to the participating funds, quarterly. Interest receivable at fiscal year-end is accounted in Account Number 1400, Due From Other Funds or Appropriations.
ACCOUNT NUMBER 1220, Repurchase Agreements Shows investments in Repurchase Agreements. ACCOUNT NUMBER 1230, Investment in Time Deposits Shows investments in time certificates with commercial banks. ACCOUNT NUMBER 1240, Investment in Subscription Deposits Shows money deposited as guarantees to complete the purchase of securities. (Continued)
ACCOUNT NUMBER 1300, Accounts Receivable

A summary account of amounts due from other than governmental entities used for financial reporting purposes (Accounts 1310 through 1390).

ACCOUNT NUMBER 1310, Accounts Receivable—General

A summary account of general accounts receivable to be used for financial reporting purposes (Accounts 1311 through 1319).

ACCOUNT NUMBER 1311, Accounts Receivable—Abatements

Shows amounts due from private persons or organizations which are accounted as abatements of expenditures. For state accounting purposes only certain types of transactions are accounted as abatements. See SAM Section 10220.

Abatement amounts due from other funds/appropriations or other governments are accounted as Due From Other Funds or Appropriations, Account Number 1400 or Due From Other Governments, Account Number 1500.

ACCOUNT NUMBER 1312, Accounts Receivable—Reimbursements

Shows amounts due from private persons or organizations for goods or services furnished which are credited to an appropriation as reimbursements. (Refer to General Ledger Account Number 8120, External Reimbursements).
SAM—STRUCTURE OF GENERAL LEDGER ACCOUNTS

Reimbursement amounts due from other funds/appropriations or governments are accounted as Due From Other Funds or Appropriations, Account Number 1400 or Due From Other Governments, Account Number 1500.

ACCOUNT NUMBER 1313, Accounts Receivable—Revenue

Shows revenue receivable from private persons or organizations which when collected will be remitted to the State Treasury to the credit of a fund but not an appropriation.

Amounts receivable as revenue from other funds or other governments are accounted as Due From Other Funds or Appropriations, Account Number 1400 or Due From Other Governments, Account Number 1500.

(Continued)
ACCOUNT NUMBER 1314, Accounts Receivable–Operating Revenue Shows operating revenue receivable.

ACCOUNT NUMBER 1315, Accounts Receivable–Dishonored Checks

Shows amounts due from person for their dishonored checks plus dishonored check charges, if applicable.

ACCOUNT NUMBER 1316, Accounts Receivable–Cash Shortages

Shows amounts due from cashiers for cash shortages. The account is credited when relief from accountability is obtained by filing a Claim for Reimbursement form, STD. 27A, or restitutions are received from cashiers. See SAM Section 8072.

ACCOUNT NUMBER 1319, Accounts Receivable–Other

Shows amounts due from private persons or organizations that are not applicable to any other general ledger receivables account. It is used to record receivables applicable to reverted appropriations.

ACCOUNT NUMBER 1320, Accrued Interest Receivable

Shows accrued interest included in the purchase price of securities purchased between interest dates. The applicable portion of the first interest received on such securities is credited to this account rather than to an interest revenue account.

ACCOUNT NUMBER 1330, Accounts Receivable–Loans

Shows the current portion of long-term loans made to individuals or organizations. The noncurrent portion of these loans is shown in Account Number 2110, Loans Receivable.
ACCOUNT NUMBER 1340, Accounts Receivable–Audit Exceptions

Shows amounts due from non-governmental entities for audit exceptions which are recognized as valid accounts receivable. Audit exceptions due from other governments are accounted as Due From Other Governments, Account Number 1500.

(Continued)
ACCOUNT NUMBER 1350, Accounts Receivable Postponed Property Tax

A summary account of property tax receivables used for financial reporting purposes (Accounts 1351 and 1352).

ACCOUNT NUMBER 1351, Accounts Receivable Postponed Property Tax—Principal

Shows amounts due from private persons for property tax paid by the State on behalf of individuals. These receivables are secured by liens against real property.

ACCOUNT NUMBER 1352, Accounts Receivable Postponed Property Tax—Interest

Shows interest due from private persons on property tax payments made by the State. These receivables are secured by liens against real property.

ACCOUNT NUMBER 1360, Retirement Contributions Receivable

Shows retirement contributions due from members and employers. This account is used only by Retirement Systems.

ACCOUNT NUMBER 1380, Contingent Receivables

Shows the amounts due from private persons or organizations for claims, whether contested or uncontested, when the receivable is uncertain but appears to have a prospect of (1) favorable settlement or (2) becoming a valid receivable. See SAM Sections 8776 and 8776.1.

ACCOUNT NUMBER 1390, Allowance For Uncollectable Accounts (Credit Balance)
Shows provision for those receivables that are estimated to be uncollectable. The allowance account is subtracted from receivables for financial statement reporting purposes. A four-digit subsidiary number is required to indicate the specific receivable account involved in the transaction (for example: 1390:1311, Allowance for Uncollectable Accounts—Accounts Receivable—Abatement).

(Continued)
ACCOUNT NUMBER 1400, Due From Other Funds or Appropriations

This is a summary account for amounts due from other funds or appropriations (Account 1410, Due from Other Funds and Account 1420, Due From Other Appropriations). It is used for financial reporting purposes. Amounts recorded in these accounts are due from other funds or appropriations for:

1. Reimbursements,
2. Revenue,
3. Abatements, and
4. All other transactions expected to be collected within a year.

Agencies will keep a separate subsidiary account which shows the amount due from each fund. The fund will be identified by name in the subsidiary account title. The number of each such subsidiary account will be within the 1400 series plus a suffix consisting of a decimal point and the Uniform Codes Manual (UCM) code number of the fund. (For example: 1400.0001, Due From General Fund, 1410.0001, Due From General Fund, 1420.0001, Due from General Fund.)

At year-end it includes accruals of amounts due in addition to those recorded during the year. These accounts include the current portion of long-term loans. The noncurrent portion of loans is accounted in Account Number 2170, Interfund Loans Receivable.

ACCOUNT NUMBER 1500, Due From Other Governments

A summary account of intergovernmental receivables used for financial reporting purposes (Accounts 1510 through 1590).

ACCOUNT NUMBER 1510, Due From Federal Government
SAM—STRUCTURE OF GENERAL LEDGER ACCOUNTS

Shows amounts due from the Federal Government. It includes: (1) reimbursements for goods or services; (2) revenue; (3) grants-in-aid and shared taxes; and (4) abatements of expenditures (refer to SAM 10220).

At year-end, it includes accrued revenue, reimbursements, and abatements. (Continued)
ACCOUNT NUMBER 1540, Due From School Districts

Shows amounts due from school districts under various legal and contractual provisions. It includes amounts due for overpayments of apportionment.

This account includes the current portion of long-term loans. The noncurrent portions of loans are accounted in Account Number 2143, Loans to School Districts.

ACCOUNT NUMBER 1590, Due From Other Governmental Entities

Shows amount due from other governmental entities (cities, counties, and special districts) under various legal and contractual provisions. It includes:

1. Reimbursements
2. Revenue, and
3. Abatements

At year-end, this account shows: (1) accrued revenue, reimbursements, and abatements; and

(2) the current portion of long-term loans and advances. The current portion of Davis-Grunsky Act loans and water/beach erosion project advances are shown in this account.

ACCOUNT NUMBER 1600, Provision for Deferred Receivables (Credit Balance)

Shows provision for receivables not collectable within one year. At year-end, agencies will analyze their receivable balances and make an adjustment for the amounts to be deferred for financial statement purposes. A four-digit subsidiary number is required to indicate the specific Account Receivable or Due from Other Funds accounts involved in the transaction (for example: 1600.1313, Provision for Deferred Receivables–Accounts
ACCOUNT NUMBER 1700, Prepaid Expense

A summary account of prepaid expenses used for financial reporting purposes (Accounts 1710 through 1750).

(Continued)
ACCOUNT NUMBER 1710, Expense Advances

Shows cash disbursed from the office revolving fund for expenses other than travel and salary advances. During the fiscal year, this account is to be used by CALSTARS agencies and is further described in the CALSTARS Procedures Manual.

For year-end reporting purposes, this account shows travel and salary advances made to employees from the office revolving fund. To report revolving fund cash correctly in the year-end statements, this account is debited and Account Number 1130, Revolving Fund Cash, is credited for the advances outstanding at June 30. The entry is reversed as of July 1.

ACCOUNT NUMBER 1712, Travel Advances

Shows travel advances made to employees from the office revolving fund. This account is to be used by CALSTARS agencies and is further described in the CALSTARS Procedures Manual.

ACCOUNT NUMBER 1714, Salary Advances

Shows salary advances made to employees from the office revolving fund. This account is to be used by CALSTARS agencies and is further described in the CALSTARS Procedures Manual.

ACCOUNT NUMBER 1720, Other Prepaid Expenses

Shows other prepaid expenses that will be charged to expense during the accounting periods benefited rather than the period in which the payment is made (e.g. unexpired insurance).

ACCOUNT NUMBER 1721, Office Supplies
Shows office supplies which are costed to expense as manufacturing activities are conducted. ACCOUNT NUMBER 1730, Prepayments to Other Funds or Appropriations Shows the unexpended balance of advance payments made to other appropriations and/or funds. Also shows the unexpended balance of advance payments made to the Architecture Revolving Fund, State Transportation Fund and the Water Resources Revolving Fund for capital improvement or other projects. The prepayment is fully reserved in Account Number 5330, Reserve for Prepaid Items, in governmental cost funds.

(Continued)
Agencies will keep a separate subsidiary account which shows the amount prepaid to each fund. The fund will be identified by name in the subsidiary account title. The number of each such subsidiary account will be 1730 plus a suffix consisting of a decimal point and the Uniform Codes Manual (UCM) code number of the fund. (For example: 1730.0001, Prepayments to General Fund.)

ACCOUNT NUMBER 1740, Prepayments to Other Governments

A summary account of intergovernmental prepayments used for financial reporting purposes (Accounts 1741 through 1749).

ACCOUNT NUMBER 1741, Prepayments to School Districts Shows advance payments made to school districts.

ACCOUNT NUMBER 1742, Prepayments to Counties Shows advance payments made to counties.

ACCOUNT NUMBER 1749, Prepayments to Other Governmental Entities Shows advance payments made to other governmental entities.

The prepayment amount is fully reserved in Account Number 5330, Reserve for Prepaid Items, in governmental cost funds.

ACCOUNT NUMBER 1750, Prepayments to Non-Governmental Entities Shows advance payments made to non-governmental entities.

The prepayment amount is fully reserved in Account Number 5330, Reserve for Prepaid Items, in governmental cost funds.

ACCOUNT NUMBER 1900, Inventory

A summary account of inventory used for financial reporting purposes (Accounts 1910 through 1960).

ACCOUNT NUMBER 1910, Merchandised Held for Sale—Stores Shows the cost of stores inventories.

(Continued)
CURRENT ASSETS 7620 (Cont. 10)
(Revised 06/05)

ACCOUNT NUMBER 1930, Raw Materials

Shows the cost of raw materials on hand for agencies with manufacturing activities.
ACCOUNT NUMBER 1940, Work in Process

Shows the cost of partially completed products for agencies with manufacturing activities. Sometimes referred to as "Work in Progress" or "Good in Process."

ACCOUNT NUMBER 1950, Finished Goods

Shows the cost of completed by unsold units on hands for agencies with manufacturing activities.

ACCOUNT NUMBER 1960, Manufacturing Supplies

Shows the cost of manufacturing supplies for agencies which operate stores systems or manufacturing activities.
ACCOUNT NUMBER 2000, Investments

A summary account of securities and real estate held for the production of revenue (Accounts 2010 through 2090). This account does not include fixed assets.

ACCOUNT NUMBER 2010, Investments in Debt Securities


ACCOUNT NUMBER 2011, Investments in Securities at Cost

Shows investments in "no stated rate of interest" debt securities, such as Treasury Bills.

ACCOUNT NUMBER 2012, Investments in Securities

Shows investments in debt securities at face amount other than those recorded at cost in Account Number 2011, Investment in Securities at Cost.

ACCOUNT NUMBER 2013, Premium on Securities

Shows the unamortized premium on securities purchased at less than face amount. The premium is amortized during the expected holding period of the securities.

ACCOUNT NUMBER 2014, Discount on Securities (Credit Balance)

Shows the unaccumulated discount on securities purchased at less than face amount. The discount is accumulated during the expected holding period of the securities.

ACCOUNT NUMBER 2017, Investment in Building Certificates—Local Agencies Shows investments in Building Certificates for local agencies.

ACCOUNT NUMBER 2020, Investment in Stocks

A summary account of stock owned (Accounts 2021 and 2022). (Continued)
(Continued)

LONG-TERM ASSETS  7622 (Cont. 1)
(Revised 06/05)

ACCOUNT NUMBER 2021, Investment in Common Stock Shows investments in common stock.
ACCOUNT NUMBER 2022, Investment in Preferred Stock Shows investments in preferred stock.
ACCOUNT NUMBER 2030, Investment in Mortgages

A summary account of mortgages held for the production of interest revenue (Accounts 2031 and 2032).

ACCOUNT NUMBER 2031, Investment in Mortgage Installment Loans Shows investments in mortgage installment loans at face amount. ACCOUNT NUMBER 2032, Mortgage Loans in Default

Shows mortgage loans in default.

ACCOUNT NUMBER 2033, Premiums on Mortgage Loans

Shows the unamortized premiums on mortgage loans purchased at more than face amount. The premium is amortized during the expected holding period of the mortgage loan.

ACCOUNT NUMBER 2034, Discounts on Mortgage Loans (Credit Balance)

Shows the unamortized discounts on mortgage loans purchased at less than the face amount. The discount is amortized during the expected holding period of the mortgage loan.

ACCOUNT NUMBER 2040, Investment in Interfund Building and Construction Loans Shows investment in state buildings and other state capital outlay projects.
ACCOUNT NUMBER 2050, Investment in Real Estate

Shows real estate investments held for the production of revenue. ACCOUNT NUMBER 2055, Unapplied Investments-Mortgages

Shows unapplied investments. (Continued)
ACCOUNT NUMBER 2060, Investment in Annuities Shows investment in annuities.

ACCOUNT NUMBER 2065, Investment in Investment Agreements Shows investment in investment agreements.

ACCOUNT NUMBER 2070, Investment in Financial Futures Shows the investment in collateralized securities or cash for initial margins on future contracts. ACCOUNT NUMBER 2090, Investment-Other Shows investments, not otherwise classified.

ACCOUNT NUMBER 2100, Loans and Advances Receivable A summary account of long-term loans and advances receivable used for financial reporting purposes (Accounts 2110 through 2170).

ACCOUNT NUMBER 2110, Loans Receivable A summary account of long-term loans receivable used for financial reporting purposes (Accounts 2111 through 2114 and 2119).

ACCOUNT NUMBER 2111, Veterans Farm and Home Loan Contracts Shows the noncurrent portion of loans to veterans from the Veterans Farm and Home Building Fund of 1943.

ACCOUNT NUMBER 2112, Student Loans Receivable Shows the noncurrent portion of unpaid loans made to students and the unrecovered litigation costs concerning the collection of delinquent repayment that have been
charged to the delinquent borrowers. Loans made from appropriated funds are fully reserved in Account Number 5380, Reserve for Noncurrent Loans Receivable.

(Continued)
ACCOUNT NUMBER 2113, Construction Loans

Shows the noncurrent portion of construction loans made to borrowers to finance housing developments.

ACCOUNT NUMBER 2114, Construction Loans–In Default Shows those construction loans that are in default.

ACCOUNT NUMBER 2119, Loans Receivable–Other

Shows the noncurrent portion of loans to individuals or organizations, not otherwise classified. Loans made from appropriated funds are fully reserved in Account Number 5380, Reserve for Noncurrent Loans Receivable.

ACCOUNT NUMBER 2120, Advances to Other Funds

Shows the noncurrent portion of repayable advances to other funds. Advances made from appropriated funds to other funds are fully reserved in Account Number 5340, Reserve for Advances. The current portion of repayable advances is shown in Account Number 1400, Due From Other Funds or Appropriations.

Agencies will keep a separate subsidiary account which shows the amount advanced to each fund. The fund will be identified by name in the subsidiary account title. The number of each such subsidiary account will be 2120 plus a suffix consisting of a decimal point and the Uniform Codes Manual (UCM) code number of the fund. (For example: 2120.0001, Advances to General Fund.)

ACCOUNT NUMBER 2130, Interfund Construction Loans Receivable
SAM—STRUCTURE OF GENERAL LEDGER ACCOUNTS

Shows the noncurrent portion of construction loans receivable from other funds. Loans made from appropriated funds to other funds are fully reserved in Account Number 5380, Reserve for Noncurrent Loans Receivable. The current portion of interfund loans is shown in Account 1400, Due From Other Funds or Appropriations.

Agencies will keep a separate subsidiary account which shows the amount loaned to each fund. The fund will be identified by name in the subsidiary account title. The number of each such subsidiary account will be 2130 plus a suffix consisting of a decimal point and the UCM code number of the fund. (For example: 2130.0001, Interfund Construction Loans Receivable from General Fund.)

(Continued)
ACCOUNT NUMBER 2140, Loans to Other Governments

A summary account of intergovernmental loans receivable used for financial reporting purposes (Accounts 2143 and 2149).

ACCOUNT NUMBER 2143, Loans to School Districts

Shows the noncurrent portion of long-term loans made to school districts. Loans made from appropriated funds are fully reserved in Account Number 5380, Reserve for Noncurrent Loans Receivable. The current portion of loans is shown in Account Number 1540, Due From School Districts.

ACCOUNT NUMBER 2149, Loans to Other Governmental Entities

Shows the noncurrent portion of long-term loans made to other governmental entities (e.g. cities, counties, and special districts). Loans made from appropriated funds are fully reserved in Account Number 5380, Reserve for Noncurrent Loans Receivable. The current portion of long-term loans is shown in Account Number 1590, Due from Other Governmental Entities.

This account includes the noncurrent portion of Davis-Grunsky Act loans and water/beach erosion project advances.

ACCOUNT NUMBER 2170, Interfund Loans Receivable

Shows the noncurrent portion of repayable loans to other funds. Loans made from appropriated funds to other funds are fully reserved in Account Number 5370, Reserve
for Interfund Loans Receivable. The current portion of repayable loans is shown in Account Number 1400, Due From Other Funds or Appropriations.

Agencies will keep a separate subsidiary account which shows the amount loaned to each fund. The fund will be identified by name in the subsidiary account title. The number of each such subsidiary account will be 2170 plus a suffix consisting of a decimal point and the UCM code number of the fund. (For example: 2170.0001, Interfund Loans Receivable from the General Fund.)
ACCOUNT NUMBER 2300, Tangible Assets

A summary account of tangible assets used for financial reporting purposes (Account 2310 through 2369).

ACCOUNT NUMBER 2310, Land

Shows the cost or appraised value of state-owned land and interests in land under the jurisdiction of the particular agency.

ACCOUNT NO 2320, Buildings

A summary account of building assets used for financial reporting purposes (Accounts 2321 and 2329).

ACCOUNT NUMBER 2321, Buildings

Shows the cost or appraised value of state-owned improvements (buildings and other structural improvements, and nonstructural improvements) under the jurisdiction of the particular agency.

ACCOUNT NUMBER 2329, Accumulated Depreciation–Buildings (Credit Balance)

Shows accumulated depreciation on buildings.

ACCOUNT NUMBER 2330, Improvements Other Than Buildings

A summary account of improvement assets other than buildings used for financial reporting purposes (Accounts 2331 through 2339).
ACCOUNT NUMBER 2331, Improvements Other Than Buildings

Shows the cost or appraised value of state-owned nonstructural improvements under the jurisdiction of the particular agency. Examples of such improvements are fences, retaining walls, parking lots, driveways, and most landscaping. These improvements would be associated with a specific building, but would not be an improvement of the building itself.

ACCOUNT NUMBER 2333, Utility Plant In Service

Shows the capitalized cost of completed facilities included in the California Water Resources Development System.

(Continued)
ACCOUNT NUMBER 2339, Accumulated Depreciation–Improvements Other Than Buildings (Credit Balance)

Shows accumulated depreciation on improvements other than buildings. ACCOUNT NUMBER 2340, Equipment

A summary account of equipment assets used for financial reporting purposes (Accounts 2341 and 2349).

ACCOUNT NUMBER 2341, Equipment

Shows the cost or appraised value of state-owned equipment that is under the jurisdiction of the particular agency.

ACCOUNT NUMBER 2349, Accumulated Depreciation–Equipment (Credit Balance)

Shows accumulated depreciation on equipment.

ACCOUNT NUMBER 2350, Construction Work in Progress

Shows the amount expended on capital outlay projects or other projects that are not yet completed and, therefore, cannot be capitalized in the property accounts. Upon completion of the project, the total cost is moved to the appropriate Tangible Asset General Ledger Account Number.

ACCOUNT NUMBER 2360, Infrastructure

A summary account of infrastructure assets used for financial reporting purposes (Accounts 2361, 2362, and 2369).

ACCOUNT NUMBER 2361, Non-depreciable Infrastructure
Shows the cost or appraised value of state-owned roadways and bridges on the State Highway System that are accounted for and reporting using the modified approach allowed pursuant to GASB Statement Number 34. Under the modified approach, Caltrans does not report depreciation expense for these roads and bridges but capitalizes all costs that add to the capacity and efficiency of the state-owned roads and bridges. All maintenance and preservation costs are expensed and not capitalized.

(Continued)
(Continued)

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ACCOUNT NUMBER 2362, Depreciable Infrastructure

Shows the cost or appraised value of state-owned infrastructure, such as sidewalks, drainage systems, and public parking lots, that is not part of the State Highway System where the modified approach of accounting and reporting for infrastructure is used.

ACCOUNT NUMBER 2369, Accumulated Depreciation-Infrastructure (Credit Balance)

Shows accumulated depreciation on infrastructure.
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ACCOUNT NUMBER 2400, Intangible Assets

A summary account of intangible assets used for financial reporting purposes (Account 2410 and 2494).

ACCOUNT NUMBER 2410, Intangible Assets – Amortizable

A summary account of amortizable intangible assets (Accounts 2411 through 2414).

ACCOUNT NUMBER 2411, Computer Software–Amortizable

Shows the cost of state-owned computer software (purchased, licensed, and internally generated) under the jurisdiction of the particular agency.

ACCOUNT NUMBER 2412, Land Use Rights–Amortizable

Shows the cost or appraised value of state-owned amortizable land-use rights (easements, water rights, timber rights, and mineral rights) under the jurisdiction of the particular agency that were acquired separate from the land they are associated with. Land use rights bundled with the ownership of land should not be separately recorded as intangible assets.

ACCOUNT NUMBER 2413, Patents, Copyrights, Trademarks–Amortizable

Shows the cost or appraised value of state-owned amortizable patents, copyrights and trademarks under the jurisdiction of the particular agency.
ACCOUNT NUMBER 2414, Other Intangible Assets—Amortizable

Shows the cost or appraised value of state-owned amortizable intangible assets, not otherwise classified.

ACCOUNT NUMBER 2420, Intangible Assets—Non-Amortizable

A summary account of non-amortizable intangible assets (Accounts 2422 through 2424). An intangible asset is considered non-amortizable if it has an indefinite useful life.

Computer software should never be considered to have an indefinite useful life.

(Continued)
ACCOUNT NUMBER 2422, Land Use Rights—Non-Amortizable

Shows the cost or appraised value of state-owned non-amortizable (i.e., with an indefinite useful life) land-use rights (easements, water rights, timber rights, and mineral rights) under the jurisdiction of the particular agency that were acquired separate from the land they are associated with. Land use rights bundled with the ownership of land should not be separately recorded as intangible assets.

ACCOUNT NUMBER 2423, Patents, Copyrights, Trademarks—Non-Amortizable

Shows the cost or appraised value of state-owned non-amortizable (i.e., with an indefinite useful life) patents, copyrights and trademarks under the jurisdiction of the particular agency.

ACCOUNT NUMBER 2424, Other Intangible Assets—Non-Amortizable

Shows the cost or appraised value of state-owned non-amortizable (i.e., with an indefinite useful life) intangible assets, not otherwise classified.

ACCOUNT NUMBER 2430, Internally Generated Intangible Assets in Progress

Shows the amount expended on internally generated intangible assets that are not yet complete and, therefore, cannot be capitalized in the specific intangible asset accounts. Once the internally generated intangible asset is complete, the total cost is moved from this account to the specific intangible asset account.

ACCOUNT NUMBER 2490, Accumulated Amortization—Intangible Assets (Credit Balance)

A summary account of accumulated amortization on intangible assets (Accounts 2491 through 2494).
ACCOUNT NUMBER 2491, Accumulated Amortization–Computer Software (Credit Balance) Shows accumulated amortization on computer software.

ACCOUNT NUMBER 2492, Accumulated Amortization–Land-Use Rights (Credit Balance) Shows accumulated amortization on land-use rights.

(Continued)
ACCOUNT NUMBER 2493, Accumulated Amortization—Patents, Copyrights, Trademarks (Credit Balance)

Shows accumulated amortization on patents, copyrights and trademarks.

ACCOUNT NUMBER 2494, Accumulated Amortization—Other Intangible Assets (Credit Balance) Shows accumulated amortization on intangible assets, not otherwise classified.
ACCOUNT NUMBER 2500, Provision for Deferred Interfund Loans Payable Shows provision for interfund loans not payable within one year.

ACCOUNT NUMBER 2600, Deferred Charges Shows, as of June 30 each year, office revolving fund disbursements to be charged to the succeeding fiscal year appropriation.

ACCOUNT NUMBER 2700, Other Assets A summary account of other assets to be used for financial reporting purposes (Accounts 2710 through 2790).

ACCOUNT NUMBER 2710, Permanent Cash Revolving Fund Shows permanent cash advances made to an agency from a fund. This is not an advance made from an appropriation.

ACCOUNT NUMBER 2720, Securities and Other Property Held in Trust Shows any property other than cash that is held in trust. It includes securities held in trust, such as bank passbook accounts or certificates of deposit, to guarantee compliance with certain state requirements. It does not include surety bonds or other similar policies. This account is used regardless of whether the agency holds the property or sends it to the State Treasurer for safekeeping.

Use of this account requires separate accounting and reporting. In most instances, State of California accounting involves recording and reporting on activities that have occurred in a fund in the State Treasury. There are some exceptions to this procedure, one of which is assets held in trust outside the State Treasury. Although assets held in
trust outside the centralized State Treasury System have not been remitted/identified to a specific fund, the activities must still be reported for financial purposes. Therefore assets held in trust must be recorded and reported as if they were activities related to a unique and separate fund.

Departments that use this account should keep a separate ledger and prepare separate year-end financial statements for activities of this account. For accounting systems that require an individual fund number to segregate activities, departments are instructed to use fund Number 0990 - Fiduciary Funds Outside the Centralized Treasury System.

(Continued)
ACCOUNT NUMBER 2730, Deposits in Condemnation Proceedings

Shows deposits in the Condemnation Deposits Fund and in courts pertaining to condemnation suits on which final settlement has not yet been made either from the Condemnation Deposits Fund or from other funds. These deposits are fully reserved in Account Number 5390, Other Reserves.

ACCOUNT NUMBER 2740, Inventory of Surveyed Property

Shows the estimated sales value of surveyed property at the end of any fiscal year in which the new equipment has been paid or will be paid from the appropriation being reported.

The estimated sales value must have been budgeted as an abatement in accordance with SAM Section 10220 item 6.

ACCOUNT NUMBER 2770, Authorized Securities–Unissued

A summary account of authorized securities which have not yet been issued (Accounts 2771 through 2776). This account balance is offset in Account 2780, Provision for Unissued Authorized Securities (CR).

ACCOUNT NUMBER 2771, Veterans Farm and Home Construction Contracts Authorized–Unissued

Shows outstanding commitments for homes being constructed for veterans by contractors. This account balance is offset in Account Number 2780, Provision for Unissued Authorized Securities (CR).

ACCOUNT NUMBER 2772, Loans Authorized–Unissued
SHOWS LOANS AUTHORIZED BUT UNISSUED. THIS ACCOUNT BALANCE IS OFFSET IN ACCOUNT NUMBER 2780, PROVISION FOR UNISSUED AUTHORIZED SECURITIES (CR).

ACCOUNT NUMBER 2773, BUILDING CERTIFICATES AUTHORIZED–UNISSUED

SHOWS UNISSUED CERTIFICATES AUTHORIZED PURSUANT TO THE STATE BUILDING CONSTRUCTION ACT OF 1955. THIS ACCOUNT BALANCE IS OFFSET IN ACCOUNT NUMBER 2780, PROVISION FOR UNISSUED AUTHORIZED SECURITIES (CR).

ACCOUNT NUMBER 2774, BONDS AUTHORIZED–UNISSUED

SHOWS BONDS AUTHORIZED BUT UNISSUED. THIS ACCOUNT BALANCE IS OFFSET IN ACCOUNT NUMBER 2780, PROVISION FOR UNISSUED AUTHORIZED SECURITIES (CR).

(Continued)
ACCOUNT NUMBER 2775, Notes Authorized–Unissued

Shows notes authorized but unissued. This account balance is offset in Account Number 2780, Provision for Unissued Authorized Securities (CR).

ACCOUNT NUMBER 2776, Authorized Securities – Unissued

Shows securities authorized but unissued. This account balance is offset in Account Number 2780, Provision for Unissued Authorized Securities (CR).

ACCOUNT NUMBER 2780, Provision for Unissued Authorized Securities (Credit Balance)

This account balance offsets Account Number 2770, Authorized Securities–Unissued.

ACCOUNT NUMBER 2790, Other Assets

Shows other assets not otherwise classified.

ACCOUNT NUMBER 2800, Amount Available in Debt Service Funds

An account which shows assets available for the retirement of general long-term debt.

ACCOUNT NUMBER 2900, Amounts to be Provided for Retirement of General Long-Term Debt

A summary account of amounts to be provided for the retirement of long-term debt used for financial reporting purposes (Accounts 2910 and 2920).

ACCOUNT NUMBER 2910, Amount to be Provided for Retirement of General Obligation Long-Term Debt

An account which shows amounts to be provided from taxes or other general revenues to retire outstanding general obligation long-term debt.
ACCOUNT NUMBER 2920, Amount to be Provided for Other Long-Term Debts

An account which offsets certain other large long-term liabilities under special circumstances, usually where one fund records the liability but the obligation will be paid from the resources of another fund or from a future appropriation.
ACCOUNT NO. 3000, Accounts Payable

A summary account of accounts payable used for financial reporting purposes (Accounts 3010 through 3050).

ACCOUNT NO. 3010, Accounts Payable

Shows the amount due to private persons or organizations for all outstanding obligations (for goods and services received) for which claims have not been filed with the State Controller’s Office. It also shows amounts retained on progress payments for any contractual agreement requiring retention amounts.

Amounts payable to other funds/appropriations or other governments are included in Due to Other Funds (Accounts 3110 through 3120) or Due to Other Governments (Accounts 3210 through 3290).

ACCOUNT NO. 3020, Claims Filed

Shows claims that have been filed with the State Controller’s Office. The balance of this account is increased when claims are filed and is reduced when Notices of Claims Paid, Form CD-102, are issued by the State Controller’s Office.

ACCOUNT NO. 3021, Claims-in-Process

Shows pending claims which have not been filed as claim schedules. This account is to be used by CALSTARS agencies and is further described in CALSTARS Procedures Manual.
ACCOUNT NO. 3030, Compensation Benefits Payable

Shows compensation benefits payable. ACCOUNT NO. 3040, Notes Payable

Shows the current portion of long-term notes payable. The noncurrent portion of long-term notes is shown in Account No. 4300, Notes Payable.

ACCOUNT NO. 3050, Bonds Payable

Shows the current portion of long-term bonds payable. The noncurrent portion of long-term bonds is shown in Account No. 4400, Bonds Payable.

ACCOUNT NO. 3100, Due to Other Funds or Appropriations

A summary account of payables due to and prepayments from other funds or appropriations used for financial reporting purposes (Accounts 3110 through 3120).

(Continued)
ACCOUNT NO. 3110, Due to Other Funds or Appropriations

This is a summary account for amounts due to other funds or appropriations (Account 3114, Due to Other Funds and Account 3115, Due to Other Appropriations). It is used for financial reporting purposes. Amounts recorded in these accounts are payables for:

1. All outstanding obligations to other funds or appropriations for goods and services received,
2. The liability of payer funds for transactions between funds or appropriations, and
3. The current payable portion of long-term loans.

Agencies will keep a separate subsidiary account which shows the amount due to each fund. The fund will be identified by name in the subsidiary account title. The number of each such subsidiary account will be within the 3110 series plus a suffix consisting of a decimal point and the Uniform Codes Manual (UCM) code number of the fund. (For example: 3110.001 Due to General Fund, 3114.0001, Due to General Fund, 3115.0001, Due to General Fund.)

At year-end it includes accruals of amounts due in addition to those recorded during the year. The noncurrent portion of loans is shown in Account Nos. 4000 through 4050, Advances and Loans Payable.

ACCOUNT NO. 3120, Prepayments from Other Funds or Appropriations Shows prepayments from other funds or appropriations for services requested.

Agencies will keep a separate subsidiary account of the advances from other funds or appropriations. The fund will be identified by name in the subsidiary account title. The number of each such subsidiary account will be 3120 plus a suffix consisting of a decimal point and the UCM code number of the fund. (For example: 3120.0001, Prepayments From General Fund.)

ACCOUNT NO. 3130, State Income Tax Withheld Shows amounts withheld for state income tax.

ACCOUNT NO. 3200, Due to Other Governments
A summary account of intergovernmental payables used for financial reporting purposes (Accounts 3210 through 3290).

ACCOUNT NO. 3210, Due to Federal Government

Shows the amount due to the federal government as reimbursements for goods and services provided and other current obligations.

(Continued)
ACCOUNT NO. 3215, Federal Income Tax Withheld
Show amounts withheld for federal income tax.

ACCOUNT NO. 3220, Due to Local Government
Shows the amount due to local governments as reimbursements for goods and services provided and other current obligations.

ACCOUNT NO. 3230, Liability for Local Sales Tax Collections
Shows the liability to local governments for sales tax collections made by the State Board of Equalization.

ACCOUNT NO. 3290, Due to Other Governmental Entities
Shows the amount due to other governmental entities under various legal and contractual provisions.

ACCOUNT NO. 3300, Accrued Interest and Dividends Payable
A summary account of accrued interest and dividends payable used for financial reporting purposes (Accounts 3310 through 3320).

ACCOUNT NO. 3310, Accrued Interest Payable
Shows the interest accrued to date on outstanding bonds or similar obligations of the state.

ACCOUNT NO. 3320, Dividends Payable
Shows dividends declared by agencies which represent a refund to insurance policy holders.

ACCOUNT NO. 3400, Advance Collections
A summary account of advance collections used for financial reporting purposes (Accounts 3410 through 3430).

ACCOUNT NO. 3410, Revenue Collected in Advance
Shows revenue collected but not
yet earned.

ACCOUNT NO. 3420, Reimbursements Collected in Advance Shows reimbursements collected but not yet earned.

ACCOUNT NO. 3430, Operating Revenue Collected in Advance Shows operating revenue collected but not yet earned.

(Continued)
ACCOUNT NO. 3500, Liabilities for Deposits

A summary account of liabilities used for financial reporting purposes (Accounts 3510 through 3520).

ACCOUNT NO. 3510, Deposits

Shows the liabilities for cash or other property held in trust for depositors, which includes guaranty deposits. Special trusts, unclaimed checks and deposits, and unexpended federal receipts are included in Account No. 5530, Fund Balance–Unappropriated.

ACCOUNT NO. 3520, Project Deposits

Shows the liability of the Architecture Revolving Fund, State Highway Account, State Transportation Fund and Water Resources Revolving Fund for advance payments from other funds for specific projects.

ACCOUNT NO. 3600, Loans Payable A summary account of loans payable.

ACCOUNT NO. 3610, PMIA Loans Payable

Shows amounts borrowed from the Pooled Money Investment Account for state bond programs.

ACCOUNT NO. 3690, Other

Shows amounts borrowed from other sources. ACCOUNT NO. 3700, Other Current Liabilities

A summary account of other current liabilities used for financial reporting purposes (Accounts 3710 through 3790).

ACCOUNT NO. 3710, Cash Overages

Shows cash overages not yet refunded to payors or applied as revenue. ACCOUNT NO. 3720, Unapplied Remittances

Shows remittances to the State Treasury not yet applied to operating revenue nor identified as overpayments.

(Continued)
ACCOUNT NO. 3730, Uncleared Collections

Shows collections which must be reviewed to determine whether they are to be accepted for a fund in the State Treasury or refunded to payers. This account also contains fees which are not earned until a permit, license, or other document is issued.

ACCOUNT NO. 3740, Overpayments Refundable to Employers Shows the liability for refunds to employers.

ACCOUNT NO. 3750, Unapportioned Taxes

Shows apportionments due other funds or local governments. ACCOUNT NO. 3760, Accrued Leave Time

Shows the liability for vacation and compensating time off earned but not taken. It is used in funds that accrue vacation and compensating time off when earned or at the end of the fiscal year.

ACCOUNT NO. 3790, Other Current Liabilities Shows current liabilities not otherwise classified.
ACCOUNT NO. 4000, Advances and Loans Payable

A summary account of long-term advances and loans payable used for financial reporting purposes (Accounts 4010 through 4050).

ACCOUNT NO. 4010, Advances From Other Funds

Shows the noncurrent portion of long-term repayable advances owed to other funds. Agencies will keep a separate subsidiary account which shows the amount advanced from each fund. The fund will be identified by name in the subsidiary account title. The number of each such subsidiary account will be 4010 plus a suffix consisting of a decimal point and the UCM code number of the fund. (For example: 4010.001, Advances From General Fund).

ACCOUNT NO. 4020, Interfund Construction Loans Payable

A summary account of interfund construction loans payable used for financial reporting purposes (Account 4021 and 4022).

ACCOUNT NO. 4021, Interfund Building Certificates Payable

Shows the noncurrent portion of the long-term liability of the Public Buildings Construction Fund to other funds for certificates issued pursuant to the State Building Construction Act of 1955. Agencies will keep a separate subsidiary account which shows the amount borrowed from each fund. The fund will be identified by name in the subsidiary account title. The number of each such subsidiary account will be 4021 plus a suffix consisting of a decimal point and the UCM code number of the fund. (For example: 4021.0001, Interfund Building Certificates Payable to General Fund).

ACCOUNT NO. 4022, Interfund Building and Construction Loans Payable

Shows the noncurrent portion of the long-term liability for building and construction loans (evidenced by documents other than certificates issued pursuant to the State Construction Act of 1955).
Agencies will keep a separate subsidiary account which shows the amount borrowed from each fund. The fund will be identified by name in the subsidiary account title. The number of each such subsidiary account will be 4022 plus a suffix consisting of a decimal point and the UCM code number of the fund. (For example: 4022.0001, Interfund Building and Construction Loans Payable to General Fund.)

(Continued)
ACCOUNT NO. 4050, Interfund Loans Payable

Shows the noncurrent portion of the long-term liability for interfund loans.

Agencies will keep a separate subsidiary account which shows the amount borrowed from each fund. The fund will be identified by name in the subsidiary account title. The number of each subsidiary account will be 4050 plus a suffix consisting of a decimal point and the UCM code number of the fund. (For example: 4050.0001, Interfund Loans Payable to General Fund.)

ACCOUNT NO. 4200, Installment Contracts

A summary account of installment contract liabilities used for financial reporting purposes (Accounts 4210 and 4220).

ACCOUNT NO. 4210, Installment Contracts Payable

Shows the liability for future installment payments on assets purchased under installment purchase contracts.

ACCOUNT NO. 4220, Lease/Purchase Contracts

Shows the liability for future payments on fixed assets rented under a lease-purchase contract.

ACCOUNT NO. 4300, Notes Payable

A summary account of notes payable used for financial reporting purposes (Accounts 4310 through 4330).
ACCOUNT NO. 4310, Notes Payable

Shows the notes outstanding at face amount. ACCOUNT NO. 4320, Notes Payable–Premium
Shows unamortized premium on notes sold at more than face amount. The premium is amortized over the life of the note.

ACCOUNT NO. 4330, Notes Payable–Discount

Shows unamortized discount on notes sold at less than face amount. Discount is amortized over the life of the note.

(Continued)
ACCOUNT NO. 4400, Bonds Payable

A summary account of bonds payable used for financial reporting purposes (Accounts 4410 through 4430).

ACCOUNT NO. 4410, Bonds Payable

Shows the bonds outstanding at face amount. ACCOUNT NO. 4420, Bonds Payable—Premium

Shows unamortized premium on bonds sold at more than the face amount. The premium is amortized over the life of the bond.

ACCOUNT NO. 4430, Bonds Payable—Discount

Shows unamortized discount on bonds sold at less than the face amount. The discount is amortized over the life of the bond.

ACCOUNT NO. 4700, Other Long-Term Liabilities

 Shows long-term liabilities not otherwise classified.
ACCOUNT NO. 5100, Capital Contributions

A summary account of capital contributed to funds used for financial reporting purposes (Accounts 5110 through 5190).

ACCOUNT NO. 5110, Contributions in Aid to Construction

Shows permanent fund capital contributed to funds in Aid to Construction. ACCOUNT NO. 5120, Contributions by Federal Grants

Shows permanent fund capital contributed to funds by federal grants. ACCOUNT NO. 5130, Contributions by State Grants

Shows permanent fund capital contributed to funds by state grants. ACCOUNT NO. 5190, Other Contributions

Shows permanent fund capital contributed to funds not otherwise classified. It includes permanent working capital advanced by other funds without a requirement that the advance be repaid.

ACCOUNT NO. 5200, Investment in Capital Assets

An account that shows the state's investment in capital assets. It is used by funds that accounts for assets on an "expenditure" basis.

Agencies will keep a separate subsidiary accounts which show the fund source of the asset acquisition. The fund will be identified by name in the subsidiary account title. The number of each such subsidiary account will be 5200 plus a suffix consisting of a decimal point and the UCM code number of the fund. (For example: 5200.0001, Investment in Capital Assets–General Fund).
ACCOUNT NO. 5300, Reservations of Fund Balance—Unavailable for Appropriation

A summary account of fund balance reserves used for financial reporting purposes (Accounts 5330 through 5391).

(Continued)
ACCOUNT NO. 5330, Reserve for Prepaid Items

This account is used to segregate a portion of fund balance to show that prepaid items do not represent available spending resources even though they are a component of net current assets.

ACCOUNT NO. 5340, Reserve for Advances

This account is used to segregate a portion of fund balance to show that the noncurrent portion of long term repayable advances to other funds do not represent available spending resources because they are not current assets.

ACCOUNT NO. 5350, Reserve for Encumbrances

This account is used to segregate a portion of fund balance for expected expenditures.

ACCOUNT NO. 5370, Reserve for Interfund Loans Receivable

This account is used to segregate a portion of fund balance equal to noncurrent portions of long-term interfund loans receivable.

ACCOUNT NO. 5380, Reserve for Noncurrent Loans Receivable

This account is used to segregate a portion of fund balance equal to noncurrent portions of long-term loans receivable.

ACCOUNT NO. 5390, Other Reserves
Shows fund balance reserve not otherwise classified. It is used as a reserve for Account No. 2730, Deposits in Condemnation Proceedings.

ACCOUNT NO. 5391, Fund Balance – Reserve for Proposition 98

(CONTROLLER’S USE, ONLY)

(Continued)
ACCOUNT NO. 5400, Reservations of Retained Earnings

A summary account of reservation of retained earnings used for financial reporting purposes (Accounts 5410 through 5420).

ACCOUNT NO. 5410, Reserve for Bond Retirement

Shows the reserves for debt service. When reserves for principal, reserves for interest, and other reserves are required to be kept separately, a separate account within the 5410 series should be established.

ACCOUNT NO. 5420, Reserve for System Improvements

Shows retained earnings reserved for system improvements in accordance with the terms of a revenue bond indenture.

ACCOUNT NO. 5500, Fund Balance or Retained Earnings

A summary account of fund balance or retained earnings used for financial reporting purposes (Accounts 5510 through 5570).

ACCOUNT NO. 5510, Fund Balance Appropriated

This account shows fund balance which has been appropriated for expenditure in the annual budget.
ACCOUNT NO. 5520, Fund Balance—Continuing Appropriations

Shows fund balance which is continuously appropriated for expenditure. ACCOUNT NO. 5530, Fund Balance—Unappropriated

Shows fund balance of fund which is available for appropriation. Agencies recording transactions for the General Fund or other funds not accounted entirely by one agency will use Account No. 5570, Fund Balance—Clearing Account.

(Continued)
(Continued)

FUND EQUITY

ACCOUNT NO. 5540, Retained Earnings Shows the accumulated earnings of funds.

ACCOUNT NO. 5570, Funds Balance—Clearing Account

Shows each agencies shared equity (net assets or liabilities) of particular funds in the State Treasury not accounted entirely by one agency. This account is not used during the fiscal year. At the end of the fiscal year the balance (the net agency remittances to or disbursements from the particular funds in the State Treasury) of Account No. 1140, Cash in State Treasury is transferred to this account. Revenue and expenditure accounts are closed to this account.
ACCOUNT NO. 6000, Controller's Budgetary Accounts

A summary budgetary account used for financial reporting purposes. ACCOUNT NO. 6010, Estimated Revenues (DR)

(CONTROLLER'S USE, ONLY)

Shows the estimated revenue to be collected during the current period. ACCOUNT NO 6030, Appropriations (CR)

(CONTROLLER'S USE, ONLY)

Shows the authorizations to make expenditures or incur commitments.

ACCOUNT NO. 6040, Appropriations – Reserve for Proposition 98

(CONTROLLER'S USE, ONLY)

ACCOUNT NO. 6100, Agencies' Budgetary Accounts

A summary agency budgetary account used for financial reporting purposes (Accounts 6110 through 6180).

ACCOUNT NO. 6110, Appropriations (CR)

Shows the authorization to make expenditures or incur commitments. This account is equivalent to the Controller's Appropriations account. It is used by agencies to maintain a full self-balancing set of general ledger accounts. This account balance is offset by
ACCOUNT NO. 6120, Appropriations—(DR)

This account balance offset Account No. 6110, Appropriations.

(Continued)
ACCOUNT NO. 6130, Allotments (CR)

Shows a part of an appropriation to be expended for a particular purpose. It is used by agencies to maintain a full self-balancing set of general ledger accounts. This account balance is offset by Account No. 6140, Allotments–Offset.

ACCOUNT NO. 6140, Allotments (DR)

This account balance offsets Account No. 6130, Allotments.

ACCOUNT NO. 6150, Encumbrances (DR)

Shows unliquidated encumbrances chargeable to appropriations or other budgetary authorizations.

ACCOUNT NO. 6170, Obligations (DR)

Shows estimated obligations chargeable to appropriations or other budgetary accounts. This account balance is offset by Account No. 6180, Obligations–Offset.

ACCOUNT NO. 6180, Obligations–Offset (CR)

This account balance offsets Account NO. 6170, Obligations.

ACCOUNT NO. 6200–6299, Special Agency Budgetary Accounts

Special accounts for budgetary reporting purposes to be used only by CALSTARS agencies. These accounts are further detailed and described in the CALSTARS Procedures Manual.

ACCOUNT NO. 6900–6999, Special Agency Financial Reporting Accounts

Accounts for special reporting purposes.
ACCOUNT NO. 8000, Revenue or Operating Revenue

A summary account which shows revenue or operating revenue collected or accrued for the current fiscal year (Account 8010 through 8090). At year-end it includes revenues collected or accrued for it by other funds. It does not include revenues collected in advance for subsequent fiscal years or revenue collected for other funds. The following accounts within the 8000 series classify revenues by source. Agencies may use supplemental accounting techniques to record the details which must be reported while maintaining the general ledger itself at the 8000 account level. For example, the general ledger may include only the summary account balance (Account No. 8000).

Detailed revenue source data could be maintained on supplemental records.

ACCOUNT NO. 8010, Revenue from Taxes

A summary account which shows revenue from taxes (Accounts 8011 and 8012).

ACCOUNT NO. 8011, Major Taxes and Licenses

Shows the revenue from the specific taxes and licenses itemized in the Revenue Section of the Uniform Codes Manual (UCM), Receipt Codes 11XXXX.

ACCOUNT NO. 8012, Regulatory Taxes, Licenses, Fees, and Penalties

Shows the revenue from the specific taxes, licenses, fees, and penalties itemized in the Revenue Section of the UCM, Receipt Codes 12XXXX.

ACCOUNT NO. 8020, Federal Grants and Contracts

Shows revenue received by the State directly from the Federal government. These revenues are classified according to the Catalog of Federal Domestic Assistance structure and are recorded with UCM Receipts code 4XXXXX. See UCM Receipts From Federal Government Section for specifics.
ACCOUNT NO. 8030, Revenue from Local Agencies

Shows the revenue from Local Agencies as specified in the UCM Revenue Section,

Receipts code 13XXXX/ (Continued)
ACCOUNT NO. 8040, Revenue from Services to the Public

Shows the revenue from services to the public as specified in the UCM Revenue Section, Receipts code 14XXXX or Operating Income Section Receipts codes 211XXX and 212XXX.

ACCOUNT NO. 8050, Revenue from Use of Property/Money and Natural Resources

Shows the revenue from the use of property, money and natural resources specified in the UCM Revenue Section, Receipts code 15XXXX or Operating Income Section, Receipts code 213XXX.

ACCOUNT NO. 8060, Revenue from Investments and Loans

A summary account which shows the income from investments and loans (Accounts 8061 and 8063) described in UCM Operating Income Section Receipt code 215XXX.

ACCOUNT NO. 8061, Interest Revenue A division of Account 8060.

ACCOUNT NO. 8063, Gain or Loss (DR) on Sale and Call of Securities A division of Account 8060.

ACCOUNT NO. 8070, Revenue from Contributions to Fiduciary Funds

A summary account which shows the income from contributions (Accounts 8071 through 8073) described in UCM Operating Income Section, Receipt Code 221XXX. (Fiduciary Fund Group).

ACCOUNT NO. 8071, Employer Contributions to Retirement Funds A division of
Account 8070.

ACCOUNT NO. 8072, Employee Contributions to Retirement Funds A division of Account 8070.

(Continued)
ACCOUNT NO. 8073, Other Contributions to Trust and Agency Funds A division of Account 8070.

ACCOUNT NO. 8090, Other Revenue or Operating Revenue

Shows all other revenue as defined in the UCM Revenue Section, Receipt Code 16XXXX; Operating Income Section, Receipt Codes 216XXX, 217XXX and 299XXX; and Other Section, Receipt Code 5XXXXX.

ACCOUNT NO. 8100, Reimbursements

A summary account of intra-state and external reimbursements (Accounts 8110 and 8120) used for financial reporting purposes.

ACCOUNT NO. 8110, Intra-State Reimbursements

Shows reimbursements collected or accrued for goods or services furnished to other State agencies for the current fiscal year. Unlike expenditure abatements which are credited to appropriations, reimbursements are accounted separately.

Reimbursements may not be expended unless appropriated or allocated for agency use.

ACCOUNT NO. 8120, External Reimbursements

Shows reimbursements collected or accrued for goods or services furnished to other persons or organizations external to State government for the current fiscal year.
Unlike expenditure abatements which are credited to appropriations, reimbursements are accounted separately. Reimbursements may not be expended unless appropriated or allotted for agency use.
ACCOUNT NO. 9000, Appropriation Expenditures or Operating Expenditures and Expenses

A summary account that shows expenditures of governmental funds and expenses of proprietary funds (Accounts 9010 through 9090). For governmental funds, expenditures are chargeable to appropriations and executive orders available for expenditure during the fiscal year. For proprietary funds, operating expenses relate directly to the fund's primary service activities. These funds are accounted on an expense rather than expenditure basis.

The following 9000 series accounts are used to classify expenditures and expenses by character, category, and object. Departments may use subsidiary accounting techniques to report the detail category and object classifications while maintaining the general ledger itself at the 9000 account level. For example, the general ledger may include only summary account balance (Account No. 9000). A supplemental report of category and object expenditures can be produced to fulfill other reporting requirements.

ACCOUNT NO. 9010, State Operations

A summary account that shows the expenditure categories of personal services, operating expenses and equipment, and special items of expense (Account 9011 through 9013). State operations reflect the costs of activities conducted at the state level to benefit the current fiscal period. Exceptions to this fiscal year matching are (1) the inclusion of debt service costs which presumably benefit prior fiscal periods as well as current and future periods; and (2) the use of support categories for costs associated with capital outlay appropriations.

ACCOUNT NO. 9011, Personal Services

The category of personal services includes payments for salaries, wages, and staff
benefits. Included also are merit suggestions awards and retroactive pay adjustments. Excluded from personal services are salaries paid under contract and payments for health and welfare benefits for prevailing rate employees as authorized by Government Code section 18853.5.

ACCOUNT NO. 9012, Operating Expenses and Equipment

This category broadly includes expenditures for goods and/or services except for personal services and expenditures designated as special items of expense.

(Continued)
ACCOUNT NO. 9013, Special Items of Expense

Special items of expense are those large expenditures or special purpose expenditures that normally require a separate appropriation, present a clearer fiscal picture if reported separately, or do not conform easily to the uniform expenditure objects.

ACCOUNT NO. 9020, Local Assistance

A summary account which shows resources provided to counties, cities, special districts, etc. (Accounts 9021 through 9023). Typically, these resources are used to maintain, enhance, or implement objectives or goals of a particular program, element, component, or task. Also included are reimbursements for legislative and executive mandated program increases.

ACCOUNT NO. 9021, Local Mandated Programs

Reimbursement of costs for legislative or executive mandated programs at the local level. Also includes reimbursements for local administrative costs when the local entity is not the primary recipient.

ACCOUNT NO. 9022, Loans

Funding made available to primary recipient for particular purpose which creates a repayment liability for the recipient.

ACCOUNT NO. 9023, Other Local Assistance

Funding made available to a primary recipient for a particular purpose which creates no repayment liability for the recipient.

(Continued)
ACCOUNT NO. 9030, Capital Outlay This account includes purchase of:

1. Land and related costs, including court costs, condemnation costs, legal fees, title fees, etc.

2. Construction projects, including preliminary plans and working drawings. Construction projects include new construction, alteration, or extension or betterment of existing structures.

3. Equipment related to a construction project regardless of costs or timing.

4. Minor capital outlay projects which consists of construction or equipment projects whose estimated cost is $100,000 or less.

For additional information regarding Capital Outlay, see SAM sections 1303, 1450–1460, 6103, 8343, and 8363.

ACCOUNT NO. 9040, Retirement Outlay

A summary account which shows benefit expenditures and contribution refunds (Accounts 9041 and 9042). The account is used by retirement funds (Fiduciary Funds Group) and accounted separately due to materiality.

ACCOUNT NO. 9041, Benefit Expenditures

Shows payments made to system members who have retired from active service or to their survivors.
ACCOUNT NO. 9042, Contribution Refunds

Shows contributions returned to persons who have withdrawn from the system and have requested the return of their equity in the system.

(Continued)
ACCOUNT NO. 9050, Federal Flow through Money

Shows federal funding passed to a sub-recipient where the state department is the recipient of federal funds.

ACCOUNT NO. 9060, Taxes Collected for Local Government Shows taxes collected by the state for local governments.

ACCOUNT NO. 9090, Other Trust and Agency Expenditures

Shows trust and agency uses of financial resources not otherwise classified.
ACCOUNT NO. 9800, Financing Sources/Uses

A summary account of other financing sources and uses (Accounts 9810 through 9894) used for financial reporting purposes.

ACCOUNT NO. 9810, Operating Transfers

A summary account of net operating transfers (Accounts 9811 and 9812) used for financial reporting purposes.

ACCOUNT NO. 9811, Operating Transfers In

Shows the amount transferred and/or receivable from other funds of (1) receipts and/or accruals from other funds that are accounted as revenues of the transferor fund, (2) amounts to be disbursed immediately by the transferee fund; i.e., where the transferee fund is an intermediary for convenience in disbursing operations, (3) amounts to be disbursed where the fund of final disbursement is not a Governmental fund, such as the State Payroll Revolving fund, and (4) surplus; i.e., amounts that represent neither specific revenues of the transferor fund nor transfers to allow specific expenditures by the transferee fund. The fund number is required at the subsidiary level, with the fund name identified in the account title (for example, 9811.0001 General Fund).

Departments will keep a separate subsidiary account showing the amount transferred and/or receivable from each fund.

ACCOUNT NO. 9812, Operating Transfers Out

Shows the amount transferred and/or payable to other funds of (1) revenue collected
and/or accrued for other funds, (2) amounts that are revenue for the collecting fund, (3) amounts to be disbursed by the transferee fund where the transferee fund holds the amounts for some time and is not just an intermediary for convenience is disbursing operations, and (4) surplus; i.e., amounts that represent neither specific revenues of the transferor fund nor transfers to allow specific expenditures by the transferee fund. The fund number is required at the subsidiary level, with the fund name identified in the account title (for example, 9812.0001 General Fund). Departments will keep a separate subsidiary account showing the amount transferred and/or payable to each fund.

ACCOUNT NO. 9820, Interest on Interfund Loans

A summary account of interest on interfund loans (Accounts 9821 and 9822) used for financial reporting purposes.

(Continued)
OTHER FINANCIAL SOURCES/USES 7680 (Cont. 1)

(Continued)

ACCOUNT NO. 9821, Interfund Interest Revenue

Shows interest collected and/or accrued on interfund building and construction loans or other loans between state funds.

ACCOUNT NO. 9822, Interfund Interest Expense

Shows interest expense on interfund building and construction loans and other loans between state departments.

ACCOUNT NO. 9830, Other Sources

A summary account of other financing sources (Accounts 9831, 9832, and 9839) used for financial reporting purposes.

ACCOUNT NO. 9831, Proceeds of General Obligation Bonds

Shows the sale receipts of General Obligation Bonds by the state departments responsible for account for the Bond Fund.

ACCOUNT NO. 9832, Receipt of Loan Principal Payments

Shows the receipt of outstanding loan principal owed to the state departments responsible for administering a specific loan program.

ACCOUNT NO. 9839, Other Financial Sources

Rev. 411
Shows sale proceeds from all bonds other than General Obligations Bonds and other miscellaneous financial sources.

ACCOUNT NO. 9840, Other Uses

A summary account of other financing uses (Account 9841 through 9843) used for financial reporting purposes.

ACCOUNT NO. 9841, Interest on Bonds

Shows the payments for bonded debt interest expense. (Continued)
ACCOUNT NO. 9842, Principal on Bonds

Shows the repayment of bonded debt principal expense. ACCOUNT NO. 9843, Paying Agents’ Fees

Shows bonded debt retirement expenses incurred by an agent of the state acting as a financial intermediary.

ACCOUNT NO. 9844, Loan Principal Disbursements

Shows the payment or disbursement of loan principal by a state department to another state department, local government, private individual, or company. The loan is expected to be repaid at some future date.

ACCOUNT NO. 9890, Prior Year Adjustments

A summary account to show the prior year adjustment (Accounts 9891 through 9894) used for financial reporting purposes.

ACCOUNT NO. 9891, Refunds to Reverted Appropriations

Shows the abatements and reimbursements credited to reverted appropriations, and the abatements and reimbursements remitted as such to the State Treasurer but not ordered into the State Treasury until after reversion of the appropriation to which they apply.

ACCOUNT NO. 9892, Prior Year Revenue Adjustments
SAM—STRUCTURE OF GENERAL LEDGER ACCOUNTS

Shows the net difference between the amount of revenue accrued and reported at year end and the actual revenue collected.

ACCOUNT NO. 9893, Prior Year Appropriations Adjustments

Shows the difference between expenditures, abatements, and reimbursements accrued as of the previous June 30 and the actual expenditures, abatements, and reimbursements as they are processed during the current fiscal year for appropriations no longer available for encumbrances.

ACCOUNT NO. 9894, Surplus Adjustments

Shows adjustments to surplus for which no other income or expenditure account is provided.
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The following sections describe generally the more commonly maintained ledgers, files, and registers that are subsidiary to General Ledger accounts. The form and content of these records may vary among agencies except as specifically described in other chapters. They are listed approximately in the numerical order of the General Ledger accounts to which they are subsidiary and show the accounts to which they are normally subsidiary. These records will be reconciled to the General Ledger monthly.

**REVOLVING FUND CASH BOOK** 7810

(Subsidiary together with Revolving Fund Receivables Ledger to Account No. 1130)

The Cash Book is a debit, credit, and balance record. It is debited for remittances and reimbursements deposited and is credited for revolving fund checks drawn. Its balance shows the cash portion of the interest amount of the Revolving Fund. (See also SAM Sections 8190 and 8191.)

**FILE OF UNCLEARED REMITTANCES TO STATE TREASURY** 7812

(Subsidiary to Account No. 1150)

This file contains a copy of each Controller's Remittance Advice, Form CA–21, for which the Controller's Receipt copy has not yet been received. When the receipted copy is received, the pending copy is removed from the file, compared with the receipted copy, and destroyed. After it is recorded in the accounts, the receipted copy is filed in a closed file. The total of the uncleared remittances must equal the balance of Account No. 1150.

**CASH ON HAND REGISTER** 7813

(Subsidiary to Account No. 1150)
This register is a listing of cash receipts that are not to be deposited immediately because they (1) normally will be returned to payers without being deposited, such as bid deposits, or (2) are payments of smaller amounts than are due the State which, if deposited, would prejudice the State’s right to make further collection. When these items subsequently are either returned to the payers or applied and deposited in the General Cash account, the date on which each item is returned or deposited is noted on the register opposite the original entry. The open items on the register must equal the balance of Account No. 1190.
Either a ledger or a file, or both, may be maintained for receivables as circumstances warrant, a separate section being subsidiary to each applicable General Ledger receivable account. Use of a file of open invoices saves posting to individual accounts when all receivables are billed and most are paid in full by single remittance. A copy of each invoice is placed in the file when prepared and is removed and transferred to a closed file when paid. When a ledger is used, an account for each debtor is debited when amounts become due and credited when payments are received. An Accrued Income Receivable account is established for each subsidiary classification of such income accrued as of June 30.

Bank debit notices, received when dishonored checks are returned by banks, are filed in an open file pending clearance of the dishonored checks. As dishonored checks are redeposited, substituted with other checks or legal tender, or the agency is discharged from accountability by the State Board of Control, the corresponding debit notices are removed from the open file and placed in a closed file.

An account is maintained for each cashier that is held accountable for cash shortages. The accounts are debited when cash shortages occur and are credited when
restitutions are received from cashier or discharge from accountability is received from the State Board of Control.

UNEXPIRED INSURANCE LEDGER 7817

(Revised and Renumbered from 7818 3/1987)

(Subsidiary to Account No. 1720)

An account for each insurance policy is debited for the amount of premium paid and credited for the amount of insurance charged to expense each accounting period.
PURCHASE STORES LEDGER  

(Revised and Renumbered from 7819 3/1987)

(Subsidiary record used by institutions maintaining a stores system)

The form and content of the Purchased Stores Ledger will vary according to the requirements of the type of operation of various institutions. Normally an account will be maintained for each item carried in stores, which will be debited for the quantity and value of stores purchased and credited for the quantity and value of stores issued. (See SAM Section 10800 for Institutional Stores Accounting.)

UNCOMPLETED PUBLIC WORKS PROJECT FILE  

(Revised and Renumbered from 7821 3/1987)

(Subsidiary to Account No. 1730)

Controller's Transfers, transferring funds to the Architecture Revolving Fund supported by Public Works Project Authorization and Transfer Requests for each project, are retained in this file until the project is reported completed by the Office of Architecture and Construction and unused funds are returned.

INVESTMENTS LEDGER  

(Revised and Renumbered from 7814 3/1987)

(Subsidiary to Account Nos. 2012 and 2040)

The form and content of this ledger will vary among agencies depending upon the volume and type of investment transactions. As a minimum, when applicable, it may consist of a file of Treasurer's Receipts for securities purchased. For securities recorded at par value, it should contain an account for each security purchase and include a record of premium amortization, discount accumulation, and the resulting book value.

Accrued interest purchased and receipts of interest representing accrued interest purchased also are shown in the Investments Ledger.
This register consists of the detailed records of each asset including the description and cost. For agencies that account for depreciation on tangible assets and amortization on intangible assets, the detailed records also show the amount of accumulated depreciation/amortization. (See SAM Sections 8600-8672 for detailed descriptions.)
FILE OF UNCLEARED CONDEMNATION DEPOSITS 7822
(Revised 3/1987)
(Subsidiary to Account No. 2730)

This file contains the documents related to each condemnation proceeding until final settlement is made, the grantor is paid, and the deposit is returned.

ACCOUNTS PAYABLE LEDGER OR FILE 7823
(Revised 3/1987)
(Subsidiary to Account No. 3010)

For Governmental Funds, this record normally consists of a listing of accounts payable accrued at June 30. For other funds, it may consist of a file of obligations not scheduled for payment which have been accounted as expenses. For any fund, where applicable, it may include an account for each person or entity from which amounts are withheld pursuant to rule, regulation, law, or agency practice.

CLAIMS FILED REGISTER 7824
(Revised 3/1987)
(Subsidiary to Account No. 3020)

Claims filed with the State Controller's Office for payment, and related claim corrections, are entered in the Claims Filed Register. When claims are paid, as evidenced by Notices of Claims Paid for warrants issued or by Controller's Journal Entries or Transfers for settlement of "no warrant" claims, the related items are checked off in the Claims Filed Register. The unchecked items in the register are subsidiary to Account No. 3020, Claims Filed.
TRUST DEPOSITS LEDGER OR FILE 7825

(Revised and Renumbered from 7827 3/1987)

(Subsidiary to Account Nos. 3510 and 5530)
This ledger or file may consist of a file of copies of receipts given to depositors (or an account for each depositor which is credited as deposits are received and debited as disbursements are made or deposits returned), an account for each special trust, and a list of unclaimed deposits.
UNCLEARED COLLECTION FILE 7826
(Revised 3/1987)
(Subsidiary to Account No. 3730)

Receipts for cash, application forms, remittance advices and other documents supporting cash receipts, the disposition of which cannot be identified or which cannot for any reason be cleared as revenue, reimbursements, etc., are placed in this file. They are removed and disposition noted thereon as the items are cleared and applied or are refunded.

BOND AND BUILDING LOAN LEDGER 7827
(Revised and Renumbered from 7825 3/1987)
(Subsidiary to Account Nos. 4021, 4022, 4410)

This ledger normally contains an account for each series of bonds issued and/or each building loan payable. The accounts are credited for the par value, premium, and accrued interest sold, received on bonds issued and the amount of building loans payable, and are debited for amounts of premium amortized, bonds redeemed, payments of interest representing accrued interest sold, and payments on principal of building loans.

FILE OF OPEN ESTIMATES 7828
(Revised 3/1987)
(Subsidiary to Account No. 6150)

A copy of each encumbrance document will be filed in an open estimates file. As estimates are adjusted or partially liquidated by claims or transfers, the transactions and remaining unliquidated balance are noted on the document. When estimates are fully liquidated or adjusted to a zero balance, the transaction is noted on the document and it is removed from the file.
(Revised 3/1987)

(Subsidiary to Account Nos. 6150, 8100, 9000)

See Allotment-Expenditure Accounting, Chapter 8300, for detailed explanation and procedures.
REVENUE LEDGER 7830

(Revised 3/1987)

(Subsidiary to Account Nos. 8000 through 8090)

This ledger contains accounts in the degree of detail required by the agency, but within
the classification and numbering system used for the Controller’s subsidiary revenue
accounts. (See SAM Section 8213.) Entries in this ledger are usually made from the
monthly distribution column totals in the General Cash Receipts Register and the
Clearance Register. However, if many subsidiary revenue account classifications are
necessary, entries may be made from daily collection reports, recapitulations of
clearance documents, or other media showing an analysis of the accounts to be
credited. Other credits to accounts in this ledger may come from Controller’s Transfers
and general journal entries. Sources of debits to this ledger are the Clearance Register
Claims Filed Register, and the General Journal.

If revenue is received prior to June 30 which will be applied as revenue of the
subsequent fiscal year, a new revenue ledger will be established for the subsequent
fiscal year at the time the cash is received. Until July 1, this ledger will be subsidiary to
Account No. 3410, Revenue Collected in Advance. As of July 1, a General Ledger entry
will be made debiting Account No. 3410 and crediting Account No. 8000. (See Standard
Entry No. 42.) This ledger will then become subsidiary to Account No. 8000.

PRIOR YEAR REVENUE ADJUSTMENTS LEDGER 7831

(Revised 3/1987)

(Subsidiary to Account No. 9892)

This ledger contains an account for each subsidiary classification of revenue accrued as
of June 30.

PRIOR YEAR APPROPRIATION ADJUSTMENTS LEDGER 7832

(Revised 3/1987)
(Subsidiary to Account No. 9893)

This ledger contains an account for each prior year appropriation no longer available for encumbrance but not yet reverted. Each account shows the difference between the net amount of expenditures, abatements, and reimbursements accrued at the previous June 30, and the amount of actual expenditures, abatements, and reimbursements during the current fiscal year for appropriations no longer available for encumbrance.
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<td>REPORTING CHANGES IN ACCRUALS – SUBSEQUENT EVENTS</td>
<td>7981</td>
</tr>
<tr>
<td></td>
<td>ANALYSIS OF CASH IN TRANSIT</td>
<td>7982</td>
</tr>
</tbody>
</table>
The reconciliations and reports chapter provides general information, reporting requirements, and deadlines for preparing financial reconciliations and reports. It also provides instructions and standard formats for preparing the year-end financial reports. More detailed instructions for preparing the year-end financial reports are issued annually to departments by the State Controller’s Office (SCO).

Additionally, departments that use the California State Accounting and Reporting System (CALSTARS) will refer to the CALSTARS Procedures Manual. Departments that use the Financial Information System for California (FI$Cal) will refer to: Fiscal Website.

RECONCILIATIONS - GENERAL

The accuracy of a department's accounting records may be proved partially by making certain reconciliations and verifications. Departments will reconcile the account balances to supporting documentation such as invoices, receipts, etc. to ensure the accuracy and completeness of transactions posted to the departmental accounts.

Departments will also compare department accounts with records other than those prepared by the department such as bank statements used in a bank reconciliation.

In addition to the above reconciliation processes, reconciliations must be completed between the department accounts and the accounts maintained by the SCO to disclose errors as they occur. Departments will analyze differences and make corrections to their accounts or request correction to SCO accounts so that information between both systems is complete and accurate. Corrections to errors should be made before financial reports are prepared to ensure the accuracy of a department’s financial reports.

State Administrative Manual (SAM) sections 7921-7924 provide some common reconciliations. However, each department is responsible for completing any
reconciliation necessary to safeguard the state’s assets and ensure reliable financial data. All reconciliations will show the preparer’s name, reviewer's name, date prepared, and date reviewed. All reconciliations will be prepared monthly within 30 days of the preceding month, with the exception of property reconciliations. See SAM section 7924.

All reconciliations will be retained at least two years with the exception of federal reconciliations. For more information on the recommended general retention schedule, see the Department of General Services website.
DEPARTMENTS USING CALSTARS 7904
(Revised 6/14)

Departments that use CALSTARS will refer to the CALSTARS Procedures Manual together with the guidelines and instructions presented within SAM. Instructions and illustrations of CALSTARS year-end financial reports and reconciliations are available in the CALSTARS Procedures Manual at the Department of Finance website: Calstars Procedures Manual.

DEPARTMENTS USING FI$CAL 7905
(New 7/2014)

Departments that use FI$Cal will refer to job aids and other materials at FI$Cal’s website (Fiscal Job Aids and Other Materials) together with the guidelines and instructions presented within SAM.

RECONCILIATION OF DEPARTMENT’S ACCOUNT BALANCES WITH SCO BALANCES 7921
(Revised 6/14)

Departments will reconcile their accounts with the corresponding accounts maintained by the SCO. The SCO provides the following reconciliation reports to departments to facilitate the monthly reconciliation process:

1. Agency Reconciliation Report—will be used by departments to reconcile their appropriation account balances. For each appropriation account, the report displays the beginning balance, transactions that occurred during the month, and the ending balance. The reconciliation will detail differences in appropriation balances between the SCO and department’s records. Departments will resolve reconciling items timely to prevent differences at year-end.
2. Fund Reconciliation Report—will be used by departments to reconcile their general ledger account balances. Departments will reconcile general ledger account balances with the corresponding balances maintained by the SCO for non-shared funds and shared funds.

See Department of Finance, Budget Letter Number 14-04, Attachment 1 for the responsibilities and authority of fund administrators and fund users for both non-shared and shared funds. One of the responsibilities of a fund administrator and a fund user is to “verify the accuracy of departmental accounting records by performing monthly reconciliations with source documents and corresponding appropriation and general ledger accounts maintained by the SCO.” This responsibility applies to fund administrators and fund users of both non-shared and shared funds.
Departments will reconcile their Office Revolving Fund account using the method shown below.

**Department Name and Number Revolving Fund Reconciliation As of June 30, 20**

**Cash:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Book Balance</td>
<td>$7300.00</td>
</tr>
<tr>
<td>Cash on hand includes</td>
<td></td>
</tr>
<tr>
<td>Cash in sub-revolving funds</td>
<td>200.00</td>
</tr>
<tr>
<td>(e.g., change funds and cash purchase funds)</td>
<td></td>
</tr>
<tr>
<td>Undeposited receipts</td>
<td>50.00</td>
</tr>
<tr>
<td>Unreceipted SCO warrants</td>
<td>600.00</td>
</tr>
<tr>
<td></td>
<td>$8150.00</td>
</tr>
<tr>
<td>Transit for reimbursement of revolving fund</td>
<td></td>
</tr>
</tbody>
</table>

**Expense advances: 2/**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Travel</td>
<td>500.00</td>
</tr>
<tr>
<td>Salary</td>
<td>1000.00</td>
</tr>
<tr>
<td></td>
<td>1,500.00</td>
</tr>
<tr>
<td>Claims Filed but not yet paid by the SCO</td>
<td>4,000.00</td>
</tr>
<tr>
<td>3/ Amount of revolving fund withdrawn from appropriation or pursuant to statute</td>
<td>$13,650.00</td>
</tr>
</tbody>
</table>

1/ Includes warrants dated the month being reconciled but not received until the following month (e.g., warrants dated June 30, but not received until July).

2/ List advances on supporting schedules with corresponding revolving fund check
numbers and amounts.

3/ List corresponding claim schedule numbers and amounts.
Departments will reconcile their bank account balance with the like account maintained in the centralized State Treasury System (CTS). Departments will reconcile their General Cash, Revolving Fund Cash, and Agency Trust Fund Cash accounts with their State Controller’s Office (SCO), Centralized Treasury Trust System Account Statement bank balance, adjusted for deposits in-transit, outstanding checks, and other reconciling items. When departments account for more than one fund in a bank account, departments will identify the fund’s share on the bank reconciliation.

SCO provides a monthly Centralized Treasury Trust System Account Statement (CTS statement) to departments that includes a sequential listing of the following items by transaction/paid date, document number, and amount:

- Checks paid during the month
- Transfers of Funds (i.e. TC47 SCO transaction code entries) during the month
- Deposits posted during the month

For each check paid, the CTS statement shows the check number, date paid, and the amount paid. Departments will use the listing to determine the amount of outstanding checks. The outstanding check amount on the reconciliation will be supported by a list showing the number, date, and amount of each outstanding check. On October 1, 2010, all agency checks were converted to electronic images and were made available on the STO statewide Agency Paid System. Check data is updated daily and retained for five years from the check paid date. Departments can access and print images of their checks through the automated system. To obtain access to the Agency Paid System, departments shall complete the STO’s User ID Assignment/Removal Form STO-IP 130. The form and information can be obtained by contacting the STO Item Processing Section at ItemProc@sto.ca.gov.

The CTS statement also includes a chronological listing of SCO transfers from the account and bank deposits posted during the month. Departments will compare the transfers and deposits posted on the CTS statement to department records to
determine the amount of outstanding transfers and deposits in-transit. The outstanding transfers and deposits on the reconciliation will be supported by respective lists showing the document number, date, and amount outstanding. Departments will attempt to resolve deposits in-transit over 30 days.

Errors on the CTS statement will be corrected as provided in SAM section 8060. The reconciliation will trace every reconciling item between the bank and the department’s records and include an explanation. Departments will file CTS statements and monthly reconciliations in date order.
Departments will reconcile the acquisitions and dispositions of capitalized property with the amounts recorded in the property ledger. The reconciliation should be done monthly or at least quarterly, depending on the volume of transactions. See SAM section 8650, Accounting and Control of Property. Departments will perform a physical count of all capitalized and non-capitalized property and reconcile the count with accounting records at least once every three years. See SAM section 8652, Property Inventory.

In addition, departments will provide the Department of General Services with updated and reconciled records of its real property assets by July 1 of each year. See SAM section 1310.7, Statewide Property Inventory.

Refer to SAM Chapter 8600 for detailed information regarding property accounting.
Departments must submit various financial reports and forms to control agencies and other departments. The following calendar will assist departments plan to meet reporting requirements. Reports listed in the calendar are limited to reports referenced in the SAM sections under the responsibility of Department of Finance (Finance), Fiscal Systems and Consulting Unit (FSCU) (SAM sections 7110-8535; 8538-8778; 8785-19464).

### CALENDAR OF REPORTS AND ACTIONS

<table>
<thead>
<tr>
<th>Due Date</th>
<th>Name of Report or Action</th>
<th>Department or Other Government Requiring Report</th>
<th>SAM Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 31</td>
<td>Nonresident Withholding Tax Statement, FTB Form 592-B</td>
<td>Franchise Tax Board (FTB)</td>
<td>8422.196</td>
</tr>
<tr>
<td>February 1</td>
<td>Bank Statements for Accounts Outside the State Treasury with Balances as of December 31</td>
<td>State Treasurer's Office (STO), Collateral Management Section</td>
<td>19462, 19463</td>
</tr>
<tr>
<td>(non-CALSTARS</td>
<td>Annual information returns (Form 1099)</td>
<td>1/ FTB and 2/Internal Revenue Service</td>
<td>8422.191</td>
</tr>
<tr>
<td>departments)</td>
<td>First week of January 1/February 28</td>
<td></td>
<td></td>
</tr>
<tr>
<td>July 31</td>
<td>Year-end financial reports (General Fund, Feeder Funds, and Economic Uncertainty Funds)</td>
<td>State Controller's Office (SCO), Division of Accounting and Reporting (DAR)</td>
<td>7952-7967, 7976-7977, 7979</td>
</tr>
<tr>
<td>July 31</td>
<td>Dishonored Checks for Agency Accounts</td>
<td>STO</td>
<td>8043</td>
</tr>
<tr>
<td>Due Date</td>
<td>Name of Report or Action</td>
<td>Department or Other Government Requiring Report</td>
<td>SAM Section</td>
</tr>
<tr>
<td>----------</td>
<td>----------------------------------------------------------------------------------------</td>
<td>-----------------------------------------------</td>
<td>-------------</td>
</tr>
<tr>
<td>August 20</td>
<td>Year-end financial reports (all other funds) excluding Report 13</td>
<td>SCO, DAR</td>
<td>7952-7967</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>7976-7977</td>
</tr>
</tbody>
</table>

(Continued)
<table>
<thead>
<tr>
<th>Due Date</th>
<th>Name of Report or Action</th>
<th>Department or Other Government Requiring Report</th>
<th>SAM Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>August 20</td>
<td>Report 13, Report of Expenditures of Federal Funds</td>
<td>Finance, <strong>FSCU</strong>; SCO, DAR</td>
<td>7974</td>
</tr>
<tr>
<td>August 20</td>
<td>Report 14, Report of Accounts Outside the State Treasury, <strong>STD. 445</strong></td>
<td>STO, Collateral Management Section; SCO, DAR</td>
<td>7975</td>
</tr>
<tr>
<td>August 20</td>
<td>Bank Statements for Accounts Outside the State Treasury with Balances as of June 30</td>
<td>STO, Collateral Management Section</td>
<td>19462, 19463</td>
</tr>
<tr>
<td>September 30</td>
<td>Annual Late Payment Penalties Report on vendor payments for goods and services</td>
<td>General Services, Procurement Division</td>
<td>8474.1</td>
</tr>
<tr>
<td>September 30</td>
<td>Report of Office Revolving Fund Claims for Reimbursement</td>
<td>Finance, Office of State Audits and Evaluations (OSAE)</td>
<td>8072</td>
</tr>
<tr>
<td>Before Nov 1</td>
<td>Report and remit certain abandoned personal property (on hand as of June 30) of escaped, discharged, or paroled inmates</td>
<td>SCO, DAR</td>
<td>8422.116</td>
</tr>
<tr>
<td>Within 20 days of event</td>
<td>Submit Report of Independent Contractor(s) form, DE 542</td>
<td>Employment Development Department (EDD)</td>
<td>8422.116</td>
</tr>
<tr>
<td>October 1</td>
<td>Reporting Changes in Accruals- Subsequent Events</td>
<td>SCO, DAR</td>
<td>7981</td>
</tr>
</tbody>
</table>
(Continued)

CALENDAR OF REPORTS AND ACTIONS

(Revised 3/14)

<table>
<thead>
<tr>
<th>At the time of Occurrence</th>
<th>Report of Cash Shortage</th>
<th>Finance, OSAE 8072</th>
</tr>
</thead>
<tbody>
<tr>
<td>At least annually</td>
<td>File Gasoline Tax Refund Claim, Form SCGR-1</td>
<td>SCO, Tax Administration Section 8745.3</td>
</tr>
<tr>
<td>At least annually</td>
<td>File sales and use tax returns</td>
<td>Board of Equalization (BOE) 8720, 8730</td>
</tr>
<tr>
<td>At least quarterly if taxes are withheld</td>
<td>Resident and Nonresident Withholding Statement, FTB Form 592 Payment Voucher for Resident and Nonresident Withholding, FTB Form 592-V</td>
<td>FTB 8422.196</td>
</tr>
</tbody>
</table>

QUARTERLY REPORTS

(Revised 03/11)

Quarterly, except for June 30, departments must complete the reports listed below:

a. Trial Balance
b. Budget Report
c. Reconciliation of Controller’s Accounts with Budget Report
d. Statement of Revenue (for governmental cost funds only) See SAM section 8210.

The above reports will be completed within 30 days of the preceding quarter and submitted upon request to the appropriate auditor or Finance budget analyst.
The SCO annually issues detailed instructions to departments for the preparation and submission of year-end financial reports. Departments must have SCO preapproval to utilize computer generated reports.

Departments will prepare a separate set of year-end financial reports for each fund. Accounts of two or more funds will not be commingled in department statements except in a few rare instances and then only upon written permission from Finance, FSCU.

Departments will prepare year-end financial reports as soon after June 30 to meet the required due dates and to estimate accruals with reasonable accuracy. See SAM section 7930 for Calendar of Reports and Actions due dates. See SAM 7951 Illustration for List of Required Year-End Financial Reports and their distribution. Departments should plan for additional distribution of all standard reports to meet their internal management needs.

In order for departments to meet their deadlines, the following is recommended:

a. Issue a year-end work plan. List the specific year-end activities, due dates, responsibilities, and other important information for the timely completion of year-end financial reports.

b. Keep accounting staff trained in the year-end financial report preparation procedures.

c. Keep all phases of accounting current during the fiscal year. All reconciliations should be kept current and reconciling items should be corrected on a timely basis. See SAM section 7901 – 7924 for additional information on reconciliations.

d. Do as much work as possible on year-end financial reports before June 30. Departments should start work on problem areas early so that sufficient time is allocated for the timely resolution of issues anticipated in the current year. CALSTARS departments experiencing or expecting serious difficulty in
completing the required year-end financial reports on time should contact the Finance, CALSTARS Client Support Unit. Other departments should contact Finance, FSCU for assistance.

e. Schedule vacations so they will not conflict with the preparation of the year-end financial reports.

f. The SCO will provide the following documents for year-end closing: appropriation balances; journal entries for June; Report of Accruals to Controller’s Accounts; Adjustments to Controller’s Accounts; and the Final Reconciliation of Controller’s Accounts with Final Budget Report. The SCO will notify departments by letter of the exact dates they may expect these documents.

(Continued)
g. Departments will submit year-end financial reports to the SCO as soon as completed rather than hold them until the final submission date.

h. Throughout the year, departments will review the condition of their cash, appropriation, and category balances to determine if sufficient funds will be available to meet expenditures. If sufficient funds are not available, departments have the following options:

1. Begin negotiations with other departments for prompt payment of reimbursements, if applicable.

2. Begin negotiations with the Finance budget staff to obtain approval for additional funding.

3. Return a portion of an advance (e.g., Revolving Fund, General Services, State Publishing, and Prison Industries) to the appropriation it was originally withdrawn from.

i. Departments will estimate receivable and payable accruals when it is not possible to obtain actual documentation. Lists of all accrual documents, estimated accruals, and amounts will be retained for audit purposes.

j. Departments will provide deadlines and instructions to employees for submitting documents necessary to prepare the year-end financial reports (e.g., travel expense claims, purchase documents, and invoices).
Below is a list of references, not in this chapter, related to year-end financial reporting.

<table>
<thead>
<tr>
<th>Subject</th>
<th>SAM Section Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accruals and Adjustments – Standard Entries</td>
<td>10600 - 10615</td>
</tr>
<tr>
<td>Accruals to Trust Accounts – Trust and Agency Funds</td>
<td>19305</td>
</tr>
<tr>
<td>Allotment-Expenditure Accounting</td>
<td></td>
</tr>
<tr>
<td>• Year-End Accruals</td>
<td>8380, 8381</td>
</tr>
<tr>
<td>• One-Year Appropriations</td>
<td>8382</td>
</tr>
<tr>
<td>• Continuing Appropriations</td>
<td></td>
</tr>
<tr>
<td>Change in Method of Accrual</td>
<td>8793</td>
</tr>
<tr>
<td>Closing Entries</td>
<td>10650 - 10651</td>
</tr>
<tr>
<td>Controller’s Accounts</td>
<td></td>
</tr>
<tr>
<td>• General Year-End Accruals</td>
<td>8800</td>
</tr>
<tr>
<td>Expenditures</td>
<td>10210</td>
</tr>
<tr>
<td>Federal Trust Funds</td>
<td>17130</td>
</tr>
<tr>
<td>Income</td>
<td></td>
</tr>
<tr>
<td>• General</td>
<td>8200, 10230, 8284</td>
</tr>
<tr>
<td>• From Investments</td>
<td>8284.1</td>
</tr>
<tr>
<td>• From Surplus Money Investment Fund</td>
<td>8284.2</td>
</tr>
<tr>
<td>• From Condemnation Deposits Fund</td>
<td></td>
</tr>
<tr>
<td>Prior Year Appropriation Adjustments</td>
<td>10240</td>
</tr>
<tr>
<td>Proprietary and Fiduciary Funds</td>
<td>13400</td>
</tr>
<tr>
<td>Revenue</td>
<td>8210, 8290 - .7</td>
</tr>
</tbody>
</table>
SAM RECONCILIATIONS AND REPORTS

LIST OF YEAR-END REPORTS AND THEIR DISTRIBUTION

(Reviewed 9/2014)

The chart shown in the 7951 Illustration lists the required year-end financial reports, their distribution, and applicable SAM references.

Departments are required to submit one certification letter per fund. Each certification letter must have an original signature of authorization and include the certification statement shown below.

I certify (or declare) under penalty of perjury that the data on the attached statements is true and correct; and that I have not violated any of the provisions of Article 4, Chapter 1, Division 4, Title 1, Government Code (commencing with Section 1090).

Subscribed and executed this_______day of_______, 20_______at__________, California.

___________________
Signature of Officer

___________________
Name and Title of Officer

The certification letter must include:

a. Date.

b. Department name and organization number.

c. Department mailing address and the name and e-mail addresses for the department Director and Chief of Accounting.

d. Fund name and number.

e. A list of the reports submitted. If there is nothing to report, note this on the certification letter as “no activity to report.”

REV. 427
SAM RECONCILIATIONS AND REPORTS

f. Contact person, phone number, and e-mail address.

g. Certification statement signed by the officer responsible for fiscal administration.
# List of Required Year-End Financial Reports

<table>
<thead>
<tr>
<th>No.</th>
<th>Year-End Report</th>
<th>Form or CALSTARS Report</th>
<th>Governmental Cost Funds and Bond Funds</th>
<th>Non-Governmental Cost Funds (Excludes Bond Funds)</th>
<th>Distribution of</th>
<th>Distribution of</th>
<th>Distribution of</th>
<th>SAM Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Report of Accruals to Controller's Accounts</td>
<td>571 cl</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>7952</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Accrual Worksheet</td>
<td>a/f</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>7953</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Adjustments to Controller's Accounts</td>
<td>576 cl</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>7955</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Statement of Revenue (includes reconciliation with Controller's Accounts)</td>
<td>Q26 b/l</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>7956</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Final Reconciliation of Controller's Accounts with Final Budget Report</td>
<td>573 cl</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>7957</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Final Budget Report</td>
<td>B06 b/l</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>7958</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Pre-Closing Trial Balance</td>
<td>G02 b/l</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>7962</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Post-Closing Trial Balance</td>
<td>G02 b/l</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>7962</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Analysis of Change in Fund Balance (Statement of Operations)</td>
<td>G04 b/l</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>7963</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Analysis and Reconciliation Revolving Fund Accountability</td>
<td>a/f</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>7965</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Bank Reconciliation</td>
<td>a/f</td>
<td>X</td>
<td>X</td>
<td>7967</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Report of Expenditures of Federal Funds</td>
<td>G34 b/l</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>7964</td>
<td></td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Report of Accounts Outside the State Treasury (1 report per department)</td>
<td>STD_445</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>7975</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>Reconciliation of Agency Accounts with Transactions per State Controller</td>
<td>a/f</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>7976</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>Statement of Changes in Capital Assets Group of Accounts (1 report per fund)</td>
<td>G05 b/l</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>7977</td>
<td></td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>Statement of Capital Assets Group of Accounts, (1 report per department)</td>
<td>G05 b/l</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>7976</td>
<td></td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>Statement of Financial Condition</td>
<td>G04 b/l</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>7979</td>
<td></td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>Statement of Contingent Liabilities</td>
<td>a/f</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>7980</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- a/ If a standard form/report is not listed, refer to SAM for illustrations of the suggested format.
- b/ Listed reports are produced by CALSTARS. Non-CALSTARS departments should refer to SAM for illustrations of the suggested format.
- c/ These reports are available from the SCO website at http://www.scco.ca.gov/ard_reporting.html. Departments may produce these forms by personal computer, if prior approval has been received from the SCO.
- d/ See SAM section 7961 for required certification.
- e/ For non-Treasury Trust Funds, Report No. 22 is not submitted.
- f/ For CALSTARS departments that have successfully submitted electronic year-end financial reports to SCO.
- g/ Mail address and Interagency Mail & Messenger Service (IMS) Code.
- h/ To support Past/Prior Year expenditures during the budget development process.

**A-15**
Department of Finance
Fiscal Systems & Consulting Unit
915 L Street, 7th Floor
Sacramento, CA 95814

**B-08**
State Controller's Office
Division of Accounting and Reporting
3301 C Street, Suite 700
Sacramento, CA 95816

**C-15**
State Treasurer's Office
Collateral Management Section
P.O. Box 942809
Sacramento, CA 94280-0001

---

7951 Illustration
This year-end report provides the SCO with accrual amounts reflected in the
department’s records but not posted by the SCO as of June 30. The SCO uses the
accruals to prepare the State’s consolidated fund statements.

Report No. 1 consists of the forms below and is used to report accruals to the following
accounts:

a. Form 571A – Assets
b. Form 571B – Liabilities
c. Form 571A/B – (1) Asset and liability accounts not preprinted on Forms 571A and
   571B and (2) Accrual accounts that require more than one subsidiary number (e.g.,
   Due From Other Funds).
d. Form 571C – Revenues and expenditures. Form 571C is preprinted with the
department’s appropriation and revenue accounts.
e. Form 571D – Revenue and expenditure accounts not preprinted on Form 571C.

The accrual amounts are obtained from the Accrual Worksheet shown in the 7953
Illustration. However, the debits and credits shown in the Net Total Accruals Per Agency
column will be reversed when reported on Report No. 1 (see 7952 Illustration 3 and
7953 Illustration).

At year-end, departments identify the amount of obligations and the amount of
encumbrances as of June 30. Obligations are amounts for goods and services received
that have not been scheduled for payment as of June 30. Encumbrances represent
commitments for goods and services that will be received in the following year(s).

Encumbrances may be reported in one liability account, Accounts Payable (general
ledger account [GLA] 3010). The total encumbrances will be shown as a credit in the
encumbrances column for GLA 3010 on Report No. 1. See 7952 Illustration 2. However,
if department automated accounting systems maintain separate liability accounts,
departments may report the encumbrances in the applicable liability GLA (e.g., Due To).
Reimbursements that will fund encumbrances must be reported in the applicable receivable GLA (e.g., Due From). The reimbursement for encumbrances will be shown as a debit in the encumbrances column for the respective GLA on the Report No. 1. See 7952 Illustration 1.

A sample of Report No. 1, the Report of Accruals to Controller's Accounts, Forms 571A, 571B and 571C is shown in the 7952 Illustrations.
# Report of Accruals to Controller's Accounts

**June 30, 20XX**

### Account Title

<table>
<thead>
<tr>
<th>Account Title</th>
<th>Encumbrances</th>
<th>Account</th>
<th>Amount</th>
<th>DC</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Cash</td>
<td>1110</td>
<td></td>
<td>381,790.28</td>
<td>D</td>
</tr>
<tr>
<td>Revolving Fund Cash</td>
<td>1130</td>
<td></td>
<td>26,364.03</td>
<td>D</td>
</tr>
<tr>
<td>Cash on Hand</td>
<td>1190</td>
<td></td>
<td>50.00</td>
<td>D</td>
</tr>
<tr>
<td>Accounts Receivable Amortements</td>
<td>1311</td>
<td></td>
<td>204.00</td>
<td>D</td>
</tr>
<tr>
<td>Accounts Receivable Reimbursements</td>
<td>1312</td>
<td></td>
<td>880.00</td>
<td>D</td>
</tr>
<tr>
<td>Accounts Receivable - Revenue</td>
<td>1313</td>
<td></td>
<td></td>
<td>D</td>
</tr>
<tr>
<td>Accounts Receivable - Other</td>
<td>1319</td>
<td></td>
<td>920,279.57</td>
<td>D</td>
</tr>
<tr>
<td>Allowance for Uncollectible Accounts (Credit Bal.)</td>
<td>1390</td>
<td></td>
<td></td>
<td>D</td>
</tr>
<tr>
<td>Due from Other Funds</td>
<td>1410000006</td>
<td></td>
<td>951,922.98</td>
<td>D</td>
</tr>
<tr>
<td>Due from Other Appropriations</td>
<td>14204260</td>
<td>90,250.00</td>
<td>5,896,771.80</td>
<td>D</td>
</tr>
</tbody>
</table>

Net Debits/Credits: 90,250.00 D

1. Specify the funds to which this pertains.
2. Specify the four-digit org code to which this pertains.

---

**7952 Illustration 1**
<table>
<thead>
<tr>
<th>ACCOUNT TITLE</th>
<th>ENCUMBRANCES</th>
<th>D</th>
<th>ACCOUNT</th>
<th>AMOUNT</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td>DUE FROM OTHER GOVERNMENTAL ENTITIES</td>
<td></td>
<td>1590</td>
<td></td>
<td>1,185.00</td>
<td>D</td>
</tr>
<tr>
<td>PROVISION FOR DEFERRED RECEIVABLES (CREDIT BAL)</td>
<td></td>
<td>1600</td>
<td>01319</td>
<td>920,279.57</td>
<td>C</td>
</tr>
<tr>
<td>EXPENSE ADVANCES</td>
<td></td>
<td>1710</td>
<td></td>
<td>7,263.10</td>
<td>D</td>
</tr>
<tr>
<td>ACCOUNTS PAYABLE</td>
<td></td>
<td>1</td>
<td>3010</td>
<td>2,823,618.29</td>
<td>C</td>
</tr>
<tr>
<td>CLAIMS FILED</td>
<td></td>
<td>3020</td>
<td></td>
<td>311,448.99</td>
<td>C</td>
</tr>
<tr>
<td>DUE TO OTHER FUNDS</td>
<td></td>
<td>3114</td>
<td>0044</td>
<td>352,526.31</td>
<td>C</td>
</tr>
<tr>
<td>DUE TO OTHER APPROPRIATIONS</td>
<td></td>
<td>3115</td>
<td>0260</td>
<td>10,839,098.80</td>
<td>C</td>
</tr>
<tr>
<td>DUE TO LOCAL GOVERNMENT</td>
<td></td>
<td>3220</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>REVENUE COLLECTED IN ADVANCE</td>
<td></td>
<td>3410</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>REIMBURSEMENTS COLLECTED IN ADVANCE</td>
<td></td>
<td>3420</td>
<td></td>
<td>120,436.00</td>
<td>C</td>
</tr>
<tr>
<td>UNCLEARED COLLECTIONS</td>
<td></td>
<td>3730</td>
<td></td>
<td>103,806.48</td>
<td>C</td>
</tr>
<tr>
<td>PREPAYMENTS TO ARCHITECTURE REVOLVING FUND</td>
<td></td>
<td>1730</td>
<td>0502</td>
<td>28,000.00</td>
<td>D</td>
</tr>
<tr>
<td>RESERVE FOR ARCHITECTURE REVOLVING FUND</td>
<td></td>
<td>5330</td>
<td>0502</td>
<td>28,000.00</td>
<td>C</td>
</tr>
</tbody>
</table>

Net Debit / Credit: 1,368,724.70 C, 15,552,765.34 C

1/ Specify the receivable account to which this pertains.
2/ Specify the fund to which this pertains.
3/ Specify the four-digit org code to which this pertains.
4/ Must be equal to the encumbrance debits and credits shown for the appropriation accounts (not including reimbursements) on Form 571-C.

ORIGINAL - State Controller's Office, Division of Accounting and Reporting
<table>
<thead>
<tr>
<th>ACCOUNT DESCRIPTION</th>
<th>ENCUMBRANCE</th>
<th>DC</th>
<th>FY</th>
<th>M</th>
<th>REF</th>
<th>CA</th>
<th>PG</th>
<th>EL</th>
<th>COM</th>
<th>T</th>
<th>T/FUND</th>
<th>B</th>
<th>ACCT</th>
<th>&quot;ENTER&quot;</th>
<th>ACCRUAL AMOUNT</th>
<th>DC</th>
</tr>
</thead>
<tbody>
<tr>
<td>A-AIR QUALITY STANDARDS</td>
<td>1,207,070.53</td>
<td>D</td>
<td>2008</td>
<td>001</td>
<td>10</td>
<td>D</td>
<td>2,052,600.26</td>
<td>D</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B-AIR QUALITY CONTROL</td>
<td>88,887.87</td>
<td>D</td>
<td>2008</td>
<td>001</td>
<td>20</td>
<td>D</td>
<td>1,123,686.76</td>
<td>D</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C-STATE ADMINISTRATION</td>
<td>135,509.00</td>
<td>D</td>
<td>2008</td>
<td>001</td>
<td>30</td>
<td>01</td>
<td>D</td>
<td>819,520.75</td>
<td>D</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>D-STATE ADMINISTRATION-DISTRIB</td>
<td>135,509.00</td>
<td>D</td>
<td>2008</td>
<td>001</td>
<td>30</td>
<td>02</td>
<td>D</td>
<td>819,520.75</td>
<td>D</td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CALSTARS CLEARING ACCOUNT</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1,586,654.71</td>
<td>D</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>E-REIMBURSEMENTS</td>
<td>20,250.00</td>
<td>D</td>
<td>2008</td>
<td>001</td>
<td>50</td>
<td>F</td>
<td>2,051,130.81</td>
<td>D</td>
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<td></td>
<td></td>
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</tr>
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<td>REVOLVING FUND ADVANCE</td>
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<td></td>
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<td></td>
<td></td>
<td></td>
<td>100,000.00</td>
<td>D</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>AIR QUALITY STANDARDS</td>
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<td></td>
<td></td>
<td></td>
<td>6,304,300.00</td>
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<td></td>
</tr>
<tr>
<td>B-AIR QUALITY CONTROL</td>
<td>13,166.30</td>
<td>D</td>
<td>2007</td>
<td>001</td>
<td>10</td>
<td>D</td>
<td>18,776.59</td>
<td>D</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B-AIR QUALITY CONTROL</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>18,776.59</td>
<td>D</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>D-STATE ADMINISTRATION</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>36,592.55</td>
<td>D</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>E-STATE ADMINISTRATION-DISTRIB</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>132,780.76</td>
<td>D</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CALSTARS CLEARING ACCOUNT</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>36,592.55</td>
<td>D</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>F-REIMBURSEMENTS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>132,780.76</td>
<td>D</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MISCELLANEOUS REVENUE</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1,075.00</td>
<td>D</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>REFUNDS TO RESTRICTED APPNS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>569,000.00</td>
<td>D</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NET DEBITS/CONSERTS</td>
<td>1,278,474.70</td>
<td>D</td>
<td>2007</td>
<td></td>
<td></td>
<td></td>
<td>7,374,502.68</td>
<td>D</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1/ Amounts, in aggregate (not including reimbursements, "CA" 90), must equal encumbrance credit amount for GL 3010 on Form 571B
2/ Reimbursement amounts, in aggregate, must equal encumbrance debit amount for the respective GLA on Form 571A
3/ The debits and credits are reversed on the Accrual Worksheet.

7962 Illustration 3
The Accrual Worksheet is designed to provide departments with a uniform and systematic method of compiling year-end accruals. It is the supporting worksheet for Report No. 1, Report of Accruals to Controller’s Accounts. The accruals consist of the assets, liabilities, and deferred credits reflected in the department’s records but not recorded in the SCO accounts as of June 30. They will exclude such accounts as Cash in State Treasury, Deposits in Surplus Money Investment Fund, and like accounts that are maintained by the SCO.

The report is organized as follows:

a. Column totals record general ledger real account activity.
b. Row totals record nominal account activity.
c. The first column will list accounts in the following order: current year appropriations, prior year appropriations, revenues, miscellaneous receipts, and deferred credits. The 7953 Illustration is only a sample. Each department will enter account titles as necessary for its individual use.
d. The column titled “Deferred Credits” is used to post such accounts as: Uncleared Collections, Cash Overages, Provision for Deferred Receivables, Reimbursements Collected in Advance, Revenues Collected in Advance, and reserves. The amounts should offset like amounts in the General Cash and Accounts Receivable columns so that the rows net to zero.
e. Generally, the total of each column must agree with a specific account balance on the June 30 Trial Balance, unless two or more trial balance accounts were assigned to one worksheet column. In that case, the vertical column total must agree with the sum of those trial balance accounts.
f. See SAM section 10601 for required revolving fund adjustments to the Accrual Worksheet.
g. The amounts in the “Net Total Accruals Per Agency” column and column totals for the assets and liabilities will be posted to the corresponding accounts on the Report of Accruals to Controller’s Accounts, Report No. 1. However, the debits and credits shown in the Net Total Accruals Per Agency column will be reversed when reported on Report No. 1 (see 7952 Illustration 3 and 7953 Illustration).

A sample of Report No. 2, the Accrual Worksheet, is shown in the 7953 Illustration.
### SAM RECONCILIATIONS AND REPORTS

(Revised 03/02)

**AGENCY NAME AND NUMBER**

**FUND NAME AND NUMBER**

**REPORT NO. 2**

**RECONCILITATION**

**REVENUES**

| General     | Cash        | Cash     | Accounts Receivable | Other       | Other       | Revenue       | Other       | Other       | Revenue       | Accounts       | Other       | Revenue       |
|-------------|-------------|----------|---------------------|-------------|-------------|---------------|-------------|-------------|---------------|----------------|-------------|---------------|---------------|

**EXPENSES**

| General     | Cash        | Cash     | Accounts Receivable | Other       | Other       | Expense       | Other       | Other       | Expense       | Accounts       | Other       | Expense       |
|-------------|-------------|----------|---------------------|-------------|-------------|---------------|-------------|-------------|---------------|----------------|-------------|---------------|---------------|

**BALANCES**

| General     | Cash        | Cash     | Accounts Receivable | Other       | Other       | Expense       | Other       | Other       | Expense       | Accounts       | Other       | Expense       |
|-------------|-------------|----------|---------------------|-------------|-------------|---------------|-------------|-------------|---------------|----------------|-------------|---------------|---------------|

**ADJUSTMENTS**

| General     | Cash        | Cash     | Accounts Receivable | Other       | Other       | Revenue       | Other       | Other       | Revenue       | Accounts       | Other       | Revenue       |
|-------------|-------------|----------|---------------------|-------------|-------------|---------------|-------------|-------------|---------------|----------------|-------------|---------------|---------------|

**RECONCILIATION DATE**

**JUNE 30, 2001**

**REV. 413**

---

7953 Illustration

---

REV. 413
This year-end report identifies any adjustments needed to correct the central records maintained by the SCO as of June 30. However, this report does not correct the records of the SCO. A Transaction Request form, CA504, must be sent to the SCO to correct the errors. The adjustments must also be reported on the Reconciliation of Agency Accounts with Transactions per State Controller, Report No. 15.

Departments will report to the SCO throughout the year all necessary adjustments as soon as possible after discovery of the errors. This will allow adequate processing time by the SCO during the year and reduce the backlog of work at the close of the fiscal year.

Report No. 3 consists of the forms below and is used to report adjustments to the following accounts:

a. Form 576A – Assets and liabilities. The form must be completed when the adjustment is between funds or appropriations.

b. Form 576B – Revenues and expenditures. The form contains preprinted account numbers and titles. The preprinted form must be completed to adjust the nominal accounts.

Departments must submit an attachment (e.g., copy of transaction request, correction letter, etc.) to support the adjusting entries on Report No. 3.

If there are no adjustments to the SCO’s accounts, a Report No. 3 is not required. The certification letter must disclose that a Report No. 3 has not been submitted. See SAM section 7951.

A sample of Report No. 3, Adjustments to Controller’s Accounts, is shown in the 7955 Illustrations 1 and Illustration 2.
**Adjustments to Controller's Accounts**

**June 30, 20XX**

<table>
<thead>
<tr>
<th>Account Title</th>
<th>Account</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>DUE FROM OTHER FUNDS</td>
<td>1 4 1 0</td>
<td></td>
</tr>
<tr>
<td>DUE FROM OTHER APPROPRIATIONS</td>
<td>1 4 2 0</td>
<td></td>
</tr>
<tr>
<td>DUE TO OTHER FUNDS</td>
<td>3 1 1 4</td>
<td></td>
</tr>
<tr>
<td>DUE TO OTHER APPROPRIATIONS</td>
<td>3 1 1 5</td>
<td></td>
</tr>
<tr>
<td>REIMBURSEMENTS COLLECTED IN ADVANCE</td>
<td>3 4 2 0</td>
<td>768,831.73</td>
</tr>
</tbody>
</table>

**General Fund (0001)**

**Fund Name and Number**

Agency Name and Number: Agency (5555)

Name of Contact Person, Title: Jane Smith, Accounting Administrator

Telephone Number: (916) 444-5555

Email Address: Jsmit@Agency.ca.gov

---

**Original Note:**

1/ Specify the funds to which this pertains.
2/ Specify the four-digit org code to which this pertains.

**NOTE:** Adjusting entries must be accompanied by an attachment (e.g., transaction request) explaining the reason for the adjustment.

7955 Illustration 1
<table>
<thead>
<tr>
<th>ACCOUNT DESCRIPTION</th>
<th>EX ERG</th>
<th>EA ERG</th>
<th>RC ERG</th>
<th>DUR</th>
<th>AMOUNT</th>
<th>ACCT</th>
<th>AMOUNT</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>A Personal services</td>
<td>0.01</td>
<td>0.01</td>
<td>0.17</td>
<td>0.13</td>
<td>32.02</td>
<td>8.15</td>
<td>0.13</td>
<td>32.02</td>
</tr>
<tr>
<td>B Operating EXP &amp; EQUIP</td>
<td>0.01</td>
<td>0.01</td>
<td>0.17</td>
<td>0.13</td>
<td>32.02</td>
<td>8.15</td>
<td>0.13</td>
<td>32.02</td>
</tr>
<tr>
<td>C Amount payable from the Accountable Account</td>
<td>0.01</td>
<td>0.01</td>
<td>0.17</td>
<td>0.13</td>
<td>32.02</td>
<td>8.15</td>
<td>0.13</td>
<td>32.02</td>
</tr>
<tr>
<td>D Amount payable from the Accountable Account</td>
<td>0.01</td>
<td>0.01</td>
<td>0.17</td>
<td>0.13</td>
<td>32.02</td>
<td>8.15</td>
<td>0.13</td>
<td>32.02</td>
</tr>
<tr>
<td>E Amount payable from the Accountable Account</td>
<td>0.01</td>
<td>0.01</td>
<td>0.17</td>
<td>0.13</td>
<td>32.02</td>
<td>8.15</td>
<td>0.13</td>
<td>32.02</td>
</tr>
<tr>
<td>F Amount payable from the Accountable Account</td>
<td>0.01</td>
<td>0.01</td>
<td>0.17</td>
<td>0.13</td>
<td>32.02</td>
<td>8.15</td>
<td>0.13</td>
<td>32.02</td>
</tr>
<tr>
<td>G Amount payable from the Accountable Account</td>
<td>0.01</td>
<td>0.01</td>
<td>0.17</td>
<td>0.13</td>
<td>32.02</td>
<td>8.15</td>
<td>0.13</td>
<td>32.02</td>
</tr>
<tr>
<td>H Amount payable from the Accountable Account</td>
<td>0.01</td>
<td>0.01</td>
<td>0.17</td>
<td>0.13</td>
<td>32.02</td>
<td>8.15</td>
<td>0.13</td>
<td>32.02</td>
</tr>
<tr>
<td>I Amount payable from the Accountable Account</td>
<td>0.01</td>
<td>0.01</td>
<td>0.17</td>
<td>0.13</td>
<td>32.02</td>
<td>8.15</td>
<td>0.13</td>
<td>32.02</td>
</tr>
<tr>
<td>J Amount payable from the Accountable Account</td>
<td>0.01</td>
<td>0.01</td>
<td>0.17</td>
<td>0.13</td>
<td>32.02</td>
<td>8.15</td>
<td>0.13</td>
<td>32.02</td>
</tr>
<tr>
<td>K Amount payable from the Accountable Account</td>
<td>0.01</td>
<td>0.01</td>
<td>0.17</td>
<td>0.13</td>
<td>32.02</td>
<td>8.15</td>
<td>0.13</td>
<td>32.02</td>
</tr>
<tr>
<td>L Amount payable from the Accountable Account</td>
<td>0.01</td>
<td>0.01</td>
<td>0.17</td>
<td>0.13</td>
<td>32.02</td>
<td>8.15</td>
<td>0.13</td>
<td>32.02</td>
</tr>
<tr>
<td>M Amount payable from the Accountable Account</td>
<td>0.01</td>
<td>0.01</td>
<td>0.17</td>
<td>0.13</td>
<td>32.02</td>
<td>8.15</td>
<td>0.13</td>
<td>32.02</td>
</tr>
<tr>
<td>N Amount payable from the Accountable Account</td>
<td>0.01</td>
<td>0.01</td>
<td>0.17</td>
<td>0.13</td>
<td>32.02</td>
<td>8.15</td>
<td>0.13</td>
<td>32.02</td>
</tr>
<tr>
<td>O Amount payable from the Accountable Account</td>
<td>0.01</td>
<td>0.01</td>
<td>0.17</td>
<td>0.13</td>
<td>32.02</td>
<td>8.15</td>
<td>0.13</td>
<td>32.02</td>
</tr>
<tr>
<td>P Amount payable from the Accountable Account</td>
<td>0.01</td>
<td>0.01</td>
<td>0.17</td>
<td>0.13</td>
<td>32.02</td>
<td>8.15</td>
<td>0.13</td>
<td>32.02</td>
</tr>
<tr>
<td>Q Amount payable from the Accountable Account</td>
<td>0.01</td>
<td>0.01</td>
<td>0.17</td>
<td>0.13</td>
<td>32.02</td>
<td>8.15</td>
<td>0.13</td>
<td>32.02</td>
</tr>
<tr>
<td>R Amount payable from the Accountable Account</td>
<td>0.01</td>
<td>0.01</td>
<td>0.17</td>
<td>0.13</td>
<td>32.02</td>
<td>8.15</td>
<td>0.13</td>
<td>32.02</td>
</tr>
<tr>
<td>S Amount payable from the Accountable Account</td>
<td>0.01</td>
<td>0.01</td>
<td>0.17</td>
<td>0.13</td>
<td>32.02</td>
<td>8.15</td>
<td>0.13</td>
<td>32.02</td>
</tr>
<tr>
<td>T Amount payable from the Accountable Account</td>
<td>0.01</td>
<td>0.01</td>
<td>0.17</td>
<td>0.13</td>
<td>32.02</td>
<td>8.15</td>
<td>0.13</td>
<td>32.02</td>
</tr>
<tr>
<td>U Amount payable from the Accountable Account</td>
<td>0.01</td>
<td>0.01</td>
<td>0.17</td>
<td>0.13</td>
<td>32.02</td>
<td>8.15</td>
<td>0.13</td>
<td>32.02</td>
</tr>
<tr>
<td>V Amount payable from the Accountable Account</td>
<td>0.01</td>
<td>0.01</td>
<td>0.17</td>
<td>0.13</td>
<td>32.02</td>
<td>8.15</td>
<td>0.13</td>
<td>32.02</td>
</tr>
<tr>
<td>W Amount payable from the Accountable Account</td>
<td>0.01</td>
<td>0.01</td>
<td>0.17</td>
<td>0.13</td>
<td>32.02</td>
<td>8.15</td>
<td>0.13</td>
<td>32.02</td>
</tr>
<tr>
<td>X Amount payable from the Accountable Account</td>
<td>0.01</td>
<td>0.01</td>
<td>0.17</td>
<td>0.13</td>
<td>32.02</td>
<td>8.15</td>
<td>0.13</td>
<td>32.02</td>
</tr>
<tr>
<td>Y Amount payable from the Accountable Account</td>
<td>0.01</td>
<td>0.01</td>
<td>0.17</td>
<td>0.13</td>
<td>32.02</td>
<td>8.15</td>
<td>0.13</td>
<td>32.02</td>
</tr>
<tr>
<td>Z Amount payable from the Accountable Account</td>
<td>0.01</td>
<td>0.01</td>
<td>0.17</td>
<td>0.13</td>
<td>32.02</td>
<td>8.15</td>
<td>0.13</td>
<td>32.02</td>
</tr>
</tbody>
</table>

**Total:** $32,122.45
At year-end, departments will prepare a final Statement of Revenue, Report No. 4. The report presents a reconciliation of current year revenue recorded by the department with revenue recorded by the SCO as of June 30.

The final Statement of Revenue will show the balances of subsidiary revenue accounts after the revenue accruals have been posted. See SAM section 8210. Some examples are listed below:

a. Adjustments for dishonored checks and cash shortages.

b. Revenue items cleared during July representing cash received and earned on or before June 30.


d. Accrual of interest earned on investments in securities.

A sample of Report No. 4, Statement of Revenue, is shown in the 7955 Illustration.
## Adjustments to Controller's Accounts

**June 30, 20XX**

<table>
<thead>
<tr>
<th>Account Title</th>
<th>Account</th>
<th>Amount</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due from Other Funds</td>
<td>1</td>
<td>410</td>
<td></td>
</tr>
<tr>
<td>Due from Other Appropriations</td>
<td>1</td>
<td>420</td>
<td></td>
</tr>
<tr>
<td>Due to Other Funds</td>
<td>3</td>
<td>114</td>
<td></td>
</tr>
<tr>
<td>Due to Other Appropriations</td>
<td>3</td>
<td>115</td>
<td></td>
</tr>
<tr>
<td>Reimbursements Collected in Advance</td>
<td>3</td>
<td>420</td>
<td>768,931.73</td>
</tr>
</tbody>
</table>

**Note:** Adjusting entries must be accompanied by an attachment (e.g., transaction request) explaining the reason for the adjustment.
<table>
<thead>
<tr>
<th>ACCOUNT DESCRIPTION</th>
<th>CR PRT</th>
<th>CA ACCT</th>
<th>USE</th>
<th>AMOUNT</th>
<th>ACCT AMOUNT</th>
<th>REMARKS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 PERSONAL SERVICES</td>
<td>6000</td>
<td>10</td>
<td>D</td>
<td></td>
<td>4252.45</td>
<td></td>
</tr>
<tr>
<td>2 REIMBURSEMENTS</td>
<td>1380</td>
<td>20</td>
<td>D</td>
<td></td>
<td>4386.32</td>
<td></td>
</tr>
<tr>
<td>3 RETURN OF TAXES, LICENSES AND OTHER FEES</td>
<td>1380</td>
<td>20</td>
<td>D</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 AMOUNT PAYABLE FROM THE AERONAUTICS ACCOUNT STATE</td>
<td>1380</td>
<td>20</td>
<td>D</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 AMOUNT PAYABLE FROM THE STATE SCHOOL BUILDING AID</td>
<td>1380</td>
<td>20</td>
<td>D</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6 AMOUNT PAYABLE FROM THE CIVIL RIGHTS TRUST FUND</td>
<td>1380</td>
<td>20</td>
<td>D</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7 AMOUNT PAYABLE FROM NON-GOVERNMENTAL COST FUND</td>
<td>1380</td>
<td>20</td>
<td>D</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Total Debits:** $13,703.65
SAM RECONCILIATIONS AND REPORTS

SAM - RECONCILIATIONS AND REPORTS

(Revised 03/02)

Agency Name and Number
STATEMENT OF REVENUE - REPORT NO. 4
Fund Name and Number
For the period of July 1, 20___ to June 30, 20___
Of the _______ Fiscal Year

Revenue For General Fund:

<table>
<thead>
<tr>
<th>CODE NO.</th>
<th>TITLE</th>
<th>DETAIL</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>0141200</td>
<td>Sale of documents</td>
<td>11,699.43</td>
<td></td>
</tr>
<tr>
<td>0142500</td>
<td>Misc Services to the Public</td>
<td>22,195.72</td>
<td></td>
</tr>
<tr>
<td>0161400</td>
<td>Miscellaneous Revenue</td>
<td>11,219.35</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Total Revenue</strong></td>
<td></td>
<td><strong>45,314.50</strong></td>
</tr>
</tbody>
</table>

RECONCILIATION OF STATE CONTROLLER'S REVENUE WITH STATEMENT OF REVENUE, JUNE 30, 20___

<table>
<thead>
<tr>
<th>DESCRIPTION</th>
<th>DETAIL</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Revenue per State Controller's Office Accounts</td>
<td>45,091.73</td>
<td></td>
</tr>
<tr>
<td>Reconciling Factors:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accruals per Report of Accruals 1/</td>
<td>222.77</td>
<td></td>
</tr>
<tr>
<td>Adjustments to Controller's Accounts 2/</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>Total Reconciling Factors</td>
<td>222.77</td>
<td></td>
</tr>
<tr>
<td>Total Revenue per Statement of Revenue</td>
<td>45,314.50</td>
<td></td>
</tr>
</tbody>
</table>

I certify (or declare) under penalty of perjury that the foregoing is true and correct and that I have not violated any of the provisions of Article 4, Chapter 1, Division 4, Title 1, Government Code (commencing with Section 1090).

Subscribed and executed this ___ day of ______, 20___ at __________________, California.

Signature of Officer

Type or print name of Officer

Title of Officer

1/ Current year revenue only. The amount should agree with the revenue accrual total on the Report of Accruals to Controller's Accounts, Report No. 1.

2/ This category should contain adjustments (other than year-end accruals) that have been recorded on the agency's books but have not been recorded on the books of the SCO. Example - A reimbursement that was erroneously recorded by the SCO as revenue, has been corrected on the agency's books. The correcting entry had not been posted by the SCO as of June 30. The amount should agree with the adjustments on the Form 5766, Adjustments to Controller's Accounts, Report No. 3.

7956 Illustration

REV. 413
At year-end, departments will prepare a Final Reconciliation of Controller’s Accounts with Final Budget Report, Report No. 5. This report presents a reconciliation of a department’s appropriation balances with the SCO account balances as of June 30. The SCO sends a Final Reconciliation of Controller’s Accounts With Final Budget Report, STD. 573 to departments for each appropriation that exists on the SCO records as of June 30. The difference between the SCO and the department account balances consists of: expenditure accruals as reported on Report No. 1, Report of Accruals to Controllers Accounts; adjustments as reported on Report No. 3, Adjustments to Controller’s Accounts; and pending budget revisions, allocation orders, and/or executive orders.

A sample of Report No. 5, Final Reconciliation of Controller’s Accounts With Final Budget Report, is shown in the 7957 Illustration.
<table>
<thead>
<tr>
<th>SCO ACCOUNT CODE</th>
<th>A - Registrations</th>
<th>B - Evaluations</th>
<th>C - Administration</th>
<th>D - Distributed Administration</th>
<th>Clearing Account</th>
<th>Revolving Fund Advance</th>
<th>Advance to Service Revolving Fund Other Services</th>
<th>Advance to Service Revolving Fund - Printing</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>12,410,445.43</td>
<td>12,410,445.43</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>2,036,656.64</td>
<td>2,036,656.64</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>30 01</td>
<td>2,992,991.88</td>
<td>2,992,991.88</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>30 02</td>
<td>(2,995,632.10)</td>
<td>(2,995,632.10)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>99</td>
<td>(10,967,098.95)</td>
<td>(10,967,098.95)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>90</td>
<td>(1,781,600.01)</td>
<td>(1,781,600.01)</td>
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<td></td>
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</tr>
<tr>
<td>97</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(506,000.00)</td>
<td></td>
</tr>
<tr>
<td>98</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>99</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

TOTAL: 39,009,230.42 (90,769.58)
At year-end, departments will prepare a Final Budget Report, Report No. 6. This report presents a summary status of appropriations including expenditures, encumbrances, and balances as of June 30 for each appropriation.

This report is not submitted to the SCO, but is kept on file for year-end financial reporting and audit purposes, except for CALSTARS departments that submit automated statements. This report will be used to support past/prior year expenditures during the budget development process.

A sample of Report No. 6, Final Budget Report, is shown in the 7961 Illustration 1 and Illustration 2. Refer to SAM section 7940 for quarterly reporting.
<table>
<thead>
<tr>
<th>FFY</th>
<th>PROGRAM/ACT</th>
<th>APPROPRIATION DESCRIPTION</th>
<th>APPROPRIATIONS (ADJUSTED)</th>
<th>EXPENDITURES</th>
<th>ENCUMBRANCE/ALLOCATED ENCUMBRANCE</th>
<th>BUDGETARY EXPENDITURES</th>
<th>BALANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>20XX</td>
<td>10-60-000-000-00</td>
<td>PROGRAM 10 NAME</td>
<td>236,672.74-</td>
<td>16,063.53</td>
<td>0.00</td>
<td>16,063.53-</td>
<td>220,609.21-</td>
</tr>
<tr>
<td>20XX</td>
<td>20-60-000-000-00</td>
<td>PROGRAM 20 NAME</td>
<td>590,765.71-</td>
<td>2,106.49</td>
<td>0.00</td>
<td>2,106.49-</td>
<td>588,648.22-</td>
</tr>
<tr>
<td>20XX</td>
<td>30-60-000-000-00</td>
<td>PROGRAM 30 NAME</td>
<td>681,458.35-</td>
<td>9,383.88</td>
<td>0.00</td>
<td>9,383.88-</td>
<td>672,074.47-</td>
</tr>
<tr>
<td>20XX</td>
<td>40-61-000-000-00</td>
<td>ADMINISTRATION (CHARGES)</td>
<td>32,664.08-</td>
<td>2,467.55</td>
<td>0.00</td>
<td>2,467.55-</td>
<td>30,256.53-</td>
</tr>
<tr>
<td>20XX</td>
<td>40-62-000-000-00</td>
<td>DISTRIBUTED ADMINISTRATION (RECOVERIES)</td>
<td>32,664.08-</td>
<td>2,467.55</td>
<td>0.00</td>
<td>2,467.55-</td>
<td>30,256.53-</td>
</tr>
</tbody>
</table>

TOTAL FOR REGULAR APPROPRIATIONS: 1,500,883.80- 27,493.90- 0.00 27,493.90- 1,237,456.69-

SCHEDULED REIMBURSEMENTS:

<table>
<thead>
<tr>
<th>FFY</th>
<th>PROGRAM/ACT</th>
<th>APPROPRIATION DESCRIPTION</th>
<th>APPROPRIATIONS (ADJUSTED)</th>
<th>EXPENDITURES</th>
<th>ENCUMBRANCE/ALLOCATED ENCUMBRANCE</th>
<th>BUDGETARY EXPENDITURES</th>
<th>BALANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>20XX</td>
<td>00 SCHEDULED REIMBURSEMENTS</td>
<td></td>
<td>1,347,625.35</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>1,347,625.35</td>
</tr>
</tbody>
</table>

TOTAL FOR SCHEDULED REIMBURSEMENTS: 1,347,625.35 0.00 0.00 0.00 1,347,625.35 |

TOTAL REFERENCE 001: 161,260.45- 27,493.90- 0.00 27,493.90- 133,766.55-
Report No. 6

Agency Name and Number
FINAL BUDGET REPORT
Fund Name and Number
For the fiscal year July 1, 20XX to June 30, 20XX

Report as of June 30 includes year-end accruals pursuant to State Administrative Manual instructions.

I certify (or declare) under penalty of perjury that the foregoing is true and correct and that I have not violated any of the provisions of Article 4, Chapter 1, Division 4, Title 1, Government Code (commencing with section 1090).

Subscribed and executed this _____ day of _____________, 20XX at Sacramento, California.

SIGNATURE OF OFFICER

SIGNATURE OF HEAD OF STATE AGENCY

First and Last Name

First and Last Name

TYPE OR PRINT NAME OF OFFICER

TYPE OR PRINT NAME

Title of Signer

Title of Signer

TITLE OF FISCAL OFFICER

TITLE

7961 Illustration 2
At year-end, departments will prepare a pre-closing and post-closing trial balance as of June 30. The Pre-Closing Trial Balance, Report No. 7, lists the general ledger account balances for nominal and real accounts, including accruals and adjustments, before the nominal accounts have been closed. The Post-Closing Trial Balance, Report No. 8, lists the general ledger real account balances, including accruals and adjustments, after the nominal accounts have been closed. General ledger accounts that require a subsidiary number must be reported individually (e.g., Due to Other Funds, Due From Other Funds, Prepayments to Other Funds, Provision for Deferred Receivables, etc.).

A pre and a post-closing trial balance are required for each fund in the State Treasury (including the Special Deposit Fund) and for trust fund accounts outside the State Treasury.

A sample of Reports No. 7 and 8, Pre and Post Closing Trial Balances, is shown in 7962 Illustrations 1 and Illustration 2.
## SAM RECONCILIATIONS AND REPORTS

### Agency Name and Number
PRE-CLOSING TRIAL BALANCE - REPORT NO. 7
Fund Name and Number
As of June 30, 20__

<table>
<thead>
<tr>
<th>ACCT NO.</th>
<th>ACCOUNT TITLE</th>
<th>DEBIT</th>
<th>CREDIT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1110</td>
<td>General Cash</td>
<td>215,599.78</td>
<td></td>
</tr>
<tr>
<td>1130</td>
<td>Revolving Fund Cash</td>
<td>79,799.46</td>
<td></td>
</tr>
<tr>
<td>1190</td>
<td>Cash on Hand</td>
<td>2,850.00</td>
<td></td>
</tr>
<tr>
<td>1311</td>
<td>Accounts Receivable - Abatements</td>
<td>10,311.29</td>
<td></td>
</tr>
<tr>
<td>1312</td>
<td>Accounts Receivable - Reimbursements</td>
<td>106,666.78</td>
<td></td>
</tr>
<tr>
<td>1315</td>
<td>Accounts Receivable - Dishonored Checks</td>
<td>2,364.00</td>
<td></td>
</tr>
<tr>
<td>1319</td>
<td>Accounts Receivable - Other</td>
<td>94,500.52</td>
<td></td>
</tr>
<tr>
<td>1380</td>
<td>Contingent Receivables</td>
<td>383,091.67</td>
<td></td>
</tr>
<tr>
<td>1410.0014</td>
<td>Due From Hazardous Waste Control Acct</td>
<td>1,843,538.16</td>
<td></td>
</tr>
<tr>
<td>1420</td>
<td>Due From Other Appropriations</td>
<td>11,278,371.13</td>
<td></td>
</tr>
<tr>
<td>1590</td>
<td>Due From Other Governmental Entities</td>
<td>216,979.22</td>
<td></td>
</tr>
<tr>
<td>1600.01315</td>
<td>Provision for Deferred Rec. - Dishonored Cks</td>
<td>2,364.00</td>
<td></td>
</tr>
<tr>
<td>1600.01319</td>
<td>Provision for Deferred Rec. - A/R Other</td>
<td>94,500.52</td>
<td></td>
</tr>
<tr>
<td>1600.01380</td>
<td>Provision for Deferred Rec. - Contingent Rec</td>
<td>383,091.67</td>
<td></td>
</tr>
<tr>
<td>1710</td>
<td>Expense Advances</td>
<td>17,000.00</td>
<td></td>
</tr>
<tr>
<td>3010</td>
<td>Accounts Payable</td>
<td>1,908,340.81</td>
<td></td>
</tr>
<tr>
<td>3020</td>
<td>Claims Filed</td>
<td>1,567,760.00</td>
<td></td>
</tr>
<tr>
<td>3114.0044</td>
<td>Due to Motor Vehicle Acct</td>
<td>273,951.93</td>
<td></td>
</tr>
<tr>
<td>3115</td>
<td>Due to Other Appropriations</td>
<td>11,281,639.16</td>
<td></td>
</tr>
<tr>
<td>3210</td>
<td>Due to Federal Government</td>
<td>132,561.66</td>
<td></td>
</tr>
<tr>
<td>3220</td>
<td>Due to Local Government</td>
<td>94,686.90</td>
<td></td>
</tr>
<tr>
<td>3290</td>
<td>Due to Other Governmental Entities</td>
<td>151,499.03</td>
<td></td>
</tr>
<tr>
<td>3400</td>
<td>Advance Collections</td>
<td>34,851.21</td>
<td></td>
</tr>
<tr>
<td>3730</td>
<td>Uncleared Collections</td>
<td>119,850.41</td>
<td></td>
</tr>
<tr>
<td>5570</td>
<td>Fund Balance - Clearing Account</td>
<td>37,219,440.96</td>
<td></td>
</tr>
<tr>
<td>8000</td>
<td>Revenue</td>
<td>45,314.50</td>
<td></td>
</tr>
<tr>
<td>8100</td>
<td>Reimbursements</td>
<td>5,974,840.19</td>
<td></td>
</tr>
<tr>
<td>9000</td>
<td>Appropriation Expenditures</td>
<td>44,984,070.61</td>
<td></td>
</tr>
<tr>
<td>9891</td>
<td>Refunds to Reverted Appropriations</td>
<td>4,693.35</td>
<td></td>
</tr>
<tr>
<td>9893</td>
<td>Prior Year Appropriations Adjustments</td>
<td>55,444.68</td>
<td></td>
</tr>
</tbody>
</table>

59,289,586.30 59,289,586.30

I certify (or declare) under penalty of perjury that the foregoing is true and correct and that I have not violated any of the provisions of Article 4, Chapter 1, Division 4, Title 1, Government Code (commencing with Section 10390).

Subscribed and executed this ___ day of ____, 20__ at __________, California.

Signature of Officer

Type or print name of Officer

Title of Officer
### Agency Name and Number

**POST-CLOSING TRIAL BALANCE - REPORT NO. 8**

**Fund Name and Number**

As of June 30, 20__

<table>
<thead>
<tr>
<th>ACCT NO.</th>
<th>ACCOUNT TITLE</th>
<th>DEBIT</th>
<th>CREDIT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1110</td>
<td>General Cash</td>
<td>215,599.78</td>
<td></td>
</tr>
<tr>
<td>1130</td>
<td>Revolving Fund Cash</td>
<td>79,799.46</td>
<td></td>
</tr>
<tr>
<td>1190</td>
<td>Cash on Hand</td>
<td>2,850.00</td>
<td></td>
</tr>
<tr>
<td>1311</td>
<td>Accounts Receivable - Abatements</td>
<td>10,311.29</td>
<td></td>
</tr>
<tr>
<td>1312</td>
<td>Accounts Receivable - Reimbursements</td>
<td>105,666.78</td>
<td></td>
</tr>
<tr>
<td>1315</td>
<td>Accounts Receivable - Dishonored Checks</td>
<td>2,364.00</td>
<td></td>
</tr>
<tr>
<td>1319</td>
<td>Accounts Receivable - Other</td>
<td>94,500.52</td>
<td></td>
</tr>
<tr>
<td>1380</td>
<td>Contingent Receivables</td>
<td>383,091.67</td>
<td></td>
</tr>
<tr>
<td>1410.0014</td>
<td>Due From Hazardous Waste Control Acct</td>
<td>1,843,538.16</td>
<td></td>
</tr>
<tr>
<td>1420</td>
<td>Due From Other Appropriations</td>
<td>11,278,371.13</td>
<td></td>
</tr>
<tr>
<td>1590</td>
<td>Due From Other Governmental Entities</td>
<td>216,978.22</td>
<td></td>
</tr>
<tr>
<td>1600.01315</td>
<td>Provision for Deferred Rec.-Dishonored Cks</td>
<td>2,364.00</td>
<td></td>
</tr>
<tr>
<td>1600.01319</td>
<td>Provision for Deferred Rec. - A/R Other</td>
<td>94,500.52</td>
<td></td>
</tr>
<tr>
<td>1600.01380</td>
<td>Provision for Deferred Rec. -Contingent Rec.</td>
<td>383,091.67</td>
<td></td>
</tr>
<tr>
<td>1710</td>
<td>Expense Advances</td>
<td>17,000.00</td>
<td></td>
</tr>
<tr>
<td>3010</td>
<td>Accounts Payable</td>
<td>1,909,340.81</td>
<td></td>
</tr>
<tr>
<td>3020</td>
<td>Claims Filed</td>
<td>1,097,760.00</td>
<td></td>
</tr>
<tr>
<td>3114.0044</td>
<td>Due to Motor Vehicle Acct</td>
<td>273,951.93</td>
<td></td>
</tr>
<tr>
<td>3115</td>
<td>Due to Other Appropriations</td>
<td>11,281,639.16</td>
<td></td>
</tr>
<tr>
<td>3210</td>
<td>Due to Federal Government</td>
<td>132,561.66</td>
<td></td>
</tr>
<tr>
<td>3220</td>
<td>Due to Local Government</td>
<td>94,896.90</td>
<td></td>
</tr>
<tr>
<td>3290</td>
<td>Due to Other Governmental Entities</td>
<td>161,499.03</td>
<td></td>
</tr>
<tr>
<td>3400</td>
<td>Advance Collections</td>
<td>34,851.21</td>
<td></td>
</tr>
<tr>
<td>3730</td>
<td>Uncleared Collections</td>
<td>119,850.41</td>
<td></td>
</tr>
<tr>
<td>5570</td>
<td>Fund Balance - Clearing Account</td>
<td>1,795,026.29</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>16,045,097.30</td>
<td>16,045,097.30</td>
</tr>
</tbody>
</table>

I certify (or declare) under penalty of perjury that the foregoing is true and correct and that:

I have not violated any of the provisions of Article 4, Chapter 1, Division 4, Title 1, Government Code (commencing with Section 1056).

Subscribed and executed this __ day of __, 20__, at __________, California.

Signature of Officer

Type or print name of Officer

Title of Officer

7962 Illustration 2

REV. 413
The Analysis of Change in Fund Balance, Report No. 9, is also known as the Statement of Operations. Departments must prepare an Analysis of Change in Fund Balance when they account for any one of the following:

a. A non-governmental cost fund in its entirety.
b. An account within a non-governmental cost fund, such as accounts in the Federal Trust Fund and the Special Deposit Fund.
c. Non-Treasury Trust Funds – Non-Treasury Trust Funds include all money outside the State Treasury and all Agency Trust Fund Cash (e.g., Fund 0990).

The Analysis of Change in Fund Balance provides the beginning fund balance for the fiscal year, plus any additions (e.g., revenues) less any deductions (e.g., expenditures). All additions and deductions will be detailed by the individual account number and amount. In addition, any interfund transactions will include a four-digit subsidiary number to identify the related fund (e.g., 9811.0001 Operating Transfers In General Fund).

The balance of a prior year appropriation account (e.g., Refunds to Reverted Appropriations, Prior Year Appropriations Adjustments, etc.) as of June 30, will be reported as an addition or deduction on Report No. 9, depending upon the account balance as follows:

a. If the account has a credit balance, list the amount as an addition.
b. If the account has a debit balance, list the amount as a deduction.

The ending fund balance must agree with the fund balance shown on Report No. 20, Statement of Financial Condition, if required.

A sample of Report No. 9, Analysis of Change in Fund Balance, is shown in the 7963 Illustration.
SAM RECONCILIATIONS AND REPORTS

<table>
<thead>
<tr>
<th>Account No.</th>
<th>5530</th>
</tr>
</thead>
</table>

### ANALYSIS OF CHANGE IN FUND BALANCE
For a Governmental Fund Accounted by a Single Agency
Fiscal Year Ended June 30, 19__

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fund Balance</strong></td>
<td></td>
<td>Unappropriated, July 30, 19__</td>
</tr>
<tr>
<td><strong>Additions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>8000</td>
<td></td>
</tr>
<tr>
<td>Operating Transfers In</td>
<td>9811</td>
<td></td>
</tr>
<tr>
<td>Other Additions</td>
<td>9821, 9891, 9893 (if a credit balance)</td>
<td></td>
</tr>
<tr>
<td><strong>Total Additions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Deductions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Appropriation Expenditures</td>
<td>900, 8100</td>
<td></td>
</tr>
<tr>
<td>Operating Transfers Out</td>
<td>9812</td>
<td></td>
</tr>
<tr>
<td>Other Deductions</td>
<td>9822, 9893 (if a debit balance)</td>
<td></td>
</tr>
<tr>
<td><strong>Total Deductions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Fund Balance</strong></td>
<td></td>
<td>Unappropriated, June 30, 19__</td>
</tr>
</tbody>
</table>

1/ List each account title and amount separately
2/ Appropriation expenditures (9000) Less Reimbursements (8100)

### ANALYSIS OF CHANGE IN FUND BALANCE
For a Proprietary Fund
Fiscal Year ended June 30, 19__

<table>
<thead>
<tr>
<th>Account No.</th>
<th>5530</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fund Balance</strong></td>
<td></td>
</tr>
<tr>
<td>Fund Balance — Unappropriated</td>
<td>5530</td>
</tr>
<tr>
<td><strong>Additions</strong></td>
<td></td>
</tr>
<tr>
<td>Operating Revenue (furnish supporting statement)</td>
<td>8090</td>
</tr>
<tr>
<td>Capital Contributions (Permanent) Received during the Fiscal Year</td>
<td>5100</td>
</tr>
<tr>
<td>(not unused prepayments or loans)</td>
<td>9811</td>
</tr>
<tr>
<td>Other Additions</td>
<td></td>
</tr>
<tr>
<td><strong>Total Additions</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Deductions</strong></td>
<td></td>
</tr>
<tr>
<td>Operating Expenses (or Expenditures) (furnish supporting statement)</td>
<td>9000, 8100</td>
</tr>
<tr>
<td>Capital Contributions (Permanent) returned during the Fiscal Year</td>
<td>5100</td>
</tr>
</tbody>
</table>

7863 Illustration

REV. 413
SAM RECONCILIATIONS AND REPORTS

(not unused prepayments or loans)\(2/\) .............................................................. 5100
Other Deductions\(3/\) ......................................................................................... 1400, 9812
Total Deductions

Fund Balance, June 30, 19XX

Fund Balance — Unappropriated ........................................................................... 5530
Capital Contribution (Permanent) ................................................................. 5100
Total Fund Balance, June 30 19XX

\(1/\) Overall supporting statement will suffice. Details by prison, industry, etc. are not required, but statements showing these details are acceptable provided they also show combined figures for the fund.

\(2/\) Derived by analysis of Account No. 5100.

\(3/\) List each account title and amount separately.
# SAM RECONCILIATIONS AND REPORTS

(AGENCY)

ANALYSIS OF CHANGE IN FUND BALANCE
for Trust and Agency Fund
(Other than the Special Deposit Fund and Funds derived from Federal Sources)

Fiscal Years Ended June 30, 19XX

<table>
<thead>
<tr>
<th>Account No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>5530</td>
</tr>
</tbody>
</table>

**Fund Balance — Unappropriated, July 1, 19XX**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Additions</td>
<td></td>
</tr>
<tr>
<td>Operating Revenue</td>
<td>8000</td>
</tr>
<tr>
<td>Operating Transfers In</td>
<td>9811</td>
</tr>
<tr>
<td>Other Additions</td>
<td>8030</td>
</tr>
<tr>
<td><strong>Total Additions</strong></td>
<td></td>
</tr>
<tr>
<td>Deductions</td>
<td></td>
</tr>
<tr>
<td>Operating Expenses (or Expenditures)</td>
<td>9000</td>
</tr>
<tr>
<td>Operating Transfers Out</td>
<td>9812</td>
</tr>
<tr>
<td>Other Deductions</td>
<td>9000</td>
</tr>
<tr>
<td><strong>Total Deductions</strong></td>
<td></td>
</tr>
</tbody>
</table>

**Fund Balance — Unappropriated, June 30, 19XX**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits</td>
<td>3510</td>
</tr>
<tr>
<td>Fund Balance — Unappropriated</td>
<td>5530</td>
</tr>
<tr>
<td><strong>Total Fund Balance, June 30, 19XX</strong></td>
<td></td>
</tr>
</tbody>
</table>

\[\text{\textsuperscript{1}}\text{ List each account title and amount separately}\]

79x3 Illustration

REV. 413
SAM RECONCILIATIONS AND REPORTS

The general form of the Analysis of Change in Fund Balance will be as follows:

(AGENCY)
ANALYSIS OF CHANGE IN FUND BALANCE
For the Special Deposit fund
Fiscal Year Ended June 30, _____

Fund Balance, July 1, 19__
Additions: 1/
  Receipts for Depositors 2/
  Receipts from the Federal Government
  Gifts and Grants Received 3/
  Unclaimed Checks and Deposits
  Other Additions 4/

Deductions: 1/
  Payments to and for Depositors 2/
  Operating Expenditures 3/
  Operating Transfers Out 4/
  Transfers to Controller's Accountability 5/
  Other Deductions 6/

Fund Balance, June 30, 19__

1/ Additions and deductions will be determined by analysis of the debit and credit entries to the appropriate real accounts where the data requested above are not shown in nominal accounts.

2/ "Receipts for Depositors" and "Payments to and for Depositors" represent all amounts credited and charged respectively to depositors.

3/ "Gifts and Grants Received" represents amounts received from donors (other than the Federal Government) for the benefit of groups or for special projects or programs.

4/ "Operating Expenditures" represents expenditures from Special Trusts which are made for the purpose for which the trust was established.

5/ "Operating Transfers Out" consists of transfers caused by miscellaneous types of transactions.

6/ "Transfers to Controller's Accountability" represents the debits to Account No. 5530 for unclaimed checks and deposits ordered into the State Treasury.

2/ List each account title and amount separately.

78x3 Illustration

REV. 413
SAM RECONCILIATIONS AND REPORTS

(AGENCY)
ANALYSIS OF CHANGE IN FUND BALANCE
For a Trust and Agency Fund Outside the State Treasury
Fiscal Year Ended June 30, 19__

Fund Balance July 1, 19___. (Should agree with Ending Fund Balance shown on prior year statement)

Additions: 1/
  Receipts for Depositors 2/
  Interest and Dividend Income
  Receipts from the Federal Government
  Gifts and Grants Received 3/
  Operating Revenue — Other 4/
  Securities Received from or Purchased for Individuals 5/
  Other Additions 6/

Deductions: 1/
  Payments to and for Depositors 2/
  Operating Expenses (or Expenditures) 3/
  Operating Transfers Out 4/
  Securities Sold for or Released to Individuals 5/
  Other Deductions 6/

Fund Balance, June 30, 19___. (Should agree with Fund Balance shown on statement of Financial Condition)

1/ Additions and deductions will be determined by analysis of the debit and credit entries to the appropriate real accounts where the data requested above are not shown in nominal accounts.

2/ *Receipts for Depositors* and *Payments to and for Depositors* represents all amounts credited and charged respectively to depositors.

3/ *Gifts and Grants Received* represents amounts received from donors (other than the Federal Government) for the benefit of groups or for special projects or programs.

4/ *Operating Revenue — Other* includes any other source of income, such as canteen or concession profits, for which no other provision is made in this statement form.

5/ *Securities Received from or Purchased for Individuals* represents a portion of the credits to Account No. 3510, Deposits. The debits to this account will be shown under deductions as *Securities Sold for or Released to Individuals.*

6/ List each account title and amount separately.

7/ *Operating Expenditures* represents expenditures from Special Trusts which are made for the purpose for which the trust was established.

7963 Illustration

REV. 413
"Operating Transfers Out" consists of transfers caused by miscellaneous types of transactions. The drawing of a check to remit to the State Treasury unclaimed checks and deposits, other deposits, or special trusts is not considered a transfer. The drawing of a check to remit the amount of unclaimed checks is not reported as a deduction since the check payable to the State Treasurer is merely one in substitution of the unclaimed checks and has no effect on the entries made at the time the unclaimed checks were written. The drawing of a check to remit unclaimed trust deposits is reported as an "Other Deduction."
SAM RECONCILIATIONS AND REPORTS

(AGENCY)
ANALYSIS OF CHANGE IN FUND BALANCE
For a Retirement Fund
Fiscal Year Ended June 30, 19__

Fund Balance — Unappropriated, July 1 19XX ................................................ 5530

Additions: ........................................................................................................ 8090
   Member Contributions
   Employer Contributions
   State
   Public Agencies
   Income from Investments
   Subrogation Collections
   Other Additions

Deductions: ........................................................................................................ 9000, 9812
   Contributions Refunded (Including Interest)
   Death Benefits Paid
   Retirement Allowance Paid
   Subrogation Payments
   Other Deductions

Total

Fund Balance — Unappropriated, June 30, 19XX ................................................ 5530

\[ List each account title and amount separately \]

(AGENCY)
ANALYSIS OF CHANGE IN FUND BALANCE
For Trust and Agency Fund
(Derived from Federal Sources)
Fiscal Year Ended June 30, 19__

Fund Balance — Unappropriated, July 1, 19XX ................................................ 5530

Additions:
   Federal Grants and Contracts ................................................................. 8020
   Operating Transfers In ........................................................................ 9811
   Other Additions

Total Additions

Deductions:
   Operating Expenditures........................................................................ 9000, 8020
   State Operations
   Local Assistance

79x3 Illustration

REV. 413
SAM RECONCILIATIONS AND REPORTS

Operating Transfers Out ................................................................. 9812
Other Deductions ................................................................. 8(000
Total Deductions

Fund Balance — Unappropriated, June 30, 19XX ...................................... 5530

1/ List each account title and amount separately
2/ Operating Expenditures (9000) less Federal Grants and Contracts (8020).
ANALYSIS AND RECONCILIATION OF REVOLVING FUND ACCOUNTABILITY

(Revised 03/11)

During the fiscal year, Account No. 1130, Revolving Fund Cash, is accounted for on an impress basis. Because the revolving fund consists of items other than cash, this procedure will overstate cash in a department’s year-end reports. Therefore, adjusting entries are necessary at year-end to properly reflect the actual revolving fund composition, as of June 30, for year-end report purposes. The adjusting entries will reduce the balance of the revolving fund cash account to the balance of the revolving fund portion of the department’s checking account. The adjusting entries are recorded in the fund the revolving fund was withdrawn from and are reversed as of July 1. The amounts of these entries will also be shown on the Accrual Worksheet, Report No. 2 as Revolving Fund Adjustments. See SAM section 10601.

The source for the adjusting entries is an Analysis and Reconciliation of Revolving Fund Accountability, Report No. 10. The report consists of the following:

a. Cash in sub revolving funds, un-deposited receipts, and un-receipted SCO warrants in transit issued for reimbursement of the revolving fund.

b. Cash book balance – Amount of revolving fund cash in the department’s general checking account.

c. Salary and travel advances – Amount of outstanding advances to employees for salary and travel advances.

d. Claims filed on or before June 30 to reimburse the revolving fund but not paid by June 30.

e. Revolving fund disbursements not scheduled for reimbursement by June 30 and expenditures have been accrued via the A-8 entry.

f. Amount of revolving fund withdrawn from appropriation or pursuant to statute.

Report No. 10 is not submitted to the SCO, but it is kept on file with other year-end reports for audit purposes.

A sample of Report No. 10, Analysis and Reconciliation of Revolving Fund Accountability, is shown in the 7965 Illustration.
## SAM – RECONCILIATIONS AND REPORTS

(Revised 03/02)

### Analysis and Reconciliation of Revolving Fund Accountability, Report No. 10
As of June 30, 20__

<table>
<thead>
<tr>
<th></th>
<th>DETAIL</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Cash book balance (as shown on bank statement)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Revolving fund portion of centralized State Treasury System bank account no. _____</td>
<td>$7,300.00</td>
</tr>
<tr>
<td>2.</td>
<td>Cash on hand:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>a. Cash in subrevolving funds (e.g., change funds and cash purchase funds)</td>
<td>200.00</td>
</tr>
<tr>
<td></td>
<td>b. Undeposited receipts</td>
<td>50.00</td>
</tr>
<tr>
<td></td>
<td>c. Uncollected SCO warrants in transit for reimbursement of revolving fund</td>
<td>600.00</td>
</tr>
<tr>
<td></td>
<td><strong>TOTAL</strong></td>
<td>850.00</td>
</tr>
<tr>
<td>3.</td>
<td>Advances:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>a. Salary</td>
<td>1,000.00</td>
</tr>
<tr>
<td></td>
<td>b. Travel</td>
<td>500.00</td>
</tr>
<tr>
<td></td>
<td><strong>TOTAL</strong></td>
<td>1,500.00</td>
</tr>
<tr>
<td>4.</td>
<td>Claims filed but not yet paid by the SCO</td>
<td>4,000.00</td>
</tr>
<tr>
<td>5.</td>
<td>Revolving fund disbursements not scheduled for reimbursement by June 30</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>TOTAL</strong></td>
<td>1,700.00</td>
</tr>
<tr>
<td>6.</td>
<td>Amount of revolving fund withdrawn from appropriation or pursuant to statute</td>
<td>$15,350.00</td>
</tr>
</tbody>
</table>

---

1/ Excluding salary and travel advances to employees

---

7965 Illustration

---

REV. 413
This report will be prepared by departments in accordance with SAM section 7923 requirements for monthly bank reconciliations. Report No. 11 is not submitted to the SCO, but it is kept on file with other year-end financial reports for audit purposes.

A sample of Report No. 11, Bank Reconciliation, is shown in the 7967 Illustration.
## SAM – RECONCILIATIONS AND REPORTS

(Revised 06-14)

**Report No. 11**

**AGENCY NAME AND NUMBER**

**GENERAL CHECKING ACCOUNT RECONCILIATION, NO. _____**

For Period Ending June 30, 20____

<table>
<thead>
<tr>
<th>Description</th>
<th>Beginning Balance as of May 31, 20</th>
<th>Receipts ADD</th>
<th>Disbursements DEDUCT</th>
<th>Ending Balance as of June 30, 20</th>
</tr>
</thead>
<tbody>
<tr>
<td>PER CONTROLLER'S STATEMENT:</td>
<td>$440,000.00</td>
<td>$5,000,000.00</td>
<td>$5,100,000.00</td>
<td>$340,000.00</td>
</tr>
<tr>
<td>Deposits in Transit:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>May 31, 20 _____</td>
<td>50,000.00</td>
<td>-50,000.00</td>
<td></td>
<td>0.00</td>
</tr>
<tr>
<td>June 30, 20 _____</td>
<td>80,000.00</td>
<td></td>
<td></td>
<td>80,000.00</td>
</tr>
<tr>
<td>Outstanding Checks:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>May 31, 20 _____</td>
<td>-60,000.00</td>
<td>-10,000.00</td>
<td></td>
<td>0.00</td>
</tr>
<tr>
<td>June 30, 20 _____</td>
<td>120,000.00</td>
<td></td>
<td></td>
<td>-120,000.00</td>
</tr>
<tr>
<td>SCD Reconciling Items:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Oi #52-671110 for $50,000.00,</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Redeemed for $40,000.00</td>
<td></td>
<td></td>
<td></td>
<td>10,000.00</td>
</tr>
</tbody>
</table>

**ADJUSTED SCD BALANCE**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$450,000.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$5,000,000.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$5,190,000.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$290,000.00</td>
</tr>
</tbody>
</table>

### Detail of Agency Records

**General Cash Accounts**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund #1</td>
<td>$123,400.00</td>
</tr>
<tr>
<td>Fund #2</td>
<td>$123,200.00</td>
</tr>
<tr>
<td>Fund #3</td>
<td>$3,123,000.00</td>
</tr>
<tr>
<td>Fund #4</td>
<td>$3,123,000.00</td>
</tr>
<tr>
<td>Fund #5</td>
<td>$4,123,000.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revolving Fund Cash</td>
<td>8,300.00</td>
</tr>
<tr>
<td>Agency Trust Fund Cash</td>
<td>35,000.00</td>
</tr>
<tr>
<td></td>
<td>1,000,000.00</td>
</tr>
</tbody>
</table>

**TOTAL BOOK BALANCE**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>450,000.00</td>
</tr>
</tbody>
</table>

**Cash Reconciling Items:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0.00</td>
</tr>
</tbody>
</table>

**ADJUSTED BOOK BALANCE**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$450,000.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$5,000,000.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$5,190,000.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$290,000.00</td>
</tr>
</tbody>
</table>

---

Prepared by: __________________ Date: __________

Reviewed by: __________________ Date: __________

7967 Illustration

REV. 426
At year-end, departments will prepare a Report of Expenditures of Federal Funds, Report No. 13, for all federal funds. Departments must report expenditures and encumbrances for each federal award by Catalog of Federal Domestic Assistance (CFDA) number and program title. Expenditures shall include accruals of all valid obligations incurred and receivables earned as of June 30. Encumbrances shall include commitments that will become expenditures after June 30 when goods or services are received. For additional guidance on year-end financial reporting, refer to SAM section 17130.

The original signed Report No. 13 is submitted to the Department of Finance (Finance), Fiscal Systems and Consulting Unit by August 20th. A copy of Report No. 13 must be submitted to the State Controller's Office with the year-end financial reports. Supporting documentation used to prepare the Report No. 13 must be maintained by the department in the event Finance, Office of State Audits and Evaluations or the California State Auditor's Office requests to review.

For reporting requirements for the annual Single Audit, refer to SAM section 7974.1.

A sample of Report No. 13 is shown in the 7974 Illustration.
<table>
<thead>
<tr>
<th>CFDA No.</th>
<th>Program Title</th>
<th>Expenditures</th>
<th>Encumbrances</th>
<th>Total Budgetary Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.500</td>
<td>Cooperative Extension Service</td>
<td>$100,000,000.00</td>
<td>$100,000,000.00</td>
<td>$200,000,000.00</td>
</tr>
<tr>
<td>20.205</td>
<td>Highway Planning and Construction</td>
<td>$35,000,000.00</td>
<td>$15,000,000.00</td>
<td>$50,000,000.00</td>
</tr>
<tr>
<td>93.776</td>
<td>Medical Assistance Program</td>
<td>$300,000,000.00</td>
<td>$200,000,000.00</td>
<td>$500,000,000.00</td>
</tr>
<tr>
<td>Totals</td>
<td></td>
<td>$435,000,000.00</td>
<td>$145,000,000.00</td>
<td>$580,000,000.00</td>
</tr>
</tbody>
</table>

I certify (or declare) under penalty of perjury that the foregoing is true and correct and that I have not violated any of the provisions of Article 4, Chapter 1, Division 4, Title 1, Government Code (commencing with Section 1090).

Subscribed and executed this ___ day of __________, 20___ at __________________ California.

Report as of June 30 includes year-end accruals in accordance with State Administrative Manual instructions.

---

1/ Catalog of Federal Domestic Assistance (CFDA) and program title of each federally funded program.
2/ Columns 1 + 2 = Column 3.
At year-end, departments will separately report expenditures of federal awards to the Department of Finance (Finance), Office of State Audits and Evaluations, as part of the annual Single Audit.

Departments must follow all guidelines issued by Finance and submit deliverables by established due dates.

For Single Audit reporting purposes, direct expenditures of federal awards and payments to sub-recipients of federal funds must be reported on a cash basis. Cash basis expenditures are defined as expenditures incurred and disbursed as of June 30. Cash basis expenditures do not include accruals of valid obligations, accrual reversals, encumbrances, or receivables earned as of June 30.

Expenditures on the report must be identified by the proper Catalog of Federal Domestic Assistance number and program title. All support documentation used to prepare the report must reconcile to year-end financial reports and must be available in the event Finance, Office of State Audits and Evaluations or the California State Auditor’s Office requests to review.

For additional Single Audit reporting requirements and guidance, refer to the Finance website at: http://www.dof.ca.gov/Programs/OSAE/Audit_Reports/California_Audits_and_Accountability_Reports/.
At year-end, departments (including agencies) must prepare a Report No. 14, Report of Accounts Outside the State Treasury, and form STD. 445. The Report No. 14 must include any account outside the centralized State Treasury System (CTS) in which state money is deposited or must indicate that there are no accounts to report. Department of Finance (Finance), Fiscal Systems and Consulting Unit (FSCU) approval (See SAM section 8002) or statutory authority is required to maintain accounts outside of the CTS.

Each Report 14 shall include the tax identification number(s) under which the accounts were or could be established, department name, address, organization code, fiscal year-end date, signature, name and title of officer signing the report, contact telephone number and date signed. Only one Report No. 14 per department shall be submitted.

If no accounts exist outside the CTS, indicate “No accounts outside State Treasury” on the Report 14.

When there are accounts outside of the CTS, the Report No. 14 shall include the following:

- Account title and number appearing on bank/savings and loan/other depository statement.
- Type of account (savings, checking, ZBA, certificate of deposits, investment, etc.).
- Brief description and purpose of account. Must be consistent with the purpose approved by Finance, FSCU or authorized by law.
- Name and address of depository and branch.
- “Finance approval” and date or specific statutory authority.
- Bank balance of account as of June 30. If the account was closed during the reporting period, include “N/A” and the date when the account was closed.
- Indicate whether the account is collateralized or if collateral is not required.
Accounts outside the CTS shall be reviewed periodically to ensure compliance with Finance approval and/or legal authority. If the account was approved by Finance and there is a need to update any conditions of the approval, including the purpose of the account or the banking information, a new request for approval must be submitted to Finance FSCU.

The department head or designee that is at least one level above both legal and administrative functions is required to certify under penalty of perjury all information stated on the Report No. 14 is true and correct and the use of the account(s) is consistent with Finance approval or as authorized by law. A designee shall only be allowed to certify Report No. 14 in the absence of the department head. The certification also affirms the deposited funds will be adequately collateralized throughout the year in accordance with law. For additional information regarding the security and collateral requirements, consult with the State Treasurer’s Office (STO).

The original Report No. 14 must be sent to the STO and a copy must be sent to the State Controller’s Office by August 20.

A sample of Report No. 14 is shown in the STD form 445.
This report assures the accuracy and completeness of a department's revenue and expenditure accounts reported on its year-end financial reports. The Report No. 15 presents a reconciliation of a department's nominal accounts, the 8000 and 9000 series general ledger accounts with transactions per the State Controller as of June 30. The fund administrator will also record in their accounting system and include on the Report 15 certain statewide assessments charged to the fund. Submit this report with other year-end financial reports to the SCO.

A sample and instructions of how to complete Report No. 15, Reconciliation of Agency Accounts with Transactions per State Controller, is shown in the 7976 Illustration 1 and Illustration 2.
### Reconciliation of Agency Accounts with Transactions Per State Controller

**Fiscal Year Ending June 30, 2004**

<table>
<thead>
<tr>
<th>Item 5655-0001-001 Clp 20/5Y</th>
<th>State Ops FY (a)</th>
<th>State Ops FY (b)</th>
<th>State Ops FY (c)</th>
</tr>
</thead>
<tbody>
<tr>
<td>10 A-Regulations</td>
<td>24,875,103.72</td>
<td>-12,410,445.43</td>
<td>37,685,548.15</td>
</tr>
<tr>
<td>11 B-Evaluations</td>
<td>5,941,864.62</td>
<td>2,066,055.46</td>
<td>7,967,920.08</td>
</tr>
<tr>
<td>11.01 C-Administration</td>
<td>9,675,238.94</td>
<td>2,962,961.90</td>
<td>12,638,200.84</td>
</tr>
<tr>
<td>11.02 D-Distributed Admin</td>
<td>-3,453,646.73</td>
<td>-2,969,033.15</td>
<td>-12,428,680.62</td>
</tr>
<tr>
<td>12 D-Clearing Account</td>
<td>10,961,038.95</td>
<td>-13,907,088.95</td>
<td>26,874,127.90</td>
</tr>
<tr>
<td>13 E-Reimbursements</td>
<td>-3,426,308.42</td>
<td>.168,951.73</td>
<td>1,781,600.03</td>
</tr>
<tr>
<td>17 Revolving Fund Advance</td>
<td>900,000.00</td>
<td>900,000.00</td>
<td>900,000.00</td>
</tr>
<tr>
<td>18 Advance to SIF</td>
<td>300,000.00</td>
<td>300,000.00</td>
<td>300,000.00</td>
</tr>
</tbody>
</table>

**Reconciliation of Agency Accounts (a) with Transactions Per State Controller (b)**

<table>
<thead>
<tr>
<th>Item 5655-0001-001 Clp 21/5Y</th>
<th>State Ops FY (a)</th>
<th>State Ops FY (b)</th>
</tr>
</thead>
<tbody>
<tr>
<td>10 A-Regulations</td>
<td>4,084,308.09</td>
<td>-2,245,872.25</td>
</tr>
<tr>
<td>11 B-Evaluations</td>
<td>902,307.07</td>
<td>-903,449.00</td>
</tr>
<tr>
<td>11.01 C-Administration</td>
<td>1,435,793.78</td>
<td>-1,057,337.00</td>
</tr>
<tr>
<td>11.02 D-Distributed Admin</td>
<td>-1,425,783.75</td>
<td>-3,961.54</td>
</tr>
<tr>
<td>12 D-Clearing Account</td>
<td>-3,007,167.97</td>
<td>-3,955,224.72</td>
</tr>
<tr>
<td>13 E-Reimbursements</td>
<td>-1,374,785.96</td>
<td>-440,458.14</td>
</tr>
<tr>
<td>17 Revolving Fund Advance</td>
<td>900,000.00</td>
<td>900,000.00</td>
</tr>
<tr>
<td>18 Advance to SIF</td>
<td>-300,000.00</td>
<td>300,000.00</td>
</tr>
</tbody>
</table>

**State Ops FY (c)**

<table>
<thead>
<tr>
<th>Item 5655-0001-001 Clp 39/PY</th>
<th>State Ops FY (c)</th>
</tr>
</thead>
<tbody>
<tr>
<td>10 A-Regulations</td>
<td>82,006.89</td>
</tr>
<tr>
<td>11 B-Evaluations</td>
<td>5,631.80</td>
</tr>
<tr>
<td>11.01 C-Administration</td>
<td>30,004.69</td>
</tr>
<tr>
<td>11.02 D-Distributed Admin</td>
<td>-30,004.69</td>
</tr>
<tr>
<td>12 D-Clearing Account</td>
<td>172,766.73</td>
</tr>
<tr>
<td>13 E-Reimbursements</td>
<td>190.86</td>
</tr>
<tr>
<td>Revenue - Current Year</td>
<td>32,061.73</td>
</tr>
<tr>
<td>Refunds to Revised Apropos</td>
<td>-222.77</td>
</tr>
<tr>
<td>SG0 - OAPF Assessments</td>
<td>4,869.35</td>
</tr>
<tr>
<td>SG0 - FSCU Assessments</td>
<td>220.45</td>
</tr>
<tr>
<td>TOTAL</td>
<td>39,973,004.62</td>
</tr>
</tbody>
</table>

**TOTAL**

| 39,973,004.62 | 0.00 | 1,718,505.07 | 0.00 | (780,931.73) | 1,419,023.29 | 39,614,487.29 | 40,894,070.81 | -3,974,848.19 | -28,314.50 | -4,869.35 | 59,444.00 | 0.00 | 0.00 | 18,890.52 |
# SAM – RECONCILIATIONS AND REPORTS

## Agency Name and Number

**Fund Name and Number**

### RECONCILIATION OF AGENCY ACCOUNTS WITH TRANSACTIONS PER STATE CONTROLLER

**Fiscal Year Ending June 30, 20XX**

<table>
<thead>
<tr>
<th>Column</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Transactions Per Controller - Enter from the “Expend/Revenue” column of the Controller’s Agency Reconciliation Report at June 30, 20XX. Enter the Revolving Fund Advance and Service Revolving Fund Advance from the “Advance” column of the Controller’s Agency Reconciliation Report. Enter the amounts for the prior year advances from last year’s Report 15.</td>
</tr>
<tr>
<td>B</td>
<td>Reverse prior year Adjustments to Controller’s Accounts. Enter reversal of last year’s Report 15, Column E, Adjustments to Controller’s Accounts.</td>
</tr>
<tr>
<td>C</td>
<td>Reverse prior year Accruals. Enter reversal of last year’s Report 15, Column F, Accruals.</td>
</tr>
<tr>
<td>D</td>
<td>Reverse PY Corrections Made by Controller’s. Enter reversal of any prior year corrections made by SCO to Report No. 1, Report of Accruals to Controller’s Accounts and Report No. 3, Adjustments to Controller’s Accounts.</td>
</tr>
<tr>
<td>E</td>
<td>Current year Adjustments to Controller’s Accounts. Enter from Report No. 3, Adjustments to Controller’s Account.</td>
</tr>
<tr>
<td>F</td>
<td>Current year Accruals. Enter from Report No. 2, Accrual Worksheet. Use amounts from the last column of Report No. 2 titled “Net Total Accruals Per Agency” and use opposite sign.</td>
</tr>
<tr>
<td>G</td>
<td>The total of columns A through F must equal the total of columns H through O.</td>
</tr>
<tr>
<td>H - O</td>
<td>Columns H through O must agree with the corresponding nominal accounts, 8000 and 9000 series accounts, on the Pre-Closing Trial Balance, Report No. 7. Use additional columns to identify other accounts as necessary. See 7962 Illustration 1 for detail</td>
</tr>
</tbody>
</table>

| P      | Statewide Assessments include assessments for (1) SCO reporting for the Comprehensive Annual Report (GAAP reporting), (2) Finance, Fiscal Systems and Consulting Unit; and (3) Financial Information System for California. The Fund Administrator will record and report Statewide Assessments. Obtain amounts from Controller’s Journal Entries for these assessments which will display the organization code of the department assessing the charge (e.g., 0840 for SCO, 8860 for Finance.) Do not include statewide assessments for charges recorded against your department’s organization code, as these types of assessments are charged to your department’s appropriations (e.g., Pro Rata.)CALSTARS departments which submit manual year-end financial reports will report statewide assessments in Column P. The statewide assessments in Column P will be independent of other figures on Report 15. The total of Column H, Appropriation Expenditures must agree to total expenditures (GL 9000) on the Pre-Closing Trial Balance (Report No. 7). CALSTARS departments should refer to the CALSTARS Procedure Manual for detailed instructions on how to record the transactions. Non-CALSTARS departments will report statewide assessments as expenditures in Column H, Appropriation Expenditures. Total appropriation expenditures on Report 15 must agree to total expenditures on Report 7, the Pre-Closing Trial Balance. |

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**7976 Illustration 2**

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**REV. 431**
YEAR-END REPORT NO. 18,

STATEMENT OF CHANGES IN CAPITAL ASSETS GROUP OF ACCOUNTS

(Revised 06/2017)

This report accounts for changes resulting from capital asset acquisitions and dispositions during the fiscal year. Submit this report for each fund within a department, except for Fiduciary Funds, with other year-end financial reports to the SCO.

See section 7463 for Capital Asset Group of Accounts.

See section 8660 for the information required in Report 18.

A sample of Report No. 18, Statement of Changes in Capital Assets Group of Accounts, is shown in 7977 Illustration 1.

### Capital Assets

**Tangible Assets**
- Land (2310)  
  - Beginning Balance: $1,000,000.00  
  - Additions: $500,000.00  
  - Deductions: $1,000,000.00  
  - Ending Balance: $500,000.00
- Buildings (2321)  
  - Beginning Balance: $1,361,000.00  
  - Additions: $500,000.00  
  - Deductions: $1,361,000.00  
  - Ending Balance: $0.00
- Improvements Other Than Buildings (2331)  
  - Beginning Balance: $535,000.00  
  - Additions: $100,000.00  
  - Deductions: $50,000.00  
  - Ending Balance: $505,000.00
- Equipment (2341)  
  - Beginning Balance: $257,600.00  
  - Additions: $500,000.00  
  - Deductions: $50,000.00  
  - Ending Balance: $707,600.00
- Construction Work in Progress (2350)  
  - Beginning Balance: $500,000.00  
  - Additions: $500,000.00  
  - Deductions: $500,000.00  
  - Ending Balance: $500,000.00
- Infrastructure - Depreciable (2362)  
  - Beginning Balance: $-  
  - Additions: $-  
  - Deductions: $-  
  - Ending Balance: $-  

**Intangible Assets**
- Computer Software - Amortizable (2411)  
  - Beginning Balance: $125,000.00  
  - Additions: $-  
  - Deductions: $-  
  - Ending Balance: $125,000.00
- Land Use Rights - Amortizable (2412)  
  - Beginning Balance: $100,000.00  
  - Additions: $-  
  - Deductions: $-  
  - Ending Balance: $100,000.00
- Patents, Copyrights, and Trademarks - Amortizable (2413)  
  - Beginning Balance: $50,000.00  
  - Additions: $-  
  - Deductions: $-  
  - Ending Balance: $50,000.00
- Other Intangible Assets - Amortizable (2414)  
  - Beginning Balance: $-  
  - Additions: $-  
  - Deductions: $-  
  - Ending Balance: $-  
- Land Use Rights - Non-Amortizable (2422)  
  - Beginning Balance: $-  
  - Additions: $-  
  - Deductions: $-  
  - Ending Balance: $-  
- Patents, Copyrights, and Trademarks - Non-Amortizable (2423)  
  - Beginning Balance: $-  
  - Additions: $-  
  - Deductions: $-  
  - Ending Balance: $-  
- Other Intangible Assets - Non-Amortizable (2424)  
  - Beginning Balance: $-  
  - Additions: $-  
  - Deductions: $-  
  - Ending Balance: $-  
- Internally Generated Intangible Assets in Progress (2430)  
  - Beginning Balance: $867,602.00  
  - Additions: $-  
  - Deductions: $-  
  - Ending Balance: $867,602.00

**Total Capital Assets**  
- Beginning Balance: $4,764,202.00  
- Additions: $650,000.00  
- Deductions: $550,000.00  
- Ending Balance: $4,864,202.00

---

2. The ending balances should equal the debit balances on Report No. 19 for each asset type.
# Agency Name and Number

**Statement of Changes in Capital Assets Group of Accounts (Report 18)**

**Beginning Balance Differential Report**

**Fund Name and Number**

**As of June 30, 20XX**

<table>
<thead>
<tr>
<th>(1) Prior Year Ending Balance</th>
<th>(2) Current Year Beginning Balance</th>
<th>(3) Difference</th>
<th>(4) Assets unreported in the prior year</th>
<th>(5) Non-capitalizable assets reported as capital assets in the prior year</th>
<th>(6) Transfers from other departments (in historical cost/value)</th>
<th>(7) Other amounts that make up the difference (provide description): other year asset classifications not reclassified</th>
<th>(8) Other amounts that make up the difference (provide description): other year amounts not included in the current year balance</th>
<th>(9) Restatement Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tangible Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land (23/9)</td>
<td>1,200,000</td>
<td>1,000,000</td>
<td>(200,000)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(200,000)</td>
</tr>
<tr>
<td>Buildings (22/1)</td>
<td>1,661,000</td>
<td>1,381,000</td>
<td>(280,000)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(200,000)</td>
</tr>
<tr>
<td>Improvements Other Than Buildings (23/31)</td>
<td>505,000</td>
<td>525,000</td>
<td>0,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0,000</td>
</tr>
<tr>
<td>Equipment (24/1)</td>
<td>330,000</td>
<td>275,000</td>
<td>(55,000)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0,000</td>
</tr>
<tr>
<td>Construction Work in Progress (235b)</td>
<td>500,000</td>
<td>500,000</td>
<td>0,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0,000</td>
</tr>
<tr>
<td>Infrastructure - Depreciable (3907)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-</td>
</tr>
<tr>
<td><strong>Intangible Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Computer Software - Amortizable (24/11)</td>
<td>129,000</td>
<td>129,000</td>
<td>0,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0,000</td>
</tr>
<tr>
<td>Land Use Rights - Amortizable (24/12)</td>
<td>100,000</td>
<td>100,000</td>
<td>0,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0,000</td>
</tr>
<tr>
<td>Patents, Copyrights, and Trademarks - Amortizable (24/13)</td>
<td>50,000</td>
<td>50,000</td>
<td>0,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0,000</td>
</tr>
<tr>
<td>Other Intangible Assets - Amortizable (24/14)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Land Use Rights - Non-Amortizable (34/25)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Patents, Copyrights, and Trademarks - Non-Amortizable (24/23)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Other Intangible Assets - Non-Amortizable (24/34)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Internally Generated Intangible Assets in Progress (2430)</td>
<td>867,602</td>
<td>867,602</td>
<td>0,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>4,428,202</td>
<td>4,424,202</td>
<td>4,000</td>
<td>520,000</td>
<td>5,000</td>
<td>(50,000)</td>
<td>(14,000)</td>
<td>(64,000)</td>
</tr>
</tbody>
</table>

**Report Instructions:**

Col. 1 - Enter Ending Balance from Prior Year Report 18.
Col. 2 - Enter Beginning Balance from Current Year Report 18.
Col. 3 - Compute difference between current year beginning balance and prior year ending balance.
Col. 4 - Breakdown and categorize the differences in columns 4 to 8.
Col. 5 - Compute the sum of columns 4 to 8. The amount should agree with the computed difference in column 3.
YEAR-END REPORT NO. 19, 7978

STATEMENT OF CAPITAL ASSETS GROUP OF ACCOUNTS

(Revised 6/14)

This report accounts for the total capital assets of a department and identifies the fund that purchased the capital assets. Report No. 19 summarizes the information contained in Report No. 18 as of June 30. Submit this report with other year-end financial reports to the SCO. See SAM sections 7463 and 8660 for additional information.

A sample of Report No. 19, Statement of Capital Assets Group of Accounts, is shown in the 7978 Illustration.
# SAM – RECONCILIATIONS AND REPORTS

Agency Name and Number
Statement of Capital Assets Group of Accounts - Report No. 19
As of June 30, 20XX

## CAPITAL ASSETS

<table>
<thead>
<tr>
<th>Description</th>
<th>Debit Balance</th>
<th>Credit Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tangible Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land (2310)</td>
<td>$1,225,000.86</td>
<td></td>
</tr>
<tr>
<td>Buildings (2321)</td>
<td>2,861,000.00</td>
<td></td>
</tr>
<tr>
<td>Improvements Other Than Buildings (2331)</td>
<td>535,000.00</td>
<td></td>
</tr>
<tr>
<td>Equipment (2341)</td>
<td>425,000.00</td>
<td></td>
</tr>
<tr>
<td>Construction Work in Progress (2350)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Infrastructure - Depreciable (2362)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Intangible Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Computer Software - Amortizable (2411)</td>
<td>125,000.00</td>
<td></td>
</tr>
<tr>
<td>Land Use Rights - Amortizable (2412)</td>
<td>100,000.00</td>
<td></td>
</tr>
<tr>
<td>Patents, Copyrights, and Trademarks - Amortizable (2413)</td>
<td>50,000.00</td>
<td></td>
</tr>
<tr>
<td>Other Intangible Assets - Amortizable (2414)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land Use Rights - Non-Amortizable (2422)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Patents, Copyrights, and Trademarks - Non-Amortizable (2423)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Intangible Assets - Non-Amortizable (2424)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Internally Generated Intangible Assets In Progress (2430)</td>
<td>1,000,000.00</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL CAPITAL ASSETS</strong></td>
<td>$6,321,600.88</td>
<td></td>
</tr>
</tbody>
</table>

Investment in Capital Assets from:

1. Physical inventories of capital assets are made at least once every three years.
2. Subsidiary capital asset records are in agreement with the general ledger control accounts shown above.

7978 Illustration
This report discloses the balances of the assets, liabilities, and fund equity as of June 30. Departments must prepare a Statement of Financial Condition when they account for:

a. A non-governmental cost fund.

b. An account within a non-governmental cost fund, such as the Federal Trust Fund and the Special Deposit Fund.

General ledger accounts that require a subsidiary number must be reported individually (e.g., 1400.0001 Due From General Fund).

A sample of Report No. 20, Statement of Financial Condition, is shown in the 7979 Illustration.
SAM - RECONCILIATIONS AND REPORTS

(Revised 03/02)

<table>
<thead>
<tr>
<th>Account Number</th>
<th>Account Description</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1313</td>
<td>Accounts Receivable - Revenue</td>
<td>$30.00</td>
</tr>
<tr>
<td>1110</td>
<td>Cash</td>
<td>70.00</td>
</tr>
<tr>
<td>1410.0881</td>
<td>Due From Surplus Money Investment Fund</td>
<td>101.68</td>
</tr>
<tr>
<td></td>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>$201.68</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Account Number</th>
<th>Account Description</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>5530</td>
<td>Fund Balance - Unappropriated</td>
<td><strong>$201.68</strong></td>
</tr>
<tr>
<td></td>
<td><strong>TOTAL LIABILITIES AND FUND EQUITY</strong></td>
<td><strong>$201.68</strong></td>
</tr>
</tbody>
</table>

I certify (or declare) under penalty of perjury that the foregoing is true and correct and that I have not violated any of the provisions of Article 4, Chapter 1, Division 4, Title 1, Government Code (commencing with Section 1690).

Subscribed and executed this _____ day of __________, 20___ at _______________, California.

______________________________
Signature of Officer

______________________________
Type or print name of Officer

______________________________
Title of Officer

7979 Illustration
This report discloses estimated liabilities such as federal audit exceptions, other audit exceptions, and pending litigation. A Statement of Contingent Liabilities, Report No. 22, is not required if there are no contingent liabilities. In this situation, departments will indicate that there are no contingent liabilities to report in the certification letter to the SCO.

A sample of Report No. 22, Statement of Contingent Liabilities, is shown in the 7980 Illustration.
SAM – RECONCILIATIONS AND REPORTS

SAM – RECONCILIATIONS AND REPORTS

(Revised 03/02)

Agency Name and Number
Fund Name and Number
STATEMENT OF CONTINGENT LIABILITIES - REPORT NO. 22
As of June 30, 20____

Prepared by: ____________________________
Telephone number: ______________________

<table>
<thead>
<tr>
<th>Type of Contingent Liability</th>
<th>Reference or Identification</th>
<th>Estimated Amount</th>
<th>Estimated Date of Payment</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>ex. Federal Audit Exception</td>
<td>Federal Audit Number</td>
<td>Dollar Amount</td>
<td>By fiscal year</td>
<td></td>
</tr>
</tbody>
</table>

I certify (or declare) under penalty of perjury that the foregoing is true and correct and that I have not violated any of the provisions of Article 4, Chapter 1, Division 4, Title 1, Government Code (commencing with Section 1000).

Subscribed and executed this ____ day of __________, 20__ at __________________, California.

______________________________
Signature of Officer

______________________________
Type or print name of Officer

______________________________
Title of Officer

7980 Illustration

REV. 413
Reporting changes in accruals enable the State Controller’s Office (SCO) to more accurately prepare an annual report as required by law.

After issuing its year-end financial reports, if a department determines there are material differences between amounts accrued as of June 30 and subsequent events (e.g., receipts and expenditures) relating to prior year funds, it will immediately contact the SCO, Division of Accounting and Reporting, for instructions. The definition of material, for this purpose, is a net change in the total accrued income and the total accrued expenditures of $100,000 or more. If possible, submit changes to the SCO by September 15.

To determine if material changes have occurred, departments will periodically review their expenditure and income accruals as follows:

a. Expenditures

Prior year expenditures incurred and abatements received to the date of the review, plus an estimate of prior year expenditures yet to be made and abatements to be collected, will be compared with the amount anticipated when the expenditure accrual was determined.

b. Income

The total of amounts billed as prior year income and amounts of prior year income received at the date of the review, plus an estimate of prior year income yet to be billed or received, will be compared with the total amount of income anticipated when the income accrual was determined. If the net effect of (a) and (b) above is $100,000 or more, departments will contact the SCO for instructions.

Departments will not reopen its prior year accounts to record income changes because such subsequent events are recorded as prior year adjustments in the year they occur. However, if the SCO includes the adjustments in the annual report for expenditures, departments must reopen its accounts and post the adjustment in order for the expenditures in the following year to agree with the records of the SCO.
Departments will prepare an Analysis of Cash in Transit as of June 30. This analysis is not submitted to the **SCO**, but kept on file with other year-end reports for audit purposes. A recommended format is shown below.

### ANALYSIS OF CASH IN TRANSIT

As of June 30, 20_______

<table>
<thead>
<tr>
<th>Remittance Advice Fund</th>
<th>Remittance Advice Number.</th>
<th>Remittance Advice Date</th>
<th>Remittance Advice Amount</th>
<th>Controller's Receipt Number.</th>
<th>Controller's Receipt Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>0001</td>
<td>1009</td>
<td>6/29</td>
<td>$ 500</td>
<td>2749</td>
<td>7/3</td>
</tr>
<tr>
<td>0001</td>
<td>1010</td>
<td>6/29</td>
<td>1,500</td>
<td>2775</td>
<td>7/6</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$2,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1234</td>
<td>1011</td>
<td>6/29</td>
<td>$1,000</td>
<td>2781</td>
<td>7/3</td>
</tr>
<tr>
<td>1234</td>
<td>1012</td>
<td>6/29</td>
<td>2,500</td>
<td>2799</td>
<td>7/6</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$3,500</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1/ Must agree by fund with the June 30 balance of Account No. 1150, Cash in Transit to State Treasury.
CHAPTER 8000 INDEX

GENERAL 8000

Centralized State Treasury System 8001

Opening An Account 8001.1

Authorized Signature File 8001.2

Facsimile Signature 8001.3

Facsimile Signature (Signature Plate Or Rubber Stamp) Destruction 8001.4

Closing An Account 8001.5

Accounts Outside Of The Centralized State Treasury System 8002

Fiscal Agents 8002.1

Non-State Money 8002.5

RECEIPT OF FEDERAL FUNDS 8003

CASH MANAGEMENT IMPROVEMENT ACT 8010

Federal Assistance Programs And State Agencies Impacted By CMIA 8011

Treasury-State Agreement 8012

Principal Responsibilities 8013

Non-Compliance By State Agencies That Administers CMIA Programs 8014

RECEIPTS 8020

Documentation Of Incoming Collections 8022

Acceptance Of Checks And Money Orders 8023

Acceptance Of Credit Cards 8023.1

SAFES AND VAULTS 8024

Placement Of Safes For Security Purposes 8025
ENDORSEMENTS

<table>
<thead>
<tr>
<th>Topic</th>
<th>Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Endorsement Instructions</td>
<td>8034.1</td>
</tr>
<tr>
<td>Endorsement Placement And Ink Color</td>
<td>8034.2</td>
</tr>
<tr>
<td>Endorsement Of Erroneous Warrants</td>
<td>8034.3</td>
</tr>
<tr>
<td>Endorsement Of Checks By Other Than Payee Agency</td>
<td>8034.4</td>
</tr>
<tr>
<td>Endorsement Of Remotely Deposited Images</td>
<td>8034.5</td>
</tr>
<tr>
<td>Loss By Banks Of Checks Deposited By State</td>
<td>8035</td>
</tr>
<tr>
<td>Retention of Checks and Files for Electronic Deposits</td>
<td>8035.1</td>
</tr>
<tr>
<td>Unsigned Checks</td>
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</tr>
</tbody>
</table>

WITHDRAWALS

<table>
<thead>
<tr>
<th>Topic</th>
<th>Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>Checks</td>
<td>8040</td>
</tr>
<tr>
<td>Examination Of Paid Checks For Alteration Or Forgery</td>
<td>8041.1</td>
</tr>
<tr>
<td>Delivery Of Checks</td>
<td>8041.2</td>
</tr>
<tr>
<td>Uncashed Or Unclaimed Agency Checks</td>
<td>8042</td>
</tr>
<tr>
<td>Dishonored Checks</td>
<td>8043</td>
</tr>
<tr>
<td>Dishonored Check Charge</td>
<td>8043.1</td>
</tr>
<tr>
<td>Non-Conforming Images</td>
<td>8043.2</td>
</tr>
<tr>
<td>Lost or Destroyed Agency Checks</td>
<td>8044</td>
</tr>
<tr>
<td>Stop Payments</td>
<td>8045</td>
</tr>
<tr>
<td>Release Of Stop Payments</td>
<td>8046</td>
</tr>
<tr>
<td>Overdrafts</td>
<td>8047</td>
</tr>
<tr>
<td>Loss Of Blank Check Stock</td>
<td>8048</td>
</tr>
</tbody>
</table>

PAID AGENCY CHECKS

<table>
<thead>
<tr>
<th>Topic</th>
<th>Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>RECONCILIATIONS</td>
<td>8050</td>
</tr>
<tr>
<td>OVERAGES AND SHORTAGES</td>
<td>8070</td>
</tr>
<tr>
<td>Overages</td>
<td>8071</td>
</tr>
</tbody>
</table>

REV. 431
<table>
<thead>
<tr>
<th>Topic</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shortages</td>
<td>8072</td>
</tr>
<tr>
<td>Counterfeit Currency</td>
<td>8072.1</td>
</tr>
<tr>
<td>SEPARATION OF DUTIES</td>
<td>8080</td>
</tr>
<tr>
<td>Separation Of Duties Mechanized Systems</td>
<td>8080.1</td>
</tr>
<tr>
<td>Separation Of Duties (Combined Systems)</td>
<td>8080.2</td>
</tr>
<tr>
<td>CHECK SIGNING MACHINES</td>
<td>8081</td>
</tr>
<tr>
<td>RUBBER STAMP FACSIMILE SIGNATURES</td>
<td>8082</td>
</tr>
<tr>
<td>GENERAL CASH</td>
<td>8090</td>
</tr>
<tr>
<td>Agency Trust Fund Cash</td>
<td>8090.1</td>
</tr>
<tr>
<td>Remittances To State Treasury</td>
<td>8091</td>
</tr>
<tr>
<td>Detail To Be Shown On Report To State Controller Of Remittance To State Treasurer</td>
<td>8091.1</td>
</tr>
<tr>
<td>Report Of Collections</td>
<td>8092</td>
</tr>
<tr>
<td>Cash Receipts Register</td>
<td>8093</td>
</tr>
<tr>
<td>Cash Disbursements Register</td>
<td>8094</td>
</tr>
<tr>
<td>Refunds</td>
<td>8095</td>
</tr>
<tr>
<td>Maximization Of Interest Earnings</td>
<td>8099</td>
</tr>
</tbody>
</table>
State employees having custody of state funds will be instructed to surrender, without resistance, funds demanded if they are threatened with violence during the course of an attempted robbery. The California Highway Patrol will be notified immediately. In addition, agencies are required to notify the Department of Finance, Office of State Audits and Evaluations. See SAM Section 20060.

Agencies normally handle the following types of cash items:

1. General Cash
2. Revolving Fund Cash
3. Agency Trust Fund Cash
4. Cash receipts that for valid reasons will not be deposited immediately.

The first three types of cash items are discussed in general in the sections following. The fourth type of cash items is discussed in SAM Section 10513. Standard Entry No. 13.
The Centralized State Treasury System (CTS) is a system authorized by Government Code section 16305, whereby state moneys are deposited in specified banks for credit to central accounts of the State Treasurer’s Office (STO). These banks have been authorized by the State Treasurer to receive deposits from departments for credit to the State Treasurer’s demand deposit account at the institution. The purpose of the CTS is to maximize the earning of interest consistent with safe and prudent treasury management and to assure that depository banks provide the state with proper and adequate security for deposits of state moneys.

All money in the possession of any department will be deposited in the CTS except when otherwise authorized by the Department of Finance, statute, or unless deposited directly into the State Treasury.

When a deposit is made, the depositing department notifies the STO by submitting a Report of Deposit. Although deposits may be made at any branch of an approved depository, only one demand deposit account is maintained for each depository by the STO. The State Controller’s Office (SCO) maintains accountability for all deposits by specific CTS bank account (also known as the agency checking account).

Withdrawals from each department’s CTS bank account are made by checks drawn by the department and by the SCO transfers to a state fund. The SCO sends statements of accounts at least monthly to each department with a CTS bank account. The STO maintains the online statewide Agency Paid System for departments to access and print images of their department checks. The system is updated daily and check data is retained for five years from the date paid. To obtain access to the Agency Paid System, departments shall complete the STO’s User ID Assignment/Removal form, STO-IP 130. The form and information can be obtained by contacting the STO Item Processing Section at Item.Processing@Treasurer.ca.gov.
Requests to open new accounts will be made by letter to Department of Finance, Fiscal Systems and Consulting Unit. The request must include the legal name of the department together with the official designation of the account, for example:

Department of General Services General Checking Account

The Department of Finance, Fiscal Systems and Consulting Unit, will send a letter of approval to the agency and a copy to the State Treasurer's Office along with a copy of the agency's request. Upon assignment of the account number, the State Treasurer's Office will forward a copy of the approval with account number designation to the agency and to the State Controller, Division of Accounting and Reporting. Agencies will keep the number of their centralized State Treasury System accounts to a minimum.

Most agencies will require only one centralized State Treasury account even though they may have more than one general ledger cash account (i.e., General Cash, Revolving Fund Cash, and Agency Trust Fund Cash). The title of such centralized State Treasury System account will be "General Checking Account." Special circumstances may require separate centralized State Treasury System accounts. In such instances, the agency will request approval to establish such accounts from Department of Finance, Fiscal Systems and Consulting Unit. Requests should include the purpose or reason for a separate account.

Departments will prepare an interoffice memo that lists the names of each person authorized to sign agency checks. A specimen of both a manual and facsimile signature (if used to sign checks), will be shown. It is the department's responsibility to ensure that adequate safeguards are taken to preclude improper or unauthorized use of facsimile signatures. See SAM Sections 8080, Separation of Duties and 8081, Check Signing Machines. Each memo will contain the following statement:

"Checks drawn for an amount in excess of $15,000 will require two authorized signatures unless the check is payable to (1) the State Treasurer, (2) another state department or account, or (3) if the Department of Finance, Fiscal Systems and Consulting Unit, has authorized, in writing, special instructions permitting a department to deviate from this requirement."

The memo will be placed in an Agency Check–Authorized Signatures file. This file will be kept by the department on a current basis. The State Treasurer's Office does not require a copy of this memo. Each department will be solely responsible for the maintenance and control of authorized signature files.
In accordance with Section 5501 Government Code, every authorized officer when facsimile signature is used on any instrument of payment shall file his manual signature, certified by him under oath, with the Secretary of State.

It is the agency's responsibility to ensure that adequate safeguards are taken to preclude improper or unauthorized use of facsimile signature. (See SAM Sections 8080, 8081, and 8082.)

**FACSIMILE SIGNATURE (SIGNATURE PLATE OR RUBBER STAMP) DESTRUCTION**

(Revised 7/1979)

Agencies shall destroy the facsimile signature plate upon the departure of the particular authorized officer. Two persons, exclusive of the individual whose signature is involved, shall witness and sign an acknowledgment of the destruction. One copy shall be given to the departing officer and one shall be retained and filed by the agency.

Agencies shall use any convenient method of destruction. Suggested methods for signature plate destruction are to saw in half or hammer or file imprint down. For rubber stamps, the imprint should be removed from the stamp and cut with scissors.

**CLOSING AN ACCOUNT**

Departments will periodically review their need for maintaining a centralized State Treasury System (CTS) bank account. When more than one CTS bank account exists, departments will combine these into one CTS bank account, where feasible.

Requests to close inactive or unnecessary CTS bank accounts will be sent to State Treasurer's Office, Centralized Treasury and Securities Management Division, Bank Reconciliation Section, along with a copy of the current CTS statement with a zero balance.
ACCOUNTS OUTSIDE OF THE CENTRALIZED STATE TREASURY SYSTEM

(Revised 10/2019)

Departments may be authorized either by statute or by approval from the Department of Finance (Finance), Fiscal Systems and Consulting Unit (FSCU) to maintain bank, savings and loan association, or credit union accounts outside the centralized State Treasury System (CTS). Please refer to SAM section 19462 for bank accounts or section 19463 for savings and loan association and credit union accounts. Departments are encouraged to establish the account outside the CTS with one of the State Treasurer’s Office (STO) approved depository banks.

Departments without statutory authority must submit a written request to Finance, FSCU. All requests shall include the following information:

1. Justification for the need to open an account outside the CTS.
2. The name and location of the proposed bank, savings and loan association, or credit union.
3. The legal name of the department and the official designation of the account.
4. Whether the bank or savings and loan association is insured by the Federal Deposit Insurance Corporation (FDIC). For credit unions, whether it is insured by the National Credit Union Administration (NCUA).

5. Account details:
   - The amount, source, and purpose of the funds to be deposited.
   - Type of account (savings, checking, zero balance account *, certificate of deposit, investment, etc.).
   - Date account is needed, length of deposit, fees associated with the account, and interest rate to be received.

6. The provisions for the withdrawal of funds.

   *Zero Balance Account (ZBA) is a type of account held outside the CTS in which a balance of zero is maintained by automatically transferring funds into the CTS daily. No other withdrawal of funds or disbursements will be made from the ZBA.

Departments must submit a new request for approval for account maintained outside the CTS if any of the conditions of the Finance approval have changed such as purpose or banking information. However, for ZBAs, Finance approval is not required for change in depository banks when all of the following conditions are met:

   - The change in depository bank is for a contract between the STO or the State Controller’s Office (SCO).
   - The ZBA was previously approved by Finance.

No other changes are made to the account(s).
Finance will notify the SCO, Division of Accounting and Reporting, and the STO in writing of each new account approved.

Departments will obtain signature cards from banks, savings and loan associations, and credit unions. Finance approval of signature cards is not required. It is the department’s responsibility to ensure that adequate safeguards are taken to prevent improper or unauthorized use of facsimile signatures. (See SAM sections 8080-8082.)

Departments shall ensure that deposited funds are collateralized throughout the year in accordance with the following Government Code (GC) sections:

**Bank Accounts**

GC section 16520 – Security is not required for that portion of deposited funds insured under any law of the United States.

GC section 16521 – Requires banks to deposit securities as collateral with the State Treasurer valued at 110 percent of the uninsured portion of the collected funds deposited with the banks. Pursuant to Section 16522, letters of credit shall at all times be an amount in value of at least 100 percent of the amount deposited with the bank.

GC section 16522 – Specifies the types of securities that banks may deposit as collateral with the State Treasurer.

(Continued)
Savings and Loan Association and Credit Union Accounts

GC section 16610 – Security is not required for that portion of deposited funds insured under any law of the United States.

GC section 16611 – Requires savings and loan associations and credit unions to deposit securities as collateral with the State Treasurer valued at least 110 percent of the uninsured portion of the collected funds deposited with the savings and loan association and credit unions.

GC section 16612 – Specifies the types of securities that savings and loan associations and credit unions may deposit as collateral with the State Treasurer.

To provide collateral as required by law, departments shall instruct financial institutions to submit form STO-TD-011B to the STO, Centralized Treasury and Securities Management Division and ensure that the appropriate Safekeeping Agreement is in place with the STO, Collateral Management Section. To obtain form STO-TD-011B, refer to the STO website at:

http://www.treasurer.ca.gov/publications/forms.asp

For additional information regarding the security and collateral requirements, consult with the STO.
FISCAL AGENT

(Revised 12/2013)

Fiscal agents are financial institutions or other third parties receiving remittances and/or making disbursements on behalf of the state. The state’s normal procedures for receipts and disbursements should be used whenever possible to minimize the use of fiscal agents.

If unusual conditions exist requiring the use of fiscal agents, requests for approval should be submitted to the Department of Finance (Finance), Fiscal Systems and Consulting Unit (FSCU) prior to finalizing the contract. All requests shall include the following information:

1. Justification for the fiscal agent.
2. Name and location of the fiscal agent.
3. Description of all functions to be performed by the fiscal agent.
4. Description of the internal control procedures between the state department and the fiscal agent.

The fiscal agent may maintain separate bank or savings and loan association accounts for any money under its control. The same approval procedures and reporting requirements apply as to any account outside the centralized State Treasury System. See SAM sections 8002 and 7975.

Information on how to obtain FSCU approval can be found on the Finance website at: http://www.dof.ca.gov/Accounting/FSCU/FSCU_FAQs/.

NON-STATE MONEY

(From MM 78–7 New in SAM 5/81)

Employees involved in activities which are not an integral part of State programs or operations must be involved only on their own time and without the use of State equipment or supplies. Any funds which are collected or controlled by State employees for such non-State activities are not to be accounted in the State Treasury. Non-State monies are to be collected, controlled, and expended in a manner that will prevent any implication that the State is a sponsor or participant in those activities.
Federal funds are awarded to departments by grant awards or letters of credit. Grant awards or letters of credit are a commitment certified by an authorized federal official, and they are specified by an Account Identification Number, a Catalog of Federal Domestic Assistance number, and a dollar limit to a designated payee. A period of availability may also be specified. This information is used to obtain the federal funds.

The federal agency will advise the department of the reporting requirements and monitor the use of funds. Departments must comply with federal agency requirements and they have the following responsibilities:

- Initiate fund requests according to the agreed upon terms and only when needed to meet actual and immediate disbursement needs.
- Funds must be requested according to the terms in the grant or letter of credit and in accordance with federal law.
- Prepare and submit reports as required by the federal agency.
- Impose the same requirements on any sub-recipients.

See SAM sections 8010 through 8014 for information on the Cash Management Improvement Act.

The Financial Management Service (FMS) is a bureau of the U.S. Department of the Treasury and operates the Vendor Express Program. Within the FMS, the Division of Payment Management oversees and operates federal payment systems, which disburses the majority of all federal payments.

The majority of federal payments are requested through automated systems and received by electronic funds transfer. The ACH Vendor/Miscellaneous Payment Enrollment form, (SF 3881) may be completed to enroll departments in the Vendor Express Program. The form allows use of the automated systems to request federal funds such as Payment Management System (PMS), Automated Standard Application for Payments (ASAP), and Vendor Invoicing Portal & Electronic Reporting System (VIPERS). Departments should complete the Agency Information (Federal) and Payee/Company Information (Department) sections of the form. The form should be sent to the State Treasurer’s Office (STO) Financial Services Section at 915 Capitol Mall, Room 319, Sacramento, CA 95814 for recording with the depository bank. STO will return the completed original form to the department for submission to the federal agency.

Most federal funds are remitted to a fund on the Report to State Controller of Remittance to State Treasurer, Form CA-21. The original and one copy of the Form CA-21 should be sent to the STO Financial Services Section. See SAM section 8091 for guidance on remittances to the STO.
The Cash Management Improvement Act of 1990 (CMIA) was enacted by Public Law 101-453, codified at 31 U.S.C. 3335, 6501, and 6503. The implementing regulations are in 31 CFR Part 205. The purpose of CMIA is to ensure efficiency, effectiveness, and equity in the exchange of funds between the states and the federal government for federal assistance programs. The general provisions are as follows:

1. Federal agencies must make timely fund transfers and grant awards to the state departments.

2. State departments must minimize the time between the deposit of federal funds in the state's account and the disbursement of funds for program purposes.

3. With some exceptions, the state is entitled to interest from the federal government from the time state warrants are redeemed until federal funds are deposited in the state's account.

4. The federal government is entitled to interest from the state from the time federal funds are deposited in the state's account until the state warrants are redeemed.

FEDERAL ASSISTANCE PROGRAMS AND STATE DEPARTMENTS IMPACTED BY CMIA

The programs listed in the Catalog of Federal Domestic Assistance are subject to the CMIA regulations. In California, federal assistance programs that meet or exceed the established threshold of federal funding are considered CMIA major programs and are subject to CMIA interest provisions under Subpart A of federal regulations. The programs that meet this criteria are determined by the state's most recent Single Audit Report.

Programs not considered major programs are subject to Subpart B of federal regulations, and must minimize the time between the deposit of federal funds in the state’s account and the disbursement of funds for program purposes.

TREASURY-STATE AGREEMENT

The Department of Finance (FINANCE), Fiscal Systems & Consulting Unit (FSCU), prepares the Treasury State Agreement (TSA). The TSA lists the state departments and programs impacted by CMIA, the funding techniques for each program, the clearance and redemption patterns for requesting federal funds and calculating interest liability, the interest calculation methodologies, and the description of reimbursable interest calculation costs.
1. The principal responsibilities of **FINANCE**:  
   a. Establish the annual CMIA threshold amount. Identify the state departments and federal assistance programs that will be impacted by CMIA.  
   b. Notify CMIA participating departments of their roles and responsibilities.  
   c. Negotiate with the U.S. Department of the Treasury, Financial Management Service (**FMS**) on new TSAs and amendments to the existing TSA.  
   d. With the assistance of the State Controller’s Office, develop patterns by programs for the average number of days from warrant issuance to redemption.  
   e. Calculate the state and federal interest liabilities by programs and FINANCE’s interest calculation costs.  
   f. Prepare the CMIA Annual Report and Interest Calculation Cost Report for submittal to FMS.  
   g. Budget funds from the General Fund and special funds for the payment of the state interest liability to the federal government.  
   h. Process interest payment.  

2. The principal responsibilities of the state department that administer CMIA programs:  
   a. Request federal funds in accordance with the approved funding technique described in the TSA and only in amounts needed for immediate payments.  
   b. For specific CMIA programs identified in the TSA, document the amount of federal funds requested, when federal funds are deposited in the state's account, and when warrants are issued. This information is provided to FINANCE quarterly.  
   c. Notify the FINANCE, FSCU, of any changes to the funding process for CMIA programs. A state department shall not make a change until it is reviewed and approved by FINANCE and FMS.  

**NON-COMPLIANCE BY A STATE DEPARTMENT THAT ADMINISTERS CMIA PROGRAMS**  

(Revised 06/2010)  
If a state department that administers CMIA programs fails to fulfill its CMIA responsibilities, any additional costs for interest penalties and audit exceptions resulting from non-compliance will be paid from the department’s support appropriation.
State departments will prepare receipts for the following transactions:

a. All collections of coin or currency received in person from payers who are not given press-numbered or pre-numbered documents of fixed value (such as guest meal tickets) at the time of payment.

b. All collections from payers who request receipts.

c. All collections where a receipt is needed by the payer as a temporary permit pending issuance of a license.

All cash receipts must use a controlled numbering system such as press-numbered receipts, cash register receipts, or pre-numbered tickets.

A numeric file and inventory control of all receipt copies including voided receipts should be maintained for audit purposes.

Receipts will be mailed only upon request. If a payer who does not request a receipt at time of payment subsequently requests one, the state department must date the receipt with the current date and cross-reference it to the report of collection or Cash Receipts Register that documented the receipt of the money.

Duplicate receipts will designate "DUPLICATE" and a cross-reference to the originally issued receipt will be noted on all duplicate receipts. All copies of receipts and licenses, except the originals, must designate “Copy-Not A Valid Receipt” or “Copy-Not A Valid License.

Department records will contain information regarding the type of collection (such as cash, check, or money order) received from each payer. This information will be recorded so that it can be readily audited from receipts, reports of collections, or the registers, and will show the amount of the check or money order presented. See SAM Section 8023, Acceptance of Checks and Money Orders.

To maintain accountability of these assets, all incoming collections will be documented by the person opening the mail. These collections may be either payable or not payable to the state department.

Cash or checks not payable to the department but are transferred between employees from the time of its receipt to its deposit will be documented by the department. This documentation will include the date received or check date/check number, payer name, amount, and a brief description of the receipt.

**ACCEPTANCE OF CHECKS AND MONEY ORDERS**

(Revised 8/2015)

All checks, money orders, and warrants received for deposit will be endorsed per the instructions in SAM sections 8034.1, 8034.2, and 8034.5 as applicable.
As a general principle, departments will accept personal checks to provide convenience to the public. See Government Code section 6157. However, departments may require payment by cash, certified check, cashier’s check, or money order when:

- Service or materials that cannot be withdrawn if the check is dishonored by the bank are furnished to other than well established firms or well-known persons.
- The payer previously gave the department a check that was dishonored by the bank.
- The check is drawn on a financial institution outside the United States.

Departments accepting personal checks over-the-counter for cash or for services or materials that cannot be withdrawn will assure that enough information is available, either on the check or from available records, to enable tracing the person who presents the check if it is dishonored by the bank. Supplemental information, such as residence or business address, driver’s license number, etc., may be essential in locating such individuals.

State agencies accepting credit card payments must provide a notice of the credit card payment option to all payers. The notice will be included on or accompany the billing statement and provide:

A. Space on the payment form for the payer to provide a credit card number, expiration date, and signature, or
B. Complete instructions describing the procedures the payer must follow in order to pay by credit card.

**SAFES AND VAULTS**

(Revised 3/1982)

The following standards apply to safes and vaults housing either cash or valuable documents:

1. The combination will be known to as few persons as possible consistent with operating requirements and the value of the cash or documents safeguarded.
2. A record will be kept showing: (a) date the combination last was changed and (b) names of persons knowing the present combination.
3. The combination will be changed when it becomes known to an excessive number of employees, or if any employee having knowledge of the combination leaves the employ of the State agency, or no longer requires the combination in the performance of his or her duties.
As a deterrent to burglary, State agencies will securely anchor a safe to the building and, where practical, to the building’s foundation.

Departments must comply with all applicable State Administrative Manual (SAM) sections regarding the preparation, depositing, reporting, and correction of deposits made into the Centralized State Treasury System (CTS). It is imperative that departments report deposits in a timely and accurate manner in order to expedite the reconciliation of their departmental accounts and to maximize interest earnings.

Departments will deposit their collected funds into the Treasurer’s demand account at an approved depository bank. The department is then responsible for notifying the State Treasurer’s Office (STO) of funds deposited by submitting the Treasurer’s copy of the Report of Deposit form to the STO. Departments participating in the Electronic Deposit Form web application should reference SAM section 8033.4. The STO records valid deposits and submits a daily file of all deposits received to the State Controller’s Office (SCO) for posting to the individual department checking accounts. The SCO prepares the monthly Centralized Treasury Trust System Account Statements (bank statements) and distributes them to the departments following the end of the month.

Funds in the form of electronic fund transfers (EFT) and credit card payments should be deposited into a Zero Balance Account (ZBA) at a depository bank. If a department decides to collect funds via EFT or credit card, a ZBA may be requested by the department. See SAM section 8002 for more information.

Departments will make deposits into the CTS at an STO approved depository bank. Departments cannot make deposits into their CTS accounts at the STO. The following depository banks have been approved by the STO:

Bank of America
Bank of the West
Citibank
JP Morgan Chase Bank
Union Bank of California
U. S. Bank
Wells Fargo Bank
West America Bank

Departments must submit a written request to the STO to add or change depository banks. The request must include the following information:
To add a depository bank:

1. Indicate bank and branch.
2. Indicate reason for adding bank.

To change depository bank:

1. Current bank name and address.
2. New bank and branch name and address.

Send written requests to:

State Treasurer’s Office (IMMS C-15)
Centralized Treasury and Securities Management Division Bank Reconciliation Section Manager
P.O. Box 942809 Sacramento, CA 94209-0001

Note: For accounts outside the CTS, including Zero Balance Accounts (ZBA), refer to SAM Section 8002.
PROCEDURE FOR DEPOSITING WHEN TO DEPOSIT

(Revised 8/2015)

Departments are required to deposit money in a timely and economical manner. Where possible, deposits should be combined and the number of daily deposits kept to a minimum to save time and avoid unnecessary depositing costs. Departments will adhere to the following guidelines in determining when to deposit money into a state depository bank account at an approved depository for credit to the department’s CTS account:

- Departments that have safes, vaults, money chests, or other comparable storage that is adequate to safeguard cash will accumulate collections until they amount to $1,000 in cash or $10,000 in cash, checks, money orders, and warrants (excluding state warrants and state checks), whichever occurs first.

- Departments that do not have a safe, vault, or money chest that is adequate to safeguard cash will accumulate collections until they amount to $250 in cash or $10,000 in cash, checks, money orders, and warrants (excluding state warrants and state checks), whichever occurs first. When such funds are not in use, they will be locked in a desk, file cabinet, or other mechanism providing comparable safekeeping.

- Accumulated money of any amount will not remain un-deposited for more than five working days. A department may deposit more often than once a day when it is economical or practical to do so because of the size of the deposit.

- Field representatives may either deposit money directly or remit by mail to the appropriate department accounting office to then be deposited into a state depository bank. This should be in accordance with the department’s procedures for depositing money from a field office; however, adherence to the SAM requirements governing the depositing of money is required.

Departments will consider any procedure that expedites depositing if the additional interest earnable exceeds the additional costs of the procedure. Additional earnable interest will be estimated at $27 per million dollars per calendar day for each one percent of current rate of interest earned.
METHOD OF DEPOSITING

(Revised 8/2015)

Departments will maintain adequate security of state monies in-transit to banks and assure that the delivery is made in the most economical way consistent with safety, department needs, and SAM requirements. The following are the different methods to be used for depositing state monies into the Demand Depository Accounts.

1. **By Employee.** A department messenger or other assigned employee may deliver the deposit to the bank if: (1) the bank is not furnishing bank messenger service or (2) an armored car service either is not available or not economically justified and direct delivery of deposits does not subject department employees to the hazard of robbery or compromise their safety.
   
a. **Teller Counter.** During regular banking hours a department employee may deliver the deposit to the merchants’ window of their selected CTS bank. Delivery of deposits to the bank by a department employee is normally a routine task for departments which regularly collect money. Employees may perform this service either routinely or occasionally in conjunction with other state duties while in the vicinity of the bank.

   b. **Night Deposits.** Night depository service (after banking hours) is furnished by most branches of those banks listed as approved depositories in SAM section 8031. This service will be used by departments not equipped with proper safes or vaults for safeguarding cash overnight and by departments in outlying areas where a night deposit can be made enroute by a department employee returning home at the end of the workday. See SAM section 8032.1 regarding when to deposit.

2. **Mail Deposits.** Deposits may be made by certified or registered mail if the department or field representative is a considerable distance from the nearest banking facility of an approved depository and visits to such bank would not be made as often as required for depositing collections, provided coin and currency can be converted locally by the purchase of a cashier’s check or money order. The cost of cashier’s checks or money orders purchased for such deposits will not be deducted from the deposit but will be paid from revolving funds, cash purchase funds, or an employee’s own funds. In the latter instance the employee will claim reimbursement on his travel expense claim. Some banks do not charge for money orders or cashier’s checks that are purchased for state business. At the time of purchase, the department employee should make it known that the money order or cashier’s check is being purchased in the state’s behalf and provide such evidence as may be required for verification.
3. **Armored Car.** If the safety of employees or robbery is imminent concerns, armored car service is also an option. Special arrangements may be made with armored car companies for armored car service during a particular collection period, or when special service is required.

4. **Bank Messenger.** When bank messenger service is available in an area, departments may arrange for their deposits to be picked up and delivered to a selected branch of an approved depository bank. Deposits will be placed in sealed bags and will be receipted by the bank messenger at the time the deposit is picked up. This receipt will be kept by the department along with any other documentation verifying the deposit. *(Note: bank messengers are restricted from picking up deposits that include coin or currency.)*

5. **Remotely.** Image Cash Letter and Remote Site Deposit are ways to deposit check images to depository banks electronically. Departments do not have to use resources to physically deliver items to the bank. It is available to all departments that meet the requirements for the Electronic Deposit Form and have the hardware to process information electronically as instructed in the User’s Manual (see SAM section 8033.4). Participating departments will continue to comply with all applicable SAM sections regarding depositing, reporting, and correcting of deposits made to the CTS. See SAM section 8034.5 for endorsement provisions and 8043.2 for Non-Conforming Images.

Departments may contact the STO for more information by e-mail at: bankrec@sto.ca.gov.

Additional information is also available at the following Centralized Treasury and Securities Management Division website: http://treasurer.ca.gov/inside/divisions/icl.asp

In the event of a Fatal File Failure, which prevents the bank from processing deposits, the department must contact the STO, Financial Services Section by e-mail and call immediately after becoming aware of the failure:

finserv@sto.ca.gov and call (916) 653-2917
VERIFICATION OF DEPOSITS 8032.3

(Revised 8/2015)

Except where the supervisor and the person depositing cash are not at the same location, the person supervising the person depositing cash will verify that money has been deposited intact and in accordance with SAM section 8032.1. The supervisor will distribute the copies of the Report of Deposit in accordance with SAM section 8033.2, Item 16, but will perform no other function in connection with the deposit.

COIN AND CURRENCY 8032.4

(New 5/1998)

Depositing coin and currency in excess of $100 will be prepared as described below. If the amount of coin in the deposit exceeds $50, a separate deposit slip for the coin portion only must be prepared and submitted (other currency will be submitted with a separate deposit slip). Bank messengers are restricted from picking up any deposit that includes coin and/or currency.

The coin and currency portion to be delivered by an armored car or to be delivered by an agency messenger as a night deposit or teller counter window deposit will be counted and verified. Currency and coin (unrolled) will be placed in the deposit bag and sealed in the presence of two agency employees who will sign an agency copy of the deposit slip indicating they have verified the coin and currency amount in the deposit. The armored car carrier or agency employee is required to sign a receipt indicating the receipt of the sealed deposit bag to be delivered.

Whenever coin and currency to be deposited exceeds $3,000 and armored car service is either not available, or excessively expensive, two agency employees should be assigned to deliver the deposit jointly or two or more deposits may be made to reduce the cash transported at one time. Occasionally, exceptionally large deposits may be handled by requesting an escort from the local police department or sheriff’s office. A single employee will not transport more than $3,000 in coin and currency at one time.

Agencies will not disburse or withhold receipts for the purposes of establishing or augmenting an over-the-counter change fund. Agencies will also not use receipts to be deposited to cash checks for employees.
All money belonging to or in the custody of the State that is deposited in banks, savings and loan associations or credit unions must be secured by collateral as described in SAM section 8002. This requirement applies to all accounts whether held inside or outside the Centralized State Treasury System (CTS).

Departments must report deposit information as specified in the table below to the State Treasurer’s Office (STO), Centralized Treasury and Securities Management Division, Financial Services Section. This will allow the STO to effectively manage compensating bank balances, maximize return on investments, and comply with collateral requirements as described in SAM section 8002.

<table>
<thead>
<tr>
<th>IF TOTAL DEPOSIT IS:</th>
<th>NOTIFY STATE TREASURER'S OFFICE (STO) BY 1:30 P.M. ABOUT:</th>
</tr>
</thead>
<tbody>
<tr>
<td>$100,000 or greater</td>
<td>Total deposit amount.</td>
</tr>
<tr>
<td>EXPECTED to be $5 Million or greater</td>
<td>Expected amount and date of deposit as soon as possible or one day in advance.</td>
</tr>
<tr>
<td>Unknown</td>
<td>Notify STO of reasonable estimated amount.</td>
</tr>
</tbody>
</table>

Use the following information on who or where to notify.

finserv@treasurer.ca.gov OR CALL
(916) 653-2917 OR CALNET 453-2917
The following are the procedures for depositing card payments (credit card, debit card, Automated Teller Machine (ATM) cards, Smart cards (value stored on the card itself), etc.) for both the State’s Master Service Agreement for payment card processing or an agency’s individually contracted processor. A contracting agency should ensure that any contract or agreement with the processor includes provisions which are consistent with the following procedures.

1. Agencies accepting payment cards will establish a Zero Balance Account (ZBA), which is an account outside the CTS, in accordance with SAM Section 8002. The ZBA must be established at the main branch of an approved depository bank (SAM Section 8031). All payment card transactions will be processed through the agency’s ZBA.

2. The payment card processor will transmit daily the amounts of the payment card transactions into the agency’s ZBA. In addition, the processor will make all transaction data available to the agency. At the close of each business day, the net amount in the ZBA will be transferred electronically into the appropriate Demand Depository Account. Each agency will receive periodic statements from the bank for reconciliation purposes. The processor will not make any unauthorized debits to the agency’s ZBA.

3. Each working day, the net payment card amount that is transferred into the Demand Depository Account for the previous day’s activity will be processed directly into the agency’s CTS account by the Bank Reconciliation Unit at the State Treasurer’s Office. This procedure eliminates the need for state agencies to submit deposit slips for their payment card transactions.

Credit transfers will be keyed as deposits to the agency’s CTS account and debit transfers will be adjusted by an Agency Trust Adjustment (ATA) and then posted to the agency’s CTS account via a journal entry. Agencies will be responsible for reconciling their ZBA activity. Any payment card questions or disputes should be directed to the payment card processor.
ORDERING REPORT OF DEPOSIT FORMS

(Revised 03/2010)

Report of Deposit

Departments are responsible for ordering their own Report of Deposit Forms. Contact the Bank Reconciliation Section, STO at 916-653-8865 or 916-653-8775 for vendor contacts. Use the chart below for the appropriate forms identification and color code.

Departments participating in the STO’s electronic deposit form web application, as described in SAM 8033.4, should maintain a supply of Report of Deposit forms in the event the web application is not available.

State Treasurer’s Office Report of Deposit Form Identification and Color Code

<table>
<thead>
<tr>
<th>BANK NAME</th>
<th>FORM NAME</th>
<th>DEPOSIT COLOR</th>
</tr>
</thead>
<tbody>
<tr>
<td>BANK OF AMERICA</td>
<td>STO B/A (New 12/1996)</td>
<td>523 U – 50%</td>
</tr>
<tr>
<td>BANK OF AMERICA – MISC-SORT</td>
<td>STO B/A MISC (New 12/1996)</td>
<td>BLACK U – 20%</td>
</tr>
</tbody>
</table>

MAY ONLY BE ORDERED BY:

- Employment Development Department (EDD)
- Board of Equalization (BOE)
- Department of Motor Vehicles (DMV)
- Franchise Tax Board (FTB)
- CA Public Employees Retirement System (CalPers)
- CA Public Utilities Commission (CPUC)
- Department of Child Support Services
<table>
<thead>
<tr>
<th>BANK NAME</th>
<th>FORM NAME</th>
<th>DEPOSIT COLOR</th>
</tr>
</thead>
<tbody>
<tr>
<td>BANK OF AMERICA – PRE-SORT</td>
<td>STO B/A PRE (New 12/1996)</td>
<td>BLACK U – 50%</td>
</tr>
<tr>
<td>MAY ONLY BE ORDERED BY:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Employment Development</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Department (EDD)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Board of Equalization (BOE)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Department of Motor Vehicles</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(DMV)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Franchise Tax Board (FTB)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• CA Public Employees Retirement System (CalPers)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• CA Public Utilities Commission (CPUC)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BANK OF AMERICA UI ACCT.</td>
<td>STO B/A UI (New 12/1996)</td>
<td>277 U – 20%</td>
</tr>
<tr>
<td>MAY ONLY BE ORDERED BY:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Employment Development</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Department (EDD)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BANK OF THE WEST</td>
<td>STO BOW (New 10/2002)</td>
<td>331 U – 20%</td>
</tr>
<tr>
<td>CITIBANK</td>
<td>STO CB (New 6/2007)</td>
<td>155 U – 80%</td>
</tr>
<tr>
<td>JP MORGAN CHASE BANK</td>
<td>STO JPMC (New 1/2010)</td>
<td>7488 – 50%</td>
</tr>
</tbody>
</table>

REV. 409
<table>
<thead>
<tr>
<th>BANK NAME</th>
<th>FORM NAME</th>
<th>DEPOSIT COLOR</th>
</tr>
</thead>
<tbody>
<tr>
<td>JP MORGAN CHASE BANK</td>
<td>STO JPMC PRE</td>
<td>7488 U – 50%</td>
</tr>
<tr>
<td><em>(Pre-Sort)</em></td>
<td>(New 1/2010)</td>
<td></td>
</tr>
<tr>
<td>MAY ONLY BE ORDERED BY:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Employment Development Department (EDD)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Board of Equalization (BOE)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Department of Motor Vehicles (DMV)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Franchise Tax Board (FTB)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• CA Public Employees Retirement System (CalPers)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• CA Public Utilities Commission</td>
<td></td>
<td></td>
</tr>
<tr>
<td>UNION BANK OF CALIFORNIA</td>
<td>STO UNION</td>
<td>196 U – 50%</td>
</tr>
<tr>
<td>U.S. BANK</td>
<td>STO US BANK</td>
<td>100 U – 100%</td>
</tr>
<tr>
<td><em>(New 1/1998)</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td>WEST AMERICA BANK</td>
<td>STO WESTAMERICA</td>
<td>WHITE</td>
</tr>
<tr>
<td><em>(New 12/1996)</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td>WELLS FARGO BANK</td>
<td>STO W/ F</td>
<td>397 U – 20%</td>
</tr>
<tr>
<td><em>(Pre-Sort)</em></td>
<td>(New 6/2000)</td>
<td></td>
</tr>
<tr>
<td>WELLS FARGO BANK</td>
<td>STO W/ F PRE</td>
<td>397 U – 20%</td>
</tr>
<tr>
<td><em>(Pre-Sort)</em></td>
<td>(New 6/2000)</td>
<td></td>
</tr>
<tr>
<td>MAY ONLY BE ORDERED BY:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Employment Development Department (EDD)</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>• CA Public Employees Retirement System (CalPers)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**ORDERING REPORT OF DEPOSIT FORMS**  8033.1 (cont. 2)
COMPLETING THE REPORT OF DEPOSIT FORM  8033.2
State agencies shall use the STO form, Report of Deposit, for the purposes of documenting CTS deposits made into approved depository banks. The preprinted deposit serial number and agency account number are not to be altered in any manner. All information on the STO copy (trip copy) of the agency Report of Deposit form should be legible and in agreement with the Report of Deposit form presented at the bank. In addition, no other document (adding machine tape, etc.) should be attached to the STO copy of the Report of Deposit when routed to the STO. For agencies participating in the Electronic Deposit Form web application, see SAM Section 8033.4.

Please refer to Illustration 8033.2 for a sample Report of Deposit form (STO XXX) and the following detailed instructions when completing your Report of Deposit forms:

Report of Deposit Form Preparation

1. **Agency Name.** The agency name shall be pre-imprinted.

2. **Location Code.** The location code (if used) may be pre-imprinted. The three-digit alpha/numeric code is selected by the agency. This field is not required by the STO.

3. **Account Number.** The agency account number shall be pre-imprinted. This number must conform to the second, third, and fourth numbers of the ten-digit serial number. The agency account number is the three-digit number assigned to the account in the CTS. An agency may have more than one account. Each account will have a separate number.

4. **Currency Only Line.** The total amount of currency only. Do not provide data pertaining to the currency denomination. Do not enter ANY item that is not currency. US currency ONLY.

5. **Coin Only Line.** The total amount of coin only. Do not enter ANY item that is not coin. US coin ONLY.

Adjustments, Wires, Miscellaneous Items.

a. **Adjustments.** Any adjustment required to correct an overage on a previous Report of Deposit form. (Refer to SAM Section 8033.3)

b. **Electronic Wires.** Total amount of wire(s) only. The Report of Deposit form total must correspond with a single bank credit. The date on the Report of Deposit form must correspond with the date of bank credit. Wire amounts are not to be combined together. Do not send the original and duplicate copies of the Report of Deposit form to the bank for validation of the wire deposit.

c. **Miscellaneous.**

6. **Item Count.** The number of checks and other negotiable instruments included in the Report of Deposit form. Item count is obtained from the adding machine tape attached to the bank copy. Do not list check numbers or other data pertaining to checks.

7. **Check Amount.** Total amount of checks and negotiable instruments only. Do not provide any other detail in this space.
8. **Total Report of Deposit Form. MUST** equal the total of lines 4+5+8, or line 6. A negative balance will **NOT** be accepted. (Refer to SAM Section 8033.3 for procedure on adjustments.)

9. **For Agency Use.** Exclusively for agency notes. This field is not required by the STO.

10. **Courier, Night, and Mail Deposits.** Apart from the three exceptions indicated below, all Report of Deposit forms should have a bank validation. Validation may be by stamp, signature, or machine imprint. Refer to line 14.

**Exceptions:** (Check appropriate box)

a. Courier: Remove STO copy (trip) and forward to the STO. Remove and retain agency copies (quad, quint). Armored carrier or bank messenger will provide the appropriate receipt for agency records (Example:

b. for Bank of America, a Misc. 14). Enclose bank copies (orig., dup.) in the sealed deposit bag.

c. Night Deposit: Remove STO copy (trip) and forward to the STO. Remove the last agency copy (quint) and retain. The bank will validate the agency copy (quad) and return it to the agency.

d. Mail: Remove STO copy (trip) and forward to the STO. Remove the last agency copy (quint) and retain.

**Mail deposits must be sent by certified or registered mail.** The agency will retain mail receipt for Report of Deposit form verification.

**Pre-sort and Misc-sort Deposits:** Remove and retain the last two copies (quad and quint). Forward the trip copy directly to the STO. Send the first two copies to the bank with the deposit.

**Pre-sort and Misc-sort agencies are:**

- Board of Equalization
- Department of Motor Vehicles
- Employment Development Department
- Franchise Tax Board
- Public Employees’ Retirement System
- (Bank of America only)
- Public Utilities Commission

11. **Date Deposited.** The bank transaction date ONLY will be placed in this field. Generally, the bank transaction date will be the same as the preparation date; however, please note the following exceptions:

a. Night Deposits: The date of deposit should reflect the next business day (excluding weekends or bank holidays).
b. Courier Deposits: The date of deposit should be the day the courier picks up the Report of Deposit forms; however, when preparing Report of Deposit forms, the agency must consider when the next courier pick-up is scheduled (e.g., courier may be scheduled to pick up deposits bi-weekly).

c. Teller Counter: When depositing after **3:00 p.m.**, date the Report of Deposit form the next business day.

d. DO NOT put the Report of Deposit form preparation date in this field. The agency’s preparation date, if necessary, may be noted in the For Agency Use section. Refer to line 10.

It is vital that the correct deposit date be indicated on the STO and agency copies of the form, as the date on these particular copies is recorded at the STO and utilized in determining compensating balance adjustments to the STO approved depository banks.

12. **Signature**. Signature of the individual who prepared the Report of Deposit form.

13. **Bank Use**. For bank validation only. If there is no bank validation, one of the three exceptions noted in **Section 11** should be checked.

1. **MICR Encoding Line**. Bank and Report of Deposit form data are electronically coded in this area. **IT MUST BE LEFT UNTouched!**

**COMPLETING THE REPORT OF DEPOSIT FORM 8033.2 (Cont. 4)**
(Revised 03/2005)

16. **Distribution**:

Report of Deposit form distribution:

<table>
<thead>
<tr>
<th>Copy</th>
<th>To</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orig. Dup and Quad</td>
<td>Bank</td>
<td>These three copies will go to the bank. If the bank requires only the orig, the agency may dispose of the dup and quad.</td>
</tr>
<tr>
<td>Trip</td>
<td>STO</td>
<td>Send immediately to: (For credit to agency CTS account) State Treasurer’s Office, IMMS#C-15 915 Capitol Mall P.O. Box 942809 Sacramento, CA 94209-0001</td>
</tr>
<tr>
<td>Quint</td>
<td>Agency</td>
<td>The quint copy must be retained by the agency. In the event of a lost Report of Deposit form, it is documentation until the quad is returned. (See Section 11 for exceptions to standard distribution.)</td>
</tr>
</tbody>
</table>

**PLEASE NOTE:**
In order for the STO to accurately determine compensation for bank services, it is essential that all Report of Deposit form information be complete and correct.

Credit to CTS accounts cannot be recorded until Report of Deposit forms are processed into the CTS by the STO. Incorrect or incomplete Report of Deposit forms cannot be processed.
ADJUSTMENTS AND CORRECTIONS

(Revised 8/2015)

To properly credit department deposits, the information must be accurate, legible, and complete per the instructions in SAM section 8033.2.

Banks are not allowed to alter the Report of Deposit form. The bank will credit the State Demand Account for the total deposit indicated on the deposit form. The State Treasurer’s Office (STO) will post the same total deposit to your centralized State Treasury System (CTS) account. In addition, the bank will NOT notify you if the discrepancy is less than fifty dollars. However all discrepancy amounts must be corrected. The STO recommends that all deposits be verified by a second person.

If an error is made on the deposit slip, refer to the following instructions:

1. **Do not make corrections to a completed deposit slip.**

2. **If all** copies of the deposit form are in your possession, void and destroy the entire form. **Do not send voided deposits to the STO.** Prepare a new deposit form.

3. **For overstated deposits.** Whether the deposit is made physically or electronically, if it is received by the bank and the amount is overstated (deposit is less than the deposit form total), prepare a check to the depository bank for the shortage amount and send it to the bank within 24 hours.

4. **For understated deposits.** Whether the deposit is made physically or electronically, if it is received by the bank and the amount is understated (the deposit is more than the deposit form total), prepare a supplemental Report of Deposit form for the amount of the difference within 24 hours. Follow the below instructions on completing and routing the deposit form (see SAM section 8033.2 Illustration for a sample Report of Deposit form):
   a. Indicate the differences on line 6 (“Adj, Wires, Misc.”) and on line 9 (“Total Deposit”).
   b. You may use box 10 (“For Agency Use”) to reference the prior report of deposit serial number.
   c. Send the original bank copy to the deposit adjustment desk of your depository bank.
   d. Send the STO copy to the Treasurer’s office for credit to your agency checking account.

ELECTRONIC DEPOSIT FORM

(Revised 06/2012)

The STO has developed an Electronic Deposit Form web application for use by departments as an alternative to the STO 5-part Report of Deposit form. This application
allows departments to access Report of Deposit forms on-line, and key deposit information directly into the Electronic Deposit Form application. Report of Deposit forms are then printed at the department. The STO downloads the deposit information from the Electronic Deposit Form application directly into its deposit system daily. Unless instructed differently in the User’s Manual (see website address below), participating departments will continue to comply with all applicable SAM sections regarding the preparing, depositing, reporting, and correcting of deposits made to the CTS. Reporting of large deposits is still required by 1:30 p.m. on the day the funds are actually deposited into the state’s Demand Accounts (See SAM section 8032.5).

Departments may contact the STO for more information by e-mail at: edfdeposits@treasurer.ca.gov.

Additional information is also available at the following Centralized Treasury and Securities Management Division website:
http://www.treasurer.ca.gov/inside/edf/overview.asp

GENERAL ENDORSEMENT INSTRUCTIONS 8034.1
(Revised 2/2015)

Departments will endorse checks, warrants, money orders, and other negotiable instruments that are being physically deposited on the day they are received, to prevent them from being negotiated or endorsed by someone other than the department.

Endorsements will contain the following information:

1. The name of the bank in which the deposit is made. Exempt from this requirement are departments which process checks by presort machines that do not have multi-endorsement capabilities (presort departments).

2. A statement which credits the deposit to the state.

Example: For Deposit Only
California State Treasurer

3. The name of the department making the deposit.

4. A statement guaranteeing the validity of the endorsement. For example: Absence of Prior Endorsement Guaranteed

The following is an example which satisfies the state’s requirements:

(Bank Name) For Deposit Only
California State Treasurer (Department Name)
Absence of Prior End. Guaranteed
Current endorsement stamps/plates need not be altered or replaced. However, all new or replacement stamps/plates will include the preceding information.

If special circumstances prevent departments from including the preceding information in their endorsements, contact the State Treasurer’s Office (STO), Centralized Treasury and Securities Management Division, at bankrec@sto.ca.gov for assistance.
ENDORSEMENT PLACEMENT AND INK COLOR 8034.2

(Revised 03/2011)

Departments will endorse checks, money orders, warrants, and other negotiable instruments in the first 1 1/2" from the trailing edge. This 1 1/2" is identified as the “payee signature” endorsement area in SAM 8034.2 Illustration. The endorsement areas for the “bank of first deposit” and “subsequent endorser” are also identified in this illustration. Endorsements will not be placed in the MICR Clear Band.

Purple ink will not be used for any state department endorsement. Purple ink is reserved for the “bank of first deposit” endorsement.

Certain money orders, warrants, or other negotiable instruments may have language pre-printed in the area designated for the “payee” endorsement. These instruments may be endorsed in the “subsequent endorser” area if the department endorsement will not fit in the remaining area for the “payee” endorsement.

Departments that cannot comply with this section must request a written exemption from the Department of Finance, Fiscal Systems and Consulting Unit.
### SAM - CASH

(Revised 12/10)

<table>
<thead>
<tr>
<th>Trailing Edge</th>
<th>Check Front</th>
<th>Leading Edge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jane O. Public</td>
<td>1 Main Street</td>
<td>1234</td>
</tr>
<tr>
<td>Hometown, USA</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td>Pay to the order of $</td>
<td></td>
<td>Dollars</td>
</tr>
<tr>
<td>Hometown Bank</td>
<td>Signature</td>
<td></td>
</tr>
</tbody>
</table>

(Over)

<table>
<thead>
<tr>
<th>Leading Edge</th>
<th>Check Back</th>
<th>Trailing Edge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subsequent Endorsement</td>
<td>Depository Bank</td>
<td>Payee Endorsement</td>
</tr>
<tr>
<td></td>
<td>HOMETOWN BANK HOMETOWN, USA June 15, 2010</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Bank of First Deposit</td>
<td></td>
</tr>
<tr>
<td></td>
<td>MICR CLEAR BAND (LEAVE THIS AREA BLANK)</td>
<td></td>
</tr>
</tbody>
</table>

8034.2 Illustration
ENDORSEMENT OF ERRONEOUS WARRANTS 8034.3

(Revised 5/1998)

Government Code Section 17051 states that state agencies may deposit certain state warrants, not delivered to payees, into the Treasury to credit the fund or appropriation upon which it was drawn or to credit the appropriate account under the agency’s control. These warrants will be endorsed as follows:

1. Endorsement for warrants deposited directly in the State Treasury to the credit of a treasury fund.

   Deposit to California State Treasurer
   Per G. C. 17051
   (Agency Name)

2. Endorsement for warrants deposited in a general checking account. (Bank Name and Branch Number)

   For Deposit Only California State Treasurer
   Per G.C. 17051
   (Agency Name)

ENDORSEMENT OF CHECKS BY OTHER THAN PAYEE AGENCY 8034.4

(Renumbered from 8034.3 and Revised 5/98)

Negotiable instruments received by a state agency but payable to another state agency may be endorsed and deposited by the receiving agency when they are known to be a proper payment to the receiving agency. The endorsement must contain a statement guaranteeing the absence of prior endorsement as prescribed in SAM Section 8034.1.

ENDORSEMENT OF REMOTELY DEPOSITED IMAGES 8034.5

(Revised 8/2015)

For items that are remotely deposited, the endorsement is electronically affixed to the back of the image. Physical endorsements are not required.

For non-conforming images rejected from the electronic process, see SAM section 8043.2.
When checks are lost, the department will first ascertain the circumstances under which they were lost and work with the bank to locate the checks. If the checks cannot be found, the department will attempt to recreate the deposit and remit it to the bank for processing. If the department cannot recreate the deposit, the department will try to establish whether the bank had possession of the checks at the time the loss occurred. If it appears that the bank had possession of the checks and the loss was the fault of the bank, the department will not reimburse the bank for the loss and will refer the matter to the Department of Finance (Finance), Fiscal Systems and Consulting Unit (FSCU). If the department cannot determine fault by the bank, it will draw a check on the account in which the deposit was made to reimburse the bank for the lost checks.

The department will notify the payees of the lost checks and request them to place “stop payments” on the lost checks and remit replacement checks.

Finance, FSCU, will be notified if the department believes that there is probable fault on the part of the organization transporting the checks or any other bank other than the depository bank.
RETENTION OF CHECKS AND FILES FOR ELECTRONIC DEPOSITS 8035.1

(New 8/2015)

The overwhelming majority of checks received by the state are deposited remotely via electronic Image Cash Letter or Remote Site Deposit to the depository banks.

To protect the state, its paying customers, and the banks, departments must:

1. Retain the original checks for a minimum of 15 working days from the day they were deposited by Image Cash Letter or Remote Site Deposit. It is the department’s responsibility to oversee that the destruction of checks is done in a secure and confidential manner.

2. Retain check images and files for at least four years after the end of the fiscal year in which the checks were deposited through Image Cash Letters.

This will allow departments the ability to ensure the accuracy of deposits and bank credit and, if necessary, that deposits can be recreated, researched, reconciled and corrected. Check images are also required as part of the department’s customer receipt record.

UNSIGNED CHECKS 8036

(New 5/1975)

Checks received not bearing a signature may be accepted and deposited with the regular bank deposit. If so deposited, the face of the check will contain the following statement:

- Signature lacking
- Guaranteed by
- (Name of State agency)

WITHDRAWALS 8040

(Renumbered 2/1965)

Except for authorized petty cash disbursements supported by proper vouchers, all disbursements will be made by check.
See SAM Section 3696 for ordering checks.

Checks drawn against centralized State Treasury System accounts will be written on paper check stock.

For checks prepared by typewriter, departments will use noncorrectible ribbon only and will type the check amount as follows: $**123.45**. The use of noncorrectible ribbon and the placement of two asterisks before and after the check amount should minimize the possibility of checks being altered. Checks prepared by an EDP system should also have two asterisks before and after the check amount.

Any check drawn in excess of $15,000 will require two authorized signatures unless it is payable to: (1) the State Treasurer, (2) another state department or account, or (3) if the Department of Finance, Fiscal Systems and Consulting Unit, has authorized, in writing, special instructions permitting a department to deviate from this requirement.

All other checks will require only one authorized signature. No person will sign checks until an authorization card bearing his signature has been prepared and filed by the department. See SAM Section 8001.2, Signature Cards.

Departments will keep check stock under strict control at all times and in accordance with SAM Section 8080. Transfer of check stock between persons will be documented to show the check numbers of the stock transferred. This documentation will be kept by the transferor and transferee until the period covered has been audited. See SAM Section 8022, Documentation of Incoming Collections.

In order to prevent misuse of voided checks, departments will stamp or write in ink the word "void" across the face of such checks. Departments will also cut, tear off, or block out completely the signature portion of these checks unless they are voided for specimen purposes. All copies of voided checks will be retained by the department for audit except those used as specimen checks. Department files will contain records as to the disposition of specimen checks. Such records will be signed by an employee other than one authorized to sign checks. See SAM Section 1750 for disposal of check stock.
EXAMINATION OF PAID CHECKS FOR ALTERATION OR FORGERY

(Revised 08/2018)

ALTERATION—When departments find check amount and/or payee name has been altered, the State Treasurer’s Office (STO), Item Processing Section, will be immediately notified. The Department of Finance, Office of State Audits and Evaluations (OSAE), and the California State Auditor’s Office Investigations Division (State Auditor) will be notified within 30 days. Alterations will generally be discovered when the monthly reconciliation of the bank and the centralized State Treasury accounts is performed. See SAM sections 7923, 8060, and 20080.

FORGERY—It is the department’s responsibility to review checks for possible fraudulent endorsements. An endorsement is a signature or stamp on the back of a negotiable instrument, such as a check. Departments will at least test check endorsements for possible deviations. The purpose of this examination is to determine whether the name of the payee appears as the first endorsement and to attempt to detect fraud. Attention will be given to deviations from the normal, such as the following:

1. Endorsements in similar writing on several checks payable to different payees.
2. The same subsequent endorser on several checks.
3. A department employee being a subsequent endorser.
4. Effacement (erasing or wiping out) of endorsements.
5. Manual endorsements where stamped endorsements would be normal.

Departments that detect deviations from normal will investigate them and will notify OSAE and the State Auditor within 30 days of any indication of fraud or errors determined by their investigation. See SAM section 20080.

A letter also will be sent to the payee in duplicate requesting acknowledgment of payment if there is a reasonable question concerning the propriety of the endorsement. If a department has been notified by a payee that a duly issued check has been lost, stolen, or not received, and the check in question is determined to have been paid by the STO, the issuing department will then initiate the following action:

1. Obtain the Forged Endorsement Affidavit, Form STO–CA–0034, from the STO, Item Processing Section at Item.Processing@Treasurer.ca.gov. Complete the section titled Description of Warrant/Check under item number (1). In the Name of Payee block, type the name exactly as typed on the check. If initials were used, type in parentheses the full name, if known. For example, if the check is made payable to J. Doe, type —J. Doe (John Doe). Whenever possible, a street address should be indicated in addition to a post office box. On the top of the form, the department will indicate the department’s address to which the payee will return the form.

(Continued)
2. The department will then forward the three copies of the Form STO-CA-0034, with a full and legible copy (front and back) of the alleged forged check attached to the top of each copy of the form to the payee to be signed. All three copies must be signed in ink. The payee's signature must be either witnessed by two disinterested parties or notarized. All three copies must be signed by witnesses; one notarized copy will suffice. The payee is to return all three copies to the department.

3. The department accounting officer or designee should review and compare the payee's signature with the endorsement on the check; the alleged forged endorsement should also be compared with any other material on file in the payee's handwriting. The department will, with reasonable justification and proper notice to the payee, refuse acceptance of the forgery affidavit if it is determined beyond reasonable doubt that any statement on the affidavit is perjured.

4. Acceptable affidavits, with copies of the alleged forged check, will be forwarded in triplicate to: STO, Item Processing Section, P.O. Box 942809, Sacramento, CA, 94209–0001.

5. Upon receipt by the STO, the first copy of the Form STO–CA–0034 will be charged back to the applicable bank. The second copy will be returned to the department with the date of charge-back indicated on the front. The third copy will be retained by the STO.

6. The bank will be given 30 days from the date of charge-back in which to protest. Departments will be immediately notified by the STO as to any such action by the bank. Reissuance by the department prior to 30 days from the date of charge-back to the bank is at the department's own risk. See SAM section 8427 for procedures for handling forged warrants.

DELIVERY OF CHECKS 8041.2

Checks will be delivered directly to the payee by either (1) U.S. mail, (2) messenger service in a sealed envelope, or (3) a person having no connection with either preparing or approving the claim or invoice. A check will not be routed through the person who prepared or approved the related travel expense claim or invoice nor will it be returned for mailing or distribution to the person who prepared it.
Uncashed checks are those that have been issued by the agency but remain uncashed by the payee. Unclaimed checks are those that have been returned to the agency and for which the payee cannot be located. Agency checks are checks issued from an agency’s account: (1) office revolving fund (ORF), (2) general cash, or (3) trust.

ORF and general cash checks have a one-year period of negotiability. Unless specific provisions of law require cancellation in a different period of time, trust fund checks also have a one-year period of negotiability.

Agencies will send a Stop Payment Request form, STD. 432, to the STO for all uncashed checks timed to arrive at least one week prior to the end of the one-year period of negotiability. The STO is able to stop payment of stale dated checks only through the receipt of stop payment requests from agencies. See SAM Section 8045 for specific procedures on processing stop payments. Entries to record the cancellation transactions will be made in the appropriate disbursement register or the Revolving Fund Cash Book.

Agencies will issue stop payment notices as required (by the banking institution) for those bank accounts not in the centralized State Treasury System.

Upon confirmation from the STO of stop payment request for uncashed checks, agencies will:

General cash checks Cancel the checks and remit the amount to an escheat revenue account in the fund from which the checks were drawn.

ORF checks

- Reimbursement to Cancel the checks and credit the amounts the ORF has not been received back to the ORF.
SAM - CASH

- Reimbursement to

  Cancel the checks and remit the amount to the ORF has been an escheat revenue account in the fund that received has established the ORF.

Trust fund checks

Cancel the checks and credit the amounts back to the depositors’ or special trust accounts unless otherwise provided in the trust agreement or statute under which the trust was established. See SAM Section 18424.2.

(Continued)
With the exception of processing stop payment requests, agencies will follow the above procedures for all unclaimed checks.

Government Code (GC) Section 17096.1 allows payees to claim amounts for 2 years after cancellation of the agency check. See SAM Section 8240 for procedures on processing refunds of revenue.

Agencies will maintain a subsidiary ledger of all amounts credited to and disbursed from the escheat revenue accounts. Subsequent claims made by payees within 2 years of the check cancellation date will be processed by filing a claim schedule against an escheat revenue account. For those amounts credited in the current fiscal year, the claim schedule shall be filed against the current year escheat revenue account. For those amounts credited in a prior fiscal year, the claim schedule shall be filed against the prior year escheat revenue account. The SCO will process the claims regardless of the balances in the escheat revenue accounts.

Expenditure claims made by payees more than 2 years after the check cancellation date will be processed in the same manner as claims against a reverted appropriation (See SAM Section 8422.7). Revenue refund claims by payees more than 2 years after the check cancellation date will be processed in accordance with SAM Section 8240.
DISHONORED CHECKS

(Revised 01/2017)

Dishonored checks are items deposited at a depository bank, but are returned to the State due to non-sufficient funds or other reasons preventing the bank from cashing the items. Depository banks attempt to deposit checks twice before being considered dishonored.

The depository bank will notify each department when a check is dishonored, which either cannot be re-deposited or has been re-deposited and dishonored a second time. Upon receipt of such notification, the department will within no more than ten (10) business days, draw a check on the account into which the deposit was made to purchase the dishonored check. The buy-back check will be made payable to the depository bank and will serve to clear all bank records affected by the return of dishonored check(s).

If the department has been notified by the depository bank that counterfeit money has been received, the department will follow the above buy back procedure and notify the California Highway Patrol. See SAM section 8072.1 for procedures for counterfeit currency.

The department will track and maintain a monthly count of the number of dishonored checks that were bought back from the depository banks. If deposits are made into more than one depository, a separate dishonored check count worksheet should be maintained for each bank. The State Treasurer’s Office (STO) uses the total count of dishonored checks by centralized State Treasury System (CTS) account to compensate the depository bank for handling these items.

The STO has created a standardized Excel spreadsheet that departments can use to track dishonored check data. To request this worksheet, the department should e-mail Checks.Management@treasurer.ca.gov.

The following information should be reported to the STO:

- For the Non-Pre/Miscellaneous sorting check departments, the total number of dishonored checks bought back for the previous fiscal year will be reported by the last business day of July to the following web address: http://www.treasurer.ca.gov/dishonoredchecks/.

- Departments with the Pre/Miscellaneous Sort Deposit Contract will report monthly the total number of dishonored checks bought back by the 15th of each month and e-mail to Checks.Management@treasurer.ca.gov.

Departments will make certain checks are endorsed with identifiable information as a means for depositories to return dishonored checks. See SAM sections 8034.1 and 8034.5 on Endorsements.

Dishonored checks relating to deposits in banks outside the CTS will be returned in accordance with usual commercial practice. The bank will debit the account of the depositing department in such cases.
DISHONORED CHECK CHARGE

(Revised 9/1993)

Section 6157 of the Government Code authorizes the State to assess a charge for dishonored checks. Agencies may assess a dishonored check charge for a reasonable amount not to exceed the actual costs incurred for the processing and collection costs. Agencies may refrain from issuing licenses, permits, etc., or withhold services until the original charge plus the dishonored check charge is paid.

If the license, permit, etc., has been issued or the service rendered, the charge, if assessed, will be applied to the payer's account. If the payer has no account, a new account will be established for the amount of the original charge plus the dishonored check charge.

As the result of a check being dishonored, the payer may also be required to pay a penalty because the replacement payment was received after the date penalty became applicable. If a payer pays the amount of the license, permit, service, etc., plus penalty but neglects to pay the dishonored check charge, agencies need not pursue collection of such charge.

The amount received from the dishonored check charge will be accounted as miscellaneous revenue for the fund from which the majority of the support of the cashiering and accounts receivable sections is appropriated.

NON-CONFORMING IMAGES

(New 06/2012)

A non-conforming image is an item that was transmitted to the bank remotely and was unable to be processed. To redeposit a non-conforming image the department will retrieve and manually deposit the original item by one of the alternative methods described in SAM section 8032.2 and use the proper endorsement as provided in SAM section 8034.1.
LOST OR DESTROYED AGENCY CHECKS 8044

(Renamed and Revised 12/2003)

Lost or destroyed checks for which the amount has not been remitted to an escheat revenue account (SAM 8042) may be replaced with new checks at the request of and made payable to either:

1. The payee of the lost or destroyed check who has requested replacement of the check, or

2. A person other than the original payee who has requested the issuance of a new check in lieu of the lost or destroyed check and who has certified that he is the legal owner or was in legal possession of the check at the time it was lost or destroyed.

Upon receipt of a request for the issuance of a check to replace a lost or destroyed check the agency will:

1. Prepare a Stop Payment Request form, STD. 432, and process it in accordance with the instructions in SAM Section 8045, Stop Payments.

2. a. If the request is for $100 or less, and the agency has received a letter from the payee containing all the facts required by the State Agency Trust Check Replacement Application form, STD. 805A, proceed to Step 3.

b. If the request is for more than $100 or the agency has not received a letter from the payee containing all the pertinent facts, the agency will complete the application sections of an STD.805A or STD. 805B, and forward to the person requesting a new or replacement check. The STD. 805A will be used if it is to be executed within the State of California. The STD. 805B will be used if it is to be executed outside the State of California.

3. Release a new or replacement check to the person requesting such check only after:

a. It has received the duplicate of the stop payment form from the STO as acknowledgment that the stop payment notice has been received.

b. It has determined that the check was not paid prior to the inclusive period shown on the duplicate of the stop payment form received from the STO. (See SAM Section 8045.)

c. It has received the application form required by 2.b. and reviewed it to ensure that the form has been completed properly.
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(1) Reasonable variations between the signature and the inserted name or reasonable substitution of an initial for a first name will not necessarily invalidate the instrument.

(Continued)
(2) The owner of the check and the declarant or affiant signing the application must be the same person.

(3) If STD. 805B is used, it must bear the seal of a notary public.

(4) All spaces provided in the form must be completed or lined through.

(5) All erasures, corrections, additions, or deletions must be initialed by the person making such changes, or preferably by the notary public if STD. 805B is used.

4. Make adequate cross reference in accounting records between the original check and the new or replacement check. (The completed application form will be retained by the agency as a fiscal record.)
A Stop Payment Request form, STD. 432, must be sent to the State Treasurer's Office (STO) one week before the stale date of all uncashed agency checks. The stale date is one year from the date of issuance. See SAM section 8042.

To stop the payment of a centralized State Treasury System (CTS) agency check, departments will complete a STD. 432, in triplicate and send the original with one copy to STO. The copy will be returned to the department showing the effective date of the stop payment. The STO does not determine if an agency check has been cashed before processing the stop payment. It is the department’s responsibility to determine if the check has been paid before issuing a replacement check. See SAM section 8044. Departments must review their CTS statements or the STO’s Agency Paid System to determine if payment was made previously. Departments can contact the STO to obtain access to the Agency Paid System. See SAM section 8050.

Telephone requests for stop payments will not be accepted by the STO, except in extremely urgent situations. If the STO agrees to accept an emergency request, a completed STD. 432 must be faxed to STO. The department must then write "confirming" at the top of the form and forward the original with one copy to the STO.

The STO will recognize a stop payment until it is either officially released by the agency or the check becomes five years old.

To release a stop payment the agency must check the release box and complete a STD. 432, in triplicate. The original and one copy must be sent to STO. The copy will be returned to the agency showing the effective date of the stop payment release.
Departments will make every effort to prevent overdrafts in their centralized State Treasury System accounts, both with respect to department’s bank balances and the State Controller’s Office balances.

Observance of the following principles should help prevent overdrafts:

1. Deposit collections promptly. See SAM section 8030: Deposits-Introduction.
2. Send appropriate copies of the Reports of Deposits to the State Treasurer’s Office and the State Controller’s Office on the date of the deposits. Department’s accounts receive their credits from these copies rather than from records of the State Treasurer’s depository banks, which maintain only consolidated Active Trust Accounts.
3. Do not draw checks against cash received but not yet deposited.
4. Schedule claims for reimbursement of office revolving funds promptly.

Whenever any blank check stock is determined to be missing, departments will immediately notify the State Treasurer’s Office of the missing check number(s), the account used, and the date the check(s) determined to be missing. If there is any indication that the check(s) might have been stolen, departments will notify the Department of Finance, Office of State Audits and Evaluations, the California State Auditor’s Office (see SAM section 20080), and the California Highway Patrol, Report Crime or Damage on State Property (STD 99).
The State Treasurer’s Office (STO) will:

1. Settle daily with banks presenting agency checks for payment. Agency checks are checks issued from a department’s account; i.e. office revolving fund, general cash, or trust.

2. Retain the paid checks data in STO’s statewide Agency Paid System for five years from the paid date. Departments can access and print images of their agency checks online through the Agency Paid System.

To obtain access to the Agency Paid System, departments shall complete the STO’s User ID Assignment/Removal Form STO-IP 130. The form and information can be obtained by contacting the Item STO Processing Section at Item.Processing@Treasurer.ca.gov.
All centralized State Treasury System (CTS) accounts will be reconciled promptly at the end of each month. See SAM sections 7900, 7923 and 7967. This does not preclude reconciliations at other times of the month as considered necessary by the department.

At the end of each period, the State Controller's Office (SCO) issues a CTS Statement for each CTS account. If there is an item on the statement that you cannot identify, contact the SCO for explanation.

If it is determined by the reconciliation that an error has been made, departments will notify the State Treasurer's Office (STO) Bank Reconciliation Section. DO NOT NOTIFY THE BANK.

CTS Statement Errors:

1. If a department does not receive credit for a deposit, the department will verify that all of the information on the Report of Deposit is complete and accurate. The department will send a legible photocopy of the Report of Deposit on white letter size paper only. DO NOT send agency or bank copies.

2. If there is a discrepancy in the amount of credit, the department will send photocopies of the Report of Deposit and the CTS statement with the item highlighted and a brief letter of explanation.

Departments can email the requested information to bankrec@sto.ca.gov or mail to:

State Treasurer's Office Bank Reconciliation Unit 915 Capitol Mall, C-15 P. O. Box 942809 Sacramento, CA 94209-0001

3. If it is determined there is an agency check error on the CTS statement, departments will notify the STO Item Processing Section by sending legible photocopies of the check, front and back, and the statement with a brief letter of explanation.
Email the requested information to itemproc@sto.ca.gov or mail to:

State Treasurer's Office Item Processing Section 915 Capitol Mall, C-15
P.O. Box 942809 Sacramento, CA 94209-0001

Do not include Report of Deposit errors with agency check errors on any letter of explanation. A separate letter is required for each type of error.
State officers and employees who receive and disburse money will be held accountable for the money in their custody. They will be held personally responsible for any cash discrepancies.

Each department differs as to their collection activities, frequency, and amount of cash collected. Therefore, each department is responsible for establishing standards of performance for their cashiers and prescribing corrective actions to be utilized when performance standards are not satisfied. See SAM Section 8072 for Cash Shortages.

OVERAGES 8071
(Revised 3/1987)

Cash overages (representing cash in excess of that for which a cashier is accountable) will be credited to Account No. 3710, Cash Overages, at the time of receipt.

If the person making the overpayment can be identified and the facts substantiated that an overpayment was made, refunds may be made and charged to the cash overage account. All other cash overages will be cleared as revenue or operating revenue at least once each quarter.
Cash shortages are amounts due the State; therefore, departments will follow the collection procedures outlined in SAM Section 8776.6. If all reasonable collection efforts do not result in payment, departments will adjust the accounting records by using the procedure applicable to the type of cash shortage that has occurred. A discharge of accountability is not required for an accounts receivable that was established because of a cash shortage.

1. Revenue, Reimbursement, or Abatement

The accounting records may be adjusted for cash shortages involving revenue, reimbursement, or abatement items. No approval is required for the adjustment; however, agencies must submit a report explaining the cash shortage to the Department of Finance, Office of State Audits and Evaluations (OSAE), at the time of occurrence.

The report explaining the cash shortage must include the following:

1. The total amount of the cash shortages and the period covered.
2. Whether or not the person having custody of the money used due diligence and followed recognized good practices in handling and safeguarding the money.
3. Whether or not the cash shortage was such as might reasonably be expected in the regular course of business and was not due to an employee’s dishonesty, carelessness, or negligence.
4. A copy of the police report if theft is involved.
5. A detailed explanation showing date, place, and complete circumstances for the incident which caused the shortage. If the shortage is a result of "clerical error", the explanation must be signed by the person responsible for the error. Included in the explanation must be a statement as to the corrective actions taken, if any, to prevent reoccurrence of the error. If the shortage is not the result of any person’s error, then the explanation should be written by the person in charge of the fund.

The explanation should be reviewed and signed by the person’s supervisor.

6. Any other facts explaining the circumstances creating the shortage.

Similar types of cash shortages may be grouped and covered by a single explanation and report, where appropriate.

(Continued)
2. Office Revolving Fund

The office revolving fund, which includes cash purchase funds and change funds, will be made whole upon the receipt of monies to replenish the cash shortage.

To request the replenishment, agencies must complete a Claim for Reimbursement form, STD. 27A (Rev. 9/95 or later). If an internal audit unit exists within the agency, the claim must be reviewed and signed by the head of the audit unit.

- For an individual deficiency (shortage) of $1,000 or more, or for a multiple deficiencies claim schedule which totals $2,500 or more, an original Claim for Reimbursement and one copy must be submitted to the Department of Finance, Office of State Audits and Evaluations, (OSAE). If approved, the Claim for Reimbursement will be returned to the agency for their submission to SCO through the regular claim schedule process. Only deficiency claims will be included in the claim schedule. The claim may be paid from an existing appropriation so designated by the agency on the claim schedule face sheet.

- For an individual deficiency of less than $1,000, or a multiple deficiencies claim schedule which totals $2,499.99 or less, agencies are delegated the authority to submit the Claim for Reimbursement directly to SCO, except as noted below. The Claim for Reimbursement shall be presented through the regular claim schedule process, except that only deficiency claims will be included in the claim schedule. The reimbursement shall be from an existing appropriation so designated by the agency on the claim schedule face sheet.

- For a deficiency in any amount for which the canceled check is not available or for a deficiency that is a result of an unresolved SCO claim correction, agencies must submit the Claim for Reimbursement to Department of Finance, OSAE. The processing of these types of claims is the same as that for an individual deficiency of $1,000 or more.
For each fiscal year, agencies will prepare and submit a report of office revolving fund deficiency claims for reimbursements whether or not such claims were filed. If no claims were filed during the fiscal year, the report will contain the statement, "No Claims for Reimbursement were filed during the fiscal year". If claims were filed, the report will detail the disposition of all Claims for Reimbursement. The report will be submitted to Department of Finance, Office of State Audits and Evaluations, by September 30th, and must contain the following information:

Agency Name, Report title,
As of June 30, XXXX,

Claim schedule number, date filed, claim schedule amount, and date paid, The amount of each Claim for Reimbursement, and
The reason for each deficiency.

The report must be signed by someone at the level of, or above, the accounting office manager and contain the following certification:

I certify under penalty of perjury that the forgoing is true, correct, and complete. Subscribed and executed this_________day of_______, XXXX.

Any claims for reimbursement which are disallowed will be returned to the agency. These claims must now be submitted to the Board of Control in accordance with the procedures for legislative claims. See SAM Section 8710.

3. Other Cash Shortages

All other cash shortages (e.g. amounts reflected in uncleared collections, depositor’s trust, or advance collections) should be processed in accordance with the Board of Control legislative claim procedures. See SAM Section 8710.
COUNTERFEIT CURRENCY 8072.1

(Renumbered from 8072.2 and Revised 8/1998)

Cash shortages caused by counterfeit currency turned over to a United States Treasury agent by the bank will be remedied as provided in SAM Section 8072. The Treasury agent's receipt or a letter on bank letterhead will include all pertinent data. The letter must be signed by a bank official above the teller/cashier level. After the type of cash shortage has been identified, the letter or receipt will be used as supporting documentation for the applicable approval or report requirements.

SEPARATION OF DUTIES 8080

(Revised 08/2018)

The State Leadership Accountability Act (Government Code sections 13400–13407) requires that the head of each State department establish and maintain an adequate system of internal control within their departments. A key element in a system of internal control is separation of duties. This section provides the appropriate level of separation of duties for departments with manual accounting processes. Employees of units other than the accounting unit should be used, when necessary, to provide separation of duties.

Members of the same family (husband, wife, brother, or sister) are considered one person. No one person will perform more than one of the following seven types of duties:

1. Receiving and depositing remittances
2. Authorizing disbursements
3. Preparing checks
4. Operating a check signing machine*
5. Comparing machine-signed checks with authorizations and supporting documents (or signing checks manually after personally comparing them with authorizations and supporting documents).*

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SAM - CASH

6. Reconciling bank accounts and posting the General Ledger or any subsidiary ledger affected by cash transactions*

7. Initiating, or preparing invoices

(*Will not have access to or control blank check stock)

The person who prepares checks will mark authorizations and supporting documents with the check number in ink in such a manner as to prevent their reuse.

(Continued)
Preferably, no books of original entry concerning cash receipts, cash disbursements, or invoices should be kept by any person assigned duties 1, 2, 3, 4, 5, or 7. However, persons receiving or depositing remittances may keep the cash receipts register, persons preparing checks may keep the cash disbursements register, and persons preparing invoices may keep the invoice register. Any person assigned duties 1, 2, 3, 4, 5, or 7 will not keep more than one of the books of original entry concerning receipts, disbursements or invoices. These books of original entry are: General Cash Receipts Register, General Cash Disbursements Register, Trust Cash Receipts Register, Trust Cash Disbursements Register, Revolving Fund Cash Book, and Invoice Register.

The paid checks will be delivered unopened to the person charged with the bank reconciliation function and will be safeguarded by him/her until the reconciliation is completed.

Departments having an office management, office services, or cashiering section independent from the accounting office will assign to such duties, 1, 3, 4, and 5. Such section will be custodian of check stock, but accountability records for such stock will be kept by the accounting office.

Duty 5 should be performed by staff with appropriate authority and responsibility. When separation of duties is not possible due to small size and limited staffing, compensating controls such as management supervision and review of cash disbursement should be implemented.
Checks will not be routed for mailing or distribution through the person who authorized the disbursement or prepared the check.

The person who prepares checks will maintain a daily log of checks written. If the checks are to be signed by check signing machine, it will be in the form shown in SAM section 8081. If the checks are signed by hand, the following form will suffice:

<table>
<thead>
<tr>
<th>Date</th>
<th>Beginning Check Number</th>
<th>Ending Check Number</th>
<th>Numbers of Voided Checks</th>
</tr>
</thead>
<tbody>
<tr>
<td>10/1</td>
<td>101</td>
<td>203</td>
<td>157,192</td>
</tr>
<tr>
<td>10/2</td>
<td>204</td>
<td>255</td>
<td>231</td>
</tr>
</tbody>
</table>

The person who records checks written in the books of original entry (General Cash Disbursements Register, Trust Cash Disbursements Register, and Revolving Fund Cash Book) will assure that only those checks shown on the daily log of checks written are recorded therein.

Organizational units cited above will perform the duties outlined only when the nature of services provided by such units permit. It is not the intention of this instruction to include office service units in separation of duties if, for example, the unit is providing duplicating services only or similar activities not related to accounting functions.
The State Leadership Accountability Act (Government Code sections 13400–13407) requires that the head of each state department establish and maintain an adequate system of internal control within their departments. A key element in a system of internal control is separation of duties. This section provides the appropriate level of separation of duties for departments with automated accounting processes. Employees of units other than the accounting/data processing units should be used, when necessary, to provide separation of duties.

No one person will perform more than one of the following types of duties:

1. Designing systems
2. Programming
3. Maintaining records file and operating mechanized equipment
4. Initiating disbursement document
5. Approving disbursement document
6. Inputting disbursement information
7. Receiving and depositing remittances
8. Inputting receipts information
9. Controlling blank check stock
10. Reconciling input to output
11. Initiating or preparing invoices

For departments whose accounting systems include manual and automated processes, SAM Sections 8080 and 8080.1 should be used in combination to provide adequate separation of duties.
Departments may purchase check signing machines if desired when the average volume of checks written exceeds 500 per month.

The person who prepares checks will maintain a daily log of checks written showing:

<table>
<thead>
<tr>
<th>Date</th>
<th>Beginning Check Number</th>
<th>Ending Check Number</th>
<th>Checks Used</th>
<th>Voided Check Number</th>
<th>Forwarded for Signature</th>
</tr>
</thead>
<tbody>
<tr>
<td>10/1</td>
<td>101</td>
<td>203</td>
<td>103</td>
<td>105, 199</td>
<td>101</td>
</tr>
<tr>
<td>10/2</td>
<td>204</td>
<td>255</td>
<td>52</td>
<td>226</td>
<td>51</td>
</tr>
</tbody>
</table>

The person assigned to compare signed checks to authorizations and supporting documents* will maintain a daily log showing:

<table>
<thead>
<tr>
<th>Date</th>
<th>Number of Checks Reviewed</th>
<th>Proper Ending Meter Reading</th>
<th>Number of Checks Hand Signed</th>
<th>Voided Check Number</th>
<th>Checks Used</th>
</tr>
</thead>
<tbody>
<tr>
<td>10/1</td>
<td>98</td>
<td>10,000 (**</td>
<td>3</td>
<td>105, 199</td>
<td>103</td>
</tr>
<tr>
<td>10/2</td>
<td>49</td>
<td>10,147</td>
<td>2</td>
<td>226</td>
<td>52</td>
</tr>
</tbody>
</table>

(*) See SAM Section 8080 for separation of duties and which position is to be assigned this duty.

(**)This entry is needed only at start of this procedure. (Continued)
The person assigned to compare signed checks to authorizations and supporting documents will compare daily or have his secretary compare daily the meter reading on the machine with what it should be according to his log of checks reviewed and signed by machine. (Authorizations and supporting documents may not be available for comparison under automated accounting systems.) At least once each week he will personally make the comparison with the meter reading. All voided checks will be retained by the person who reviews checks until completion of the following reconciliation. At the end of each month full accountability will be made of all checks used by comparing the daily log maintained by the person who reviews authorizations, checks, and supporting documents with the daily log maintained by the individual who prepares checks or the person who controls blank check stock. After this accountability all voided checks, to that date, will be filed in the check file.

Where two keys are required for the operation of the check signing machine, one will be controlled by the operator and the other by the person whose signature is used. For machines requiring only one key, the person whose signature is used will control the key.

In the event that the person whose signature is used is traveling or otherwise not available, the key normally controlled by this person may be assigned to a responsible person other than the operator of the check signing machine.

The operator will lock the machine and remove the key or keys whenever the machine is not in use. If the check signing machine is operated with two keys, the operator will promptly return the second key to the person responsible for controlling its use when the machine is not being used.

Departments may be authorized to use rubber stamp facsimile signatures for check signing. Departments considering this method of check signing should contact the Department of Finance, Fiscal Systems and Consulting Unit, for authorization.
Precautions must be taken to prevent the unauthorized use of rubber stamped signatures. When the stamps are not in use, they should be locked in a secure place with the key in the custody of the person authorized to sign checks.
GENERAL CASH 8090

(Revised 2/1999)

General cash, consists of cash collected by or temporarily on deposit in an agency account (1) pending its remittance to the State Treasury or (2) pending its refund to payers, as authorized by law.

AGENCY TRUST FUND CASH 8090.1

(Revised 2/1999)

Agency Trust Fund Cash consists of cash relating to certain depositor trusts which is held on deposit under agency control and is not remitted to the State Treasury.
Cash collected by departments for revenue, reimbursements, or abatements is deposited into an approved depository bank within the Centralized State Treasury System (CTS). See SAM section 8031 for approved depository banks. Cash deposits totaling less than $25,000 must be remitted within 15 days from the date the funds were collected, unless more frequent remittances are required by law. Accumulated deposits of $25,000 or more will be remitted as soon as possible, but no later than the first day of the week following the collection.

Departments may use the following methods to remit funds:

- Report to State Controller of Remittance to State Account, Form CA-21A or Report to State Controller of Remittance to State Treasurer, Form CA-21
- The Electronic Fiscal Input Transaction System (eFITS), Form CA-21A

The Report of State Controller of Remittance to State Account, Form CA-21A, also known as a remittance advice (RA) is required when cash has been deposited in the department's CTS checking account and will be remitted to a fund in the State Treasury. Form CA-21A is available at: http://www.sco.ca.gov/Files-ARD/remittc_tc47.pdf and may be submitted to the State Controller's Office (SCO) via email to FiscalControl@sco.ca.gov. Departments may design their own RA form with SCO approval prior to its use.

On Form CA-21A, departments will enter its three-digit CTS checking account number and a RA number, which is a unique five-digit number after the preprinted letter "R." Each checking account number must have its own department assigned range of RA numbers, which cannot be duplicated within the same fiscal year. Upon receipt of Form CA-21A, the SCO issues a Controller's Receipt beginning with the prefix CRA, to record the reduction of cash in the department’s checking account and the corresponding increase to Cash in State Treasury.

Departments will record the remittance to the State Treasury via Form CA-21A as a debit to general ledger account (GL) 1115, General Cash, Remittances in Transit. The CRA document will be recorded as a credit to GL 1115. See SAM section 7620 for GL descriptions.
The use of Report to State Controller of Remittance to State Treasurer, Form CA-21, is limited to those instances when Form CA-21A or the eFITS process is not an option.

(Continued)
REMITTANCES TO STATE TREASURY

(Continued)

(Revised 01/2017)

Departments will submit Form CA-21 plus one copy to the State Treasurer’s Office (STO) Financial Services Section at 915 Capitol Mall, Room 319, Sacramento, CA 95814, identifying the appropriate fund to be increased. If the cash has been deposited into the department’s checking account, the department will submit a department check payable to the STO, along with Form CA-21 plus one copy, which is available at: http://www.sco.ca.gov/Files-ARD/remittc_tc30.pdf Departments may design their own RA form with SCO approval prior to its use.

On Form CA-21, departments will enter a RA number, which consists of two alphabetical characters assigned by the SCO and six numeric characters from the department’s own assigned range of RA numbers.

Upon receipt of Form CA-21, the SCO issues a Controller's Receipt document beginning with the prefix CR to record the increase to Cash in State Treasury.

Department’s will record the remittance to the State Treasury as a debit to GL 1150, Cash in Transit to State Treasury. The CR document will be recorded as a credit to GL 1150. See SAM section 7620 for GL descriptions.

When cash is received directly into the State Treasurer's demand account, in the case of wire transfers, departments will complete Form CA-21 and one copy or Report of Deposit form and mail it without a department check directly to the STO Financial Services Section at 915 Capitol Mall, Room 319, Sacramento, CA 95814.

eFITS

Departments, authorized by the SCO, may use the eFITS process when cash has been deposited in the department’s checking account and will be remitted to a fund in the State Treasury. Information on the eFITS method of remittance is available at: https://www2.sco.ca.gov/eFITS_Enterprise_ApplicationWeb/static/eFITSFAQ.pdf

In the eFITS system, departments will enter its three-digit checking account number and a five-digit RA number after the preprinted letter "R." Each checking account number must have its own department assigned range of RA numbers, which cannot be duplicated within the same fiscal year. The SCO issues a Controller's Receipt beginning with the prefix CRE to record the reduction of cash in the department’s checking account and the corresponding increase to Cash in State Treasury.

Departments will record the remittance to the State Treasury via eFITS as a debit to GL 1115, General Cash, and Remittances in Transit. The CRE document will be recorded as a credit to GL 1115. See SAM section 7620 for GL descriptions.

Rev. 437
DETAIL TO BE SHOWN ON REPORT TO STATE CONTROLLER OF REMITTANCE TO STATE TREASURER

(Revised 12/2011)

General

There will be no attachment or schedule to the form CA 21 or CA 21A. See SAM section 18424.5 for remittances of unclaimed trust money. All account coding will be displayed on the remittance advice. The State Controller’s Office (SCO) may consider exceptions to this procedure on an individual basis.

A single remittance advice may include remittances to more than one fund in the State Treasury. In those instances, the name of each fund will be entered in the "Description" column of the form, followed by the detail of accounts and amounts applicable to each fund.

No information will be entered in the "SCO" column of the form.

Revenues

Departments will report revenues on remittance advices using the six-digit subsidiary revenue codes and titles as provided in the Uniform Codes Manual (UCM). The revenue code and title will be entered in the "Description" column, and the amount remitted for each account will be entered in the "Amount" column.

Reimbursements

Departments will report reimbursements on remittance advices by the fund appropriation item number, chapter, year of appropriation, and reimbursement category title. Departments with budgeted reimbursement authority will remit their funds as scheduled reimbursements. If a department collects reimbursements in excess of their budget authority, the excess collections will also be remitted as scheduled reimbursements. Departments with no budgeted reimbursement authority will remit funds as unscheduled reimbursements.

Departments will enter the reimbursement receipt code title as provided in the UCM in the "Description" column whether the reimbursement is scheduled or unscheduled and the amount remitted for each receipt code will be entered in the "Amount" column. This information is required by SCO to validate the category of reimbursements.

(Continued)
DETAIL TO BE SHOWN ON REPORT TO STATE

CONTROLLER OF REMITTANCE TO STATE TREASURER  8091.1 (Cont. 1)

(Revised 12/2011)

Abatements

Departments will report abatements on remittance advices by the fund, appropriation item number, chapter, year of appropriation, and abatement source code title as provided in the UCM. The abatement receipt code title will be shown in the “Description” column and the amount remitted for each type of abatement will be entered in the “Amount” column. Only those receipts authorized by SAM section 10220 will be accounted for as abatements.

Refunds to Reverted Appropriations

Departments will report reimbursements and abatements to appropriations that have reverted as refunds to reverted appropriations. Regardless of the actual year of the abatement or reimbursement the funds will be remitted to the prior fiscal year..

Operating Revenue

Remittances of operating revenue to Non-Governmental Cost Funds will include a description of receipts at an appropriate level of detail acceptable to the SCO and in accordance with the coding structure provided in the UCM.

REPORT OF COLLECTIONS  8092

(Renumbered 2/1965)

Agencies will prepare a report of collections unless they record directly in the Cash Receipts Register the amount collected from each payer or the amounts represented by a series of receipts. The report of collections then is the basis for a summary entry in the Cash Receipts Register.

The following information normally will be included on a report of collections for amounts received from each payer for whom no receipt is written: (1) date of collection, (2) name of remitter, (3) amount received, (4) type of remittance, i.e., cash, check, or money order, unless all remittances are in cash, and (5) distribution of amount received.
SAM - CASH

Agencies that prepare reports of collections normally will summarize on the reports amounts received from payers for whom receipts are written by showing (1) beginning and ending receipt numbers, (2) amount represented by the receipts, and (3) distribution of amount represented by the receipts.
CASH RECEIPTS REGISTER  
(Revised & Renumbered 2/1965)

General Cash and Agency Trust Fund Cash received will be entered in Cash Receipts Registers. Separate registers will be used for General Cash and Agency Trust Fund Cash transactions respectively. Agencies that prepare reports of collections (See 8092) will record each report as a summary entry in this register (1) identifying report of collections concerned, (2) showing amount represented by the report of collections, and (3) distributing the amount represented by the report of collections.

Agencies that do not prepare reports of collections normally will show the following in this register for amounts received from each payer for whom no receipt is written: (1) date of collection, (2) name of remitter, (3) amount received, (4) type of remittance, i.e., cash, check, or money order, unless all remittances are in cash, and (5) distribution of amount received. Such agencies normally will summarize in this register amounts received from payers for whom receipts are written by showing (1) beginning and ending receipt numbers, (2) amount represented by the receipts, and (3) distribution of amount represented by the receipts.

CASH DISBURSEMENTS REGISTER  
(Revised & Renumbered 2/1965)

General Cash and Agency Trust Fund Cash disbursements will be recorded daily in Cash Disbursements Registers. Separate registers will be used for General Cash and Agency Trust Fund Cash transactions respectively. Agencies will record individual checks or make a summary entry for all pertinent checks written each day, depending primarily upon the volume of checks written. If a single entry is made in a register for each day, beginning and ending check numbers will be recorded in the register.

REFUNDS  
(Renumbered 2/1965)

Unless special provisions of law provide otherwise, refunds may be made out of the general cash account if the applicable collections have not been remitted to the State Treasury. (See 8240 for revenue refunds.)
The state is vitally concerned in maximizing its interest earnings. Every dollar earned from investments reduces the need for taxes or other income by an equal amount.

Interest earnings can be maximized by the earliest practical deposit of receipts and the latest reasonable disbursement of money. Adherence on a day-to-day basis by all departments to sound cashiering, depositing, and other cash flow management practices is an important factor in permitting the state to realize the most interest from the dollars that flow through its system. The state earns approximately $27 on each million dollars per calendar day for each 1 percent of interest earning rate.

Various sections of the State Administrative Manual (SAM), as summarized below, refer to practices that state departments will follow. For further information, refer to the specific section in the SAM. The following is a synopsis of all significant SAM sections related to this subject.

(Continued)
Centralized State Treasury System - The purpose of the centralized State Treasury System (CTS) is to maximize the earning of interest consistent with safe and prudent treasury management and to assure that depository banks provide the state with proper and adequate security for deposits of state money. With few exceptions, all money collected by or in the possession of any state department will be deposited in the CTS.

Receipt of Federal Funds – The purpose of the Federal Letter of Credit is to enable the state department to withdraw cash from the U.S. Treasury concurrently with disbursements. This practice prevents state cash from being utilized for federal program disbursements resulting in a loss of interest earning.

When to Deposit – Departments will use the most efficient procedure that provides timely deposits.

Method of Depositing – Outlines various methods used to deposit money into the CTS in a timely manner to maximize interest earnings.

Purchase and Expense Claims – Disbursements reduce cash available and therefore reduces interest earned.

Accounts Receivable – Provides instructions for prompt invoicing for amounts due the state to maximize cash flow and subsequent interest earnings.

NonEmployee Accounts Receivable – Provides instructions for prompt invoicing for amounts due the state to maximize cash flow and subsequent interest earnings.

Employee Accounts Receivable – Provides instructions for prompt invoicing for amounts due the state to maximize cash flow and subsequent interest earnings.
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**CHAPTER 8100 INDEX (Cont. 1)**

**TEMPORARY ADVANCES FOR WORKING FUNDS –**

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General procedures relevant to the handling of all types of cash transactions are contained in SAM Sections 8000–8099. Specific procedures relevant to revolving fund transactions are contained in SAM Sections 8100–8193. Procedures to replenish the revolving fund for cash deficiencies are provided in SAM Section 8072.

In accordance with Government Code Section 16400, an agency may establish a revolving fund from any appropriation made to such agency subject to the following limitations:

1. No approval is required if the revolving fund will not exceed three percent of the total appropriation.
2. Approval of the Department of Finance budget analyst is required if the revolving fund will exceed three percent but not 10 percent of the total appropriation.
3. Approval of the Department of Finance Program Budget Manager and the State Controller is required if the revolving fund will exceed 10 percent of the appropriation.

To establish or augment an office revolving fund, agencies will prepare a Claim Schedule form, STD.218 (Continuous) and a Remittance Advice form, STD. 404c. On the claim schedule face sheet, agencies will enter the agency’s office revolving fund as the payee. The State Controller’s Office (SCO) will issue and mail a warrant payable to the agency for the amount of the claim schedule. Upon receipt of the warrant, the agency will deposit the warrant into the agency’s checking account to establish or augment the office revolving fund.
PERMISSIBLE USES

(Revised 05/2017)

In accordance with Government Code section 16401 (and unless otherwise allowed in statute), revolving funds drawn under the provisions of Government Code section 16400 may only be used for payment of compensation earned, travel expenses, travel expense advances, or where immediate payment is otherwise necessary. In determining whether immediate payment is necessary, the determining factor is whether payment could be made through the normal process of presenting claims and a State Controller’s warrant issued.

Sufficient spending authority contained in the Budget Act, constitution, statutes, or other spending authority must exist for the related fiscal year of the revolving fund disbursement. For a budget act item or other spending authority not available during a budget impasse in a new fiscal year, revolving fund disbursements for the prior fiscal year are allowable, however revolving fund disbursements for the current fiscal year are not.

SAM sections 8111–8123 detail some of the most common uses of the revolving fund.

CHANGE FUNDS

(Renumbered 2/1965)

Change funds may be established to provide cash in denominations and amounts necessary to permit the making of change in the day-to-day cash collecting operations of an agency.

AMOUNTS AUTHORIZED

(Revised 10/1979)

Agencies are authorized to have change funds exceeding $100 only if they have safes, vaults, or money chests that are adequate to safeguard cash.

Each change fund in excess of $500 will be established only after approval of the Fiscal Systems and Consulting Unit, Department of Finance.
ACCOUNTABILITY

(Revised 4/1992)

The custodian will be personally responsible for the amount advanced from the revolving fund. Transfers of custody will be accomplished only after: (a) personal audit of the fund has been made by the employees directly concerned; and (b) a receipt has been given by the newly assigned custodian to the custodian being relieved. A copy of such receipt signed by both parties will be delivered to the Accounting Officer. An employee other than the custodian of the change or petty cash fund will count it in accordance with the following schedule and report the count to the Accounting Officer.

<table>
<thead>
<tr>
<th>SIZE OF FUND</th>
<th>FREQUENCY OF COUNT</th>
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</thead>
<tbody>
<tr>
<td>$200.00 or less</td>
<td>Annually</td>
</tr>
<tr>
<td>$200.01 to $500.00</td>
<td>Quarterly</td>
</tr>
<tr>
<td>$500.01 to $2,500.00</td>
<td>Monthly</td>
</tr>
<tr>
<td>Monthly, if not prescribed more frequently by</td>
<td></td>
</tr>
<tr>
<td>Over $2,500.00</td>
<td>Fiscal System and Consulting Unit, Department of Finance</td>
</tr>
</tbody>
</table>

CASH PURCHASE FUNDS

(Revised 1/1981)

Cash purchase funds, operated on an imprest basis, provide cash for purchases or services not to exceed $50 (exclusive of sales tax) per purchase or service. The total amount advanced rather than cash on hand will be shown in the monthly reconciliation of revolving fund resources.
There are no limitations as to the number of sub-revolving funds established from each revolving fund appropriation such as change funds or cash purchase funds provided an agency follows the criteria set forth in SAM Section 8100–8199 for each sub-revolving fund established.

Cash purchase funds will not:

1. Exceed $200 for each fund, except that cash purchase funds of as much as $750 are authorized where: (a) a fund of lesser size would normally require replenishment more often than once a month; and (b) a safe, vault, or money chest adequate to safeguard cash is used.

2. In any way expand the list of types of items agencies are allowed to buy without clearing their requests through the Office of Procurement. See SAM Chapter 3500.

Invoices

Invoices received for cash payment for purchases or services will be on a Disbursement Voucher, STD. 439, or on a vendor's form acceptable to the State Controller's Office, except that STD. 262 will be used for traveling expense. Disbursement Voucher, STD. 439, will be prepared in duplicate; the original will be attached to the Claim Schedule and the copy will be retained by the agency.

Payee Data

A vendor must complete the Payee Data Record, STD. 204, before payment is issued by the state department. The properly completed STD. 204 will provide, among other data, the vendor's taxpayer identification number and will be used to determine whether the payment(s) to the vendor is reportable (refer to SAM Section 8422.19 and 8422.190). The STD. 204 will be retained on file by the state department business services or accounting offices as determined by each state department policy.

Resources

Resources consist of cash on hand, unreimbursed invoices, and uncashed revolving fund checks received in reimbursement of invoices.
The custodian will present invoices at least once each month. Based upon these invoices, a check will be issued to replenish the cash purchase fund.

**ACCOUNTABILITY**

(New 1/1976)

The accountability for cash purchase will be the same as for change funds. See SAM Section 8111.2.

**DISCOUNT INVOICES**

(Revised 3/2013)

Invoices will be paid by revolving fund checks when all of the following conditions apply: 1) The discount percentage is at least one-half of one percent with a minimum amount of $5. 2) The discount period is too short to permit payment by State Controller’s Office (SCO) warrant.

If time permits, state departments should always submit claims to the SCO for payment by warrant. The SCO's processing time is within 15 days of receipt of a valid and correct claim schedule, not exceeding 45 days from the state department’s receipt date to avoid late payment penalty fees (see SAM section 8474 for further information). State departments may request the SCO to expedite a claim schedule based on their interagency agreement with the SCO.

Daily issuance of revolving fund checks to pay discounted invoices often results in the issuance of several revolving fund checks to the same vendor in the same day or week. To streamline the process, state departments should accumulate discounted invoices and pay weekly, or less frequently than daily, without losing cash discounts. This may be accomplished by filing such invoices alphabetically by vendor name and paying them at scheduled intervals, such as vendors A–F on Monday, G–L on Tuesday, etc. See SAM Section 8422.1 for additional information.

**PURCHASE OF FEDERAL PUBLICATIONS**

(Revised 8/1992)

A revolving fund check will be used to purchase federal publications whenever a remittance must accompany the order. See SAM Sections 3580.
Postage will be purchased by revolving fund check because payment is required at the time of purchase.

UNITED PARCEL SERVICE METER PREPAYMENT

(Revised 03/2013)

United Parcel Service metered accounts may be prepaid by revolving fund check. For additional information regarding parcel delivery service, see SAM section 3836.
Departments may issue a revolving fund check for a travel advance to an employee or reimburse the employee who uses personal funds for travel expenses while conducting official state business.

The majority of the departments are processing travel requests through the California Automated Travel Expense Reimbursement System (CalATERS). However, for non-CalATERS departments, travel requests will be processed through the departments’ revolving fund check request process.

Requirements for issuance of travel advances and submission of travel expenses:

1. The travel advance will be issued within 10 calendar days of when the anticipated expenses are to be paid or incurred. Departments may issue travel advances within 20 calendar days of when the anticipated expenses are to be paid or incurred when the travel advance is required to be mailed to the employee.

2. The travel advance amount must be reasonably calculated not to exceed the estimated expenses to be paid or incurred on the trip. To ensure that the travel advance amount is not excessive, the travel advance request should be reviewed and approved by the same person who approved the trip.

3. If a trip is canceled or postponed indefinitely, the travel advance must be returned immediately.

4. A properly prepared Travel Expense Claim (TEC) to substantiate the travel expenses must be submitted no later than 10 calendar days after the trip(s). If the travel advance exceeds the substantiated expenses, the employee must also submit a check or money order to return the excess travel advance amount. For employees who are not required to travel on more than one trip per month, additional advances will not be issued for future travel unless the outstanding advances have been cleared. Departments may issue additional travel advances for employees who are required to travel on multiple trips within a month. Additional advances will
SAM – OFFICE REVOLVING FUNDS
not be allowed if the employee does not submit a TEC or return the excess advance amount within 10 days of each trip.

(Continued)
1. If the substantiated expenses exceed the travel advance, the employee will be paid the difference with a revolving fund check or SCO warrant/direct deposit payment. If processed through CalATERS, the disbursement to the employee will follow how the employee’s regular payroll warrant is disbursed. For example, if the employee has a direct deposit, then the travel reimbursement to the employee will be paid through direct deposit.

Departments must comply with the above time requirements to avoid reporting travel advances as taxable wages discussed in SAM section 8116.3.
Departments must adhere to the provisions of Government Code section 19838 and SAM section 8776.7 regarding notification and collection of overpayments from employees. In addition, the following procedures which are specific to the collection of travel advances will be followed:

1. A monthly notification must be sent to request employees who have travel advances but have not submitted a TEC to substantiate the travel expenses and/or have not returned any excess travel advance amount. An example of a memorandum is shown in 8116.1 Illustration.

2. If an employee does not submit a TEC to substantiate the travel expenses within 15 calendar days of the monthly notification date, the total amount of outstanding advances must be deducted from the employee’s next regular payroll warrant(s).

3. If an employee does submit a TEC within 15 calendar days of the notification date, but does not return any excess travel advance amount within the same 15 calendar days, the excess travel advance amount must be deducted from the employee’s next regular payroll warrant(s).

4. If the amount of the revolving fund check paid to the employee exceeds the amount of the State Controller’s reimbursement (due to claim correction by SCO), the employee must reimburse the revolving fund for the difference. The amount owed to the revolving fund must be returned no later than 15 calendar days of the notification date. If the employee does not clear the outstanding amount, it must be deducted from the employee’s next regular payroll warrant(s).

5. If an employee has payroll direct deposit, the notification must inform the employee that if the excess travel amount was not returned within the 15 calendar days of the notification, the direct deposit will be cancelled and the payroll deduction for the outstanding travel advance amount will be made in the next regular payroll warrant(s).
An example of “deducted from the next regular payroll warrant” for items (2) and (3) above is as follows:

02/01/11 Travel advance is issued to the employee 02/10/11 Travel date of employee 02/17/11 End date of employee travel 02/27/11 TEC should be submitted and/or return excess travel advance Actions for non-compliance:

02/27/11 Employee does not submit a TEC or return the travel advance 03/01/11 Employee is sent a monthly notification to request him/her to submit a TEC or return the travel advance by 03/15/11. (The 1st of the month is the department’s established mail out date for the monthly notification)

03/16/11 Employee does not submit a TEC or return the travel advance. (This is 15 calendar days from the notification date). Outstanding advance amount will be deducted from the employee’s current regular payroll warrant

Note: For an employee who has direct deposit, the department accounting or personnel office must send a notification to SCO by the 15th of the month to cancel the direct deposit.
M E M O R A N D U M

Date: March 1, 2011
To: (Name of Employee)
From: (Name of Department)
Subject: Monthly Statement of Travel Advances

The purpose of this monthly statement is to notify you of outstanding travel advances, where no travel expense claims (TEC) have been submitted to substantiate expenses and/or you have not returned all outstanding travel advance amounts. As of February 28, 2011, our records indicate that the following travel advances are outstanding:

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount of Travel Advance</th>
<th>Amount of TEC Advance</th>
<th>Outstanding Advance Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feb. 4, 2011</td>
<td>$500</td>
<td>$480</td>
<td>$20</td>
</tr>
<tr>
<td>Feb. 10, 2011</td>
<td>$100</td>
<td>0</td>
<td>$100</td>
</tr>
<tr>
<td></td>
<td>$600</td>
<td>$480</td>
<td>$120</td>
</tr>
</tbody>
</table>

Please clear the outstanding advance amount of $120 by submitting a properly prepared TEC and/or a check no later than March 16, 2011 (15 calendar days from the date of this monthly statement).

If the properly prepared TEC is not submitted and all outstanding travel advance amounts are not returned by March 16, 2011, the $120 will be deducted from your payroll warrant for the March 2011 pay period.

If you are currently on direct deposit for payroll, the direct deposit will be cancelled and a payroll deduction for the outstanding travel advance amount will be made in your next regular payroll warrant(s).

If you have any questions, please call (name of contact person) at (telephone number of contact person).

Departmental Accounting Officer

8116.1 ILLUSTRATION

Rev. 416
COMMITTEE MEMBERS

(Revised 12/2011)

Departments may issue a revolving fund check as an advance for anticipated travel expenses to designated low-income advisory board or committee members. This policy enables members with insufficient economic resources to pay their travel expenses necessary to perform their official duties. The determination of qualifying advisory boards and committees, designation of low-income members, and the scope of travel involved in the members' official duties will be made by the director of the department or agency.

Departments issuing temporary travel advances to low-income advisory board or committee members will follow the procedures for travel advances and revolving funds outlined in SAM sections 8100 to 8193. In addition, the following procedures are required:

a. A strict accountability method will be established to assure that travel advances are for the purposes of official State business only.

b. A properly prepared TEC to substantiate the travel expenses must be submitted within 10 calendar days after the official function or activity. If the travel advance exceeds the substantiated expenses, the member must submit a check or money order with the TEC to return the excess travel advance amount. If the substantiated expenses exceed the travel advance, the member will be paid the difference with a revolving fund check.

c. Only one travel advance per member will be approved per function or activity.

d. Each member will be allowed only one outstanding travel advance at any given time.

e. A special subsidiary record of these travel advances will be maintained by the departments in sufficient detail to insure compliance with the above provisions. This record should include:
   - Name of the member receiving the travel advance
   - Nature and date of the scheduled official function or activity
   - Amount of the travel advance
   - Date the TEC is due
   - Date and amount of substantiated travel expenses claimed
   - Any balance due
   - Date balance due is repaid and/or collection effort undertaken
The intent of the travel expense policies and procedures is to avoid reporting travel advances as taxable wages or compensation by deducting it from an employee’s payroll warrant if the submission requirement of the travel expense claim is not met. In state government, unlike in private industry, a travel advance is never provided as additional wages or compensation, which is a gift of state funds. The Constitution of California prohibits the gift of state funds.

If a department fails to satisfy these requirements, IRS penalties could occur. Any IRS assessed penalties and interest for non-compliance will be paid from the department's support appropriation(s).

**SALARY ADVANCES**

Revolving fund checks may be issued to compensate employees for time worked under the following circumstances:

1. Salary advances under the conditions in SAM section 8595.

2. Situations where the regular payroll warrant should not be issued to the employee. For example:
   - A department withholds amounts from an employee.
   - The regular payroll warrant is incorrect.

**OUT-SERVICE TRAINING—REGISTRATION FEES**

Registration fees for attendance at training courses under approved out-service training programs may be paid directly by the agencies by revolving fund check. Claims for reimbursement must be supported by a receipt or certification listing names of employees attending and the amount of the fee for each.
Each institution may establish one "Cash Payment Fund" not to exceed $10,000. The $10,000 cash payment fund maximum may be increased only upon written approval from the Department of Finance, Fiscal Systems and Consulting Unit. The amount actually established by an institution should not exceed that institution's reasonable needs consistent with reimbursement at least weekly and, of course, is subject to review. This fund must be placed in a safe or vault for safekeeping during hours that the office is open. This fund will be withdrawn from the Revolving Fund and operated on an imprest cash fund basis. Funds are to be used to provide cash to persons paroled, discharged, or going on leave or visit. Fund disbursements are limited to: (a) partial or full settlement of their trust accounts and (b) parole, discharge, leave, or visit allowances from State funds.

The persons to whom cash is disbursed must sign a properly completed disbursement voucher acknowledging receipt of the cash. Two distinctly different disbursement voucher forms will be used to disburse cash.

Revolving Fund Disbursement Voucher, STD. 438, will be used when cash allowances from State funds are given to persons who are paroled, discharged, or going on leave or visit. These vouchers, properly signed by the persons leaving the institution, will be retained by the custodian of the Cash Payment Fund until they are exchanged for a Revolving Fund check weekly or at such times as may be necessary. The Revolving Fund will be reimbursed through the ordinary Revolving Fund claim procedure.

Depositors Disbursement Voucher, STD. 567, will be used when cash is given to persons leaving the institution as either partial or full settlement of their trust accounts. The originals of these vouchers, properly signed by the persons leaving the institution, will be retained by the custodian of the Cash Payment Fund until they are exchanged for a Cash Trust check weekly or at such times as may be necessary.

The depositors' accounts will be charged immediately (and as of the cash payment date) from the duplicates of the Depositors Disbursement Vouchers acknowledging receipt of the cash. The Depositors Disbursement Voucher number or batch number will be shown in the posting to the Depositors Ledger. The entry in the Cash Trust Disbursements Register will show the date of the check and also the inclusive numbers of the withdrawal documents received from the custodian of the Cash Payment Fund.
SAM – OFFICE REVOLVING FUNDS

Should normal routine prevent immediate posting to the depositors' accounts, the amount and voucher number should be noted on the depositor's ledger card at the time cash is disbursed.

Should the amount to be disbursed, in partial or full settlement of a depositor's trust account, represent an excessive amount of cash, the excess will be disbursed by check. Such checks should not be cashed by the institution.
The accountability for cash payment funds will be the same as for change funds. (See SAM Section 8111.2.)

The United States Agency for International Development provides in its standard agreement with its contractors (e.g., State colleges) for an initial advance for the purpose of establishing a working fund. This working fund operates on an imprest basis and is reimbursed periodically through the submission of expenditure vouchers to the Federal agency.

Ordinarily, this initial advance can be obtained when it is needed, and there is no necessity for an advance from the departmental office revolving fund. However, if necessary, the money may be advanced from the office revolving fund until the corresponding initial advance is received from the Federal agency and deposited in the office revolving fund. If such amount received is less than the amount advanced from the office revolving fund, the difference will be returned promptly to fully reimburse the office revolving fund.

Bank drafts are payment instruments used by authorized agencies to make purchases of goods and services under certain circumstances. (See SAM Section 8124.) Vendors, who accept bank drafts, deposit them in their bank as they would checks. The bank drafts are then delivered through the banking system to an agency's contracted bank for payment.

Prior to being redeemed by the agency's bank, the bank drafts are delivered to the agency for review. The contracted bank pays all bank drafts not rejected by the agency within 24 hours after delivery to the agency. The contracted bank pays for the bank drafts out of a special agency account it maintains.
A draft purchase voucher (DPV) is prepared along with the bank draft at the time of each purchase. The draft purchase voucher provides the agency with cost data and internal control information. The draft purchase voucher is used during the 24-hour bank draft review period to determine the propriety of each bank draft purchase.
The bank draft system is used by State agencies with field operations where normal payment methods, particularly cash purchase funds, are difficult to maintain or impractical to use.

State agencies may use bank drafts for purchases that have all of the following conditions:

- a. Immediate payment is necessary.
- b. Purchase is an over-the-counter transaction.
- c. Vendor is reluctant to accept a subpurchase order or unable to accept CAL-Card.
- d. Alternative payment methods (e.g., the cash purchase fund or the revolving fund) are not available.
- e. Dollar amount of the purchase is $500 (inclusive of taxes) or less. The limit may be increased with approval from DOF (FSCU).

The following are improper uses of bank drafts:

- a. Paying for multiple invoices and credit card purchases.
- b. Mailing bank drafts to vendors.
- c. Using bank drafts to avoid the use of subpurchase orders.
- d. Allowing headquarter's accounting personnel to use bank drafts.
- e. Splitting purchases to avoid the $500 limit or other DOF (FSCU) approved limits.
State agencies need approval from DOF (FSCU) to establish the bank draft system and to exceed the $500 limit for bank draft purchases. Requests should include the following:

a. Intended use of and need for the bank draft system.
b. Expected number of cash purchase transactions that would be replaced annually by the system.
c. Average dollar amount per cash purchase transaction.
d. Expected dollar amount of cash purchase funds that would be returned to the State agency revolving fund or reasons why the cash purchase funds should be maintained at the current level or a reduced level.
e. Expected dollar amount to be advanced from the revolving fund to an account maintained by the contracted bank.

The following certification is required:

“I certify that the above information is true and correct and that the bank draft system, if approved, will not be used to circumvent the normal procurement process.

___________________________________________
Fiscal or Accounting Officer”

If approved, DOF (FSCU) will issue instructions for selecting a bank and for establishing and operating the system. When the State agency finds a bank to contract with for bank draft services, the State agency must also receive approval from DOF (FSCU) for a bank account outside the centralized State Treasury System. (See SAM Section 8002.)

Approval of the bank draft system does not include delegation authority to make purchases in excess of $100. State agencies must obtain approval from the Department of General Services, Procurement Division. (See Public Contract Code Section 10308.)
The custodian will be personally responsible for the amount advanced from the fund in treasury.

RECEIPTS AND DISBURSEMENT VOUCHERS

Receipts for amounts received by the revolving fund will be prepared in accordance with SAM Section 8020.

Disbursement vouchers to be receipted by payees of revolving fund checks will be made only if the vendor does not provide invoices for these purchases. Revolving Fund Disbursement Voucher, STD. 438 can be prepared as a carbon copy of the revolving fund check. These vouchers for payments by revolving fund check are used in lieu of invoices in reimbursement claims filed with the State Controller’s Office. Agencies will not require employees to sign for receipt of revolving fund checks. See SAM Section 8112.2 for cash purchase fund disbursement vouchers.
Section 17050 of the Government Code provides that any person authorized to make payments from a revolving fund may, without requiring a power of attorney from the employee: (1) endorse a check drawn by the agency or a warrant drawn by the Controller in payment of a claim submitted by the agency that is payable to an employee owing the agency revolving fund; (2) deposit the check or warrant in the revolving fund to reimburse that account; and (3) pay the balance to the employee.

When salary warrants are so deposited, they will not be deposited before their date of issue because they cannot be accepted by the State Treasurer's Office before the date of issue.

The State Treasurer's Office has authorized the use of the following endorsement when endorsing a check pursuant to Section 17050 of the Government Code.

___________
(Name of Payee)

By___________
(Title and Department)

Attorney in fact

under provision of Section 17050 of the Government Code of California

The above endorsement will be followed by the normal endorsement used by agencies for depositing checks and warrants in the centralized State Treasury System. See SAM Section 8034.1 for an illustration of this endorsement.

See SAM Section 8034.2 for the deposit of an erroneous warrant in the office revolving fund.
The processing of purchase and expense claims will be in accordance with the general instructions in SAM Section 8422.

There are two methods to reimburse an agency’s office revolving fund through the claim schedule process:

- Reimbursement claim schedules

- Replenishment claim schedules

When the reimbursement process is used, agencies will prepare a Claim Schedule form, STD. 218 (Continuous) and a Remittance Advice form, STD 404c. On the face sheet, agencies will enter the agency’s office revolving fund as the payee. The SCO will issue a warrant payable to the agency for the amount of the claim schedule. Upon receipt of the warrant, the agency will deposit the warrant into the agency’s checking account to reimburse the office revolving fund.

When the replenishment process is used, agencies will use a Replenishment Claim Schedule (Treasury Trust) form, STD. 219TT, or an STD. 218 (Continuous) for CALSTARS agencies. On the face sheet, agencies will enter their agency checking account number as the payee. The SCO will transfer the amount of the claim schedule to the agency’s checking account. Agencies will receive a journal entry (TC-48) which charges the agency’s appropriation and increases the agency’s checking account to replenish the office revolving fund. The document number of the journal entry is the claim schedule number. The journal entry number will be listed as a deposit on the monthly bank statement.

For both types of claim schedules, agencies will submit the appropriate invoices and vouchers to the SCO, Division of Audits, Claim Audits Section. The revolving fund check numbers can be either listed on the claim schedule face sheet or posted on each invoice or voucher. Both claim schedule forms are available from the Department of General Services’ website at: www.osp.dgs.ca.gov/StandardForms/Default.htm.
SAM – OFFICE REVOLVING FUNDS
When a reportable payment has been made from an agency’s office revolving fund, agencies must ensure that information is provided to Franchise Tax Board. See SAM Section 8422.19.
Cash overages in a change fund, cash purchase fund, or cash payment fund will be credited to Account No. 3710, Cash Overages, at the time of identification. All cash overages will be cleared as revenue or operating revenue at least once each quarter.

Cash shortages in a change fund, cash purchase fund, or cash payment fund will be established as an accounts receivable from the custodian at the time of identification. Revolving Fund Disbursement Voucher, STD. 438, will be prepared for the amount of the shortage and a revolving fund check will be issued to reimburse the cash fund for the shortage. Procedures in SAM Section 8072 will then be followed to reimburse the revolving fund.

See SAM Section 8080 for separation of duties.

Circumstances may arise where an advance is required immediately and the submission of a written request is not practical. In such cases a telegram or telephone call will suffice. A request by telegram, approved by the employee authorized to approve requests, will constitute a written authorization. In the case of a request by telephone, the employee authorized to approve requests will prepare a written authorization.

Telephone and telegraph requests will be accepted only from the employees authorized to approve a travel advance request of the person concerned. Such requests will be confirmed by the traveler submitting (and the authorized employee approving) a travel advance request marked "confirming." No check will be prepared pursuant to such "confirming" request.

Employees are prohibited from authorizing revolving fund checks payable to cash or themselves.
Each agency will maintain a Cash Book and Receivables Ledger to account all transactions of the revolving fund. At all times the balance of the Cash Book plus the balance of the accounts in the Receivables Ledger should equal the amount advanced to the revolving fund from the fund or funds concerned. The balance of Account No. 1130, Revolving Fund Cash, of the applicable fund or funds will show the amount advanced.

**CASH BOOK**

The Cash Book normally will be a debit, credit, and balance record. This record will be debited with remittances received and credited with revolving fund checks drawn. A Sundry Purpose Register, STD. 341, may be used for Cash Books kept manually. The following is an illustration of a Cash Book:

<table>
<thead>
<tr>
<th>Date</th>
<th>Reference</th>
<th>Debit</th>
<th>Credit</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>19____</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>July 1</td>
<td></td>
<td>$10,000.00</td>
<td></td>
<td>$10,000.00</td>
</tr>
<tr>
<td>1</td>
<td>CK 250–280</td>
<td></td>
<td>$2,500.00</td>
<td>7,500.00</td>
</tr>
<tr>
<td>3</td>
<td>CK 281</td>
<td></td>
<td>375.00</td>
<td>7,125.00</td>
</tr>
<tr>
<td>10</td>
<td>CK 282–289</td>
<td></td>
<td>150.00</td>
<td>6,975.00</td>
</tr>
<tr>
<td>14</td>
<td>CK 279 voided</td>
<td></td>
<td>–75.00</td>
<td>7,050.00</td>
</tr>
<tr>
<td>14</td>
<td>Warrant 01–122334(1)</td>
<td>642.50</td>
<td></td>
<td>7,692.50</td>
</tr>
<tr>
<td>17</td>
<td>Warrant 01–223456(1)</td>
<td>240.00</td>
<td></td>
<td>7,932.50</td>
</tr>
</tbody>
</table>

(1) Enter as of date of deposit.
The Receivables Ledger normally will be a debit, credit, and balance record. The Receivables Ledger normally will consist of an account for:

1. Each employee receiving a revolving fund check for a travel advance.

Each employee's account will be charged with amounts advanced from the revolving fund prior to the time travel is performed. The employee's account will be credited with amounts returned to the revolving fund by the employee and with the amounts of audited travel vouchers applied to reduce the advance. The amounts of audited vouchers credited to the individual employee accounts receivable will be charged to the "Travel Vouchers for Travel Performed" account receivable pending receipt of the warrant to reimburse the revolving fund.

2. Travel Vouchers for travel performed.

This account will be charged with the amounts of audited travel vouchers which have been paid from the revolving fund in reimbursement of travel performed. It will be credited as of the dates of the deposit slip and with the amount of the warrant deposited to reimburse the revolving fund.

3. Each employee receiving a revolving fund check for compensation earned. (Agencies may record all such transactions in a single account.)

These accounts will be charged with the amount of the revolving fund checks issued and credited when the revolving fund is reimbursed.

4. Each custodian of a change fund, cash purchase fund, or cash payment fund.

These accounts will be charged with the amounts of the revolving fund checks issued and credited with the amounts returned to the revolving fund. In addition, each shortage in a fund will be shown as an accounts receivable until the proceeds from an approved Board of Control Claim for Reimbursement are received or the custodian has personally reimbursed the fund for the shortage.

5. Postage, discount invoices, and miscellaneous transactions.

This account will be charged with the amounts of revolving fund checks issued and credited as of the dates of the deposit slip and with the amount of the warrant deposited to reimburse the revolving fund.
Two monthly reconciliations are required for revolving fund transactions. (See SAM Section 7900.) The Revolving Fund Cash Book balance plus the general ledger balance of Account No. 1110, General Cash, and Account No. 1120, Agency Trust Fund Cash, will be reconciled to the General Checking Account in the centralized State Treasury System. Also, the revolving fund resources will be reconciled with the amount of cash advanced as shown in Account No. 1130 of the funds concerned.
## SAM - INCOME

**CHAPTER 8200 INDEX**

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<td>8212</td>
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Rev. 434
As used in this chapter the term “income” refers to revenue, reimbursements, or abatements. Instructions in this chapter apply to all such income of all funds unless other accounting treatment is provided for by law or special instructions issued by the Department of Finance (Finance), Fiscal Systems and Consulting Unit (FSCU).

During the fiscal year, revenue accounts will be credited on a cash basis as of the date the remittances received or amounts transferred from other funds are determined to be earned.

Amounts due the state and earned as of June 30, **whether billed or unbilled**, will be accrued as revenue if it is estimated to be collected within the ensuing fiscal year, see SAM section 10610, Entry A-9, Revenue Is Accrued. For those amounts that are unbilled, the receivable will also be accrued, see SAM section 10602, Entry A-3, Accounts Receivable Abatements and Reimbursements Are Accrued. Amounts earned but estimated not to be collected within the ensuing fiscal year will be fully deferred and will not be accrued as revenue.

Adjustments will be made to the June 30 account balances if it is determined in July that cash received on or before June 30 was actually earned prior to July 1. If these amounts were originally recorded as an accounts receivable, the receivable will also be reduced.

Unless otherwise provided, cash received is earned as follows:

1. Fees for an original or renewal registration, license, permit, or certificate are earned upon registration or issuance unless a renewal receipt is issued in a fiscal year which precedes the first day of the renewal year. Departments will account for the issuance of renewal receipts as follows:
   a. Credit the revenue account of the fiscal year in which the renewal receipt is issued if the renewal receipt is issued in the same fiscal year as the renewal year.
   b. Credit a revenue collected in advance account if the renewal receipt is issued in a fiscal year which precedes the first day of the renewal year.

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SAM - INCOME

2. An application fee, filing fee, or other fee which by law or administrative practice is not subject to refund is earned when the remittance is received.

3. A fee for a specific service is earned upon the performance of the service. (Continued)
Revenue collected in advance received on or before June 30, but not earned as of that date will be accounted as revenue of the fiscal year in which it is earned. On or after July 1, an entry will be made crediting a revenue account and debiting a revenue collected in advance account.

If unearned revenue is remitted to the State Treasury before July 1 of the fiscal year in which it is earned, it will be recorded as Account No. 3410 Revenue Collected in Advance or Account No. 3430 Operating Revenue Collected in Advance. On or after July 1 of the fiscal year in which revenue so remitted is earned, departments will request the State Controller's Office (SCO) to transfer the applicable amount to the appropriate Revenue or Operating Revenue account.

Revenue accounts will be maintained in a Revenue Ledger. Entries to revenue accounts will be made from the General Cash Receipts Register, Clearance Register, Claims Filed Register, or from journal entries. The analysis of such amounts will be posted to the Revenue Ledger from the detail shown on collections reports, clearance documents, revenue refund claims, etc.

Revenue account codes provide accounting information which is used to prepare financial statements and other fiscal reports. The first four digits of the six-digit revenue account code represent the minimum level required for state financial reporting purposes. The last two digits may be used by departments requiring greater detail. A complete list of all revenue account codes is in the Uniform Codes Manual (UCM).
SAM - INCOME

(Revised 04/2016)

Operating revenue accounts will be maintained in an Operating Revenue Ledger. Entries to operating revenue accounts will be made from the General Cash Receipts Register, Clearance Register, Claims Filed Register, or from journal entries. The analysis of such amounts will be posted to the Operating Revenue Ledger from the detail shown on collection reports, clearance documents, revenue refund claims, etc.
Operating revenue account codes provide accounting information which is used to prepare financial statements and other fiscal reports. The first digit of the operating revenue six-digit code is a two (2). The second and third digits are coded to show the type of operating revenue. The fourth digit shows the source of operating revenue. The last two digits may be coded by the department when greater detail is required. A complete list of all operating revenue account codes is in the UCM.

Refunds are generally authorized by Government Code (GC) sections 13140 through 13144. Any fee or excess payment may be refunded (1) from any unremitted balance of receipts of the same nature in the state department’s checking account or (2) from the revenue account in the fund where the original receipt was credited. Individual refund claims in excess of $10,000 which will be submitted to the SCO for payment must be approved in advance by Finance and the SCO prior to submission.

Refund Claims

Claim schedules filed for refunds of revenue will be processed as follows:

Refunds of amounts that were remitted in a previous fiscal year or as prior year revenue will be filed against the prior year revenue account. Refunds of amounts that were remitted in the current fiscal year as current year revenue will be filed against the current year revenue account.
OVERPAYMENTS AND UNDERPAYMENTS

(Revised 04/2016)

In departments where the receipt of cash requires that a liability account (e.g., uncleared collections or revenue collected in advance) be credited pending the earning of a remittance, the credit will be for the amount of cash received.

Overpayments

In accordance with applicable provisions of law, overpayments may be: (1) applied against other amounts due the State from the payers, (2) refunded automatically, or (3) held pending receipt of refund requests.

GC section 16302.1 permits state departments to remit overpayments of $10.00 or less to the Treasury as miscellaneous revenue or operating revenue, subject to the right of the payer to make a claim for refund if otherwise authorized by law.

Unless the overpayment is being applied to other amounts due the State from the payers, departments using GC section 16302.1 will credit revenue or operating revenue for the amount received. The appropriate revenue or operating revenue account code will be credited for the applicable amount. If no appropriate revenue account code is available, the overpayment will be credited to miscellaneous revenue in the revenue or operating revenue account.

Underpayments

Departments will credit revenue or operating revenue for the amount received. The appropriate revenue or operating revenue account code will also be credited for the amount received except if the payment is for a press-numbered document of fixed value. For this situation, the appropriate revenue or operating revenue account code will be credited for the fixed value. The underpayment will be debited to miscellaneous revenue in the revenue or operating revenue account. Any remittance advice showing a debit to miscellaneous revenue or operating revenue for this reason will state that it is due to net underpayments.

See SAM section 8776.6, Non-Employee Accounts Receivable, for information on collection of amounts owed to the state.
State Controller’s warrants that remain uncashed for one year will be cancelled by the SCO and credited to an escheat revenue account in the fund from which they were drawn.

State Controller’s warrants that have been returned as unclaimed and for which the claimant cannot be located will also be cancelled and remitted to an escheat revenue account in the fund from which they were drawn.

Departments will maintain a subsidiary ledger of all amounts credited to and disbursed from the escheat revenue accounts. Subsequent claims made by payees within two years of the date the warrant was cancelled will be processed by filing a claim schedule against an escheat revenue account. For those amounts credited in the current fiscal year, the claim schedule shall be filed against the current year escheat revenue account. For those amounts credited in a prior fiscal year, the claim schedule shall be filed against the prior year escheat revenue account. The SCO will process the claims regardless of the balances in the escheat revenue accounts.

Expenditure claims made by payees more than two years after the cancellation date of the warrants will be processed in the same manner as claims against a reverted appropriation, see SAM section 8422.7, Invoices Payable From Reverted Appropriations. Revenue refund claims by payees more than two years after the cancellation date of the warrants will be processed in accordance with SAM section 8240, Refunds.

MISCELLANEOUS UNCLAIMED TRUST DEPOSITS

Unless otherwise provided by law, pursuant to GC section 16374, amounts of unclaimed money on deposit for two years in the unclaimed trust account of the Special Deposit Fund will be transferred by SCO to the General Fund. SCO will account these transfers as General Fund revenue. Departments will not account General Fund revenue arising from this source.
Upon receipt of interest on investment securities, SCO will issue to departments a SCO receipt showing the amount of interest received and appropriate adjustments of accrued interest purchased, premium, and discount. The entry is recorded by the department as of the date on the SCO receipt. The scientific method for amortization of premium and discount is used.

Early in July of each year, SCO will issue to departments concerned adjusting journal entries to accrue income to June 30 of the prior year on both interest bearing and non-interest bearing securities. Departments will record these entries as of June 30.

(Separate arrangements have been made with departments accounting the State Compensation Insurance Fund, Legislators' Retirement Fund, State Employees' Retirement Fund, and Teachers' Retirement Fund.)

Interest on investments of the Surplus Money Investment Fund is apportioned to other funds quarterly by the SCO pursuant to GC section 16475. The administering department for the funds receiving interest will receive the SCO Notice of Transfer in the month following the end of the quarter. Departments will account for the interest as revenue or operating revenue in the applicable funds, see SAM section 10532, Entry 32—[Interest Earnings On Investments Of The Surplus Money Investment Fund And Condemnation Deposits Fund]. Departments will accrue the June 30 interest as described in SAM section 10605, Entry A-6, Receivables Due From Surplus Money Investment Fund and Condemnation Deposits Fund Are Accrued for Interest Earnings.

Interest on investments of the Condemnation Deposits Fund is apportioned quarterly by the SCO pursuant to GC section 16429. Departments that have money deposited in the Condemnation Deposits Fund will account for interest revenue transferred from that fund in the same manner as described in SAM section 8284.1, Surplus Money Investment Fund.
As a result of audit examinations, persons or other entities are often assessed amounts to be paid or returned to the state. Some statutes and/or administrative procedures provide for a period during which the audit finding may be protested. After resolving protests or after the protest period expires, the audit assessment becomes final.

Prior to their being final, audit assessments will be established in the accounting records as a contingent receivable as of the date the audit assessment is ready to be made known formally to the entity being assessed. Such receivables will be fully deferred, see SAM Chapter 8700, Miscellaneous Accounting Procedures. Upon being made final, audit assessments will be recognized as valid receivables. If it is an abatement or reimbursement receivable, follow the instructions in SAM sections 8287, 10407 and 10408. Revenue receivables will be accrued in accordance with SAM section 8290.4, Accounts Receivable.

PROPER CREDITING OF ABATEMENTS AND REIMBURSEMENTS

Unless otherwise provided by law, abatements and reimbursements will be credited to appropriations. Abatements will be credited back to the appropriation from which they were drawn. Reimbursements for services will be credited back to the appropriation current at the time the expense was incurred in performing such service.

If the appropriation to which an abatement or reimbursement is properly creditable has reverted, the credit will be to Account No. 9891, Refunds to Reverted Appropriations, see SAM section 10473, Refunds To Reverted Appropriations.

ACCRUAL OF INCOME

As of June 30 each year, income, as defined in SAM section 8200, earned but not received will be accrued as of the fiscal year just ended if it is estimated to be collectible within one year after the end of the current fiscal year. Such amounts are considered earned as of June 30 of the year just ended.
BILLED ACCOUNTS RECEIVABLE

(Reviewed 04/2016)

Billed accounts receivable are those receivables represented by an invoice and established in an accounts receivable account. This includes interest on accounts receivable actually applied as of June 30 and assessments actually established in accounts receivable even though the protest period has not expired.

INTEREST ON INVESTMENTS

(Reviewed 04/2016)

Interest earned as of June 30 on investments will be recorded in accounts receivable and accrued as revenue as of that date. Interest earned by funds not accounted in their entirety by one department will be accounted only by SCO. Departments that account funds in their entirety will account interest earned by such funds in the manner prescribed in SAM sections 8284, 8284.1, and 8284.2.

INTEREST ON LOANS

(Reviewed 04/2016)

Interest earned as of June 30 on loans to other funds and other governmental entities will be recorded in accounts receivable and will be accrued as of that date. For interfund loans, the department recording the interest revenue will inform the borrowing department of the amount it is to accrue as an expense of the fiscal year just ended.

ACCOUNTS RECEIVABLE

(Reviewed 04/2016)

During the fiscal year (1) Accounts Receivable—Revenue for Governmental Funds, (2) Accounts Receivable—Operating Revenue for Non-Governmental Funds that do not need to accrue operating revenue when earned, and (3) certain other accounts (where there are no budgetary—reimbursement or abatement—considerations) will be fully deferred.

As of June 30 each year, the deferral account will be adjusted in the manner described in SAM section 10610, Entry A-9, Revenue Is Accrued. The offsetting credit resulting from the adjustment to the deferral account will be applied to the proper revenue account for the fiscal year just ended.
SAM - INCOME

INTERFUND TRANSFERS 8290.6
(Revised 04/2016)

Amounts transferable as of June 30 and revenue that can be accrued as of June 30 but will be transferred to other funds when collected will be accrued as Account No. 9812, Operating Transfers Out, by the transferor fund and Account No. 9811, Operating Transfers In, by transferee fund.

ACCRUAL REVERSAL 8290.7
(Revised 04/2016)

As of July 1 each year, amounts accrued as of June 30 will be reversed as follows:

1. The full deferral will be re-established on accounts receivable adjusted in accordance with SAM section 8290.4.

2. The net offsetting amount required in this reversing entry will be applied to Account No. 9892, Prior Year Revenue Adjustments account, see SAM section 10611, Entry A-9R, Entry A-9 Is Semi-Reversed.

ROUNDING FIGURES 8299.1
(Revised 04/2016)

Government Code section 16302.2 provides that "Upon approval of the Director of Finance, any state agency with respect to any amount required to be shown on any form prescribed by the agency, or any amount of credit or refund, or any amount to be collected as a deficiency or underpayment of any tax, penalty, interest, license or other fee, or any other payment, may provide by regulation for the disregard of the fractional part of a dollar, unless it amounts to fifty cents ($0.50) or more, in which case it shall be increased to one dollar ($1)."

Requests for approval should be sent to Finance, FSCU.
# SAM – FISCAL AFFAIRS ALLOTMENT – EXPENDITURE ACCOUNTING

## CHAPTER 8300 INDEX

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### ALLOTMENT – EXPENDITURE LEDGER

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### ENCUMBRANCES

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<th>Code</th>
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<tbody>
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<td>Personal Services</td>
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### OPERATING EXPENSES AND EQUIPMENT

<table>
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<th>Category</th>
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<td>Encumbrance Of The Lag</td>
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<tr>
<td>Blanket Estimates</td>
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<td>8342.3</td>
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### EXPENDITURES

<table>
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<tbody>
<tr>
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<td>Abatements</td>
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### REIMBURSEMENTS

<table>
<thead>
<tr>
<th>Category</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>YEAR-END ACCRUALS</td>
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<tr>
<td>One-Year Appropriations</td>
<td>8381</td>
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<tr>
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<td>8382</td>
</tr>
</tbody>
</table>
Allotment-expenditure accounting procedures provide fiscal control by presenting information regarding the status of the plan of operation. This information is available from the Allotment-Expenditure Ledger, which shows for each allotment: (1) the amount allotted, (2) unliquidated encumbrances, (3) expenditures, and (4) the unencumbered balance.

The Allotment-Expenditure Ledger is subsidiary to the following General Ledger Accounts: (1) Account No. 6150, Encumbrances; (2) Account No. 9000, Appropriation Expenditures (or other appropriate expenditure account); and (3) Account No. 8100, Reimbursements. The Allotment-Expenditure Ledger is reconcilable to the State Controller's appropriation and executive order accounts.

Allotment-expenditure accounts ordinarily will be maintained in the same degree as shown in the Governor's Budget, except that salaries and wages will not be segregated by position classification. If it is necessary for the agency to exercise a greater degree of budgetary control, additional ledger cards may be maintained. For example, each district may be accounted as a sub-function in order to meet the agency's management needs even though the Governor's Budget does not show by district the amounts requested. If only expenditure data is needed in greater detail than the Governor's Budget, transactions will be coded in a single account. The additional analysis then can be obtained by reviewing the Allotment-Expenditure account at any time. Agencies may code allotments to facilitate posting. (See also SAM Chapter 6000)
An Allotment-Expenditure Ledger card normally will be kept for each allotment shown below:

Field Operations*
For each function (and sub-function if such sub-function is shown in Governor’s Budget or if the further analysis by sub-function though not shown therein is necessary for proper budgetary control).

Operations Expenses and Equipment, For each type of Operating Expense shown in Governor’s Budget (such as General Expense, Printing, Communications, (etc.) and for Equipment *** (A)

Personal Services**
Salaries and Wages, 1st Quarter *** (A)
Salaries and Wages, 2nd Quarter *** (A)
Salaries and Wages, 3rd Quarter *** (A)
Salaries and Wages, 4th Quarter *** (A)
Temporary Help *** (A)
Overtime *** (A)
Retirement *** (A)
OASDI *** (A)
Health Benefits *** (A)
Workmen’s Compensation *** (A)

(Continued)
* This is a function. If function is further classified, such as by districts, each district would represent a sub-function.

** These objects of expenditures are classified “categories” in the Budget Act.

*** These are allotments.

(A) Balance of allotment column is a “plus”.

Estimated Salary Savings *** (B) Unallotted Appropriation *** (A) *(Identified as to category)*

Budget Revisions Pending *** (B) Allotments Promised *** (B)

For each appropriation Estimated Reimbursements****

For each type shown in the Governor’s Budget, such as Services to Employees–Meals, Services to Employees–Rental of Living Quarters, etc. *** (B) Unscheduled Reimbursements*** (C)

**OTHER APPROPRIATIONS AND EXECUTIVE ORDERS** 8301.2

(Revised and Renumbered 2/1965)

Allotment-expenditure accounts will be established also for appropriations not contained in the Budget Act and for Executive Orders not augmenting an appropriation. These allotments will be established in sufficient detail to meet the requirements of the agency. If the appropriation is by category, the allotments will be in at least that detail.
There are a number of other than Governmental Funds that are required to submit annual budgets for approval, and subsequent quarterly budget reports, but that operate out of their own operating funds and do not receive specific appropriations or executive orders. The budgets of these funds are shown in the appendix to the Governor's Budget but are not included in the Budget Act.

Allotment-expenditure accounting for these funds is the same as for Governmental Funds. Allotments will be established in the same detail as shown in the Governor's Budget. The only difference is in the documentation. There will be no Controller's Journal Entry officially establishing the budget, and some agencies may not be required to submit Budget Revisions or Transfers of Budget Allotment. In those cases, allotments will be recorded and adjusted by internal documents only.
All agencies that maintain the Allotment-Expenditure Ledger by hand will use Form 535. Columns are arranged and lettered on Form 535 as follows:

A. Date
B. Reference
C. Allotment
D. Estimate
E. Expenditure
F. Allotment
G. Expenditures
H. Unliquidated Encumbrances
I. Unencumbered Balance

*** These are allotments.

*** Estimated Reimbursements may be scheduled in the Budget Act into one or more types, not necessarily to the same degree of detail as in the Governor's Budget.

(A) Balance of allotment column is a "plus".

(B) Balance of allotment column is a "minus".

(C) Balance of allotment column is "zero" until it is revised by Budget Revision to a "minus".
Typical entries, while explained in subsequent sections, are shown in summary form below:

### Table: Recorded Entry and Effect on Balances

<table>
<thead>
<tr>
<th>Type of Transaction</th>
<th>Transaction Columns</th>
<th>Balance Columns</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget</td>
<td>+C</td>
<td>+I</td>
</tr>
<tr>
<td>Transfer of Budget Allotment or Budget Revision</td>
<td></td>
<td></td>
</tr>
<tr>
<td>If Increase</td>
<td>+C</td>
<td>+I</td>
</tr>
<tr>
<td>If Decrease</td>
<td>-C</td>
<td>-I</td>
</tr>
<tr>
<td>Encumbrance (Estimate)</td>
<td>+D</td>
<td>-I</td>
</tr>
<tr>
<td>If Increase</td>
<td>+D</td>
<td>-I</td>
</tr>
<tr>
<td>If Decrease</td>
<td>-D</td>
<td>+I</td>
</tr>
<tr>
<td>Expenditure</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Previously Encumbered</td>
<td>-D</td>
<td>+E</td>
</tr>
<tr>
<td>Direct deduction from unencumbered balance</td>
<td>+E</td>
<td>+G</td>
</tr>
<tr>
<td>Expenditure Abatement</td>
<td>-E</td>
<td>-G</td>
</tr>
<tr>
<td>Reimbursement</td>
<td>-E</td>
<td>-G</td>
</tr>
</tbody>
</table>

The following points are summarized as a partial check-list to be considered in balancing Allotment-Expenditure Ledger accounts:

1. The balance columns for Expenditures and Unliquidated Encumbrances must balance in total to control accounts in the General Ledger. The balance column for Unencumbered Balance must, together with Unliquidated Encumbrances, reconcile in total to appropriation and executive order account balances per the State Controller’s Office records.

2. A summary card (not General Ledger card) will be maintained over the subsidiary Allotment-Expenditure Ledger. Entries should be made to the summary card by batch totals summarizing detail entries to individual cards. The detail cards will balance with the summary card. The expenditure balances shown on the summary card for all appropriations to an agency from a fund will balance with the related expenditure accounts for that fund in the General Ledger. The unliquidated encumbrances balances shown on the summary cards for all appropriations to an agency from a fund will agree with Account No.
6150, Encumbrances, for that fund. The unencumbered balance plus the unliquidated encumbrances balance shown on the summary card for each appropriation will be reconciled to the balance of the related appropriation account in the Controller’s records.

3. Agencies that hand-post their Allotment-Expenditure Ledger will prove their postings by using an adding machine after each group of postings to a ledger card. The allotment balance always must equal the sum of the other three balances.

Agencies will prove at the end of each month that the open estimates, including amounts encumbered for the lag, equal the amount shown by the Allotment-Expenditure Ledger as unliquidated encumbrances and the Encumbrances account in the General Ledger.

**ALLOTMENTS**

8320

(Revised 3/1974)

Amounts allotted will be recorded in the Allotment-Expenditure Ledger at the time appropriations or executive orders are recorded in the Controller’s accounts. The Final Budget and special appropriations will be recorded on the ledger cards for the appropriate allotments. Agencies may find it advantageous to set up allotments in advance of July under date of July 1, using the amounts shown in the Governor's Budget, and then later under the same date adjust the amounts as necessary, using the List of Legislative Changes in the Budget Act. This method will lessen the amount of accounting work to be done at the beginning of the fiscal year. The amount applicable to each allotment will be recorded in the allotment column of the transaction section. This recording will increase both the allotment and unencumbered balance columns of the balance section.

Agencies will request changes in amounts allotted by submitting a Budget Revision, Form 26, or a Transfer of Budget Allotment, Form 25. Appropriate documents will be submitted immediately upon determination that additional financing will be required. (See SAM Chapter 6000)
Budget Revision, Form 26, is used to obtain approval to augment budget allotments if more than a transfer between allotments in the same appropriation category is involved (See SAM Chapter 6000).

At the time that the Form 26 is submitted to the Department of Finance, the agency posts the revisions to the appropriate accounts in the Allotment-Expenditure Ledger. If the revision is also a request for augmentation of an appropriation, the increase in expenditure allotments is offset by a minus allotment account "Budget Revisions Pending". Agencies are permitted to encumber or expend against pending requests to increase allotments only if the encumbrance or expenditure is made pursuant to an encumbrance document or other written document approved by the Department of Finance.

If the amount of the augmentation necessary cannot be accurately estimated or the executive order cannot for some reason be issued immediately, the Department of Finance may issue an "Allotment Promise" as a temporary authorization until the executive order can be issued. Upon receipt of the allotment promise, the agency will make a plus entry in the Budget Revisions Pending allotment in the amount of the original request, thus reducing that allotment to zero and establish a new minus allotment account, "Allotment Promise No.____". This allotment will be in the amount of the allotment promise. If the amount of the allotment promise is different from the amount requested, or is issued in the same total amount but with financing different than that shown on the Form 26 when submitted, the various allotments concerned must be increased or decreased as required for the amount of the difference.

When the Controller's Journal Entry supported by an Executive Order is received augmenting an appropriation where an interim allotment promise was issued, the entry in the Allotment Expenditure Ledger will be a plus entry in the "Allotment Promise No.____" account reducing it to zero. If the Executive Order is issued in an amount different than the Allotment Promise or is issued in the same amount but with financing from different sources than that shown in the Allotment Promise, the various other allotments concerned will be increased or decreased as required for the amount of the difference.

If a Controller's Journal Entry supported by an Executive Order is received augmenting an appropriation but no Allotment Promise was issued, the entry to the Allotment-Expenditure Ledger is a plus amount to the "Budget Revisions Pending" account giving that account a zero balance. If the amount of the Executive Order is different from the

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amount requested or is issued in the same amount but with financing from sources different than shown on the original budget revision, the various other allotments concerned will be increased or decreased as required for the amount of the difference.

(Continued)
(Continued)

**BUDGET REVISIONS**

(Revised 3/1987)

Budget Revision, Form 26, is also used to request (and record) certain transactions requiring Department of Finance approval but which do not augment an appropriation or another executive order. The principal types of these requests are the following:

1. Requests to transfer allotments between appropriation categories.
2. Requests to allot amounts reserved in the Unallotted Appropriation accounts.
3. Requests to augment Estimated Reimbursements allotments and simultaneously augment expenditure allotments.

Entries to record these transactions will be made at the time the Std. Form 26 is submitted to the Department of Finance for approval. If they are approved in an amount different than requested or are approved in the same amount requested but with different financing of the expenditure allotment augmentations, agencies will make adjustments as required in the Allotment-Expenditure Ledger.

**TRANSFERS OF BUDGET ALLOTMENT**

(Revised 3/1974)

(See SAM Chapter 6000 for use of Transfer of Budget allotment, Std. Form 25.) Transfers will be posted as prepared. Adjustments will be made if they are subsequently cancelled or amended.

Transfers will be recorded in the Allotment-Expenditure Ledger as:

- Plus amounts in the allotment transaction column and will increase the balances of the allotment and unencumbered balance columns of the allotment being increased.
- Minus amounts in the allotment transaction column and will decrease the balance of the allotment and unencumbered balance columns of the allotment being decreased.

Transfers of allotments usually require changing amounts of lag encumbrances in allotments concerned. Where the same lag percentage is used for both allotments concerned, the encumbrance document for lag will be transferred in the same transaction as the transfer of budget allotments. No entry will be made in the Estimates Register when unliquidated encumbrances are transferred in this manner. Agencies will
use Request for Purchase Order or Estimate Change, Std. Form 96, modify the forms as necessary to reflect adjustments of lag where the percentage of lag differs between the allotments concerned.
Encumbrances are commitments for expenditure and are estimated carefully to reserve the amount of the expected expenditures. Departments will consider the necessity for encumbering small transactions that comprise a small percentage of total expenditures. For example, individually encumbering small purchases can be time consuming; therefore, the average amount of small purchases outstanding may be included in "the lag." (See SAM Section 8342.1.)

Appropriations are encumbered by purchase estimates (provided the Department of General Services (DGS) Purchase Order is dated prior to the date the appropriation encumbrance availability ceases), printing requisitions, payroll estimates, leases, standard agreements, Public Works Project Authorization and Transfer Requests, lag encumbrances, sub purchase orders, or other documents.

The California Victim Compensation Board Rule 610 provides that the issue date of an agreement determines the fiscal year appropriation to which the encumbrance/expenditure for goods or services is charged. The issue date of an agreement is the date it is “made and entered into.” Any required control agency approvals are retroactive to that date. However, departments must meet the deadlines for submitting procurement documents as specified by the DGS.

For support and local assistance appropriations, encumbrances/expenditures are charged to the fiscal year in which the agreement was issued when the delivery date of the goods/services is in the same fiscal year or the delivery date is construed to mean as soon as possible. As soon as possible includes a delivery date that is:

- Not identified or specific
- Specific but not a requested delay in delivery
- Specified as 10 days, 30 days, or the like

The following exceptions may apply:
Encumbrances/expenditures are charged to the fiscal year that the goods/services are received when the purchase agreement stipulates that goods/services be delayed until requested or delayed until on or after a specific date (e.g., agreement issued in June for which the department requests equipment maintenance during the next fiscal year).

Goods purchased and received in the months of May or June for use during the subsequent fiscal year may be paid from the appropriation for such subsequent fiscal year. Invoices covering such purchases shall be marked as follows:

(Continued)
“Purchased in _______ F.Y. for use in _______ F.Y.” Payments for such invoices may not be made until enactment of the subsequent fiscal year Budget.

- Multi-year Agreements – Agreements which span more than one fiscal year may be charged (1) totally to the first year of appropriation covered by the agreement, or (2) to more than one fiscal year’s appropriation, depending on the:
  - Appropriation authority – Sufficient spending appropriation authority must exist.
  - Details of the agreement.

Departments will determine the budgetary plan for charging the encumbrance and subsequent expenditure when issuing a multi-year agreement. The budgeted amount will be reflected in the funding strip of the agreement. Departments have discretion as to which fiscal year appropriation to charge; however, the budgetary plan is the predominant factor in making this determination.

The certificate of funds availability must be signed by the accounting officer or a delegate after such person has ensured that funds are available.

Encumbrances will be recorded individually in the Encumbrance Ledger of the Procurement Module (FI$Cal departments) for the appropriation.

As expenditures are recorded on claims, amounts will be posted to reduce the related encumbrance amount. For partial orders, many automated systems will liquidate the encumbrance for the same amount as the expenditure. However, if it is determined that encumbrance amounts are materially misstated, either over or underestimated, adjustments will be recorded to more accurately reflect the expected expenditure. The encumbrance is fully liquidated when the order is fully satisfied.
Encumbrances will be recorded in the General Ledger accounts as prescribed in SAM Section 10502.
Quarterly salaries and wages allotments will be encumbered at the beginning of each fiscal year for amounts expected to be expended each quarter with respect to positions carried forward from the preceding fiscal year. These amounts are determined by analyzing Budget Schedule 8, Supplementary Schedule of Salaries and Wages (see SAM Chapter 6000). Change in Established Positions, Std. Form 607 (see SAM Section 8531), will be used to encumber blanket positions and new positions authorized in the current fiscal year to disencumber positions abolished.

(SAM – FISCAL AFFAIRS ALLOTMENT – EXPENDITURE ACCOUNTING)

PERSONAL SERVICES 8341

(Revised 3/1974)

(SALARY SAVINGS 8341.1

(New 5/1972. Deleted 01/2016)
While many items can be encumbered from purchase estimates, printing estimates, leases, contracts, etc., many cannot. Unencumbered balances of certain allotments would be over-stated if charges to allotments were made at the time invoices were filed for payment. Therefore, in order that the unencumbered balances shown in accounts and on reports will show more accurately the true financial condition of the allotments, agencies will encumber certain allotments at the beginning of each fiscal year in amounts representing their best estimates of obligations outstanding as at the end of an average month but not otherwise encumbered by estimates, leases, etc. This estimated amount is called "the lag" The lag will be recorded on the Allotment-Expenditure Ledger by one of two methods:

1. Request for Purchase Order or Estimate Change, Std. Form 96, may be used, modified where necessary, with the appropriate explanation stated thereon. Agencies will prepare this form in original only, using it merely as an internal document. This form also may be used to adjust the lag, if necessary.

2. The lag at the beginning of the year may be reflected in the initial journal entry recording the annual budgetary allotments. The amounts allotted, amounts encumbered for the lag, and the unencumbered balances will be shown for each allotment concerned.

The amount of lag necessary will vary among allotments within an agency and among agencies depending on promptness in receiving and scheduling invoices for payment. Past experience has indicated that a lag of up to 15% of the annual allotment may be desirable for allotments where no encumbering estimates, leases, or contracts are issued. Allotments with about one-half their expenditures representing items originally encumbered by estimates, leases, and contracts may require a lag of up to 10% of the annual allotment. Agencies will be responsible for estimating the proper lag to meet their own circumstances. Agencies will make revisions, as required, based on experience.
SAM – FISCAL AFFAIRS ALLOTMENT – EXPENDITURE ACCOUNTING

Agencies that account allotments on a quarterly basis, for agency management purposes, should record the lag at the beginning of each quarter and reverse it on the first day of the subsequent quarter. Reversal of the lag has the effect of disencumbering estimated amounts, thereby increasing unencumbered balances to permit charging invoices to allotments after the end of the quarter. Std. Form 96 may be used to reverse the lag.
AGENCIES will be governed by requirements of the Office of Procurement, Department of General Services, concerning the submission of estimates to obtain blanket purchase orders. (See SAM Section 3568.) Blanket estimates, and the resulting blanket purchase orders, will merely be considered authorizations to purchase. Blanket estimates and blanket purchase orders will not be accounted as encumbrances. This procedure permits the unencumbered balances shown in accounts and on reports to reflect more accurately the true financial condition of the allotments. Expenditures made under blanket purchase estimates and orders ordinarily will be treated as a deduction from unencumbered balance with no encumbrance being recorded except for the estimated lag. Where such purchases are of a substantial amount in relation to total operating expenses, agencies may establish a separate Allotment-Expenditure Ledger card for the items covered by a blanket estimate. Agencies should either (a) establish a lag for this allotment causing the unencumbered balance to represent the approximate amount available for additional encumbrances or (b) encumber individual sub-purchase orders if a finer control is required to meet their needs. Supply Order, Std. Form 116, may be used as an encumbrance document for supplies purchased from Central Stores.
The manner of recording encumbrances for the operating expense and equipment category varies, depending upon the type of expenditure involved. Explanations below are intended to clarify the manner of accounting for various types of expenditures.

Traveling-in-state: Departments may encumber at the beginning of each fiscal year an amount equal to their best estimate of the amount of expenses actually incurred as of the end of a month but not reflected on the records because the traveling expense claims either have not been submitted or having been submitted have not been scheduled for payment.

Utilities: Departments may encumber at the beginning of each fiscal year an amount equal to their best estimate of the amount of expenses actually incurred as of the end of a month but not reflected on its records because the bills either have not been received or, having been received, have not been scheduled for payment. (See SAM section 8342.1)

General Expense and all other types of expenditures where commitments are made: Departments may encumber at the beginning of each fiscal year an estimate of the amount of expenses actually incurred at the end of the month for which specific encumbrance documents have been issued and which are not reflected, due to the delay in receiving invoices and scheduling claims for payment. (See SAM section 8342.1)

Departments shall encumber estimated expenses for each item or service of $500,000 or greater. However, if the full amount is payable within 90 days the expense does not need to be encumbered.

Rent-building space: Departments shall encumber, either at the beginning of each fiscal year or on a monthly basis, an amount equal to commitments made for that fiscal period, as shown on the rental or lease agreement. Encumbrance may be made to reserve funds for renewal of leases containing such an option if the department intends to exercise this right of renewal.
These allotments usually will be encumbered by individual encumbrance documents.

Usually purchases of real property are subject to the provisions of the Property Acquisition Act. (See SAM Section 8705.) Agencies will encumber the estimated amounts of such expenditures by using Request for Purchase Order or Estimate Change, Std. Form 96, as an internal accounting document.

Expenditures normally are classified in the same detail as budget allotments. (See SAM Section 8301.) If a finer analysis is necessary, transactions will be coded in a single account. The additional analysis then can be obtained by reviewing the Allotment-Expenditure Ledger account at any time.

Agencies, particularly the smaller ones, ordinarily will find it advantageous to show in the Claims Filed Register whether or not the amount scheduled liquidates encumbrances. Agencies may, when circumstances warrant, debit Account No. 5350, Reserve for Encumbrances, and credit Account No. 6150, Encumbrances, from a monthly journal entry summarizing transmittals of posting media, instead of recording the detail in the Claims Filed Register.

The amount of expenditures previously encumbered by specific encumbrance documents applicable to each allotment will be recorded as a minus amount in the estimate column and as a plus amount in the expenditure column of the transaction section. This will increase the expenditure column and decrease the unliquidated encumbrance column of the balance section.
SAM – FISCAL AFFAIRS ALLOTMENT – EXPENDITURE ACCOUNTING

The amount of expenditures not previously encumbered applicable to each allotment will be recorded in the expenditure column of the transaction section. This will increase the expenditure column and decrease the unencumbered balance column of the balance section.
Salaries and wages and contributions for retirement, OASDI, health, dental, and vision care benefits paid under the uniform payroll system will be recorded in the appropriate allotment from the expenditure analysis columns of the Payroll Expenditure Register. If distribution is not practical in this register, it will be made from the documents that support this register, that is, Notices of State Payroll Revolving Fund Transfers and/or Payroll Warrant Registers.

Workers’ Compensation expenditures will be posted to the appropriate personal services allotments utilizing the same type of documentation as described in the following section for operating expenses and equipment.

**OPERATING EXPENSES AND EQUIPMENT**

All items scheduled for payment will be posted to appropriate allotments from the amounts shown on the Claim Schedule, STD. 218 (Continuous) or duplicate copies of invoices.

Expenditures resulting from Controller’s transfer will be recorded from individual journal entries.

**CAPITAL OUTLAY**

For projects conducted by the Office of Architecture and Construction, Controller’s Transfers supported by Public Works Project Authorization and Transfer Requests will be posted to appropriate allotments.
Posting usually will be made from the: (1) General Cash Receipts Register, (2) Invoice Register, or (3) Clearance Register. The amount applicable to each allotment usually will be recorded only in the expenditure column of the transaction section. This entry will decrease the expenditure column and increase the unencumbered balance column of the balance section. (The unliquidated encumbrance column will be affected only if an encumbrance must be re-established.) See SAM Sections 8720 and 8730 for instructions regarding accounting of Sales and Use taxes.
REIMBURSEMENTS

(Renumbered 2/1965)

Postings usually will be made from the: (1) General Cash Receipts Register, (2) Invoice Register, or (3) Clearance Register. The amount applicable to each allotment will be recorded as a minus amount in the expenditure column of the balance section be increasing the minus balance in that column. The entry will increase the unencumbered balance, usually by decreasing the minus balance in that column.

YEAR-END ACCRUALS

(Revised 2/1999)

Expenditures, abatements, and reimbursements accrued as of June 30 and liquidations of encumbrances resulting from such accruals will be posted to the applicable allotments. See SAM Sections 10602 and 10608 for accrual procedures applicable to all funds for which Allotment Expenditure accounts are maintained.

Allotment-Expenditure accounting for any appropriation is discontinued at the end of the period of availability for encumbrance of the appropriation. Thereafter, monthly summary postings of expenditure, abatement, and reimbursement transactions affecting such appropriations will be posted by appropriation only to the applicable appropriation accounts in the subsidiary Prior-Year Appropriation Adjustments Ledger.

Discontinued Allotment-Expenditure Ledger accounts will be retained in a closed file for audit.

ONE-YEAR APPROPRIATIONS

(New 2/1965)

The year-end accruals posted to Allotment-Expenditure accounts for support appropriations or other one-year appropriations will be the last postings made to those accounts.

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Continuing appropriations are available for encumbrance during more than one fiscal year (typically capital outlay appropriations). For the first year of availability, departments will record the entire appropriation in the allotment columns of the allotment expenditure ledger. At the beginning of each subsequent year that the appropriation is available for encumbrance, departments will:

1. Record the previous year’s ending unencumbered balance as the new allotment,

2. Reverse the previous year's accrued expenditures and accrued accounts payable entry, and

3. Record amounts for encumbrance and reserve for encumbrance equal to the accrued expenditures as illustrated in SAM Section 10609.

The reversal of prior year accruals will create a negative balance (credit) in the expenditure columns in the allotment expenditure ledger. This negative expenditure balance will equal the unliquidated encumbrance total. This procedure will also make the beginning unencumbered balance equal to the previous year's ending unencumbered balance.

The preceding allotment expenditure procedures will:

1. Make the expenditures in the allotment expenditure agree with expenditures in the general ledger, and

2. Provide a record of transactions by fiscal year.

During the last year that a continuing appropriation is available for encumbrance, the accounts and transactions will be treated the same as a one-year appropriation.
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INTRODUCTION

(Rev. 03/2013)

The term disbursement is the payment process for payroll, purchases, and other expenditures. The State Controller prepares (1) Controller's Warrants and (2) Controller's Transfers for payment of State expenditures (see SAM section 8400.1 Illustration). Controller's Warrants are treated like bank checks. Governmental Accounting, Auditing and Financial Reporting defines a warrant as "an order drawn by the legislative body or an officer of a government upon its treasurer directing the latter to pay a specific amount to the person named or to the bearer." Claim schedules, with invoices attached, support the warrants. Departments file claims with the State Controller's Office (SCO) for payment of purchases and other expenditures. The directions for processing specific claims are shown in the references below.

References | Types of Invoices
--- | ---
8422.101 | Freight and Transportation
8422.102 | Gasoline and Oil
8422.103 | Purchases by Sub-Purchase Orders
8422.104 | Contractual Services
8422.105 | Blue Printing and Other Reproduction
8422.106 | Telephone
8422.108 | Revolving Fund
8422.113 | Training
8422.114 | Airline
8422.115 | Automobile Rental (Continued)
Controller's payroll warrants are supported by the Payroll Warrant Register. The SCO disburses payroll warrants from the State Payroll Revolving Fund after transfer has been made from the department's fund(s).

Controller's Transfers authorize an increase or decrease of cash between funds or appropriations without a warrant. The SCO will settle "No Warrant" claims by (1) a Controller's Journal Entry reducing the department's advance at the service department or (2) a Controller's Transfer transferring the money if no advance was made at the service department. (See SAM section 8400.1 Illustration.)

Other sections of SAM that relate to the disbursements section are provided below:

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Rules and Regulations of the California Victim Compensation Board prescribe the method of filing claims for disbursement of moneys from the State Treasury. This section is confined to procedures relating to the preparation and accounting of such claims.

State disbursements normally consist of: (1) expenditures, (2) refunds to payers, (3) advances for office revolving funds, (4) purchases of investments, (5) transfers between funds for non-expenditure purposes, and (6) withdrawals of trust deposits. The following illustration shows the normal flow for the authorization, incurrence, and payment of State expenditures.
SAM - DISBURSEMENTS

STATE EXPENDITURES

GOVERNOR'S BUDGET

BUDGET ACT
(Governor's Budget as Amended by Legislature and Governor*)

OPERATING BUDGET

ENCUMBRANCES
Payroll Estimates
Purchase Estimates
Printing Requisitions
Public Works Project
Transfer Requests
Leases
Standard Agreements
Sub-Purchase Orders
Lag Encumbrances
Request For:
Out-of-State Travel
Sundry Encumbrance
Documents

CLAIMS AND REQUESTS FOR FUND TRANSFERS

CONTROLLER'S WARRANTS

CONTROLLER'S TRANSFERS

* The Governor's Budget, as amended by the Legislature and the Governor, is referred to as the Final Budget.

(8400.1 Illustration)
DISBURSEMENTS BY CONTROLLER'S WARRANTS

PAYROLLS 8421

(Renumbered 2/1985)

Payroll warrants are drawn on the State Payroll Revolving Fund after transfer has been made to that fund from other funds. Disbursements from the State Payroll Revolving Fund are not accounted by agencies. (See SAM Section 8451 and Chapter 8500)
Original invoices will be included in claims presented to the State Controller's Office (SCO). If departments cannot obtain original invoices, the SCO will accept photocopies. Invoices marked as copies will include the same detailed information as provided on the original invoice, such as items purchased, quantity, delivery address, etc. In addition, the copies will be accepted by the SCO only if the following information is placed on the copy:

This bill has been checked against our records and found to be the original one presented for payment and has not been paid. We have recorded this payment so as to prevent a later duplicate payment.

Signed: __________________________________________

Accounting Officer

The first step in the claim procedure is determining that invoices are proper for submission to the SCO for payment. Invoices will comply in form and content with the Victim Compensation Board regulations found in the California Code of Regulations, title 2, division 2, chapter 1, article 7, section 677. Also, the department will determine that:

- Items or services invoiced have been received or provided, as evidenced by stock received reports or similar documents or employee verification.
- Payment has not previously been made (this may be accomplished by referring to the department's remittance advice file or other department records).
- Invoices comply with provisions of purchase orders, sub-purchase orders, contracts, leases, service agreements, grants, etc.
- Cash discounts have been taken, if applicable.
- Authority exists to obtain the goods or services.
- Freight charges of more than $50 must have supporting prepaid freight bills included in the claim schedule to the SCO.
Freight charges of more than $500 have been approved by the Department of General Services (DGS), Transportation Management Unit (see SAM section 3851).

Departments will verify the calculation of discounts, if applicable, price extensions, and sales tax and the arithmetical accuracy of totals on all invoices, including travel expense claims.
The document number providing the purchase authority (e.g. purchase order number, contract number, sub-purchase order number, lease number) will be shown on original invoices submitted to the SCO.

The department may notify the vendor/claimant of any corrections to invoices by a Notice of Correction of Invoice, STD. 107. However, the department must send an Invoice Dispute Notification, STD. 209, as described in SAM section 8474.1

Utility services invoices may contain a service period that overlaps two calendar months. This billing procedure does not cause any problems except at the end of a fiscal year. For uniformity, departments will charge utility invoices to the fiscal year in which the majority of the service falls. For example, if the service period is from June 10 through July 9, the total amount of the invoice will be charged to the fiscal year just ended. If the service period is from June 21 through July 20, the total amount of the invoice will be charged to the new fiscal year. If the period of service is of equal duration in each fiscal year, the invoice may be charged to either fiscal year.

Fleet services are billed by DGS on a calendar month basis. Occasionally minor amounts representing adjustments and delayed billings of the prior year are included in an invoice for the current year. Under these circumstances, the entire invoice may be charged to the current year appropriation.

For additional information, see the following SAM sections:

- 0700 et seq. for travel
- 3800 et seq. for transportation management (including freight charges)
- 8113 for additional information on discount invoices
- 8780.1 for additional information on Workers’ Compensation invoices
CLAIM SCHEDULES

(Revised 8/1992)

Invoices and vouchers will be separated into the following three groups: (Separate claim schedules will be prepared for each of the three groups.)

Group 1

All invoices or group of invoices other than Group 2 lease invoices to pay $1,500 or more to one payee.

All invoices to pay any amount pursuant to State agency contracts or leases other than Group 2 lease invoices (excluding items for sub-purchase order covered by Office of Procurement, Department of General Services, statewide contracts, or purchase orders under $1,500).

Group 2

All regular monthly rental invoices for leases of real property. These will be scheduled separately for each due date. They will be flagged to show: (1) that they are monthly rental payments; and (2) the due date of the invoices in the schedule.

Group 3

All other payments. In no case should a payment to a vendor be scheduled in Group 3 if another payment is scheduled to the same vendor in Group 1. Such invoices should be combined and scheduled in Group 1. There will be no similar combining for Group 2 payments.

Claimants will be listed on a Claim Schedule, STD. 218 (Continuous), the original of which will be submitted to the State Controller's Office. If more than one invoice or voucher is to be paid by a single warrant, only the total amount claimed by the claimant will be shown on the STD. 218 (Continuous). Although operating expenses and equipment invoices may be combined, Workers' Compensation invoices must be kept separate because they are filed against the Personal Services category. Purchase order numbers will be shown on STD. 218 (Continuous) when applicable. Contract and lease payments in Group 1 will be identified by entering the letter "c" in the "Purchase Order No." column on the STD. 218 (Continuous). The number and amount of reportable payments (see SAM Section 8422.19) will be entered on the STD. 218 (Continuous) in the box entitled "Reportable payments per SAM Section 8422.19." The "number" of reportable payments for this purpose is the number of warrants or revolving fund checks paid, not the number of invoices which are being paid.
SAM - DISBURSEMENTS

Agencies will submit Group 2 schedules to the State Controller's Office from five to 10 working days prior to the due date of the invoice in the schedule. The State Controller's Office will process them and mail its warrants on the day before the due date or the next preceding workday if the day before the due date falls on other than a workday. Also see SAM Section 8422.104.
Invoices will not be segregated by type of encumbrance document, if any, that they liquidate. Documents submitted to the State Controller's Office will be arranged as follows:

1. Original and one copy of Claim Schedule, **STD. 218 (Continuous)**.

2. Original copies of invoices and/or vouchers or acceptable copies (see SAM Section 8422.1) arranged in the same order as payees' names are listed on the claim schedule.

3. Adding machine tape attached to the first invoice of a claimant whenever more than one invoice from the same claimant is included in a claim. All invoices of the claimant will be listed on the tape.

4. Remittance Advice Envelope, STD. 403, containing remittance advice forms and any other material (see SAM Section 8422.3) firmly attached thereto, arranged in the same order as payees' names are listed on the claim schedule.

Claim schedules to reimburse a revolving fund will not list the names of vendors, travelers, etc., paid from the revolving fund. Invoices and vouchers filed to reimburse office revolving funds may be included in claims filed to obtain warrants payable directly to claimants furnishing goods or services. Such invoices will be placed at the end of the claim and will be preceded by an adding machine tape supporting the amount shown on the claim schedule as payable to the revolving fund.

All documents in a claim schedule will be bound together at the top by a tape or cord, passed through holes punched in the documents, and tied in a bow knot at the back of the claim schedule. This will permit easy removal for audit, correction, and any required central mailing of documents by the State Controller's Office. Be sure that necessary information is not obliterated when documents are punched. Agencies wishing to use backing sheets may use them only for small size invoices and for those invoices wherein necessary information (vendor's name, address, etc.) would be obliterated if punched.
SAM - DISBURSEMENTS

Agencies will file duplicate copies of STD. 218 (Continuous) and the supporting invoices and vouchers numerically by schedule number.

Claim schedules that include an invoice or claim from an employee authorized to sign claim schedules will not be signed by such employee. Another authorized employee will sign such schedules regardless of whether it provides for direct payment to the employee or for reimbursement of the revolving fund.
A Remittance Advice, Std. Form 404C or other approved remittance advice, will be prepared for each payee listed on a claim schedule.

The original copy of the remittance advice will be placed in a Remittance Advice Envelope, Std. Form 403 (See SAM section 8422.4), separated and in the same order as listed on the claim schedule. The duplicate copy will be filed in the department's accounting office alphabetically by claimant's name. The vendor/payee's correct name and address will be clearly printed on each remittance advice in a position to permit the information to appear through the window envelope in which the warrant is mailed. In addition, the following information will be entered on the remittance advice form: (1) department name and organization code, (2) claim schedule number, (3) invoice date, invoice number (purchase order number or contract number if invoice is unnumbered), (5) invoice amount, and (6) total payment amount. Departments should use the vendor/payee's name consistently on the claim schedule and remittance advice for each and every payment. Departments should enter their address below their name so inquiries can be directed to them more quickly.

Only when the payment is considered reportable (see SAM section 8422.19) will the three boxes at the bottom of the form be completed. Warrant numbers will not be shown on any copies of the remittance advice form. Reference to individual invoice dates, numbers, and amounts, items (3), (4), and (5) above may be omitted where some other means of notifying the vendor is provided.

The original remittance advice and the applicable warrant will be mailed to the vendor/payee by the State Controller's Office (SCO). Remittance advice will provide for delivery of warrants to a department or department employees only when the department is the vendor/payee. (See SAM section 8422.6.) The remittance advice will provide the payee with an identification of the payment. The SCO will send a Controller's Notice of Claim Paid, Form CD–102, to the department for every claim schedule for which warrants were drawn.

Enclosures attached to remittance advices are to be kept to a minimum and when necessary, will be folded to warrant size, (7 x 3 1/2 inches), and securely stapled behind
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the remittance advice form. Material that cannot be folded to warrant size will be mailed separately by the department. Special arrangements must be made with SCO for continuing or large-scale problems. Normally, invoices will be adequately identified on the remittance advice and invoices with request asking their return will be ignored. The exception to this rule concerns vendor requests for the return of invoice stubs so they can serve as machine-readable input to an automated data processing system. Such items will be returned and the related remittance advice usually need not list the invoices or show any other detailed information.

(Continued)
A remittance advice addressed to payees outside the United States, Canada, or Mexico will be stamped on their face, in red ink, the words "FOREIGN MAIL." The bottom line of the address must show only the name of the country, written in full, and in capital letters. For example:

**Address 1:**
Mr. John Smith
123 Russell Drive London
ENGLAND

**Address 2:**
Ms. J. Smith
46807 Puerto Vallarta Jalisco,
MEXICO

In the case of split payments, one part done by SCO's warrant and another part by the department’s check, departments will:

1. Clip the check to the back of the remittance advice accompanying the claim schedule. The check will be mailed with the warrant by SCO.

OR

2. The department will mail the check to the payee with an explanation that the balance paid by the warrant is being or has been transmitted separately. The remittance advice accompanying such check will be cross-referenced to the
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partial payment by warrant. The remittance advice to accompany the warrant will indicate that partial payment has been or will be made by check.

When it is necessary or desirable to notify the payee of a correction in the amount being paid, departments will prepare a Notice of Correction of Invoice, Std. Form 107, in duplicate. The original of this form will be stapled to the back of the original copy of the remittance advice.

Departments that wish to use a customized remittance advice form instead of a Std. Form 404C, or other approved remittance advice, must have their customized form design reviewed and approved by SCO before they are used. The size of the customized remittance advice must be 7 x 3 1/2 inches. The paper used must be of a 24 pound weight.
A Remittance Advice Envelope, Form STD. 403, will accompany each claim schedule submitted by the department. The envelope will be attached to the back of the claim schedule by a string tied securely with a bow. The Remittance Advice Envelope is obtainable from Fulfillment Services Unit, Office of State Publishing. The envelope will be addressed by the department to its accounting office to which it is to be returned. If the department wishes the envelope routed to other than the accounting office, the envelope should be so addressed. These envelopes will be returned periodically by the State Controller’s Office, by mail to departments located away from the Sacramento local area. Envelopes returned to the departments will be reused with subsequent claim schedules.
The Office of the State Controller, Division of Audits will prepare a Notice of Claim Correction, Form AUD 16, whenever errors are detected in claims presented to that Office. The original of each AUD 16 will be forwarded to the submitting agency. Upon receipt of the Form AUD 16, the agency will record the correction in its claims filed register.

If the invoice is to be returned to the agency for correction, Office of the State Controller, Division of Audits will send the Form AUD 16 and Remittance Advice to the agency with the related invoice. If the invoice to be returned is one of several for the same payee in one claim schedule, the Office of the State Controller, Division of Audits will correct the Remittance Advice and will send only the invoice and a Form AUD 16 to the agency. The corrected Remittance Advice will be mailed with the warrant paying the adjusted amount. The agency will correct its own copy of the remittance advice. If in order, a new or corrected invoice with a Remittance Advice will be submitted in a subsequent claim schedule.

The Office of the State Controller may correct an invoice and issue a warrant in an amount different from that originally shown in the claim schedule. If such a correction is made a Notice of Claim Correction, Form AUD 16, and a Notice of Correction of Invoice, Std. Form 107, will be prepared by the Office of the State Controller, Division of Audits. The original of the Form AUD 16 and the Std. Form 107 will be sent to the agency submitting the claim schedule. Upon receipt of these documents, the agency will record the claim correction, correct the agency’s copy of the claim schedule and remittance advice. The original of the remittance advice will be corrected and mailed with the warrant by the Office of the State Controller.
Warrants will be mailed directly to payees by the State Controller's Office (SCO) in envelopes bearing the return address of that office, except those for payrolls, those to be deposited in the claiming department's centralized State Treasury System account, and those for travel expenses when the department has not requested central mailing. See SAM section 8580 for distribution of payroll warrants. A warrant for travel expenses will not be routed through the person who prepares or approves the related travel expense claim. Warrants inadvertently received by a department will be returned immediately to the SCO, Administration & Disbursements Division. Departments will instruct payees to return warrants to SCO if the warrant issued is incorrect.

If a warrant is returned to SCO because of incorrect or insufficient address, SCO will contact the department to determine the correct address. If a warrant is returned to a department by a payee due to an incorrect or duplicate payment, it will be forwarded immediately to the SCO, Administration & Disbursements Division, with a memo requesting the appropriate changes. A copy of the memo will be retained by the department in a suspense file pending notification from the SCO of any adjustments to the department’s records.

SCO notifies departments of warrants written through the Notice of Claim Paid, CD–102 (CD–102) form. The CD–102 will be checked against the invoice totals on the claim schedule. Departments will adjust for any claim corrections and will contact SCO immediately for any discrepancies. At the end of each month, SCO electronically transfers the CD–102 to create transactions to record payments against the outstanding claims filed by the department.

Departments will prepare a Remittance Advice, STD. 404C, or other approved remittance advice form, in duplicate, for each payee listed on a Claim Schedule, STD. Form 218 (Continuous), for which a warrant will be drawn. The original remittance advice will be submitted along with the claim schedule to SCO and will also be submitted with "NO WARRANT" claim schedules.

Emergency payments, extenuating circumstances, and unusual type transactions may require that warrants be hand delivered to payees by the department rather than be
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mailed to payees by SCO. Delivery of such warrants to the department may be requested under a "Special Handling" procedure. Special handling requests will be kept to a minimum and will be approved only when absolutely necessary or in expedite situations where central mailing is not practical.

(Continued)
Special handling requests will be made on the Special Handling Request, STD. 8, (Rev. 3/07) form, in duplicate. The special handling request form is 5 1/2 x 8 1/2 inches and green. This form will show: (1) name of the requesting department representative, (2) requesting department name, (3) claim schedule number, (4) payee, (5) amount of the warrant, and (6) brief explanation to justify special handling. The requesting department’s courier will sign the special handling request form and verify that the correct warrants were delivered. The special handling request form will be approved by the SCO only when signed by the person authorized to sign claim schedules. The original will be stapled face up on the top side of the Remittance Advice Envelope, STD. 403. The duplicate copy of the form will be retained by the requesting department in a suspense file pending receipt of the warrant from the SCO. When a special handling request is used the remittance advice will not accompany the claim schedule.

Once a claim schedule has been submitted, requests for special handling of warrants, corrections, or deletions of invoices may be made by telephone or other method. Departments should request correction or deletion of the invoice or claim rather than requesting delivery of the warrant to the department. Telephone "stop requests" will be made to the SCO, Audits Division, Claim Audits. Stop requests will be approved only for valid reasons and will be kept to a minimum. Stop requests will not be approved if it is possible to meet the department's need by returning the invoice to the department or by having SCO correct the invoice or claim.
Pursuant to Government Code section 16304.1, after an appropriation has reverted, any unpaid encumbrance against the appropriation may be paid from any current appropriations available for the same purposes. For the purpose of this section, current appropriations include any current or prior year appropriations.

Invoices payable from a reverted appropriation, for which a current appropriation is available for the same purposes, will be assembled into a claim schedule containing only this kind of invoice. Reverted year invoices will not be commingled with other invoices.

The following statement will be placed on the original copy of the claim face sheet.

I hereby certify that the invoices contained herein are valid obligations of the State of California and were not paid before the applicable appropriation reverted. In accordance with Government Code section 16304.1, the invoices may be paid from this current appropriation which is available for the same purpose.

Signed ________________________
Title: ________________________

The claim schedule will be submitted to the State Controller’s Office for payment.

Invoices payable from reverted appropriations, for which no current appropriation is available for the same purposes, will be submitted to DGS in accordance with SAM section 8710 for legislative claims.
Pursuant to Internal Revenue Code (IRC) section 6041 and California Revenue and Taxation Code section 18631, the state is required to report certain payments made to individuals, medical and legal corporations, and partnerships when such payments total at least $600 of miscellaneous income and $10 of interest income. In addition, IRC section 6045(f) requires the state to report any payment to an attorney (including legal corporations) made in connection with legal services whether or not such services were performed for the payer. These payments include "gross proceeds" (i.e., lump sum payments to attorneys that consist of legal fees and amounts awarded to the client).

State policy requires that reportable payments be identified and reported through a combination of accounting processes, the state Uniform Codes Manual (UCM), and information provided in the Payee Data Record (STD. 204). The Department of Finance, CALSTARS Unit and the Financial Information System for California (FI$Cal) have developed and implemented appropriate procedures to facilitate such reporting, for its departments, through the Franchise Tax Board (FTB). Non-CALSTARS and non-FI$Cal departments are required to develop and implement similar reportable payment identification systems.

The chief financial officer of each state department is designated as the person responsible for ensuring compliance with federal and state tax laws. Each state department that makes payments from the State Treasury trust and/or agency funds will comply with the Internal Revenue Service (IRS) and the FTB annual information reporting and income tax withholding requirements. A state department may arrange to have 1099s, FTB, and IRS reports prepared by a reporting agent such as FTB. However, the final responsibility will rest with the state department.

For the purposes of complying with the reporting requirement, each state department (except for departments that use FI$Cal) shall report under its own unique Federal Employer Identification Number (FEIN). Departments that use FI$Cal shall report under a statewide FEIN.

For those departments that need to file separate reports for certain programs, they should apply for separate FEIN(S) for the appropriate program(s). A FEIN application
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(Form SS-4) is available at the IRS website: http://www.irs.gov. Return the completed form to the IRS.
The Agency’s receiving department will prepare Stock Received Reports, STD. 106, or use an approved Purchase Order document to record receiving information at the time goods are received. For partial deliveries, a photo copy of the approved purchase order may be used as a stock received report. The last Stock Received Report for an order should be stamped "Complete" when the order is completely filled. Reports will be prepared only after carefully checking the quantity, description, and condition of the goods and, whenever possible, will be signed by the person responsible for checking and taking custody of the goods. When stock received reports are prepared or signed by a person other than the person actually receiving and checking the goods, the person signing the report should take precautionary measures to assure that the goods were actually received and checked.

When a copy of the order is used as a stock received report, the person checking the goods will write in the date received, the quantity received, and note any defect in condition. The same procedure will be used to acknowledge receipt of services other than regular recurring services, such as utilities. If goods are to be returned to the vendor, agencies will prepare a Returned Stock Report, STD. 108. The original stock received report, or signed copy of the order used as a stock received report will be forwarded directly to the accounting office on the day the goods are received.

These documents will provide the accounting officers with information as to the identity, condition, and net quantities of goods received. The accounting officer will compare the stock received report to the purchase order and invoice. If these letter documents are not available for comparison, claims will not be filed for payment. The accounting office will indicate on its copy of the stock received report: (1) the claim schedule number, and (2) the Fiscal Year of the claim. Stock received reports will be filed with the accounting office copies of orders and estimates, unless other methods of filing are prescribed or are more convenient with respect to individual agencies. To determine whether all goods and services ordered are actually received, the agency shall develop procedures to follow up on open purchase documents/contracts. (See SAM Sections 3860–3867 concerning short or damaged shipments and SAM Section 10821 for additional procedures relating to agencies performing stores accounting.)
Claims against capital outlay appropriations will show the date of approval by the State Public Works Board whenever such approval is required. If approval is not required, this fact, together with the reason will be noted in the claim. This information will be placed in the "Approved if Required" box at the bottom of the Claim Schedule, Std. Form 218 (Continuous).
POSTING SLIPS

(Reumbered 2/1965)

Posting slips may be used by agencies with a large volume of invoices. The posting slip will be fastened to the duplicate copy of the invoice by a glued margin which is separated from the rest of the form by a perforation. All information necessary for posting to accounts and for reference will be entered on these slips. This information, including classification of expenditure, claim schedule number, amount and estimate number, will be recorded on the invoice also by the temporary insertion of a piece of carbon paper. The slip will be separated from the invoice, by tearing along the perforation, after the schedule has been typed. The amounts on these slips will be proved to the total of the schedule and then sorted for posting.
WARRANTS PAYABLE TO CLAIMING AGENCY 8422.25

(Revised 5/1975)

Warrants payable to the agency filing the claim are to be sent by the State Controller's Division of Disbursements to the agency for subsequent deposit in the bank for credit to the agency's office revolving fund account in the centralized State Treasury System.

This procedure is applicable to deposits accounted in the General Cash and Agency Trust Cash account as well as those reimbursing the agency's revolving fund. (See SAM Section 8170.) A Remittance Advice, Std. Form 404, will be prepared for each warrant in the claim and submitted with the claim schedule in the manner described in SAM Section 8422.3.
WARRANTS PAYABLE TO COUNTIES 8422.26

(Revised 9/1982)

When payment is to be made to a county, or an agency or office of a county, payment will be made to the County Treasurer (unless there is a statutory basis to do otherwise). Where payment is made to the County Treasurer, agencies will forward to the State Controller's Office: (1) a copy of Remittance Advice (Std. Forms 404, or 404c, or a customized form approved by State Controller's Office–Division of Disbursements and General Services Forms Management, see SAM Section 1601) for mailing the warrant to the County Treasurer; and (2) an extra copy for the County Auditor. The latter will be forwarded to the State Controller's Office in a separate legal-size plain envelope marked "County Auditor's Copy" and stapled to the Remittance Advice Envelope, Std. Form 403. The Remittance Advice will show the name of the State agency filing the claim and properly identify the payment by reference to the invoice, agreement, or subvention program with a legal reference, if pertinent, and subvention program account code. Appropriate abbreviations may be used.

Below is a portion of the Revenue Chart of Accounts of the Counties pertaining to aid from other government agencies. (The entire chart is contained in the Accounting Standards and Procedures for Counties manual.) Use of these subvention program account codes on applicable remittance advice will aid counties in accounting for payments.
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<table>
<thead>
<tr>
<th>Account:</th>
<th>Description</th>
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<tbody>
<tr>
<td>Code</td>
<td>Description</td>
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<tr>
<td>23</td>
<td>State-alcoholic beverage license fees</td>
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<td>24</td>
<td>State-aid for aviation</td>
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<tr>
<td>25</td>
<td>State-highway users tax</td>
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<tr>
<td>26</td>
<td>State-motor vehicle in-lieu tax</td>
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<tr>
<td>27</td>
<td>State-trailer coach in-lieu tax</td>
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<td>33</td>
<td>State-health-administration</td>
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<td>35</td>
<td>State aid for cerebral palsy</td>
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<tr>
<td>36</td>
<td>State aid for mental health</td>
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<td>37</td>
<td>State aid for tuberculosis control</td>
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<tr>
<td>38</td>
<td>Other State aid for health</td>
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<td>39</td>
<td>State aid for agriculture</td>
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<tr>
<td>40</td>
<td>State aid for civil defense</td>
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<tr>
<td>41</td>
<td>State aid for construction</td>
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<td>42</td>
<td>State aid for corrections</td>
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<tr>
<td>43</td>
<td>State aid for county fairs</td>
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<tr>
<td>44</td>
<td>State aid for disaster</td>
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<td>45</td>
<td>State aid for veterans' affairs</td>
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<tr>
<td>46</td>
<td>Homeowners' property tax relief</td>
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<tr>
<td>47</td>
<td>Business inventory property tax</td>
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<tr>
<td>47.1</td>
<td>Livestock head-day tax reduction</td>
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<td>49</td>
<td>State-other</td>
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<tr>
<td>52</td>
<td>Federal-health-administration</td>
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<tr>
<td>53</td>
<td>Federal aid for construction</td>
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<td>54</td>
<td>Federal aid for disaster</td>
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<tr>
<td>55</td>
<td>Federal forest reserve revenue</td>
</tr>
<tr>
<td>56</td>
<td>Federal grazing fees</td>
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<tr>
<td>60</td>
<td>Federal flood control receipts</td>
</tr>
<tr>
<td>60.1</td>
<td>Aid for medical assistance State</td>
</tr>
<tr>
<td>62</td>
<td>State-apportionment of off-highway in-lieu tax</td>
</tr>
</tbody>
</table>
Each agency will maintain an alphabetic file of duplicate copies of payee Remittance Advice and Revolving Fund checks (see SAM Section 8422.3) as a central reference file except where a memorandum record of payments, as described below, is used. Also, payments will always be recorded on the documents authorizing the expenditure, such as purchase orders, sub-purchase orders, contracts, and service agreements.

These records will be used by the agency to determine that payment has not been made previously.

The maintenance of a memorandum record of payments for recurring services, such as rent and utility bills, is permissive. A card or loose-leaf form can be used for this purpose. This form should be designed to require the posting of only a minimum amount of information. Generally, the number of claim schedules and the amount of the bill are adequate.
Except as provided in SAM Section 3852, all freight and transportation invoices will be submitted to the Department of General Services (DGS), Transportation Management Unit for approval prior to being scheduled for payment. See SAM Section 3851 for the required documents to be submitted to the DGS, Transportation Management Unit for approval.

Invoices from a motor carrier containing an assignment of interest to a third party will be scheduled for payment payable to the motor carrier. If requested in writing by the carrier, departments will prepare the remittance advice in the name of the carrier, in care of the third party, who will negotiate the warrants on the basis of its power of attorney from the motor carrier.

Refer to SAM Section 3574.5 for applicability of sales and use taxes on transportation charges which are separately stated on vendor invoices.
The original copies of invoices will be filed with the State Controller's Office in claims for payment of credit card purchases. Credit card delivery tags will be retained by the agency for a period of six months from the date the claim is filed for payment. The State Controller's Office, at its discretion, may audit delivery tags in the agency's office to the extent deemed necessary in-lieu of a pre-audit of the tags at the time of approving invoices for payment. Since it is the responsibility of the agency to determine that invoices presented for payment are correct in all respects, the agency will audit the delivery tags to determine the propriety of charges and correctness of invoices for credit card purchases before filing a claim for payment. The arithmetical accuracy of invoices will be verified as described in SAM Section 8422.1.

Unleaded regular gasoline will be used in all but a few state-owned automobiles. (See SAM Section 3687.1) Invoices and related delivery tags for premium unleaded gasoline, where its use is prohibited, will be adjusted to reflect unleaded regular gasoline prices. The same procedure will be observed for the purchase of oil at more than the Office of Procurement contract price.

Amounts collected from employees for unauthorized purchases of gasoline and oil will be deposited in the agency's general cash account (revolving fund account if the agency does not have a general cash account) pending their remittance to the vendor. (See SAM Section 8422.3)
Contract numbers, where applicable, will be shown on sub-purchase order invoices. Agencies will enter the explanation "Partial delivery; Order was for (quantity)" on invoices for partial deliveries of items with unit prices governed by quantities purchased. This explanation will permit the State Controller's Office to compare the unit price claimed on the invoice with the contract price.

A detailed vendor-generated document may be used to support sub-purchase order invoices where itemization of goods purchased is not practical. Vendor-generated support documents may take the form of an invoice, cash register tape, sales slip, or ticket. The form should be customary to the vendor's business.

Sub-purchase order invoices will be completed in the usual manner except that a general description may be used in place of itemizing the purchase, e.g., groceries. The support document will be attached to the sub-purchase order invoices form and referenced in the description section. Where possible, reference will be made to a vendor-numbered document.
INVOICES FOR CONTRACTUAL SERVICES

(Revised 10/2018)

Invoices for contractual services and space rental will show the applicable contract or lease number, or other data, to allow positive identification of an existing contract or lease. The State Controller's Office (SCO) will examine the contracts to determine whether the payments are in accordance with the contract terms. All contracts are filed with the SCO upon execution in accordance with SAM Chapter 1200.

Original authorizations by lessors to make payments to someone other than the lessor will be forwarded to the SCO prior to scheduling invoices requiring such payment. Leases subject to Department of General Services (DGS) approval will secure its notification of approval before scheduling invoices to the new payee.

Departments will attempt to obtain invoices in advance for all payments to be made under contracts or leases which provide for fixed monthly or quarterly payments, other than for space rentals. As each payment becomes due, the applicable invoice will be removed from the file and scheduled for payment. If the lessor or contractor's names are not on printed billheads, the invoice should be checked for signatures of the lessor or contractor. Remove remaining invoices for canceled contracts or leases.

California Code of Regulations, title 2, division 2, chapter 1, article 7, section 677(f) permits space rental lease payments without an accompanying invoice if the applicable lease is on file with the SCO. A listing of the lease payments to be made may be submitted instead of individual invoices. The listing must include the lease number, name of lessor/assignee, location of leased property, amount, period covered by payments, and due date of the payment. The listing format must be approved by the SCO, Audits Division prior to submitting the listing for payments.

Changes (payee, amount, address, etc.) to a space rental lease must be received by the SCO, Audits Division by the 22nd of the month in order to make the change effective by the first of the succeeding month.

Invoices for payment on oral agreements should describe fully the nature of the services rendered and the terms or conditions under which payment is to be made and a notation that there is no written agreement.

Rev. 443
For one-time payment contracts, a copy of the contract will be attached to the invoice at the time the claim schedule is sent to the SCO. This will facilitate the audit and expedited payment of the claim.
For payment of blueprinting and other reproduction services performed under service agreements, the original copies of vendor’s summary invoices that list individual invoice numbers and amounts will be filed with the State Controller’s Office. Supporting invoices will be retained by the agency for a period of six months from the date the claim is filed for payment. The State Controller's Office, at its discretion, may audit the supporting invoices in the agency's office instead of a pre-audit of the supporting invoices at the time of approving the summary invoices for payment.

The agency is responsible for auditing the individual invoices to determine the propriety of charges and correctness of summary invoices for blueprinting and other reproduction services before filing a claim for payment.
Telephone companies will furnish departments with one copy of statements for long distance telephone calls in support of their invoices. These documents will be retained by the department together with the department's copy of the invoice with the file copy of the claim. The State Controller's Office will request review of the statements in any instance wherein it believes that such verification is required.

Telephone invoices usually have a service period other than the calendar month. These invoices will be charged the same way as other utilities as described in SAM section 8422.1.

Telephone statements, including credit card statements, will be approved by the employee making the calls and the employee's supervisor. Any unapproved charges will be collected from the employee.

State departments are not required to pay the surcharge imposed by the California Emergency Telephone Users Surcharge Law (911). If a department receives an invoice from a telephone company which includes the surcharge, delete the surcharge amount and schedule the balance for payment. Departments should inform the telephone companies of the incorrect billings when surcharge assessments recur.
VOUCHERS FOR PURCHASE OF FEDERAL SURPLUS PROPERTY 8422.107

(Renumbered 2/1965)

The Federal Government provides only one copy of listings of items purchased and statements of account. Since these will be submitted to the State Controller's Office with the claim, agencies will make extra copies for their requirements.
Any invoice or voucher being scheduled to reimburse an office revolving fund will show the applicable revolving fund check number on the face of the invoice or voucher—except that if the revolving fund checks issued to pay the vouchers and invoices in a claim schedule are in consecutive numerical sequence and the vouchers and invoices are in the same sequence, the following statement may be shown on the face sheet of the claim schedule (original and office copies) instead of writing the check number on each invoice or voucher:

"Paid by revolving fund check numbers to__________inclusive."

If this is done, the vouchers and invoices contained in such claims will be stamped "Paid by Revolving Fund Check" or marked in some other manner to prevent duplicate payment unless the agency has other means to prevent this.
PRIOR FISCAL YEAR CHARGES

(Reumbered 2/1965)

Invoices for purchases by sub-purchase orders charged to an appropriation of a fiscal year prior to the fiscal year in which delivery is received will be explained by noting on such invoices: "ordered in prior fiscal year for immediate delivery."
Agencies that have field locations may find it advantageous to consolidate bills by preparing one remittance to each billing center of the utility company concerned instead of separate remittances to company offices nearest the locations of service.
LOCAL GOVERNMENT UTILITY USERS TAX 8422.111

(Renumbered from 8422.112 12/1989)

Agencies that receive utility bills which include a Utility Users Tax assessed by California local governments will not pay such a tax. Such agencies will contact the utility and advise it that the State is not subject to the tax.
Training invoices submitted to the SCO for payment must be authorized in the department’s training plan and must comply with the provisions of an authorizing procurement document. The authorizing procurement document must provide pertinent details such as the employee’s name, amount of fees, date of class, vendor information, course details and important terms and conditions. The authorizing procurement document must include the funding information and the approving officers’ signature.

Departments shall develop the authorizing procurement document such as a contract, service agreement, interagency agreement, or training requisition form in a manner that safeguards the state’s interests. Training invoices of more than $5,000 must be supported by a contract or interagency agreement. Refer to the State Contracting Manual for further guidance.

Claims for payment/reimbursement of training invoices must include proof of completion or reason for not attending the training. In some instances, certification that the training was completed can be done by the approving officer’s signature (signed and dated after the training completion date). The approving officer’s signature on the authorizing procurement document will certify that services were actually rendered and authorizations were duly obtained. Claims for payment of training invoices and Office Revolving Fund reimbursement of training invoices shall not be submitted to the SCO for payment, prior to the start of the service period or training date(s).
AIRLINE INVOICES

8422.114

(Renumbered from 8422.115 12/1989)

The passenger's copy of an airline ticket will be submitted with the employee's travel expense claim. Such passenger's copy will be compared with the airline invoice to determine the propriety of the charge. Any unapproved charges will be collected from the employee.
The customer's copy of the automobile rental contract will be submitted with the employee's travel expense claim. Such copy will be compared with the automobile rental invoice to determine the propriety of the charge. Any unapproved charges will be collected from the employee.
INVOICES FROM SOLE PROPRIETOR VENDORS

OR INDIVIDUALS

(Revised 12/2008)

Departments must determine if payments on invoices received from individuals or sole proprietor businesses are subject to independent contractor reporting as defined by the Employment Development Department (EDD).

Departments must report to the EDD using the Report of Independent Contractor(s) form, DE542, within twenty days of either (1) making payments of $600 or more or (2) entering into a contract for $600 or more with an independent contractor in any calendar year, whichever is earlier. This information is used to assist State and county agencies in locating parents who are delinquent in their child support obligations. Additional information and the form are available at the EDD website: EDD Homepage. See SAM Section 7930.
The four items below provide the guidelines for the reportable payment requirements.

1. Payee Data Record form, STD. 204. See section 8422.190 Illustrations 1 and 2.

The purpose of the STD. 204 form is to obtain payee information for income tax reporting and to ensure tax compliance with federal and state law. The STD. 204 is required for any non-governmental entity or individual entering into a transaction that may lead to a payment from the state. Therefore, a completed, dated, and signed STD. 204 with handwritten or electronic signature must be on file with the state before payments are disbursed. Electronic signatures must meet the requirements of the Secretary of State, California Code of Regulations, title 2 section 22003. The original form must also be available and provided upon request. For more information on electronic signatures, refer to California Civil Code sections 1633.1 through 1633.17.

A completed STD. 204 is necessary to determine what payments are reportable by the payee and must be attached to each contract. For non-contract transactions, a completed STD. 204 must be retained in the department’s business services or accounting office. A completed STD. 204 is also required for non-state employees authorized to receive travel expense reimbursements directly from departments before the reimbursement is paid.

The payee will provide the following information on the STD. 204 in accordance with Internal Revenue Code (IRC) section 6109(a) and California Revenue and Taxation Code (R&TC) sections 18646 and 18661. Instructions for the payee are provided on page 2 of the form.

   a. Complete legal business name and address of the payee doing business with the state. The business owner's full name is required if the business is a sole proprietorship or a single member Limited Liability Company (LLC). The name of the business or owner should match the name on the payee’s income tax return.
b. Payee entity type and the Taxpayer Identification Number (TIN). Payees must provide one of the following applicable TINs:
   a. Social Security Number (SSN)
   b. Individual Taxpayer Identification Number (ITIN)
   c. Federal Employer Identification Number (FEIN)

The TIN for individuals, sole proprietors, and single member LLCs (disregarded entities) is the SSN. Individuals who do not have an SSN and are not eligible for one provide their ITIN. The ITIN is a tax processing number issued by the Internal Revenue Service (IRS) through the W-7 application process. For all other payees, including LLCs treated as partnerships or corporations, the TIN is the FEIN. Refer to the IRS website for more information on TINs.

(Continued)
c. Residency status of the payee by indicating resident or nonresident. The STD. 204 instructions on page 2 provide information for making this determination. Pursuant to R&TC section 18662, nonresidents may be subject to state withholding at the standard rate for payment(s) that exceed $1,500 in a calendar year unless a verification authorizing a reduced withholding amount or a waiver approved by the Franchise Tax Board (FTB) is attached to the STD. 204. To determine if withholding is required and the standard withholding rate, refer to the decision charts on the FTB website at Penalty Reference Chart. For further information on nonresident withholding, see SAM section 8422.195.

d. Complete name, title, e-mail address, telephone number, date, and handwritten or electronic signature of the payee’s authorized representative. This signature certifies the accuracy of the information provided. All data on the submitted STD 204 must be unalterable including the signature.

If the STD. 204 is not completed by the payee, then payment to the payee shall be reduced by the following:

- Federal backup withholding at a rate determined by the IRS. For more information, refer to the IRS website IRS Homepage for IRS Publication 1281, Backup Withholding for Missing and Incorrect Name/TIN(S). Additional resources include IRS Publication 15, Employer’s Tax Guide, and IRS Publication 17, Your Federal Income Tax. For questions about federal backup withholding or information reporting, contact the IRS’ Information Reporting Program Customer Service Section at (866) 455-7438.

- State backup withholding of 7 percent pursuant to R&TC section 18664.
• Payment may be subject to state income tax withholding if the payee indicates "nonresident" on the STD. 204 per item #1c listed above. Under circumstances where both backup withholding and nonresident withholding apply, only backup withholding shall be required. Refer to FTB Publication 1017 at FTB Homepage for further information.

State departments are liable for amounts not withheld, under-withheld, or not remitted to the FTB pursuant to R&TC sections 18662 (d) and 18668. Information on federal and state tax withholdings is provided in SAM section 8422.195. In addition, state departments are responsible for sending additional requests to those payees that fail to provide their TIN, as described in SAM section 8422.193.

(Continued)
2. Payments that must be reported.
   a. Payments for services to medical corporations, legal service corporations, and non-corporate entities (except governmental units) will be reported. These may include: fees, commissions, other forms of compensation for services (to the extent not reported on Form W-2), interest, rent, royalties, prizes, awards, and "gross proceeds" connected with legal services.

   b. Payments are reportable if all three of the following points can be answered yes:
      (1) Payment is within the conduct of trade or business.
      (2) Payee is not a corporation. (Note: All payments to medical corporations for services provided and attorneys or legal services corporations including gross proceeds are reportable).
      (3) Payment is for rents, prizes, awards, or services (including construction contract services) rendered and not solely for merchandise.

   c. The following identifies (1) the various recurring payment types that are required to be reported and (2) the box on the Form 1099 MISC in which they are to be reported:

   Box 1  Rent of real or personal property. Box 2  Royalties.

   Box 3  Other income (including prizes, awards, and punitive damages not involving physical injury or sickness).

   Box 4  Federal income tax withheld (backup withholding).

   Box 6  Medical and health care payments, including doctors, medical corporations, dentists, audiologists, optometrists, psychologists, psychiatrists, etc.

   Box 7  Nonemployee compensation.

   Prizes and awards for services rendered (e.g. bonuses not reported in W-2).
Commissions to non-employees. Commissions to real estate brokers. Consulting fees to non-employees. Professional fees.

Payments to entertainers.

Construction service contracts (roads, streets, buildings, etc.).

Box 14 Attorney Fees - Gross Proceeds pursuant to IRC section 6045(f); that consist of (1) amounts intended to be paid to the client; and (2) amounts intended for the attorney.

Box 16 State income tax withheld.

(Continued)
d. Interest (other than tax exempt government obligations; interest by or to nonresident aliens and most foreign entities; corporations; tax-exempt retirement plans, custodians and nominees, brokers, registered dealers in securities and commodities, and U.S. state governments, including their subdivisions and wholly-owned departments and instrumentalities) must be reported on Form 1099-INT. Form 1099-INT payments are not subject to state backup withholding.

3. Payments that are not reported.
   a. Payments to governmental entities.
   b. Payments to most corporations for goods and services. However, payments to medical corporations and legal corporations are reported.
   c. Payments for merchandise (including freight, storage, and similar charges) and utilities (such as electricity, gas, oil, water, telephone, telegraph, and similar services).
   d. Payments of non-punitive damages (for physical injury or sickness) awarded by the courts. However, interest payments are reportable.
   e. Salaries and wages paid from the State Payroll Revolving Fund or otherwise reported on Form W-2.
   f. Scholarships, fellowships, and stipends (except where such payments are subject to the performance of services).
   g. Per diem and travel expense reimbursements are generally not considered reportable income. Refer to IRS Instructions for Form 1099-MISC on nonemployee compensation.

4. Payments that include reportable and non-reportable items.

When a payment to an individual includes both reportable and non-reportable items, state departments usually have the option of reporting the total payment or only the reportable portion. If the agreement is only for a lump sum, then the full amount will be
reported (including gross proceeds paid to an attorney in connection with legal
services). However, when a payment includes both interest and non-reportable
principal, only the interest will be reported. When a payment to an external consultant
includes a stated amount for travel expenses, per diem, or other expenses, as well as
an amount for services, the total amount will be reported.

Questions regarding the determination of reportable payments and/or the use of STD.
204 should be directed to the Franchise Tax Board, Information Reporting Unit, at (916)
845–6304.

(Continued)

Payee Data Record Standard Form 204
This section applies to non-CALSTARS departments only. Non-CALSTARS departments may send their annual information returns (Form 1099) to the Franchise Tax Board (FTB) by the first week in January of the year following the calendar year payment. FTB will mail a paper Form 1099 to the payee by January 31st and forward the information to the Internal Revenue Service (IRS). The IRS has established the following due dates for Form 1099:

- Recipient Copy January 31
- IRS Paper Filing February 28
- IRS Electronic Filing March 31

Departments filing 250 or more Form 1099 must file electronically. For 249 or less, departments are encouraged to file electronically; however, paper returns can be filed with the IRS. Further information regarding the two methods is described below.

Departments that do not use the FTB to transmit Form 1099 data must mail a paper return directly to the payee by January 31st and file electronic or paper copies as described below.

1. Filing 250 or more

Departments that file their own electronic returns are encouraged to use the IRS Combined Federal/State Filing Program. An application to participate in this program should be submitted directly to the IRS. When the application is approved by the IRS, the department will annually send the returns to the IRS only. IRS will then forward the information to FTB. To request approval to participate in the IRS Combined Federal/State Filing Program, see IRS Publication 1220, Specifications for Filing Forms 1097-BTC, 1098, 1099, 3921, 3922, 5498, 8935, and W-2G

Electronic or call IRS Information Reporting at (866) 455-7438.

2. Filing less than 250
Departments filing less than 250 returns of one type are encouraged to file electronic returns through the IRS Combined Federal/State Filing Program as described above. However, departments may file paper Form 1099 with the IRS Form 1096 (Return Transmittal Form) and send them to the IRS, Ogden, UT 84201. The IRS will forward copies of returns filed with the Form 1096 to the FTB. In this case, the departments do not send paper copies to FTB. To order 1099 forms from the IRS, call 1-800-TAX-FORM (1-800-829-3676) or order them on-line at IRS Homepage.

For information reporting questions, refer to the IRS website at IRS Homepage or call IRS Information Reporting Program Customer Service Section at (866) 455-7438.

Additional information is available at FTB Homepage, or contact FTB at (916) 845-6304 or IRPhelp@ftb.ca.gov.
The ultimate responsibility for filing information returns (Form 1099) and for ensuring the accuracy of the Form 1099 rests with the state department that made the payment(s) being reported. Consequently, notwithstanding the Form 1099 processing, filing, and mailing assistance provided to most state departments by the Department of Finance, CALSTARS Unit and the Franchise Tax Board (FTB), each state department is responsible for issuing corrected Form 1099 to its payees and to the appropriate tax authorities whenever it is necessary to correct a previously issued Form 1099.

A. Filing Corrected Paper Form 1099

Corrected paper Form 1099 should be filed with the IRS and a copy mailed to the payee. Do not submit copies to the FTB. The IRS automatically shares the data in corrected paper Form 1099 with the FTB.

For specific instructions regarding the filing of corrected Form 1099 on paper, refer to the IRS publication, Instructions for Forms 1099, 1098, 5498, and W-2G. This annual publication may be requested by calling the IRS at (800) 829-3676, or by downloading it from the website: IRS Homepage.

B. Filing Corrected Electronic Form 1099

Corrected electronic Form 1099 should be filed with both the IRS and the FTB and paper copies sent to the payees.

For specific instructions regarding the filing of corrected Form 1099 electronically, refer to the IRS Publication 1220, Specifications for Filing Forms 1097-BTC, 1098, 1099, 3921, 3922, 5498, 8935, and W-2G Electronically. This publication may be requested by calling the IRS at (800) 829-3676 or by downloading it from the IRS website (noted above).

For additional information on the filing of corrected Form 1099, please call the FTB at (916) 845-6304 for general information and (916) 845-3778 for technical information.
CONSEQUENCES OF INCORRECT INFORMATION REPORTING  8422.193

(Revised 03/2011)

If the Payee Data Record form STD. 204 is not completed by the payee, the state department is responsible to reduce the payee’s payment by withholding the federal and state backup income tax portion. Under the Internal Revenue Code and the Revenue and Taxation Code, a state department that fails to obtain the Tax Identification Number (TIN) or fails to file timely information returns can be assessed a federal backup income tax withholding and a 7 percent state backup withholding on amounts that were incorrectly reported or were not withheld. For more information on the federal backup withholding rate, refer to the Internal Revenue Service (IRS) website IRS Homepage for Publication 1281, Backup Withholding for Missing and Incorrect Name/TIN(S).

Additional penalties, fines, and interest may be assessed by the IRS and/or Franchise Tax Board. In order for departments to avoid a penalty for filing a return that omitted the payee’s TIN, departments must send the taxpayer a first annual request for the TIN by December 31 of the year in which the department makes a reportable payment. A second annual request is also required by December 31 of the following year if reportable payments are being made.
Annual information returns reported to the IRS are subject to various computer matching analyses to determine, in part, whether the payee's name and Taxpayer Identification Number (TIN), as reported in the Form 1099, matches that in the taxpayer's account in the IRS computer files. If they do not match, the IRS will send the payor (state department) a CP2100 or CP2100A Notice, depending on the number of mismatches. The Notice will include a list of payees whose TINs (on Form 1099 filed by, or on behalf of, the state department) are missing, incorrect, or not issued.

When a state department receives a CP 2100 or CP 2100A Notice, the IRS Publication 1281, Backup Withholding for Missing and Incorrect Name/TIN(s), provides detailed instructions and requires the following:

Examine the Payee Data Record form **STD. 204** and verify that if the:

1. TIN provided by the taxpayer matches that on the IRS Notice, the department will:
   a. Send the payee a blank STD. 204 and the required "B" Notice which is a backup withholding notice within 15 business days. The "B" Notice will:
      i. Request a response date within 30 business days from the date the department received the IRS notice.
      ii. Include date, taxpayer name, TIN, backup withholding rate, and return to information.
      iii. Be sent in an envelope that is clearly marked, "IMPORTANT TAX INFORMATION ENCLOSED" or "IMPORTANT TAX RETURN DOCUMENT ENCLOSED."
   b. Begin backup withholding no later than the 31st business day after receipt of the IRS Notice. Per Revenue and Tax Code (R&TC) section 18664, vendors who are subject to federal backup withholding are also subject to state backup withholding except for payments of interest and dividends and any release of loan funds made by a financial institution.
   c. Stop backup withholding when the payee provides the correct TIN on the STD. 204.
d. Keep track of each payee listed in the IRS Notice in order to determine when the same payee appears twice in three years. Upon receipt of another IRS Notice listing the same payee within three years, the payor department is required to:

i. Send a second "B" Notice as described above, and direct the taxpayer to contact the IRS or Social Security Administration to obtain the correct Name/TIN combination. Do not send another STD. 204.

ii. Begin backup withholding no later than the 31st business day after receipt of the IRS Notice. Per R&TC section 18664, vendors who are subject to federal backup withholding are also subject to state backup withholding except for payments of interest and dividends and any release of loan funds made by a financial institution.

(Continued)
iii. Continue withholding until an official stop notice is received from the IRS.

2. Taxpayer did not provide a TIN and the IRS Notice shows a missing TIN, the department will:

   a. Ensure that the annual requests to the taxpayer for a TIN have been made in accordance with SAM 8422.193

3. TIN provided by the taxpayer does not match that on the IRS Notice; do not write to the IRS. However, the department will:

   a. Correct its records if they reported incorrect information to the IRS or if the information changed after they reported to the IRS.

   b. Note its records if the IRS misprinted the information, but do not take any further action.

Each department is required to maintain a current copy of IRS Publication 1281, Backup Withholding for Missing and Incorrect Name/TIN(S), for reference in processing IRS Notices and "B" Notices. The publication is available at IRS Homepage. In addition, SAM section 8422.195 provides further information and instructions on the withholding requirements. Furthermore, pursuant to R&TC sections 18662(d) and 18668, state departments are liable for amounts not withheld, under-withheld, or not remitted to the FTB.
Each state department is responsible for federal and state backup withholdings on reportable payments or state withholding on payments made to nonresidents, as defined in SAM Section 8422.190. Details and instructions for the withholding types are as follows:

**Federal Backup Withholding Requirements**

The Internal Revenue Code (IRC) section 3406 states that reportable payments to payees are subject to backup withholding when:

1. Payee Data Record form STD. 204 (in lieu of an IRS Form W-9) has not been completed providing certification of correct TIN and exemption.
2. IRS notifies your state department that your payee is subject to backup withholding.
3. IRS notifies your state department that your payee furnished an incorrect TIN.
4. Payee fails to certify exemption from withholding on interest and dividends per IRC Section 3406(d).

**Computation of Federal Backup Withholding**

For each payee invoice or similar payment document that is subject to federal backup withholding, the state department shall compute the federal backup income tax to be withheld by multiplying the invoice amount (or the portion subject to tax) by the federal backup withholding rate determined by the Internal Revenue Service (IRS). For the current rate and more information, refer to IRS website [IRS Homepage](https://www.irs.gov) for IRS Publication 1281, *Backup Withholding for Missing and Incorrect Name/TIN(S)*. Additional resources include IRS Publication 15, *Employer’s Tax Guide*, and IRS Publication 17, *Your Federal Income Tax*. The computation may be performed on the payee invoice(s) or on a separate computation sheet which should be attached to the invoice(s) and included with the claim schedule. The net amount (original invoice amount less the withholding amount) is the amount due to the payee.
State Backup Withholding Requirements

Payees who are subject to federal backup withholding are also subject to state backup withholding except for:

1. Payments of interest and dividends (reported on IRS Forms 1099-INT, 1099-DIV, 1099-OID, and 1099-PATR).

2. Any release of loan funds made by a financial institution in the normal course of business.

The California Revenue and Taxation Code section 18664 states that reportable payments to payees are subject to state backup withholding at 7 percent of the payments made on or after January 1, 2010. Under circumstances where both backup withholdings and nonresident withholding apply, only backup withholding shall be required. See below for computation.

(Continued)
State Nonresident Income Tax Withholding Requirements

Payments to nonresidents may be subject to withholding at 7 percent. A payee will be considered a nonresident when the nonresident box has been checked on the STD. 204. This form is required to be completed by all payees doing business with any state department as described in SAM section 8422.190. To determine if withholding is required, refer to the decision charts on Franchise Tax Board (FTB) website at http://www.ftb.ca.gov/individuals/wsc/decision_chart.shtml.

Withholding is not required if:

1. The payments to the payee are $1,500 or less for the calendar year. If it is not known whether payments will exceed $1,500 for the calendar year, then withholding is optional at the discretion of the department on the first $1,500 in payments made during the calendar year.

2. The payment is for equipment/supplies or interest.

3. The services were not performed in California.

The withholding rate may be reduced or waived by the FTB; however, it is the responsibility of the payee to contact the FTB to request a reduced withholding amount or waiver. If FTB approves the request, the payee shall provide a copy of FTB’s approval letter to the department for filing with the payee’s STD. 204. Without an approval letter on file, the department must apply the 7 percent withholding rate to the payee’s payment.

The withholding agent/state department should obtain a completed and signed California Form 587 Nonresident Withholding Allocation Worksheet from the nonresident before a payment is made. Form 587 is used to determine if withholding is required and the amount of California source income subject to withholding. The withholding agent must retain Form 587 for a minimum of four years and must provide it to the FTB upon request.
Computation of State Backup and Nonresident Income Tax Withholding

For each payee invoice or similar payment document that is subject to state backup or nonresident income tax withholding, the state department shall compute the tax to be withheld by multiplying the invoice amount by the 7 percent withholding rate (or the FTB approved reduced withholding amount for nonresident payees, if applicable). This computation may be performed on the payee invoice(s) or on a separate computation sheet which should be attached to the invoice(s) and included with the claim schedule. The net amount (original invoice amount less the withholding amount) is the amount due to the payee.

State departments are advised to maintain a current copy of FTB Publication 1017, *Resident and Nonresident Withholding Guidelines*, for reference in determining the state’s withholding requirements. The publication and further information is available at [www.ftb.ca.gov](http://www.ftb.ca.gov).

For expense reimbursement payments to nonresidents, see FTB Publication 1017 on Income Subject to Withholding.
Federal Backup Withholding

1. Remitting Federal Backup Amount(s) Withheld

The state department shall prepare a claim schedule with the "Internal Revenue Service" (IRS) as payee. Supporting documentation for the claim schedule shall include a worksheet showing the claim schedule number, invoice number, payee name, invoice amount, and the amount subject to withholding. The Remittance Advice (STD. 404) shall show the payee name and address as: Internal Revenue Service, Ogden, UT 84201. Each state department shall enter its Federal Employee Identification Number, date, and amount paid in the right-hand box (reserved for payee invoice information) of the STD. 404. Also, the Tax Deposit Coupon, IRS Form 8109, shall be attached to the STD. 404.

2. Reporting Federal Backup Amounts Withheld

The state department shall file the Annual Return of Withheld Federal Income Tax, IRS Form 945. Line 2 of this return reports the total amount of federal backup income tax withheld and remitted.

3. Reconciliation of Withholding, Remittances, and Information Returns

Neither the IRS Form 8109 nor the IRS Form 945 provides for payee information. That information is provided only in the Annual Information Return, Form 1099. The IRS performs the necessary reconciliation between the IRS Form 8109, IRS Form 945, and Form 1099 data for their internal review purposes. State department accounting staff are encouraged to perform reconciliations, for internal use only, of the backup amounts withheld and remitted per the IRS Form 8109, and the amounts reported per the IRS Form 945, and Form 1099.
For more information, refer to the IRS website IRS Homepage for IRS Publication 1281, Backup Withholding for Missing and Incorrect Name/TIN(S) and IRS Publication 15, Employer’s Tax Guide. For questions about federal backup withholding or information reporting, contact the IRS Information Reporting Program Customer Service Section at (866) 455-7438.

(Continued)
State Backup Withholding and Nonresident Income Tax Withheld

1. Remitting State Backup and Nonresident Taxes Withheld

State backup and nonresident income tax withheld shall be accumulated and remitted to the Franchise Tax Board (FTB) with Form 592-V, Payment Voucher for Resident and Nonresident Withholding, at the address shown on the form. Form 592-V is only required with paper money (check or money order) and shall be made quarterly and no later than 15 days following each quarter ended. For each quarter, the state department shall prepare a claim schedule of the state tax withheld with the “Franchise Tax Board” as the payee. Supporting documentation for the claim schedule is a copy of the FTB Form 592 with a statement and signature certifying the copy of the form (see SAM section 8422.1). Also, the form 592-V shall be attached to the STD. 404.

Form 592, Resident and Nonresident Withholding Statement information must be filed with the FTB to identify the payee, the income, and the withholding amount. This schedule will allow the FTB to allocate the withholding payments to the payee upon receipt of the complete Form 592. Departments must file electronically using FTB’s Secure Web Internet File Transfer instead of paper when the number of payees on Form 592 Schedule of Payees are 250 or more. For the required file format and record layout, see FTB Publication 1023S, Resident and Nonresident Withholding Electronic Submission Requirements. Form 592 can be mailed to FTB for payees numbering less than 250.

2. Reporting State Backup and Nonresident Taxes Withheld

For residents and nonresidents whose California income taxes were withheld by the state department, the Resident and Nonresident Withholding Tax Statement, FTB Form 592-B, will be sent annually to each payee to report both the total amount subject to withholding and the total amount withheld for the entire prior calendar year. Form 592-B shall be sent to the payee (for filing a California tax return) no later than January 31. Departments shall retain a copy for their records.

(SAM - DISBURSEMENTS)

REMITTING AND REPORTING INCOME TAX WITHHELD 8422.196 (Cont. 1)
(Revised 06/2016)

State Backup Withholding and Nonresident Income Tax Withheld

1. Remitting State Backup and Nonresident Taxes Withheld

State backup and nonresident income tax withheld shall be accumulated and remitted to the Franchise Tax Board (FTB) with Form 592-V, Payment Voucher for Resident and Nonresident Withholding, at the address shown on the form. Form 592-V is only required with paper money (check or money order) and shall be made quarterly and no later than 15 days following each quarter ended. For each quarter, the state department shall prepare a claim schedule of the state tax withheld with the “Franchise Tax Board” as the payee. Supporting documentation for the claim schedule is a copy of the FTB Form 592 with a statement and signature certifying the copy of the form (see SAM section 8422.1). Also, the form 592-V shall be attached to the STD. 404.

Form 592, Resident and Nonresident Withholding Statement information must be filed with the FTB to identify the payee, the income, and the withholding amount. This schedule will allow the FTB to allocate the withholding payments to the payee upon receipt of the complete Form 592. Departments must file electronically using FTB’s Secure Web Internet File Transfer instead of paper when the number of payees on Form 592 Schedule of Payees are 250 or more. For the required file format and record layout, see FTB Publication 1023S, Resident and Nonresident Withholding Electronic Submission Requirements. Form 592 can be mailed to FTB for payees numbering less than 250.

2. Reporting State Backup and Nonresident Taxes Withheld

For residents and nonresidents whose California income taxes were withheld by the state department, the Resident and Nonresident Withholding Tax Statement, FTB Form 592-B, will be sent annually to each payee to report both the total amount subject to withholding and the total amount withheld for the entire prior calendar year. Form 592-B shall be sent to the payee (for filing a California tax return) no later than January 31. Departments shall retain a copy for their records.

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Refer to the instructions on FTB Form 592 and 592-B for additional information on the remittance and reporting of backup and nonresident income tax withheld. In addition, FTB Publication 1017, *Resident and Nonresident Withholding Guidelines*, provides information on the state’s withholding requirements. The publication and the forms are available at FTB Homepage. Further, state departments may contact the FTB, Withholding Services and Compliance Section for additional information. Please direct all inquiries to:

Franchise Tax Board
Withholding Services and Compliance Section
P.O. Box 942867 Sacramento, CA 94267-0651
Telephone: (916) 845-4900 Fax: (916) 845-9512
E-mail (non-confidential): WSCS.GEN@ftb.ca.gov
INVOICES CHARGEABLE TO MORE THAN ONE FUND OR APPROPRIATION

8422.201

(Renumbered from 8422.202 12/1989)

When an invoice must be filed against more than one fund or appropriation because no Plan of Financial Adjustment or re-billing procedure is used, the agency will file the necessary number of claim schedules with the State Controller’s Office with the invoice in one claim and cross-references in the other claims. The agency will not return to vendors invoices relating to more than one fund or appropriation and request, in lieu, separate invoices.
CLAIMS RECORDED ON ELECTRONIC TAPE 8422.202

(Revised 10/2018) (Renumbered from 8422.203 7/1988)

California Code of Regulations, title 2, division 2, chapter 1, article 3, section 622.1(a) permits state departments, upon approval of the State Controller, to submit claims recorded on electronic tape. Claims which have the following characteristics ordinarily will be considered for submittal in this manner:

- Large volume of payees;
- Similar in nature or purpose;
- Subject to repetitive handling and processing.

Departments should contact the State Controller's Office, Division of Audits for additional information and assistance.
PURCHASE AND EXPENSE CLAIMS 8422

(Revised 12/1989)

Purchase and expense claims will be listed on Claim Schedule, STD. 218 (Continuous), and submitted to the State Controller's Office for issuance of warrants. (See SAM Section 8422.2).

Claims will be submitted to the State Controller's Office at intervals to ensure that no vendor ordinarily will be paid more frequently than twice monthly except freight bills which, whenever possible, must be processed and paid within 21 days from the date of receipt by the State. This procedure is intended to assure that vendors receive payment within 30 days from the date the goods or services are received or the date of the non-discounted invoice, whichever is later. The procedure of filing claims to pay invoices as soon as possible after goods or services are received often results in an agency paying the same vendor as frequently as 10 or 12 times during a month and will be avoided whenever possible.

Invoices should be audited promptly in accordance with SAM Section 8422.1. Audited invoices then may be filed alphabetically by appropriation chargeable and by vendor. At scheduled intervals, the audited invoices may be removed from the alphabetical file and assembled into claim schedules in the manner prescribed in SAM Section 8422.2. For example, an agency that ordinarily submits claim schedules once weekly to the State Controller's Office may assemble audited invoices from the alphabetical file and prepare claim schedules as follows:

1st & 3rd Weeks: A – M
2nd & 4th Weeks: N – Z

Similarly, an agency that ordinarily submits claim schedules twice weekly may assemble audited invoices from the alphabetical file and prepare claim schedules as follows:

1st and 3rd Weeks: Tuesday: A – F
                 Friday: G-L
2nd and 3rd Weeks: Tuesday: M – R
                 Friday: S - Z
This procedure has been successfully tested and adopted by several State departments.
Government Code section 19849.8 permits departments to pay for the repair or replacement of damaged personal property worn or used by the employee in the course of employment (eyeglasses, hearing aids, dentures, watches, or articles of clothing).

Government Code section 19850.6 permits departments to reimburse or provide an employee with replacement of stolen personal property required for the performance of work. See Department of Human Resources rule 599.725.

There are instances when employees bring personal property to the workplace for personal use. Repair, replacement, or reimbursement of property not used on the job is not considered to be the responsibility of the state.

For stolen property, the choice of reimbursement or replacement is up to the employee's department but the employee's preference must be considered before a decision is made. Employees must provide their department with an inventory of all personal property used on the job prior to the loss. The California Highway Patrol must be notified and a copy of the theft report shall accompany the claim. Any claims of $500 and above for stolen property must have the prior approval of the Department of Human Resources.

Departments will approve claims under this section only when the circumstances of such loss clearly indicate that reimbursement is proper. Each claim for damage to or stolen personal property will include:

1. A report describing the incident that caused the damage or the circumstances surrounding the theft.

2. For damaged items, a receipted bill for repairs. If the article is damaged beyond repair, a statement of the actual value of the article at the time of damage and the reason it could not be repaired.
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3. For stolen items, a statement that the value of the property was verified by inspecting the original sales records, current price lists, or other appropriate methods.

4. A certification by the employee that:
   a. The item was required for work.
   b. The loss or damage occurred at the worksite, the workbase, or enroute.
   c. There was no employee carelessness or negligence and all foreseeable precautions were taken.
CLAIM FOR DAMAGE TO OR STOLEN EMPLOYEES' PERSONAL PROPERTY

All three stipulations in this certification must be made or the claim will not be approved. If they are met, a department may pay the cost of replacing, repairing, or reimbursing the value of the item.

5. Approval by the employee’s supervisor including:
   a. Confirmation of the facts stated by the employee.
   b. Recommendation for reimbursement or replacement.
   c. A statement of measures taken to prevent recurrence of the theft or damage.

Payments should not be made when recovery is possible under worker's compensation laws.
Refund claims will be presented on Claim Schedule form, STD. 218 (Continuous). The STD. 218 will contain a list of claimants, statutory authority for the refunds, and a statement of the reason for each claim. The procedures stated in SAM Sections 8240, 8422.4, 8422.5, and 8422.6 relating to remittance advices, claim corrections, and delivery of warrants also apply to refund claims.
Claims to establish revolving fund advances will be presented on STD. 218 (Continuous).

In lieu of withdrawing advances from each new appropriation and repaying the last preceding appropriation, departments may request that revolving fund advances be transferred in effect from appropriation to appropriation by Controller's Journal Entry.
(Revised 9/2000)

Government Code Section 17051.5 assigns the responsibility to stop payment on State warrants to the agency that initiated the warrant.

To initiate a stop payment on warrants erroneously issued to the wrong payee or in the wrong amount and warrants which the authorizing agency deems necessary to withhold payment, agencies must submit a memorandum requesting stop payment to the SCO, Division of Administration and Disbursements, P.O. Box 942850, Sacramento, CA 94250-5871. The memorandum must include the following:

- Agency name
- Contact person and phone number
- Agency address
- Warrant number
- Issue date
- Dollar amount
- Payee name
- Four digit fund number
- Reason for stop payment

The SCO will accept a fax memorandum; however, the original must be sent immediately to SCO. The supervisor of the SCO Post Issuance Unit will accept a verbal stop payment request in urgent situations.

Upon receipt of the memorandum, SCO will verify the status of the original warrant.

- If the warrant has been cashed, SCO will send a photocopy (front and back) with the memorandum to the authorizing agency.
- If the warrant is still outstanding, SCO will place a stop payment on the original warrant. The authorizing agency will receive a journal entry to show the redeposit of funds.
Departments will use a Request for Duplicate Controller’s Warrant/Stop Payment form, STD. 435, to request a duplicate warrant to replace a lost or destroyed warrant. See 8426.1 Illustration. Departments will not issue an office revolving fund check to replace a lost or destroyed warrant except for a payroll warrant.

The STD. 435 is a three page form including:

Page 1 - The legal affidavit requesting a duplicate warrant. Page 2 - Instructions to the payee.

Page 3 - An optional agency notification of duplicate warrant issued and mailed.

The department that authorized the original warrant (authorizing department) will complete the top portion of the STD. 435. The pertinent data should be typed or legibly printed. If the information is not legible, SCO will return the form to the department.

The authorizing department will mail STD. 435 to the payee to complete the certification. The warrant payee will complete and mail STD. 435 to the SCO, Division of Administration and Disbursements.

The authorizing department may fax a STD. 435 to the payee with instructions that the payee complete the form in non-black, ball point ink. This is to ensure that the SCO receives STD. 435 with original signatures. If it cannot be ascertained whether an original signature is affixed to STD. 435, SCO will return the form to the authorizing department.

Upon receipt of the properly executed STD. 435, SCO will verify the status of the original warrant.

a. If the warrant has been cashed, SCO will send a photocopy (front and back) with STD. 435 to the authorizing department.

b. If the warrant is still outstanding, SCO will place a stop payment on the original warrant and issue a duplicate warrant within 7 working days. The duplicate warrant will be mailed directly to the payee.
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If the authorizing department wants notification that the duplicate warrant was issued and mailed, the authorizing department must complete page 3 of STD. 435, Agency Acknowledgement of Issuance of Duplicate Warrant. The SCO will date stamp the acknowledgment when the duplicate warrant is issued and mailed to the payee and forward it to the authorizing department.

(Continued)
In cases of theft, the authorizing department will complete STD. 435 as instructed above. The authorizing department will mail or fax STD. 435 to the payee and fax a copy to SCO. A stop payment will be placed immediately to prevent redemption of the original warrant. It is incumbent upon the authorizing department to instruct the payee that if the original warrant is recovered, it is not to be cashed. The original warrant will not clear the banking system. Use this process only when the payee has reported theft of a warrant. Must call SCO at 916-445-3903 to place immediate stop and for fax number.

See Government Code Sections 17090–97 regarding lost or destroyed warrants.
Departments may issue office revolving fund checks to replace lost or destroyed payroll warrants but only after completion of the forms as required below.

If a payroll warrant is lost or destroyed:

a. Before delivery to the employee, the department must complete a Proof of Lost or Destroyed Payroll Warrant and Request for Issuance of Duplicate Warrant form, CD 113 A or B. Detailed instructions are in the Payroll Procedures Manual, Chapter I, Section 320. The duplicate warrant will be mailed to the department.

b. After delivery to the employee, the employee must complete the certification on a Request for Duplicate Controller’s Warrant/Stop Payment form, STD. 435. The department will complete STD. 435 with the departmental address in the upper left-hand box. This will ensure the duplicate warrant is sent to the department.

The duplicate warrant will be deposited to reimburse the office revolving fund.

If an employee overpayment occurs, departments must follow collection procedures as outlined in SAM Section 8776.7.
When a payee maintains that the proceeds from a paid state warrant were not received, the State Controller’s Office (SCO), Division of Disbursements, will furnish copies of both sides of the warrant. The payee is to verify the endorsement, which is the signature on the back of the warrant. If the payee alleges that the endorsement is a forgery, the payee must write to the SCO informing them that a forgery has been committed. All pertinent data is submitted to the SCO, Division of Disbursements, Attention: Forgery Technician, for review and possible investigation. SCO will analyze the documents, and if it appears that the endorsement is a forgery, the SCO will forward all pertinent data, including four (4) copies of the warrant, to the State Treasurer’s Office (STO), Item Process Section.

The STO will then send three copies of the Forged Endorsement Affidavit, Form STO-CA-0034, to the payee to be signed. All three copies must be signed in ink. The payee’s signature must be either witnessed by two disinterested parties or notarized. All three copies must be signed by witnesses; one notarized copy will suffice. The payee is to return all three copies to STO. Upon receipt of the completed affidavits, the signatures are compared with the endorsement on the warrant as a final check before requesting repayment of the money from the applicable bank. After receiving the funds from the bank, STO will authorize SCO to reissue the warrant. See SAM section 8041.1 for procedures for handling altered or forged agency checks.
Agencies will account payroll disbursements from Notices of State Payroll Revolving Fund Transfer, Form CD–62. See SAM Chapter 8500.
Government Code (GC) section 11251 is the statute that authorizes the use of a general Plan of Financial Adjustment (PFA). Statutes which authorize the use of a PFA for federal funds are: GC section 16365 for the Federal Trust Fund; Education Code section 12060 for the Vocational Education Federal Fund; and Health and Safety Code section 100390 for the Public Health Federal Fund.

The format for a general PFA is shown in Illustration 1 below, and for federal funds in Illustration 2 shown below, and a combined PFA (general and federal) in Illustration 3 shown below. Each PFA must follow one of the illustrations; however, statute references, funds, and appropriations will vary.

The following items must be included in a PFA:

1. The first paragraph should include a request for approval of PFA and a statement of the period of time for which PFA is to be effective. This period of time can be for a limited period (one, two, three years) or it can be continuous from year-to-year. Departments should review their PFA each year and update as necessary. If the PFA is no longer needed, notify the State Controller’s Office (SCO) and Department of Finance budget analyst.

Departments can seek approval to establish a new clearing program by adding language to the PFA.

2. Identify the funds and appropriations covered by PFA. If PFA is to be continuous and one of the appropriations covered by the plan is appropriated yearly, care should be taken to identify the yearly appropriation and not the specific appropriation of a particular year. For example, the 11-digit item code (ex. 8860-001-0001) of a support appropriation should be used to identify a department’s yearly support appropriation and not the year and chapter number of the current budget act. If the appropriation covered is made by other than budget act legislation, the year and chapter must be stated.

3. A declaration by the department that a cost allocation plan will be used to allocate the costs covered by the PFA. A description of the cost allocation plan and the types of costs covered must be filed with the SCO. Those departments that have more than one PFA only need to file one cost allocation plan description unless a different plan is utilized for each different PFA. The description should include the type of costs being allocated and...
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the methodology used to allocate the costs. Refer to SAM Chapter 9200 for guidelines on allocating costs. Although these sections refer to allocating line-item costs to programs, the same principles apply to allocating shared costs between funds and/or appropriations.

(Continued)
4. The frequency of transfer requests between the funds and/or appropriations covered by the PFA must be included. Transfers should be on a monthly basis, but can be more frequent if needed. Transfers should be for a one-month period, specify if it is actual or estimated, and months should not be combined.

5. The PFA must be certified by an authorized department officer.

Note: If the proposed PFA contains any incorrect or missing information, it will be returned to the department for correction.

Refer to SAM section 8452.2 for Approval of Plan of Financial Adjustment. (Continued)
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8452.1 Illustration 1   General PFA

Department of Finance
(Appropriate Budget Unit)
915 L Street
Sacramento, CA 95814

State Controller
State Accounting and Reporting Division
3301 C Street, Suite 760
Sacramento, CA 95816

PLAN OF FINANCIAL ADJUSTMENT (No ______)

We request that the Department of Finance and the State Controller approve the following Plan of Financial Adjustment (PFA) under Government Code Section 11251 to begin July 1, 20____ and to continue until ______________, unless amended or rescinded.

We are also requesting to establish a clearing program in Budget Act of __________________(Year) Item___-____-____, effective on __________(NM/DD/YY) (Remove if not needed)

1. As used herein, the following terms have the meanings set forth below:
   a. "Agency" means the Department of ________________.
   b. "Primary Appropriation" means the main Budget Act appropriation for the support of the Department (e.g., Item____-____-______).
   c. "Special Appropriation" means any appropriation other than the main support appropriation in the Budget Act or an appropriation from other legislation (if Budget Act Special Appropriation, state Item____-____-______; if other legislation, state Chapter______ Statutes of__________).
   d. "Covered Expenditures" means the expenditure incurred by the Agency properly chargeable to the Primary Appropriation or Special Appropriations.

2. All covered expenditures may be paid, in the first instance, from the Primary Appropriation.

3. On the basis of data set forth in the records maintained by the Agency and in accordance with the plan of cost allocation employed by it, the Agency will determine and record the amounts expended from the Primary Appropriation.

4. Once a month, the Agency shall file a request with the State Controller to transfer from the Primary Appropriation as established under "1," above, an amount which equals expenditures determined under "3," above which are chargeable to the Special Appropriations. Such a transfer may be made on an estimated basis, if needed, and then must be followed by an actual expenditure transfer for the month.

5. At any time after the end of a period covered by previous requests for transfer of funds, the Agency may file with the State Controller requests for transfer to make final adjustments after the close of such period.

6. Requests for transfer under this plan will be accompanied by such supporting detail as may be normally required by the State Controller and the Department of Finance.
Requests for transfers under this plan will be addressed to the State Controller’s Office, State Accounting and Reporting Division, 3301 C Street, Suite 760, Sacramento, CA 95816, and be certified in the following language:

I hereby certify under penalty of perjury that I am duly appointed, qualified, and acting officer of the herein named State agency, department, board, commission, office or institution; that the within transfer is in all respects true, correct, and in accordance with all applicable provisions or restrictions in the Budget Act or other statute pertaining to the particular appropriation.

Department of __________________________
Print Name __________________________
Signature____________________________
Title_______________________________
Date_______________________________
Telephone_________________________

APPROVALS:

Approved by Department of Finance
Print Name__________________________
Signature___________________________
Title_______________________________
Date_______________________________
Telephone_________________________

Approved by State Controller
Print Name__________________________
Signature___________________________
Title_______________________________
Date_______________________________
Telephone_________________________
PLAN OF FINANCIAL ADJUSTMENT (No._______)

We request that the State Controller and the Department of Finance approve the following Plan of Financial Adjustment (PFA) under Government Code Section 16365 for the Department of___________to transfer and account for expenditure of Federal funds held in the Federal Trust Fund. The plan is to become effective July 1, 20__, and to continue until________, unless amended or rescinded.

We are also requesting to establish a clearing program in Budget Act of____________________ (Year) Item____ - _____, effective on___________________ (MM/DD/YYYY) (Remove if not needed)

1. As used herein, the following terms have the meanings set forth below:

   a. "Agency" means the Department of__________.

   b. "Primary Appropriation" means the main Budget Act appropriation for the support of the Department (e.g., Item____:__ : __).

      Note: If the plan is to cover several appropriations, an attachment may be used.

   c. "Federal Trust Fund Accounts" means the specific accounts created in the Federal Trust Fund for holding of Federal funds as approved by the State Controller’s Office on Form AUD 10A.

   d. "Covered Expenditures" means all expenditures which are properly chargeable to the Federal Trust Fund under b and c.

2. As authorized by Government Code Section 16365, all covered expenditures may be paid in the first instance from the primary appropriation(s) under 1.b. of this plan.

3. On the basis of data set forth in the records maintained by the Agency and in accordance with the plan of cost allocation employed by it, the Agency will determine and record the amounts expended from the Primary Appropriation.

4. Once a month, the Agency shall file a request with the State Controller to transfer from the Primary Appropriation as established under “1.b.,” above, an amount which equals expenditures determined under “3,” above which are chargeable to the Special Appropriations. Such a transfer may be made on an estimated basis, if needed, and then must be followed by an actual expenditure transfer for the month.

   a. As an advance as authorized by Government Code Section 16365(b), an amount the Agency anticipates will be expended for the purpose of the Federal funds.

   or

   b. To reimburse the Appropriation(s) for expenditures made on behalf of the Federal Trust Fund Account(s).

(8452.1 Illustration 2, page 1)  

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5. At any time after the end of a period covered by previous requests for transfer of funds, the Agency may file with the State Controller requests for transfer to make final adjustments after the close of such period.

6. Requests for transfers under this plan will be accompanied by such supporting detail as may be normally required by the State Controller and the Department of Finance.

Requests for transfers under this plan will be addressed to the State Controller's Office, State Accounting and Reporting Division, 3301 C Street, Suite 760, Sacramento, CA 95816, and be certified in the following language:

I hereby certify under penalty of perjury that I am duly appointed, qualified, and acting officer of the herein named State agency, department, board, commission, office or institution; that the within transfer is in all respects true, correct, and in accordance with all applicable provisions or restrictions in the Budget Act or other statute pertaining to the particular appropriation.

Department of ______________________
Print Name ______________________
Signature_______________________
Title____________________________
Date____________________________
Telephone_______________________

APPROVALS:

Approved by Department of Finance
Print Name_______________________
Signature_______________________
Title____________________________
Date____________________________
Telephone_______________________

Approved by State Controller
Print Name_______________________
Signature_______________________
Title____________________________
Date____________________________
Telephone_______________________

(8452.1 Illustration 2, page 2)

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8452.1 Illustration 3 General and Federal PFA (combined)

Department of Finance
(Appropriate Budget Unit)
915 L Street
Sacramento, CA 95814

State Controller’s Office
(State Accounting and Reporting Division)
3301 C Street, Suite 760
Sacramento, CA 95816

PLAN OF FINANCIAL ADJUSTMENT (No____)

We request that the Department of Finance and the State Controller approve the following Plan of Financial Adjustment (PFA) under Government Code Sections 11251 and 16365 to begin July 1, 20____ and to continue until___________, unless amended or rescinded.

We are also requesting to establish a clearing program in Budget Act of________________________ (Year)
Item____.-.-.-.-., effective on________________________(MM/DD/YYYY) (Remove if not needed)

1. As used herein, the following terms have the meanings set forth below:
   a. “Agency” means the Department of____________
   b. “Primary Appropriation” means the main Budget Act appropriation for the support of the Department (e.g., Item____.-.-.-.-).
   c. “Special Appropriation” means any appropriation other than the main support appropriation in the Budget Act or an appropriation from other legislation (if Budget Act Special Appropriation, state item____.-.-.-.-.-.-.-.-.; if other legislation, state Chapter , Statutes of ________________).
      Note: If the plan is to cover several appropriations, an attachment may be used.
   d. “Covered Expenditures” means the expenditure incurred by the Agency properly chargeable to the Primary Appropriation or Special Appropriations.
   e. “Federal Trust Fund Accounts” are specific accounts created in the Federal Trust Fund to hold Federal funds as approved by the State Controller’s Office on Form AUD 10A.

2. All covered expenditures may be paid, in the first instance, from the Primary Appropriation.

3. On the basis of data set forth in the records maintained by the Agency and in accordance with the plan of cost allocation employed by it, the Agency will determine and record the amounts expended from the Primary Appropriation.

4. Once a month, the Agency shall file a request with the State Controller to transfer from the Primary Appropriation as established under “1. b,” above, an amount which equals expenditures determine under “3,” above, which are chargeable to the Special Appropriations. Such a transfer may be made on an estimated basis, if needed, and then must be followed by an actual expenditure transfer for the month.

   a. As an advance as authorized by Government Code Section 16365(b), an amount the Department anticipates will be expended for the purpose of the Federal funds.

or

(8452.1 Illustration 3, page 1)

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b. To reimburse the Appropriation(s) for expenditures made on behalf of the Federal Trust Fund Account(s).

5. At any time after the end of a period covered by previous requests for transfer of funds, the Agency may file with the State Controller requests for Transfer to make final adjustments after the close of such period.

6. Requests for transfer under this plan will be accompanied by such supporting detail as may be normally required by the Department of Finance and the State Controller.

Requests for transfers under this plan will be addressed to the State Controller’s Office, State Accounting and Reporting Division, 3301 C Street, Suite 760, Sacramento, CA 95816, and be certified in the following language:

I hereby certify under penalty of perjury that I am duly appointed, qualified, and acting officer of the herein named State agency, department, board, commission, office or institution; that the within transfer is in all respects true, correct, and in accordance with all applicable provisions or restrictions in the Budget Act or other statute pertaining to the particular appropriation.

Department of __________________________
Print Name ____________________________
Signature ______________________________
Title __________________________________
Date ____________________
Telephone _____________________________

APPROVALS:

Approved by Department of Finance                                  Approved by State Controller
Print Name_____________________________  Print Name_____________________________
Signature_____________________________  Signature_____________________________
Title______________________________    Title______________________________
Date______________________________    Date______________________________
Telephone__________________________  Telephone__________________________

(8452.1 Illustration 3, page 2)
Listed below are the types of Plan of Financial Adjustment (PFA) and the approval process:

**General PFA**
Government Code (GC) section 11251 authorizes the use of a general PFA.

**Federal PFA**
The following statutes authorize the use of a PFA for these specific funds:
- GC section 16365 – Federal Trust Fund
- Education Code section 12060 – Vocational Education Federal Fund
- Health and Safety Code section 100390 – Public Health Federal Fund

**Combination** (General and Federal) PFA Authorizing statutes are provided above.

**Approval Process**
Departments will submit their original proposed PFA to the Finance budget analyst for review and approval. Finance will review the PFA to validate that the appropriation items are consistent with authorized legislation for expenditures (i.e., the Budget Act, special appropriations, and/or department’s legislative authority). If approved, Finance will forward the signed original PFA to SCO for final approval and distribution.

For all approved PFAs, the SCO will return an approved copy of the PFA to the submitting department and the Finance budget analyst.
A Plan of Financial Adjustment (PFA) is a plan proposed by a state department to allocate costs paid from one fund or appropriation to other funds or appropriations. The purpose of a PFA is to eliminate the use of multiple claim schedules for an invoice or payroll charge applicable to more than one fund or appropriation. See SAM section 8452.1 for preparation of a PFA and for requesting a new clearing program. See section 8452.2 for approval of a PFA.

Approved PFAs are used as the authority to transfer expenditures (financial adjustment) between appropriations of the same fund or between appropriations of different funds.

For example, throughout the month a department will use a disbursing account, such as a clearing account (also known as the clearing program 99) to pay invoices, payroll, and direct transfers that are chargeable to multiple appropriations. The use of a single disbursing/clearing program eliminates the need for multiple claims. Once a month, departments will submit a transaction request to transfer expenditures from the clearing program in accordance with the approved PFA. The clearing program must be able to support the PFA covered expenditures for the month.

The clearing program is established in the department’s primary appropriation and must be approved by the Finance budget analyst and SCO. Departments can seek approval to establish a new clearing program by adding language to the PFA letter. See section 8452.1.

At month end, the department will perform cost allocation/fund split and record the expenditures in the ultimate funds. The department will provide SCO a written request called the Transaction Request, Form CA 504 to transfer expenditures in accordance with the department’s approved PFA authority. Transfers should be for a one month period and months should not be combined. The transaction request should specify whether the transfer is for actual or estimated expenditures. The SCO will process the Transaction Request and issue a journal entry to the department for the financial adjustment.

PFAs will not be used to provide working capital advances, overcome cash flow problems, or distort interest earnings between funds. Generally, financial adjustments are made on a monthly basis but could be more frequent if needed. Transfer of expenditures between funds will be made on an estimated basis when a material interest earnings loss will occur in the fund from which payments are made.
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In accordance with law and principles of governmental accounting, departments are required to maintain separate accountability for each fund and/or appropriation covered by the PFA. All PFAs, expenditure transfers, and supporting documentation are subject to audit by the California State Auditor’s Office and SCO, Audits Division.
Charges for services to be performed by a state department may be paid in advance by the entity to receive such services. The department which performs the services will account for the payment as a reimbursement to their appropriation. Advance payments may be used to alleviate cash flow or collection problems. Terms of the advance payment must be specified in the reimbursement services contract.
After (1) moneys have been budgeted for a public works project, (2) general agreement as to the scope of the project and its cost has been reached between the agency and the Office of the State Architect, Department of General Services, and (3) the approval of the Public Works Board has been obtained, if required, the normal procedure is as follows:

1. The Office of the State Architect will prepare a Public Works Project Authorization and Transfer Request, OAC Form 22, in septuplicate, retaining one copy and forwarding the original and five copies to the agency concerned.

2. The agency or institution accounting officer will certify as to the availability of funds on the original and five copies of the document.

3. An agency executive officer will sign his approval on the original and all copies forwarded to him.

4. As requirements differ among agencies, each agency will determine the specific routing and distribution of copies to meet its needs, but will forward the original and at least three copies promptly to the Department of Finance for approval as to compliance with budget requirements. Agencies are urged to minimize internal routing of the form to expedite its processing, the transfer of funds, and the initiation of the project.

5. After approval, the Department of Finance will forward the original to the State Controller's Office, the duplicate to the Office of the State Architect, retain one copy for its own files, and forward the remaining copy or copies to the agency concerned.

6. The Office of the State Architect will proceed with scheduling the work when its approved copy is returned.

7. The State Controller's Office, upon receipt of the approved copy, will transfer the amount requested from the fund and appropriation specified to the Architecture Revolving Fund. If cash is not immediately available in the fund concerned, the State Controller's Office will make the transfer as soon as the necessary cash becomes available.

On those projects for which a written agreement between the agency and the Office of the State Architect is necessary, an Interagency Agreement, Std. Form 13, will be initiated by the Office of the State Architect. These agreements will cover the entire scope of a project; when more than one OAC Form 22 will be initiated as funds are needed.

Agencies will encumber Public Works Project Authorization and Transfer Requests, OAC Form 22, at the time those requests are approved by the agency.
Departments using services provided by the Department of General Services (DGS) will make advances from their operating funds and appropriations to assist in financing these services. DGS will calculate the advance amount based on an approved percentage of the annual cost of services rendered to departments. (See Government Code sections 11256 - 11263, 11290, and 11370.4). No advances or portions thereof will be returned until the following fiscal year budget has been passed and all prior year's invoices have been paid.

The normal flow of transactions for advances to the DGS is shown in the 8471 Illustration below.
When the State Controller's Office (SCO) issues the journal entry, Notice of Reserved Appropriation Advance, for the advance, it will be recorded as of the SCO's date on the journal entry. Departments will keep a subsidiary file by fund, agency, and appropriation to record the amount of the original advance and the subsequent return of the advance. No advances or portion thereof will be returned until the following fiscal year's budget has passed and all prior year's invoices have been paid. Departments may submit a request to DGS to reduce or return the advance for year-end cash flow problems.
DGS has implemented the Electronic Fund Transfer (EFT) system to streamline the payment of invoices and to eliminate the need for departments to prepare and submit claim schedules to SCO.

Under the EFT system, DGS continues to produce individual invoices for services and products provided to departments. The Notices of EFT are compiled into one electronic file by the end of the month and submitted to the SCO on the 2nd workday of the following month for processing. Approximately 8 working days are required by the SCO to process the EFT requests and to post the journal entries.

A copy of the individual invoices is available to view and print on the DGS-OFS website by the 5th calendar day of the following month at https://www.dgs.ca.gov/ofds.

An access account is needed to retrieve this information. To set up an access account, the departments will need to contact: SRFFiscalServices@dgs.ca.gov.

For information regarding the EFT program contact: Department of General Services Office of Fiscal Services - SRF 707 Third Street, 10th Floor West Sacramento, CA 95605

FAX: (916) 376-5165

E-Mail: SRFFiscalServices@dgs.ca.gov

The normal flow of transactions for the EFT System is provided in 8471.2 Illustration.
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(Revised 12/13)

ELECTRONIC FUND TRANSFER (EFT) FOR
DEPARTMENT OF GENERAL SERVICES' INVOICES

NORMAL FLOW OF TRANSACTIONS

Accounting Section
Dept. of General Services

Department

State Controller's Office

Receives services/products from
DGS.

Bills departments for services
rendered.

Submits EFT file to SCO to
transfer request.

Prepares Notice of EFT and
notify Departments.

Records journal entry.

Audits EFT file.

Reviews Notice of EFT.

Posts journal entry to
transfer the payment.

Records journal entry and
reconciles Notice of EFT against
individual invoices.

Note: If any department discovers an invoice discrepancy, the department should notify Department of General
Services who will issue an adjustment or credit that will automatically be recorded in the following EFT.

8471.2 Illustration

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(8471.2 Illustration)
The SCO will issue a Notice of Transfer journal entry for the DGS charges received via the EFT; departments will record the transaction as of the SCO’s date on the journal entry. This EFT transaction transfers money from the departments' appropriation to DGS.
DGS will collect delinquent invoices in accordance with Government Code section 11291 which states: "If a state agency refuses to pay the charges fixed by the Department of General Services pursuant to this article, the department may file a claim for such charges against any appropriations made for the support or maintenance of all or any part of the work and affairs of the state agency." Allowing invoices to become delinquent will be considered a refusal to pay.

An invoice will be considered delinquent if it is not scheduled by the department within 60 days from the date of the invoice unless the total amount due is less than $10. DGS may submit an EFT with the SCO when a department allows invoices to become delinquent and the SCO will transfer the payment from the department's appropriation.
If a department is billed by DGS for (1) services that were not performed, or (2) services that are not in accordance with an interagency agreement (IA), the department should notify DGS within 60 days of the invoice date. The department shall submit a STD. 209, Invoice Dispute Notification form directly to the contact information indicated on the invoice. The absence of an IA does not preclude the payment of valid invoices.
DGS assigns a six digit numeric code to state departments referred to as a Customer Account Number (CAN) in billing for services provided. To request a new CAN or to revise an existing CAN (e.g., update billing address), departments must properly fill out AFS-94A, CUSTOMER ACCOUNT NUMBER (CAN) REQUEST form available on


The completed form AFS-94A, approved by the department fiscal officer, should be submitted to:

Department of General Services
Office of Fiscal Services - SRF (IMS Code Z-1) 707 Third Street, 10th Floor
West Sacramento, CA 95605

FAX to: (916) 376-5165

E-mail to: SRFFiscalServices@dgs.ca.gov
Section 10261.5 of the Public Contract Code provides for the payment of interest on construction contracts at an annual rate of 10% (i.e., the rate set forth in subdivision (a) of Section 685.010 of the Code of Civil Procedure) when a State agency fails to pay a contractor’s properly submitted and undisputed payment request within 30 days of receipt of such request by the State agency.

Section 10261.5 of the Public Contract Code also provides as follows:

1. Any State agency which independently calculates the amount due on a progress payment and fails to make the progress payment within 30 days of the first submittal of the estimate by the contractor shall pay interest to the contractor at the rate specified above.

2. A State agency shall pay interest to the contractor at the rate specified above when the payment is not made within 30 days of receipt of a properly submitted and undisputed request for payment and the State Controller processes the payment within 14 days of receipt of the payment claim filed by the contracting State agency.

3. The State Controller shall pay interest to the contractor at the rate specified above when the payment is not made within 30 days of a properly submitted and undisputed request for payment and the contracting State agency has filed and the State Controller has accepted the payment claim within 16 days after receipt of the contractor’s request for payment by the State agency.
In order to encourage governments to act rapidly on claims filed with them, Government Code Section 926.10 provides that claimants shall be paid interest on liquidated claims filed with public entities which have not been paid within 60 days. Interest shall be at six percent per year.

The code section does not apply to claims filed as follows:

1. Claims of a State agency or fund against another State agency or fund.
3. Claims filed pursuant to construction contracts. (Please refer to SAM Section 8473.1)

A liquidated claim is a claim which can be determined with exactness from the parties’ agreement or by arithmetical process or application of definite rules of law. For Government Code Section 926.10 to apply there must be no disagreement over the validity of the claim and the claim must be due and payable.

Agencies will add interest to claims 60 days after one of the following dates, whichever occurs later:

1. The date goods or services are received.
2. The date the claim is received by the agency.
3. The date of completion of an engineering, legal, post audit, or other review, if required, to determine the validity of questionable claims. A claim is not considered filed until all disputes are settled.

Liquidated claims and their related interest charges generally will be paid through the claim schedule process. However, if the amount of the claim is $1,000 or more, agencies may pay the claim by use of a revolving fund check. If the claim is $10,000 or more and a revolving fund check is not prepared, an expedite claim schedule will be used. When preparing claim schedules, an additional five days of interest will be added for a regular claim schedule and two days of interest for an expedite claim schedule to compensate for the State Controller's processing time. Interest paid will be shown on the Remittance Advice as follows:

"Interest pursuant to Government Code Section 926.10" $________

Interest is payable from the same appropriation from which the claim is paid. (Continued)
(Continued)

**INTEREST ON LIQUIDATED CLAIMS  8473 (Cont. 1)**

(Revised 3/1991)

In determining the amount of interest due, the table on 8473 Illustration may be used. The figures shown in the table are the decimal equivalent of interest from the beginning of the year to the dates shown in the columns. For example, interest from the first of the year to July 24 would be the decimal equivalent of 3.370 percent or .03370. Since all interest does not begin to run from the first of the year, interest from the beginning of the year the date interest begins must be subtracted from the date shown in the table. For example, if the date interest begins is March 4 and the date payment is made is June 12, the amount shown in the table for March 4 (.01036) must be subtracted from the amount shown at June 12 (.02679) to arrive at the proper interest factor of .01643 for the period. The amount of the claim is multiplied by this interest factor to determine the interest due.

If interest runs past December, the interest from the date interest begins to the end of the year is calculated. Then, interest from the beginning of the year to the date interest ceases is added to that. In leap years, one additional day of interest must be calculated when interest periods span February 29. This may be accomplished by adding an additional day to the interest period. See SAM Sections 8474.1 and 8474.4, if applicable.
## SAM—DISBURSEMENTS

### Table of interest between two dates for periods of less than one year

Stated is the decimal equivalent of the project percentage at an annual rate of 6%.  

<table>
<thead>
<tr>
<th>Day</th>
<th>January</th>
<th>February</th>
<th>March</th>
<th>April</th>
<th>May</th>
<th>June</th>
<th>July</th>
<th>August</th>
<th>September</th>
<th>October</th>
<th>November</th>
<th>December</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.00161</td>
<td>.00176</td>
<td>.00186</td>
<td>.00196</td>
<td>.00206</td>
<td>.00216</td>
<td>.00226</td>
<td>.00236</td>
<td>.00246</td>
<td>.00256</td>
<td>.00266</td>
<td>.00276</td>
</tr>
<tr>
<td>2</td>
<td>.00412</td>
<td>.00428</td>
<td>.00444</td>
<td>.00460</td>
<td>.00476</td>
<td>.00492</td>
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<td>.00572</td>
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<tr>
<td>3</td>
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<td>.01684</td>
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<td>.04274</td>
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<td>.04492</td>
<td>.04601</td>
<td>.04710</td>
<td>.04819</td>
<td>.04928</td>
<td>.05037</td>
<td>.05146</td>
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<td>.05364</td>
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<td>6</td>
<td>.05416</td>
<td>.05525</td>
<td>.05634</td>
<td>.05743</td>
<td>.05852</td>
<td>.05961</td>
<td>.06070</td>
<td>.06179</td>
<td>.06288</td>
<td>.06397</td>
<td>.06506</td>
<td>.06615</td>
</tr>
</tbody>
</table>

### Notes on Table:

1. **Example 1:**
   - The date claim is to be paid by the State
   - Control in April 26th
   - The last day to January 15th
   - Interest factor
   - **Amount of Claim**
   - **Interest Due**

2. **Example 2:**
   - The end of the year is December 31st
   - The last day to December 15th
   - Controlling as March 15th
   - Interest factor
   - **Amount of Claim**
   - **Interest Due**

*All tables are illustrations in the file used when the numbers present in row 1 of Table I.
SAM - DISBURSEMENTS

Rev. 423
(8473 Illustration)


Chapter 927 of the Government Code, also known as the California Prompt Payment Act (the Act), requires state departments to automatically calculate and pay late payment penalties if they fail to make payments by the date required in the Act for the following:

- Properly submitted, undisputed invoices
- Grant claims for victim services or prevention programs
- Refunds or other undisputed payments due to individuals

The payment due date required in the Act is 45 calendar days after receipt of a properly submitted, undisputed invoice, unless otherwise specified in the contract or grant. In the case of refunds, the payment due date is 45 calendar days after notification of the refund to the payee or other payments due to individuals. Payment is defined as the issuance of a warrant or a registered warrant by the State Controller’s Office (Controller) or the issuance of a revolving fund check by a department. Late payment penalties shall not be paid when payees elect to return registered warrants to the state.

State departments shall pay penalties if a correct claim schedule is not submitted to the Controller within 30 calendar days and payment is not issued within 45 calendar days. The Controller shall pay penalties if payment is not issued with 15 calendar days of receipt of a correct claim schedule and payment is not issued within 45 calendar days. On an exception basis, departments may avoid late payment penalties by making payments through the Office Revolving Fund or utilizing the Controller’s claim schedule expedites service.

The Department of General Services (DGS) will not approve contracts with invoice payment terms exceeding 45 days.
a. **No Additional Invoice Required for Penalty Amount**: State departments shall pay the applicable penalties without requiring a vendor invoice for the penalty amount.

b. **Penalty Shall not be Waived**: Except for the 30-day extensions granted in the event of emergencies during a declared fire season (see paragraph [h] below), the late payment penalties specified in the Act may not be waived, altered, or limited by a state department that acquires property or services pursuant to a contract or that awards a specific grant or by any person or business that contracts with a state department to provide property or services or that is a recipient of a grant for victim services and prevention programs.

c. **Nonprofit Organizations**: A nonprofit organization shall only be eligible to receive a penalty payment if it has been awarded a contract or grant for victim services and prevention programs in an amount less than five hundred thousand dollars ($500,000).

d. **No Additional Appropriation**: State departments shall not seek any additional appropriation to pay late payment penalties. Any state department that requests a deficiency appropriation from the Legislature shall identify the portion, if any, of the requested amount attributable to penalties incurred.

e. **Subcontractors**: State departments shall encourage contractors to promptly pay their subcontractors and suppliers, especially those that are small businesses. State departments shall utilize expedited payment processes to enable faster payment by prime contractors to their subcontractors and suppliers, and shall promptly respond to any subcontractor or supplier inquiries regarding the status of payments made to prime contractors.

f. **Fire Season Emergencies**: Except in the case of a contract with a certified small business, a nonprofit organization, or a nonprofit public benefit corporation, if an invoice from a business under a contract with the Department of Forestry and Fire Protection would become subject to late payment penalties during the annually declared fire season, then the required payment approval date shall be extended by 30 calendar days.
SAM - DISBURSEMENTS

g. **Budget Enactment Delays:** During a budget impasse, late payment penalties continue to accrue until the payment is made, except for penalties incurred to nonprofit public benefit corporations, or for refunds, or other payments due to individuals.

(Continued)
h. **Calamities, Disasters, and Criminal Acts**: If the Department of Finance (Finance) determines that a state department or the Controller is unable to promptly pay an invoice, as required, due to a major calamity, disaster, or criminal act, the otherwise applicable late payment penalty provisions shall be suspended except as they apply to a claimant which is either a certified small business, a nonprofit organization, a nonprofit public benefit corporation, or a small business or nonprofit organization that provides services or equipment under the Medi-Cal program. The suspension shall remain in effect until Finance determines that the suspended late payment penalty provisions of this section should be reinstated.

i. **Liquidated Claims**: Government Code section 926.10, regarding interest on liquidated claims filed against public entities, shall not apply to any contract covered by the Act. See SAM section 8473.

j. **Invoice Dispute Notification**: A state department may dispute an invoice for reasonable cause. To dispute an invoice, the state department must notify the claimant within 15 working days from receipt of the invoice, or delivery of the property or services, whichever is later. State employees shall not dispute an invoice based upon minor or technical defects in order to avoid late payment penalties. The latest Invoice Dispute Notification form, STD. 209, is on the DGS website at http://www.documents.dgs.ca.gov/dgs/fmc/pdf/std209.pdf.

k. **Notice of Refund Dispute**: A State department may dispute a refund request for reasonable cause. To dispute a refund, the State department must notify the claimant within 15 working days after the department receives notice from the individual that the refund is due.
I. **Medi-Cal program**: Late payment penalty provisions shall not apply to claims for reimbursement of health care services provided under the Medi-Cal program, unless the Medi-Cal health care services provider is a small business or nonprofit organization. In applying these provisions to claims submitted to the state or its fiscal intermediary, by providers of services or equipment under the Medi-Cal program, payment for claims shall be due 30 calendar days after a claim is received by the state or its fiscal intermediary, unless reasonable cause for nonpayment exists. With regard to Medi-Cal claims, reasonable cause shall include review of claims to determine medical necessity, review of claims from providers who are subject to special prepayment fraud and abuse controls, and review of claims by the fiscal intermediary or the Department of Health Care Services (DHCS) due to special circumstances. Claims requiring special review as specified above shall not be eligible for a late payment penalty.

m. **Reporting Requirement**: State departments shall annually report to DGS, by September 30, the amount of late payment penalties paid during the preceding fiscal year. The report shall separately identify the total number and dollar amount of late payment penalties paid to small businesses, other businesses, and refunds or other payments to individuals. State departments may, at their own initiative, provide DGS with other relevant performance measures. DGS shall prepare a report separately listing the total number and dollar amount of all late payment penalties paid to small businesses, other businesses, and refunds and other payments to individuals by each state department during the preceding fiscal year, together with other relevant performance measures, and shall make the information available to the public. Inquiries regarding additional information on this reporting requirement should be directed to the Prompt Payment Coordinator, DGS, Procurement Division, at osdshelp@dgs.ca.gov.

n. **Other Penalties**: State departments will pay other legally authorized late payment penalties. These include the Public Utilities Commission (PUC) approved late payment charges in invoices from utilities operating under the authority of the PUC. However, when state departments pay other authorized penalties, they must take care to do so in lieu of the penalties authorized in the Act.
A. Small Businesses and Nonprofits

If the claimant is a certified small business, a nonprofit organization, a nonprofit public benefit corporation, or a small business or nonprofit organization that provides services or equipment under the Medi-Cal program, the state department or Controller shall pay the claimant a penalty at a rate of 10 percent above the United States Prime Rate on June 30 of the prior fiscal year. However, a nonprofit organization shall only be eligible to receive a penalty payment if it has been awarded a contract or grant for victim services and prevention programs in an amount less than five hundred thousand dollars ($500,000). If the amount of the penalty is ten dollars ($10) or less, the penalty shall be waived and not paid by the state department or Controller.

It is the responsibility of each state department to determine whether or not a claim has been submitted by a qualified small business.

It is the responsibility of the DGS Office of Small Business and Disabled Veteran Business Enterprise Services (OSDS) to verify which firms qualify as "small business" under the general provisions, California Code of Regulations, Title 2, Division 2, Chapter 3, Subchapter 8, section 1896 et seq. Any questions regarding whether a particular vendor contractor or service firm is a certified small business should be directed to OSDS at osdshelp@dgs.ca.gov. This information may also be accessed by using the OSDS search engine located on the DGS web site at: https://www.dgs.ca.gov/pd/Programs/caleprocure.aspx.

It is the responsibility of DHCS to verify/certify which providers under the Medi-Cal program qualify as a "small business." See SAM section 8474.4, paragraph (n).

B. Other Businesses and Defined Grantees

For all other businesses and victim services and prevention program grantees, the state department or the Controller shall pay a penalty at a rate of one percent above the Pooled Money Investment Account daily rate on June 30 of the prior fiscal year, not to exceed a rate of 15 percent. However, if the amount of the penalty is one hundred dollars ($100) or less, the penalty shall be waived and not paid by the state department or Controller.
C. Refunds and Other Payments to Individuals

For refunds or other payments due to individuals, the state department or the Controller shall pay a penalty at a rate equal to the Pooled Money Investment Account daily rate on June 30 of the prior fiscal year minus one percent. However, if the amount of the penalty is ten dollars ($10) or less, the penalty shall be waived and not paid by the state department or Controller.

This section requires:

1. No penalty shall accrue on any refund or payment due to individuals that is the result of a federally mandated program or directly depends upon the receipt of federal funds.

This section does not apply to:

1. Late payments for goods and services covered under SAM sections 8473 and 8473.1.
2. Income tax payments, refunds, or credits.
3. Reimbursement for health care services or mental health services provided under the Medi-Cal program, pursuant to the Welfare and Institutions Code section 14000 et seq.
4. Benefit payments to participants of public social service or public health programs.
5. Claims to the Department of General Services.
6. Payments made by the Commission on State Mandates.
Whenever a state department or the Controller determines a penalty is due, the rate for small businesses and nonprofits shall be a rate of 10 percent above the United States Prime Rate on June 30 of the prior fiscal year. The rate for all other businesses including grantees that provide victim services or prevention programs shall be one percent above the Pooled Money Investment Account (PMIA) daily rate on June 30 of the prior fiscal year, not to exceed 15 percent. The rate for refunds or other payments due to individuals is one percent below the PMIA daily rate on June 30 of the prior fiscal year. These rates change annually; therefore, the PMIA rate is communicated to state departments via a Budget Letter (BL). For the latest BL on late payment penalty rates, refer to the Finance website at: http://www.dof.ca.gov/budget/Budget_Letters/.

The penalty will be calculated as follows:

<table>
<thead>
<tr>
<th>Step 1: Determine the Payment Due Date</th>
<th>The payment due date is 45 calendar days after receipt of a properly submitted, undisputed invoice, unless otherwise specified in the contract or grant. In the case of refunds, the payment due date is 45 calendar days after notification of the refund to the payee or other payments due to individuals.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Step 2: Amount Subject to Penalty</td>
<td>The gross amount of the invoice less taxes or the “refund or other payment due” amount.</td>
</tr>
<tr>
<td>Step 3: Penalty Amount Per Day</td>
<td>Multiply the amount subject to penalty (as determined in Step 2) by the applicable daily penalty rate (based on the payment due date) as specified in the BL.</td>
</tr>
<tr>
<td>Step 4: Number of Days Penalized:</td>
<td>Calculate the number of calendar days between the payment due date (as determined in Step 1) and the date payment is issued.</td>
</tr>
</tbody>
</table>
### SAM - DISBURSEMENTS

#### Step 5: Late Payment Penalty Amount

Multiply the penalty amount per day (as determined in Step 3) by the number of days penalized (as determined in Step 4). The result is late payment penalty amount due the claimant; except that penalty amounts of $10 or less shall not be paid to small businesses, nonprofit and refunds or other payments due to individuals. For all other businesses, penalty amounts of $100 or less shall not be paid.

(Continued)
See Illustration 1 below for samples of late payment penalty calculations.

When a late payment penalty is incurred, a completed Penalty Calculation Worksheet, STD. 208 must be attached to the related invoice submitted to the Controller. The latest Penalty Calculation form, STD. 208, can be found on the DGS website at http://www.documents.dgs.ca.gov/dgs/fmc/pdf/std208.pdf.

Any invoice included in a claim schedule the Controller determines is subject to a claim correction shall be deemed to be improperly submitted and the state department shall be responsible for the penalty incurred on the invoice.
### SAM - DISBURSEMENTS

<table>
<thead>
<tr>
<th>FACTS</th>
<th>PAYMENT DUE DATE SET FORTH IN CONTRACT AS DEFINED IN SAM 8474.4 (c)</th>
<th>PAYMENT DUE DATE NOT SET FORTH IN CONTRACT</th>
</tr>
</thead>
<tbody>
<tr>
<td>A Date Agency Receives Invoice</td>
<td>3/1/XX</td>
<td>3/1/XX</td>
</tr>
<tr>
<td>B Payment Due Date Per Contract</td>
<td>4/1/XX</td>
<td>N/A</td>
</tr>
<tr>
<td>C Payment Issue Date</td>
<td>4/6/XX</td>
<td>4/30/XX</td>
</tr>
</tbody>
</table>

**STEP** Completing Penalty Calculation Form (STD. 208) – Part A

<table>
<thead>
<tr>
<th></th>
<th>Required payment approval date /1</th>
<th>Payment Due Date Per Contract /2</th>
<th>Payment Issue Date /3</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>4/1/XX</td>
<td>3/31/XX</td>
<td>4/6/XX</td>
</tr>
<tr>
<td>2</td>
<td>$30,000</td>
<td>$30,000</td>
<td>4/30/XX</td>
</tr>
</tbody>
</table>

### Daily Penalty Rate

- **Small Business**
  - .000363
- **Other Business**
  - .000034

### Penalty per day

- **Small Business**
  - 10.89
- **Other Business**
  - 1.02

### Number of days penalized /3

- 5
- 15

### Penalty amount

- **Small Business**
  - $10.89 x 5 = $54.45
  - $10.89 x 15 = $163.35
- **Other Business**
  - $1.02 x 5 = $5.10
  - $1.02 x 15 = $15.30

---

1/ The payment date specified in the contract, or 30 calendar days after the date the department receives an undisputed invoice.

2/ Use the current penalty interest factor per day provided annually in a Finance budget letter available at http://www.dof.ca.gov/budget/Budget_Letters/.

3/ Count the number of days from required payment approval date to date claim schedule submitted to SCO.

4/ Minimum late penalty payments: Small business - $10 / Other business - $100

Rev. 430

8474.3 Illustration 1 (Revised 6/2015)
DEFINITION OF TERMS

(Reviewed 6/2015)

a. **Claim:** A bill, invoice, or written request for payment provided by the claimant. Written request includes contract as defined in paragraph c. below.

b. **Claim schedule (STD. 218 (Continuous)):** A schedule of invoices prepared and submitted by a state department to the Controller for payment to the named claimants.

c. **Contract:** Any enforceable agreement, including purchase orders, sub-purchase orders, delegated purchase orders, service agreements, or rental and lease agreements of real and personal property.

d. **Grant:** A signed final agreement between any state department and a local government agency or organization authorized to accept grant funding for victim services or prevention programs administered by any state department.

e. **Invoice:** A bill or claim that requests payment on a contract under which a state department acquires property or services, or a claim pursuant to a grant for victim services and prevention programs.

f. **Disputed Invoice:** An improperly executed invoice or an invoice that requires additional evidence of its validity. The state department must notify the claimant in writing of a disputed invoice within 15 working days of receipt of the invoice using Invoice Dispute Notification, **STD. 209**.

g. **Undisputed Invoice:** An invoice executed by the claimant and for which additional evidence is not required to determine its validity. Undisputed invoices include:

1. A once disputed invoice which has been corrected or for which additional evidence of its validity has been provided and received by the state department.
2. An improper invoice where goods and services have been received by the contracting state department, but the state department fails to notify the claimant that the invoice is improper within 15 working days of receipt of the invoice.

h. Medi-Cal program: The program established pursuant to Chapter 7 (commencing with Section 14000) of Part 3 of Division 9 of the Welfare and Institutions Code.
DEFINITION OF TERMS 8474.4 (Cont. 1)

(Reviewed 6/2015)

i. **Nonprofit public benefit corporation:** A corporation, as defined by subdivision (b) of Section 5046 of the Corporations Code that has registered with the DGS as a small business.

j. **Reasonable cause:** A determination by a state department that any of the following conditions are present:
   1. A discrepancy exists between the invoice or claimed amount and the provisions of the contract.
   2. A discrepancy exists between the invoice or claimed amount and either the claimant’s actual delivery of property or services to the state or the state's acceptance of those deliveries.
   3. Additional evidence supporting the validity of the invoice or claimed amount is required to be provided to the state department by the claimant.
   4. The invoice has been improperly executed or needs to be corrected by the claimant.
   5. A discrepancy exists between the refund or other payment due as calculated by the person to whom the money is owed and by the state department.

k. **Received by a State department:** The date an invoice is delivered to the state location or party specified in the contract or, if a state location or party is not specified in the contract, wherever otherwise specified by the state department.

l. **Revolving fund:** A fund established pursuant to Article 5 (commencing with GC section 16400) of Division 4 of Title 2.

m. **Small business:** A business certified in accordance with requirements of subdivision (c) of GC section 14837.

n. **Small business and nonprofit organization Medi-Cal providers:**
   In reference to providers under the Medi-Cal program, a business or organization that meets all of the following criteria:
SAM - DISBURSEMENTS

1. Principal office is located in California.

2. Officers, if any, are domiciled in California.

3. If a small business, it is independently owned and operated.

4. Business or organization is not dominant in its field of operation.

5. Together with any affiliates, the business or organization has gross receipts from business operations that do not exceed three million dollars ($3,000,000) per year, except that the Director of the DHCS may increase this amount if the Director deems that this action would be in furtherance of the intent of the Act.

(Continued)
o. **State department**: State department refers to all state departments, offices, boards, commissions, institutions, colleges, and special organizational entities within state government.

p. **Payment**: The issuance of a warrant or a registered warrant by the Controller, or the issuance of a revolving fund check by a state department, to a claimant in the amount of an undisputed invoice.
Prison Industry Authority, at its discretion, may collect for the items it sells and delivers to state agencies by requesting SCO to transfer the applicable amount of charges from the agencies' appropriation to the Prison Industries Revolving Fund.

Requisitions from Prison Industry Authority will be made with a Purchase Order, STD. 65. Agencies need submit only one copy of the contract/delegation form to the Sacramento Office of Prison Industry Authority. In the lower part of the form on the line marked "FUND," agencies will show the fund and appropriation (item and chapter number) to which the order is to be charged. The "FISCAL YEAR" box will also be filled in with the year of the appropriation to be charged. (The fund, appropriation, and fiscal year figures should correspond with the figures which would be recorded if an agency was to file a claim schedule to pay for the order.)

RELEASE OF FUNDS AND PROPERTY OF DECEASED PERSONS

GENERAL

State employees may designate an individual who upon the death of the employee will be entitled to receive and negotiate SCO's warrants payable to the deceased employee. See Government Code Section 12479. Instructions relating to this procedure are presented in SAM Section 8477.2. The Probate Code also provides for the release of funds and property of deceased persons. Instructions relating to this procedure are presented in SAM Section 8477.32.
Section 12479 of the Government Code reads as follows:

"Any person now or hereafter employed by the state may file with his appointing power a designation of a person who, notwithstanding any other provision of law, shall, on the death of the employee, be entitled to receive all warrants that would have been payable to the decedent had he survived. The employee may change the designation from time to time. A person so designated shall claim such warrants from the appointing power.

On sufficient proof of identity, the appointing power shall deliver the warrants to the claimant. A person who receives a warrant pursuant to this section is entitled to negotiate it as if he were the payee."

This law permits state employees to designate an individual who, on the death of the employee, shall be entitled to receive and negotiate SCO's warrants payable to that employee had the employee survived. Agencies will assure that employees are advised of this right and are afforded an opportunity to make such a designation. SCO's warrants for payment of death benefits and refunds of employee retirement contributions cannot be released pursuant to this designation. This law relates only to SCO's warrants and does not authorize agencies to release agency checks. Agency questions regarding the legality of the release of SCO's warrants to a designee shall be referred to the agency's attorney or the Office of the Attorney General. Single persons with minor dependents shall seek legal advice in order to release final warrants to a minor.
State Controller's warrants due to deceased State employees, which are not released under authority and procedure described in Government Code Section 12479 and the SAM Section 8477.2, and other personal property of deceased persons may be released to the successor of the decedent's estate (SAM Section 8477.32).
Employees will be advised that a designation made pursuant to this law will remain in effect throughout their employment with the State unless the designation is superseded by the filing of a new designation (SAM Section 8477.22) or the designation is revoked (SAM Section 8477.23) and that the designation automatically will terminate on the date of the employee’s separation from state employment.

Designations will be obtained on Designation of Person Authorized to Receive Warrants, STD. 243. Instructions for completion are on the form. The agency immediately will review the completed STD. 243 for correctness and write the date reviewed by the agency and the name of the reviewing agency employee on both copies. The agency will retain the original copy of STD. 243 and return the duplicate copy to the employee.
A designation made on a Designation of Person Authorized to Receive Warrants, STD. 243, may be changed by receipt of a new STD. 243 showing thereon the name of the new designee. The agency will review and route the form in the same manner shown above in SAM Section 8477.21.

In addition, the agency will draw a diagonal line across the face of the revoked STD. 243 and write thereon "Superseded by STD. 243 received (date)." The duplicate copy of the new STD. 243, together with the original of the superseded STD. 243, will be returned to the employee.
A designation made on a Designation of Person Authorized to Receive Warrants, STD. 243, can be revoked by receipt of a new STD. 243. The word "NONE" will be shown in the space provided for the designee name and will be processed in the same manner as in a change of designee.

A STD. 243 designation may also be revoked by letter to the employee's current appointing power and signed by the employee. Upon the receipt of such a letter, the agency will draw a diagonal line across the face of the revoked STD. 243, write thereon "Revoked by letter dated__," retain the original of the letter, and return the revoked STD. 243 together with the duplicate of the letter to the employee.
Designation made on a Designation of Person Authorized to Receive Warrants, STD. 243, filed by an employee will continue in effect until revoked by the employee or the employee leaves State service. Therefore, a designation on file from an employee that transfers to or accepts employment with another State agency will be forwarded with the employee’s other personnel documents to the new employing agency.
Upon the death of an employee for which the agency has on file an unrevoked Designation of Person Authorized to Receive Warrants, Std. 243, the agency immediately will:

1. Initiate a "stop request" with the State Controller's Audit Division (SAM Section 8422.6) for any requested warrants payable to the deceased employee that otherwise the State Controller would mail directly to the employee, and request that these warrants be delivered to the agency.

2. Initiate reasonable efforts to contact the designee in order to deliver the warrants due the deceased employee to the designee.

Warrants will be released to a designee only if an unrevoked designation, Std. Form 243, is on file in the agency and only in accordance with the designation. Agencies will not release warrants to a purported designee on the basis of a Std. Form 243 presented by the designee which the agency does not have in its official files.

Warrants due a deceased employee can be released only to a designee or claimant who is 18 years of age or over.

Warrants requested from the State Controller for amounts due a deceased employee which are to be released to a designee will name the deceased employee as payee. Amounts owed an employee who would have been paid, or for whom pay checks already are prepared, from the agency revolving fund must be claimed from the State Controller and paid by the State Controller's warrants.

Agencies, under circumstances prescribed herein, may release warrants payable to a deceased employee:

1. To the designee if the designee is located within 60 days following the death of the employee and if no other claim or request for delivery of these warrants is made orally or in writing to the agency.

2. To a proper claimant under the provisions of the Probate Code (SAM Section 8477.32) if the agency is not able to locate the individual designated by the employee within 60 days following the death of the employee or if the employee did not designate an individual to receive the warrants.

(Continued)
3. To the designee or another claimant if the individual designated by the deceased employee to receive the employee's warrants is located within the required 60-day period but another individual orally or in writing also has requested the warrants under the provisions of the Probate Code (SAM Section 8477.32) provided either the designee or the other claimant agrees to this release of the warrants to the other individual by signing the following statement:

CONSENT AND WAIVER

I hereby consent to the delivery of California State Controller's Warrant(s) numbered _________ to _________ (Recipient), and I hereby waive and release any and all of my right, title, and interest in and to said warrants.

(Signature) Date

(Witness) (Address)

This signed statement will be retained by the State agency and filed in the deceased employee's personnel folder. Under all other circumstances, warrants due a deceased employee will be released only upon receipt of instructions from the agency's attorney or the Office of the Attorney General.

Warrants of a deceased employee will be released to the designee only upon receipt by the agency of a completed Request for Delivery of Warrants of a Deceased Employee. (See 8477.25 Illustration.) This form is not available from Materials Services, Office of Procurement, Department of General Services, and will be typewritten by the agency as needed. If the request will be signed in person by the designee at the agency's office, the request will be typewritten in duplicate by the agency as illustrated in 8477.25 Illustration. If the request will not be signed in person by the designee at the agency's office, the request will be typewritten by the agency as illustrated except that the following notary public's acknowledgment will be typed on the form in lieu of the "DESCRIPTION OF IDENTIFICATION OF DESIGNEE" section of the form:
SAM - DISBURSEMENTS

(Continued)

RELEASE OF WARRANTS TO DESIGNEE 8477.25 (Cont. 2)

(Renumbered from 8429.35 12/1989)

NOTARY PUBLIC’S ACKNOWLEDGMENT

State of )

County of )

On this day of 19 , before me, the undersigned notary public, personally appeared, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he (she) executed the same. In witness whereof, I have hereunto set my hand and affixed my official seal the day and year last above written.

Notary Public in and for the (City and)

County

(NOTARIAL SEAL) of , State of

All spaces provided on the Request for Delivery of Warrants of Deceased Employee form must be completed. The original completed and signed copy of the form will be retained by the agency in the deceased employee’s personnel file as the agency’s record of and authority for release of the warrants. The duplicate copy of the form may be given to the designee.

Upon the release of warrants to the designee, the agency will note on the request for delivery of warrants form the dates, numbers, and amounts of the warrants released.
State of California
REQUEST FOR DELIVERY OF WARRANTS OF A DECEASED EMPLOYEE

Name of Deceased Employee
Employee Number

Division and Department
Location of Employment

Home Address

Name of Designee
Relationship
Designation (Form 243) Dated

Street Address
City and State

(State Department and Address)

TO:

Pursuant to the provisions of Section 12479 of the Government Code of California, I, the undersigned, hereby request that any State of California warrants payable to the above-named deceased employee be delivered to me. I state the following facts in connection with this request:

THAT said employee died on or about __________, 19___, at ______________ (location)

THAT I am the designee named above and designated in the designation Form 243 as above set forth, to receive such warrants.

THAT I am an adult.

I certify under the penalty of perjury that the foregoing is true and correct.

Executed at ______________, California, this ______________ day of __________, 19___

Signature of Designee

Present Address

DESCRIPTION OF IDENTIFICATION OF DESIGNEE

Rev. 413

8477.25 Illustration
Sufficient identification must be presented by the designee to assure the agency reasonably that the applicant is the named designee.

If the designee submits the form by mail, or other than in person, at the agency's office, the notary public's acknowledgment identifying the designee will be sufficient identification of the designee.

If the designee personally appears at the agency's office, the agency will complete the "Description of Identification of Designee" section of the form, describing therein the identification presented. The form normally need not be notarized. Two or more documents such as a social security card, driver's license, credit cards, etc., normally should be sufficient for identification. The designee's signature on such documents may be compared with the designee's signature on the request for delivery of warrants. Also, the designee's stated age and relationship may be compared to that shown on the designation form and that address compared with the designee's address included by the deceased employee on the designation form. A statement by a current employee or any known person affirming the designee's identification is adequate and, if obtained, will be noted in the "Description of Identification of Designee" section of the request for delivery of warrants form. If the agency is not satisfied that reasonable identification of the designee has been presented, the agency may require the designee to obtain the notary public's acknowledgment required of designees not appearing in person.
Warrants payable to a deceased employee can be negotiated by a designee only if the agency releasing the warrants to the designee provides a special endorsement on each such warrant. This endorsement may be typed on the reverse side of each warrant if care is taken to assure that the holes punched in the warrant are not damaged. The endorsement will read:

The undersigned agency hereby certifies that pursuant to Section 12479 of the Government Code of California, the payee has designated

(Name of Designee)

to receive and negotiate this warrant, and that said designation is filed with this agency

(Name of Agency)

by: (Signature of Agency Representative) Title:

Title:

The agency will insert the full name of the designee and the name of the agency in the spaces indicated. The authorized agency representative, whose title will be included in the endorsement, personally must sign each such endorsed warrant. The designee will be instructed to endorse the warrant at the time of negotiation exactly as shown in the agency's endorsement of the warrant.
PROBATE CODE SECTION 13100 provides for the collection or transfer of a decedent's personal property without the administration of the estate or probate of the will. To effect the transfer of the decedent's personal property, the successor of the decedent must furnish an affidavit or declaration, under penalty of perjury under the laws of this State (declaration), to the holder of the decedent's personal property.

Departments may prepare a request form similar to SAM Section 8477.32 Illustration I that, when completed by the successor of the decedent, may serve as the declaration. The final form is left up to the department as long as the form is typewritten and includes, as a minimum, the information in Probate Code Section 13101.

The State department holding a decedent's personal property will verify that the affidavit or declaration is in accordance with Probate Code Section 13101 and that a copy of the inventory and appraisement of the decedent's real property is attached (Probate Code Section 13103).

Disposition of the original affidavit or declaration and necessary copies will be as follows:

1. Retain the original as the department's record of and authority for releasing the decedent's personal property;
2. Attach a copy to checks or warrants payable to the decedent when released; and
3. Attach a copy to each claim schedule submitted to the State Controller's Office requesting issuance of a warrant payable to the successor of the decedent.

Funds due a decedent may be released to the successor of the decedent in the form of checks or warrants made payable (1) to the successor of the decedent or (2) to deceased employees or other deceased persons. Departments will not release funds due a deceased State employee pursuant to this section when the department has on file an unrevoked Designation of Person Authorized to Receive Warrants, STD. Form 243, except as provided for in SAM Section 8477.25.

(Continued)
Checks drawn or warrants claimed that are to be made payable to the successor of the decedent will show the payee as follows:

(Name of Successor of Decedent)—Successor of Decedent (Name of Decedent)—Deceased

Before the decedent's personal property is released, the successor shall present to the department:

1. reasonable proof of his or her identity (Probate Code Section 13104); and
2. evidence of the decedent's ownership in the property, if available (Probate Code Section 13102).

Questions regarding the submission of affidavits or declarations may be referred to the State Treasurer's Office. However, questions regarding the decedent's ownership or interest in real or personal property, for the purpose of this law, should be referred to an attorney.
Funds and property of deceased persons may be released to the executor or administrator of the estate of a decedent upon receipt of certified copies of letters testamentary, or letters of administration. Departments will:

1. retain a copy of the certified letters testamentary, or letters of administration as the department's record of authority for releasing funds and property of deceased persons;

2. attach to each claim schedule submitted to the State Controller's Office a copy of the letters testamentary, or letters of administration in addition to the other documentation normally required to support payments claimed. A reproduced copy of the letter will be sufficient; and

3. note, on the department's copy of the letters testamentary, or letter of administration, the dates, numbers, and amounts of any check(s) or warrant(s) drawn to the decedent as payee and the description of any property released.

Funds due a decedent may be released to persons designated in letters testamentary, or letters of administration in the form of checks or warrants made payable (1) to the persons designated in the certified copies of letters testamentary, or letters of administration or (2) to the deceased employee or other deceased person as payee.

Checks drawn or warrants claimed that are to be made payable to the person designated in the certified copies of letters testamentary, or letters of administration will show the payee as follows:

1. Where payee is the executor

(NAME OF EXECUTOR) EXECUTOR OF THE LAST WILL AND TESTAMENT OF (NAME OF DECEDEENT) DECEASED

2. Where the payee is the administrator

(NAME OF ADMINISTRATOR) ADMINISTRATOR OF THE ESTATE OF (NAME OF DECEDEENT) DECEASED

(Continued)
(Continued)

REVIEW OF FUNDS AND PROPERTY OF DECEASED PERSONS
PURSUANT TO LETTERS OF TESTAMENTARY
OR LETTERS ADMINISTRATION

(Revised from 8429.73 12/89)

Agencies will instruct recipients of checks or warrants drawn to deceased employees or
other deceased persons as payees to endorse such checks and warrants as follows:

(NAME OF PAYEE)

by: (SIGNATURE OF EXECUTOR OR ADMINISTRATOR)

(USE APPLICABLE TITLE*)

* (EXECUTOR OF THE LAST WILL AND TESTAMENT OF DECEASED PAYEE)

* (ADMINISTRATOR OF THE ESTATE OF THE DECEASED PAYEE)
SAM - DISBURSEMENTS

REQUEST FOR FUNDS AND/OR PROPERTY OF A DECEDEENT

Pursuant to Chapter 3 Section 13100, amended July 1, 1987 of the Probate Code of the State of California, I, the undersigned, an adult, hereby request the State Treasurer to pay and deliver to me the money and/or other personal property on deposit as described below. I state the following facts within this request:

1. ____________________________ died in the City of ____________________________ in the State of ____________________________, on or about the _________ day of ________________, 19__.;

2. At least 40 days have elapsed since the death of the decedent, as shown in a certified copy of the decedent's Death Certificate attached to this affidavit or declaration.

3. No proceeding is now being or has been conducted in California for administration of the decedent's estate.

4. The gross value of the decedent's real and personal property in California, excluding the property described in Section 13050 of the California Probate Code (see reverse), does not exceed sixty thousand dollars ($60,000).

5. Check one:

   I am the successor of the decedent (as defined in Section 13006 of the California Probate Code) (See reverse) to the decedent's interest in the described property.

   I am authorized under Section 13051 of the California Probate Code (See reverse) to act on behalf of the successor of the decedent (as defined in Section 13006 of the California Probate Code) with respect to the decedent's interest in the described property.

6. No other person has a right to the interest of the decedent in the described property.

7. Please complete A or B:

   A. At the time the decedent died, said decedent had funds held in trust in the sum of $___________ or property as follows:

   (Continued)
SAM - DISBURSEMENTS

(Continued)

B. At the time the decedent died, said decedent was the owner of certain warrant/s issued by the State of California;

<table>
<thead>
<tr>
<th>No.</th>
<th>Dated</th>
<th>Amount</th>
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<tr>
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</table>

I hereby certify under penalty of perjury that the foregoing is true and correct.

Executed at ___________________, California, this __________ day of ________________, 19__.

Name (please print) ___________________ Signature ___________________

Number and Street ___________________ City __________ State __________ Zip __________
Successor of the decedent means:

(a) If the decedent died leaving a will, the sole beneficiary or all of the beneficiaries who succeeded to a particular item of property of the decedent under the decedent's will. For the purposes of this part the trustee of a trust created during the decedent's lifetime is a beneficiary under the decedent's will if the trust succeeds to the particular item of property under the decedent's will.

(b) If the decedent died without a will, the sole person or all of the persons who succeeded to the particular item of property of the decedent under Sections 6401 and 6402.

SECTION 13050—PROBATE CODE, AS ENACTED JULY 1, 1987

(a) For the purposes of this part:

(1) Any property or interest or lien thereon which, at the time of the decedent's death, was held by the decedent as a joint tenant, or in which the decedent had a life or other interest terminable upon the decedent's death, or which was held by the decedent and passed to the decedent's surviving spouse pursuant to Section 13500, shall be excluded in determining the property or estate of the decedent or its value.

(2) A multiple-party account to which the decedent was a party at the time of the decedent's death shall be excluded in determining the property or estate of the decedent or its value, whether or not all or a portion of the sums on deposit are community property, to the extent that the sums on deposit belong after the death of the decedent to a surviving party, P.O.D. payee, or beneficiary. As used in this paragraph, the terms "multiple-party account," "party," "P.O.D. payee," and "beneficiary" have the same meaning as given those terms by Section 5101.

(b) For the purposes of this part, all of the following property shall be excluded in determining the property or estate of the decedent or its value:

(1) Any vehicle registered under Division 3 (commencing with Section 4000) of the Vehicle Code or titled under Division 16.5 (commencing with Section 38000) of the Vehicle Code.

(2) Any vessel numbered under Division 3.5 (commencing with Section 9840) of the Vehicle's Code.

(Continued)
(3) Any manufactured home, mobile home, commercial coach, truck camper, or floating home registered under Part 2 (commencing with Section 18000) of Division 13 of the Health and Safety Code.

(c) For the purposes of this part, the value of the following property shall be excluded in determining the value of the decedent's property in this state:

(1) Any amounts due to the decedent for services in the armed forces of the United States:

(2) The amount, no exceeding five thousand dollars ($5,000), of salary of other compensation, including compensation for unused vacation, owing to the decedent for personal services from any employment.

SECTION 13051—PROBATE CODE, AS ENACTED JULY 1, 1987

For the purposes of this part:

(a) A guardian or conservator of the estate of a person entitled to any of the decedent's property may act on behalf of the person without authorization or approval of the court in which the guardianship or conservatorship proceeding is pending.

(b) A trustee of a trust created during the decedent's lifetime may act on behalf of the trust.

(c) If the decedent's will nominates a custodian to receive a devise to a beneficiary under the Uniform Gifts to Minors Act or the Uniform Transfer to Minors Act of any state and the nomination has not been revoked, the custodian may act on behalf of the beneficiary until such time as the custodianship terminates.

INSTRUCTIONS

1. The Request for Personal Property of a Decedent is the suggested form to be completed by claimants under Section 13100 of the Probate Code. This form is to be used only if applicable under the provisions of this section of law.

2. A certified copy of the decedent's Death Certificate must be attached to the request form.

3. Claimants must certify under penalty of perjury to the facts included on the request form.

(Continued)
(Continued)

4. The original of the request form and copy of the Death Certificate should be presented with the warrant to support the endorsement of the warrant. Endorsement of the warrant should be substantially as follows:

(Name of Payee)

(Beneficiary(ies)
"As per Section 13100 of the Probate Code"

If there is more than one beneficiary, all should join in certifying the request form, and in the endorsement of the warrant. The warrant should be deposited in your local bank in the usual manner along with all attachments. When it is presented to the State Treasurer through the usual channels, if found to be in order, it will be paid.

Rev. 423
CLAIMS FOR PAYMENT OF TORT LIABILITIES 8478

(Renumbered from 8430 12/1989) See SAM Section 8712.
SAM—PAYROLLS

CHAPTER 8500 INDEX

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### Return Of Salary Warrants To The State Controller’s Office, Division Of Administration And Disbursements

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<td>Recovery By Payroll Deduction</td>
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<td>Recovery From Separated Employees</td>
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<td>Absence For Jury Duty</td>
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<td>Absence As A Court Subpoenaed Witness</td>
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<td>Revolving Fund Advances</td>
<td>8595</td>
</tr>
<tr>
<td>Recovery Of Lump Sum Payments</td>
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</table>
Established by the State Constitution, the State Personnel Board (SPB) administers the state’s civil service system, including merit-based selection and employee discipline.

The SPB oversees the merit-based recruitment and selection process for the hiring of state employees as well as provides direction to departments through the board’s decisions, rules, and policies. In addition, the SPB reviews departments’ personnel practices for compliance with the merit system. The SPB also investigates and adjudicates alleged violations of the law which are filed by employees, applicants, and members of the public and reviews disciplinary actions brought against state employees.

The SPB administrative actions are governed by Article VII of the California Constitution and the State Civil Service Act (Government Code sections 18500-19799). These provisions are made more specific by the SPB rules (California Code of Regulations, Title 2, Division 1, Chapter 1).

The Department of Human Resources (CalHR) is responsible for managing the state’s personnel functions and represents the Governor as the "employer" in all matters concerning state employer-employee relations. The CalHR is responsible for all issues related to salaries and benefits, job classifications, civil rights, training, exams, recruiting, and retaining. For most employees, many of these matters are determined through the collective bargaining process.

CalHR administers its programs under Government Code sections 19815-19999.7. These provisions are made more specific by CalHR rules (California Code of Regulations, Title 2, Division 1, Chapter 3). For rank and file employees, these laws and rules may be superseded by a Memorandum of Understanding (MOU) negotiated under the State Employer–Employee Relations Act. In certain areas, the Personnel Transactions Manual provides detailed guidelines and procedures.

The State Controller's Office (SCO) is responsible for operating the state's payroll system and processing personnel transaction documents. Procedural information is available in the SCO's Payroll Procedures Manual and the Personnel Action Manual.
SAM—PAYROLLS

Departmental human resources office can provide additional guidance in these areas.
In accordance with Board of Control Rule 633.2, salaries of State officers and employees will be paid on the basis of 12, nearly equal, pay periods each year. The pay period will contain either 21 or 22 normal workdays, called a calendar month.

Normal workdays are Monday through Friday including holidays during the week.

The exception is when there are more than 22 or fewer than 21 workdays in a month, then the pay period may end one day before or after the end of the calendar month. On rare occasions the pay period may end two days before the end of the calendar month.

The end of the third monthly pay period, in each quarter, will always coincide with the end of the calendar quarter. Monthly salary rates are the pay for full pay periods of employment.

Hourly rate employees will be paid for the same pay periods as prescribed for monthly rate employees.

Special procedures apply to academic-year employees and ten-month academic employees in State universities, prescribed by Title 5 of the California Code of Regulations and the SCO's Payroll Procedures Manual.
The Department of Finance (DOF), Fiscal Systems and Consulting Unit, prescribes beginning and ending pay period dates. A schedule of 14 patterns of pay period dates will be used. The patterns repeat within a 28-year cycle. The patterns are numbered 1 through 14 and are listed below. The pattern that will be used is shown below each calendar year for the 28-year cycle 1994 through 2021.

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**SAM—PAYROLLS**

**BEGINNING AND ENDING DATES OF PAY PERIOD 8512**  
(Cont. 1)  
(Revised 9/00)

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BEGINNING AND ENDING DATES OF PAY PERIOD 8512  
(Cont. 2)
(Revised 9/00)

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BEGINNING AND ENDING DATES OF PAY PERIOD

(Revised 9/00)

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BEGINNING AND ENDING DATES OF PAY PERIOD
(Revised 9/00)

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BEGINNING AND ENDING DATES OF PAY PERIOD

(Revised 9/00)

Pattern 9:

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BEGINNING AND ENDING DATES OF PAY PERIOD
(Revised 9/00)

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</table>
SUMMARY OF CONTROLLER’S PAYROLL FUNCTIONS

In accordance with Government Code Sections 12470 to 12477 and 16395 and Board of Control Rule 660, SCO performs the following functions in connection with operating the uniform State payroll system:

1. Records approved position and personnel documents in payroll rosters to provide fiscal payroll control for DOF, SPB, and CalHR for both civil service and exempt positions.

2. Computes gross pay, retirement contributions, State and federal withholding tax, Social Security/Medicare, other deductions, and net pay for monthly, daily, hourly, and miscellaneous rate employees as well as for emergency employees, seasonal help, and overtime.

3. Prepares all payrolls, salary warrants, direct deposit payments, and employees’ statements of earnings and deductions.

4. Issues disability payments.

5. Verifies that all monthly rate employees whose appointments have been certified to SCO are included on the payroll or notifies the State agency of any exceptions.

6. Transfers funds for payroll disbursements and State contributions for employees’ retirement, Social Security/Medicare, and other benefits from the various appropriations to the State Payroll Revolving Fund and notifies the State agencies and the State Treasurer of these fund transfers.

7. Provides the State agencies with a payroll warrant register for each prepared payroll.
8. Remits the amount of payroll deductions directly to the retirement systems, tax authorities, insurance carriers and others and performs all accounting operations in connection therewith.

9. Prepares annual Withholding Statements, Form W-2, as well as quarterly and annual withholding State tax returns for salaries, wages, taxable benefits, and employee business expenses.

10. Pre-lists regular employees’ names on attendance report forms and distributes them to the State agencies at the beginning of each pay period.

11. Processes regular merit salary adjustments for employees. (Continued)
12. Prepares the bank reconciliation and maintains the outstanding warrant file for payroll disbursements.

13. Makes annual report of salary rates as basis for life insurance coverage under a group insurance policy.

14. Audits time compensated against personnel months authorized for each class within each budgetary group for all agencies.

15. Prepares annual reports of past and anticipated future salaries and wages expenditures for all State agencies for use in budget preparation.

16. Provides special services for selected State agencies.

17. Operates U.S. Savings Bond Payroll Deduction and Purchase Program.
PERSONNEL PROCEDURES ESTABLISHED POSITIONS

Personnel procedure is coordinated with budgetary control of salaries and wages by means of established positions. No employee may be appointed except to a position which has been properly established and approved by the Department of Finance to fix its class title, duration, organizational function, and the budget allotment from which the salary is payable.

Each position not previously established on a continuing basis must be established by the submission of Change in Established Positions form, STD. 607, to the Department of Finance. Factors that change or abolish positions are reported on this form.

Encumbrances and disencumbrances are recorded on STD. 607, against current budget allotments and indicated in the Estimates Register and allotment-expenditure accounts.

Blanket positions, in which any number of persons may be employed within budgetary limits as to the amount of money allotted, may be established for temporary or seasonal help, overtime, and other purposes, with approval of the Department of Finance.

Amounts encumbered against blanket position allotments are reported on STD. 607. The SCO will summarize expenditures from blanket positions as of the tenth of each month and will withhold any subsequent warrants for positions shown by such summary to be over-expended. Such warrants will be released upon receipt of STD. 607 increasing the approved encumbrance for those positions.

In order to promote the policy of recruiting employees at the entry or "trainee" level and subsequently advancing these employees to the journey person level when qualified, without further budgetary action, certain classifications are established interchangeably with the approval of the Department of Finance.

STD. 607 applicable to these positions will show the appropriate combination of "trainee-journey person" titles and will show the class code at the "journey person" level with the other class code(s) in parentheses. The positions will be reflected in the SCO's file with the "journey person" class code and will not be changed when the class of the incumbent is changed.
Positions are identified on documents, budget schedules, agency rosters, the SCO's Employment History Data Base, and payrolls by a 13-digit code number made-up as follow:

**Agency Code:**
Three-digit code identifying the agency or major subdivision for personnel/payroll use, and the fund from which salaries are payable. This number is assigned by the SCO.

**Reporting Unit Code:**
Three-digit code identifying the budgetary function and the location of attendance reporting units within the agency code. (When positions are authorized to be used in any of several attendance reporting units, **STD. 607** may show budget function codes instead of reporting unit codes to identify a group of reporting units.) These codes are assigned by the agency to conform with the organizational structure, with the approval of the Department of Finance and the SCO.

**Class Code:**
Four-digit code identifying the civil service class or exempt position title, as shown in the Civil Service Pay Scales or Exempt Pay Scales.

**Serial Number:**
Three-digit code identifying the individual position within the class and function. Serial numbers in the seven and eight hundred series identify employees in interchangeable classes and the nine hundred series identifies blanket positions.
Agencies will maintain sick leave and vacation records for each employee. STD. 642 or an equivalent form will be used to maintain individual sick leave and vacation credit balances. Information on sick leave and vacation usage will be obtained from monthly attendance reports, equivalent attendance summaries, STD. 634, or similar sources. All sick leave must be documented on STD. 634 or its equivalent. An annual statement of leave will be prepared and given to each employee. Leave cards and other supporting documents will be adequately protected and will not leave the premises.
In accordance with the Unemployment Insurance Code Sections 135 and 605 (effective January 1, 1978), all service (with some exceptions) performed in the employ of a state agency is covered employment for Unemployment Insurance (UI) compensation benefit purposes. The agency/agencies that employed the claimant during the base period (the base period is the twelve-month period on which a claim is based), are directly liable to the Unemployment Insurance Fund for all benefits paid.

The Tax Branch of the Employment Development Department will process the billing invoices to the agency/agencies on a quarterly basis. Payment of these invoices is due within thirty (30) days of the invoice date or they will be subject to a late payment penalty of 10 percent plus daily interest at the adjusted annual rate established pursuant to Section 19269 of the Revenue and Taxation Code, computed on the total bill amount. Payments will be accounted for as a "Personal Services" expenditure from the appropriation of the agency which makes payment.

The Personnel Officer or other designee so named by the agency director shall be responsible for the administration of UI claims within the department or agency.

The nearest Unemployment Insurance Field Office should be the initial contact for all agencies with questions regarding UI eligibility.

The Office of Risk and Insurance Management, Department of General Services, will be the contact for all agencies with questions regarding the internal administration of UI claims.
The purpose of this Section is to provide some background on job-related disability payments and to prescribe accounting procedures relating to Temporary Disability (TD) checks issued by the State Compensation Insurance Fund (State Fund). For instructions concerning the payroll process relating to Temporary Disability Compensation and Industrial Leave, see Sections E300 and E400 of the State Controller’s Payroll Procedures Manual (PPM).

Most departments are legally uninsured and participate in the Master Agreement with State Fund; only about 30 departments actually purchase an insurance policy from State Fund. State Fund processes disability claims for all State departments.

Additionally, State Fund issues all TD checks which are sent directly to the claimant. TD benefits are paid when an employee is not eligible for or has exhausted their eligibility for Industrial Disability (IDL) or Enhanced Industrial Disability Leave (EIDL), or 4800/4800.5 time. If a claimant receives TD and the employing organization is self-insured State Fund will bill the employing organization for the compensation payment and associated administrative costs. If the organization is insured, it is entitled to the service and support without charge.

When a claimant receives IDL, State Fund will send the department a Notification of Approval indicating periods of disability accepted as work related. This can be done via a Form 3290 or via email. Once the department receives approval they document and key a Miscellaneous Payroll/Leave Actions form (STD 671) into SCO’s PIP Miscellaneous Detail screen. See Sections E006 and E007 of the State Controller’s PPM for exceptions and form completion instructions.

Government Code Section 19863 prohibits payment in excess of an employee’s full salary. If at any time the amount of the temporary disability payment plus the amount of salary paid to the employee exceeds the employee’s regular full salary, the excess amount must be recovered by the employing organization from the employee.

ACCOUNTING FOR THIRD PARTY RECOVERIES

The State Compensation Insurance Fund (State Fund) shall notify a department in writing when a subrogation case has been settled; the department will be notified regarding the amount of recovery (cash or credit) and the manner in which the recovery
SAM—PAYROLLS

is to be applied. If there are any questions, contact the Office of Risk and Insurance Management, Department of General Services, or the Staff Fund office which handled the claim. See SAM Section 8775.
NONINDUSTRIAL DISABILITY INSURANCE

(Revised and Renumbered from 8539 10/88)

Under the provision of Senate Bill No. 1555, Chapter 341, Statutes of 1976, the Employment Development Department is charged with the responsibility of administering the Nonindustrial Disability Insurance Program for State employees. The Employment Development Department shall be reimbursed for its Nonindustrial Disability Insurance related administrative costs by the State agencies or entities employing individuals receiving Nonindustrial Disability Insurance benefits.

The Employment Development Department has developed procedures for ongoing reimbursement of its administrative costs by agencies, based on actual costs for the number of employees paid benefits in respective periods. The Fiscal Programs Division of the Employment Development Department will process billing invoices for Nonindustrial Disability Insurance Program administrative costs to participating agencies through SCO on a quarterly basis. The SCO will make the reimbursement payments by a transfer from the appropriate agency operating account to the Unemployment Compensation Disability Fund.

Nonindustrial Disability Insurance Program payments shall be accounted for by the agencies in the following manner:

1. Nonindustrial Disability Insurance benefit costs are charged as "Personal Service" expenditures, Section 3(a) of the Budget Act.
2. Nonindustrial Disability Insurance administrative costs are charged as "Operating Expenses and Equipment" expenditures, Section 3(b) of the Budget Act.
ATTENDANCE RECORDS

(Revised 9/00)

Agencies will maintain complete records of attendance and absences for each employee during each pay period. These records will be properly certified. The original copy of the completed Time and Attendance Report form, 672, required by SCO and maintained at the agency, will be signed only by those authorized per the signature on file at SCO.

Lists of those persons authorized to approve attendance documents supporting form 672 will be maintained in agency human resources offices. Agencies may designate specific individuals to certify attendance to the human resources office. If specific individuals are not designated, an employee's supervisor will certify the attendance. Authorizing signatures will be compared to the lists, which will be continuously updated.

Agencies must certify attendance to SCO after the close of each pay period in the manner prescribed by SCO.

When individual time records are maintained by employees, they will be signed by both the employee and the employee's supervisor.

Persons certifying attendance reports cannot certify his/her own attendance report.

OVERTIME

(Revised 04/01)

As a general practice, compensation for overtime, either by cash payment or time off, should be based upon prior written approval signed by a designated supervisor. It should also be authorized and issued in accordance with bargaining unit agreements. Due to the nature of work carried out by a state agency, management can retroactively approve this compensation. Care should be exercised in recording the overtime hours on the monthly attendance reports and overtime records of the employing State agency.
Employment taxes (federal and state income, Social Security, and Medicare) apply to various employer payments, fringe benefits (FB), and employee business expense (EBE) reimbursements. FBs are generally cash, property, or services received from the employer in addition to an employee’s regular pay. FBs are reportable and taxable income unless specifically excluded by federal and state tax laws, rules, regulations, etc.

Employer reimbursements for EBEs are taxable and reportable income unless the sponsoring employer’s plan satisfies Accountable Plan provisions and any unique requirements applicable per federal and state tax laws, rules, regulations, etc.

Accountable Plan criteria include: (1) expenses must be job related—to the extent that the expenses would be deductible on an employee’s personal income tax return; (2) employee must provide and sponsoring employer must validate a detailed accounting of the expenses (including time, business purpose, place, and expenditures validated by receipts); and (3) unsubstantiated amounts must be promptly returned to the employer.

EBEs must satisfy other specific requirements (e.g. uniforms must satisfy federal and state definitions of what constitutes a uniform as well as be provided under an Accountable Plan) before reimbursements qualify as non-taxable. EBE reimbursements failing to meet either Accountable Plan or other mandated requirements are considered issued under a non-Accountable Plan and are reportable and taxable income.

Taxation is based upon the actual reimbursement amount. For non-cash benefits such as personal use of a state provided vehicle, the fair market value of the benefit is generally used to determine the tax liabilities. The State Controller’s Office (SCO) processes applicable tax withholding as follows:

Federal Income Tax: 25%
State Income Tax: 6.6%, except bonuses Social Security: 6.2%
Medicare: 1.45%, an additional 0.9% in excess of $200,000 per calendar year
Taxes are due (payable) and reportable upon constructive receipt of the EBE reimbursement or the FB by the employee. Employers must report taxable EBE reimbursement and FBs monthly to the SCO no later than the 10th of the month following the month of receipt. Applicable taxes are then withheld from the affected employee’s next regular payroll warrant. For example, taxable overtime meal reimbursements/value of overtime meals received by the employee in March must be reported to the SCO by April 10. Failure to report timely violates legal requirements and subjects state department employers (including third parties such as an employee’s supervisor) to civil and criminal actions.

The following EBE reimbursements and FBs have taxable/reportable requirements that mandate timely employer reporting as outlined in the State Controller’s Payroll Procedures Manual (PPM) section N. Additional instructions can be located by accessing the SCO’s Payroll Letters via their website at: http://www.sco.ca.gov/ppsdp_advanced_payments.html.

Payroll Letters provide interim procedures that may not yet be reflected in the PPM. PPM information is available at: http://www.sco.ca.gov/ppsdp_ppm.html

Benefits include, but are not limited to: personal use of state provided vehicles and aircraft, awards, bonuses, incentives, bicycle and car mileage, entertainment expenses, educational assistance, electronic devices, housing, life insurance, loan programs, long term travel-indefinite, meals (travel and non-travel status), per diems, lodging, moving expenses/mileage, out placement, dues and memberships, scholarships, tickets, tips, gratuities, tool allowance, and uniform allowances.
Federal and State laws require that all payments for moving expenses be reported for income tax purposes. State agencies will report moving expense payments to the SCO. (Refer to the PPM Section N 147, et seq.) Where applicable, payments will be included on the employee’s W-2 form.

Federal and State laws require the withholding of income, Social Security, and Medicare taxes from certain moving expense payments. It is imperative that the employee be notified, prior to moving, that certain moving expense payments are subject to withholding.

For reimbursement information on moving expenses, refer to the CalHR Regulations 599.714 to 599.724.1. Federal income, Social Security, and Medicare tax questions should be directed to the Internal Revenue Service (IRS). State income tax questions should be directed to the Franchise Tax Board (FTB). Employees requesting tax advice should be referred to the IRS Publication 521--Moving Expenses, the IRS website: http://www.irs.gov, or any local IRS office.

INDETERMINATE FIELD ASSIGNMENT ALLOWANCES (LONG TERM TRAVEL-INDEFINITE) 8572.2

(Revised 12/02)

DPA Regulation 599.619 allows a State agency to reimburse employees for expenses incurred on a continuous indeterminate field assignment at a job site away from its headquarters location for an extended period of time. Based on federal and State tax law (refer to the IRS Publication 463), long-term per diem (for continuous, indefinite field assignment) is subject to withholding of employment taxes (federal and State income, Social Security, and Medicare).

It is imperative that the employee be notified, prior to starting the assignment, that such reimbursements are subject to withholding. (Refer to the PPM Section N 141, et seq.)
PERSONAL USE OF STATE PROVIDED VEHICLES

The IRS and the FTB regulations consider as compensation that is subject to taxation the value of all personal use of a State provided vehicle. (Refer to the IRS Publication 535—Business Expenses and the PPM Section N 129 et seq.) Publication 535 can be obtained from any local IRS office or via the IRS website: http://www.irs.gov. The PPM is available in the State agency’s human resources and accounting offices.

Employees are required to provide monthly records on the use of State vehicles, both personal and business, to their supervisor consistent with the law and departmental requirements.
Uniform Allowances

(Revised 12/02)

In addition to the income reporting requirements, some uniform allowances are subject to withholding for retirement contributions. If applicable, the provisions for retirement contributions will be included in the employees’ Memorandum of Understanding (MOU).

If the MOU stipulates that the uniform allowance is subject to retirement contributions, agency accounting offices will not make uniform allowance payments to employees. Agency human resources offices will request a payroll warrant be issued through the SCO payroll system. The payroll system will contribute the State’s share and withhold the employee’s share of the retirement contributions. If applicable, the benefit will be reported and the employment taxes will be withheld.

Agency accounting offices may pay uniform allowances not subject to retirement contributions. Payment may be made by issuing a revolving fund check or presenting a claim schedule to the SCO. However, these payments are subject to the withholding and reporting requirements as provided in SAM Section 8572.

DISTRIBUTION OF SALARY WARRANTS

(Revised 09/00)

The SCO will release salary warrants, Payroll Warrant Registers, Form CD–38, and in some instances Report of Exceptions, Form CD–66, to a designated individual. The SCO will require that the individual signs a receipt acknowledging receipt.
State agencies will observe the following separation of duties in designating persons who can certify or process personnel documents to SCO, Division of Personnel and Payroll Services. Persons designated by agencies to receive salary warrants from SCO, or to distribute salary warrants to employees, or to handle salary warrants for any other purpose will not be authorized to process or sign any of the following personnel documents:

a. Proof of Lost or Destroyed Payroll Warrant and Request for Issuance of Duplicate Warrant, Form CD-113A and B
b. CSU Personnel/Payroll Transaction form, STD. 456–A
c. Absences Without Pay Report form, STD. 603
d. Absence and Additional Time Worked Report form, STD. 634
e. Payroll Exceptions Report form, STD. 666
f. Time and Attendance Report form, 672
g. Miscellaneous Payroll/Leave Actions form, STD. 671
h. Payroll Adjustment Notice form, STD. 674
i. Personnel Action Request form, STD. 680–A

Departments will review duties at least semiannually or more often if necessary to comply with this section.
When a pay period ends on a normal workday (Monday through Friday), departments may release salary warrants anytime on that day after the employee has completed the work for the pay period. For employees who complete their shift at 5:00 p.m. on the last day of the pay period, departments may release salary warrants up to two hours prior to the end of the shift for administrative ease. When the pay period ends on a Saturday, a Sunday, or a holiday, departments may release salary warrants anytime on the last preceding normal workday (Monday through Friday) provided the employee has completed the work for the pay period. If employees are going to deposit or cash their warrants prior to the issue date, they should be cautioned to do it just before bank closing time, or 4:00 p.m. on those days when the banks are open until 6:00 p.m. This will ensure that the warrant will not be presented to the State Treasurer’s Office prior to the issue date since it cannot accept warrants from a bank before the issue date of the warrant.

Salary warrants will not be distributed to employees until the time paid for as shown on the Payroll Warrant Register has been verified with the attendance reports and a check made to ensure that the warrants should not be withheld because of amounts due to the agency revolving fund or judgment creditors. Supplemental Payroll Warrant Registers will be checked against uncleared reports of exceptions, adjustment notices, or other payroll records to ensure against release of duplicate or otherwise improper payments. Agencies having maintenance deductions, e.g., housing charges will check final payments for separating employees to ensure that all maintenance charges have been collected.

Salary warrants will not be mailed for employee convenience. If employees are absent due to an approved nonrecurring condition, such as travel, sickness, or training, and prior arrangements have been made, warrants may be mailed.
Computations of amounts of gross and net pay made by SCO will not be verified by agencies. However, agencies must be careful to withhold and return to SCO, Division of Administration and Disbursements, warrants which would result in overpayments because of incorrect documents submitted to that office. Warrants for less than the amount due should be given to the employees so that they may receive partial payment pending receipt of supplemental warrants. The handling of overpayments and underpayments should be done in accordance with bargaining unit agreements.
EMPLOYEE SEPARATIONS  

(Revised 06/05)

Departments are responsible to ensure that payments to separating employees are in accordance with Labor Code Sections 201 and 202.

Salary warrants will not be distributed to separating employees until the department has verified that all travel and salary advances have been paid (cleared). The verification must be provided by office revolving fund staff. See SAM Section 8595.

It is recommended that a check-out list acknowledging the return of state-owned items such as credit cards, keys, state records, and equipment be completed for separating employees prior to the release of the final warrant. The check-out list may also include the verification from the office revolving fund staff that there are no outstanding advances.

Government Code Section 19838 authorizes the state to withhold amounts owed for outstanding travel and salary advances from an employee’s final separation pay, provided the employee receives an amount sufficient to satisfy the state’s minimum wage requirement. Departments should direct all questions regarding the state’s minimum wage requirements to their departmental legal staff.

Amounts owed by the employee, other than salary and travel advances will not be deducted from an employee’s final separation pay. If, after the check-out, the separating employee leaves owing the department money, it is the responsibility of the department to pursue collections as described in SAM Section 8776.6.
Salary warrants not delivered within five days of pickup shall be returned to the office which distributes salary warrants. A written record of all undelivered warrants will be maintained and a copy given to the payroll office.

Warrants not delivered within 90 calendar days of receipt must be deposited and remitted to an escheat revenue account in the original fund that provided the resources to the State Payroll Revolving Fund.

Agencies will maintain a subsidiary ledger of all amounts credited to and disbursed from the escheat revenue accounts. Subsequent claims made by payees within 2 years of the date the warrant was credited to the escheat revenue account will be processed by filing a claim schedule against an escheat revenue account. For those amounts credited in the current fiscal year, the claim schedule shall be filed against the current year escheat revenue account. For those amounts credited in a prior fiscal year, the claim schedule will be filed against the prior year escheat revenue account. The State Controller's Office will process the claims regardless of the balances in the escheat revenue accounts.
The State Controller's Office (SCO), Uniform State Payroll System (USPS), will process each state department’s payroll transactions entered by their human resources office and generate the following documents:

- A Payment History File - available to the department monthly
- Payroll expenditures and recoveries - posted to each department’s appropriation in the SCO’s Fiscal System
- Payroll warrants and direct deposits - printed and distributed
- Notice of State Payroll Revolving Fund Transfer, Form SM62 (SM62) - printed and distributed

Payroll expenditures listed on the SM62 consist of gross salary plus the state contributions. The state’s contributions include:

- Retirement
- Old-Age, Survivors, and Disability Insurance (OASDI)
- Miscellaneous Benefits
- Premium
- Dental and health
- Administration
- Fees

Recoveries to payroll occur when warrants are voided or re-deposited or when overpayments are collected.
The SM62 reports payroll transactions for the departments which will be recorded using a Payroll Expenditure Register (see SAM section 10504). The SM62 reflects Clearance Type (CT) codes indicating transfers in or out of the State Payroll Revolving Fund (SPRF) as follows:

Transfers in the SPRF that increase departmental expenditures (entered as plus entries if a manual Payroll Expenditure Register is maintained):

- CT 1: Issue Payment - Registers of warrants issued
- CT 7: Transfer of Funds - Registers of payroll adjustments
- CT 8: Non-USPS Transaction - Corrections of previous transfers
- CT 9: Reverse Accounts Receivable - Corrections of previous transfers
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PAYROLL EXPENDITURE ACCOUNTING 8590 (Cont. 1)
(Revised 09/13)

Transfers out of the SPRF that decrease expenditures (entered as minus entries if a manual Payroll Expenditure Register is maintained):

- CT 4: Redeposit - Register of warrants re-deposited
- CT 5: Accounts Receivable - Transfers of amounts collected on overpayments
- CT 6: Transfer of Funds - Registers of payroll adjustments
- CT 8: Non-USPS Transaction - Corrections of previous transfers

Payroll transfers will be distributed to the applicable expenditure accounts and, if applicable, entered in the Payroll Expenditure Register where used in a manual system. The month during which the expenditures were incurred will generally be indicated by the date on the Controller’s Transfer. An exception to this procedure occurs when the month indicated by the transfer date is different from the month the expenses were incurred.

Then post the payroll transfer to the matching month. If the payroll period and the transfer date are in different fiscal years, the transfer date takes precedence. Note: In automated systems i.e. CALSTARS, the Payroll Expenditure Register is automatically produced as a by-product of labor distribution system and these entries are not applicable.
When Adjustment Notices, reporting amounts overpaid to employees, are processed by the State Controller's Office (SCO), they will send a Notice of Payroll Accounts Receivable (AR) to the department. The AR shows the total and gross amount of the salary overpayment, the payment type, the amount of overpayment of the employer’s share of contributions for employees’ retirement, OASDI, and other benefits. In addition, the AR shows the employee deductions that will be recovered by the SCO and the amount of the overpayment to be recovered from the employee by either a payroll deduction or an agency collection.

The gross amount and state share amounts of benefits of the AR will be entered as a credit to the expenditure accounts and a debit to Accounts Receivable-Abatements. See SAM section 10504 Entry No. 4 (Payrolls Are Paid). The AR is established in an open file pending full recovery of the overpayment and transfer of the amount recovered to the department appropriation and/or fund.

The AR file is the subsidiary to that portion of Account No. 1311, Accounts Receivable-Abatements representing salary overpayments and will show the amounts to be collected from employees.

The AR will be removed from the open file upon full recovery of payroll deductions or agency collections.

If the overpayment is collected through payroll deduction, the SCO transfers funds from the State Payroll Revolving Fund to the appropriation that incurred the payroll expenditure. The department receives an SCO Journal Entry (JE), Notice of Transfer (TC-38), for the amount of the transaction. The JE document typically begins with an AR or AP.

The ARO Notice of Transfer (TC-38) generated by the SCO is the total state share and employee deduction on the AR Notice. The ARO posts to SCO Fiscal System (Fiscal) and can be printed from ViewDirect.
Note: A reversal to an overpayment is also identified as an ARO (TC-38) and is titled as Notice of Payroll Accounts Receivable Reversal on the AR Notice.

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**OVERPAYMENTS** 8593 (Cont. 1)
(Revised 09/13)

The APO Notice of Transfer (TC-38) generated by the SCO is the amount of the employee payroll deduction. The APO posts to Fiscal and can be printed from SCO, ViewDirect.

Note: Agency collections are processed through the Electronic Fiscal Input Transaction System (eFITS) and shown on the SCO generated “CRE” Notice of Transfer of Fund (TC-47). The CRE posts to Fiscal and can be printed from SCO, ViewDirect.

The APC Notice of Transfer (TC-38) is a manual correction to the APO. The APC posts to Fiscal and can be printed from SCO, ViewDirect.

**RECOVERY BY CASH COLLECTION** 8593.1
(Revised and Renumbered From 8593.2 10/88)

When cash collection is made from the employee of the net amount he/she was overpaid, the amount collected will be debited to Account No. 1110, General Cash, and credited to Account No. 3730, Uncleared Collections.

The amount collected from the employee will be remitted to the State Treasury to the credit of the State Payroll Revolving Fund. Upon remittance to the State Treasury the amount will be debited to Account No. 1150, Cash in Transit to State Treasury, and credited to Account No. 1110, General Cash. When the Controller’s Receipt is received ordering the collection into the State Payroll Revolving Fund, the amount will be debited to Account No. 3730.

The gross amount of the overpayment recovered will be transferred by the State Controller’s Office to the agency appropriation and/or fund. The transfer will be entered as a debit to Account No. 1140, Cash in State Treasury. Account No. 1311 will be credited. If the agency is using a manual Payroll Expenditure Register, a minus entry in the transfer column and a credit to Accounts Receivable—Abatements will be made.
RECOVERY BY PAYROLL DEDUCTION 8593.2

(Renumbered From 8593.3 10/88)

When overpayments are deducted from subsequent payrolls, the State Controller's Office will deposit the amount deducted in the State Payroll Revolving Fund and notify the agency by a listing of accounts receivable deductions. The transaction should be noted on the Controller's Accounts Receivable Register, clearing the portion of the overpayment due from the employee and increasing the amount due from the State Payroll Revolving Fund.

The total amount of the overpayment so recovered will be transferred by the State Controller's Office to the agency appropriation and/or fund. The transfer will be entered as a debit to Account No. 1140, Cash in State Treasury account. Account No. 1311 will be credited. If the agency is using a manual Payroll Expenditure Register, a minus entry in the transfer column and a credit to Accounts Receivable–Abatements will be made.

RECOVERY FROM SEPARATED EMPLOYEES 8593.3

(Revised 03/02)

State agencies will request the State Controller's Office (SCO), Division of Personnel/Payroll Services (PPSD) to flag its records to notify the agency if a separated employee returns to State service if:

after three months from date of separation, the agency is unable to collect the amount owed and the employee is not precluded reentry to State service.

Requests will be made by submitting a Personnel Action Request form, STD 680-A, prepared in accordance with instructions contained in the Payroll Procedures Manual, maintained by the SCO, PPSD.

The SCO, PPSD, will notify the agency of the date the employee returns to State service, the name of the employing agency, and the location of employment. Upon receipt of this information the agency will take necessary action to recover amounts owed it.
ABSENCE FOR JURY DUTY

(Revised 9/07)

State employees may be required to serve as a juror for the following:

- Civil or criminal trial
- Grand jury
- Jury of inquest

Employees who receive regular compensation while serving as a trial juror on a civil or criminal case will not be paid an attendance fee, pursuant to Section 215 of the Code of Civil Procedure.

Jurors serving on a grand jury or jury of inquest may receive an attendance fee. If employees elect to retain these attendance fees, such jury duty time off is not compensable. The employee must charge absence without pay, or if a sufficient balance exists, vacation, annual leave, or CTO on the Absence and Additional Time Worked Report form, STD.634. If employees do not elect to retain the attendance fees, such jury duty time off is compensable and employees must remit the attendance fees to the state. This will be reported on the STD. 634 form. The human resources office will submit a copy of the STD. 634 form to the accounting office. The form will serve as a source document for recording an accounts receivable – abatement.

When serving as any type of juror, employees may be reimbursed for mileage by the governing body, e.g. court, city, or county. Any mileage reimbursement shall be retained by the employee.
ABSENCE AS A COURT SUBPOENED WITNESS 8594.1

(Revised 06/13)

If an employee is requested to appear as a witness, the employee will confer with the court or attorney to determine if certified copies of appropriate documents would be suitable to eliminate the need for a court appearance. If a court appearance waiver is not approved, the employee will request a subpoena and whatever fees and travel allowances that may be allowed by law from the party requesting the employee's appearance. Government Code (GC) section 1230.1 requires a compensable absence be granted to subpoenaed employees, unless he/she is an expert witness (SAM section 8594.2) or is a party to the suit. GC sections 68093-68097.10 govern witness fees for a civil trial; Penal Code sections 1329-29.1 govern witness fees for a criminal trial.

The treatment of attendance fees and travel expenses of an employee serving as a subpoenaed witness depends on whether the appearance is in the interest of the state. The following are payment and leave instructions when an employee is subpoenaed:

Interest of the State

The employing department will pay the employee his/her regular salary in addition to any actual necessary and reasonable traveling expenses incurred by the employee in complying with the subpoena. The employee must remit to the state all fees received for court attendance and travel. The employee's absence as a court witness is authorized time off with pay. Vacation, annual leave, or compensating time off (CTO) will not be charged.

For civil actions, the party at whose request the subpoena is issued shall provide, together with the subpoena, $275 for each day the employee's attendance is required, in accordance with GC section 68097.2 (b). This amount must be tendered to the person accepting the subpoena: the subpoenaed party, his/her immediate supervisor, or an agent designated by the supervisor. After the employee's appearance, the department will calculate the employee's personal services costs in accordance with the SAM section 8740. If the total costs, e.g., personal services, travel, and indirect (SAM sections 8752-8752.1), are less then the amount remitted, the difference shall be refunded. If the total costs are greater then the amount remitted, the difference shall be paid by the party whose request the subpoena was issued.
SAM—PAYROLLS

(Continued)
Not in the Interest of the State

When an employee is subpoenaed as a witness in a matter not in the interest of the state and in which the employee is not a party to the suit, the employing department will pay regular salaries to the employee for the period of absence, providing the employee remits to the state all attendance fees received. Any court travel allowance may be retained by the employee. Travel expenses, if any, will not be paid by the state.

If the employee elects to retain the attendance fees, the subpoenaed witness time off is not compensable. The employee may charge absence without pay or, if a sufficient balance exists, vacation, annual leave, or CTO.

When an employee is subpoenaed as a witness and is a party to the suit, the employee must use vacation, annual leave, CTO, or be charged dock time for the period of absence. Attendance fees and travel allowances may be kept by the employee; travel expenses will not be paid by the state.
Generally, an expert witness testifies upon opinions formed from specialized knowledge or courses of study. An employee, when called as an expert witness, is not bound by any court limitation on fees but is free to negotiate any reasonable amount agreeable to the employee (or the State) and the party requesting the testimony (Government Code Section 68092.5). Normally, an expert witness gives testimony by arrangement or negotiation and is not subpoenaed.

The treatment of fees and travel expenses of an employee serving as an expert witness depends upon whether the employee testifies on behalf of the State or not on behalf of the State. Following are payment and leave instructions to be used by the employing department when an employee serves as an expert witness:

Testimony on Behalf of the State

The employing department will bill the party or court requesting the appearance for all costs in accordance with SAM Sections 8752 – 52.1 (e.g. preparation, travel, appearance, and indirect). The hourly rate of the employee’s salary will be calculated in accordance with SAM Section 8740. The employee’s absence as an expert witness is authorized time off with pay; vacation, annual leave, or CTO will not be charged. The employee will submit a Travel Expense Claim form, STD. 262, for travel expenses. The employee must remit to the State all court fees.

Testimony Not on Behalf of the State

When an employee appears as an expert witness not on behalf of the State, the employee must use vacation, annual leave, CTO, or be charged dock time for the period of absence. The employee will not submit a Travel Expense Claim for travel expenses. The employee will retain all negotiated attendance and travel fees.
SAM—PAYROLLS

If the employee's expertise has been gained from State employment, the employee should check with the department's human resources office to determine whether a conflict of interest exists regarding the retention of fees.
ABSENCE REPORTING FOR WITNESSES 8594.3
(Revised 03/02)

An Absence and Additional Time Worked Report form, STD. 634, will be used to report compensable absences as a subpoenaed witness or an expert witness. One copy of the STD. 634 will be prepared for the accounting office to serve as a source document for recording an accounts receivable-abatements if the absence is compensable and fees are due the State from the employee or others. Accounts receivable will be established in an amount as provided for in law.

STD. 634 is required to support time off reported for witness appearances on the Time and Attendance Report form, STD. 672.

ABSENCE FOR COLLECTIVE BARGAINING ACTIVITIES 8594.4
(Revised 9/91)

Certain designated employees are allowed to take paid leaves of absence to participate in employer/employee collective bargaining activities. Employee organizations will repay the State for the paid leave of absence time employees spend away from work on collective bargaining issues.

The department Labor Relations Officer (LRD) will notify the accounting office of all approved leaves of absences for collective bargaining activities. A copy of each approved leave of absence will be sent to the accounting office.

Employee time spent on collective bargaining issues will be kept by the employee’s collective bargaining organization. Paid collective bargaining leave time will be accounted in whole day increments. Employee organizations will notify the department LRO of the number(s) of days spent by each employee on collective bargaining issues during each calendar month. The notification will be made by the fifth working day of the following month. The LRO will compare the names of employees listed by the employee organization with the file of employees who have approved collective bargaining leaves of absences. The LRO will also reconcile the employee time spent on collective bargaining issues kept by the employee organization against the time kept by the department. After the reconciliations are complete, the LRO will notify the accounting office of the number of paid collective bargaining leave days for each employee.
The accounting office will compute billings in accordance with SAM Section 8740 unless the Memorandum of Understanding (MOU) specifies otherwise. If there is a conflict between SAM and the MOU, the MOU shall have precedence. These billings will be invoiced monthly. Amounts billed shall be accounted as abatements.
REVERSIBLE FUND ADVANCES

(Revised 12/11)

Normally, departments will only issue office revolving fund checks to employees for salary earned when (1) there have been errors or delays in submitting or processing documents making it impossible for the State Controller's Office (SCO) to prepare and deliver proper salary warrants within a reasonable time, or (2) separating employees are in immediate need of their final salary payments. However, departments at their discretion may make payments of salaries earned when this is necessary to alleviate serious, unforeseeable hardship. Departments will prepare criteria for advances including the procedures that must be followed before advances are given. The specific reason for the advance must be written on the request.

Salary advances shall be issued for amounts as close as possible to the actual net pay. Upon receipt of the SCO warrant for the full salary payment, departments shall pay the difference between the employee’s warrant and the salary advance. (Refer to SAM section 8160 for endorsement of SCO warrants).

If the SCO warrant is not received by the department within 30 calendar days following the issuance of the revolving fund advance, the department must report the amount of the advance, compute withholdings on the advance, and remit to the SCO. (See SCO Payroll Procedures Manual.)

RECOVERY OF LUMP SUM PAYMENTS

(Revised and Renumbered from 8599 10/88)

Upon separation from State Service, with no fault on the part of the employee, a person may be entitled to a lump sum payment for annual vacation and compensating time off, (reference Government Code Section 19839). If a person receives a lump sum separation payment and subsequently returns to State service, the person may repurchase the vacation and/or compensating time off for which payment has been received covering the period that exceeds the person's break in service. The employee will then have the balance of vacation and/or leave credit restored to what they would have been if the employee had remained in State Service and taken time off.
Repayments will be recovered directly from the employee. (See SAM Section 8593.1.) The amount of such repayments received by agencies will be remitted to the State Treasury to the credit of the State Payroll Revolving Fund. Subsequently, it will be transferred by the State Controller's Office to the fund and the appropriation from which the lump sum payment was made and will be accounted as abatement.
## PURPOSE AND OBJECTIVE OF PROPERTY ACCOUNTING

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## PROPERTY ACCOUNTING –

### BASIC ACCOUNTING REQUIREMENTS / DIFFERENCE

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PURPOSE AND OBJECTIVE OF PROPERTY ACCOUNTING

(Revised 8/2014)

Property accounting procedures are designed to maintain uniform accountability for state property. These standard procedures are used to provide accurate records for the acquisition, maintenance, control, and disposition of property. A combination of accurate accounting records and strong internal controls must be in place to prevent and detect the unauthorized use of state property.

Departments that purchase property with federal funds should consider federal pre-approval of the state property accounting procedures, if state procedures are significantly different than federal regulations.

GENERAL—PROPERTY

(Revised 06/2010)

Generally, property refers to all assets used in governmental operations. Property includes infrastructure, land, buildings, improvements, machinery, furniture, tools, etc., and intangibles.

CAPITAL ASSETS

(Revised 09/2010)

State property is capitalized for accounting purposes when certain conditions are met. Capitalization means to record the property in the accounting records as assets.

Tangible and intangible property must meet the following three requirements in order to be capitalized:

1. Have an expected useful life of at least one year;

2. Have a purchase cost or internally generated cost of at least $5000 (e.g., four identical assets which cost $3000 each, for a $12,000 total, would not meet the requirement); and

3. Are used to conduct State business.
When the above three requirements are not met, the property will be recorded as an expenditure and not a capital asset in the General Ledger. See SAM Section 8615 and 8635 for accounting instructions for intangibles.

When the term "equipment" is used in SAM, it refers to personal property which is capitalized.
Property that does not meet the capitalization threshold in SAM section 8602 is considered non-capitalized property. Acquisition of non-capitalized property will be recorded in the property register and accounted as an expenditure. Record keeping, identifying, and tagging of non-capitalized property shall be in accordance with SAM sections 8650 and 8651.

Departments will maintain adequate control over sensitive and high risk items which are prone to theft/loss, misuse, and may contain sensitive data. Examples of sensitive and high risk items are:

- Computers, printers, scanners
- Smartphones, tablets, other hand held devices
- Device or media capable of storing or processing information
- TVs, audio visual equipment, cameras
- GPS device
- Weapons, power tools
- Works of art
- Software

Departments will determine if additional items should be designated and tracked as sensitive and high risk items.

The following sections contain definitions of the property categories:
I. Infrastructure

2. Land,

3. Buildings,

4. Improvements Other Than Buildings,

5. All other (capitalized and non-capitalized) tangible property, and

6. Intangible property.
Infrastructure assets are long-lived capital assets that normally are immovable in nature and can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets include roads, bridges, streets and sidewalks, drainage systems, and lighting systems. Account for Infrastructure that uses the modified approach for reporting cost of use in General Ledger Account Number 2361.

Account for Infrastructure that uses the traditional approach for reporting cost of use in General Ledger Account Number 2362.

Land is real property and includes natural or artificial structures that are attached to it. Account for Land in General Ledger Account Number 2310.

When land is acquired, the amount capitalized is the purchase price plus all related costs. Related costs include legal and title fees, title search costs, and all cost incurred in getting the land ready for its intended use (e.g., grading, surveying, filling, draining, etc.).

Buildings are structures which provide workplace, storage space, or are used in some other way for State activities. Account for Buildings in General Ledger Account Number 2321. Capitalized building costs include the purchase price plus all other cost incurred to put the building in condition for its intended use.
Additions, improvements, and betterments to assets will be capitalized if all of the conditions in SAM Section 8602 are met. Additions are extensions of existing units. Improvements and betterments ordinarily do not increase the physical size of the asset. Instead, they make the asset better than its previous condition (e.g., longer life, increased capacity, lower operating costs, etc.). Examples of improvements and betterments are roads, bridges, curbs and gutters, tunnels, parking lots, streets and sidewalks, drainage and lighting systems. Account for Improvements Other Than Buildings in General Ledger Account Number 2331. All other additions, improvements, and betterments will be capitalized to the asset benefited.

OTHER CAPITALIZED AND NON-CAPITALIZED TANGIBLE PROPERTY 8614

(Revised 3/1996)

These include equipment and all other items accounted for in the property register.

For State accounting purposes, equipment refers to all tangible personal property which meets all of the requirements set forth in SAM Section 8602. Account for Equipment in General Ledger Account Number 2341. The cost of equipment includes the purchase price plus all costs to acquire, install, and prepare equipment for its intended use.
INTANGIBLE ASSETS

(Revised 06/2011)

An intangible asset is an asset that possesses all of the following characteristics:

a) Lacks physical substance. It may be contained in or on an item with physical substance (for example software stored on a compact disc) or it may be closely associated with another item that has physical substance (e.g., the underlying land in the case of right-of-way easement).

b) Is nonfinancial in nature (not in a monetary form similar to cash and investment securities, and it represents neither a claim nor right to assets in a monetary form similar to receivables, nor a prepayment for goods and services).

c) Is identifiable. An intangible asset is considered identifiable when either of the following conditions is met:

- The asset is separable, that is the asset is capable of being separated or divided from the department and sold, transferred, licensed, rented, or exchanged, either individually or together with a related contract, asset, or liability; or
- The asset arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the department or from other rights and obligations.

Three types of intangible assets are excluded from the policy:

- Intangible assets acquired or created primarily for obtaining income or profit. These assets should be recorded as an investment.
- Assets resulting from capital lease transactions reported by lessees.
- Goodwill created through the combination of another entity and a state department.
Intangibles are considered capital assets and are accounted for in General Ledger Account Numbers 2410 through 2494. Examples of intangible property include patents, copyrights, trademarks, easements, land use rights (timber, mineral, water), and computer software, including websites.

Software are those instructions by which computerized equipment is directed to process information. By contrast, hardware consists of tangible equipment (e.g., computer, printer, terminal, etc.).

(Continued)
Intangible assets are considered internally generated if they are created or produced by a department or an entity contracted by the department, or if they are acquired from a third party but require more than minimal incremental effort on the part of the department to achieve their expected level of service capacity.

For internally generated intangible assets, see SAM section 8635 for additional specific capitalization requirements.

Intangible assets will be recorded at cost. Intangible assets will be capitalized if all of the requirements set forth in SAM section 8635, if applicable, are met. Cost includes all amounts incurred to acquire or internally develop the intangible asset and to ready the intangible asset for its intended use. Typical intangible property costs include the purchase price, development costs associated with internally generated intangible assets (see SAM section 8635 for more detail), legal fees, and other costs incurred to obtain title to the asset.

Land use rights associated with property already owned by the government are considered part of the land and should not be reported as intangible assets. In contrast, land use rights that were acquired in a transaction that did not involve acquiring the underlying property should be reported as intangible assets.

Depreciation is the expensing of a tangible asset's depreciable cost to the time periods benefited. An asset's depreciable cost is the cost or other basis less the estimated residual value. Residual value is the estimated value of an asset at the end of its useful life. Generally, depreciation is performed only by those proprietary funds which conduct enterprise or internal service fund operations.
Useful Life and Amortization

Intangible assets are amortized over the useful life of the asset. The useful life of an intangible asset that arises from contractual or legal rights should not exceed the legal term of the rights. Renewal periods should be considered in determining the useful life if the department plans to seek a renewal and the anticipated costs of the renewal are nominal in relation to the level of service capacity expected to be obtained through the renewal. Otherwise, the department must account for the renewal as a replacement of the old intangible asset with a new intangible asset.

An intangible asset should be considered to have an indefinite useful life if there are no legal, contractual, regulatory, technological, or other factors that limit the useful life of the asset. A permanent right-of-way easement is an example of an intangible asset with an indefinite useful life. Intangible assets with an indefinite useful life are classified as non-amortizable. Computer software does not have an indefinite useful life.

Generally, amortization is performed only by those non-governmental cost funds, such as Public Service Enterprise Funds, and Working Capital and Revolving Funds that conduct enterprise or internal service fund operations.

Repaired and maintenance costs are treated as expenditures which are not capitalized as property. These expenditures are incurred to keep assets operating and do not benefit future periods. Contact Department of Finance, Fiscal Systems and Consulting Unit if you have any questions about capitalizing repairs and maintenance costs.
A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. The service utility of a capital asset is the expected usable capacity at acquisition. A capital asset may be impaired due to events or changes in circumstances, such as physical damage, obsolescence or changes in technology, enactment or approval of laws or regulations or other changes in environmental factors, a change in manner or duration of use, or a construction stoppage.

A capital asset generally should be considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset.

Impaired capital assets that will no longer be used by a department should be reported at the lower of carrying value or fair value (i.e., additional depreciation expense and accumulated depreciation would be recorded in the year of the impairment to bring the carrying value down to the lower fair value).

Impairment losses on capital assets that will continue to be used by the department should be measured using one of three methods prescribed by the Governmental Accounting Standards Board that best reflects the diminished service utility of the capital asset. The prescribed methods are the restoration cost approach, the service units approach, or the deflated depreciated replacement cost approach.

Departments are required to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A prominent event would be conspicuous or known to the department. It would be an event or circumstance that has prompted discussion by the governing board, management, or the media. Absent any such event or circumstance, departments are not required to perform additional procedures to identify potential impairment of capital assets beyond those already performed as part of their normal operations.

(Continued)
Impairment of Capital Asset and Related Insurance Recoveries

Impairment losses are generally reported as a direct expenditure to the program that uses the impaired capital assets. Insurance recoveries related to impaired assets are reported net of the related loss when the recovery is realized or realizable in the same fiscal year as the loss.

If a prominent event or change in circumstance has occurred and there is a potential impairment of capital assets, please contact the State Controller’s Office, GAAP Reporting Section, for additional instructions to help you identify whether impairment has occurred, measure the impairment loss, and account for the impairment loss and any insurance recoveries.

Property Accounting—Basic Accounting Requirements/Differences

Property accounting requirements differ depending on the category of the owner fund. State funds are categorized as:

1. Governmental,
2. Proprietary, or
3. Fiduciary.

See the Uniform Codes Manual (UCM) for the classification of each State fund.
The following table shows the basic accounting rules for each of the three fund categories. See SAM Sections 8670–8672 for standard property accounting Journal entries.

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<td>Budgetary/Legal Basis: Governmental Cost Funds, Bond Funds, Federal Funds, and some trust funds. GAAP: Governmental Funds</td>
</tr>
<tr>
<td></td>
<td>Budgetary/Legal Basis: some trust funds (not federal) GAAP: Fiduciary Funds</td>
</tr>
<tr>
<td>A. Accountability</td>
<td>Record the Property in Capital Assets Group of Accounts (see Section 8622 below).</td>
</tr>
<tr>
<td>B. Acquisition (same rules apply to all fund categories)</td>
<td>Record at historical cost</td>
</tr>
<tr>
<td>1. Purchase</td>
<td>Record at less of fair value or discounted present value of lease payments</td>
</tr>
<tr>
<td>2. Lease Purchase</td>
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SAM – PROPERTY ACCOUNTING

(Continued)

**BASIC RULES 8621 (Cont. 1)**

(Revised 9/1990)

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<th>3. Transfer</th>
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<td>4. Gift</td>
<td>Record at fair market value at date of gift</td>
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<td>5. Trade-ins</td>
<td>See D.2 below</td>
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<tr>
<td>6. Internally Generated</td>
<td>Record at historical cost of both internal and external outlays during asset development stage</td>
</tr>
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</table>

**Fund Category**

| C. Use | No entry. | Record depreciation/amortization | Special rules apply. (Call Department of Finance- Fiscal Systems and Consulting Unit) |

**D. Disposition**

| 1. Sale or other disposition | Credit sale proceeds to the owner fund. Remove asset from the Capital Assets Group of Accounts. | Record depreciation/amortization to date of disposition. Credit sale proceeds to the fund. Remove asset from accounting records. | Credit sale proceeds to the fund. Remove asset from accounting records. |

(Continued)
### BASIC RULES

#### 2. Trade-ins
- Remove asset traded in from the Capital Assets Group of Accounts.
- Record asset acquired at the cash consideration parted with (i.e., the cash price which the department would have had to pay had the new asset been purchased for cash).

#### E. Financial Statement Reporting
- Report in the Capital Assets Group of Accounts (see SAM Section 7977).
- Report as part of the owner fund’s assets.

#### 8621 (Cont. 2)
- Record depreciation/amortization to date of disposition.
- Remove asset traded in from accounting records.
- Record asset acquired at the sum of the un-depreciated basis of the old asset plus any other consideration parted with (boot).

(Revised 9/1990)
A department which receives an appropriation from one governmental fund and purchases property from this appropriation will record the property in the Capital Assets Group of Accounts. Similarly, another department which receives appropriations from several governmental funds and purchases property from more than one of these funds will record all of the property in the Capital Assets Group of Accounts. These two situations are illustrated as follows:

**Situation A: Department purchases property from one governmental fund.**

**Capital Assets Group of Accounts**

Dr. 2310 Land.................................................. $50,000

Dr. 2321 Building.................................................. $200,000

Dr. 2411 Computer Software – Amortizable............... $100,000

Cr. 5200.0001 Investment in Capital Assets – General Fund........ $350,000

**Situation B: Department purchases property from more than one governmental fund.**

**Capital Assets Group of Accounts**

Dr. 2321 Building.................................................. $140,000

Dr. 2341 Equipment.................................................. $40,000

Dr. 2412 Land Use Rights – Amortizable.................... $10,000

Cr. 5200.0001 Investment in Capital Assets – General Fund........ $150,000

Cr. 5200.0042 Investment in Capital Assets – St. Hwy Acct. .......... $40,000
There are five ways to acquire property:

1. Purchase,
2. Lease/Installment Purchase,
3. Transfer
4. Gift, and
5. Internally build or generate.

Accounting for each method is explained in SAM Sections 8631 through 8635.
Purchased assets are recorded at cost. Cost is the purchase price plus all incidental costs incurred to put the asset into place and ready for its intended use.

1. INSTALLMENT PURCHASE CONTRACTS

Installment purchase contracts are agreements with vendors to acquire property in exchange for a commitment to make specified future payments. The capitalized cost of these assets should exclude any interest, maintenance or other operating costs. To determine the amount to be capitalized see Capital Lease (Lease-Purchase) Contracts below.

2. CAPITAL LEASE (LEASE-PURCHASE) CONTRACTS

A capital lease (lease-purchase) results when the contractual agreement with the lessor results in a transaction which is in substance an installment purchase. If a lease meets any one of the four following conditions it is considered to be a capital lease:

1. Ownership of the leased asset is transferred to the lessee at the end of the lease period.
2. The lease gives the lessee the option of purchasing the leased asset at less than fair value (bargaining purchase option) at some point during or at the end of the lease period.
3. The period of the lease is 75% or more of the estimated useful life of the leased asset.
4. The present value of the minimum lease payments is 90% or more of the fair value of the leased asset.

A capital asset acquired by a capital lease is accounted for as if an asset was purchased at the inception of the lease. The capitalized amount of the capital asset should be the lesser of the fair value or the discounted present value of the lease payments excluding any maintenance or other operating costs. The appropriate discount rate to use to compute the present value of the lease payments is the prior fiscal year Pooled Money Investment Account rate.
For those funds required to compute depreciation expense on their funds’ capital assets, the depreciation expense should be computed over the estimated useful life of the asset rather than the lease period.
Departments (transferees) which acquire property free of charge from other State departments (transferors) will record the asset at the same cost as that recorded on the books of the transferor department.

GIFT

(Revised 09/2010)

Record property acquired by gift from other than State departments at the fair market value on the date the gift is received. Retain receipts, letters, stock received reports, or other documents as evidences of gifts.

Government Code Sections 8647, 11005 and 16302 pertain to the State's acceptance of gifts. Gifts are normally either real property and intangibles or personal property such as equipment and cash. The following procedures apply to acceptance of gifts.

1. Property (Tangible or Intangible)

A gift of real property must be approved by both the Department of General Services (DGS) and the Department of Finance (DOF) before it can be accepted. See SAM Section 1323.12.

A. Departments must prepare and submit to Department of General Services the following material as appropriate for real property:

1. Part I of DGS Form RES–212 Gift Deed Summary
2. Contract Transmittal STD. 15
3. Certificate of Acceptance
4. Environmental Document
5. Certificate of Inspection
6. Summary of title report exceptions
7. Copy of title report
8. Map of property or description of gift
B. Department of General Services will review material submitted by the department. Based on this review DGS will prepare and submit the following to the Department of Finance:

1. Copies of information submitted by the department

2. Cover memo requesting acceptance of the gift based on the findings of the review.

(Continued)
C. Department of Finance will accept or reject the gift after reviewing all data submitted by the Department of General Services and the requesting department. Department of General Services will then forward to the requesting department:

1. Copy of DOF acceptance or rejection of gift
2. Copy of deed, policy and invoice (for title policy) if gift is accepted

If the proposed gift is rejected by the Department of General Services, the department will be advised of the reason for the rejection. Department of Finance will not be forwarded information unless Department of General Services recommends acceptance of the gift.

2. Personal Property

State departments cannot accept gifts of personal property unless they have specific statutory authority to do so. If a department is not permitted by law to accept a gift, the department will notify the Department of Finance so that the Director of Finance can accept the gift for the State pursuant to authority by Government Code Section 11005.1.

All departments authorized by law to accept gifts are required by Government Code Section 11005 to secure the approval of the Director of Finance before a gift of personal property can be accepted, unless (1) the gift is an unconditional gift of money or (2) statutes specifically provide that such approval is not necessary. The Director of Finance's approval has been given to accept gifts of money if the only condition of the gift is to specify that it is for an existing fund in the Treasury.

If State departments need approval to accept a gift of personal property, they will notify their Department of Finance budget analyst by letter. The Department of Finance analyst will either approve or disapprove the acceptance of the gift. If the Department of Finance approves a gift of equipment, it will be recorded in the property records.
When State agencies receive gifts of cash to be deposited in the State Treasury, they will prepare a State Controller's Remittance Advice, Form CA21. The department will then remit the money to the fund or appropriation specified by the donor.

(Continued)
If the money is for a specific purpose, but the donor did not specify a fund or appropriation then the money will be deposited in the Special Deposit Fund. See SAM Section 19440.

If the money is donated but no fund, appropriation or specific purposes for it is stated by the donor, the money will be deposited in the State School Fund (Government Code Section 16302).

The Director of Finance gives advance approval for the receipt of anticipated grants which will be included in the approved Governor’s Budget. Unbudgeted grants must have the Department of Finance approval before acceptance. See SAM Section 0912.
Intangible assets are considered internally generated if they are created or produced by the department or an entity contracted by the department, or if they are acquired from a third party but require more than minimal incremental effort on the part of the department to begin to achieve their expected level of service capacity.

Outlays incurred in the development of an internally generated intangible asset that are identifiable should be capitalized only upon the occurrence of all of the following:

a. Determination of the specific objective of the project and the nature of the service capacity that is expected to be provided by the intangible asset upon the completion of the project.

b. Demonstration of the technical or technological feasibility for completing the project so that the intangible asset will provide its expected service capacity.

c. Demonstration of the current intention, ability, and presence of effort to complete or, in the case of a multiyear project, continue development of the intangible asset.

Only outlays incurred subsequent to meeting the above criteria should be capitalized. Outlays incurred prior to meeting those criteria should be expensed as incurred.

INTERNALLY GENERATED COMPUTER SOFTWARE

Computer software should be considered internally generated if it is developed in-house by department personnel or by a third-party contractor on behalf of the department.
Computer software is a type of intangible asset that is often internally generated. During the development stage, evaluate the expenditures to determine whether capitalization appears appropriate. Record the applicable capitalizable expenditures as Internally Generated Intangible Assets In Progress, General Ledger Account 2430.

Commercially available software purchased or licensed by a department that requires modification using “more than incremental effort” before being put into operation should be considered internally generated. For example, licensed financial accounting software that the department modifies to provide special reporting capabilities would be considered internally generated.

(Continued)
The activities involved in developing and installing internally generated computer software can be grouped into the following stages:

**Preliminary Project Stage**— Costs incurred during this stage are not capitalized. These costs include the following activities:

a. Conceptual formulation of alternatives  
b. Evaluation of alternatives  
c. Determination of existence of needed technology  
d. Final selection of alternatives for development

**Application Development Stage**—Costs incurred during this stage involve both internal and external costs incurred to develop the software and are capitalized. These costs include the following activities:

a. Design of chosen path, including software configuration and software interfaces  
b. Coding  
c. Installation to hardware  
d. Testing, including the parallel processing phase  
e. Data conversion— only to the extent that the data is necessary to make the computer software operational.

**Post-Implementation/Operation Stage**—Costs incurred during this stage are not capitalized.
These costs include the following:

a. Training  
b. Application maintenance  
c. Data conversion—data, such as historical, not necessary to make the software operational, but desirable from a management perspective.

For internally generated computer software, the criteria for internally generated intangible assets should be considered to be met only when both the following occur:

a. The activities noted in the Preliminary Project Stage are completed.  
b. Management implicitly authorizes and commits to funding, at least currently in the case of a multiyear project, the software development project.

(Continued)
Once the criteria for internally generated intangible assets have been met, outlays related to activities in the Application Development Stage should be capitalized. Capitalization of such outlays should cease no later than the point at which the computer software is substantially complete and operational. Outlays associated with activities in the Post-Implementation/Operation Stage should be expensed as incurred.

INTERNALLY GENERATED MODIFICATION OF COMPUTER SOFTWARE

Outlays associated with an internally generated modification of software that is already in operation should be capitalized when all internally generated software intangible assets criteria have been met if the modification results in any of the following:

a. An increase in the functionality of the computer software, that is, the computer software is able to perform tasks that it was previously incapable of performing.

b. An increase in the efficiency of the computer software, that is, an increase in the level of service provided by the computer software without the ability to perform additional tasks.

c. An extension of the estimated useful life of the software.

If the modification does not result in any of the above outcomes, the modification should be considered maintenance, and the associated outlays should be expensed as incurred.

The following costs should be expensed as incurred:

- Internal and external costs during the preliminary project stage.
- Training during all project stages.
Data conversion costs are normally considered part of the post implementation/operations stage unless they are determined to be necessary to make the computer software operational.

- Internal costs incurred for maintenance.
- General, administrative, and overhead costs.
- Maintenance costs in post implementation/operation stage. (Continued)
INTERNALLY GENERATED INTANGIBLE ASSETS 8635 (Cont. 3)
(Revised 06/2011)

The following costs should be capitalized and amortized over the useful life:

- Internal and external costs incurred to develop internal use computer software during the application development stage.

- External direct costs of materials and services consumed in developing or obtaining software. Examples include fees to third parties for services provided to develop the software during the application development stage, costs incurred to obtain computer software from third parties, and travel expenses incurred by employees in their duties directly associated with developing software.

- Payroll and payroll-related costs such as benefits for employees who are directly associated with and who devote time to the computer software project, to the extent of the time spent directly on the project. Examples include coding and testing during the application development stage.

Methods for determining total cost should be retained as a record of the asset value.

ACCOUNTING FOR PROPERTY DISPOSITIONS 8640
(Revised 03/2013) General

Government Code sections 14673, 14674, and 14675 authorize the Director of General Services to approve the sale, exchange, or transfer between departments of personal property owned by the state if the sale, exchange, or transfer is in the best interest of the state. Before disposing of property, e.g. sale, transfer, trade-in, etc., departments must receive approval from the Department of General Services, Surplus Property and Reutilization.

Departments will prepare Property Survey Reports, STD. 152, when disposal of property occurs. Departments will prepare Property Transfer Report, STD. 158, when property is transferred to other state departments. Property listed on approved STD. 152 will be disposed of without delay, and items held in the suspense file more than 30 days will be reviewed by an agency official to determine why the disposition has not been completed.
SALE OF PROPERTY

(Revised 09/2010)

Accounting for property sales differs depending on the category of the owner fund. Property sold by governmental funds is removed from the Capital Assets Group of Accounts. Sale proceeds are recorded as miscellaneous revenue. One exception to this rule occurs when the sale is one step in a series of transactions which replaces the old asset with another asset. In this case, the sale proceeds are accounted as abatement. The replacement asset is recorded in the property account at cost with no reduction for the sale proceeds of the old asset.

Property owned by proprietary funds is depreciated up to the date of sale. Gains and losses are recognized to the extent that sales proceeds are more or less than the adjusted basis of the asset.

Property sold by fiduciary funds is accounted the same way as for governmental funds except property accountability is maintained within each fiduciary fund.

TRADE-IN OF PROPERTY

(Revised 03/2013)

Departments which plan to trade in property should first receive approval from the Department of General Services, Surplus Property and Reutilization (SP&R). See SAM section 8640, Accounting for Property Dispositions - General. The SP&R will determine whether the property being traded in should be acquired by another state department.

The property accounts will be reduced by the recorded cost of the property traded in. Replacement property will be recorded at the cost which would be required to be paid had a trade-in not occurred.
Whenever property is lost, stolen, or destroyed, departments will prepare a Property Survey Report form, STD. 152. The department will adjust its property accounting records and retain the Property Survey Report as documentation. The report will contain:

1. A description of the events.
2. Precautions to be taken to prevent repeat situations.
3. A statement that the California Highway Patrol has been notified (Government Code section 14613.7).

Losses of state property due to misuse, theft, damage, employee misconduct, error, or other improper activities will be reported to the Department of Finance, Office of State Audits and Evaluations and the California State Auditor's Office. See SAM section 20080. Employees will be charged with any loss and damages to state property due to their negligence or unauthorized use.

Department management must promptly investigate incidents involving loss, damage, or misuse of information assets. Departments shall notify the California Highway Patrol upon discovery of all Information Technology security incidents and computer related crimes. See SAM sections 5340.1 through 5340.4.

Each department having ownership responsibility for information must complete an Information Security Incident Report. The report, part of the State Information Management Manual, is available at https://cdt.ca.gov/policy/simm/. The report must be submitted to the California Information Security Office within ten working days of the department’s becoming aware of an incident involving the theft of such information, including information stolen in conjunction with the theft of a computer or data storage device.
To maintain accountability of state assets, departments will maintain a record of state property, whether capitalized or not, in a property accounting or inventory system. This system may be automated or manual.

When property is acquired, departments will record the following information in the system:

1. Date acquired
2. Property description
3. Property identification number
4. Cost or other basis of valuation
5. Owner fund
6. Rate of depreciation (or depreciation schedule), if applicable.

The property information for each item of property constitutes the property register (i.e., an inventory listing of all departmental property). It shall include both capitalized and non-capitalized property. The capitalized segment shall serve as the subsidiary ledger for the Capital Assets Group of Accounts or for the capital assets of Proprietary and Fiduciary funds. Groups of similar property may be combined on one record, but for convenience in analyzing movements and transfers, a separate record for each property is usually desirable.

All state property will be tagged after acquisition. This includes properties which do not meet all of the State's capitalization requirements.
The purpose of tagging assets is to designate the assets as belonging to the State. Tags will be placed so that they are in plain sight and easy to read. To the extent possible, all property will be tagged on the assets' front, left-hand corner. The identification number will not be changed when property is moved within the department.

Types of Tags:

Adhesive Tags
This type of tag includes tags manufactured from thin-gauge metal, plastic, or other materials which are attached by use of an adhesive. These tags are for general purpose use and will be used whenever practical. All tags will be 1 1/2" x 3/4" as illustrated below. Tags will be numbered sequentially.

State of California Department of Finance 1685

Metal Tags
Metal tags will contain the same information as adhesive tags. These tags will be used when adhesive type tags are impractical.
Departments will make a physical count of all property and reconcile the count with accounting records at least once every three years. Inventory counting does not need to be performed at one time for an entire department's property. Departments may take a rotating inventory according to an inventory calendar.

Departments are responsible for developing and carrying out an inventory plan which will include:

1. Inventory Taking:
   a. Time schedule;
   b. Count procedure (type of listing or count sheet to be used); and
   c. Count assignment (statement of who will take the inventory at the times and locations scheduled).

2. Internal Control:
   a. Inventories will not be exclusively controlled by the custodian of the property records;
   b. Worksheets used to take inventory will be retained for audit and will show the date of inventory and the name of the inventory taker;
   c. Inventory records will be retained in accordance with provisions of SAM Chapter 1600; and
   d. The person in charge of the stockroom, if one is used, will not be in charge of maintaining the inventory records nor the taking of physical inventories;

3. Reporting and Approval of Inventory Adjustments;
   a. Adjustment and reconciliation of the records will take place after the physical count has been completed; and
   b. Review and approval of all inventory adjustments will be made by the department director or the director's designee. This review and approval will be documented on a Property Inventory Listing Adjustment Sheet (Std. Form 157).
Capital assets will be included in year-end financial reports. Proprietary funds will report capital assets and accumulated depreciation/amortization in the funds themselves.


1. The Statement of Changes in the Capital Assets Group of Accounts–Report No. 18 must be prepared for each fund within a department. This report will detail the changes from the prior year ending period to the current period capital asset balances. Report 18 contains the following information:

   a. Asset beginning balances listed in General Ledger Account Number order, for example, land, building, computer software etc. Asset beginning balances must agree with the prior year ending balances. Any differences must be documented and explained in Report 18, Statement of Changes in Capital Assets Group of Accounts, Beginning Balance Differential Report. See section 7977 Illustration 2.
   
   b. Asset additions.
   
   c. Asset deductions.
   
   d. Asset ending balances.
   

Capital assets previously unreported should be reported as a restatement of the beginning balance, not as an addition. A description of the adjustment and the amount of the adjustment should be included in the footnote.

   f. A footnote that the asset ending balances equal the debit balances on Report 19 for each asset type.
See section 7977 Illustrations 1 and 2 for the required report format.

2. The Statement of Capital Assets Group of Accounts–Report No. 19 must be prepared for each department. This report consolidates the information in Report 18 and contains the following:

(Continued)
a. Assets ending balances for a department, in General Ledger Account Number order, for example, land, building, computer software etc.

b. The sources of the governmental funds used to acquire each.

c. A footnote that inventories of property were conducted in accordance with section 8652.

d. A footnote that subsidiary capital assets records are in agreement with the general ledger control accounts. See section 8650 for property subsidiary ledgers.

See section 7978 Illustration for required report format.

STANDARD JOURNAL ENTRIES—PROPERTY 8670

(New 3/1986)

The tables in SAM Section 8671 and 8672 show the standard journal entries for governmental and proprietary funds. Special rules apply to fiduciary funds (contact Fiscal Systems and Consulting Unit for instructions).
## ENTRIES FOR FUNDS USING THE CAPITAL ASSETS

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Some special problems arise that are common to several agencies but do not have general application which would warrant provisions therefore in the standard entries and General Ledger accounts. In order that procedures may be standardized among agencies having such special problems, instructions are included here. Instructions on special problems arising in a single agency or a few agencies are not included. Such procedures are transmitted to agencies concerned by memorandum.
In most cases laws authorizing the acquisition of real property provide that such acquisitions be subject to the provisions of the Property Acquisition Law. In recent years many appropriations for the acquisition of real property also provide for construction, improvements, and equipment.

To facilitate accounting for acquisitions of real property subject to the Property Acquisition Law, the following procedure is prescribed:

1. The benefiting agency will record the entire amount of such appropriations in its allotment-expenditure accounts.

2. The benefiting agency will submit a working budget to the Department of Finance for the entire amount appropriated.

3. After approval by the Department of Finance, one copy of the working budget will be forwarded to the Accounting Section of the Department of General Services (DGS), where the amounts allotted for the acquisition of real property will be recorded.

4. All claims for the acquisition of real property will be filed by the Accounting Section and accounted by that section as decreases in memorandum allotment accounts. In preparing these claims the Accounting Section will prepare an extra copy of the Claim Schedule, STD. 218 (Continuous), for the benefiting agency and will attach copies of all invoices. These copies of STD. 218 will be forwarded to the benefiting agencies after receipt by the Accounting Section of the Controller's Notice of Claim Paid, Form CO–I 02, and inclusive warrant numbers have been noted on the copy of STD. 218.

5. Upon receipt of their copies of the Claim Schedule, STD. 218, the benefiting agencies shall record the expenditures in their accounts. Entries to the property accounts will be made at the same time and from the same source that expenditures are reflected in the accounts.

6. The records maintained by the DGS will be memorandum records only. Expenditures from these appropriations will not be reflected in expenditure statements of the DGS.
7. The benefiting agencies will be responsible for reconciling these appropriations with the State Controller's Office accounts.

8. State agencies that acquire real property are required to provide information to DGS for inclusion in the Statewide Property Inventory (SPI) and routing to the Secretary of State Archives to be in compliance with GC 11011.1-11011.21. For assistance in determining the appropriate documents to be submitted, contact RESD’s SPI Unit at SPIweb@dgs.ca.gov.
During the year, claims for money or damages against the state are presented to and acted on by the Department of General Services (DGS).

The Budget Act contains appropriations to pay any claims approved by DGS, and DGS records the associated expenditures.

DGS also handles legislative claims (also known as omnibus claims) which include:

1. Claims against the state,

2. Specific cash deficiencies (SAM section 8072), and

3. Invoices payable from reverted appropriations for which no current appropriation exists for the same purpose. See SAM Chapter 8400.

Information for the claim filing process is available at http://www.dgs.ca.gov/orim.

Departments will receive a Controller’s journal entry if payment of the DGS claim affects the department's accounts or appropriations.

**RECORD OF CREDIT CARDS**

(Revised 1/78)

Agency accounting officers will be responsible for maintaining a record of all airline company/travel agency credit cards received, issued, and returned by credit card number and name of employee. It is the agency's responsibility to see that such credit cards are returned when employees cease to have need or authorization for them.
BILLING REQUIREMENTS 8711.2

(Revised 7/76)

Various billing formats are currently offered by airline companies and travel agencies, which include passenger name, card number, cost of ticket, issue date, class of flight, listing by cost center or major activity, etc. The exact format used will depend on the needs of each agency and the capability of the airline company/travel agency.

Regardless of the form of billing that is used, State agencies must ensure that they provide adequate information so that they can be compared against the passenger's copy. See SAM Sections 8711.3 and 8422.115.

VERIFICATION OF TRANSPORTATION INVOICES 8711.3

(Revised 03/13)

It is the responsibility of the department accounting office to verify invoices from transportation companies to determine that the transportation service was furnished and the rate charged is correct. Verification that the service was furnished is determined by comparing the transportation invoice with the ticket or purchase receipt received by the traveler. In accordance with instruction 10(A) on the reverse side of STD. 262, Travel Expense Claim (TEC), all passenger coupons and ticket order stubs are attached to the TEC.

All business travel that results in any cost to the state must be supported by the TEC, including the electronic TEC in the California Automated Travel Expense Reimbursement System, known as CalATERS. Employees must use the most economical method of transportation and rates claimed should agree with market prices charged to the general public. See SAM Chapter 0700 for additional information regarding travel policies.
This section describes procedures related to tort liability arising from other than motor vehicles. Procedures related to motor vehicle insurance, accidents, and suits are described in SAM sections 2440 through 2464.

Chapter 1681, Statutes of 1963, added Division 3.6-Claims and Actions Against Public Entities and Public Employees to the Government Code. This law provides broad guidelines by which the state shall administer and pay tort liability claims.

In general, as the law pertains to the State of California, claims are presented to the Department of General Services (DGS) and, if approved, are paid by the Department of Justice (DOJ). If a claim is not approved, the claimant may bring court action against the state department involved or its officers or employees to obtain settlement. If such action is brought, the head of the state department concerned, upon recommendation of the Attorney General or other attorney authorized to represent the state, may settle, adjust, or compromise the claim under provisions of Government Code section 948. The claim will then be paid by DOJ. Similarly, tort liability judgments against the state are also paid by DOJ.

Each year, the Budget Act includes support for the administration, investigation, adjustment, defense, and payment of tort liability claims, settlements, compromises, and judgments against the state, its officers and employees or for the purchase of insurance protecting the state, its officers, and employees against such tort liability claims.

Judgments and/or costs of suits are not to be paid out of feeder funds. A specific amount is appropriated from the General Fund to be available to DOJ for departments supported from that fund. Unspecified amounts are also appropriated to each special fund sufficient for departments supported from those funds.

The appropriation is made to the Department of Finance (Finance) for expenditure or allocation at its discretion. Accordingly, it has established the following concerning tort liability payments:
General Fund

DOJ pays claims approved by DGS, and pursuant to Government Code section 948, DOJ also pays claims that have been denied by DGS but have been settled by the Attorney General and approved by the department. DOJ is authorized to pay claims and judgments up to $35,000 in principal amounts without Finance approval.

(Continued)
Finance approval is required for all claims that exceed $35,000 in principal amount which have been approved by DGS, claims settled pursuant to Government Code section 948, or judgments awarded by the courts. The $35,000 limitation applies to the principal only. Court awarded interest and court costs, if any, are additional.

Each approved settlement or judgment whose principal exceeds $70,000 shall be paid from special appropriation legislation.

Special Funds

DOJ shall pay claims and judgments under the following conditions for all special fund departments, except the Department of Transportation.

1. Up to $35,000 in principal amount for settlements made by DGS. Advance approval is given by Finance.

2. Settlements under Government Code section 948 up to $35,000 in principal amount. Advance approval is given by Finance.

3. Finance approval will be required for each settlement in excess of $35,000 in principal amount. Prior to Finance approval, DOJ will have obtained assurance from the department that funds are available.

4. Each approved settlement or judgment whose principal exceeds $70,000 shall be paid from special appropriation legislation.
Each special fund department shall forward to DOJ written authorization to pay tort liability claims. These authorizations shall be effective until revoked. They should be submitted in duplicate and should be in the following format:

(Continued)
AUTHORIZATION TO PAY TORT LIABILITY CLAIMS AGAINST SPECIAL FUND

The (Department, Board or Commission) hereby authorizes the Attorney General to file a claim schedule with the State Controller requesting payment of all claims approved by the Department of General Services arising under Chapter 1681, Statutes of 1963 and of all settlements, adjustments, compromises of any pending actions concluded pursuant to Government Code section 948, or judgments pertaining to the activities of said department and payable from the Fund; provided that prior to the filing of claims schedules the (Department, Board or Commission) will certify that funds are available.

(Department Head) (Date)

The Department of Justice (DOJ) will retain one copy of the authorization and forward the second to the State Controller.

DOJ shall forward the claim schedule to the State Controller and retain an extra copy in a holding file. Upon receipt of the Notice of Claim Paid, DOJ will forward a copy of the claim schedule, along with a copy of the Notice of Claim Paid, to the department involved as notification that a claim has been filed and paid.

Upon receipt of the claim schedule and Notice of Claim Paid, the department will record the claim as if the department had filed it and account for the payment of the claim. This accounting entry will be a consolidation of Standard Entries 4 and 6 (Debit 9000 Appropriation Expenditure and Credit 1140 Cash in State Treasury or 5570 Fund Balance—Clearing Account).

An account titled -Tort Liability Claim Expenditures- will be established in the subsidiary Allotment-Expenditure Ledger at the same time the above entry is made. Since no specific appropriation was made to the department, no entries will be made in the allotment, unliquidated encumbrances, or unencumbered balances. The expenditure will
be entered as an expenditure to keep the Allotment-Expenditure Ledger in balance with the General Ledger account.

Tort Liability Claim Expenditures will be shown as a separate item at the end of a department’s budget reports. Totals of all columns will precede this item and will be followed by a grand total in the expenditure column.
State agencies selling tangible personal property, regardless of the amount or frequency, are required to collect sales tax if the transaction is taxable as defined by rules and regulations of the Board of Equalization (BOE). State agencies selling tangible personal property, taxable or not, are required to (1) obtain seller’s permits from the BOE (2) file sales and use tax returns with the BOE on a quarterly, calendar year, or fiscal year basis depending on the amount of tax due, and (3) remit sales tax to the BOE based on taxable sales during the reporting period. All sales during a reporting period will be reported, regardless of whether payment was received during that period.

Obtain seller’s permits, free of charge, by applying to the BOE. Consolidate sales from several locations within an agency in a single return under one seller’s permit. State agencies reporting both sales and use tax will do so under the seller’s permit.

Application forms for a seller’s permit can be obtained from the BOE Information Center and Faxback service at 1-800-400-7115 or downloaded from the BOE website at http://www.boe.ca.gov/.
NONTAXABLE SALES

(Revised 12/01)

Nontaxable sales will be supported by exemption certificates, resale certificates, shipping documents, or other evidence. Nontaxable sales include, but are not limited to, sales (1) to the United State Government and its instrumentalities, (2) for resale by the purchaser, (3) made in interstate commerce, and (4) of food products for human consumption or feed for food animals. Tax does not apply to sales of food animals.

Food animals are considered to be those animals, birds, or insects commonly used in producing food items that people eat, such as meat products, dairy products, eggs, and honey. Examples of food animals include cattle, sheep, swine, chickens, hatching eggs, rabbits, ostriches, emus, fish, and bees. Tax does apply to retail sales (including sales for breeding purposes) of any form of animal life that does not meet the definition of a food animal, for example, cats, dogs, horses, mink, tropical fish, and pet birds.

State agency sales of used vehicles that are required to be registered under the Vehicle Code (typical cars and trucks for highway use) are not subject to sales tax. The purchaser must pay use tax to the Department of Motor Vehicles, who acts on behalf of the BOE, when the purchaser registers the vehicle.

Sales to political sub-divisions of the State are subject to sales tax.

A transfer of tangible personal property between State agencies is not considered a sale and not subject to tax since title to the property remains with the State of California.

Refer all sales tax questions to the BOE Information Center at 1-800-400-7115, through the BOE website at http://www.boe.ca.gov/, or by mail to the State Board of Equalization, P.O. Box 942879, Sacramento, CA 94279-0040.
ACCOUNTING FOR SALES TAX

(Revised 12/01)

Accounting for sales tax by funds for other than Governmental Funds varies depending on the type of operation. The following instructions apply to Governmental Funds.

Sales tax billed or collected will be considered as an expenditure and/or abatement to the appropriation available for State operations at the time of sale. The amount of sales tax billed or collected will be credited to Account No. 9000, Appropriation Expenditures, and to a separate sales tax allotment account that will be established in the Allotment-Expenditure Ledger.

At the end of each reporting period, a claim payable to the BOE for the amount of sales tax liability computed on the sales and use tax return will be prepared. This claim will include any use tax liability that accrued during the reporting period. See SAM Section 8732. The sales tax liability will be charged to Account No. 9000, Appropriation Expenditures, and to the sales tax allotment account in the Allotment-Expenditure Ledger. See SAM Section 8733 for use tax accounting instructions. The filing of this claim may result in a small debit or credit balance in the sales tax allotment account.

This is due to overages or shortages in individual amounts of tax collected in relation to the total sales tax liability for the reporting period. State agencies will not be required to submit budget revisions for small debit balances in the sales tax allotment account after filing this claim.
State departments will report and pay to the Board of Equalization (BOE) the amount of use tax due on purchases made from retailers who do not maintain a place of business in California. The California Contract Public Code (CPC) section 10295.1(a) provides that a state department shall not contract for the purchase of tangible personal property from a vendor, contractor, or an affiliate of a vendor or contractor, unless that vendor or contractor and all its affiliates that make sales for delivery into California are holders of a California seller's permit or are holders of a certificate of registration for use tax. A state department is exempt from the provisions of subdivision (a) if the executive director of that state department or a designee makes a written finding that the contract is necessary to meet a compelling state interest. A compelling state interest includes, but is not limited to, the ensuring of essential services such as public health, safety, and welfare, or responding to an emergency. See CPC section 1102.

When a state department is exempted from the provisions of CPC section 10295.1(a) those departments will report and pay to the BOE the amount of use tax due on purchases made from retailers who are not registered to collect the use tax. Those departments who, in limited circumstances, purchase from an unregistered vendor must obtain a Consumer Use Tax Permit from the BOE. To register for a Consumer Use Tax Permit go to the BOE’s online registration page located at https://efile.boe.ca.gov/ereg/index.boe and select “Register a business activity with BOE.” Departments that use property purchased with a resale certificate will also report and pay use tax on their purchases. The BOE requires departments to efile their sales and use tax return on either a quarterly, calendar year, or fiscal year basis, depending upon the volume of transactions per month generated by the department. Purchases made for several locations within a department will be consolidated into a single return to the BOE under one Consumer Use Tax Permit. Departments that are required to register with BOE for a seller's permit will use the BOE’s online registration page.

State departments that have a seller’s permit or a Consumer Use Tax Permit will file their sales and use tax or consumer use tax return online using the BOE’s efiling system. The BOE’s efiling system allows for departments to properly allocate the 1% Uniform Local Sales and Use Tax and district taxes. For information on efiling of sales and use tax returns, go to the BOE’s website.
State departments will identify payments subject to the consumer use tax by entering on the line containing such a payment an asterisk immediately to the right of the "Amount" column on the Claim Schedule, STD. 218 (Continuous). The total net purchase price of all items in the claim schedule subject to use tax will be entered in the box titled “Total Subject to Use Tax.” If the claim schedule is to reimburse a department’s revolving fund (use Replenishment Claim Schedule, STD. 219TT), the asterisk will be entered after the applicable item on the adding machine tape for revolving fund invoices accompanying the claim schedule.

The amount of use tax payable will not be included in the total claimed as shown on the Claim Schedule, STD. 218. Do not increase the vendor's invoice by the amount of the consumer use tax due.

For each claim schedule containing vendors’ invoices subject to the use tax, departments will complete a Consumer Use Tax Form. The information will include the Board of Equalization (BOE) reporting period, department name, fund code and title, state fiscal year, appropriation item number, claim schedule number and date, brief description of item purchased, net purchase price, and the county to which the use tax is due. The Consumer’s Use Tax Form is shown as 8731 Illustration. A separate Consumer Use Tax Form is required for each fund, appropriation and reporting period. The amount of the tax due will not be computed by the department or shown on each Consumer Use Tax Form. The Consumer Use Tax Form will be retained by the department until a State, Local and District Consumer Use Tax Return, BOE-401-E, is efiled. See SAM section 8732.
Consumer Use Tax Form

Payable to: STATE BOARD OF EQUALIZATION

For the Reporting Period

Ending ______

Agency __________ Payable from __________ Appropriation __________ Item __________

Chapter ________ Statutes __________ Fiscal __________

Year __________

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### SAM—MISCELLANEOUS ACCOUNTING PROCEDURES

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Total:
PAYMENT OF CONSUMER USE TAX

(Revised 06/13)

Consumer Use Tax Forms will be scheduled for payment of use tax to the State Board of Equalization (BOE) by the state department simultaneously with the efileing of the State, Local, and District Consumer Use Tax Return (Consumer Use Tax Return), BOE–401-E. A separate claim schedule will be filed for each fund and appropriation from which such payment will be made. Departments will not submit copies of the Consumer Use Tax Form to the BOE.

The claim schedule, with a copy of the confirmation page from the electronic filing of the Consumer Use Tax Return and the payment voucher will be enclosed in a remittance advice envelope and submitted to the State Controller’s Office (SCO). Departments will prepare as an additional enclosure a list of vendors, including name and address, from which frequent purchases are made which are subject to use tax. The department’s duplicate copies of Consumer Use Tax Form will be attached to the department’s copy of the claim schedule. Departments will enter the number of the claim schedule on their copy of the confirmation page of the Consumer Use Tax Return, BOE-401-E.

If more than one claim schedule is submitted to pay the total tax due, the Consumer Use Tax Return, BOE-401-E, confirmation page and payment voucher will be placed in a remittance advice envelope attached to one of the claim schedules. A special mailing request stating, "Please mail warrant in payment of our claim schedules numbers __, _________, and ______, with the payment voucher and confirmation page accompanying claim schedule number ____," will be attached to the remittance advice envelope accompanying each of the related claim schedules. All claim schedules requesting payment of use tax due relating to the Consumer Use Tax Return, BOE-401-E, will be clipped together and will have a note attached by the department requesting that the claim schedules be kept together until audited by the SCO.

ACCOUNTING FOR USE TAX

(Revised 12/01)

Use tax paid to the BOE for operating expenses and equipment items purchased from support appropriations will be accounted for in the Allotment-Expenditure Ledger as "General Expense" of the same appropriation as that from which the item was purchased, except that a State agency may account for use tax on equipment items as an expenditure against the equipment allotment instead of "General Expense" if use tax on equipment purchases is significant in amount.
State agencies making sales of tangible personal property are required to report and pay to the BOE the 1 percent uniform local sales tax on sales. State agencies selling from more than one location should obtain sub-permits for each location from the BOE. The local tax on sales from multiple locations must be apportioned to the appropriate counties on Schedule B Form, BOE-531. See SAM Section 8734.5. Consequently, each agency should maintain a record of sales for each sales location.

The tax on sales of tangible personal property consists of the 1 percent uniform local sales tax and the appropriate district transactions tax and the combined state and county sales tax.

State agencies will report and pay the 1 percent local use tax to the BOE in the same manner as prescribed for reporting the State use tax. The local use tax must be reported to the BOE by the county where the property is used. The tax due for each county, as shown on the Detailed Allocation by County of 1 percent Uniform Local Use Tax, Schedule E, Form BOE-401-E will be determined by obtaining the sum of purchase prices for each county from the individual entries listed on the Consumer Use Tax Form (see SAM Section 8731.) and multiplying these sums by the 1 percent tax rate.
ACCOUNTING AND REPORTING STATE-ADMINISTERED UNIFORM LOCAL SALES AND USE TAXES 8734.5
(Revised 12/01)

The procedures prescribed for accounting, claim preparing, reporting, and paying the State sales and use taxes are also applicable to the State-administered uniform local sales and use taxes. See SAM Sections 8720–8733. State agencies reporting local tax on sales or on property used at multiple locations will allocate the local tax to the places of sales or places of use on the State, Local, and District Consumer Use Tax Return form, BOE-401-A2.

State agencies that do not have multiple sales locations will allocate the local tax, for incidental sales and for purchases made in locations other than the permit location, to the county of use on Schedule B Form, BOE-531 or Schedule E Form, BOE-531.

Sales or purchases made at the permit location will be entered on line B2 or E2 at the bottom of Schedule B or Schedule E.

Local use tax which cannot be readily identified by county or which should be distributed statewide will be entered after the last county listed on Schedule B or E and will be identified as "Statewide 5999."

State agencies filing invoices for the local use tax due in the same Claim Schedule as the vendor's invoice to which the tax applies will use Consumer Use Tax Form as prescribed in SAM Section 8731.

STATE-ADMINISTERED DISTRICT TRANSACTIONS (SALES) AND USE TAXES 8735
(Revised 12/01)

Numerous counties have enacted ordinances establishing special taxing districts that impose transactions (sales) and use taxes on the sales and/or purchases of tangible personal property in or for use within the district. Various laws authorize counties to establish districts for transportation, jails, and for other governmental services. See SAM Section 3574.3

Rev. 377
APPLICATION OF STATE-ADMINISTERED DISTRICT
TRANSACTIOINS (SALES) TAX TO STATE AGENCY SALES 8735.1
(Revised 12/01)

As of the effective date of the district taxing ordinance, State agencies selling tangible personal property within the district for use within the district will collect the appropriate transactions and use taxes from the consumers. State agencies selling tangible personal property from locations in one county that are delivered into counties that have these district taxes are required to report and pay to the BOE the transactions and use taxes applicable in the county where the delivery is made.

Delivery charges subject to the State sales tax are also subject to the district transactions tax. This district tax does not apply to fixed price sales contracts executed before the effective date of the ordinance if neither party has the unconditional right to terminate the contract.

The tax on tangible personal property sold within the district will consist of the appropriate district transactions tax, the 1 percent uniform local tax, the 1/4 percent county transportation tax, and the state sales tax.

APPLICATION OF STATE-ADMINISTERED DISTRICT USE TAX 8735.2
(Revised 12/01)

After the effective date of the district taxing ordinance, State agencies will report to the BOE and pay the district use tax applicable to purchases in the same manner as prescribed for reporting the State use tax. The district use tax is applicable to purchases of tangible property to be used within the district, but purchased from vendors located outside the district who do not hold certificates of authority to collect use tax. The district use tax does not apply to fixed price sales contracts executed before the effective date of the ordinance if neither party has the unconditional right to terminate the contract.

APPLICATION OF STATE-ADMINISTERED DISTRICT USE TAX TO PURCHASE FOR TEMPORARY STORAGE 8735.3
Rev. 377
State-administered transit district use tax does not apply to storing, keeping, retaining, processing, fabricating or manufacturing of tangible personal property for subsequent use solely outside the State or for subsequent use solely outside the district imposing a use tax. The tax does apply when purchases are withdrawn from storage for use within the transit district.
The procedures prescribed for accounting, claim preparation, reporting and paying the State sales and use taxes are also applicable to the State-administered district transactions (sales) and use taxes. See SAM Sections 8720 through 8733.

State agencies reporting district use tax on sales or on property used at multiple locations will allocate the district use tax to the place of sales or places of use on the Computation Schedule for District Tax, Schedule A, of the State, Local, and District Consumer Use Tax Return form, BOE-401-A. The Computation Schedule for District Tax, Schedule A, is used to determine the amount of tax, if any, that should be distributed to entities imposing district tax. For information on how to apply district taxes, request a copy of Tax Tips for District Tax, Pamphlet 44, from the BOE.
Effective August 19, 1975, Management Memo 75–31 set forth the state's policies and procedures regarding payment of personal property tax liability. As pointed out, that liability is generally not the responsibility of the State.

The State is exempt from property taxation under California Constitution Article XIII, Section 3(a). Any obligation for property tax on state leased equipment would exist, if at all, only as a result of an express provision of the lease agreement. Payments would not be made directly to taxing authorities, if the lease obligation existed but would be limited to reimbursing the lessor for actual tax payments which the lessor could prove had been made.

A review must be made of each individual lease under which reimbursement of property taxes is claimed to ascertain whether reimbursement should be made. Provisions in a lease adding "applicable state and local taxes" to the monthly rental relate to sales and use taxes and do not encompass personal property taxes.

Any lease clause, such as those on lessor order forms or other documents extraneous to the approved lease, which purports to require the State to reimburse the lessor for personal property taxes is not a valid basis for reimbursement unless the order form or document was included in the lease when approved or has been executed by the State and approved in the same way as the original lease.

If a copy of a personal property tax bill is received, the bill should be forwarded for payment to the lessor named in the bill. No payment should be made by the State. If, after payment of the taxes, the lessor submits a properly documented claim for reimbursement and the lease so provides, the lessor can be reimbursed for the taxes applicable to the lease term.

In some instances personal property tax bills will be received on equipment which was on lease but which was purchased by the State prior to the tax lien date of March 1st. In such a case the property would be tax exempt and the bill should be returned to the taxing authority with a letter notifying it of the change in ownership. Such notice should include the date on which the state's purchase was made.
The Airport and Airway Revenue Act of 1970 imposes an annual tax on the use of all taxable civil aircraft. Aircraft owned by the State, including helicopters, are taxable civil aircraft. Aircraft of the National Guard are not considered taxable civil aircraft. Each State agency who operates aircraft is liable for this tax and is responsible for filing their own tax return.

The yearly taxable period begins on July 1 and ends the following June 30 for taxable civil aircraft in use during the reporting period. The tax return is filed on a Federal Use Tax Return on Civil Aircraft, Form 4638. The return is due on or before the end of August. If an additional aircraft is put in use after July, an additional return is due before the end of the month following the one in which that aircraft is first used. The return is filed with the Internal Revenue Service, and forms are available from any Internal Revenue office. If a return was filed in the prior taxable period, a pre-addressed form should be received by mail for filing in the current taxable period.

Additional information on this tax is contained in Federal Publication 582, Federal Use Tax on Civil Aircraft, which is available from the Internal Revenue Service.

To Lessor:

This office received the attached copy of your personal property tax bill for the equipment leased by the State and installed at the location indicated. If you have not already received the original of this bill, the enclosed will serve as notice of the amount due.

Since the State is not subject to local property taxation, you are responsible and must pay directly any amounts assessed against equipment owned by your company in order to avoid the delinquencies and penalties recited in the bill. The state's equipment leases do not usually provide for separate reimbursement of personal property taxes. However, if you believe your lease on the subject equipment contains provisions for reimbursement, a claim for the amount of the taxes paid by you should be submitted in accordance with the applicable billing procedure. The claim should include a copy of the tax bill, the receipt in payment of the tax bill or other acceptable evidence of
payment, and identification of the lease provisions or other basis obligating the State to make reimbursement. Provisions in a lease adding "applicable state and local taxes" to monthly lease payments or unapproved provisions on lessor order forms relating to tax payments do not afford a basis for reimbursement of property tax payments.

Sincerely
This section provides the methodology and formula for determining the hourly billing rate when a department bills for the services of employees paid on a monthly basis on or after January 1, 2019. As outlined below, the hourly billing rate is computed using the total actual working time per year and the state’s staff benefit contribution percentage.

Total actual working time per year is determined by deducting the number of hours for Saturdays, Sundays, holidays, and other absences from total hours for the calendar year. To determine other absences, departments will compile and average absences such as vacation leave, annual leave, personal leave program, sick leave, bereavement leave, informal time off, jury duty leave, military leave, furlough leave, and professional development leave.

This formula only provides billing for hours actually worked. The formula does not include an amount for such costs as identifiable operating expenses incurred in rendering the service, charges for other than incidental use of equipment, overhead, and other costs. In addition, Workers’ Compensation, Industrial Disability, Unemployment Compensation, and Life Insurance benefits are not included in the formula since these expenses can vary substantially among departments. However, such costs should be included in billing for services in accordance with SAM sections 8752.1 and 8758.
**SAM—MISCELLANEOUS ACCOUNTING PROCEDURES**

**BILLING FOR SERVICES OF EMPLOYEES PAID ON MONTHLY BASIS**  
(Revised 02/2019)  

**8740 (Cont. 1)**

### HOURLY BILLING RATE CALCULATION – TOTAL ACTUAL WORKING TIME PER YEAR

<table>
<thead>
<tr>
<th>CALENDAR YEAR</th>
<th>365 days x 8 hours = 2920 hrs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>LESS DEDUCTIONS</td>
<td></td>
</tr>
<tr>
<td>Saturdays</td>
<td>52 days x 8 hours = 416 hrs.</td>
</tr>
<tr>
<td>Sundays</td>
<td>52 days x 8 hours = 416 hrs.</td>
</tr>
<tr>
<td>Holidays:</td>
<td></td>
</tr>
<tr>
<td>New Year's Day</td>
<td></td>
</tr>
<tr>
<td>Martin Luther King Jr. Day</td>
<td></td>
</tr>
<tr>
<td>President's Day</td>
<td></td>
</tr>
<tr>
<td>Cesar Chavez Day</td>
<td></td>
</tr>
<tr>
<td>Memorial Day</td>
<td></td>
</tr>
<tr>
<td>Independence Day</td>
<td></td>
</tr>
<tr>
<td>Labor Day</td>
<td></td>
</tr>
<tr>
<td>Veteran's Day</td>
<td></td>
</tr>
<tr>
<td>Thanksgiving Day</td>
<td></td>
</tr>
<tr>
<td>Day After Thanksgiving</td>
<td></td>
</tr>
<tr>
<td>Christmas Day</td>
<td></td>
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<tr>
<td>Personal Holiday</td>
<td></td>
</tr>
<tr>
<td>12 days x 8 hours = 96 hrs.</td>
<td></td>
</tr>
<tr>
<td>Other Absences (averages):</td>
<td></td>
</tr>
<tr>
<td>Vacation/Annual Leave*</td>
<td></td>
</tr>
<tr>
<td>Personal Leave Program</td>
<td></td>
</tr>
<tr>
<td>(PLP)* Miscellaneous – Sick, Bereavement, Informal Time Off, Jury Duty, Military, Furlough Off, Professional Development Leave*</td>
<td></td>
</tr>
</tbody>
</table>

Subtotal of Other Absences (Vacation, PLP, and Miscellaneous)  

TOTAL DEDUCTIONS (Include all amounts calculated under deductions)  

TOTAL ACTUAL WORKING TIME PER YEAR (2920 hrs. less Total Deductions)  

*Statewide data is not available. Each department, based on previous experience and expertise, must compile the information for Other Absences. Remember to calculate a separate average for each type of Other Absences (i.e. average vacation/annual leave, average PLP, and average miscellaneous absences).
BILLING FOR SERVICES OF EMPLOYEES PAID ON MONTHLY BASIS

STATE'S STAFF BENEFIT CONTRIBUTION PERCENTAGES
(Effective January 1, 2019)

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee’s Retirement</td>
<td>29.40</td>
</tr>
<tr>
<td>OASDI</td>
<td>6.20</td>
</tr>
<tr>
<td>Medicare</td>
<td>1.45</td>
</tr>
<tr>
<td>Health, Vision, and Dental Benefits</td>
<td>14.94</td>
</tr>
<tr>
<td><strong>TOTAL PERCENT</strong></td>
<td><strong>51.99</strong></td>
</tr>
</tbody>
</table>

FORMULA FOR CALCULATING THE HOURLY BILLING RATE:

\[(\text{Monthly Salary Rate} \times 1.5199) \div \left(\frac{\text{Total Actual Working Time per Year}}{12}\right)\]

Note: Monthly Salary Rate should be adjusted as necessary to reflect (average) salary reductions for PLPs and furloughs.

**Formula for calculating daily rate for 2,000 hours or less per year:**

The number of working hours per month is not appropriate for employees not expected to work 2,000 hours per year. In such instances, an estimate of actual working time per month or year, considering average holiday, vacation, and sick leave should be used. For example, billing rates for academic year employees, such as college instructors, would be computed on the basis of the number of workdays in a year, less the average of sick leave usage. (Holidays and vacation are not considered in this instance since they are considered in determining the number of working days.)

\[\text{Daily Rate} = (\text{Annual Salary Rate} \times 1.5199) \div \left(\frac{\text{Working Days per Year} - \text{Average Sick Leave Days Used per year}}{8}\right)\]

(Continued)
(Continued)

BILLING FOR SERVICES OF EMPLOYEES PAID ON MONTHLY BASIS 8740 (Cont. 3)
(Revised 02/2019)

Note: The 51.99 percent rate is applicable only to employees who are Miscellaneous Tier 1 members of the Public Employees' Retirement System. For those employees who are not Miscellaneous Tier 1 members, but who still belong to Social Security, their appropriate retirement contribution rate will be substituted for the 29.40 percent rate. Those employees who are not Miscellaneous Tier 1 members and who do not belong to Social Security will include their appropriate Medicare and retirement rates, and health, vision, and dental benefit rates. For example, the appropriate total rate for members of the Safety Retirement Category who do not belong to Social Security is 37.92 percent consisting of:

<table>
<thead>
<tr>
<th>Description</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee’s Retirement (State Safety)</td>
<td>21.53</td>
</tr>
<tr>
<td>Medicare</td>
<td>1.45</td>
</tr>
<tr>
<td>Health, Vision, and Dental Benefits</td>
<td>14.94</td>
</tr>
<tr>
<td>TOTAL PERCENT</td>
<td>37.92</td>
</tr>
</tbody>
</table>

This 37.92 percent figure will be used in lieu of the 51.99 percent figure shown above. State departments with employee members in different retirement categories may use a composite employer contribution rate, based on department experience. Also, any department may use other rates for OASDI, Medicare, and health, vision, and dental benefits if more accurate rates can be determined from the actual experience of their operations.
Original fuel purchase invoices must be submitted with the refund claim. The following records will be maintained to support the gasoline tax refund claimed:

1. Agency issue tags or requisitions for fuel pumped from the agency's storage tank. These documents will show the date the fuel was placed in the equipment, identification of the equipment, and gallons.

2. Trip tickets and working papers showing calculations based on reasonable data to support quantities of fuel used in motor vehicles operated both on and off the highway.

In cases where the fuel is delivered directly into equipment tanks by the vendor, the original invoice will constitute the usage record. Where the fuel is delivered by the vendor in drums or into an agency storage tank, issue tags and trip tickets or calculations are the usage records and will support the applicable original invoice.

REFUND CLAIMS

Gasolines taxes refunds claims are administered by the State Controller's Division of Accounting and Reporting and are subject to audit by the office. State Controller's Form SCGR–I must be used. Departments will file claims at least annually since the law provides that a claim must be filed within thirteen months of the date fuel was purchased. Gasoline tax refund claims will be supported by original invoices. Monthly or other periodic billings covering several purchases will not be accepted in support of the refunds. When a claim for refund of motor vehicle fuel taxes is to be filed, the original invoice will be used to support this claim and a duplicate invoice used to support the claim to pay the vendor's bill. The duplicate invoice will bear the notation "Original invoice retained for use in filing claim for refund of motor vehicle fuel taxes." This procedure is acceptable to the State Controller's Office. The department may prepare a third copy of the invoice for its files.

Since tax refunds on fuel used to operate aircraft are payable from the Aeronautics Account, separate claims will be filed requesting such refunds.

All documents pertaining to the refund claim will be retained for audit for a period of four years after the refund claim is filed.
The refunds will be abated to the appropriation current for the period of usage for which the claim is being filed.
FEDERAL MOTOR VEHICLE FUEL TAX

The state is exempt from Federal Excise Tax on motor vehicle fuel.

CONTINGENT REFUNDS UNDER AGREEMENTS FOR INSTALLATION OF UTILITIESERVICE LINES

It is common in agreements with utility companies for installation of service lines to provide for refunds to the state in the event that other customers later be connected to the utility line serving the state agency. The right of refund is usually for a ten-year period and is limited to the total amount of the payment under the agreement.

Accounting control over these contingent receivables will be maintained in memorandum accounts of the agency. When such agreements are negotiated, the contingent receivable will be recorded in the accounts for the total amount of the installation cost as set forth in the contract. Copies of the agreements can be filed as the subsidiary detail of the contingent receivables account.

The Office of the State Architect will furnish the agency a copy of each agreement providing for refunds negotiated by that office in connection with the construction contracts.

Contingent receivables will be recorded in memorandum accounts by the following entry:

Dr. 1380 Contingent Receivable
Cr. 5390 Other Reserves

Refunds received during the term of the agreement will be remitted to the State Treasury as abatements to the appropriation from which the installation cost was paid, or if that appropriation has reverted, as refunds to reverted appropriations. At the time the abatements are recorded, entries will be made to reduce the balances in Accounts No. 2331 and 5200 and the above memorandum accounts.

Upon expiration of the agreement the agency will check with the utility company to determine whether it is entitled to any further refund. Then any unrefunded balance will be canceled by debiting Other Reserves and crediting Contingent Receivable.
A contingent liability is defined as an obligation relating to a past transaction or event that may be payable in the future. The distinction between a real liability and a contingent liability depends on the certainty of the payment to be made. A real liability exists when it is probable that the payment will be made. A contingent liability exists when it is only possible that the payment will be made.

Real liabilities payable from an existing appropriation must be recognized at year-end even though the amount may be estimated in whole or part. Real liabilities not properly payable from an existing appropriation will be reported as payable from a future appropriation.

A statement of all contingent liabilities and liabilities payable from a future appropriation will be prepared at year-end. These liabilities will be reported in Statement No. 22, Statement of Contingent Receivables and Contingent Liabilities. See SAM Section 7979. Agencies will establish appropriate memorandum accounts as a record of these liabilities.

**FULL COST RECOVERY POLICY**

The state policy is for departments to recover full costs whenever goods or services are provided for others (Requirements for General Fund departments are included in Government Code (GC) Sections 11010 and 11270). This policy, which applies to all departments regardless of funding sources, is to be followed in all cases except where statutes prohibit full cost recovery.

The full cost of goods or services includes all costs attributable directly to the activity plus a fair share of indirect costs which can be ascribed reasonably to the good or service provided. SAM Section 8752.1 contains a discussion of the cost elements to include.
COST ELEMENTS INCLUDED

Include the following costs in charges for goods and services: Department direct costs, Department indirect (overhead) costs, Central service costs.

1. Department direct costs are those which can be identified specifically with a particular cost objective, such as:
   a. Personal services costs incurred in meeting the cost objective (personal services costs will include the fringe benefit factors prescribed in SAM Section 8740).
   b. Operating expenses and equipment costs incurred in meeting the cost objective, such as the cost of contracts, travel expenses, etc.

2. Department indirect (overhead) costs are those support costs which benefit more than one cost objective/organizational unit. These costs are accumulated and allocated periodically to the cost objective/organizational units which benefit from the support activity/function. Departmental indirect costs include:
   a. Personal services costs of unit, bureau, division, and department administrative, supervisory, and executive staff.
   b. Personal services costs of support units, including clerical support, housekeeping, etc.
   c. Operating expenses and equipment costs not included as part of department direct costs.

3. Central service costs are costs incurred by central service departments (e.g., Department of Finance, State Controller’s Office, State Personnel Board, etc.) for the benefit of state departments. See SAM Section 8753 for more information on central service costs.
Central service costs are those amounts expended by central service departments and the Legislature for overall administration of state government and for providing centralized services to state departments. These functions are necessary for state operations and are centralized to provide efficient and consistent statewide policy and services. Central service departments are:

<table>
<thead>
<tr>
<th>California State Auditor's Office</th>
<th>Legislative Counsel Bureau</th>
</tr>
</thead>
<tbody>
<tr>
<td>California State Library</td>
<td>Legislature</td>
</tr>
<tr>
<td>California Department of Technology</td>
<td>Office of Administrative Law</td>
</tr>
<tr>
<td>Department of Finance</td>
<td>Office of Planning and Research</td>
</tr>
<tr>
<td>Department of Human Resources</td>
<td>Secretary of the California Health and Human Services Agency</td>
</tr>
<tr>
<td>Department of Justice</td>
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<tr>
<td>Department of Financial Information System for California</td>
<td>State Controller’s Office</td>
</tr>
<tr>
<td>Governor’s Office</td>
<td>State Personnel Board</td>
</tr>
<tr>
<td>Health Benefits for Annuitants (Retired) Dental</td>
<td>State Treasurer’s Office</td>
</tr>
<tr>
<td>Benefits for Annuitants (Retired) Health</td>
<td></td>
</tr>
<tr>
<td>Benefits for Annuitants (Retired CSU)</td>
<td></td>
</tr>
</tbody>
</table>

Central service costs are funded by the General Fund and the Central Service Cost Recovery Fund appropriations made to each central service department. The central services benefit most funds/departments. For equity, Government Code sections 11270–11275 and 22883 provide for the sharing of central service costs by funds other than the General Fund and the Central Service Cost Recovery Fund. This cost sharing process is titled formally as "General Administrative Costs" but is known more commonly as "Pro Rata." See explanation in SAM section 8754.

In addition to administering the Pro Rata central service costs sharing, the Department of Finance, Fiscal Systems and Consulting Unit (FSCU), prepares a Statewide Cost Allocation Plan (SWCAP) each year. SWCAP is a cost allocation plan which apportions federally allowable central service costs to departments. Therefore, differences exist in the central service costs contained in the two plans.

(Continued)
The central service functions included in Pro Rata and SWCAP are listed below:

**Central Service Plans**

<table>
<thead>
<tr>
<th>Central Service Function</th>
<th>Pro Rata Only</th>
<th>SWCAP Only</th>
<th>Both</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Finance:</td>
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<tr>
<td>Audits</td>
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<td>X</td>
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<tr>
<td>Budgets</td>
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<tr>
<td>Fiscal Systems and Consulting Unit (FSCU)</td>
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<td>Department of Technology</td>
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<td>State Controller’s Office:</td>
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<td>Accounting and Reporting</td>
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<td>Audits - Claim Audits</td>
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<tr>
<td>Disbursements</td>
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<tr>
<td>Audits – Field Audits</td>
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<td>X</td>
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<tr>
<td>Personnel/Payroll Services Division and Information Systems Division</td>
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<tr>
<td>State Treasurer’s Office:</td>
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<td>Investment</td>
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<td>Item Processing</td>
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<tr>
<td>Centralized Treasury and Security Management Division and Public Finance Division</td>
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<tr>
<td>Department of Financial Information System for California (FI$Cal)</td>
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<tr>
<td>State Personnel Board</td>
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<td>Department of Human Resources (CalHR)</td>
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<td>Office of Administrative Law</td>
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<tr>
<td>California State Library</td>
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<tr>
<td>Health Benefits for Annuitants (Retired)</td>
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<td>Dental Benefits for Annuitants (Retired)</td>
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<td>Health Benefits for Annuitants (Retired CSU)</td>
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<td>Secretary of the California Health and Human Services Agency</td>
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<td>California State Auditor’s Office</td>
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<td>Department of Justice:</td>
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<tr>
<td>Legal Costs</td>
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<td>Tort Liability</td>
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<td>Legislature</td>
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<tr>
<td>Legislative Counsel Bureau</td>
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</table>
### SAM—MISCELLANEOUS ACCOUNTING PROCEDURES

<table>
<thead>
<tr>
<th>Central Service Function</th>
<th>Pro Rata Only</th>
<th>SWCAP Only</th>
<th>Both</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governor’s Office</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office of Planning and Research (Continued)</td>
<td>X</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The costs of the above central services are allocated on the basis of services provided. To do this, FSCU determines the most appropriate workload base for each central service. Actual workload units are accumulated for each department. Then, central service costs are charged to the funds on the basis of these workload units.
General Administrative Costs are commonly referred to as Pro Rata. As mentioned in SAM section 8753, Pro Rata is the sharing of central service costs by funds other than the General Fund and the Central Service Cost Recovery Fund (CSCRF).

The cost of each central service is apportioned to departments. Then, each department’s total central service costs are allocated to the department's funding source(s).

The Department of Finance (Finance), Fiscal Systems and Consulting Unit (FSCU) classifies funds as nonbillable or billable. In general, nonbillable funds are those whose funding source is the General Fund or a federal fund. Billable funds are funded by special revenue sources such as fees, licenses, penalties, assessments, etc.

FSCU calculates Pro Rata costs for both billable and nonbillable funds. Pro Rata cost information is provided to departments so that full departmental/program costs can be determined. These detailed reports are available at: http://www.dof.ca.gov/Accounting/Statewide_Cost_Allocation/Pro_Rata_Overview/.

Full cost information is particularly important when nonbillable funding sources provide and recover full costs for reimbursable services. See SAM section 8756 for more information on the state's full cost recovery process.

Finance certifies to the State Controller’s Office (SCO) the Pro Rata costs to be charged to billable funds. Pro Rata assessments against billable funds are processed by the SCO transfers. The transfers are first made to the CSCRF up to the amount determined by Finance, FSCU. All subsequent transfers for that fiscal year are made to the General Fund.

For questions concerning Pro Rata, contact the Finance FSCU Pro Rata analyst at fiproswp@dof.ca.gov.
The SWCAP, like Pro Rata, is a "fair share" distribution of central service costs. SWCAP includes only those central services costs which are allowable for federal reimbursement purposes.

In the fall of each year, the Department of Finance (Finance), Fiscal Systems and Consulting Unit (FSCU) prepares California's SWCAP for the ensuing fiscal year. FSCU sends the SWCAP to the federal Department of Health and Human Services (DHHS) for approval. The DHHS approval authorizes state departments to include SWCAP in their charges for work performed under federal grants and contracts.

The methods used to apportion the SWCAP costs to departments are identical to those used to apportion Pro Rata central service costs.

DEPARTMENTAL PROCESS

Each department receiving federal funds has the responsibility to:

1. File an Indirect Cost Rate Proposal (ICRP), Cost Allocation Plan (CAP) and/or Public Assistance Cost Allocation Plan (PACAP) with the federal government. First, send the ICRP, and/or CAP, or PACAP to Finance, FSCU, for review and approval. SAM Section 8755.2 discusses ICRPs in detail.

2. Recover full costs (including SWCAP recoveries).

3. Transfer SWCAP recoveries to the General Fund within 30 days after the end of each quarter.
For state departments that receive federal funds, Government Code section 13332.01 and 13332.02 require the recovery of SWCAP costs from the federal government and to transfer the SWCAP recoveries to the General Fund (GF). In accordance with SAM section 8755.1, these transfers are due within 30 days after the end of each quarter. In order to meet this objective and substantiate recovery amounts, departments must first prepare an Indirect Cost Rate Proposal, a Cost Allocation Plan, or Public Assistance Cost Allocation Plan as prescribed in SAM section 8756 and 8756.1.

To transfer SWCAP recoveries, departments are required to complete a Transaction Request (TR), form CA 504 and send it to the State Controller’s Office (SCO) for processing. The TR must include the quarterly SWCAP amount by fiscal year to be transferred and a brief explanation in the legal authority and reason for request section. The Illustration below includes a Sample TR showing how to transfer recoveries from the Federal Trust Fund to the GF.

8755.2 Illustration (Sample TR, CA 504)
### 8755.2 Illustration

<table>
<thead>
<tr>
<th>FUND</th>
<th>AGY</th>
<th>FY</th>
<th>W</th>
<th>REP ITEM</th>
<th>FED CAT</th>
<th>FIN CAT</th>
<th>PURR</th>
<th>ELE</th>
<th>COMP</th>
<th>TASK</th>
<th>ACCT</th>
<th>REV/OBJ</th>
<th>AMOUNT</th>
<th>SOURCE</th>
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**Type of Transaction:** SWCAP Transfer

**Legal Authority and Reason for Request:**

SWCAP TRANSFER FOR 2ND QTR OF FY 20XX AND 3RD QTR FOR FY 20XX IN ACCORDANCE WITH GC 13302.01 AND 13992.02.

**Authorized Signature:**

**Contact Person:**

**Phone for Contact:**

**E-mail for Contact:**

**Date:** MM/DD/YYYY

---

Rev. 427
Department or program costs can be categorized into three types: (See SAM Section 8752.1 for descriptions of these costs.)

Direct
Departmental indirect Central service

Indirect costs (both departmental and central service) are generally assigned to a program or organizational unit by an indirect cost rate or by some other cost application technique. Indirect cost rates are usually expressed as percentages. These percentages express the relationship of the sum of departmental indirect and central service costs to a direct cost base. Commonly used direct cost bases include direct salaries and wages costs, direct personal services costs, or total direct costs. The aggregation of all costs (direct, indirect, and central service), the analysis of cost relationships, and, finally, the computation of rate(s) are the basic steps involved in developing an ICRP.
FEDERAL INDIRECT COST RATE PROPOSAL (ICRP) AND/OR COST ALLOCATION PLANS

(Revised 2/2015)

Each department that receives federal funds must prepare an ICRP, and/or CAP or PACAP, unless exempted by Finance, FSCU. An ICRP, CAP or PACAP establishes the basis for recovering full costs associated with programs or activities. The ICRP, CAP or PACAP must be prepared in accordance with the Office of Management and Budget (OMB) Guidance at 2 CFR 200, “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards” published by the federal Department of Health and Human Services, which is available at: http://www.ecfr.gov.

Every fall, Finance, FSCU, notifies departments with federal funding of the central service costs (SWCAP) apportioned to them for the next fiscal year. The reports are available at: http://www.dof.ca.gov/Accounting/Statewide_Cost_Allocation/swcap_library/.

Inclusion of SWCAP costs is required in the department’s ICRP, CAP, or PACAP to allow for the recovery of SWCAP costs apportioned to the department, unless exempted by statute and/or grant provisions.

For ICRPs only, in addition to the supporting documentation required by OMB Guidance at 2 CFR 200, departments are required to complete a Finance ICRP Summary Form. This form primarily acts as a checklist for proper preparation of the ICRP and is available at: http://www.dof.ca.gov/Accounting/Statewide_Cost_Allocation/Indirect_Cost_Rate_Proposals/. A summary sheet must also be included in the ICRP identifying the calculation of the indirect cost rate, cross-referenced to the supporting documentation. The formula used to calculate the indirect cost rate is shown in the 8756.1 Illustration.

Departments must submit their ICRPs, and/or CAPs or PACAP’s to Finance, FSCU, for review and approval before sending to the federal cognizant agency for approval.

ICRPs, CAPS, or PACAPs are typically due to the federal cognizant agency at least six months before the start of the fiscal year to which the ICRP, CAP, or PACAP applies.

Generally, the federal agency from which a department receives the most funding is designated as the federal cognizant agency.

Once the ICRP, CAP, or PACAP is approved by the federal cognizant agency, the department may recover indirect costs from the federal government. Refer to SAM section 8755.2 for requirements to transfer the recoveries to the General Fund.

Rev. 429
CALCULATION OF INDIRECT COST RATE

1) Net Total Department Indirect Costs + 2) SWCAP Allocation = Proposed Indirect Cost Rate

3) Total Direct Cost Base

1) Indirect costs are costs incurred for a joint or common benefit and cannot be identified with a particular program, function, or cost objective. Sometimes known as “overhead,” these costs include costs for accounting, budgeting, human resources, etc. The total departmental indirect costs are adjusted for unallowable costs and the addition of costs, such as equipment use allowance, per OMB Guidance at 2 CFR 200.

2) Indirect costs also include the department’s allocation of central services costs (SWCAP).

3) Direct costs are costs identified specifically with a particular program, function, or cost objective. Typical direct cost bases include personal services and modified total direct costs.

4) The components of the indirect cost rate should be cross-referenced to supporting documentation in the ICRP (e.g., budget reports, financial statements, etc.)
Departments which receive reimbursements from other than Federal funding sources will also ensure that full costs are included in charges for goods provided and services performed. The basic principles and cost elements included are the same as for Federal ICRPs (see SAM Section 8756.1) with one exception; non-Federal cost recoveries will include the larger of the department's central service costs, SWCAP or Pro Rata. See 8756.1 Illustration 1 for a sample indirect cost calculation.
RECOVERY OF INDIRECT COSTS
SAMPLE CALCULATION

Department A administers a program, grant, or contract and is preparing to bill for services rendered.

1. Department A develops an Indirect Cost Rate Proposal (ICRP) with a 32 percent indirect cost rate as follows:

   \[
   \text{Total department indirect + central service allocation (a) = } \frac{\text{Total direct cost base (direct personal services costs) (b)}}{8,750,000} \\
   \text{\$2,660,000 + \$140,000 = 2,800,000 = 32%} \\
   \frac{8,750,000}{8,750,000}
   \]

2. The indirect cost rate applicable to central service costs is:

   \[
   \text{Department A’s central service allocation = } 140,000 = 1.6\% \\
   \frac{\text{Total direct cost base (direct personal services costs)}}{8,750,000}
   \]

3. Assume total direct costs incurred for Department A’s reimbursable activity during the billing period to be \$350,000, of which \$250,000 is for direct personal services costs and \$100,000 is for other direct operating costs.

4. Billable amount for period = direct costs + indirect costs = \( \frac{(\$250,000 + \$100,000)}{8,750,000} \) + (32% × \$250,000) = \$350,000 + \$80,000 = \$430,000

5a. Expected central service recovery = central service indirect cost rate x direct cost base:

   \[
   = 1.6\% \times \$250,000 \\
   = \$4,000
   \]

   —or—

5b. Expected central service recovery = Department A’s central service allocation x indirect costs

   \[
   \text{Total departmental indirect costs} \\
   \frac{140,000}{2,660,000 + 140,000} \\
   = \frac{.05 \times \$80,000}{\$4,000}
   \]

(Continued)
RECOVERY OF INDIRECT COSTS
SAMPLE CALCULATION

Summary:

Department A would collect a total of $430,000 for its reimbursed activity, $4,000 of which is attributable to central service costs.

(a) Use SWCAP for federal funded programs; use Pro Rata costs or SWCAP, whichever is greater, for non-federal funded programs.

(b) Total direct salaries and wages, total direct costs, or some other appropriate base could be substituted as the base in developing the indirect cost rate.
SAM—MISCELLANEOUS ACCOUNTING PROCEDURES

Rev. 411
ACCOUNTING FOR DIRECT AND INDIRECT COSTS 8757
(Revised and Renumbered from 8753.3 6/85)

Departments will account for reimbursements, including receipts from the federal government, according to the following cost categories:

Direct costs;
Departmental indirect costs; and Central service costs.

Accountability by these cost categories encourages full cost recoveries including a fair share of central service costs.

Departments will establish subsidiary accounts for: Direct cost recoveries
Departmental Indirect cost recoveries Central service cost recoveries

These accounts will be subsidiary to Account Number 8020–Federal Grants and Contracts, or Account Number 8100–Reimbursements, depending on the fund in which these monies are accounted.

CHARGES FOR INTERAGENCY SERVICES 8758
(Revised and Renumbered from 8760 6/85)

Charges for interagency services will include the same cost components that are included in charges for services to other than state agencies, i.e., direct costs, indirect costs, and central service costs, as prescribed in Section 8752.
All agreements or arrangements services will include charges for the costs identified above. Include in any agreements a provision that the charges are computed in accordance with SAM Section 8752. Any of the following sample paragraphs may be used in the agreement:

1. "Upon completion of the foregoing in a satisfactory manner (name of state agency receiving service) agrees to pay to (name of state agency performing service) an amount equal to the latter’s cost of performance hereunder computed in accordance with Section 8752 of the State Administrative Manual. The total amount of this agreement shall not exceed $. Nothing herein contained shall preclude advance payments pursuant to Article I, Chapter 3, Part I, Division 3, Title 2, Government Code."

2. "Upon completion of the foregoing in a satisfactory manner (name of state agency receiving service) agrees to pay to (name of state agency performing service) the sum of $, which sum has been computed in accordance with Section 8752 of the State Administrative Manual. Nothing herein contained shall preclude advance payments pursuant to Article 2, Chapter 3, Part 1, Division 3, Title 2, Government Code."

3. "In consideration of the performance of the foregoing in a satisfactory manner (name of State agency receiving service) agrees to pay to (name of State agency performing service) the sum of $payable as follows: (For example, at the end of each calendar month). Said consideration has been computed in accordance with Section 8752 of the State Administrative Manual. Nothing herein contained shall preclude advance payments pursuant to Article 1, Chapter 3, Part I, Division 3, Title 2, Government Code."

4. "(Name of state agency receiving services) agrees to pay (name of state agency rendering service) the cost of performance hereunder and to pay in advance $ on (date). It is agreed between the parties hereto that upon completion of the services hereunder, the actual cost of rendering said service shall be computed in accordance with the provisions of Section 8752 of the State Administrative Manual and said payment adjusted in accordance with the provisions of Article I, Chapter 3, Part 1, Division 3, Title 2, Government Code."
The Federal Government awards certain block grant funds to the State for various social service programs. These Federal block grants include, but are not limited to, the following:

Title XX (Social Security Act)
Low Income Home Energy Assistance Preventive Health
Maternal and Child Health Services Alcohol and Drug Abuse
Mental Health Services
Community Development Community Services

The State assumes certain fiscal administrative responsibilities for these block grants. State departments which administer block grants will require recipients (public and private non-profit organizations) to comply with certain specific fiscal requirements.

(Continued)
Administering State Department Requirements

State departments which administer block grants will:

1. Require grant recipients to submit two quarterly reports—
   a. the "Grant Financial Status Report," an accountability report; and
   b. the "Grant Cash Transaction Report," a cash flow report.

The final forms of the two quarterly reports may be developed by the administering department as long as the information contained in the sample reports shown as SAM Section 8760 Illustration 1 and 2 is reported.

2. Require grant recipients to maintain detailed accounting records which form the basis for the grant reports;

3. Retain the grant reports for fiscal management and control purposes;

4. Take appropriate action, which may include canceling/withdrawing the grant, if grant reports are not submitted timely; and

5. Require, as an option, additional information/reports from grant recipients to supplement the information contained in the two quarterly reports.

Grant Recipient Requirements

All grant recipients will:

1. Complete two quarterly grant reports—
   a. The "Grant Financial Status Report" (see SAM Section 8760 Illustration 1 for a sample report format and instructions); and
   b. The "Grant Cash Transaction Report" (see SAM Section 8760 Illustration 2 for a sample report format and instructions);

2. Submit the grant reports to the administering department by the 20th calendar day following the end of each quarter;

3. Maintain detailed accounting records which form the basis for the grant reports; and

4. Retain and have the accounting records available for audit for a minimum of three years from the report submission date.

Rev. 367
SAM—MISCELLANEOUS ACCOUNTING PROCEDURES

8760 Illustration 1
(Revised 03/13)
Grant Financial Status Report

A. Grant Information:
   1. Grant Name: _____________________ Identification Number, if applicable:

   2. Grant Period: From: ____________ To: ____________
   3. Quarter covered by report: From: ____________ To: ____________
   5. Accounting Basis: Cash: ____________ Accrual: ____________

B. Grantor Information:
   State Department and Office:

C. Grantee Information:
   1. Grantee Organization Name:

   2. Address: _____________________ City and Zip Code:

   3. Employer Identification Number, if applicable:

D. Fiscal Information:
   1. Net outlays previously reported (line D.3. from previous quarter’s report) $ __________
   2. Total net outlays this report period $ __________
   3. Net outlays to date (line D.1. plus line D.2.) $ __________

   4. Less: Nongrant share of outlays $ __________
   5. Total grant share of outlays (line D.3. minus line D.4.) $ __________
   6. Total unliquidated obligations $ __________
   7. Less: Nongrant share of unliquidated obligations $ __________

   8. Grant share of unliquidated obligations (line D.6. minus line D.7.) $ __________

   9. Total grant share of outlays and unliquidated obligations (line D.5. plus line D.8.) $ __________

   10. Total cumulative amount of grant funds authorized $ __________
   11. Unobligated balance of grant funds (line D.10. minus line D.9.) $ __________

(Continued)
SAM—MISCELLANEOUS ACCOUNTING PROCEDURES

(Continued)

8760 Illustration 1 (Cont. 1)
(Revised 03/13)
Grant Financial Status Report

E. Non Fiscal Information
   1. Certification:
      I certify, to the best of my knowledge and belief, under penalty of perjury, that this
      report
      is correct and complete and that all disbursements have been made in accordance
      with
      the grant agreement.
   2. Signature: ___________________________ Date: ___________________________
   3. Name and Title: ___________________________
      (Printed or Typed)
   4. Telephone: Area: _____ Number: ____________ Extension: ________

F. Remarks:

C.3. Enter the employer identification number assigned by the U. S. Internal Revenue
     Service (Applicable for private non-profit organizations).

D.1. Enter the net outlay. This amount should be the same as the amount reported on
     line D.3. of the last report. If there has been an adjustment to the amount shown
     previously, please attach an explanation. Show zero if this is the initial report.

D.2. Use work sheet and instructions below to determine NET outlays for this report
     period:

        a. Total Gross Outlays $ __________
        b. Less: Grant Income Credits $ __________
           Net Outlays this report period $ __________

        a. Enter the total gross outlays less rebates, refunds, and other discounts for
           this quarter.

(Continued)
Grant Financial Status Report

- For reports prepared on a cash basis, outlays are the sum of actual cash disbursements (including cash advances to contractors and subgrantees) plus indirect expenses incurred by other than your organization.

- For reports prepared on an accrued expenditure basis, outlays are:
  1. For the first quarter report, the sum of cash disbursements, indirect expenses incurred, and accounts payable (accounts payable are amounts owed for goods and other property received plus services performed by employees, contractors, subgrantees, and other payees).
  2. For subsequent quarter reports, the sum of cash disbursements, indirect expenses incurred, and the increase or decrease in accounts payable from the previous quarter’s report. (For example: assume the first quarter reports accounts payable of $50.00. At the end of the second quarter accounts payable is $70.00. This is an increase of $20.00 which would be added as an outlay for this quarter.)

b. Enter the amount of all program income received in this period that is required by the terms and conditions of the award to be deducted from total project costs. Grant program income are those dollar amounts received from all other sources to help defray block grant program costs. For reports prepared on a cash basis, enter the amount of cash income received during the reporting period. For reports prepared on an accrual basis, enter the amount of income earned since the beginning of the reporting period. (When the terms or conditions allow program income to be added to the total award, the grantee will explain in remarks, the source, amount and disposition of the income.)
SAM—MISCELLANEOUS ACCOUNTING PROCEDURES

(Continued)

8760 Illustration 1 (Cont. 3)
(Revised 03/13)
Grant Financial Status Report

D.4. Enter the nongrant share of program outlays included in the amount on line D.3.

D.6. Enter the unliquidated obligations for this project including unliquidated obligations to subgrantees and contractors. Unliquidated obligations are:

Cash basis—obligations incurred but not paid.

Accrued expenditure basis—obligations incurred, but for which an expenditure has not been recorded.

Do not include any amounts that have been included on lines D.1 through D.5. On the final report, line D.6 should have a zero balance.

D.8. Enter the grant share of unliquidated obligations. The amount shown on this line will be the difference between lines D.6 and D.7.

D.9. Enter the sum of the amounts shown on lines D.5 and D.8. If the report is final, it should not contain any unliquidated obligations.

D.11. Enter the unobligated balance of grant funds. This amount should be the difference between lines D.10 and D.9.

The figures provided in this report must be supported by detailed accounting records. The records will be retained and available for audit for a minimum of three years.
SAM—MISCELLANEOUS ACCOUNTING PROCEDURES

(Instructions for the Preparation of the Report on Back)

8760 Illustration 2
(Revised 03/13)

Grant Cash Transaction Report

A. Grant Information:
   1. Grant Name: __________________________ Identification Number, if applicable:
   2. Grant Period: From: ____________ To: ____________
   3. Quarter covered by report: From: ____________ To: ____________

B. Grantor Information:
   State Department and Office: __________________________________________

C. Grantee Information:
   1. Grantee Organization Name:
   2. Address: __________________________ City and Zip Code:
   3. Employer Identification Number, if applicable:

D. Fiscal Information:
   1. Cash on hand beginning of period $
   2. Receipts:
      A. Reimbursements $ ____________
      B. Advances $ ____________
      C. Grant share of income $ ____________
      D. Interest income $ ____________
      Total: $ ____________
   3. Total Cash Available (sum of line D.1. and line D.2.) $ ____________
   4. Disbursements $ ____________
   5. Adjustments to prior quarters $ ____________
   6. Cash on hand end of quarter $ ____________

7. The amount shown on line 6 above represents cash requirements for the next _______ days.
8. Advances during the quarter: Sub-grantee $ ____________

(Continued)

Rev. 421 8760 Illustration 2 MARCH 2013

Rev. 421

8760 Illustration 2
SAM—MISCELLANEOUS ACCOUNTING PROCEDURES

(Continued)
8760 Illustration 2 (Cont. 1)
(Revised 03/13)

E. Non Fiscal Information
1. Certification:
   I certify, to the best of my knowledge and belief, under penalty of perjury, that this report
   is correct and complete and that all disbursements have been made in accordance with
   the grant agreement.
2. Signature: ___________________________ Date: ___________________________

3. Name and Title: ___________________________

(Printed or Typed)
4. Telephone: Area: _____ Number: ______________ Extension: ________

F. Remarks:

C.3. Enter employer identification number assigned by the U. S. Internal Revenue
       Service (Applicable for private non-profit organizations).

D.1. Enter the grant cash on hand at the beginning of the reporting period including
      funds on deposit, funds on hand, and undeposited checks/warrants.

D.2. (A) Enter the funds received during the quarter as grant reimbursements.

      (B) Enter the funds received during the quarter as grant advances.

      (C) Enter the grant share of program income that was required to be used on the
          project by the terms of the grant. Grant program income are those dollar
          amounts received from all other sources to help defray block grant program
          costs.

      (D) Enter the interest earned during the quarter on grant advances.

D.4. Enter the total grant cash disbursements made during the reporting period.
     Disbursements as used here includes advances and payments to subgrantees or
     contractors, salaries and wages plus employer's share of benefits, interdepartmental
     charges for supplies and services, and indirect costs to which the recipient is entitled.

(Continued)
D.5. Enter all adjustments pertaining to prior quarters which affect the ending balance that have not been included in any lines above. Explain all adjustments in the remarks section, use plain sheets of paper if additional space is required.

D.6. Enter the grant cash on hand at the end of the reporting period. This amount will include all funds on deposits, funds on hand, and undeposited funds (line D.3 less line D.4, plus or minus line D.5).

D.7. Enter the estimated number of days until the cash on hand, shown on line D.6, will be expended.

D.8. Enter the advances made to secondary recipients included in line D.4.

The figures provided in this report must be supported by detailed accounting records. The records will be retained and available for audit for a minimum of three years.
RETURNABLE CONTAINERS

(Avoided 3/87)

Agencies will maintain memorandum stock cards for returnable containers, such as oil drums and gas cylinders, which are purchased, for which deposits are required, or for which they are held responsible. Returnable containers received or returned will be recorded on appropriate accounting documents, such as Stock Received Reports and Returned Stock Received Reports, so that the accountability of the organizational unit having custody can be recorded on the memorandum stock card. The transfer of containers from the custody of one unit to another will also be recorded. Periodically, the quantity of returnable containers recorded as on hand will be verified by physical count. Documents for containers returned will be maintained in a pending file until credit is received from the vendor. Agencies maintaining a Purchased Stores Ledger will not include the value of returnable containers on hand in the annual computation for valuing the Purchased Stores Ledger inventory.

ACCOUNTING FOR INVESTMENT SECURITIES

(Avoided 3/87)

Securities purchased as fund investments will be recorded as assets of the fund under the date of the State Treasurer's Advice unless the date of the Controller's warrant is different from the date of the advice. If the warrant date is different, the State Treasurer will show the warrant date on his advice. In this case, the transaction will be accounted under the date of the warrant. Claim schedules prepared for the purchase of securities will not be recorded in the agency accounts since no liability is incurred nor is there any change in the fund assets until the securities are purchased. Such claim schedules will serve as memorandum records pending completion of the transaction as evidence by the State Treasurer's Advice.

Many agencies that maintain savings accounts outside the centralized State Treasury System or have investments which they manage have received requests from depository banks and other payers of interest for taxpayer identification numbers normally required by the Internal Revenue Service for the identification and reporting of interest, dividends, and other payments.
The Internal Revenue Service does not require taxpayer identification numbers for accounts of funds owned or controlled by the State. Therefore, agencies that receive such requests should inform those requesting the numbers of the nature of the entity for which the savings account or investment is held. Agencies should not request taxpayer identifying numbers from Social Security Administration or Internal Revenue Service.
Pursuant to Labor Code Sections 3850–65, the State may recover compensation benefits and other damages from a third person liable for injury or death of a State employee. Amounts recovered by way of subrogation are the result of actions taken by the State Compensation Insurance Fund. Any amounts owing to employing State agencies will be credited to the proper appropriation as abatements. The restoration of leave credits to employee's records from third party recoveries will be at the direction of the State Compensation Insurance Fund. See SAM Section 8537.
ACCOUNTS RECEIVABLE 8776

(Revised 03/12)

An accounts receivable (AR) is defined as a claim against a debtor, such as a person, business, or governmental entity for money owed to the state. An invoice or other document requesting payment will be prepared. The invoice shall be sent to the debtor as soon as practical and within 30 days after the event giving rise to the AR. Invoices shall include a date for which payment is due. The AR shall be considered delinquent if payment is not received by the due date. Departments may also consider the postmark date to determine if an AR is delinquent.

Departments must ensure prompt and ongoing action is taken for the collection of ARs. See SAM section 8776.6.

Characteristics common to all ARs:

- Legal authority exists to bill for the amount owed.
- Amount due is derived from an arithmetical calculation, schedule of fees, or other method to arrive at the amount.
- Sufficient documentation exists to support the AR. For example, the department must have the debtor name and an invoice or other document identifying the amount owed.

Departments must ensure staff are provided AR training on an ongoing basis. As a resource, the Accounts Receivable Toolkit provides departments with guidelines and further information for managing their ARs. The toolkit is available on the Department of Finance’s website at: http://www.dof.ca.gov/Accounting/Policiies_and_Procedures/documents/AT2016.pdf.

Recording ARs

Departments must ensure ARs are recorded promptly and accurately into the accounting system. The general guideline for recording ARs promptly is within 30 days after the date that the AR arose. For employee payroll ARs, the departments should ensure their human resources unit notifies the accounting office timely to meet the 30-day guideline for recording ARs.

When ARs are collected, the collections will generally be classified as abatements, reimbursements, revenue, or refunds to reverted appropriations. See SAM sections 7620 and 10407 - 10416 for general ledger account descriptions and 10506 for the standard journal entry. Prepayments of ARs should be treated as revenue received in advance or as a liability until the transaction is completed (e.g., revenue is earned).

See SAM section 10507 for the standard journal entry. (Continued)
Reconciling ARs

Departments will review and reconcile ARs in the accounting system to ARs recorded by the State Controller's Office (SCO) and/or those ARs maintained in departmental records (e.g., program records, payroll records, etc.). AR reconciliations will be prepared monthly within 30 days of the preceding month. Periodic reviews of the AR reports should be performed monthly to ensure there is ongoing collection activity.

Documenting and Retaining ARs

Departments must ensure proper recordkeeping is maintained. All efforts made toward the collection of receivables should be documented to include the dates and types of collection effort (e.g., letters, offset, phone calls, e-mails).

AR source documents (e.g., invoices), documentation of collection efforts, and documentation of payments and any adjustments should be retained for at least four years after the receivable has been paid.

Contingent ARs

Contingent ARs are those ARs for which there is some uncertainty of the legal obligation but have a prospect of a favorable settlement. Generally, a contingency involves some future determination, e.g., judgment or settlement. Contingent ARs will be recorded in the accounting records at the time the AR arises, as follows:

Debit: 1380 Contingent Receivables

Credit: 1600 Provision for Deferred Receivables

Contingent ARs will be reversed if reclassified to another AR type (e.g., AR-Revenue). This may occur when either a judgment or settlement is made or the disputed amount has been finalized. Also, it may be appropriate to reclassify an AR to a contingent AR. Such reclassification should be based upon the degree of uncertainty associated with the validity or amount of the AR. The reclassification should not be based solely on a debtor's action to contest an AR.
Reclassifying or Adjusting ARs

Departments must perform an analysis on their ARs to verify the correct amounts are recorded. ARs should be reclassified or adjusted in certain situations:

- Legal authority does not exist to bill for the amount owed.
- Sufficient documentation does not exist to substantiate the AR (e.g., debtor name and an invoice or other document identifying the amount owed).
- Validity or amount of the AR is disputed.

Departments may reclassify, increase, or decrease the amount of an AR to correct the classification or amount owed by making an adjusting entry. Note that an appropriate description of why the adjustment is made must be documented.

Department Responsibilities at Year-End

At year-end, departments are responsible for ensuring AR balances are accurate:

- Assess the amounts owed to the department, including estimates, and when the amounts are expected to be collected.
- Record accrual entries for amounts owed to the department at June 30, but not yet recorded. See SAM sections 10602 and 10610.
- Record entries to reclassify existing ARs when an appropriation reverts. See SAM section 10603.
- Record adjusting entries to reduce AR balances for deferred amounts. The deferred amount is the portion not expected to be collected in the next fiscal year. See SAM section 10610.
AR collection procedures differ depending on if the receivable is owed to the state by an employee or nonemployee. If amounts are due from former state employees, follow the collection procedures for nonemployee ARs. In addition, notify the SCO, Division of Personnel/Payroll Services of the situation by sending a Personnel Action Request form, STD. 680A, and ask to be notified if the person reenters state service. See SAM section 8593.3.
Each department will develop collection procedures that will assure prompt follow-up on receivables. Departments will use the following procedures and guidelines for the collection of amounts owed to the state from nonemployees. These procedures are in accordance with the Accounts Receivable Management Act as provided in Government Code (GC) sections 16580-16586.

Locating Debtor

When the address of the debtor is unknown, departments will attempt to obtain a current address. Departments may use Internet search engines and/or a data research service. Departments should perform a cost benefit analysis to determine if procuring services to locate debtors would be cost beneficial. Another alternative is to request the debtor’s address from the Department of Motor Vehicles by completing a Gov’t Agency Request for Driver License/Identification Record Information form, INF 254. For this alternative, the debtor’s date of birth or driver’s license/identification number is required.

Collection Letters

Departments are advised to use collection practices that are cost effective and consistent with their program goals and legal authority. Three documented letters should be made to collect on nonemployee delinquent accounts. However, departments have the option of making one documented letter before proceeding to the discharge of accountability process for nonemployee accounts receivable of $25 and under. This threshold applies to the total amount owed by the debtor, not to each invoice. The Discharge of Accountability section below provides more information regarding this process.

For the collection letter process, the department will send a sequence of three collection letters at a minimum of 30 day intervals. If a reply or payment is not received within 30 days after sending the first letter, the department will send a second letter. This follow-up letter will reference the original request for payment letter and will be stated in a stronger tone. If a response is still not received from the debtor, a third letter will be sent 30 days later. This last letter will include references to prior letters and will state what further actions, including collection fees, may be taken in the collection process.

(Continued)
Collection Fee

GC section 16583.1 allows departments to charge a reasonable fee, not to exceed the actual costs incurred by the department, to recover the department’s collection costs on past due ARs.

If a department plans to recover costs pursuant to this section, departments should consider actual costs incurred, including, but not limited to, staff time to send out collection letters, postage, equipment costs, and contingency fees for private collectors.

Departments will record this fee as revenue, Source Code 162100, Delinquent Receivables – Cost Recoveries.

Collection Actions Review

If the three collection letters are unsuccessful, departments will prepare a cost benefit analysis to determine the most efficient and effective collection method by initiating one or more of the following actions:

1. Offset Procedures—An offset, is the interception and collection from amounts owed by other state departments to the debtor. For more offset information, see SAM section 8790.

2. Court Settlements—There may be instances where it would be cost effective for departments to seek court judgments against debtors. Departments should consider the possibility of filing action in small claims courts. For larger sums, department counsel should be consulted for advice.
1. Collection Agencies—Departments may consider contracting with another department that has a collection unit or with an outside collection agency.

The State Contracting Manual, the Public Contract Code section applicable to contracts for services, and GC section 19130 should be reviewed when a department is considering contracting with a collection agency. Any contract made with a collection agency must specify that all funds collected on behalf of a department will be remitted to that department. The collection agency can then be paid in one of several ways for its services - by a set fee per collection, on an hourly basis, or on a percentage basis, in arrears, based on services rendered.

Prior to assigning the debt to a collection agency, departments are required by law to notify the debtor in writing at the address of record that the alleged AR debt will be turned over for private collection unless the debt is paid or appealed within a specified time period.

Sale of ARs—Departments are authorized to sell ARs to private persons or entities. Departments will record the net income from the sale in their accounting records. Specific accounting entries for the sale of ARs are detailed in SAM section 10536, Standard Entry No. 36.

Prior to selling the debt, departments are required by law to notify the debtor in writing, at the address of record, that the alleged AR debt will be turned over for private collection unless the debt is paid or appealed within a specified time period.

Departments will select the collection actions that are likely to generate the highest net income and do not compromise future state income collections. In addition, departments should consult with the Franchise Tax Board or any other state department that has successfully established an effective AR collection system to develop methods for improving their collection rate.
Discharge from Accountability

If all reasonable collection procedures do not result in payment, departments may request discharge from accountability of uncollectable amounts due from private entities. Departments will review their AR, no less than quarterly, to identify receivables for discharge. If departments have identified receivables for discharge, departments will file an Application for Discharge from Accountability form, STD. 27, with the SCO, Division of Accounting and Reporting. Applications for Discharge from Accountability of uncollectable amounts of more than $10,000 will be filed separately from applications for amounts of $10,000 or less. The $10,000 amount applies to the total of all amounts owed by the debtor, not to each invoice. The application for discharge shall include:

1. Statement of the nature of the amount due
2. Name(s) of the person(s) liable
3. Estimated cost of collection
4. Any other fact(s) supporting the request, including offset attempts (See SAM section 8790)
5. If the discharge from accountability is due to bankruptcy, the supporting documentation must include a copy of the court’s final discharge of the debtor and evidence that the specific department is included in the petition for bankruptcy.
6. Signature, phone number, printed name, and title of person completing the STD. 27

Signature, printed name, and title of manager authorizing the STD. 27 (Continued)
The individual authorizing the Application for Discharge from Accountability should be at a level at least equivalent to that of manager of the accounting office.

For AR amounts of $500 or less, GC section 12438 authorizes state departments to refrain from collecting the AR provided that:

1. Attempts to collect these ARs are in accordance with SAM section 8776.6
2. Departments will discharge only those debts that have been determined uncollectible or it is not cost beneficial to continue pursuing collection
3. Departments understand the discharge from accountability does not release the debtor from the debt owed to the state

The $500 limitation applies to the total of all amounts owed by the debtor, not to each invoice.

The California State Universities must refer to Education Code section 89750.5 for application limitations.
GC section 19838 requires reimbursement to the state of overpayments made to employees. Employee overpayments can arise from Office Revolving Fund (ORF) salary and travel advances and payroll warrants issued by the State Controller's Office (SCO). Refer to SAM section 8116.1 for additional collection procedures regarding travel advances. For the purposes of this section, an amount owed to the state by an employee (an AR) is the equivalent of an overpayment. Accordingly, the collection procedures described below should, to the extent applicable, be employed to collect AR due from state employees.

The following procedures and policies will be followed when collecting employee overpayments:

1. Departments will notify employees (in writing) of overpayments and provide them an opportunity to respond. The overpayment notification should include at least the following items:
   a. Amount due;
   b. Pay period affected if overpayment relates to salary;
   c. Reason for overpayment;
   d. Response time afforded to employee prior to collection action;
   e. Optional: proposed repayment plan and method of collection.

The employee will be given 15 calendar days to respond, either orally or in writing. If the employee is on vacation, sick leave, out-of-town assignment, etc., and cannot be reached, the time afforded the employee to respond should be adjusted accordingly. All responses will be documented and maintained in department files.

2. The employee will be given the opportunity to satisfy the amount due by payment in cash, check, or payroll deduction. Departments will attempt to negotiate a repayment plan acceptable to both parties.

3. Repayment may also be made by installment through payroll deduction to cover at least the same number of pay periods in which the overpayment occurred. When overpayments have continued for more than one year, departments may require full payment in one year.
4. Once a repayment plan has been agreed upon, it will be put in writing and signed by the employee. The signature block will include a statement similar to the following:

"I agree to the repayment schedule described above and acknowledge the gross amount set forth as a legitimate debt owed by me to the state."

(Continued)
5. If the employee does not agree to repay an overpayment or does not respond to the written overpayment notification by the afforded time, departments will collect overpayments in the manner set forth in #3 above.

6. For separating employees, it may not be possible to provide written notification regarding overpayments. Regardless, GC section 19838 authorizes the state to withhold amounts owed for outstanding travel and salary advances from an employee’s final separation pay. See SAM section 8580.4.

7. Payroll deduction to repay overpayments will not exceed 25% of the employee’s net (gross minus mandatory deductions) monthly or semi-monthly salary, except from separating employees, as provided in #6 above. Mandatory deductions include taxes and garnishment/levy. For a complete listing of mandatory deductions, see the SCO Payroll Procedures Manual.

8. These employee overpayment collection procedures do not affect procedures for the collection of ORF salary advances in lieu of an SCO warrant when the pay period for the advance and warrant are the same. An ORF advance in lieu of an SCO warrant is the check given to the employee as a substitute for the warrant when the warrant is incorrect or not available.

If the amount of an employee’s SCO pay warrant is greater than the actual amount of pay owed the employee in the corresponding pay period, departments may withhold the employee's pay warrant and issue an ORF check for the difference. For example: if an employee is due less pay due to dock, etc., in the current pay period, and a full month SCO warrant was issued (although not yet distributed to the employee), a department can intercept the pay warrant and issue an ORF check for the difference between the pay warrant and the amount owed.

The employee should be notified of this offset, but a formal overpayment notification letter is not necessary.

However, if an ORF advance is from a different pay period than the SCO warrant, the department must follow the procedures outlined above.

9. These collection procedures do not apply to separated employees (see SAM section 8776.6) or collection procedures for Industrial Disability Leave overpayments.
10. Recoupment action must be initiated (written notification of overpayment to the employee) within three years from the date of overpayment in order to collect without the employee's consent, as provided in these procedures.

Collective Bargaining Unit contracts (Memorandums of Understanding) for represented employees may contain overpayment collection provisions. The provisions of these contracts supersede any other collection procedures. Therefore, contracts should be reviewed carefully to identify overpayment collection provisions.
Pursuant to GC section 11255, departments that provide services to another department may recover outstanding receivables by initiating a Transaction Request (TR) form (CA 504) with the State Controller's Office (SCO) to transfer funds from the debtor department. This option shall be used on a limited basis and only when the following conditions are met: (1) the invoice was not paid by the requested due date, (2) non-payment provisions are included in the interagency agreement between the departments, (3) the invoice has not been disputed, and (4) a 30-day notice has been provided to the debtor department that a transfer of funds will be initiated for non-payment.

Interagency Agreements

Include the following when preparing interagency agreements:

- Specify the process for non-payment.
- Cite GC section 11255 as the authority for processing a TR.
- The department receiving the services (or debtor department) shall provide the appropriation to charge if payment is not made timely. This appropriation data must include: fund number, organization code, fiscal year, reference, and category or program. If applicable, also include element, component, and task.
- It is the responsibility of the department providing the services to ensure that no disputes exist prior to submitting a TR to the SCO.

Submission Requirements to the SCO

On the TR, indicate the debtor department's appropriation data to charge, as identified in the interagency agreement, and the initiating department's appropriation data to credit the payment. In the Legal Authority and Reason for Request box, indicate the items below:
• Authority for initiating the transfer: GC section 11255
• Interagency agreement number
• Invoice numbers and dollar amounts for which you are requesting a transfer (Continued)
RECOVERING RECEIVABLES FROM ANOTHER STATE DEPARTMENT
8776.8
(Cont. 1) (Revised 03/12)

Attached to the TR, departments must also submit a copy of the following:

- Notification sent to the department that the transfer of funds will occur,
- Interagency agreement, and
- Applicable invoice(s). It is permissible to submit a list of the invoices, in lieu of the invoice copies, when there are more than five invoices.

The TR and attachments must be submitted to the SCO at the following address:
State Controller's Office
Division of Accounting and Reporting
State Accounting Section, Fund Accounting Unit 3301 C Street, Suite 760
Sacramento, CA 95816

GENERAL
8777.1
(Revised 1/18) Rev.441

This section has been moved to Chapter 2400 and renumbered to 2456.1.

PROCEDURES
8777.2
(Revised 1/18) Rev.441

This section has been moved to Chapter 2400 and renumbered to 2456.2

Rev. 417
It will be a responsibility of agencies to determine when a claim against a third party for damages to State property (other than motor vehicles) becomes a contingent or valid receivable. An agency's legal staff or the Office of the Attorney General should be consulted to establish guidelines and give advice in the processing of claims against third parties.
The State Compensation Insurance Fund (State Fund) will pay all claims for medical expenses and compensation benefits in the first instance. Legally uninsured departments (all departments not covered with policies of workers' compensation insurance) will be billed for the benefits paid plus a charge for administrative services of State Fund. The latter charges are allowed under a master agreement for all legally uninsured departments negotiated by the Department of Human Resources (CalHR) and State Fund. These bills are payable by legally uninsured departments from the fund or funds from which the injured or deceased employee's salary or wages were payable at the time of injury or death. In case of departments operating under plans of financial adjustment, "fund or funds" above means the fund or funds from which the employee’s salary or wages were ultimately payable, as adjusted through the plan of financial adjustment.

The master agreement mentioned above also provides that each legally uninsured department place a deposit with State Fund. The Service fees for departments will be billed in twelve (12) equal monthly installments for its percentage of the total service fee. A deposit into the working capital account for departments except the Department of Corrections and Rehabilitation (CDCR) will be a contribution amount equal to 9.6 percent of the annual benefit cost during the preceding July through June 30th. The contribution for CDCR will be equal to 16.7 percent. Deposits, of a department's estimated annual cost, will be used by State Fund to pay claims as they arise. It is important these deposits, as well as the normal semi-monthly billings, be paid immediately, as explained in SAM section 8780.1.

If a department’s contribution to the working capital account is not enough to cover the actual monthly benefit billing charges in June, State Fund will provide the State Controller's Office (SCO) the file to debit each department’s appropriation for the additional expenditures and to credit State Fund’s Operating Revenue. If the department’s contribution is in excess of the actual charges for June, the remaining balance will be used to offset any other benefit billing charges incurred during the same fiscal year. If the department’s contribution is in excess of the actual charges during the same fiscal year, the SCO will debit State Fund’s Prepayment from other Funds and credit the department’s Prepayment from Other Funds to return the excess contribution.
The State Compensation Insurance Fund (State Fund) will bill agencies semimonthly. The Agency Payroll Code (from the Uniform State Payroll Code System), indicated on the Employer's Report of Occupational Injury or Illness, State Fund Form e3067, is used by State Fund to sort charges mechanically by the legally uninsured agency concerned. Because of this procedure, it is important that the correct agency code be shown on the SCIF State Fund Form e3067. The Agency Payroll Code is also shown on invoices submitted to agencies and will enable them to distribute the Workers' Compensation charges among subunits as needed.

It is imperative that Workers' Compensation invoices be paid immediately. Any amount outstanding after 35 calendar days from the date of SCIF's transmission to the State Controller's Office (SCO) is subject to an interest charge. The interest rate will be the same as the annualized Pooled Money Investment Account (PMIA) promulgated at the end of each fiscal year by the Director of the Department of Finance. All invoices for reimbursement of expenditures on claims will be billed and paid electronically through the SCO. At the same time, State fund will provide each Department with an itemized invoice which shows the expenditures for which reimbursement is claimed. Discrepancies will be reported promptly to State Fund and they will make the necessary adjustments on subsequent invoices. State Fund will notify the California Department of Human Resources (CalHR) monthly of any payments that remain unpaid.
Accountability for publications and documents will not be maintained in General Ledger accounts. For the purpose of control and audit accountability, records for each title of publication will be maintained by quantity only on stock cards under the following conditions:

1. If all publications are in the custody of a person who both sells and gives them away, stock cards will be maintained on a "quantity only" basis for each title of publication. Under this condition, publications will be given away only on written authorization of a responsible officer of the agency.

2. If publications to be sold are in the custody of a person different from the person having custody of publications to be given away, stock cards on a quantity basis will be maintained only over each title of publication in the custody of the person authorized to make sales. All publications supplied to this person will be on written authorization of a responsible officer of the agency.

3. If all publications are to be sold, quantity stock cards will be maintained for each title of publication.

4. If all publications are to be distributed without charge, no stock records are required for accounting purposes.

5. Quantity stock cards will be maintained for each title of publication consigned to the Material Services Section, Publication Unit, Office of Procurement, for sale.
Offsetting is the process where an amount owed to a debtor is used to pay an outstanding account of the debtor. Before offsetting, departments must ensure collection procedures have been followed in accordance with SAM Sections 8776.6. In addition, prior to offset, departments must notify the debtor and provide them with an opportunity to present any valid objection to use of the offset procedure.

The different types of offsets available to state departments are:

- **Internal offsets within a department.** Departments should collect outstanding advances from separating employees by offsetting their final paycheck from the department. Similarly, when a vendor has both a credit invoice and an overdue receivable, the credit invoice that may otherwise create a refund should be offset by the amount the vendor owes to the department.

- **Franchise Tax Board (FTB) Intercept Program** – Individuals who have outstanding debts to the state may also receive FTB refunds, California State Lottery winnings, or Unclaimed Property. FTB has an Interagency Intercept Collections Program to intercept or "offset" these funds and pay the individuals’ debts to participating departments, if departments have a social security number for the debtor. This collection method should be used after three collection letters have not resulted in payment. For more information regarding this program, departments may contact the FTB Interagency Intercept Collections' Unit at (916) 845-5344.

- **Offsets against payments among departments** – The taxing departments (FTB, Board of Equalization, and the Employment Development Department) regularly offset refunds for outstanding debts among taxing departments. Non-taxing departments that become aware that another state department will be issuing payment to a debtor that owes their department should contact the other department to initiate the offset of the payment. The issuing department's payment should be reduced (offset) by the amount owed the debtor department when scheduling a direct payment through the claim schedule process. A separate no warrant claim schedule should be submitted for the offset amount to transfer that amount to the debtor department. See SAM section 8776.8 for recovering receivables from another state department.

(Continued)
OFFSETS  8790 (Cont. 1)

(Revised 09/11)

- Offsets against payments to local governments – The State Controller’s Office (SCO) allocates money to cities and counties. These payments may be offset in limited situations. The majority of these payments are for specific purposes for example highway funds and public safety and any request to offset these payments must be for the same purpose. One possible option is the ability to offset Motor Vehicle License Fee apportionments. Any department requesting an offset must provide documentation to the SCO demonstrating the department meets the provisions of SAM Section 8776.6. Each offset will be reviewed on a case by case basis by the SCO. For assistance in determining if offsets are feasible, departments may contact the SCO, Division of Accounting and Reporting at (916) 327-1714.

MAINTENANCE OF STRUCTURES COST ACCOUNTING  8792

(Revised 8/72)

Agencies will account for the costs of maintaining individual structures only after carefully determining that the benefits of doing so outweigh the costs of doing so and also determining that through such system the benefits exceed the costs by a greater amount than would be possible by substituting for such cost accounting by structure, ward, etc., some other management tool such as nonmonetary maintenance history records.

If agencies determine that it is more advantageous to the State to keep maintenance cost records, they will:

1. Apply cost accounting procedures uniformly among their institutions, districts, or other comparable organizational units.

2. Assure the integrity of their cost accounts by comparing or reconciling them with their general ledger accounts.

CHANGE IN METHOD OF ACCRUAL  8793

(Revised 03/11)
Methods of determining accruals will be applied consistently from year to year. However, to meet changing circumstances or to produce more accurate accruals it may become necessary to change the method of accruing income or expenditures in the current year from the method used in the preceding fiscal year(s). If a department finds it necessary to deviate from the method used in prior years and the prior year amount accrued exceeded $100,000, approval will be requested in writing from the Fiscal Systems and Consulting Unit, Department of Finance. The request will state the reason for and effect of the proposed change in the method of accrual.
Rule, regulation, law or agency practice may require that a certain amount be withheld from amounts owing a person or entity. Unless otherwise provided by law, when payments are made and an amount is withheld an entry will be made in the records to record such amount withheld, except that amounts representing contingent liabilities will be reported as prescribed in SAM Section 8751. When withheld amounts are paid or written off, the debit portion of the entry will be to the accounts payable account. An illustration follows:

1. Amounts withheld:

Debit

9000  Appropriation Expenditures   a/ 
9893  Prior Year Appropriation Adjustments   b/  Credit 
3010  Accounts Payable   c/ 
3020  Claims Filed   d/ 

a/ Portion of c + d applicable to current year expenditures 
b/ Portion of c + d applicable to prior year expenditures

c/ Amount withheld

d/ Total amount of claim less amount withheld

2. Amount withheld written off: Debit

3010  Accounts Payable   a/  Credit 
9000  Appropriation Expenditures   b/ 
9893  Prior Year Appropriation Adjustments   c/  (Continued)
(Continued)

ACCOUNTING FOR WITHHELD PAYMENTS 8795 (Cont. 1)
(Revised 3/87)

a/ Amount withheld being written off

b/ Amount being written off which was withheld and charged to the current year appropriation

c/ Amount being written off which was withheld and charged to a prior year appropriation

3. Amount withheld paid: Debit

3010 Accounts Payable Credit

3020 Claims Filled

Agencies will apply consistently from year to year the basis for determining what portion of withheld payments are real liabilities and what portion are contingent liabilities. Any change in such basis will be made only in accordance with SAM Section 8793
# SAM – STATE CONTROLLER’S ACCOUNTS

## CHAPTER 8800 INDEX

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A general description of fund accounting in the State Controller's Office is presented in Sections 8800 to 8860. It is included in this manual to assist agency accounting personnel in understanding how their accounts coordinate with the central accounts maintained by the State Controller's Office to provide a comprehensive system of central accounts for the State. Descriptions of the Treasurer's accountability accounts and centralized State Treasury System accounts maintained by the State Controller's Office are contained in Sections 8880 and 8890.

The central fund accounts of the State are maintained by the Division of Accounting of the State Controller's Office. During the fiscal year they are kept on a cash basis and provide that office with the following information to the degree applicable for each fund: cash, investments, appropriation balances, disbursements (by appropriation if the fund is appropriated by specific appropriations), estimated revenue (or operating income) balances, and receipts by source. This information is needed to assure that money and, where applicable, specific appropriations for its expenditure exist whenever claims are presented for payment, and to prepare periodic financial reports.

The accounts are posted during the fiscal year on the basis of cash ordered into the funds in the treasury, transfers between funds, and warrants issued.

At the end of the fiscal year, each agency operating from a Governmental Cost Fund or a Bond Fund sends to the State Controller's Office a Report of Accruals to Controller's Accounts for each such fund from which it operates. This report is in essence a compound journal entry consisting of (1) current assets, current liabilities, and deferred credits accounted by the agency but not yet recorded in the central accounts and (2) application of these assets, liabilities, and deferred credits to the central accounts. The posting of all such accrual reports to the central accounts results in a consolidation of all assets, liabilities, and net worth for each Governmental Cost Fund on a modified accrual basis. This brings the central accounts to the same basis, for reporting purposes, as the agency's detailed accounts at June 30. It is called a "modified" accrual basis because revenues are accrued only if it is expected that they are billed and will be collected within one year after the end of the current fiscal year.
At the end of the fiscal year, agencies will submit to the State Controller’s Office (for each of their funds) trial balances, operating statements analyzing changes in fund balances, and, upon request of the State Controller's Office, statements of financial condition. The State Controller's Office will check the balances of the accounts it keeps to the balances of such accounts as shown on these statements. It will incorporate into its annual report the data shown on the statements.
Fund ledger accounts are maintained on a fiscal year basis. All transactions, except year-end accruals, are posted in the fiscal year ledger account current as of the date of posting. Accrual entries are posted on and after July 1 each year to the ledger account for the fiscal year ended on the preceding June 30.

The fund ledger is divided into several groups. The major grouping is between Governmental Cost Funds and Non-Governmental Cost Funds. These in turn are grouped by type of fund as follows:

1. Governmental Cost Funds
   a. General Fund
   b. Transportation Funds
   c. Feeder Funds
   d. Other Governmental Cost Funds
2. Non-Governmental Cost Funds
   a. Public Service Enterprise Funds
   b. Working Capital and Revolving Funds
   c. Bond Funds
   d. Retirement Funds
   e. Trust and Agency Funds—Federal
   f. Trust and Agency Funds—Other
ESTABLISHMENT OF FUND LEDGER 8813

(Revised 2/1998)

As of July 1 each year the State Controller's Office establishes a new ledger account for each appropriation and category included in the Budget Act. Based upon the Governor's Budget, control and subsidiary accounts are established for estimated revenues (or operating revenues), and fixed charges. The major sources of revenue estimates are adjusted during the year for any revised estimates contained in the subsequent year's Governor's Budget. Ledger cards also are prepared for the June 30 balances of all accounts in the prior year's ledger. The account balances forwarded are transferred on a cash basis and do not reflect any of the year-end accruals.
NUMBERING OF LEDGER ACCOUNTS

All ledger accounts are identified by code numbers divided into code fields as follows:

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<th>Agency</th>
<th>Year</th>
<th>Reference Item</th>
<th>Federal Catalog</th>
<th>Category</th>
<th>Program</th>
<th>Account</th>
<th>Revenue/Object</th>
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- Fund Number (4 digits + 3 additional digits may be added for sub-fund identification)
- Agency Code Number (4 digits)
- Year of Enactment/Fiscal Year (4 digits)
- Reference Item Number (3 primary digits + 3 additional for reference)
- Federal Catalog Number (5 primary digits + 3 additional for subsidiary coding)
- Category (2 digits)
- Identifies Program (2 digits), Element (2 digits), Component (3 digits), and Task (3 digits)
- Account Code (4 digits)
- Revenue/Object Code (6 digits)

The third and succeeding fields identify detail accounts, but the numbering varies among funds and accounts.
Postings to these fund accounts normally are based on the following documents:

1. **Agency Claim—Form 218 (TC-50)**
   A formal document presented to the State Controller’s Office on which the duly authorized officer of a state agency makes a formal request for payment of expenditures incurred.

2. **Controller's Appropriation Set Up/Adjustments—(TC-23/24)**
   A document used by the State Controller’s Office to set up the Budget Act and special legislation appropriating funds to the state agencies. TC-24 is used to effect budget adjustments.

3. **Controller's Surplus Money Investment Fund Transfer—(TC-29)**
   A document used by the State Controller’s Office to record deposits in and withdrawals from the Surplus Money Investment Fund.

4. **Controller's Receipt—(TC-30)**
   A document used by the State Controller’s Office to order a remittance received by the State Treasurer’s Office into the proper fund and to the credit of the proper account or accounts in the SCO Fiscal System.

5. **Controller's Notice of Cancellation of Warrants—(TC-33)**
   A document prepared by the State Controller's Office to cancel an outstanding warrant in accordance with provisions of law covering such cancellations. Please note that warrants issued from January 1, 1998 are valid for one year and are canceled thereafter.

   A document used by the State Controller’s Office to record bookkeeping adjustments affecting the accounts within one state fund.

7. **Controller Plan of Financial Adjustment Transfer—(TC-36)**
   A document used by the State Controller’s Office to re-distribute expenditures, previously paid from an agency’s primary appropriation, to the proper appropriations.

(Continued)
8. Controller’s Payroll Revolving Fund Transfer—(TC-37)

A document used by the State Controller’s Office to record payroll transaction.

9. Controller’s General Transfer—(TC-38)

A document used by the State Controller’s Office to effect the transfer of moneys between state funds, other than those processed by specialized TC documents.

10. Controller’s No Warrant Transaction—(TC-39)

A document used by the State Controller’s Office, in lieu of issuing a warrant, to record expenditures normally between state agencies.

11. Controller’s Reserved Appropriation Advance—(TC-40)

A document used by the State Controller’s Office to record appropriation advances, generally to DGS for printing and other services.

12. Controller Architecture Revolving Fund Transfer—(TC-41)

A document used by the State Controller’s Office to effect transfer from the agency’s appropriation to the Architecture Revolving Fund for capital outlay projects.

13. Controller’s Claim Schedule Reversion—(TC-49)

A document used by the State Controller’s Office to record the voiding or reversion of a claim schedule (TC-50) due to insufficient cash and/or appropriation authority.

YEAR-END ACCRUALS  8860

(Revised 3/1987)

Agencies prepare Reports of Accruals to Controller’s Accounts only with respect to Governmental Fund and Bond Fund activities. Upon receipt of such accrual reports, the State Controller’s Office reviews them and, if any discrepancies are disclosed, contacts the applicable agencies to reconcile the difference. Based on the agency accrual reports, the State Controller’s Office records all current assets, current liabilities, and deferred credits accounted by the agencies but not recorded previously by the State Controller’s Office and applies these amounts to its revenue, appropriation, and fixed charge accounts.
In accordance with Section 12413 of the Government Code, the State Controller's Office maintains a record of the cash accountability of the State Treasurer's Office. This accountability is reflected in the following group of self-balancing accounts:

<table>
<thead>
<tr>
<th>ACCOUNT TITLE</th>
<th>NORMAL BALANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash on Hand and in Demand Deposits</td>
<td>Debit</td>
</tr>
<tr>
<td>Cash in Time Deposits</td>
<td>Debit</td>
</tr>
<tr>
<td>Cash with Fiscal Agents</td>
<td>Debit</td>
</tr>
<tr>
<td>Pooled Money Investments</td>
<td>Debit</td>
</tr>
<tr>
<td>(Includes discount, accrued interest, and premiums)</td>
<td></td>
</tr>
<tr>
<td>Agriculture Marketing Trust Investments</td>
<td>Debit</td>
</tr>
<tr>
<td>Sacramento Clearing House Current Account</td>
<td>Debit or Credit</td>
</tr>
<tr>
<td>Accountability for Fund Cash</td>
<td>Credit</td>
</tr>
<tr>
<td>Accountability for Outstanding Warrants</td>
<td>Credit</td>
</tr>
<tr>
<td>Premium Amortization and Discount Applicable to Future Interest Collections</td>
<td>Credit</td>
</tr>
<tr>
<td>Accountability for Uncleared Collections</td>
<td>Credit</td>
</tr>
<tr>
<td>Accountability for Agency Bank Accounts</td>
<td>Credit</td>
</tr>
<tr>
<td>Accountability for Agriculture Marketing Trust Investments</td>
<td>Credit</td>
</tr>
</tbody>
</table>

The titles of most of the above accounts are self-explanatory. The Sacramento Clearing House Current account shows the amount, receivable from (debit balance) or payable to (credit balance) the clearing house because the amount paid by the State Treasurer's Office, pursuant to a clearinghouse request for payment for state warrants and checks delivered, exceeds or is exceeded by the amount of state warrants and checks actually accepted by the State Treasurer’s Office after their review by that office for drawer, stop}

Rev. 348
payments, and other factors pertinent to their being accepted or rejected and returned to the clearing house.
The State Controller's Office maintains a separate ledger account for each agency Checking Account in the centralized State Treasury System. Normally this account consists of agency general cash, trust fund cash, and revolving fund cash. A few agencies have separate accounts in the centralized State Treasury System for one or more of the types of cash they handle. Usually, however, all of the agency's cash is combined in one General Checking Account. These accounts are debited from deposit slips for deposits made by agencies. They are credited from agency checks that have been redeemed by the State Treasurer's Office.
CHAPTER 8900 INDEX

GENERAL  8900

CASH GROUP OF ACCOUNTS  8910

CHART OF GENERAL LEDGER ACCOUNTS  8911

NATURE OF GENERAL LEDGER ACCOUNTS  8912

SECURITIES GROUP OF ACCOUNTS  8920

CHART OF GENERAL LEDGER ACCOUNTS  8921

NATURE OF GENERAL LEDGER ACCOUNTS  8922

STATE BONDS GROUP OF ACCOUNTS  8930

CHART OF GENERAL LEDGER ACCOUNTS  8931

NATURE OF GENERAL LEDGER ACCOUNTS  8932
The State Treasurer's office accounts for two classes of transactions of widely different types; namely, (1) transactions normal to all state agencies and (2) transactions of a fiscal nature which concern the central accounts of the State. Accounting for the former is done as prescribed in the State Treasurer's Manual of Fiscal Accounting. The fiscal accounts are described briefly in 8900–8999 to assist agency accounting personnel in understanding that phase of the State Treasurer's office operations. The fiscal accounts are divided into three self-balancing groups of accounts; namely, (1) cash group, (2) securities group, and (3) state bonds group. The cash group of accounts consists of General Ledger and subsidiary accounts which reflect the cash transactions of the State Treasurer's office in its capacity as custodian of state moneys. The securities group of accounts consists of General Ledger and subsidiary accounts which reflect the transactions of the State Treasurer's office in its function as custodian or trustee of securities or other personal property. The state bonds group of accounts consists of General Ledger and subsidiary accounts relevant to the State's bonded indebtedness.
The following is a chart of the General Ledger accounts for the cash group of accounts:

### ASSETS

<table>
<thead>
<tr>
<th>ACCOUNT NO.</th>
<th>ACCOUNT TITLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>C1</td>
<td>Cash on Hand</td>
</tr>
<tr>
<td>C2</td>
<td>Demand Deposits</td>
</tr>
<tr>
<td>C3</td>
<td>Time Deposits</td>
</tr>
<tr>
<td>C4</td>
<td>Debit Service Deposits</td>
</tr>
<tr>
<td>C5</td>
<td>Accounts Receivable</td>
</tr>
</tbody>
</table>

### ACCOUNTABILITY ACCOUNTS

<table>
<thead>
<tr>
<th>ACCOUNT NO.</th>
<th>ACCOUNT TITLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>C51</td>
<td>Accountability for Fund Cash</td>
</tr>
<tr>
<td>C52</td>
<td>Accountability for Agency Trust Accounts</td>
</tr>
<tr>
<td>C53</td>
<td>Accountability for Uncleared Collections</td>
</tr>
<tr>
<td>C54</td>
<td>Accountability for Outstanding Warrants</td>
</tr>
<tr>
<td>C55</td>
<td>Accountability for State Bonds and Coupons Payable</td>
</tr>
<tr>
<td>C57</td>
<td>Accounts Payable</td>
</tr>
<tr>
<td>C59*</td>
<td>Pooled Money Investment Account- Securities</td>
</tr>
</tbody>
</table>

*Debit balance account offset against sum of C51 and C52.*
NATURE OF GENERAL LEDGER ACCOUNTS

(Revised & Renumbered 2/1965)

**Account No. C1** reflects the amount of cash retained in the State Treasurer's office to cash state warrants and checks.

**Account No. C2** reflects the total balance of all demand deposits or checking accounts in which the State Treasurer's office and other state agencies have deposited moneys for credit to certain funds and accounts.

**Account No. C3** reflects the total balance of all time deposits in which the State Treasurer's office has deposited moneys in accordance with designations of the Pooled Money Investment Board.

**Account No. C4** reflects the total balance of moneys on deposit in various Sacramento banks and the State's fiscal agent banks for redemption of matured state bonds and coupons.

**Account No. C5** reflects the total balance of moneys due the State Treasurer for overpayments to banks for state warrants and agency trust checks presented for reimbursement. These overpayments are adjusted in the following day's settlements. This account also reflects the amount of called or matured time deposits.

**Account No. C51** reflects the liability of the State Treasurer's office to state funds for moneys of such funds in the State Treasury.

**Account No. C52** reflects the State Treasurer's liability to state agencies for General Cash, Cash Trust, Revolving Fund and Special Account moneys deposited to demand bank accounts of the State Treasurer.

**Account No. C53** reflects the liability of the State Treasurer's office for remittances received for deposit in the State Treasury which are being held pending clearance into the State Treasury by the State Controller's office.

**Account No. C54** reflects the State Treasurer's liability for unredeemed state warrants.

(Continued)
(Continued)

**NATURE OF GENERAL LEDGER ACCOUNTS**

Account No. C55 reflects the liability of the State Treasurer's office for cash deposited with various depository and fiscal agent banks for the redemption of matured State bonds and coupons.

Account No. C57 reflects the liability of the State Treasurer's office for underpayments to banks for state warrants and agency trust checks presented for reimbursement. These underpayments are adjusted in the following day's settlements.

Account C59 reflects the total balance of investments in securities of the Pooled Money Investment Account.

Daily the State Treasurer's office prepares a detailed statement of its cash accountability.

**SECURITIES GROUP OF ACCOUNTS**

(Renumbered 2/1965)
The following is a chart of the General Ledger accounts for the securities group of accounts:

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>ACCOUNT NO.</th>
<th>ACCOUNT TITLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>S11</td>
<td>S11</td>
<td>Deposits in State Vault</td>
</tr>
<tr>
<td>S12</td>
<td>S12</td>
<td>Accounts Receivable</td>
</tr>
<tr>
<td>S13</td>
<td>S13</td>
<td>Deposits in Trust</td>
</tr>
<tr>
<td>Companies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>S14</td>
<td>S14</td>
<td>Securities in Transit</td>
</tr>
<tr>
<td>S15</td>
<td>S15</td>
<td>Due from Special Deposit Fund</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ACCOUNTABILITY ACCOUNTS</th>
<th>ACCOUNT NO.</th>
<th>ACCOUNT TITLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>S61*</td>
<td>S61*</td>
<td>Investments</td>
</tr>
<tr>
<td>S63</td>
<td>S63</td>
<td>Pledges for Bank Deposits</td>
</tr>
<tr>
<td>S64</td>
<td>S64</td>
<td>Miscellaneous Pledges</td>
</tr>
<tr>
<td>S66*</td>
<td>S66*</td>
<td>General Safekeeping</td>
</tr>
</tbody>
</table>

* For statement purposes, the amounts reflected in these accounts representing interest receivable are disclosed by footnote
NATURE OF GENERAL LEDGER ACCOUNTS

(Revised & Renumbered 2/1965)

**Account Number S11** reflects the recorded value of securities and other personal property deposited in the state vault for safekeeping.

**Account Number S12** reflects the value of all currently maturing interest which the [State Treasurer's office](#) is in the process of collecting for various funds or agencies.

**Account Number S13** reflects the recorded value of securities deposited for safekeeping by the State Treasurer in qualified trust companies or the Federal Reserve Bank.

**Account Number S14** reflects the value of currently maturing securities released from the state vault for the purpose of collection or exchange and other securities released from the state vault for the purpose of exchange, substitution, or a liquidating dividend.

**Account Number S15** reflects amounts of trust cash deposited in the Special Deposit Fund by the State Treasurer's office.

**Account Number S61** reflects the liability of the State Treasurer's office for securities of state investment funds deposited in the state vault, qualified trust companies, or the Federal Reserve Bank for safekeeping.

**Account Number S63** reflects the liability of the State Treasurer’s office for securities pledged by banks to secure demand and time accounts of the State Treasurer’s office and other state agencies.

**Account Number S64** reflects the liability of the State Treasurer's office for pledges to state agencies deposited with the State Treasurer's office for safekeeping.

**Account Number S66** reflects the liability of the State Treasurer’s office for all other securities and personal property deposited in the state vault by state agencies which are not accounted in one of the above-described accounts.

Monthly the State Treasurer’s office prepares a detailed statement of its securities accountability.

STATE BONDS GROUP OF ACCOUNTS

(Renumbered 2/1965)
The following is a chart of General Ledger Accounts for the state bonds group of accounts:

<table>
<thead>
<tr>
<th>ACCOUNT NUMBER</th>
<th>ACCOUNT TITLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>B21</td>
<td>Deposits with Bond Officer</td>
</tr>
<tr>
<td>B22</td>
<td>State Bonds Authorized</td>
</tr>
<tr>
<td>B23</td>
<td>State Building Certificates Authorized S1 Securities in Transit</td>
</tr>
<tr>
<td>S15</td>
<td>Due from Special Deposit Fund</td>
</tr>
<tr>
<td>B71</td>
<td>Printed State Building Certificates B72 Printed State Bonds Pending Delivery</td>
</tr>
<tr>
<td>B73</td>
<td>State Bonds Submitted for Registration or Exchange</td>
</tr>
<tr>
<td>B74</td>
<td>State Bonds Unissued</td>
</tr>
<tr>
<td>B75</td>
<td>State Bonds Outstanding</td>
</tr>
<tr>
<td>B76</td>
<td>State Bonds Redeemed</td>
</tr>
<tr>
<td>B77</td>
<td>State Building Certificates Unissued B78 State Building Certificates Outstanding B79 State Building Certificates Redeemed</td>
</tr>
</tbody>
</table>
Account Number B21 reflects the accountability of the Bond officer of the State Treasurer's office for the following: (1) printed state bonds received for processing prior to their sale or delivery, (2) state bonds received for registration, re-registration, or exchange, (3) printed state building certificates received prior to their sale or delivery.

Account Number B22 reflects the par value of state bond issues which have been authorized but have not been fully redeemed.

Account Number B23 reflects the par value of state building certificates which have been authorized but have not been fully redeemed.

Account Number B71 reflects the accountability of the State Treasurer's office for state building certificates received for processing prior to their sale or delivery.

Account Number B72 reflects the accountability of the State Treasurer's office for printed state bonds received from a printer for processing prior to their sale or delivery.

Account Number B73 reflects the liability of the State Treasurer's office for state bonds held pending their registration, re-registration, or exchange.

Account Number B74 reflects the par value of state bonds which have been authorized but have not been sold.

Account Number B75 reflects the par value of state bonds which have been sold but have not matured.

Account Number B76 reflects the par value of matured state bonds.

Account Number B77 reflects the value of state building certificates which have been authorized but have not been sold.

Account Number B78 reflects the value of state building certificates which have been sold but have not matured.

Account Number B79 reflects the value of matured state building certificates.

Semi-annually the State Treasurer's office prints a detailed statement of the State's bonded debt.
CHAPTER 9200 INDEX

INTRODUCTION 9200

DIRECT COSTS 9201

ALLOCATION OF INDIRECT COSTS 9202

Rate Determined By Personal Services And/Or Total Costs 9202.1

Rate Determined By Hours 9202.2

Rate Determined By Other Methods 9202.3

COST ALLOCATION DOCUMENTATION 9203

COST ALLOCATION PROCESS 9204

TIME REPORTING 9205
This section describes the methodology and required documentation for the allocation of departmental costs to their program budgets. All budgets are required to be in a program appropriation format. Any budgets remaining in a category format must be approved by the Department of Finance. Departments with budgets in a category format must convert traditional line item costs to the required program budget levels as displayed in the Governor’s Budget.

Refer to SAM Sections 8752-8757 for information regarding Indirect Cost Rate Proposals (ICRPs) or cost allocation plans (CAPs) for departments that receive federal funds.

Costs with one or more characteristics in common are accumulated into cost pools. Cost pools are then assigned to one or more programs. Costs assigned to a program are either direct or indirect. Refer to SAM Section 9205 for information regarding time reporting.

Direct costs are costs that can easily be identified to a program. Examples of direct costs are personal services for project staff, consultants, travel, and training.

Indirect costs do not have a direct relationship to the program and are assigned through the use of a formula. Examples of indirect costs are costs for administration and legal units, utilities, and rent.

Personal services and operating expense and equipment (OE&E) can be either direct or indirect costs. Personal services and OE&E for administration are indirect costs, but personal services for program staff are direct costs. Materials purchased in bulk are typically handled as indirect costs, while materials required for specific projects are charged as direct costs. Some OE&E costs, e.g., telephone costs, may be direct or indirect costs.

Some organizational units, e.g., information systems, data processing, and reproduction, etc. provide services to other units in the department. These service units differ from the staff support organizational units (e.g., accounting, budgeting, personnel, etc.) in that they have readily measurable products. Service unit costs may be direct or indirect depending on how their costs are allocated.

Regardless of the type of cost, all costs should be allocated according to the most equitable basis practical. Also, costs should be allocated consistently throughout the fiscal period.
DIRECT COSTS

(New 03/10)

Direct costs are incurred for activities or services that benefit specific projects/programs, e.g., personal services for project staff and materials required for a particular activity. Because these activities/services are easily traced to programs, their costs may be charged to programs on an item-by-item basis.

ALLOCATION OF INDIRECT COSTS

(New 03/10)

Cost allocation is the assignment of indirect costs to one or more programs according to a formula. Indirect costs are assigned to the programs they benefit according to the methodology that represents a reasonable and equitable distribution.

The following should be considered when developing a cost allocation process:

1. Timeliness—The cost allocation process must produce program cost data on a timely basis.
2. Consistency—The cost identification and distribution methods selected must be applied consistently throughout the accounting period.
3. Accuracy—The information provided shall be as accurate as possible.
4. Audit Ability—Program costs must be fully auditable; i.e., working papers or system documentation must be retained showing program cost identification, accumulation, and distribution methods.

There are many ways to distribute indirect costs. Some departments may use one method for a specific type of cost, while others may use another method for the same type of cost. 9202 Illustration displays three of the most common methods of distributing indirect costs.
Method A in the 9202 Illustration distributes indirect costs using a rate that includes personal services or total costs. This method is typically used for distributing administration (personal services and OE&E) and some other OE&E costs.

Administration costs include all costs for executive staff and staff support organizational units. Examples are executive policy and planning, general administration, budgeting, accounting, personnel, business services, management analysis, training, and legal. Administration costs are distributed to the programs based on the most appropriate method for the work activity.

OE&E indirect costs distributed by method A may include miscellaneous office supplies, postage and printing, equipment rental, telephone charges and utilities.

The allocation percentage rate for method A is determined by dividing (1) personal services costs for a program by the total personal services costs for all programs or (2) total costs for a program by total costs for all programs.

Method B in the 9202 Illustration distributes indirect costs by a rate calculated by hours. This method is typically used for distributing service unit costs. The allocation percentage rate for method B is determined by dividing the total hours required to provide services for a program (Program 10) by the total hours required to provide services for all programs (Programs 10, 20 & 30).

For example, if a reproduction unit spent 132 hours providing services for Program 10 and a total of 176 hours providing services for all programs, the allocation percentage would be 75%. 75% of the service unit’s costs would be charged to Program 10.
Method C in the 9202 Illustration distributes indirect costs by a rate calculated by usage. This method may be used for distributing rent, telephone or other utilities using square footage, number of employees, or other equitable distribution base. For each distribution base, an allocation percentage is determined for each organizational unit. The allocation percentage rate for method B is determined by dividing Program 10’s square footage by the total square footage occupied by all programs (Programs 10, 20 & 30).

For example, if Program 10 staff occupies 10,000 square feet of the total 20,000 square feet of the building, Program 10’s allocation percentage of the space would be 50%. 50% of the rent would be charged to Program 10.
## ALLOCATION OF COSTS

### 9202 Illustration

#### Common Cost Allocation Methods

### Method A - To Allocate Indirect Costs Using Rate Determined By Personal Services and/or Total Costs (Program 10)

<table>
<thead>
<tr>
<th>Total personal services costs per program (Program 10)</th>
<th>Total costs per program (Program 10)</th>
<th>Allocation Percentage</th>
<th>$ \times $</th>
<th>Indirect costs charged to program (Program 10)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total personal services costs for all programs (Programs 10, 20 &amp; 30)</td>
<td>Total costs for all programs (Program 10, 20 &amp; 30)</td>
<td>$ \times $</td>
<td>$ $</td>
<td>$ $</td>
</tr>
</tbody>
</table>

### Method B - To Allocate Indirect Costs Using Rate Determined By Hours (Program 10)

<table>
<thead>
<tr>
<th>Total hours for a program (Program 10)</th>
<th>Total hours for all programs (Programs 10, 20 &amp; 30)</th>
<th>Allocation Percentage</th>
<th>$ \times $</th>
<th>Total costs charged to a program (Program 10)</th>
</tr>
</thead>
</table>

### Method C - To Allocate Indirect Costs Using Other Methods (Program 10)

<table>
<thead>
<tr>
<th>Total square feet used by program (Program 10)</th>
<th>Total square feet used by all programs (Programs 10, 20 &amp; 30)</th>
<th>Allocation Percentage</th>
<th>$ \times $</th>
<th>Total rent costs or other costs charged to a program (Program 10)</th>
</tr>
</thead>
</table>
All state departments will document and retain their cost allocation procedures and methodology in a cost allocation plan (CAP). Each CAP will contain detailed information regarding the costs being allocated, the allocation methodology, and the following information:

1. The frequency of allocating various costs to programs.
2. The rationale for selecting an allocation base.
3. How often the allocation base is evaluated to determine its continued accuracy.
4. Anticipated changes in the bases used to allocate costs.

All CAPs should be supported by appropriately cross-referenced working papers or system documentation, updated periodically, and retained for reference and for audit purposes. A sample outline of a CAP is displayed below:

PROGRAM COST ACCOUNTING, COST ALLOCATION PLAN

I. Purpose/Scope/General Overview

II. Definitions

III. Budget Structure

IV. Methodology

Allocation of Indirect Cost Pools-Explain allocation basis Allocation of Administration

a. Include a description of costs charged to administration.

b. Describe method or methods for allocating each type of costs to programs.

V. Allocation Sequence

VI. Program and Organization Charts in Picture Form Displaying Roll-Up Levels and Coding Schemes

2009-2010 COST ALLOCATION PLAN

DEPARTMENT OF AIR QUALITY
I. PURPOSE/SCOPE/GENERAL OVERVIEW:

The purpose of this report is to document the Department's 2009-10 CALSTARS cost allocation plan. Each month the Department of Air Quality allocates all of their administrative costs and some costs that are not practical or convenient to charge to a single program (indirect cost pools). The Department's Administration costs are identified in the Budget Act under Program 30, Element 01. The indirect cost pools are not identified in the Budget Act but are recorded within CALSTARS under Program 96 - Undistributed Multi-Program Costs.

II. DEFINITIONS:

Direct Costs - Any cost that can be identified to a particular program cost center.

Indirect Costs - Costs that are (a) incurred for a common or joint purpose benefiting more than one program cost center, and (b) not easily assigned to those particular program cost centers.

III. BUDGET STRUCTURE:

Program 10 – Research Program 20 – Enforcement

Program 30 - Administration Element 01 - Administration

Element 02 - Distributed Administration

Administration contains functions and activities that are directly concerned with establishing the policy and methods and controlling the execution of the Department's role in State government. The functions performed by this program are policy formulation, direction and coordination. This program also contains support and specialized services that are essential to the administration and operation of the department.
IV. ALLOCATION METHODOLOGY

ALLOCATION OF INDIRECT COST POOLS:

Indirect cost pools are identified in the Cost Allocation Table as Program 96.

Program 96 cost pools allocate to the following programs during the cost allocation process:

- 10 – Research
- 20 – Enforcement
- 30.01 – Administration

These costs allocate without Index identification. Use Index Code 0000 in the Cost Allocation Table Key.

Charges to the Program 96 cost pools include:

Training Facility Usage (PCA 96101, Various Object Details)

Distribution Type: 4 - Fixed Percentage PCA Type: 3 – Redistribution

**Charge Information:**

<table>
<thead>
<tr>
<th>PCA</th>
<th>TITLE</th>
<th>OBJECT DETAIL</th>
<th>AGENCY OBJECT</th>
</tr>
</thead>
<tbody>
<tr>
<td>96101</td>
<td>Allocation of Training Facility Usage</td>
<td>Actual</td>
<td>Actual</td>
</tr>
</tbody>
</table>

Distribution: Programs 10, 20 and 30.01

Basis: Fixed percentage of square footage previously determined in Programs 10, 20 and 30.01.
**Credit Information:**

The Program 96 cost pools will recover back to themselves using the same Object Detail and Agency Object as charged in the initial expenditure coding.

Percent Distribution of Cost Pools to Program PCA 96101

<table>
<thead>
<tr>
<th>PROGRAM</th>
<th>PCA</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>10101</td>
<td>5%</td>
</tr>
<tr>
<td>10</td>
<td>10201</td>
<td>5</td>
</tr>
<tr>
<td>10</td>
<td>10301</td>
<td>10</td>
</tr>
<tr>
<td>10</td>
<td>10401</td>
<td>13</td>
</tr>
<tr>
<td>10</td>
<td>10501</td>
<td>17</td>
</tr>
<tr>
<td>20</td>
<td>20199</td>
<td>26</td>
</tr>
<tr>
<td>30.01</td>
<td>30101</td>
<td>24</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>100%</td>
</tr>
</tbody>
</table>
ALLOCATION OF ADMINISTRATION

Administrative costs allocate to the following direct programs during the cost allocation process:

10 – Research; and
20 – Enforcement

These costs allocate without Index identification. Use Index Code 0000 in the Cost Allocation Table Key.

The total administration dollars allocate to those programs based on the personal services charged to each direct program.

Distribution Type: 5 - Calculated Pro rata Percentage of expenditures in the allocation range

PCA Type: 5 - Special - Administration

Charge Information:

<table>
<thead>
<tr>
<th>PCA</th>
<th>TITLE</th>
<th>OBJECT DETAIL</th>
<th>AGENCY OBJECT</th>
</tr>
</thead>
<tbody>
<tr>
<td>30101</td>
<td>Administration</td>
<td>Object Code 427</td>
<td></td>
</tr>
</tbody>
</table>

Distribution: Programs 10 and 20.

Basis: Total administration dollars allocated based on the personal services dollars charged to each direct program. (Object Detail Codes 003 Agency Object 00 through 137 Agency Object 99)

Credit Information:

<table>
<thead>
<tr>
<th>PCA</th>
<th>TITLE</th>
<th>OBJECT DETAIL</th>
<th>AGENCY OBJECT</th>
</tr>
</thead>
<tbody>
<tr>
<td>30102</td>
<td>Distributed Administration</td>
<td>Object Code 427</td>
<td></td>
</tr>
</tbody>
</table>

Allocation Range:
The PCA range of 10101 - 20199 may include Object Detail 427, allocated costs.
V. ALLOCATION SEQUENCE

Indirect Cost Pools - These costs allocate during Step 1 of the month-end Cost Allocation/Fund Split process.

Administration Costs - These costs allocate during Step 2 of the month-end Cost Allocation/Fund Split process.

VI. PROGRAM AND ORGANIZATION STRUCTURE

The Department's Program and Organization structure is identified on the following pages.
ORGANIZATION STRUCTURE

Department of Air Quality

- Research Division: 10
- Enforcement Division: 20
- Administrative Division: 30

- Northern CA Unit: 20 10
- Central CA Unit: 20 20
- Southern CA Unit: 20 30
SAM - ALLOCATION OF COSTS

PROGRAM STRUCTURE

- Department of Air Quality
  - Research 10
  - Enforcement 20
  - Administration 30
  - Departmental Indirect 96
    - Administration 30 01
    - Dist Admin 30 02
COST ALLOCATION PROCESS

The following illustrations display the cost allocation process of personal services, operating expense and equipment, service units, and a reconciliation of program costs to the general ledger. Departments must allocate costs to the program level required by their program budget.

Each department will ensure that all costs have been allocated by reconciling the total costs allocated with the total expenditures reflected in the appropriation expenditures account (including accrual expenditures) in the general ledger at June 30.
### 9204 ILLUSTRATION
#### ALLOCATION OF PERSONAL SERVICES COSTS
FOR THE FISCAL YEAR ENDING JUNE 30, ___

<table>
<thead>
<tr>
<th>UNITS</th>
<th>DIRECT HOURS</th>
<th>PROGRAMS</th>
<th>PERSONAL SERVICES COSTS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>10</td>
<td>15</td>
</tr>
<tr>
<td>1</td>
<td>65,000</td>
<td>20,000</td>
<td>15,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>30.8%</td>
<td>23.1%</td>
</tr>
<tr>
<td>2</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>125,000</td>
<td>40,000</td>
<td>50,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>32%</td>
<td>40%</td>
</tr>
<tr>
<td>4</td>
<td>80,000</td>
<td>40,000</td>
<td>40,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>5 &amp; 7</td>
<td>150,000</td>
<td>10,000</td>
<td>100,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>6.7%</td>
<td>66.6%</td>
</tr>
<tr>
<td>6</td>
<td>90,000</td>
<td>30,000</td>
<td>60,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>33.3%</td>
<td>66.7%</td>
</tr>
</tbody>
</table>

| ADMINISTRATION | 300,000 | 300,000 |
|                | 4,230,000 | 427,520 |
|                | 698,850 | 910,560 |
|                | 1,333,550 | 649,520 |
|                | 300,000 |

<table>
<thead>
<tr>
<th>PERCENTAGE OF TOTAL PERSONAL SERVICES</th>
<th>10.1%</th>
<th>14.4%</th>
<th>21.5%</th>
<th>31.5%</th>
<th>15.4%</th>
<th>7.1%</th>
</tr>
</thead>
<tbody>
<tr>
<td>PERCENTAGE OF TOTAL PERSONAL SERVICES WITHOUT ADMINISTRATION</td>
<td>10.9%</td>
<td>15.5%</td>
<td>23.2%</td>
<td>33.9%</td>
<td>16.5%</td>
<td></td>
</tr>
</tbody>
</table>

Allocation Steps:

- a. Determine the hours charged to each program.
- b. Determine the percentage of direct hours charged to each program to the hours charged to all programs.
- c. Use the percentages in b above to allocate the unit's personal services costs.
- d. After personal services costs of all units are allocated, total the costs charged to each program. Determine percentages of each program to total costs for all programs including administration.

1/ Allocation may be made as often as the department desires, with a minimum of once a year at year-end.
2/ Personal services costs are the actual amount paid for personal services and staff benefits.
3/ Unit 2 personnel do not keep time sheets since all of their time is spent on one program.
4/ Units 5 and 7 are combined because their salary mix is the same.
### ALLOCATION OF OPERATING AND EXPENSE AND EQUIPMENT COSTS
FOR THE FISCAL YEAR ENDING JUNE 30, 2011

<table>
<thead>
<tr>
<th>TOTAL EXPENDITURES</th>
<th>PROGRAMS</th>
<th>ADMINISTRATION</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>10</td>
<td>15</td>
</tr>
<tr>
<td>Freight</td>
<td>5,000</td>
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<tr>
<td>Consulting Services</td>
<td>25,000</td>
<td>25,000</td>
</tr>
<tr>
<td>Rent</td>
<td>200,000</td>
<td>20,000</td>
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<tr>
<td>Travel-in-State</td>
<td>120,000</td>
<td>15,480</td>
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<tr>
<td>Other OE&amp;E</td>
<td>700,000</td>
<td>70,700</td>
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<tr>
<td>Equipment</td>
<td>40,000</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>1,090,000</td>
<td>106,180</td>
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</tbody>
</table>

Allocation Steps:

a. Charge to programs those costs which can be identified directly to a program (freight, consulting services, and equipment).

b. Allocate expenses by their allocation bases:

1) Rent is allocated on the basis of square feet.

2) Travel-in-state is allocated on the basis of actual personal services costs charged to those programs which require its personnel to travel.

3) All other operating expenses which cannot be identified directly to a program or allocated more accurately utilizing another allocation basis is allocated on the basis of salaries and wages costs charged to programs.

Note: This example shows different allocation bases used to allocate different types of costs. Departments will use a basis which will allocate each type of cost equitably.
9204 ILLUSTRATION
ALLOCATION OF SERVICE UNIT AND ADMINISTRATION COSTS TO PROGRAMS
FOR THE FISCAL YEAR ENDING JUNE 30, ____1/

ALLOCATION OF SERVICE UNIT COSTS TO PROGRAMS

<table>
<thead>
<tr>
<th>PROGRAMS</th>
<th>10</th>
<th>15</th>
<th>20</th>
<th>25</th>
<th>30</th>
<th>ADMINISTRATION</th>
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<tbody>
<tr>
<td>Hours</td>
<td>2,001</td>
<td>84</td>
<td>100</td>
<td>335</td>
<td>1,339</td>
<td>59</td>
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<tr>
<td>Allocation Percentages</td>
<td>100%</td>
<td>4.2%</td>
<td>5.1%</td>
<td>16.7%</td>
<td>66.8%</td>
<td>2.9%</td>
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<tr>
<td>Service Unit Costs</td>
<td>239,000</td>
<td>10,038</td>
<td>12,189</td>
<td>39,913</td>
<td>159,891</td>
<td>6,931</td>
</tr>
</tbody>
</table>

ALLOCATION OF ADMINISTRATION COSTS TO PROGRAMS

<table>
<thead>
<tr>
<th>PROGRAMS</th>
<th>10</th>
<th>15</th>
<th>20</th>
<th>25</th>
<th>30</th>
</tr>
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<td>ADMINISTRATION</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal Services</td>
<td>300,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OE&amp;E</td>
<td>67,500</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service Unit Costs</td>
<td>10,038</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>377,538</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Allocation Percentages ²/</td>
<td>100%</td>
<td>10.9%</td>
<td>15.5%</td>
<td>23.2%</td>
<td>33.9%</td>
</tr>
<tr>
<td>Allocation</td>
<td>377,538</td>
<td>41,152</td>
<td>58,518</td>
<td>87,589</td>
<td>127,985</td>
</tr>
</tbody>
</table>

---
²/ Percentage is calculated by dividing total of program's personal services by the total department's personal services.
### 9204 ILLUSTRATION
**RECONCILIATION OF PROGRAM COSTS**
FOR THE FISCAL YEAR ENDING JUNE 30, 2010

#### RECONCILIATION OF PROGRAM COSTS

<table>
<thead>
<tr>
<th>Programs</th>
<th>10</th>
<th>15</th>
<th>20</th>
<th>25</th>
<th>30</th>
<th>TOTAL COSTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Services</td>
<td>427,520</td>
<td>608,850</td>
<td>910,560</td>
<td>1,333,550</td>
<td>649,520</td>
<td>3,930,000</td>
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<tr>
<td>OE&amp;E</td>
<td>106,180</td>
<td>182,760</td>
<td>220,500</td>
<td>326,740</td>
<td>186,320</td>
<td>1,022,500</td>
</tr>
<tr>
<td>Service Unit Costs</td>
<td>10,038</td>
<td>12,189</td>
<td>39,913</td>
<td>159,891</td>
<td>6,931</td>
<td>228,962</td>
</tr>
<tr>
<td>Administration</td>
<td>41,152</td>
<td>58,518</td>
<td>87,569</td>
<td>127,985</td>
<td>62,294</td>
<td>377,538</td>
</tr>
</tbody>
</table>

**Total Program Costs**

|               | 584,890 | 862,317 | 1,258,562 | 1,948,166 | 905,065 | 5,559,000 |

Total Per General Ledger

Appropriation Expenditures Account

5,559,000
TIME REPORTING

(Time Reporting)

Time may be reported by one or more of the following methods:

1. Continuous Positive Time Reporting
   The employee prepares a time report in which he identifies how he used all of his time during the period.

2. Continuous Exception Time Reporting
   The employee identifies only the time he spends on other than his normal work.

3. Sample Time Reporting
   During a time period which is representative of the organizational unit's work mix, each employee prepares a positive time report or an exception time report. Based on a tabulation of these time reports, a time charging pattern is derived which is used until it is considered appropriate to take another sample, i.e., when the time charging pattern is no longer deemed to be representative of the organizational unit's work mix.

4. Other
   A department may wish to exempt certain employees or employees in an organizational unit from preparing time reports when their total effort is spent on a single program. In these situations, personal services may be charged directly to the program benefiting from employee activities.
## CHAPTER 10200 INDEX

<table>
<thead>
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<tr>
<td>GENERAL</td>
<td>10200</td>
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<tr>
<td>EXPENDITURES</td>
<td>10210</td>
</tr>
<tr>
<td>ABATEMENTS OF EXPENDITURES</td>
<td>10220</td>
</tr>
<tr>
<td>INCOME</td>
<td>10230</td>
</tr>
<tr>
<td>PRIOR YEAR APPROPRIATION ADJUSTMENTS</td>
<td>10240</td>
</tr>
<tr>
<td>MISCELLANEOUS</td>
<td>10250</td>
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</tbody>
</table>
GENERAL 10200
(Revised 5/1985)
Governmental Funds are accounted on the basis described below.

EXPENDITURES 10210
(Revised 2/1999)
All agency expenditure accounts will be maintained on an appropriation expenditure basis to be consistent with appropriation accounting in the State Controller's Office and to provide detailed budget reports reflecting transactions affecting the appropriations.

Expenditures will be accounted and accrued as pertaining to the fiscal year in which the obligation to make the expenditure was created. For further detail, refer to SAM Section 10608.
ABATEMENTS OF EXPENDITURES

(Revised 2/1999)

Only the following receipts will be accounted for as abatements:

1. Refunds of overpayments of salaries (including (a) any receipts described in SAM Section 8536 received either directly from the employee, or from the State Compensation Insurance Fund, and not given to the employee because to do so would overpay him/her and, (b) employing state agency subrogation receipts described in SAM Section 8775);

2. Rebates from vendors or from third parties for defective merchandise, return of merchandise, return of empty containers, promotional purposes (e.g., incentives to purchase products or services), or other reasons;

3. Jury duty and witness fees;

4. Property damage or loss recoveries;

5. Sales tax collected—where an agency is supported by a legislative appropriation specific in amount, otherwise, the collection is to be credited to account number 3790, Other Current Liabilities (see SAM Section 8725 for accounting instructions);

6. Sales of items which were budgeted as an abatement (all other receipts from sales of items will be credited to revenue);

7. Merit award payments received from another agency or fund;

8. Employee payments for private use of state resources such as personal long distance telephone charges;

9. Denied boarding compensation payments from airline companies to individuals who are denied boarding on a flight. Such payments are to be credited to the travel expense allotment;

10. Repayments from employee organizations to reimburse departments for employee leave of absence time spent on collective bargaining issues (see SAM Section 8594.4 for accounting instructions); and

11. Other abatements—Departments must obtain written approval from Department of Finance, Fiscal Systems and Consulting Unit for situations not classified above.

(Continued)
ABATEMENTS OF EXPENDITURES

(Continued)

10220 (Cont. 1)

(Revised 2/1999)

Only the eleven above described types of transactions require that expenditure figures be adjusted. Therefore, only those transactions are to be accounted as abatements.

The coding structures for these abatements are located in the Receipts Section of the Uniform Codes Manual. Agencies at times are reimbursed by other agencies, persons, etc., for materials or services furnished or for payments made to others on behalf or because of such agencies, persons, etc. Such items are not to be accounted as abatements.

All abatements will be credited to the expenditure account originally charged (or to a prior year appropriation adjustment account if the expenditure account has been closed) and will augment the appropriations, unless reverted, and funds from which the payments were made except:

1. Receipts from sales of items which were budgeted as abatements will be abated to the appropriations from which the replacement items are purchased;

2. Sales tax collections (SAM Section 8725); and

3. Rebates from vendors for return of empty containers will be abated to the current year expenditure account and augment the current year appropriations, unless the rebates are large amounts, result from transactions which are not of a regular recurring nature, and can be identified as an expenditure from a specific appropriation.

INCOME

10230

(Revised 2/1999)

Revenues are accrued at June 30 if they have been earned and are expected to be collected within one year after the end of the current fiscal year. See SAM Sections 8200 through 8290.7 for further details regarding the basis, and mechanics, of accounting income. Instructions in that chapter apply to income of Governmental Funds.

Rev. 367
PRIOR YEAR APPROPRIATION ADJUSTMENTS

(Revised 2/1999)

Agencies will accrue as of each June 30 all items not already accrued that eventually will be credited or charged to appropriations and executive orders of the fiscal year just ended. Adjustments due to differences between the amount of expenditures, abatements, or reimbursements accrued as of each June 30 and actual expenditures, abatements, or reimbursements, will be debited or credited to a Prior-Year Appropriation Adjustments account. Adjustments will be accounted on an appropriation-wide basis without regard to allotment because allotment accounting ceases with respect to a fiscal year upon closing the books for that year. (This paragraph will not apply to appropriations available for more than one fiscal year unless the adjustment becomes apparent after the period of availability has expired. For such appropriations, adjustments will be accounted as current fiscal year expenditures and reimbursements if they occur during the period of availability of the appropriation.)

Accruing expenditures and reimbursements as of each June 30 and accounting for the actual transactions as prior year appropriation adjustments permits the June 30 expenditure and reimbursement figures to be considered final upon closing the books. This eliminates the need to re-open accounts and prepare new statements because of minor differences between the accrual amounts and actual amounts. To prevent material differences, agencies will use considerable judgment and care in accruing expenditures and reimbursements as of June 30.

MISCELLANEOUS

(Revised 2/1999)

Amounts representing advances to the Architecture Revolving Fund, State Highway Account, State Transportation Fund, and Water Resources Revolving Fund will be fully reserved.
## CHAPTER 10400 INDEX

<table>
<thead>
<tr>
<th>Account #</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
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<td>10401</td>
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<td>CASH IN STATE TREASURY</td>
<td>10403</td>
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<td>1150</td>
<td>CASH IN TRANSIT TO STATE TREASURY</td>
<td>10404</td>
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<td>1190</td>
<td>CASH ON HAND</td>
<td>10405</td>
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<td>DEPOSITS IN SURPLUS MONEY INVESTMENT FUND</td>
<td>10406</td>
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<td>ACCOUNTS RECEIVABLE – REIMBURSEMENTS</td>
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Rev. 414
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<td>Patents, Copyrights, Trademarks – Amortizable</td>
<td>10435.2</td>
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<td>10435.10</td>
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<tr>
<td>#2494</td>
<td>ACCUMULATED AMORTIZATION – OTHER INTANGIBLE ASSETS</td>
<td>10435.11</td>
</tr>
<tr>
<td>#2500</td>
<td>DEFERRED CHARGES</td>
<td>10436</td>
</tr>
<tr>
<td>#2600</td>
<td>PROVISION FOR DEFERRED INTERFUND LOANS PAYABLE</td>
<td>10436.1</td>
</tr>
<tr>
<td>#2730</td>
<td>DEPOSITS IN CONDEMNATION PROCEEDINGS</td>
<td>10437</td>
</tr>
<tr>
<td>#2740</td>
<td>INVENTORY OF SURVEYED EQUIPMENT</td>
<td>10438</td>
</tr>
<tr>
<td>#2940</td>
<td>AMOUNT TO BE PROVIDED FOR OTHER LONG TERM DEBT</td>
<td>10439</td>
</tr>
<tr>
<td>#3010</td>
<td>ACCOUNTS PAYABLE</td>
<td>10440</td>
</tr>
<tr>
<td>#3020</td>
<td>CLAIMS FILED</td>
<td>10441</td>
</tr>
<tr>
<td>#3110</td>
<td>DUE TO OTHER FUNDS OR APPROPRIATIONS</td>
<td>10442</td>
</tr>
<tr>
<td>#3120</td>
<td>PREPAYMENTS FROM OTHER FUNDS OR APPROPRIATIONS</td>
<td>10443</td>
</tr>
<tr>
<td>#3210</td>
<td>DUE TO FEDERAL GOVERNMENT</td>
<td>10444</td>
</tr>
<tr>
<td>#3220</td>
<td>DUE TO LOCAL GOVERNMENT</td>
<td>10445</td>
</tr>
<tr>
<td>#3230</td>
<td>LIABILITY FOR LOCAL SALES TAX COLLECTIONS</td>
<td>10446</td>
</tr>
</tbody>
</table>

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<table>
<thead>
<tr>
<th>Account #</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>#3310</td>
<td>ACCRUED INTEREST PAYABLE</td>
<td>10447</td>
</tr>
<tr>
<td>#3410</td>
<td>REVENUE COLLECTED IN ADVANCE</td>
<td>10448</td>
</tr>
<tr>
<td>#3420</td>
<td>REIMBURSEMENTS COLLECTED IN ADVANCE</td>
<td>10449</td>
</tr>
<tr>
<td>#3520</td>
<td>PROJECT DEPOSITS</td>
<td>10450</td>
</tr>
<tr>
<td>#3710</td>
<td>CASH OVERAGES</td>
<td>10451</td>
</tr>
<tr>
<td>#3730</td>
<td>UNCLEARED COLLECTIONS</td>
<td>10452</td>
</tr>
<tr>
<td>#3750</td>
<td>UNAPPORTIONED TAXES</td>
<td>10453</td>
</tr>
<tr>
<td>#3760</td>
<td>ACCRUED LEAVE TIME</td>
<td>10454</td>
</tr>
<tr>
<td>#3790</td>
<td>OTHER CURRENT LIABILITIES</td>
<td>10455</td>
</tr>
<tr>
<td>#4022</td>
<td>INTERFUND BUILDING AND CONSTRUCTION LOANS PAYABLE</td>
<td>10456</td>
</tr>
<tr>
<td>#4050</td>
<td>INTERFUND LOANS PAYABLE</td>
<td>10456.5</td>
</tr>
<tr>
<td>#4210</td>
<td>INSTALLMENT CONTRACTS PAYABLE</td>
<td>10457</td>
</tr>
<tr>
<td>#4220</td>
<td>LEASE / PURCHASE CONTRACTS</td>
<td>10458</td>
</tr>
<tr>
<td>#5200</td>
<td>INVESTMENT IN GENERAL FIXED ASSETS</td>
<td>10459</td>
</tr>
<tr>
<td>#5330</td>
<td>RESERVE FOR PREPAID ITEMS</td>
<td>10460</td>
</tr>
<tr>
<td>#5350</td>
<td>RESERVE FOR ENCUMBRANCES</td>
<td>10461</td>
</tr>
<tr>
<td>#5370</td>
<td>RESERVE FOR INTERFUND LOANS RECEIVABLE</td>
<td>10461.5</td>
</tr>
<tr>
<td>#5390</td>
<td>OTHER RESERVES</td>
<td>10462</td>
</tr>
<tr>
<td>#5530</td>
<td>FUND BALANCE – UNAPPROPRIATED</td>
<td>10463</td>
</tr>
<tr>
<td>#5570</td>
<td>FUND BALANCE – CLEARING ACCOUNT</td>
<td>10464</td>
</tr>
<tr>
<td>#6150</td>
<td>ENCUMBRANCES</td>
<td>10465</td>
</tr>
<tr>
<td>#8000</td>
<td>REVENUE</td>
<td>10466</td>
</tr>
<tr>
<td>#8100</td>
<td>REIMBURSEMENTS</td>
<td>10467</td>
</tr>
<tr>
<td>#9000</td>
<td>APPROPRIATION EXPENDITURES</td>
<td>10468</td>
</tr>
<tr>
<td>Account</td>
<td>Code</td>
<td></td>
</tr>
<tr>
<td>-------------------------------</td>
<td>--------</td>
<td></td>
</tr>
<tr>
<td>#9811 OPERATING TRANSFERS IN</td>
<td>10469</td>
<td></td>
</tr>
<tr>
<td>#9812 OPERATING TRANSFERS OUT</td>
<td>10470</td>
<td></td>
</tr>
<tr>
<td>#9821 INTERFUND INTEREST REVENUE</td>
<td>10471</td>
<td></td>
</tr>
<tr>
<td>#9822 INTERFUND INTEREST EXPENSE</td>
<td>10472</td>
<td></td>
</tr>
<tr>
<td>#9891 REFUNDS TO REVERTED APPROPRIATIONS</td>
<td>10473</td>
<td></td>
</tr>
<tr>
<td>#9892 PRIOR YEAR REVENUE ADJUSTMENTS</td>
<td>10474</td>
<td></td>
</tr>
<tr>
<td>#9893 PRIOR YEAR APPROPRIATION ADJUSTMENTS</td>
<td>10475</td>
<td></td>
</tr>
</tbody>
</table>
ACCOUNT NUMBER 1110, GENERAL CASH

(Revised 5/1987)

Normal Balance: Debit

Purpose: This account shows the amount of cash other than Agency Trust Fund Cash collected by the agency and deposited or to be deposited in its general checking account for remittance to a fund in the State Treasury or refunded to payers, but not yet remitted or refunded. At least once each month amounts determined to be earned, and therefore proper for deposit in a fund, are remitted to the State Treasury. Amounts determined to be not due to the State are refunded to payers. At the end of the fiscal year, an adjustment is made to this account for undeposited receipts as described under Account Number 1190, Cash on Hand.

Subsidiaries: None

Normal Entries:

<table>
<thead>
<tr>
<th>Entry Number</th>
<th>Debits</th>
<th>Entry Number</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.</td>
<td>Cash is received for deposit in the general cash account.</td>
<td>10.</td>
<td>Cash is remitted to the State Treasury, paid to banks for dishonored checks, or refunded to payers.</td>
</tr>
<tr>
<td>A-1</td>
<td>Is reversed as of July 1.</td>
<td>11.</td>
<td>(Alternate entry for dishonored checks)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>A-1</td>
<td>Adjustment is made for cash undeposited at June 30.</td>
</tr>
</tbody>
</table>
ACCOUNT NUMBER 1130, REVOLVING FUND CASH

(Revised 5/1987) Normal Balance: Debit

Purpose: This account shows the amount of funds advanced from the State Treasury for revolving fund purposes (see SAM Chapter 8100). Except for year-end reporting purposes, an agency revolving fund operates on an impress basis. The account balance at all times, except at year-end, equals (1) revolving fund cash on hand and in the centralized treasury system general checking account plus (2) the amount of the Revolving Fund Receivables Ledger balance. If the advance is made from a fiscal year appropriation, the amount of the fund is returned to the State Treasury at the close of the fiscal year or the State Controller’s Office is requested to journalize the amount as a return to the appropriation from which it was advanced and as a withdrawal from the subsequent fiscal year appropriation. At the end of the fiscal year, the impress amount of change and cash purchase funds and the amount of undeposited receipts is reported in Account Number 1190, Cash on Hand.

Subsidiaries: Revolving Fund Cash Book and Revolving Fund Receivables Ledger

Normal Entries:

<table>
<thead>
<tr>
<th>Entry Number</th>
<th>Debits</th>
<th>Entry Number</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Claim for revolving fund advance is filed with the State Controller’s Office.</td>
<td></td>
<td>(The physical return of a revolving fund, or any portion of it, would be included in Entry Number 10, Remittance of cash to the State Treasury.)</td>
</tr>
<tr>
<td>A-2</td>
<td>Is reversed as of July 1 to re-establish the revolving fund on an impress basis</td>
<td>A-2</td>
<td>Revolving fund account balance is reduced to actual cash balance in fund as of June 30.</td>
</tr>
</tbody>
</table>
ACCOUNT NUMBER 1140, CASH IN STATE TREASURY

(Revised 5/1987) Normal Balance: Debit

Purpose: For funds that are accounted entirely by one agency, this account shows the cash balance in the State Treasury to the credit of the particular fund.

For funds that are not accounted entirely by one agency, this account shows the net agency remittances to or disbursements from the particular fund in State Treasury during the fiscal year. At the end of the fiscal year, the account balance is transferred to Account Number 5570, Fund Balance–Clearing Account to facilitate the closing of nominal accounts.

(Continued)
### SAM – GENERAL LEDGER ACCOUNTS

**ACCOUNT NUMBER 1140, CASH IN STATE TREASURY**  
10403  
(Cont. 1)

(Revised 5/1987)

<table>
<thead>
<tr>
<th>Entry Number</th>
<th>Debits</th>
<th>Entry Number</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>12.</td>
<td>Cash is ordered into the fund in treasury upon order of the State Controller’s Office (SCO)</td>
<td>4.</td>
<td>Funds are transferred to the State Payroll Revolving Fund for the payment of salaries and wages and state contributions</td>
</tr>
<tr>
<td>19.</td>
<td>Unused portion of prepayments to Architecture Revolving Fund, Water Resources Revolving Fund, or the Highway Fund is returned upon completion of project</td>
<td>5.</td>
<td>Notices of Claims Paid, Form CD-102, are received from the State Controller’s Office for warrants written in payment of claims filed.</td>
</tr>
<tr>
<td>29.</td>
<td>A Controller’s Transfer is received returning a deposit from the Condemnation Deposits Fund.</td>
<td>14.</td>
<td>State Controller’s Office transfers an advance to a service agency.</td>
</tr>
<tr>
<td>31.</td>
<td>Moneys are returned from the Surplus Money Investment fund.</td>
<td>15.</td>
<td>Controller’s Transfer is received in settlement of &quot;NO WARRANTS&quot; claims.</td>
</tr>
<tr>
<td>32.</td>
<td>Interest is received from the Surplus Money Investment Fund or the Condemnation Deposits Fund.</td>
<td>17.</td>
<td>The State Controller's Office transfers an advance to the Architecture Revolving Fund, the Water Resources Revolving Fund, or the Highway Fund.</td>
</tr>
<tr>
<td>34.</td>
<td>Proceeds from the sale or redemption of investments are received.</td>
<td>27.</td>
<td>The State Controller's Office transfers a deposit to the Condemnation Deposits Fund.</td>
</tr>
<tr>
<td>35.</td>
<td>Interest on investment securities is received.</td>
<td>31.</td>
<td>Moneys are transferred to the Surplus Money Investment Fund.</td>
</tr>
<tr>
<td>A-13.</td>
<td>For funds not accounted entirely by one agency, the account balance is transferred to Account Number 5570 to facilitate closing nominal accounts at June 30.</td>
<td>33.</td>
<td>Investment securities are purchased.</td>
</tr>
</tbody>
</table>
ACCOUNT NUMBER 1150, CASH IN TRANSIT TO STATE TREASURY

(Revised 5/1987) Normal Balance: Debit

Purpose: This account shows the amount of cash remitted by the agency to the State Treasury but not yet credited by the State Controller's Office to the appropriate accounts. Upon advice from the State Controller's Office that the money has been ordered into a fund in the State Treasury to the credit of the fund (and appropriation, if any), the agency reflects the transaction in its accounts by reducing this in transit account balance.

Subsidiaries: File of Uncleared Remittances to State Treasury Normal Entries:

<table>
<thead>
<tr>
<th>Entry No</th>
<th>Debits</th>
<th>Entry Number</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.</td>
<td>Cash is remitted to the State Treasury.</td>
<td>12.</td>
<td>Cash is ordered into a fund in treasury by the State Controller's Office (SCO).</td>
</tr>
</tbody>
</table>
(Revised 5/1987) Normal Balance: Debit

Purpose: This account shows during the fiscal year the amount of: (1) cash withdrawn directly from the State Treasury as change funds, cash purchase funds, or cash payment funds; and (2) cash or checks that will not be deposited, such as bid deposits and payments of smaller amounts than are due the state which if deposited would prejudice the state's right to make further collections. At the end of the fiscal year, a journal entry is made transferring to this account: (1) from Account Number 1110, General Cash, and Account Number 1120, Agency Trust Fund Cash, the amount of un-deposited receipts; (2) from revolving funds the imprest amounts of change and cash purchase funds withdrawn and the amount of un-deposited receipts; and (3) from other cash accounts the amount of un-deposited receipts.

Subsidiaries: Open Items in Cash on Hand Register Normal Entries:

<table>
<thead>
<tr>
<th>Entry Number</th>
<th>Debits</th>
<th>Entry Number</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>13.</td>
<td>Cash is received that is not expected to be deposited.</td>
<td>A-1</td>
<td>Is reversed as of July 1.</td>
</tr>
<tr>
<td>A-1</td>
<td>Agency general cash is adjusted as of June 30 for any un-deposited general cash on hand at that date.</td>
<td>A-2</td>
<td>Is reversed as of July 1 to re-establish the revolving fund on an imprest basis.</td>
</tr>
<tr>
<td>A-2</td>
<td>Agency revolving fund is adjusted as of June 30 for amount of cash in sub-revolving funds and un-deposited cash in agency</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
ACCOUNT NUMBER 1210, DEPOSITS IN SURPLUS MONEY INVESTMENT FUND

(Revised 5/1995) Normal Balance: Debit

Purpose: This account shows the amount of agency moneys in the Surplus Money Investment Fund. Surplus Money Investment Fund moneys are invested in U.S. Government securities, commercial paper, time certificates of deposit, and bankers acceptances. Interest earned from these securities is credited to the participating funds. Interest receivable at fiscal year-end is accounted in Account Number 1400.

Subsidiaries: None
Normal Entries:

<table>
<thead>
<tr>
<th>Entry Number</th>
<th>Debits</th>
<th>Entry Number</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>31</td>
<td>Surplus cash is transferred to the Surplus Money Investment Fund.</td>
<td>31</td>
<td>Cash is returned to the agency’s fund in treasury.</td>
</tr>
</tbody>
</table>
ACCOUNT NUMBER 1311, ACCOUNTS RECEIVABLE—ABATEMENTS

(Revised 2/1999) Normal Balance: Debit

Purpose: This account shows the amount receivable from private entities as abatements of expenditures. For state accounting purposes, abatements are as defined in SAM Section 10220.

Subsidiaries: Accounts Receivable Ledger or File Normal Entries:

<table>
<thead>
<tr>
<th>Entry Number</th>
<th>Debits</th>
<th>Entry Number</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.</td>
<td>Gross amount of salary overpayments per Controller’s registers of accounts receivable.</td>
<td>4.</td>
<td>Gross amount of salary overpayments recovered from the State Payroll Revolving Fund.</td>
</tr>
</tbody>
</table>

Note: The two elements of the net entry made from the Payroll Expenditure Register are shown separately above for clarity.

<table>
<thead>
<tr>
<th>Entry Number</th>
<th>Debits</th>
<th>Entry Number</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.</td>
<td>Invoices are prepared for expenditure abatements.</td>
<td>7.</td>
<td>Cash is received and applied, realizing accounts receivable—abatements (excluding salary overpayments).</td>
</tr>
<tr>
<td>A-3</td>
<td>Year-End accruals are recorded</td>
<td>8.</td>
<td>Cash is applied, realizing accounts receivable—abatements (excluding salary overpayments).</td>
</tr>
<tr>
<td></td>
<td></td>
<td>9.</td>
<td>Accounts receivable are written off.</td>
</tr>
<tr>
<td>36.</td>
<td>Cash is received and applied from the sale of accounts receivable—abatements.</td>
<td>A-4</td>
<td>Abatement receivables are reclassified at the time an appropriation reverts.</td>
</tr>
</tbody>
</table>
ACCOUNT NUMBER 1312, ACCOUNTS RECEIVABLE—REIMBURSEMENTS 10408

(Revised 2/1999) Normal Balance: Debit

Purpose: This account shows the amount receivable from private entities as reimbursements for goods or services.

Subsidiaries: Accounts Receivable Ledger or File Normal Entries:

<table>
<thead>
<tr>
<th>Entry Number</th>
<th>Debits</th>
<th>Entry Number</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.</td>
<td>Invoices are prepared for expenditure abatements.</td>
<td>7.</td>
<td>Cash is received and applied, realizing accounts receivable—abatements (excluding salary overpayments).</td>
</tr>
<tr>
<td>A-3</td>
<td>Year-End accruals are recorded</td>
<td>8.</td>
<td>Cash is applied, realizing accounts receivable—abatements (excluding salary overpayments).</td>
</tr>
<tr>
<td>9.</td>
<td>Accounts receivable are written off.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>36.</td>
<td>Cash is received and applied from the sale of accounts receivable—abatements.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A-4</td>
<td>Abatement receivables are reclassified at the time an appropriation reverts.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
ACCOUNT NUMBER 1313, ACCOUNTS RECEIVABLE–REVENUE

(Revised 2/1999) Normal Balance: Debit

Purpose: This account shows the amount receivable from private entities for revenue items which when collected will be remitted to the State Treasury to the credit of a fund but not an appropriation.

Subsidiaries: Accounts Receivable Ledger or File Normal Entries:

<table>
<thead>
<tr>
<th>Entry Number</th>
<th>Debits</th>
<th>Entry Number</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.</td>
<td>Invoices are prepared for revenue transactions.</td>
<td>7.</td>
<td>Cash is received and applied, realized accounts receivable-revenue.</td>
</tr>
<tr>
<td>A-3</td>
<td>Year-End accurals are recorded</td>
<td>8.</td>
<td>Cash is applied, realized accounts receivable-revenue.</td>
</tr>
<tr>
<td>9.</td>
<td>Accounts receivable are written off.</td>
<td>35.</td>
<td>Interest on investments accrued at June 30 is received.</td>
</tr>
<tr>
<td>36.</td>
<td></td>
<td></td>
<td>Cash is received and applied from the sale of accounts receivable– revenue.</td>
</tr>
</tbody>
</table>
ACCOUNT NUMBER 1315, ACCOUNTS RECEIVABLE—DISHONORED CHECKS

(Revised 5/1995) Normal Balance: Debit

Purpose: This account shows the amounts charged to persons because their checks have been dishonored by banks. As dishonored checks are redeposited or substituted with other checks or legal tender, the account is credited.

Subsidiaries: File of Uncleared Bank Debit Notices Normal Entries:

<table>
<thead>
<tr>
<th>Entry Number</th>
<th>Debits</th>
<th>Entry Number</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.</td>
<td>Cash is remitted to banks for dishonored checks and accounts receivable are established.</td>
<td>7.</td>
<td>Cash is received and applied, realizing accounts receivable—dishonored checks.</td>
</tr>
<tr>
<td>11.</td>
<td>(Alternate entry for dishonored checks.)</td>
<td>8.</td>
<td>Cash is applied, realizing accounts receivable—dishonored checks.</td>
</tr>
<tr>
<td></td>
<td>9.</td>
<td>Accounts receivable are written off.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>36.</td>
<td>Cash is received and applied from the sale of accounts receivable—dishonored checks.</td>
<td></td>
</tr>
</tbody>
</table>

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ACCOUNT NUMBER 1316, ACCOUNTS RECEIVABLE—CASH SHORTAGES  10411

(Revised 5/1995) Normal Balance: Debit

Purpose: This account shows the amounts charged to cashiers for cash shortages occurring in their accounts. As relief from accountability is obtained from the State Board of Control or restitutions are received from cashiers, the account is credited.

Subsidiaries: Cash Shortage Ledger Normal Entries:

<table>
<thead>
<tr>
<th>Entry Number</th>
<th>Debits</th>
<th>Entry Number</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.</td>
<td>Shortages occur in cash collections for which cashiers are held accountable.</td>
<td>7.</td>
<td>Cash is received and applied, realizing accounts receivable—cash shortages.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>8.</td>
<td>Cash is applied, realizing accounts receivable—cash shortages.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>9.</td>
<td>Accounts receivable are written off.</td>
</tr>
</tbody>
</table>
ACCOUNT NUMBER 1319, ACCOUNTS RECEIVABLE—OTHER

(Revised 5/1995) Normal Balance: Debit

Purpose: This account shows receivables not applicable to any other general ledger receivables account. This account is used at the end of the fiscal year to record: (1) the amount due the office revolving fund from funds that contributed less to it than disbursements therefrom outstanding on their behalf; and (2) dishonored checks on refunds to reverted appropriations and nonrevenue receipts. During the fiscal year, it is used to record receivables applicable to reverted appropriations. It is used by agencies for other purposes only upon written approval of Department of Finance, Fiscal Systems and Consulting Unit.

Subsidiaries: Accounts Receivable Ledger or File Normal Entries:

<table>
<thead>
<tr>
<th>Entry Number</th>
<th>Debits</th>
<th>Entry Number</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.</td>
<td>Amounts not applicable to any other general ledger receivable account are billed.</td>
<td>7.</td>
<td>Cash is received and applied, realizing accounts receivable—other.</td>
</tr>
<tr>
<td>A-2</td>
<td>Agency revolving fund is adjusted as of June 30 for amounts advanced to other funds.</td>
<td>8.</td>
<td>Cash is applied, realizing accounts receivable—other.</td>
</tr>
<tr>
<td>A-4</td>
<td>Abatement and reimbursement receivables are reclassified at the time an appropriation reverts.</td>
<td>36.</td>
<td>Cash is received and applied from the sale of accounts receivable—other.</td>
</tr>
<tr>
<td></td>
<td>A-1</td>
<td></td>
<td>Is reversed as of July 1.</td>
</tr>
</tbody>
</table>
ACCOUNT NUMBER 1320, ACCRUED INTEREST RECEIVABLE

(Revised 5/1987) Normal Balance: Debit

Purpose: This account shows the amount of unpaid interest accrued to the date of purchase and included in the purchase price of securities purchased between interest dates. The applicable portion of the first interest received on such securities is credited to this account rather than to revenue.

Subsidiaries: Investment Ledger Normal Entries:

<table>
<thead>
<tr>
<th>Entry Number</th>
<th>Debits</th>
<th>Entry Number</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>13.</td>
<td>Investment securities are purchased.</td>
<td>35.</td>
<td>Interest is received on investment securities.</td>
</tr>
<tr>
<td>A-5</td>
<td></td>
<td></td>
<td>Interest is accrued on investments.</td>
</tr>
</tbody>
</table>
ACCOUNT NUMBER 1400, DUE FROM OTHER FUNDS OR APPROPRIATIONS

(Revised 2/1999) Normal Balance: Debit

Purpose: This account shows the amounts due from other funds or appropriations by reason of statutory provisions relating to allocation of moneys among funds and other special circumstances. At year-end, it includes amounts receivable for revenues collected and/or accrued for it by other funds or appropriations, and the amount of interest due from the Condemnation Deposits Fund and the Surplus Money Investment Fund at June 30, and not paid until July. It also includes amounts due from other funds or appropriations as reimbursements, abatements, and revenue.

Subsidiaries: File of applicable documents. Normal Entries:

<table>
<thead>
<tr>
<th>Entry Number</th>
<th>Debits</th>
<th>Entry Number</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>28.</td>
<td>Agency files a claim to pay for property from its own funds and requests return of deposit from Condemnation Deposits Fund.</td>
<td>29.</td>
<td>A deposit is returned from the Condemnation Deposits Fund.</td>
</tr>
<tr>
<td>30.</td>
<td>State Treasurer files a claim for acquisition of property for agency, the cost being less than the amount of the deposit in the Condemnation Deposits Fund.</td>
<td>32.</td>
<td>Accrued interest is received on deposits in the Condemnation Deposits Fund and from the Surplus Money Investment Fund.</td>
</tr>
<tr>
<td>A-3</td>
<td>Year-end accruals are recorded.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A-6</td>
<td>Interest due from the Condemnation Deposits Fund and from the Surplus Money Investment Fund is accrued as of June 30.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(Other entries to this account are made by special journal entries as circumstances require, the account being debited when specific amounts become due from other funds and credited when the funds are transferred or accruals are reversed.)
ACCOUNT NUMBER 1510, DUE FROM FEDERAL GOVERNMENT

(Revised 2/1999) Normal Balance: Debit

Purpose: This account shows the amount receivable from the Federal Government other than reimbursements.

Subsidiaries: Accounts Receivable Ledger or File Normal Entries: This account is debited when amounts, other than reimbursements, become due from the Federal Government or are accrued and is credited when payments thereon are received or accruals are reversed.

<table>
<thead>
<tr>
<th>Entry Number</th>
<th>Debits</th>
</tr>
</thead>
<tbody>
<tr>
<td>A-3</td>
<td>Year-End accruals are recorded</td>
</tr>
</tbody>
</table>
ACCOUNT NUMBER 1590, DUE FROM OTHER GOVERNMENTAL ENTITIES  10416

(Revised 2/1999)

Normal Balance: Debit

Purpose: This account shows: (1) the amount receivable from local governments (2) the amount advanced to federal or local agencies for water or beach erosion projects that will be fully repaid upon or prior to completion of the project. It does not include the noncurrent portion of loans to local agencies under the Davis-Grunsky Act, which are accounted in Account Number 2149.

Subsidiaries: Accounts Receivable Ledger or File Normal Entries:

<table>
<thead>
<tr>
<th>Entry Number</th>
<th>Debits</th>
<th>Entry Number</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>A-3</td>
<td>Year-End accurals are recorded</td>
<td></td>
<td>Payments are received or accruals are reversed.</td>
</tr>
<tr>
<td></td>
<td>Amounts that become due from local governments</td>
<td></td>
<td>Advances are repaid</td>
</tr>
<tr>
<td></td>
<td>Advances are made to non-state agencies</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
ACCOUNT NUMBER 1600, PROVISION FOR DEFERRED RECEIVABLES

(Revised 2/1999)

Normal Balance: Credit

Purpose: This account shows the amount provided for receivables not collectible within one year and any other receivables for which a full deferral is deemed appropriate or required by law.

Subsidiaries: None

Normal Entries:

<table>
<thead>
<tr>
<th>Entry Number</th>
<th>Debits</th>
<th>Entry Number</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.</td>
<td>Cash is received and applied to receivables which are accounted on a cash basis during the fiscal year.</td>
<td>6.</td>
<td>Invoices are prepared for receivables which are accounted on a cash basis during the fiscal year.</td>
</tr>
<tr>
<td>8.</td>
<td>Cash is applied to receivables which are accounted on a cash basis during the fiscal year.</td>
<td>11.</td>
<td>(Alternate entry for dishonored checks.)</td>
</tr>
<tr>
<td>9.</td>
<td>Accounts receivable are written off.</td>
<td>A-3</td>
<td>Year-end accruals are recorded.</td>
</tr>
<tr>
<td>36.</td>
<td>Invoice amount of accounts receivable which were previously deferred and have now been sold.</td>
<td>A-4</td>
<td>Abatement and reimbursement receivables are reclassified at the time an appropriation reverts.</td>
</tr>
<tr>
<td>A-9</td>
<td>Amount required to adjust this account balance for the amount of revenue earned but not received as of June 30 for fully deferred receivables that are estimated to be collectible</td>
<td>A-9R</td>
<td>The amount applicable to this account in Entry A–9 is reversed and a full deferral is established for certain accrued revenue receivable.</td>
</tr>
<tr>
<td>Entry Number</td>
<td>Debits</td>
<td>Entry Number</td>
<td>Credits</td>
</tr>
<tr>
<td>--------------</td>
<td>--------</td>
<td>--------------</td>
<td>---------</td>
</tr>
<tr>
<td></td>
<td></td>
<td>A-10</td>
<td>Adjustment is made for checks still dishonored as of June 30 by agencies that do not adjust their accounts for each dishonored check transaction during the year.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>A-12</td>
<td>Billed abatement, reimbursement, and nonrevenue receivables are deferred if not believed to be collectible during the coming fiscal year.</td>
</tr>
</tbody>
</table>
ACCOUNT NUMBER 1710, EXPENSE ADVANCES

(Revised 5/1987)

Normal Balance: Debit as of June 30. None at any other time.

Purpose: This account shows, for year-end reporting purposes, the amount of cash advanced to employees for travel or other legitimate expenses from the agency revolving fund. During the year, the revolving fund is accounted on an imprest basis. In order not to overstate the amount of cash in the revolving fund in year-end statements, as of June 30 each year this account together with Account Nos. 1190, 3010, and 3020 is debited and Account Number 1130, Revolving Fund Cash, is credited for the appropriate amounts to reduce Account Number 1130 to the actual amount of revolving fund cash on deposit in the agency's general checking account with the State Treasurer. The entry is reversed as of July 1.

Subsidiaries: Portion of Revolving Fund Receivables Ledger Normal Entries:

<table>
<thead>
<tr>
<th>Entry Number</th>
<th>Debits</th>
<th>Entry Number</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>A-2</td>
<td>Agency revolving fund is adjusted for expense advances outstanding as of June 30, as explained above.</td>
<td>A-2</td>
<td>Is reversed as of July 1.</td>
</tr>
</tbody>
</table>
ACCOUNT NUMBER 1730, PREPAYMENTS TO OTHER FUNDS OR APPROPRIATIONS

(Revised 5/1987) Normal Balance: Debit

Purpose: This account shows the unexpended prepayments to other funds or appropriations for services requested. It also shows the unexpended prepayments to the Water Resources Revolving Fund, Architecture Revolving Fund, and State Transportation Fund for capital projects. Agencies will keep a separate subsidiary ledger account showing the amount prepaid to each fund.

Subsidiaries: Prepayments Ledger Normal Entries:

<table>
<thead>
<tr>
<th>Entry Number</th>
<th>Debits</th>
<th>Entry Number</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>17.</td>
<td>State Controller's Office transfers prepayments to the Water Resources Revolving Fund, the Architecture Revolving Fund, and the State</td>
<td>15.</td>
<td>Controller's Journal Entry is received in settlement of &quot;NO WARRANT&quot; claims.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>16.</td>
<td>Controller's Journal Entry is received for recording payment of printing services.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>18.</td>
<td>Prepayments are reduced by the amount of expenditures reported during the Fiscal Year.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>19.</td>
<td>Prepayments are reduced upon completion of projects.</td>
</tr>
</tbody>
</table>
ACCOUNT NUMBER 1742, PREPAYMENTS TO COUNTIES

(Revised 5/1987) Normal Balance: Debit

Purpose: This account shows the payments to counties for social welfare programs from the (1) General Fund and (2) Social Welfare Federal Fund.

Subsidiaries: County Advance Ledger Normal Entries:

<table>
<thead>
<tr>
<th>Entry Number</th>
<th>Debits</th>
<th>Entry Number</th>
<th>Credits</th>
</tr>
</thead>
</table>

This account is debited when funds are advanced to counties for social welfare programs. It is credited, and an expenditure account is debited, as the counties file reports of actual expenditures. No Standard Entries are shown since this account has limited use.

ACCOUNT NUMBER 1749, PREPAYMENTS TO OTHER GOVERNMENTAL ENTITIES

(Revised 5/1987) Normal Balance: Debit

Purpose: This account shows the unexpended balance of prepayments made to federal and local agencies for the state share of water or beach erosion projects. It is fully reserved in Account Number 5330.

Subsidiaries: Project Ledger Normal Entries:

<table>
<thead>
<tr>
<th>Entry Number</th>
<th>Debits</th>
<th>Entry Number</th>
<th>Credits</th>
</tr>
</thead>
</table>

This account is debited when prepayments are made and is credited when approved expenditure reports are received or unexpended balances are returned. No standard entries are shown.
ACCOUNT NUMBER 2011, INVESTMENT IN SECURITIES AT COST 10422

(Revised 5/1987) Normal Balance: Debit

Purpose: This account shows the cost of investment in debt securities, such as Treasury Bills.

**Subsidiaries: Investments Ledger Normal Entries:**

<table>
<thead>
<tr>
<th>Entry Number</th>
<th>Debits</th>
<th>Entry Number</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>33.</td>
<td>Investment securities are purchased</td>
<td>34</td>
<td>Investment securities mature or are sold.</td>
</tr>
</tbody>
</table>

ACCOUNT NUMBER 2012, INVESTMENT IN SECURITIES 10423

(Revised 5/1987) Normal Balance: Debit

Purpose: This account shows the face value of investment in debt securities other than those recorded at cost in Account Number 2011.

**Subsidiaries: Investments Ledger Normal Entries:**

<table>
<thead>
<tr>
<th>Entry Number</th>
<th>Debits</th>
<th>Entry Number</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>33.</td>
<td>Investment securities are purchased</td>
<td>34</td>
<td>Investment securities mature or are sold.</td>
</tr>
</tbody>
</table>
Purpose: This account shows the unamortized premium on securities purchased at more than par value. Premium is amortized during the expected holding period or the securities using the "interest method" which yields an equal periodic rate of interest.

Subsidiaries: Investments Ledger Normal Entries:

<table>
<thead>
<tr>
<th>Entry Number</th>
<th>Debits</th>
<th>Entry Number</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>33.</td>
<td>Investment securities are purchased</td>
<td>34.</td>
<td>Investment securities mature or are sold.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>35.</td>
<td>Interest is received on investment securities.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>A-5</td>
<td>Interest is accrued on investments.</td>
</tr>
</tbody>
</table>
ACCOUNT NUMBER 2014, DISCOUNT ON SECURITIES 10425

(Revised 5/1987)

Normal Balance: Credit

Purpose: This account shows the unamortized discount on securities purchased at less than par value. Discount is amortized during the expected holding period of the securities using the "interest method" which yields an equal periodic rate of interest.

Subsidiaries: Investments Ledger Normal Entries:

<table>
<thead>
<tr>
<th>Entry Number</th>
<th>Debits</th>
<th>Entry Number</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>34.</td>
<td>Investments securities</td>
<td>33.</td>
<td>Investment securities are</td>
</tr>
<tr>
<td></td>
<td>mature or are sold.</td>
<td></td>
<td>purchased.</td>
</tr>
<tr>
<td>35.</td>
<td>Interest is received on</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>investment securities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A-5</td>
<td>Interest is accrued on</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>investments</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

ACCOUNT NUMBER 2021, INVESTMENT IN COMMON STOCK 10426

(Revised 5/1987) Normal Balance: Debit

Purpose: This account shows the amount of investment in common stock. Subsidiaries: Investment Ledger

Normal Entries:

<table>
<thead>
<tr>
<th>Entry Number</th>
<th>Debits</th>
<th>Entry Number</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>33</td>
<td>Common stocks are purchased</td>
<td>34</td>
<td>Common stocks are sold.</td>
</tr>
</tbody>
</table>
ACCOUNT NUMBER 2022, INVESTMENT IN PREFERRED STOCK 10427

(Revised 5/1987) Normal Balance: Debit

Purpose: This account shows the amount of investment in preferred stock. Subsidiaries: Investments Ledger

Normal Entries:

<table>
<thead>
<tr>
<th>Entry Number</th>
<th>Debits</th>
<th>Entry Number</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>33</td>
<td>Common stocks are purchased</td>
<td>34</td>
<td>Common stocks are sold.</td>
</tr>
</tbody>
</table>

ACCOUNT NUMBER 2040, INVESTMENT IN INTERFUND BUILDING AND CONSTRUCTION LOANS 10428

(Revised 06/2005) Normal Balance: Debit

Purpose: This account shows investments in state buildings and other state capital outlay projects evidenced by documents other than certificates issued pursuant to the State Building Construction Act of 1955.

Subsidiaries: Investments Ledger Normal Entries:

This account is not used by most funds. This account is debited for amounts disbursed for building loans and is credited for amounts received in repayment of the principal thereof. No standard entries are shown.
ACCOUNT NUMBER 2120, ADVANCES TO OTHER FUNDS 10429

(Revised 06/2005) Normal Balance: Debit

Purpose: This account shows the amounts of repayable advances between funds which are not expected to be repaid within the current or ensuing fiscal year.

Subsidiaries: File of applicable documents. Normal Entries:
Entries to this account will usually be made by special journal entries as circumstances require.

ACCOUNT NUMBER 2170, INTERFUND LOANS RECEIVABLE 10429.5

(New 06/2005)

Normal Balance: Debit

Purpose: This account shows the receivable amount of repayable loans between funds which is not expected to be collected within the current or ensuing fiscal year.

Subsidiaries: File of applicable documents. Normal Entries:
Entries to this account will usually be made by special journal entries as circumstances require.
ACCOUNT NUMBER 2310, LAND

(Revised 5/1987) Normal Balance: Debit

Purpose: This account shows the cost or appraised value of state-owned land and interests in land under the jurisdiction of the particular agency.

Subsidiaries: Property Ledger Normal Entries:

<table>
<thead>
<tr>
<th>Entry Number</th>
<th>Debits</th>
<th>Entry Number</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>20.</td>
<td>Land or interests in land are acquired by other than condemnation</td>
<td>21.</td>
<td>Land or interests in land are disposed of.</td>
</tr>
<tr>
<td>28.</td>
<td>Land is acquired in condemnation proceedings by claim filed by agency</td>
<td></td>
<td></td>
</tr>
<tr>
<td>30.</td>
<td>Land is acquired in condemnation proceedings by claim filed by State Treasurer</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
ACCOUNT NUMBER 2331, IMPROVEMENTS OTHER THAN BUILDINGS

(Revised 6/2013) Normal Balance: Debit

Purpose: This account shows the cost or appraised value of state-owned nonstructural improvements under the jurisdiction of the particular department. Use of this account is dependent on written approval of the Department of Finance, Fiscal Systems and Consulting Unit.

Subsidiaries: Property Ledger

Based on SAM Chapter 10500, the normal entries for this account are as follows:

<table>
<thead>
<tr>
<th>Entry Number</th>
<th>Debits</th>
<th>Entry Number</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>19.</td>
<td>Improvements are constructed by Division of the State Architect or other department.</td>
<td>21.</td>
<td>Improvements are written off.</td>
</tr>
<tr>
<td>20.</td>
<td>Improvements are acquired.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>28.</td>
<td>Real property is acquired in condemnation proceedings by claim filed by department.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>30.</td>
<td>Real property is acquired in condemnation proceedings by claim filed by State Treasurer.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Rev. 422
ACCOUNT NUMBER 2341, EQUIPMENT

(Revised 5/1987) Normal Balance: Debit

Purpose: This account shows the cost or appraised value of State-Owned equipment under the jurisdiction of the particular agency.

Subsidiaries: Property Ledger Normal Entries:

<table>
<thead>
<tr>
<th>Entry Number</th>
<th>Debits</th>
<th>Entry Number</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>19.</td>
<td>Equipment is acquired in connection with construction project supervised by the Office of Architecture and Construction or other agency.</td>
<td>21.</td>
<td>Equipment is disposed of.</td>
</tr>
<tr>
<td>20.</td>
<td>Equipment is acquired.</td>
<td>A-7</td>
<td>Equipment account is adjusted at June 30 for value of surveyed equipment not yet sold.</td>
</tr>
<tr>
<td>A-7R</td>
<td>Entry A-7 is semi-reversed as of July 1 of the new fiscal year.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
ACCOUNT NUMBER 2339, ACCUMULATED DEPRECIATION IMPROVEMENTS OTHER THAN BUILDINGS 10433
(Revised 06/2005) Normal Balance: Credit

Purpose: This account shows the depreciated portion of the cost of improvements, other than buildings.

Subsidiaries: Property Ledger Normal Entries:
Entries to this account will usually be made by special journal entries as circumstances require.

ACCOUNT NUMBER 2349, ACCUMULATED DEPRECIATION EQUIPMENT 10433.1
(New 06/2005) (REV. 390)

Normal Balance: Credit

Purpose: This account shows the depreciated portion of the cost of equipment.
Subsidiaries: Property Ledger

Normal Entries:

<table>
<thead>
<tr>
<th>Entry Number</th>
<th>Debits</th>
<th>Entry Number</th>
<th>Credits</th>
</tr>
</thead>
</table>

Entries to this account will usually be made by special journal entries as circumstances require.
ACCOUNT NUMBER 2350, CONSTRUCTION WORK IN PROGRESS 10434

(Revised 06/2013) Normal Balance: Debit

Purpose: This account shows the amount expended on capital outlay projects that are not yet completed and, therefore, cannot be capitalized in the capital assets accounts.

Subsidiaries: File of Expenditure Reports for projects constructed by other departments. Work Order Ledger or File for projects constructed by departments.

Based on SAM Chapter 10500, the normal entries for this account are as follows:

<table>
<thead>
<tr>
<th>Entry Number</th>
<th>Debits</th>
<th>Entry Number</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>18.</td>
<td>Expenditures on uncompleted projects are reported.</td>
<td>19.</td>
<td>Project is completed and cost is transferred to capital assets accounts.</td>
</tr>
</tbody>
</table>

ACCOUNT NUMBER 2361 – NON-DEPRECIABLE INFRASTRUCTURE 10434.1

(New 09/2010)

Normal Balance: Debit

Purpose: This account shows the cost or appraised value of state-owned roadways and bridges on the State Highway System that are accounted for and reported using the modified approach allowed pursuant to GASB Statement Number 34. Under the modified approach, Caltrans does not report depreciation expense for roads and bridges but capitalizes all costs that add to the capacity and efficiency of the state-owned roads and bridges. All maintenance and preservation costs are expensed and not capitalized.

Subsidiaries: Property Ledger Normal Entries:

<table>
<thead>
<tr>
<th>Entry Number</th>
<th>Debits</th>
<th>Entry Number</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>20.</td>
<td>Infrastructure is acquired</td>
<td>21.</td>
<td>Infrastructure is disposed of.</td>
</tr>
</tbody>
</table>
ACCOUNT NUMBER 2362 – DEPRECIABLE INFRASTRUCTURE

(New 09/2010)

Normal Balance: **Debit**

**Purpose:** This account shows the cost or appraised value of state-owned infrastructure other than roadways and bridges on the State Highway System.

**Subsidiaries:** Property Ledger Normal Entries:

<table>
<thead>
<tr>
<th>Entry Number</th>
<th>Debits</th>
<th>Entry Number</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>20.</td>
<td>Infrastructure is acquired</td>
<td>21.</td>
<td>Infrastructure is disposed of.</td>
</tr>
</tbody>
</table>

ACCOUNT NUMBER 2369 – ACCUMULATED DEPRECIATION – INFRASTRUCTURE

(New 09/2010)

Normal Balance: **Credit**

**Purpose:** This account shows the depreciated portion of infrastructure other than state-owned roadways and bridges.

**Subsidiaries:** Property Ledger Normal Entries:

<table>
<thead>
<tr>
<th>Entry Number</th>
<th>Debits</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Entries to this account will usually be made by special journal entries as circumstances require.
ACCOUNT NUMBER 2411, COMPUTER SOFTWARE-AMORTIZABLE

(Revised 09/2010)

Normal Balance: Debit

Purpose: This account shows the cost of state-owned computer software (purchased, licensed, or internally generated) under the jurisdiction of the particular department.

<table>
<thead>
<tr>
<th>Entry Number</th>
<th>Debits</th>
<th>Entry Number</th>
<th>Credits</th>
</tr>
</thead>
</table>

Subsidiaries: Property Ledger Normal Entries:

ACCOUNT NUMBER 2412 – LAND USE RIGHTS–AMORTIZABLE

(New 09/2010)

Normal Balance: Debit

Purpose: This account shows the cost or appraised value of state-owned amortizable land-use rights (easements, water rights, timber rights and mineral rights) under the jurisdiction of the particular department.

Subsidiaries: Property Ledger Normal Entries:

<table>
<thead>
<tr>
<th>Entry Number</th>
<th>Debits</th>
<th>Entry Number</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>20.</td>
<td>Land-Use rights are acquired</td>
<td>21.</td>
<td>Land-Use rights are disposed of.</td>
</tr>
</tbody>
</table>
ACCOUNT NUMBER 2413 – PATENTS, COPYRIGHTS, TRADEMARKS–AMORTIZABLE 10435.2

(New 09/2010)

Normal Balance: Debit

Purpose: This account shows the cost or appraised value of state-owned amortizable patents, copyrights and trademarks under the jurisdiction of the particular department.

Subsidiaries: Property Ledger Normal Entries:

<table>
<thead>
<tr>
<th>Entry Number</th>
<th>Debits</th>
<th>Entry Number</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>20.</td>
<td>Patents, copyrights and trademarks are acquired</td>
<td>21.</td>
<td>Patents, copyrights and trademarks are disposed of.</td>
</tr>
</tbody>
</table>

ACCOUNT NUMBER 2414 – OTHER INTANGIBLE ASSETS–AMORTIZABLE 10435.3

(New 09/2010)

Normal Balance: Debit

Purpose: This account shows the cost or appraised value of state owned amortizable intangible assets, not otherwise classified.

Subsidiaries: Property Ledger Normal Entries:

<table>
<thead>
<tr>
<th>Entry Number</th>
<th>Debits</th>
<th>Entry Number</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>20.</td>
<td>Other intangible asset is acquired</td>
<td>21.</td>
<td>Other intangible asset is disposed of.</td>
</tr>
</tbody>
</table>
ACCOUNT NUMBER 2422 – LAND USE RIGHTS–NON-AMORTIZABLE 10435.4

(New 09/2010)

Normal Balance: **Debit**

**Purpose:** This account shows the cost or appraised value of state-owned non-amortizable (i.e., with an indefinite useful life) land use rights (easements, water rights, timber rights and mineral rights) under the jurisdiction of the particular department.

**Subsidiaries:** Property Ledger Normal Entries:

<table>
<thead>
<tr>
<th>Entry Number</th>
<th>Debits</th>
<th>Entry Number</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>20.</td>
<td>Land-Use rights are acquired</td>
<td>21.</td>
<td>Land-Use rights are disposed of.</td>
</tr>
</tbody>
</table>

ACCOUNT NUMBER 2423 – PATENTS, COPYRIGHTS, TRADEMARKS–NON-AMORTIZABLE 10435.5

(New 09/2010)

Normal Balance: **Debit**

**Purpose:** This account shows the cost or appraised value of state-owned non-amortizable (i.e., with an indefinite useful life) patents, copyrights and trademarks under the jurisdiction of the particular department.

**Subsidiaries:** Property Ledger Normal Entries:

<table>
<thead>
<tr>
<th>Entry Number</th>
<th>Debits</th>
<th>Entry Number</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>20.</td>
<td>Patents, copyrights and trademarks are acquired</td>
<td>21.</td>
<td>Patents, copyrights and trademarks are disposed of.</td>
</tr>
</tbody>
</table>
ACCOUNT NUMBER 2424 – OTHER INTANGIBLE ASSETS–NON-AMORTIZABLE 10435.6

(New 09/2010)

Normal Balance: **Debit**

**Purpose:** This account shows the cost or appraised value of state owned non-amortizable (i.e., with an indefinite useful life) intangible assets, not otherwise classified.

**Subsidiaries:** Property Ledger Normal Entries:

<table>
<thead>
<tr>
<th>Entry Number</th>
<th>Debits</th>
<th>Entry Number</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>20.</td>
<td>Other intangible asset is acquired</td>
<td>21.</td>
<td>Other intangible asset is disposed of.</td>
</tr>
</tbody>
</table>

ACCOUNT NUMBER 2430 – INTERNALLY GENERATED INTANGIBLE ASSETS IN PROGRESS 10435.7

(Revised 06/2011)

Normal Balance: **Debit**

**Purpose:** This account shows the amount expended on internally generated intangible assets that are not yet complete and, therefore, cannot be capitalized in the specific intangible asset accounts. Once the internally generated intangible asset is complete, the total cost is moved from this account to the specific intangible asset account.

**Subsidiaries:** File of Expenditure Reports for projects developed by other agencies. Work Order Ledger or File for projects developed by department.

Normal Entries:

<table>
<thead>
<tr>
<th>Entry Number</th>
<th>Debits</th>
<th>Entry Number</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>18 &amp; 18A</td>
<td>Expenditures on uncompleted projects are recorded.</td>
<td>19 &amp; 19A</td>
<td>Project is completed and cost is transferred to specific intangible asset account.</td>
</tr>
</tbody>
</table>
ACCOUNT NUMBER 2491 – ACCUMULATED AMORTIZATION–COMPUTER SOFTWARE 10435.8

(New 09/2010)

Normal Balance: Credit

**Purpose:** This account shows the depreciated portion of the cost of computer software.

**Subsidiaries:** Property Ledger Normal Entries:

<table>
<thead>
<tr>
<th>Entry Number</th>
<th>Debits</th>
<th>Entry Number</th>
<th>Credits</th>
</tr>
</thead>
</table>

Entries to this account will usually be made by special journal entries as circumstances require.

ACCOUNT NUMBER 2492 – ACCUMULATED AMORTIZATION–LAND USE RIGHTS 10435.9

(New 09/2010)

Normal Balance: Credit

**Purpose:** This account shows the depreciated portion of the cost of land use rights.

**Subsidiaries:** Property Ledger Normal Entries:

<table>
<thead>
<tr>
<th>Entry Number</th>
<th>Debits</th>
<th>Entry Number</th>
<th>Credits</th>
</tr>
</thead>
</table>

Entries to this account will usually be made by special journal entries as circumstances require.
ACCOUNT NUMBER 2493 – ACCUMULATED AMORTIZATION–PATENTS, COPYRIGHTS, TRADEMARKS

(New 09/2010)

Normal Balance: Credit

Purpose: This account shows the depreciated portion of the cost of patents, copyrights and trademarks.

Subsidiaries: Property Ledger Normal Entries:

<table>
<thead>
<tr>
<th>Entry Number</th>
<th>Debits</th>
<th>Entry Number</th>
<th>Credits</th>
</tr>
</thead>
</table>

Entries to this account will usually be made by special journal entries as circumstances require.

ACCOUNT NUMBER 2494 – ACCUMULATED AMORTIZATION–OTHER INTANGIBLE ASSETS

(New 09/2010)

Normal Balance: Credit

Purpose: This account shows the depreciated portion of the cost of intangible assets, not otherwise classified.

Subsidiaries: Property Ledger Normal Entries:

<table>
<thead>
<tr>
<th>Entry Number</th>
<th>Debits</th>
<th>Entry Number</th>
<th>Credits</th>
</tr>
</thead>
</table>

Entries to this account will usually be made by special journal entries as circumstances require.
ACCOUNT NUMBER 2500, DEFERRED CHARGES 10436

(Revised 06/2005)

Normal Balance: Debit

Purpose: This account shows the amount, as of June 30 each year, of office revolving fund disbursements in payment of discounted invoices to be charged to a succeeding fiscal year appropriation due to advance deliveries of materials and supplies to be used in the succeeding fiscal year. This account is also used for any other deferred charges not otherwise classified. Such items not otherwise classified will be charged to this account only upon written approval of Department of Finance, Fiscal Systems and Consulting Unit. Payments made for deferred charges should only be made after the Budget Act for the subsequent fiscal year is enacted.

Subsidiaries: File of Discounted Invoices to be Charged to Succeeding Fiscal Year Appropriations. Other files or ledgers as necessary.

Normal Entries:

<table>
<thead>
<tr>
<th>Entry Number</th>
<th>Debits</th>
<th>Entry Number</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>A-2</td>
<td>Agency revolving fund is adjusted for disbursements applicable to the succeeding fiscal year.</td>
<td>A-1</td>
<td>Is reversed as of July 1.</td>
</tr>
</tbody>
</table>

ACCOUNT NUMBER 2600 – PROVISION FOR DEFERRED INTERFUND LOANS PAYABLE 10436.1

(Renumbered from 10435.5 09/2010)

Normal Balance: Debit

Purpose: This account shows the liability amount for repayable loans between funds which are not expected to be repaid within the current or ensuing fiscal year and are, therefore, deferred.

Subsidiaries: File of applicable documents. Normal Entries:

<table>
<thead>
<tr>
<th>Entry Number</th>
<th>Debits</th>
<th>Entry Number</th>
<th>Credits</th>
</tr>
</thead>
</table>

Rev. 411
Entries to this account will usually be made by special journal entries as circumstances require.
ACCOUNT NUMBER 2730, DEPOSITS IN CONDEMNATION PROCEEDINGS  10437

(Revised 5/1987) Normal Balance: Debit

Purpose: This account shows the amount on deposit in the Condemnation Deposits Fund and in courts for condemnation suits on which final settlement has not yet been made either from the Condemnation Deposits Fund or from other funds. These deposits are fully reserved in Account Number 5390, Other Reserves.

Subsidiaries: File of Open Condemnation Deposit Documents Normal Entries:

<table>
<thead>
<tr>
<th>Entry Number</th>
<th>Debits</th>
<th>Entry Number</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>27.</td>
<td>Money is transferred to the Condemnation Deposits Fund.</td>
<td>28.</td>
<td>Agency files claim for acquisition of property under condemnation proceedings.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>30.</td>
<td>State Treasurer files claim for acquisition of property under</td>
</tr>
</tbody>
</table>
ACCOUNT NUMBER 2740, INVENTORY OF SURVEYED EQUIPMENT

(Revised 6/2014) Normal Balance: Debit

Purpose: This account shows the estimated sales value of surveyed equipment at the end of any fiscal year in which the new equipment has been purchased but the old item, budgeted to be traded-in, and has not been sold on or before June 30. The purpose of this account is to give effect to uncompleted equipment transactions in the department's final budget report and to show salable surveyed equipment as fund assets in other final year-end financial reports furnished to the State Controller's Office. It will be used only by those funds where the receipts from the sale in lieu of trade-in are to be abated to a Budget Act appropriation or other appropriation specific in amount.

Subsidiaries: Property Ledger; File of Uncleared Survey Reports

Normal Entries:

<table>
<thead>
<tr>
<th>Entry Number</th>
<th>Debits</th>
<th>Entry Number</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>A-</td>
<td>Estimated sales value of surveyed equipment is recorded as of June 30.</td>
<td>A-7R</td>
<td>Semi-reverse Entry Number A-7 as of July 1</td>
</tr>
</tbody>
</table>
ACCOUNT NUMBER 2920, AMOUNT TO BE PROVIDED FOR OTHER LONG-TERM DEBT 10439

(Revised 9/1990) Normal Balance: Debit

Purpose: This account is used to offset the general bonded debt and also certain other large long-term liabilities including installment purchase and capital lease (lease-purchase) contracts.

Subsidiaries: None

Normal Entries:

<table>
<thead>
<tr>
<th>Entry Number</th>
<th>Debits</th>
<th>Entry Number</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>22.</td>
<td>Installment purchase or capital lease (lease-purchase) contract is executed.</td>
<td>23.</td>
<td>Claims are filed for payments on installment purchase or capital lease (lease-purchase) contracts.</td>
</tr>
</tbody>
</table>

For other uses of this account contact Department of Finance, Fiscal Systems and Consulting Unit.
ACCOUNT NUMBER 3010,
ACCOUNTS PAYABLE 10440

(Revised 5/1987) Normal Balance: Credit

Purpose: This account shows, as of June 30, the amount of outstanding obligations of the year just ended and prior fiscal years. Accrued expenditures that were not scheduled for payment at June 30 are credited to this account. A few agencies also use this account to show other types of payables during the fiscal year.

Subsidiaries: Accounts Payable Ledger or File Normal Entries:

<table>
<thead>
<tr>
<th>Entry Number</th>
<th>Debits</th>
<th>Entry Number</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>A-2</td>
<td>Agency revolving fund is adjusted as of June 30 for unscheduled expenditures therefrom.</td>
<td>A-2</td>
<td>Agency revolving fund is adjusted as of June 30 for amounts payable to other funds for revolving funds advanced.</td>
</tr>
<tr>
<td></td>
<td>Entry Number A–2 is reversed as of July 1 of the new fiscal year.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A-8R</td>
<td>Entry Number A–8 is semi-reversed as of July 1 of the new fiscal year.</td>
<td>A-8</td>
<td>Expenditure accruals as of June 30 are recorded.</td>
</tr>
</tbody>
</table>
ACCOUNT NUMBER 3020, CLAIMS FILED

(Revised 5/1987)

Normal Balance: Credit

Purpose: This account shows the amount of claims approved for payment that have been filed with the State Controller’s Office. The balance of this account is increased as claims are filed and is reduced on the basis of Notices of Claims Paid, Form CD–102, issued by the State Controller’s Office for warrants issued in payment of claims.

Subsidiaries: Open items in Claims File Register Normal Entries:

<table>
<thead>
<tr>
<th>Entry Number</th>
<th>Debits</th>
<th>Entry Number</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.</td>
<td>Notices of Claims Paid, Form CD–102, are received from the State Controller’s Office for warrants written in payment of claims filed.</td>
<td>1.</td>
<td>A claim is filed for revolving fund advance.</td>
</tr>
<tr>
<td>15.</td>
<td>State Controller’s Journal Entry or Transfer is received in settlement of &quot;NO WARRANT&quot; claims.</td>
<td>3.</td>
<td>Claims other than for revolving fund advances are filed.</td>
</tr>
<tr>
<td>A-2</td>
<td>Agency revolving fund is adjusted for unreimbursed expenditures therefrom as of June 30.</td>
<td>22.</td>
<td>Claims are filed for payments on installment purchase contract.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>23.</td>
<td>Claims are filed for payment of rent applicable to the purchase price under a lease-purchase contract.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>28.</td>
<td>Claims are filed for acquisition of property by condemnation proceedings.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>A-2</td>
<td>Is reversed as of July 1.</td>
</tr>
</tbody>
</table>
ACCOUNT NUMBER 3110, DUE TO OTHER FUNDS OR APPROPRIATIONS 10442

(Revised 5/1987)

Normal Balance: Credit

Purpose: This account shows the amounts due to other funds by reason of statutory provisions relating to allocation of moneys among funds and other special circumstances. At year-end, it includes amounts payable for revenues collected and/or accrued by it for other funds. It does not include amounts due to other funds as reimbursements for services received or the liability for expendable prepayments from other funds. Agencies will keep a separate subsidiary ledger account showing the amount due to each fund.

Subsidiaries: Revenue Ledger or file of applicable documents Normal Entries:

<table>
<thead>
<tr>
<th>Entry Number</th>
<th>Debits</th>
<th>Entry Number</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>11.</td>
<td>(Alternative entry for dishonored checks.)</td>
<td>7.</td>
<td>Cash is received and applied which is revenue for another fund.</td>
</tr>
<tr>
<td>A-10</td>
<td>Adjustment is made for checks still dishonored as of June 30 by agencies that do not adjust their accounts for each dishonored check transaction during the year.</td>
<td>8.</td>
<td>Cash is applied which is revenue for another fund.</td>
</tr>
<tr>
<td>A-11</td>
<td>Adjustment is made for cash shortages outstanding June 30.</td>
<td>A-9</td>
<td>Amounts earned as of June 30 but not received are accrued.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>A-11</td>
<td>Is reversed as of July 1.</td>
</tr>
</tbody>
</table>
ACCOUNT NUMBER 3120, PREPAYMENTS FROM OTHER FUNDS OR APPROPRIATIONS  

(Revised 5/1987) Normal Balance: Credit

Purpose: This account shows the amount of prepayments from other funds or appropriations for services requested. A separate account is kept for each fund from which a prepayment has been received.

Subsidiaries: Sub-account for each appropriation when prepayments are received from more than one appropriation of the same fund.

Normal Entries:

<table>
<thead>
<tr>
<th>Entry Number</th>
<th>Debits</th>
<th>Entry Number</th>
<th>Credits</th>
</tr>
</thead>
</table>

(Entries to this account in the accounts of the agency receiving the prepayment are contra to entries to Account Number 1730 in the accounts of the agency making the prepayment. No standard entries are shown.)

ACCOUNT NUMBER 3210, DUE TO FEDERAL GOVERNMENT  

(Revised 5/1987) Normal Balance: Credit

Purpose: This account shows amounts due to the Federal Government under various legal and contractual provisions, other than reimbursements for services received which are accounted in Account Number 3010, Accounts Payable.

Subsidiaries: File of Documents Schedules or other records if appropriate. Normal Entries:

<table>
<thead>
<tr>
<th>Entry Number</th>
<th>Debits</th>
<th>Entry Number</th>
<th>Credits</th>
</tr>
</thead>
</table>

This account is credited when a liability to the federal government is incurred and debited when payments thereon are made. No Standard Entries are shown since this account has limited use.
ACCOUNT NUMBER 3220, DUE TO LOCAL GOVERNMENTS

(Revised 5/1987)

Normal Balance: Credit

Purpose: This account shows amounts due to local governments under various legal and contractual provisions, other than reimbursements for services received which
ACCOUNT NO. 3220,  
DUE TO LOCAL GOVERNMENTS  

(Revised 5/1987)  
Normal Balance: Credit  
Purpose: This account shows amounts due to local governments under various legal and contractual provisions, other than reimbursements for services received which are accounted in Account No. 3010, Accounts Payable.  
Subsidiaries: File of Documents, Schedule or other records if appropriate. Normal Entries:  

<table>
<thead>
<tr>
<th>Entry No.</th>
<th>Debits</th>
<th>Entry No.</th>
<th>Credits</th>
</tr>
</thead>
</table>

This account is credited when a liability to the federal government is incurred and debited when payments thereon are made. No Standard Entries are shown since this account has limited use.

ACCOUNT NO. 3230,  
LIABILITY FOR LOCAL SALES TAX COLLECTIONS  

(Revised 5/1987) Normal Balance: Credit  
Purpose: This account shows the liability to local governments for amounts collected under the Uniform Local Sales and Use Tax Law by the State Board of Equalization.  
Subsidiaries: Monthly Electronic Data Processing Listing Normal Entries:  

<table>
<thead>
<tr>
<th>Entry No.</th>
<th>Debits</th>
<th>Entry No.</th>
<th>Credits</th>
</tr>
</thead>
</table>

No Standard Entries are shown since this account has limited use.
ACCOUNT NO. 3310,

ACCRUED INTEREST PAYABLE

(Revised 5/1987) Normal Balance: Credit

Purpose: This account shows the amount of accrued interest payable on bonded indebtedness, or similar obligations of the State.

Normal Entries:

<table>
<thead>
<tr>
<th>Entry No.</th>
<th>Debits</th>
<th>Entry No.</th>
<th>Credits</th>
</tr>
</thead>
</table>

When accrued interest is recorded, this account is credited and an appropriate expenditure account is debited. When the interest is paid, this account is then debited. No standard entries are shown.
ACCOUNT NO. 3410,

REVENUE COLLECTED IN ADVANCE

(Revised 5/1987)

Normal Balance: Credit

Purpose: This account shows amounts collected that will be accounted as revenue of subsequent fiscal years.

Subsidiaries: Revenues Ledger (Subsequent Fiscal Years) Normal Entries:

<table>
<thead>
<tr>
<th>Entry No.</th>
<th>Debits</th>
<th>Entry No.</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.</td>
<td>Claims for refunds of revenue collected in advance are scheduled for payment.</td>
<td>7.</td>
<td>Cash is received and applied which will be accounted as revenue of subsequent fiscal years.</td>
</tr>
<tr>
<td>25.</td>
<td>Revenue collected in advance in the prior fiscal year are transferred to revenue of the new fiscal year at July 1.</td>
<td>8.</td>
<td>Cash is applied which will be accounted as revenue of subsequent fiscal years.</td>
</tr>
<tr>
<td>A-10</td>
<td>Adjustment is made for checks still dishonored as of June 30.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A-11</td>
<td>Adjustment is made for cash shortages outstanding June 30.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Rev. 426
ACCOUNT NO. 3420,
REIMBURSEMENTS COLLECTED IN ADVANCE

(Revised 5/1987) Normal Balance: Credit

Purpose: This account shows amounts collected that will be applied to a current fiscal year appropriation when earned or that will be applied to a subsequent fiscal year's appropriation.

Subsidiaries: None

Normal Entries:

<table>
<thead>
<tr>
<th>Entry No.</th>
<th>Debits</th>
<th>Entry No.</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>26.</td>
<td>Reimbursements collected in advance are transferred to the appropriate fiscal year's appropriation when earned.</td>
<td>7.</td>
<td>Cash is received and applied which will be accounted either as reimbursements to a current or subsequent fiscal year appropriation when earned.</td>
</tr>
<tr>
<td>A-10</td>
<td>Adjustment is made for checks still dishonored as of June 30.</td>
<td>8.</td>
<td>Cash is applied which will be accounted either as reimbursements to a current or subsequent fiscal year appropriation when earned.</td>
</tr>
<tr>
<td>A-11</td>
<td>Adjustment is made for cash shortages outstanding June 30.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
ACCOUNT NO. 3520,

PROJECT DEPOSITS 10450

(Revised 5/1987) Normal Balance: Credit

Purpose: This account shows the amount of accountability to other agencies for prepayments for specific projects. The unexpended portion of such prepayments is shown in Account No. 1140 and the amount expended on open projects is shown in Account No. 2350.

Subsidiaries: Work in Progress Ledger Normal Entries:

<table>
<thead>
<tr>
<th>Entry No.</th>
<th>Debits</th>
<th>Entry No.</th>
<th>Credits</th>
</tr>
</thead>
</table>

This account is credited when prepayments are received from other agencies and is debited when projects are completed and/or excess funds are returned. No standard entries are shown since this account has limited use.
ACCOUNT NO. 3710,

CASH OVERAGES 10451

(Revised 5/1987) Normal Balance: Credit

Purpose: This account shows the amounts credited to cashiers for cash overages occurring in their accounts. Cash overages are refunded if proper identification and verification can be made. The remaining cash overages are held in suspense in this account until they are applied as revenue. Cash overages will be applied at least once each quarter.

Subsidiaries: File of Suspense Items Normal Entries:

<table>
<thead>
<tr>
<th>Entry No.</th>
<th>Debits</th>
<th>Entry No.</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>8.</td>
<td>Cash overages are applied</td>
<td>7.</td>
<td>Cash is received in excess of that for which cashiers are held accountable</td>
</tr>
</tbody>
</table>

(When cash overages that have been credited to this account are identified and refunded to payers, the refund is shown in the General Cash Disbursements Register as a debit to this account and included in Standard Entry No. 10.)
ACCOUNT NO. 3730,
UNCLEARED COLLECTIONS 10452
(Revised 06/2005)
Normal Balance: Credit
Purpose: This account shows the amount of cash collections which must be reviewed to determine if they are to be accepted for a fund in the State Treasury or are to be refunded to payers. This account also contains fees which are not earned until a permit, license, or other document is actually issued.
Subsidiaries: Uncleared Collections File Normal Entries:

<table>
<thead>
<tr>
<th>Entry No.</th>
<th>Debits</th>
<th>Entry No.</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>8.</td>
<td>Cash not readily identifiable or whose accounting treatment was not determinable at time of receipt is applied to agency accounts.</td>
<td>7.</td>
<td>Cash is received for transactions not readily identifiable or whose accounting treatment has not been determined. Cash is received for salary overpayments.</td>
</tr>
<tr>
<td>10.</td>
<td>Cash is refunded to payers.</td>
<td>13.</td>
<td>Cash is received that is not expected to be deposited.</td>
</tr>
</tbody>
</table>

ACCOUNT NO. 3750,
UNAPPORTIONED TAXES 10453
(Revised 5/1987) Normal Balance: Credit
Purpose: This account shows the amount of money which is subject to apportionment to other funds or local governments.
Subsidiaries: Schedules or files of appropriate documents. Normal Entries:

<table>
<thead>
<tr>
<th>Entry No.</th>
<th>Debits</th>
<th>Entry No.</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

No Standard Entries are shown since this account has limited use.
ACCOUNT NO. 3760,
ACCRUED LEAVE TIME  10454

(Revised 06/2005) Normal Balance: Credit

Purpose: This account shows the amount reserved for the liability for vacation and compensating time off earned but not taken.

Subsidiaries: Schedule computed from Employee Leave Records, STD. Form 642.

Normal Entries:

<table>
<thead>
<tr>
<th>Entry No.</th>
<th>Debits</th>
<th>Entry No.</th>
<th>Credits</th>
</tr>
</thead>
</table>

No Standard Entries are shown since this account has limited use.

ACCOUNT NO. 3790,
OTHER CURRENT LIABILITIES  10455

(Revised 06/2005) Normal Balance: Credit

Purpose: This account shows the amount of any liabilities not otherwise classified.

Subsidiaries: Various, depending on the nature of the accounts.

Normal Entries:

<table>
<thead>
<tr>
<th>Entry No.</th>
<th>Debits</th>
<th>Entry No.</th>
<th>Credits</th>
</tr>
</thead>
</table>

No Standard Entries are shown since this account has limited use.
ACCOUNT NO. 4022,
INTERFUND BUILDING AND CONSTRUCTION LOANS PAYABLE 10456
(Revised 06/2005) Normal Balance: Credit

Purpose: This account shows the noncurrent portion of the long-term liability for building and construction loans (evidenced by documents other than certificates issued pursuant to the State Construction Act of 1955).

Subsidiaries: Bond and Building Loan Ledger Normal Entries:

<table>
<thead>
<tr>
<th>Entry No.</th>
<th>Debits</th>
<th>Entry No.</th>
<th>Credits</th>
</tr>
</thead>
</table>

No Standard Entries are shown since this account has limited use.

ACCOUNT NO. 4050,
INTERFUND LOANS PAYABLE 10456.5
(New 06/2005)

Normal Balance: Credit

Purpose: This account shows the liability amount for repayable loans between funds which are not expected to be repaid within the current or ensuing fiscal year.

Subsidiaries: File of applicable documents. Normal Entries:

<table>
<thead>
<tr>
<th>Entry No.</th>
<th>Debits</th>
<th>Entry No.</th>
<th>Credits</th>
</tr>
</thead>
</table>

Entries to this account will usually be made by special journal entries as circumstances require.
ACCOUNT NO. 4210,

INSTALLMENT CONTRACTS PAYABLE 10457

(Revised 9/1990) Normal Balance: Credit

Purpose: This account shows the long-term liability applicable to the principal installment purchase contracts. As claims are filed for payment of installments, the account balance is reduced by the amount of the payment applicable to the principal, excluding any interest, maintenance or other operating costs.

Subsidiaries: File of installment purchase contracts. Normal Entries:

<table>
<thead>
<tr>
<th>Entry No.</th>
<th>Debits</th>
<th>Entry No.</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>23</td>
<td>Claims are filed for payments on 22. Installment purchase contract is executed.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

ACCOUNT NO. 4220,

LEASE/PURCHASE CONTRACTS 10458

(Revised 9/1990) Normal Balance: Credit

Purpose: This account shows the long-term liability applicable to the principal on capital lease (lease-purchase) contracts. As claims are filed for lease payments, the account balance is reduced by the amount of payment applicable to the principal, excluding any interest, maintenance or other operating costs.

Subsidiaries: File of lease-purchase contracts. Normal Entries:

<table>
<thead>
<tr>
<th>Entry No.</th>
<th>Debits</th>
<th>Entry No.</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>23</td>
<td>Claims are filed for payments on capital leases (lease-purchase) 22. Capital lease (lease-purchase) contract is executed.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
ACCOUNT NO. 5200 –

INVESTMENT IN CAPITAL ASSETS  10459

(Revised 09/2010) Normal Balance: Credit

Purpose: This account shows the accountability of the department for the amount invested in tangible assets and intangible assets under its jurisdiction. The purpose of this account is to exclude from the fund balance the amounts invested in tangible assets and intangible assets. This account is contra to Account Nos. 2310, 2321, 2331, 2333, 2341, 2350, 2361, 2362, 2411, 2412, 2413, 2414, 2422, 2423, and 2424.

Subsidiaries: None

Normal Entries:

<table>
<thead>
<tr>
<th>Entry No.</th>
<th>Debits</th>
<th>Entry No.</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>21.</td>
<td>Capital assets are disposed of.</td>
<td>18.</td>
<td>Expenditures on uncompleted capital outlay projects are reported.</td>
</tr>
<tr>
<td>A-7</td>
<td>Adjustment is made for surveyed equipment not yet sold as of June 30.</td>
<td>18A.</td>
<td>Expenditures on uncompleted capital assets in progress are reported.</td>
</tr>
<tr>
<td>19.</td>
<td>Capital outlay project is completed.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>20.</td>
<td>Capital assets are acquired.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>22.</td>
<td>Capital assets are acquired by an installment purchase or capital lease (lease-purchase) contract.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>28.</td>
<td>Real property is acquired by claim against agency fund and appropriation in condemnation proceedings.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>30.</td>
<td>Real property is acquired by State Treasurer's claim against the Condemnation Deposit Fund.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A-7R</td>
<td>Is semi-reversed as of July 1 of the new fiscal year.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
ACCOUNT NO. 5330,
RESERVE FOR PREPAID ITEMS 10460

(Revised 5/1987) Normal Balance: Credit

Purpose: This account shows the amount of prepayments to other funds. It is contra to Account No. 1730.

Subsidiaries: None
Normal Entries:

<table>
<thead>
<tr>
<th>Entry No.</th>
<th>Debits</th>
<th>Entry No.</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>18.</td>
<td>Expenditure from prepayments on uncompleted projects are reported by the agency doing the work.</td>
<td>17.</td>
<td>The State Controller's Office transfers prepayments to the Architecture Revolving Fund, State Transportation Fund, or Water Resources Revolving Fund.</td>
</tr>
<tr>
<td>19.</td>
<td>Projects are completed by the Office of Architecture and Construction, Division of Highways, or Department of Water Resources.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
ACCOUNT NO. 5350,
RESERVE FOR ENCUMBRANCES

Purpose: This account is contra to Account No. 6150, Encumbrances.

Subsidiaries: Allotment-Expenditures Ledger, File of Open Estimates (Same as Account No. 6150)

Normal Entries:

<table>
<thead>
<tr>
<th>Entry No.</th>
<th>Debits</th>
<th>Entry No.</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.</td>
<td>Claims that liquidate encumbrances are scheduled for payment.</td>
<td>2.</td>
<td>Encumbrance documents are issued and adjusted.</td>
</tr>
<tr>
<td>4.</td>
<td>Funds are transferred to the State Payroll Revolving Fund for the payment of agency payrolls.</td>
<td>A-8R</td>
<td>The reserve for encumbrances of continuing appropriations is reestablished as of July 1 of the new fiscal year.</td>
</tr>
<tr>
<td>16.</td>
<td>Controller’s Journal Entry is received for recording payment of printing services.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>17.</td>
<td>Advance is made to a construction agency.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A-8</td>
<td>The reserve for encumbrances is closed at the end of the fiscal year.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
ACCOUNT NO. 5370
RESERVE FOR INTERFUND LOANS RECEIVABLE

Normal Balance: Credit

Purpose: This account shows the receivable amount of repayable loans between funds which is not expected to be collected within the current or ensuing fiscal year and is, therefore, reserved. This is a contra account to account no. 2170.

Subsidiaries: File of applicable documents. Normal Entries:

<table>
<thead>
<tr>
<th>Entry No.</th>
<th>Debits</th>
<th>Entry No.</th>
<th>Credits</th>
</tr>
</thead>
</table>

Entries to this account will usually be made by special journal entries as circumstances require.
Account No. 5390
Other Reserves

Normal Balance: Credit

Purpose: This account shows the amount of any reserve not otherwise classified. It is used as a reserve for condemnation deposits, contra to Account No. 2730.

Subsidiaries: Various, depending on the nature of the accounts. Normal Entries:

<table>
<thead>
<tr>
<th>Entry No.</th>
<th>Debits</th>
<th>Entry No.</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>28.</td>
<td>Agency files claim for acquisition of property under condemnation proceedings.</td>
<td>27.</td>
<td>Money is transferred to the Condemnation Deposits Fund.</td>
</tr>
<tr>
<td>30.</td>
<td>State Treasurer files claim for acquisition of property under condemnation proceedings.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(Other entries to this account are made by special journal entries as circumstances require.)
Fund balance-unappropriated 10463

Purpose: After revenue and expenditure accounts have been closed to this account, it shows the current "fund equity" of the particular fund.

Subsidiaries: None

Normal Entries:

<table>
<thead>
<tr>
<th>Entry No.</th>
<th>Debits</th>
<th>Entry No.</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>C-2</td>
<td>Appropriation Expenditures accounts of the fiscal year just ended are closed.</td>
<td>C-1</td>
<td>Revenue and reimbursements accounts of the fiscal year just ended are closed.</td>
</tr>
</tbody>
</table>
Account no. 5570

Fund Balance – Clearing Account

Normal Balance: Debit or Credit

Purpose: This account shows each agency’s shared equity (net assets or liabilities) of particular funds in the State Treasury not accounted entirely by one agency. This account is not used during the fiscal year. At the end of the fiscal year, after Entry A–13, revenue and expenditures accounts are closed to this account. The account balance is the connecting link between the books of the various state agencies and the corresponding central fund accounts maintained by the State Controller's Office. It is comparable to a proprietary "branch office" clearing account used to connect agency records with the "home office" records maintained by the State Controller's Office.

Subsidiaries: None

Normal Entries:

<table>
<thead>
<tr>
<th>Entry No.</th>
<th>Debits</th>
<th>Entry No.</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>C-2</td>
<td>Appropriation Expenditures accounts of the fiscal year just ended are closed.</td>
<td>A-13</td>
<td>For funds not accounted entirely by our agency, the cash in State Treasury Account balances is transferred to this account to facilitate closing nominal accounts at June 30.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>C-1</td>
<td>Revenue and reimbursements accounts of the fiscal year just ended are closed.</td>
</tr>
</tbody>
</table>
ACCOUNT NO. 6150,
ENCUMBRANCES

(Revised 5/1987)

Normal Balance: Debit

Purpose: This account shows the amount of un-liquidated encumbrances against appropriations currently available for encumbrance. It is supported by salary, expense and procurement documents for approved expenditures that have not yet been paid.

Subsidiaries: Allotment-Expenditure Ledger, File of Open Estimates

Normal Entries:

<table>
<thead>
<tr>
<th>Entry No.</th>
<th>Debits</th>
<th>Entry No.</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Encumbrance documents are issued and adjusted.</td>
<td>3</td>
<td>Claims that liquidate encumbrances are scheduled for payment.</td>
</tr>
<tr>
<td>A-8R</td>
<td>Encumbrances of Continuing Appropriations are re-established as of July 1 of the new fiscal year.</td>
<td>4</td>
<td>Funds are transferred to the State Payroll Revolving Fund for payment of agency payrolls.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>16</td>
<td>Controller's Journal Entry is received for recording payment of printing services.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>17</td>
<td>Advance is made to a construction agency.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>A-8</td>
<td>The encumbrance account is closed as of the end of the fiscal year.</td>
</tr>
</tbody>
</table>
ACCOUNT NO. 8000,

REVENUE 10466

(Revised 5/1995) Normal Balance: Credit

Purpose: This account shows the amount of revenue accounted as applicable to the current fiscal year. At year-end, it includes the amount of revenue collected and/or accrued for it by other funds not yet received from such funds. It does not include revenues collected in advance of subsequent fiscal years or revenues collected for other funds.

Subsidiaries: Revenue Ledger (Continued)
(Continued)

**ACCOUNT NO. 8000,**

**REVENUE 10466** (Cont. 1)

(Revised 5/1995) Normal Entries:

<table>
<thead>
<tr>
<th>Entry No.</th>
<th>Debits</th>
<th>Entry No.</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.</td>
<td>Claims for refunds of revenue are scheduled for payment.</td>
<td>7.</td>
<td>Cash is received and applied to billed and/or unbilled revenues of the current fiscal year.</td>
</tr>
<tr>
<td>9.</td>
<td>Accounts receivable are written off.</td>
<td>8.</td>
<td>Cash is applied to billed and/or unbilled revenues of the current fiscal year.</td>
</tr>
<tr>
<td>11.</td>
<td>(Alternate entry for dishonored checks.)</td>
<td>25.</td>
<td>Revenue collected in advance in the prior fiscal year are accounted as revenue of the current fiscal year at July 1.</td>
</tr>
<tr>
<td>A-10</td>
<td>Adjustment is made for checks still dishonored as of June 30, by agencies that do not adjust their revenue accounts for each dishonored check transaction during the fiscal year.</td>
<td>32.</td>
<td>Interest is received from the Surplus Money Investment Fund or Condemnation Deposits Fund.</td>
</tr>
<tr>
<td>A-11</td>
<td>Adjustment is made for cash shortages outstanding June 30.</td>
<td>34.</td>
<td>Investment securities mature or are sold.</td>
</tr>
<tr>
<td>C-1</td>
<td>Final June 30 account balance is closed to Account No. 5530 or 5570.</td>
<td>35.</td>
<td>Interest is received on investment securities.</td>
</tr>
<tr>
<td></td>
<td>36.</td>
<td>Cash is received and applied from the sale of accounts receivable—revenue.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>A-5</td>
<td>Interest earnings on investments are accrued at June 30.</td>
<td></td>
</tr>
</tbody>
</table>
### SAM – GENERAL LEDGER ACCOUNTS

<table>
<thead>
<tr>
<th>Entry No.</th>
<th>Debits</th>
<th>Entry No.</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>A-9</td>
<td>Amounts earned as of June 30 but not received are accrued. Entry No. A–11 is reversed as of July 1.</td>
</tr>
</tbody>
</table>
ACCOUNT NO. 8100,
REIMBURSEMENTS 10467
(Revised 5/1995) Normal Balance: Credit

Purpose: This account shows the total of amounts collected and/or accrued for the fiscal year to date representing partial or total recoveries of expenditures made by the spending agency for services or commodities furnished to other agencies or persons. Although they are similar to expenditure abatements in that they are credited to an appropriation, reimbursements are accounted separately and may not be expended unless appropriated or allotted for agency use.

Subsidiaries: Reimbursement Allotment in Allotment-Expenditure Ledger Normal Entries:

<table>
<thead>
<tr>
<th>Entry No.</th>
<th>Debits</th>
<th>Entry No.</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>9.</td>
<td>Accounts receivable are written off.</td>
<td>6.</td>
<td>Invoices are prepared for appropriation reimbursements other than those fully reserved.</td>
</tr>
<tr>
<td>11.</td>
<td>(Alternate entry for dishonored checks.)</td>
<td>7.</td>
<td>Cash is received and applied to either: (a) reimbursements not billed previously which must apply to the year in which the transaction occurred or the year in which collected; or (b) reimbursements billed previously which must apply to the year in which collected.</td>
</tr>
<tr>
<td>36.</td>
<td>Adjustment is made for the reduction in reimbursements resulting from the sale of accounts receivable.</td>
<td>8.</td>
<td>Cash is applied to either: (a) reimbursements not billed previously which must apply to the year in which the transaction occurred or the year which collected or; (b) reimbursements billed previously which must apply to the year in which collected.</td>
</tr>
<tr>
<td>A-10</td>
<td>Adjustment is made for checks still dishonored as of June 30 by agencies that do not adjust their accounts for each dishonored check transaction during the year.</td>
<td>12.</td>
<td>Cash is ordered into the fund in treasury representing reimbursements of the type that must be applied at the time they are ordered into the treasury.</td>
</tr>
</tbody>
</table>
## SAM – GENERAL LEDGER ACCOUNTS

<table>
<thead>
<tr>
<th>Entry No.</th>
<th>Debits</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>A-11.</td>
<td>Adjustment is made for cash shortages applicable to reimbursements outstanding June 30.</td>
<td>26. Reimbursements collected in the prior fiscal year but applicable to a current fiscal year appropriation are transferred at July 1.</td>
</tr>
<tr>
<td>A-12.</td>
<td>Billed abatement, reimbursement, and non-revenue receivables are deferred if not believed to be collectible during the coming fiscal year.</td>
<td>A-3 Accrued reimbursements receivable are recorded as of June 30. Entry No. A–11 is reversed as of July 1.</td>
</tr>
<tr>
<td>C-1</td>
<td>Final June 30 account balance is closed to Account No. 5530 or 5570.</td>
<td></td>
</tr>
</tbody>
</table>
ACCOUNT NO. 9000,

APPROPRIATION EXPENDITURES  10468

(Revised 5/1995) Normal Balance: Debit

Purpose: This account shows the amount of expenditures chargeable to appropriations and executive orders available for encumbrance during the fiscal year.

Subsidiaries: Allotment-Expenditure Ledger Normal Entries:

<table>
<thead>
<tr>
<th>Entry No.</th>
<th>Debits</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.</td>
<td>Claims are filed against current fiscal year appropriations and executive orders.</td>
<td>6.</td>
</tr>
<tr>
<td>4.</td>
<td>Funds are transferred to the State Payroll Revolving Fund for the payment of salaries and wages.</td>
<td>7.</td>
</tr>
<tr>
<td>9.</td>
<td>Accounts receivable-abatements are written off.</td>
<td>8.</td>
</tr>
<tr>
<td>16.</td>
<td>Controller's Journal Entry is received for recording payment of printing services.</td>
<td>19.</td>
</tr>
<tr>
<td>17.</td>
<td>Advance is made to a construction agency.</td>
<td>30.</td>
</tr>
<tr>
<td>27.</td>
<td>Controller's Transfer is received transferring funds to acquire property by condemnation.</td>
<td>A-3</td>
</tr>
<tr>
<td>28.</td>
<td>Amount of deposit in condemnation proceedings is adjusted to actual cost upon settlement by agency claim.</td>
<td>A-7</td>
</tr>
</tbody>
</table>
### SAM – GENERAL LEDGER ACCOUNTS

<table>
<thead>
<tr>
<th>Entry No.</th>
<th>Debits</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>36.</td>
<td>Adjustment is made for sale of</td>
<td>A-8R  Accounts payable accrued at June</td>
</tr>
<tr>
<td></td>
<td>accounts receivable—abatements.</td>
<td>30, applicable to appropriations whose</td>
</tr>
<tr>
<td></td>
<td></td>
<td>period of availability extends into the new</td>
</tr>
<tr>
<td></td>
<td></td>
<td>fiscal year, is reversed as of July 1.</td>
</tr>
<tr>
<td>A-8</td>
<td>Accounts payable are accrued as</td>
<td>C-2   Final June 30 account balance is</td>
</tr>
<tr>
<td></td>
<td>of June 30.</td>
<td></td>
</tr>
<tr>
<td>A-10</td>
<td>Adjustment is made for checks</td>
<td></td>
</tr>
<tr>
<td></td>
<td>still dishonored as of June 30</td>
<td></td>
</tr>
<tr>
<td></td>
<td>by agencies that do not adjust</td>
<td></td>
</tr>
<tr>
<td></td>
<td>their accounts for each dishonor</td>
<td></td>
</tr>
<tr>
<td></td>
<td>ed transaction during the year.</td>
<td></td>
</tr>
<tr>
<td>A-11</td>
<td>Adjustment is made for cash</td>
<td></td>
</tr>
<tr>
<td></td>
<td>shortages applicable to expenditure</td>
<td></td>
</tr>
<tr>
<td></td>
<td>abatements as of June 30.</td>
<td></td>
</tr>
<tr>
<td>A-12</td>
<td>Billed abatement, reimbursement,</td>
<td></td>
</tr>
<tr>
<td></td>
<td>and non-revenue receivables are</td>
<td></td>
</tr>
<tr>
<td></td>
<td>deferred if not believed to be</td>
<td></td>
</tr>
<tr>
<td></td>
<td>collectible during the coming</td>
<td></td>
</tr>
<tr>
<td></td>
<td>fiscal year.</td>
<td></td>
</tr>
</tbody>
</table>
SAM – GENERAL LEDGER ACCOUNTS

ACCOUNT NO. 9811,

OPERATING TRANSFERS IN 10469

(Revised 5/1987) Normal Balance: Credit

Purpose: This account shows the amount transferred and/or receivable from other funds of (1) receipts and/or accruals that are accounted as revenue of the transferring fund, (2) amounts to be disbursed immediately by the transferee fund; i.e., where the transferee fund is just an intermediary for convenience in disbursing operations, (3) amounts to be disbursed where the fund of final disbursement is not a Governmental Fund, as the State Payroll Revolving Fund, and (4) other amounts; i.e., amounts that represent neither specific revenue of the transfer fund nor transfers to allow specific expenditures by the transferee fund. Agencies will keep a separate general ledger account showing the amount transferred and/or receivable from each fund.

Subsidiaries: None Normal Entries:

<table>
<thead>
<tr>
<th>Entry No.</th>
<th>Debits</th>
<th>Entry No.</th>
<th>Credits</th>
</tr>
</thead>
</table>

Entries to this account, except for those relating to revenue accrual procedures (see SAM Chapter 8200), will be made only upon instructions from, Department of Finance, Fiscal Systems and Consulting Unit in accordance with the requirements of particular agencies. Therefore, no standard entries are shown.
ACCOUNT NO. 9812

OPERATING TRANSFERS OUT

Normal Balance: Debit

Purpose: This account shows the amount transferred and/or payable to other funds of

(1) revenue collected and/or accrued for other funds by “Feeder Funds”, (2) amounts that are revenue for the collecting fund, (3) amounts to be disbursed by the transferee fund where the transferee fund holds the amounts for some time and is not just an intermediary for convenience in disbursing operations, and (4) other amounts; i.e., amounts that represent neither specific revenue of the transferring fund nor transfers to allow specific expenditures by the transferee fund. At year-end, it includes the amount of revenue collected and/or accrued for other funds not yet paid to such funds. Agencies will keep a separate general ledger account showing the amount transferred and/or payable to each fund.

Subsidiaries: None Normal Entries:

<table>
<thead>
<tr>
<th>Entry No.</th>
<th>Debits</th>
<th>Entry No.</th>
<th>Credits</th>
</tr>
</thead>
</table>

Entries to this account, except for those relating to revenue accrual procedures (see SAM Chapter 8200), will be made only upon instructions from, Department of Finance, Fiscal Systems and Consulting Unit in accordance with the requirements of particular agencies. Therefore, no standard entries are shown.
ACCOUNT NO. 9821,
INTERFUND INTEREST REVENUE

Normal Balance: Credit

Purpose: This account shows the amount of interest received and/or accrued on loans to other funds for buildings and construction or other special purposes. It will be used only upon approval of Department of Finance, Fiscal Systems and Consulting Unit.

Subsidiaries: None

Normal Entries:

<table>
<thead>
<tr>
<th>Entry No.</th>
<th>Debits</th>
<th>Entry No.</th>
<th>Credits</th>
</tr>
</thead>
</table>

This account is credited when interest not previously accrued is received or when interest is accrued at June 30. It is closed to Account No. 5530 or 5570 at June 30.

ACCOUNT NO. 9822,
INTERFUND INTEREST EXPENSE

(Revised 5/1987) Normal Balance: Debit

Purpose: This account shows the amount of interest expense on interfund buildings and construction loans or loans for other special purposes.

Subsidiaries: None

Normal Entries:

<table>
<thead>
<tr>
<th>Entry No.</th>
<th>Debits</th>
<th>Entry No.</th>
<th>Credits</th>
</tr>
</thead>
</table>

This account is credited when interest not previously accrued is received or when interest is accrued at June 30. It is closed to Account No. 5530 or 5570 at June 30.
ACCOUNT NO. 9891,

REFUNDS TO REVERTED APPROPRIATIONS 10473

(Revised 5/1987) Normal Balance: Credit

Purpose: This account shows the amount of abatements and reimbursements to reverted appropriations accrued and the amount of abatements and reimbursements remitted as such to the State Treasurer but not ordered into the State Treasury until after reversion of the appropriation to which they apply.

Subsidiaries: None Normal Entries:

<table>
<thead>
<tr>
<th>Entry No.</th>
<th>Debits</th>
<th>Entry No.</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>A-10</td>
<td>Adjustment is made for checks still dishonored as of June 30 by agencies that do not adjust their accounts for each dishonored transaction during the year.</td>
<td>19.</td>
<td>Amounts received that are applicable to an appropriation that has reverted.</td>
</tr>
<tr>
<td>A-12</td>
<td>Billed abatement, reimbursement, and non-revenue receivables are deferred if not believed to be collectible during the coming fiscal year.</td>
<td>A-4</td>
<td>Amounts collected are reclassified because they will not be recorded in the State Treasury before the appropriation reverts</td>
</tr>
<tr>
<td>C-1</td>
<td>Final June 30 account balance is closed to Account No. 5530 or 5570.</td>
<td>A-9</td>
<td>Amounts earned as of June 30 but not received are accrued.</td>
</tr>
</tbody>
</table>
ACCOUNT NO. 9892,  
PRIOR YEAR REVENUE ADJUSTMENTS  
(Revised 5/1995)

Normal Balance: Debit or Credit

Purpose: This account shows the difference between: (1) the amount of revenue accrued as of the previous June 30 and; (2) revenue actually received with respect to the items accrued.

Subsidiaries: Prior Year Revenue Adjustments Ledger Normal Entries:

<table>
<thead>
<tr>
<th>Entry No.</th>
<th>Debits</th>
<th>Entry No.</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>9.</td>
<td>Accounts receivable from which the agency is discharged from accountability which relate to dishonored checks or identified cash shortages applicable to revenue (except reimbursements) which was identified as being earned as of the preceding June 30 are written off.</td>
<td>7.</td>
<td>Cash is received applicable to revenue (except reimbursements) which was identified as being earned as of the preceding June 30.</td>
</tr>
<tr>
<td>10.</td>
<td>Cash which was shown in the Report of Accruals to Controller's Accounts as revenue credits resulting from the application of cash in agency accounts is refunded.</td>
<td>8.</td>
<td>Uncleared collections are applied to revenue (except reimbursements) which was identified as being earned as of the proceeding June 30.</td>
</tr>
<tr>
<td>A-9R</td>
<td>Revenue accrued as of June 30 in entry A–9 is reversed to this account as of July 1.</td>
<td>36.</td>
<td>Cash is received and applied from the sale of accounts receivable—revenue. Entry A–11 is reversed as of July 1.</td>
</tr>
</tbody>
</table>
SAM – GENERAL LEDGER ACCOUNTS

<table>
<thead>
<tr>
<th>Entry No.</th>
<th>Debits</th>
<th>Entry No.</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>A-10</td>
<td>Adjustment is made for dishonored checks applicable to revenue (except reimbursements) which was identified as being earned as of the preceding June 30. This entry is made by agencies that do not adjust their accounts for each dishonored check transaction during the year.</td>
<td>C-1</td>
<td>Account is closed as of June 30 (assuming a debit balance in the account) to Account No. 5530 or 5570.</td>
</tr>
<tr>
<td>A-11</td>
<td>Adjustment is made for cash shortages applicable to revenue (except reimbursements) which was identified as being earned as of the preceding June 30.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
ACCOUNT NO. 9893,
PRIOR-YEAR APPROPRIATION ADJUSTMENTS

(Revised 5/1995)

Normal Balance: Debit or Credit

Purpose: This account shows the difference between the net amount of expenditures, abatements, and reimbursements accrued at the previous June 30 and the amount of actual expenditures, abatements, and reimbursements during the current fiscal year (including accruals) for appropriations no longer available for encumbrance.

Subsidiaries: Prior-Year Appropriation Adjustments Ledger Normal Entries:

<table>
<thead>
<tr>
<th>Entry No.</th>
<th>Debits</th>
<th>Entry No.</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.</td>
<td>Claims are filed.</td>
<td>6.</td>
<td>Invoices are prepared.</td>
</tr>
<tr>
<td>4.</td>
<td>Payrolls are paid.</td>
<td>7.</td>
<td>Cash is received and applied.</td>
</tr>
<tr>
<td>9.</td>
<td>Accounts Receivable are written off.</td>
<td>8.</td>
<td>Cash is applied.</td>
</tr>
<tr>
<td>17.</td>
<td>Prepayment is made to a construction agency.</td>
<td>19.</td>
<td>Project is completed by a construction agency.</td>
</tr>
<tr>
<td>36.</td>
<td>Adjustment is made for the sale of accounts receivable.</td>
<td>A-8R</td>
<td>Entry A-8 is semi-reversed.</td>
</tr>
<tr>
<td>A-4</td>
<td>Adjustment is made for certain appropriation abatements and reimbursements.</td>
<td>C-2</td>
<td>Account is closed as of June 30 (assuming a debt balance in the account) to Account No. 5530 or 5570.</td>
</tr>
<tr>
<td>A-8</td>
<td>Accounts payable are accrued.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A-10</td>
<td>Adjustment for dishonored checks.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A-11</td>
<td>Adjustment for cash shortages.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A-12</td>
<td>Adjustment is made for prior year appropriation receivables not believed to be collectible during the ensuing fiscal year.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Rev. 390
<table>
<thead>
<tr>
<th>Entry No.</th>
<th>Debits</th>
<th>Entry No.</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>A-7R</td>
<td>Entry A-7 is semi-reversed.</td>
<td></td>
<td></td>
</tr>
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</table>
SAM—STANDARD ENTRIES

CHAPTER 10500 INDEX

<table>
<thead>
<tr>
<th>Entry #</th>
<th>Description</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>#1</td>
<td>REVOLVING FUND ADVANCE</td>
<td>10501</td>
</tr>
<tr>
<td>#2</td>
<td>ENCUMBRANCES</td>
<td>10502</td>
</tr>
<tr>
<td>#3</td>
<td>CLAIMS FILED</td>
<td>10503</td>
</tr>
<tr>
<td>#4</td>
<td>PAYROLLS ARE PAID</td>
<td>10504</td>
</tr>
<tr>
<td>#5</td>
<td>CLAIMS ARE PAID</td>
<td>10505</td>
</tr>
<tr>
<td>#6</td>
<td>INVOICES ARE PREPARED</td>
<td>10506</td>
</tr>
<tr>
<td>#7</td>
<td>GENERAL CASH IS RECEIVED</td>
<td>10507</td>
</tr>
<tr>
<td>#8</td>
<td>UNIDENTIFIED CASH RECEIPTS ARE APPLIED</td>
<td>10508</td>
</tr>
<tr>
<td>#9</td>
<td>ACCOUNTS RECEIVABLE ARE WRITTEN OFF</td>
<td>10509</td>
</tr>
<tr>
<td>#10</td>
<td>GENERAL CASH IS DISBURSED</td>
<td>10510</td>
</tr>
<tr>
<td>#11</td>
<td>ALTERNATE ENTRY FOR DISHONORED CHECKS</td>
<td>10511</td>
</tr>
<tr>
<td>#12</td>
<td>CONTROLLER’S RECEIPT IS RECEIVED</td>
<td>10512</td>
</tr>
<tr>
<td>#13</td>
<td>CASH ON HAND</td>
<td>10513</td>
</tr>
<tr>
<td>#14</td>
<td>PREPAYMENT TO OTHER FUNDS OR APPROPRIATIONS</td>
<td>10514</td>
</tr>
<tr>
<td>#16</td>
<td>OFFICE OF STATE PUBLISHING</td>
<td>10516</td>
</tr>
<tr>
<td>#17</td>
<td>PREPAYMENTS TO A CONSTRUCTION AGENCY</td>
<td>10517</td>
</tr>
<tr>
<td>#18</td>
<td>EXPENDITURES ARE REPORTED BY A CONSTRUCTION AGENCY</td>
<td>10518</td>
</tr>
<tr>
<td>#18a</td>
<td>AN INTERNALLY GENERATED CAPITAL ASSET IN PROGRESS</td>
<td></td>
</tr>
<tr>
<td>#19</td>
<td>A PROJECT IS COMPLETED BY A CONSTRUCTION AGENCY</td>
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</tr>
<tr>
<td>#19a</td>
<td>AN INTERNALLY GENERATED CAPITAL ASSET IS COMPLETED</td>
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</tr>
<tr>
<td>#20</td>
<td>CAPITAL ASSETS ARE ACQUIRED</td>
<td>10520</td>
</tr>
<tr>
<td>#21</td>
<td>CAPITAL ASSETS ARE WRITTEN OFF</td>
<td>10521</td>
</tr>
<tr>
<td>#22</td>
<td>Capital Asset Is Acquired By Installment Purchase Or Capital Lease Contract</td>
<td>10522</td>
</tr>
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</table>

Rev. 390
<table>
<thead>
<tr>
<th>Entry</th>
<th>Description</th>
<th>Entry Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>#23</td>
<td>Claim Is Filed For Payment On Installment Purchase Or Capital Lease Contract</td>
<td>10523</td>
</tr>
<tr>
<td></td>
<td>(Continued)</td>
<td></td>
</tr>
<tr>
<td>#25</td>
<td>Revenues Collected In Advance Are Applied</td>
<td>10525</td>
</tr>
<tr>
<td>#26</td>
<td>Reimbursements Collected In Advance Are Applied</td>
<td>10526</td>
</tr>
<tr>
<td>#27</td>
<td>Deposit Made To The Condemnation Deposits Fund</td>
<td>10527</td>
</tr>
<tr>
<td>#28</td>
<td>Claim Is Filed For Acquisition Of Property Under Condemnation Proceedings</td>
<td>10528</td>
</tr>
<tr>
<td>#29</td>
<td>Condemnation Deposit Is Returned</td>
<td>10529</td>
</tr>
<tr>
<td>#30</td>
<td>State Treasurer’s Office Files A Claim Against Condemnation Deposits Fund</td>
<td>10530</td>
</tr>
<tr>
<td>#31</td>
<td>Surplus Money Investment Fund</td>
<td>10531</td>
</tr>
<tr>
<td>#32</td>
<td>Interest Earnings On Investments Of The Surplus Money Investment Fund And Condemnation Deposits Fund</td>
<td>10532</td>
</tr>
<tr>
<td>#33</td>
<td>Investments Are Purchased</td>
<td>10533</td>
</tr>
<tr>
<td>#34</td>
<td>Investments Mature Or Are Sold</td>
<td>10534</td>
</tr>
<tr>
<td>#35</td>
<td>Interest Received On Investments</td>
<td>10535</td>
</tr>
<tr>
<td>#36</td>
<td>Accounts Receivable Are Sold</td>
<td>10536</td>
</tr>
</tbody>
</table>
ENTRY NO. 1 – [REVOLVING FUND ADVANCE] 10501
(Revised 10/2015)

This entry is made to record (1) initial revolving fund advance from an appropriation and (2) augmentation of an existing revolving fund.

**Authority:**

In accordance with Government Code section 16400, any state department for which an appropriation is made, may draw from that appropriation for use as a revolving fund.

See SAM section 8100 for general procedures.

**Information:**

The revolving fund advance must be returned to the appropriation from which drawn upon expiration of the period of availability of the appropriation. In lieu of physically returning a revolving fund and withdrawing a new advance at the end of each fiscal year, departments may request the State Controller’s Office (SCO) to apply the existing revolving fund as an increase in the balance of the appropriation from which it was drawn and as a withdrawal from the appropriation of the new fiscal year. Requests for such transfers are submitted to the SCO on a "Request for Revolving Fund Advance" form prescribed and supplied by that office.

A Claim Schedule, Std. Form 219TT is prepared and submitted to the SCO in the same manner as for claims to reimburse the revolving fund. See SAM section 8170 for information on claims.

**Source Document:**

Claim Schedule. This type of claim will not be entered in the Claims Filed Register but will be journalized separately.

**Journal Entry for Revolving Fund Advance:**

Debit: 1130 Revolving Fund Cash Credit: 3020 ClaimsFiled
ENTRY NO. 2 – [ENCUMBRANCES] 10502

(Revised 10/2015)

This entry is made to reserve budgeted funds for payment of future expenditures.

**Information:**

Materials, supplies and equipment are ordered, capital outlay projects are authorized, services are contracted for or estimated, and employment of personnel is provided for by extending authorized positions or establishing positions. As a consequence, budget allotments are encumbered for the estimated amount of these future expenditures.

The recordation of encumbrance documents is the initial step in the accounting of expenditures. As encumbrance documents are recorded, the unencumbered balances of allotments are reduced. In this way budgeted funds are "earmarked" for payment of proposed expenditures and control over these expenditures is exercised by department’s executive officers.

**Note:**

The purchase estimate, while not considered a legal obligation, is used as a source document for recording encumbrances. Adjustments to amounts encumbered by purchase estimates may be made as necessary to account for differences between the purchase estimate and the Purchase Order issued by the Procurement Division, Department of General Services. Claims arising from purchase estimate encumbrances will be paid by the State Controller’s Office only if the Purchase Order is issued and dated prior to the date the appropriation availability ceases.

**Source Documents:** Purchase Estimates Publishing Order Payroll Estimates Leases
Standard Agreements Lag Encumbrances Sub-Purchase Orders
Other Encumbrance Documents

**Register:**

Encumbrances will be recorded individually in the Allotment-Expenditure Ledger or Operating File (CALSTARS) for the appropriation.

**Journal Entry for Encumbrances:**

Debit:  6150 Encumbrances
Credit:  5350 Reserve for Encumbrances
**ENTRY NO. 2 – [ENCUMBRANCES] 10502 (Cont.1)**
(Revised 10/2015)

**ENCUMBRANCE REGISTER**

<table>
<thead>
<tr>
<th>DOC.</th>
<th>FY</th>
<th>VENDOR NAME</th>
<th>ORIGINAL</th>
<th>ADJUSTMENTS</th>
<th>PAYMENTS</th>
<th>BALANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>0001</td>
<td>14</td>
<td>TECHNOLOGY</td>
<td>31,400.00</td>
<td>0.00</td>
<td>-4,686.58</td>
<td>26,713.42</td>
</tr>
<tr>
<td>0002</td>
<td>14</td>
<td>PBD INC</td>
<td>5,360.28</td>
<td>-300.00</td>
<td>-3,337.72</td>
<td>1,722.56</td>
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<tr>
<td>0003</td>
<td>14</td>
<td>PBD INC</td>
<td>32,379.00</td>
<td>0.00</td>
<td>-162.00</td>
<td>32,217.00</td>
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<tr>
<td>0004</td>
<td>14</td>
<td>ABC CORPORATION</td>
<td>13,125.00</td>
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<td>-9,256.25</td>
<td>3,868.75</td>
</tr>
<tr>
<td>0005</td>
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<td>BUSINESS SYSTEMS INC</td>
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<td>0.00</td>
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<td>44,709.62</td>
</tr>
<tr>
<td>0006</td>
<td>14</td>
<td>AMERICAN INC</td>
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<td>-300.00</td>
<td>2,199.99</td>
</tr>
<tr>
<td>0007</td>
<td>14</td>
<td>INTERAGENCY</td>
<td>3,400.00</td>
<td>0.00</td>
<td>-3,000.00</td>
<td>400.00</td>
</tr>
<tr>
<td>0008</td>
<td>14</td>
<td>HUMAN RESOURCES</td>
<td>17,500.00</td>
<td>0.00</td>
<td>-11,906.50</td>
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<tr>
<td>0009</td>
<td>15</td>
<td>INTERAGENCY</td>
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<td>-65.00</td>
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<tr>
<td>0010</td>
<td>15</td>
<td>LEGISLATIVE SERVICES</td>
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<td>-225.00</td>
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<tr>
<td>0011</td>
<td>15</td>
<td>LEGAL SERVICES</td>
<td>1,625.00</td>
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<td>0012</td>
<td>15</td>
<td>DATACOMPANY INC</td>
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<td>0013</td>
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<td>RECYCLING SERVICES</td>
<td>2,596.00</td>
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<td>0014</td>
<td>15</td>
<td>BUSINESS ENTERPRISES</td>
<td>11,000.00</td>
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<td>10,650.00</td>
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<td>0015</td>
<td>15</td>
<td>ERGONOMIC EQUIPMENT</td>
<td>3,700.00</td>
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<td>0016</td>
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<td>LOCKWORK SECURITY</td>
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<tr>
<td>0017</td>
<td>15</td>
<td>COMMUNICATIONS</td>
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<td>-21,199.89</td>
<td>3,799.31</td>
</tr>
</tbody>
</table>

Illustration 10502
ENTRY NO. 3 – [CLAIMS FILED]

This entry is made to record claims filed with the State Controller's Office for payment.

Information:

The amount of this entry will be claims filed less claim corrections received. From this entry (1) expenditures and refunds of revenue with the accompanying liability for claims filed are recorded and (2) current outstanding encumbrances are liquidated.

Source Documents:

Claim Schedule Face Sheet Notice of Claim Corrections

Register:

Claims Filed Register

Journal Entries for Claims Filed:

Debit:
3410 Revenue Collected in Advance a/ 8000 Revenue b/
9000 Appropriation Expenditures c/
9893 Prior-Year Appropriation Adjustments d/ Credit:
3020 Claims Filed e/

AND

Debit:
5350 Reserve for Encumbrances f/ Credit:
6150 Encumbrances f/

a/ amount of claims filed for refunds of revenue collected in advance. b/ amount of claims filed for refunds of revenue.

c/ amount of claims filed against appropriations currently available for encumbrance.

d/ amount of claims filed against prior-year appropriations that are no longer available for encumbrance.

e/ total amount of claims filed less claim corrections as recorded in the Claims Filed Register. f/ amount of encumbrances liquidated by claims filed.

(Continued)
### CLAIMS FILED REGISTER

<table>
<thead>
<tr>
<th>Date</th>
<th>Warrants Issued</th>
<th>Claim Schedule Number</th>
<th>Total of Schedule (1)</th>
<th>Appropriation Expenditures (2)</th>
<th>Prior-Year Expenditures (3)</th>
<th>Encumbrances Liquidating* (4)</th>
<th>Encumbrances Not Liquidating (5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>20XX</td>
<td></td>
<td></td>
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<td></td>
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</tr>
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<td></td>
<td></td>
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<tr>
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<td>(cc) 1419**</td>
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<td>-2,900.00</td>
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Dr. 5350  
Cr. 3020  Dr. 9000  Dr. 9893  Cr. 6150

*This illustration shows the amount liquidated to be the amount of the related expenditure. (Column 2 equals Column 4 plus Column 5). Under this procedure adjustments between amounts encumbered and expended are recorded in the Encumbrance Register (See Entry No. 2). The amount liquidated is the remaining amount encumbered and the payment is the final one.

**Notices of claim corrections will be entered in chronological sequence. Column totals are the net of new claims filed and claim corrections received. When Notices of Claims Paid, Form CD-102, are received from the State Controller’s Office, original claims and related claim corrections will be checked in the warrants issued column of this register. Unchecked items will represent the detail of outstanding claims filed and related claim corrections.

Illustration 10503

Rev. 432  October 2015
ENTRY NO. 4 - [PAYROLLS ARE PAID]

(Revised 10/2015)

This entry is made to record department's payroll.

Information:

Under the Uniform State Payroll System, department payrolls are prepared by the State Controller's Office (SCO) and salary warrants are drawn on the State Payroll Revolving Fund (SPRF). The SCO transfers from the department's appropriation and/or fund the gross amount of each such payroll plus the amount of related state contributions for employees' retirement, OASDI, health and dental benefits, and returns by transfer to the department's appropriation and/or fund any amounts remaining in the SPRF as a result of warrants voided or re-deposited and overpayments recovered. These transfers, supported by payroll warrant register forms, are recorded by the department in a Payroll Expenditure Register, the net total of which represent payroll expenditures to be recorded in the department accounts. See SAM sections 8590 and 8593 for Payroll Expenditure Accounting and Overpayments.

Source Documents:

1) Payroll Revolving Fund Transfer Notice, Form SM62 - Clearance Type codes 1, 7, 8, and 9 are transfers in the SPRF. Clearance Type codes 4, 5, 6, and 8 are transfers out of the SPRF. See SAM section 8590 for Clearance Type definitions.

2) State Controller's Office (SCO) Payroll Warrant Register, Form CD38 lists the details of the individual warrants.
SAM—STANDARD ENTRIES

Journal Entry for Payrolls Paid:
Debit: 9000 Appropriation Expenditures Credit: 1140 Cash in State Treasury

Register:
Payroll Expenditure Register

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<th>Transfers</th>
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<td>DR 9000</td>
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1/The debit to Account No. 1311 in this register is the gross amount of the overpayment as recorded from the SCO’s accounts receivable warrant register.

ENTRY NO. 4 - [PAYROLLS ARE PAID] 10504 (Cont.1)
(Revised 10/2015)

2/The credit to Account No. 1311 is the gross amount of the overpayment recovered and returned to the department appropriation by transfer. The debit to Account No. 1311 for the same overpayment would have been recorded in the Payroll Expenditure Register for the month in which the SCO prepared an accounts receivable warrant register covering the overpayment.

3/Except at the close of the fiscal year, the transfer covering the main regular monthly payroll for a given monthly pay period is recorded in the Payroll Expenditure Register for that month even though the transfer may be dated in the following month. Payroll transfers dated in July covering payrolls for services rendered in June must be recorded in the Payroll Expenditure Register for July.
ENTRY NO. 5 – [CLAIMS ARE PAID]

(Revised 10/2015)

This entry is made at the close of each month to record warrants issued in payment of claims filed or when “NO WARRANT” claims are settled.

Information:

Departments receive Notices of Claims Paid, Form CD–102, from the State Controller's Office (SCO) for warrants issued in payment of claims. The warrants are either (1) centrally mailed to payees by the SCO or (2) delivered for distribution to payees by the department that submitted the claim schedule.

For No-Warrant claims departments will receive a SCO journal entry.

Note: This entry is made as a transaction in the month in which the Controller’s Warrants were issued as indicated on Form CD–102 or of the date of the No-Warrant Transaction.

The total of warrants issued as shown on each Form CD–102 is checked with the amount of the claim filed. The CD–102 report issued monthly is used as the basis for the entry to the general ledger accounts.

Source Document:

Notice of Claims Paid, Form CD–102 SCO's No-Warrant Transaction

Register:

None

Journal Entry for Claims Paid:

Debit: 3020 Claims Filed

Credit: 1140 Cash in State Treasury
This entry is made to record the billing for unpaid abatements, reimbursements, revenue, and other income items.

**Information:**

Department prepares invoices for abatements, reimbursements, revenue, and other income. See SAM section [10220](#) for definition of abatement. In most cases revenue and abatement items are collected when due and normally require no billings. When Accounts Receivable—Revenue and Accounts Receivable—Other are billed, they are credited to a reserve account until collected and cleared as revenue. In contrast to this procedure, abatements are applied as decreases of expenditures and most types of reimbursements are applied as income when billed. Certain types of reimbursements are fully reserved with final accounting to be made either at the time of collection or at the time remittances are ordered into the treasury, depending upon the specific law governing the transaction. The bills are recorded in the Invoice Register as of the date they are prepared.

Abatements and reimbursements that have been accrued previously as receivables but not billed will not be included in this entry when billed. However, Accounts No. 1311, 1312, 1600, and 9893 will be adjusted for the difference between the amounts billed and the amounts previously accrued.

**Source Document:**

Department invoice

**Register:**

Invoice Register

**Journal Entries for Invoices Prepared - Abatements:**

Debit:

1311 Accounts Receivable—Abatements a/ Credit:

9000 Appropriation Expenditures b/

9893 Prior-Year Appropriation Adjustments c/

a/ amount of expenditure abatements billed and all sales tax billed regardless of type of transaction.

b/ amount of current year appropriation expenditure abatement items billed and all sales tax billed regardless of type of transaction.

C/ amount of abatement item billed that is applicable to prior fiscal year appropriations no longer available for encumbrance.

(Continued)
Journal Entries for Invoices Prepared - Reimbursements:

Debit:
1312 Accounts Receivable—Reimbursements
d/ Credit:
8100 Reimbursements e/
1600 Provision for Deferred Receivables f/ 9893 Prior-Year Appropriation Adjustments g/
d/ amount of reimbursements billed.
e/ amount of current year reimbursement items billed, excluding any amounts of reimbursements which according to law must be credited to an appropriation current at the time of collection or at the time cash is ordered into the treasury.
f/ amount of any reimbursement items billed which, according to law, must be credited to an appropriation current at the time of collection or at the time cash is ordered into the treasury, and a reserve is deemed appropriate.
g/ amount of reimbursement item billed that is applicable to prior fiscal year appropriations no longer available for encumbrance.

Journal Entries for Invoices Prepared – Revenue or Other:

Debit:
1313 Accounts Receivable—Revenue h/ 1319 Accounts Receivable—Other i/
Credit:
1600 Provision for Deferred Receivables j/
h/ amount of revenue items billed.
i/ amount of Accounts Receivable-Other billed.
j/ amount of items billed in “h” and “i” for which a reserve is deemed appropriate.
(Continued)
(Continued)

**ENTRY NO. 6 – [INVOICES ARE PREPARED] 10506**

(Cont.2)

(Revised 10/2015)

**INVOICE REGISTER**

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Dr. 1311  
Cr. 9000  
Dr. 1312  
Cr. 9893  
Dr. 8100  
Cr. 1312  
Rev. 432  
October 2015
SAM—STANDARD ENTRIES

Cr. 1312  Dr.  Dr. 1313 1319
Cr. 1600
Cr. 1600  Cr. 1600

Illustration 10506
This entry is made to record general cash received for deposit in the department’s general checking account maintained with the State Treasurer’s Office.

Information:

Receipts consist of abatements, reimbursements and revenue not previously billed; collections applicable to accounts receivable for items previously billed; and items whose identity or accounting cannot readily be determined.

Accounts Receivable—Revenue and Accounts Receivable—Other are deferred when recorded. They must, therefore, be applied as revenue when collected.

Reimbursements may be of one of the following categories depending upon specific laws governing the accounting of such transactions: (1) receipts which accrue to the year in which the transaction occurred, (2) receipts which accrue to the year in which cash is collected by the department, and (3) receipts which accrue to the year in which cash is ordered into the treasury. Transactions in the third category, when collected are credited to a suspense account (Uncleared Collections) pending receipt of notice from the State Controller’s Office that cash has been ordered into the treasury, see SAM section 10510. Items in category 1 (if not billed or accrued previously) and in category 2 are applied at the time cash is collected by the department.

The recording of cash receipts deposited in the general cash account is shown in Illustration 10507. The General Cash Receipts Register will show both the date of receipt and the date of deposit of all cash receipts. All cash collections must be deposited in approved depositories, see SAM section 8031, and are later either (1) refunded if determined to be unacceptable or (2) remitted to the State Treasury at least once each month. Current collections are used also to satisfy bank demands for reimbursement for dishonored checks until ultimate collection is made from the drawers or relief from accountability is grant.

Source Document:

General Cash Receipt

Register:

General Cash Receipts Register (Continued)
(Continued)

ENTRY NO. 7 – [GENERAL CASH IS RECEIVED] 10507 (Cont.1)
(Revised 06/2016)

**Journal Entry for General Cash Received:**

Debit:

1110 General Cash a/ Credit:

1311 Accounts Receivable—Abatements b/ 1312 Accounts Receivable—Reimbursements c/ 1313 Accounts Receivable—Revenue d/

3110 Due to Other Funds or Appropriations e/ 3410 Revenue Collected in Advance f/

3420 Reimbursements Collected in Advance g/ 3710 Cash Overages h/

3730 Uncleared Collections i/ 8000 Revenue j/

8100 Reimbursements k/

9000 Appropriation Expenditures l/

9892 Prior-Year Revenue Adjustments m/ 9893 Prior-Year Appropriation Adjustments n/

a/ total cash received for deposit in the General Cash account.

b/ amount of cash receipts applicable to expenditure abatements receivables (excluding collections from employees for salary overpayments).

c/ amount of cash receipts applicable to reimbursement receivables. d/ amount of cash receipts applicable to revenue receivables.

e/ amount of cash received applicable to revenue collected for other funds earned in the current fiscal year plus cash received applicable to revenue collected for other funds but not identifiable to the fiscal year in which it was earned.

f/ amount of cash received which will be accounted as revenue of a succeeding fiscal year. g/ amount of cash received which will be accounted as a reimbursement to a current or subsequent fiscal year’s appropriation when earned. h/ amount of cash received representing cash overages.

i/ amount of cash received for items whose identity or accounting cannot be readily determined; amount of cash received applicable to reimbursements (billed or unbilled) which, according to law, can be applied only at the time the cash is ordered into the treasury; or salary overpayments collected from employees by the department.

j/ amount of cash received applicable to revenue earned in the current fiscal year plus cash received applicable to revenue but not identifiable to the fiscal year in which it was earned.
SAM—STANDARD ENTRIES

k/ amount of cash received applicable to (1) billed reimbursements which, according to law, can be applied only at the time cash is received and (2) all unbilled reimbursements except those applicable to prior fiscal years and those that can be applied only at the time cash is ordered into the treasury.

l/ amount of cash receipts applicable to current year expenditure abatements not billed or accrued previously.

(Continued)
(Continued)

ENTRY NO. 7 – [GENERAL CASH IS RECEIVED]  10507 (Cont.2)
(Revised 06/2016)

m/ amount of cash received applicable to revenue (except reimbursements) which was identified as being earned as of the preceding June 30.

n/ amount of cash received in excess of amounts accrued in prior fiscal years as expenditure abatements or reimbursements. If the amount of cash received is less than amounts accrued in prior fiscal years, Account No. 9893 will be debited.

**Journal Entry for General Cash Received for Deferred Receivables:** The Deferred Receivables entry requires a corresponding entry to record the General Cash received for revenue, reimbursement, or appropriation expenditure.

Debit:
1600 Provision for Deferred Receivables o/ Credit:
1315 Accounts Receivable—Dishonored Checks p/ 1319 Accounts Receivable—Other q/

AND

Debit:
1110 General Cash Credit:
8000 Revenue
8100 Reimbursements
9000 Appropriation Expenditures

o/ amount of cash received applicable to receivables accounted during the year on a fully-reserved basis and applied when collected to the appropriate revenue account.

p/ amount of cash received in payment of dishonored checks (unless alternate procedure is used).

q/ amount of cash received in payment of other accounts receivable.

**Journal Entry for General Cash Lost/Received for Cash Shortages:** The Cash Shortages entry requires a corresponding entry to record the General Cash lost or received for revenue, reimbursement, or appropriation expenditure.

(Continued)
ENTRY NO. 7 – [GENERAL CASH IS RECEIVED]  10507 (Cont.3)
(Revised 06/2016)

**General Cash Lost**

Debit:
1316 Accounts Receivable—Cash Shortages r/ Credit:
1600 Provision for Deferred Receivables s/

**AND**

Debit:
8000 Revenue
8100 Reimbursements
9000 Appropriation Expenditures Credit:
1110 General Cash

**General Cash Received**

Debit:
1600 Provision for Deferred Receivables s/ Credit:
1316 Accounts Receivable—Cash Shortages t/

**AND**

Debit:
1110 General Cash Credit:
8000 Revenue
8100 Reimbursements
9000 Appropriation Expenditures

r/ amount of cash shortages occurring during the month for which cashiers are held accountable.

s/ amount of cash received applicable to receivables accounted during the year on a fully-reserved basis and applied when collected to the appropriate revenue account.

t/ amount of cash received from cashiers in payment of cash shortages. (Continued)
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<th>Date of Deposit</th>
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<th>Remittances</th>
<th>Revenue</th>
<th>Cash Shortage</th>
<th>Unearned Collections</th>
<th>Revenue</th>
<th>Reimbursements</th>
<th>Appropriations Expenditures</th>
<th>Prior Year Revenue Adjustments</th>
<th>Prior Year Appropriations Adj.</th>
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|                | 12,750                  | 5               | 400                     | 400                   | 14,000      | 10      | 400           | 400                   | 250       | 200           | 150             | 200           | 210                        |


* This column needed only by those departments that collect reimbursements which according to law, can be applied only at the time the cash is ordered into the treasury.
This entry is made to record cash receipts which could not be identified, or for which accounting treatment could not be determined, at time of collection are applied to appropriate accounts.

**Information:**

Varying circumstances determine the clearance of each transaction, but as each item or group of items is cleared it is entered in the Clearance Register and applied to appropriate accounts.

Uncleared collections (other than those applied through the Controller's Receipts Register in Entry No. 12) and cash overages are applied. Cash overages items should be cleared as revenue at least once each quarter.

**Source Documents:**

Licenses, permits, or other documents evidencing revenue, reimbursements, and abatements earned.

**Register:**

Clearance Register

**Journal Entry for Uncleared Collections being applied:** The reversal of an uncleared collections entry requires a corresponding entry to record the cash receipt to the appropriate account.

Debit:

3730 Uncleared Collections a/ Credit:

1311 Accounts Receivable—Abatements b/ 1312 Accounts Receivable—Reimbursements c/ 1313 Accounts Receivable—Revenue d/

3110 Due to Other Funds or Appropriations e/ 3410 Revenue Collected in Advance f/

3420 Reimbursements Collected in Advance g/ 8000 Revenue h/

8100 Reimbursements i/

9000 Appropriation Expenditures j/

9892 Prior-Year Revenue Adjustments k/ 9893 Prior-Year Appropriation Adjustments l/

a/ amount of cash receipts accounted previously as uncleared collections, now applied to appropriate accounts.
SAM—STANDARD ENTRIES

b/ amount of collections now applied to expenditure abatement receivables (excluding collections from employees for salary overpayments).

c/ amount of collections now applied to reimbursement receivables. d/ amount of collections now applied to revenue receivables.

(Continued) (Continued)
ENTRY NO. 8 – [UNIDENTIFIED CASH RECEIPTS ARE APPLIED] 10508
(Cont.1)
(Revised 10/2015)

e/ amount of collections now applied as revenue collected for other funds earned in the current fiscal year plus collections now applied as revenue collected for other funds but not identifiable to the fiscal year in which they were earned.

f/ amount of collections now applied to revenue of the succeeding fiscal year.

g/ amount of collections now applied as a reimbursement to a current or subsequent fiscal year’s appropriation.

h/ amount of collections now applied as revenue earned in the current fiscal year plus collections now applied as revenue but not identifiable to the fiscal year in which they were earned.

i/ amount of collections now applied as current year reimbursements that were not billed previously or were deferred when billed because, according to law, they are to be applied to the year in which they are collected by the agency.

j/ amount of collections now applied as abatements to current year appropriation expenditures.

k/ amount of collections now applied to revenue (except reimbursements) which was identified as being earned as of the preceding June 30.

l/ amount of collections now applied in excess of amounts accrued in prior fiscal years as expenditure abatements or reimbursements. If the amount of cash cleared is less than amounts accrued in prior fiscal years, Account No. 9893 will be debited.

**Journal Entry for Cash Overages being applied:**

Debit:

3710 Cash Overages m/

Credit:

8000 Revenue n/

m/ amount of cash accounted previously as cash overages, now applied as revenue, less any amounts cleared from the uncleared collections account to the cash overages account.

n/ amount of collections now applied as revenue earned in the current fiscal year plus collections now applied as revenue but not identifiable to the fiscal year in which they were earned.

(Continued)
ENTRY NO. 8 – [UNIDENTIFIED CASH RECEIPTS ARE APPLIED] 10508
(Cont.2)
(Revised 10/2015)

**Journal Entry for Deferred Receivables being applied:** If cash received above was for a Deferred Receivable the below entry will need to be done.

Debit:

1600 Provision for Deferred Receivable o/ Credit:

1315 Accounts Receivable—Dishonored Checks p/ 1316 Accounts Receivable—Cash Shortages q/ 1319 Accounts Receivable—Other r/

**AND**

Debit:

1110 General Cash Credit:

8000 Revenue

8100 Reimbursements

9000 Appropriation Expenditures

o/ amount of collections now applied to receivables accounted during the year on a fully-reserved basis and applied when collected to the appropriate revenue account.

p/ amount of collections now applied in payment of dishonored checks. q/ amount of collections now applied in payment of cash shortages.

r/ amount of collections now applied to other accounts receivable. (Continued)
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<th>Receipt or Voucher Number</th>
<th>Cash Overages</th>
<th>Uncleared Collections</th>
<th>Abatements</th>
<th>To be Applied</th>
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| 15.00 | 1,200.00 | 20.00 | 120.00 | 70.00 | 400.00 | 140.00 | 280.00 | 80.00 | - | 70.00 | 35.00 |

Dr. 3710 | Dr. 3730 | Cr. 1311 | Cr. 8100 | Cr. 1312 | Cr. 8000 | Cr. 8000 | Cr. 8100 | Cr. 9000 | Cr. 9892 | Cr. 9893 |
This entry is made to write-off outstanding accounts receivable (AR) from department’s accounts.

**Authority:**

Government Code (GC) section [13941](#) provides that under certain conditions state departments may file applications with the State Controller’s Office (SCO) for discharge from accountability for the collection of taxes, licenses, fees, or other money due and payable to the state. In addition, GC section [12438](#) provides that departments may refrain from collecting taxes, license, fees, or money owed to the state if the amount to be collected is five hundred ($500) or less and the amount owed to the state is uncollectible or does not justify the cost of collection.

**Information:**

In accordance with SAM sections [8776.6](#) and 8790 all state departments will try collection and offset efforts before they file a discharge from accountability application with the SCO. If efforts are not successful departments may:

- Write off ARs upon receipt of an approved Application for Discharge from Accountability Form, [STD. 27](#) from the SCO.
- Write off ARs of $500 or less, pursuant to GC section 12438.
- Write off cash shortages without approval in certain instances. See SAM section [8072](#).

Deficiencies in an established fund balance (e.g., revolving fund, depositors’ trust fund, or uncleared collections) are not written off by this entry.

**Source Document:**

Approved Application for Discharge from Accountability Form, STD. 27 Blanket authority (SAM section [8776.6](#))

Cash shortage report (SAM section [8072](#)).

**Journal Entry of Deferred Receivables for write-off of ARs:**

Debit:

1600 Provision for Deferred Receivables a/ Credit:

1312 Accounts Receivable-Reimbursements b/ 1313 Accounts Receivable-Revenue c/

1315 Accounts Receivable-Dishonored Checks d/ 1316 Accounts Receivable-Cash Shortages e/ 1319 Accounts Receivable-Other f/

(Continued)
ENTRY NO. 9 - [ACCOUNTS RECEIVABLE ARE WRITTEN OFF] 10509
(Cont.1)
(Revised 06/2016)

a/ amount of accounts receivable for deferred revenue, deferred reimbursements, or other deferred accounts receivable.

b/ amount of Accounts Receivable-Reimbursements c/ amount of Accounts Receivable-Revenue.

d/ amount of Accounts Receivable-Dishonored Checks. e/ amount of Accounts Receivable-Cash Shortages.

f/ amount of accounts receivable for abatements, reimbursements, dishonored checks, or identified cash shortages, applicable to reverted appropriations or other accounts receivable not otherwise classified.

**Journal Entry for write-off of ARs:**

Debit:

8000 Revenue g/

9892 Prior Year Revenue Adjustments h/ Credit:

1313 Accounts Receivable-Revenue i/

Debit:

8100 Reimbursements j/

9893 Prior-Year Appropriations Adjustments k/ Credit:

1312 Accounts Receivable-Reimbursements l/

Debit:

9000 Appropriation Expenditures m/

9893 Prior-Year Appropriations Adjustments k/ Credit:

1311 Accounts Receivable-Abatements n/

g/ amount of current year accounts receivable for dishonored checks or identified cash shortages applicable to revenue and all accounts receivable for unidentified cash shortages.

h/ amount of accounts receivable which relate to dishonored checks or identified cash shortages applicable to revenue which was identified as being earned as of the preceding June 30.

i/ amount of Accounts Receivable-Revenue.

**Rev. 432**  October 2015
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j/ amount of accounts receivable for reimbursements, dishonored checks, or identified cash shortages, applicable to current fiscal year appropriation reimbursements.

k/ amount of accounts receivable for abatements, reimbursements, dishonored checks, or identified cash shortages, applicable to prior years appropriations but not yet reverted.

l/ amount of Accounts Receivable-Reimbursements.

m/ amount of accounts receivable for abatements, dishonored checks, or identified cash shortages, applicable to current fiscal year appropriation expenditures.

n/ amount of Accounts Receivable-Abatements.
This entry is made to record cash being disbursed from the department’s General Cash account.

Information:
Cash is disbursed from the department's General Cash account as refunds to payers, as remittances to the State Treasury, or to banks for dishonored checks.

All general cash disbursements are made by check or the Electronic Fiscal Input Transaction System (eFITS). General cash disbursements by coin or currency are not permitted. Refunds to payers because of denied applications or for other reasons are made daily or as refunds are determined and approved. Remittances to the State Treasury of revenue, expenditure abatements, and reimbursements are made at least once each month or more frequently if volume warrants or special regulations require. See SAM section 8091 for remittance procedure.

State departments are notified by banks whenever checks are dishonored. Upon notice that a check has been dishonored, the department reimburses the bank with a check drawn upon the department General Cash account. Accounts Receivable—Dishonored Checks is debited at the time this check is drawn. When another check or legal tender is substituted by the drawer, General Cash is debited and Accounts Receivable—Dishonored Checks is credited. See Entry No. 11 for alternate dishonored check entry.

Dishonored checks relating to revolving fund or department trust transactions are cleared with checks drawn against the respective revolving fund or department trust accounts. In such cases, the revolving fund receivable or depositor’s account will be debited instead of Accounts Receivable—Dishonored Checks.

Source Document:
General Cash Check

Register:
General Cash Disbursement Register

Journal Entry for General Cash remitted to State Treasury:
Debit:
1115 General Cash, Remittance in Transit a/ 1150 Cash in Transit to State Treasury a/
Credit:
1110 General Cash b/
a/ amount of general cash remitted for deposit in the State Treasury. b/ total cash disbursements.
ENTRY NO. 10 – [GENERAL CASH IS DISBURSED]
(Revised 10/2015)

Journal Entry for payment of dishonored check:
Debit:
1315 Accounts Receivable—Dishonored Checks
c Credit:
1110 General Cash
c/ payments to banks for dishonored checks. d/ total cash disbursements.

Journal Entry for refunds to payers:
Debit:
3730 Uncleared Collections e/ 8000 Revenue f/
9892 Prior Year Revenue Adjustments g/ Credit:
1110 General Cash h/
e/ amount of suspense items refunded to payers f/ amount of revenue refunded to payers.
g/ amount of prior year revenue refunded to payers. h/ total cash disbursements.
This entry is an alternate method to record payment of dishonored checks.

**Information:**

Cash is disbursed from the department's General Cash account to reimburse banks for dishonored checks. (This alternate procedure is to be used by departments that desire to charge dishonored checks to revenue accounts previously credited.)

This entry is an alternate procedure for recording dishonored checks to that shown in Entry No. 10. This entry directly adjusts the accounts affected by dishonored check transactions. When the dishonored check is redeposited or a replacement check is received:

- increase the cash and revenue accounts, and
- decrease the receivable and provision accounts.

At year-end, accrue the amount of dishonored checks expected to be collected in the next fiscal year. See Adjusting Entry No. A–9 for a similar accounting entry.

**Source Document:**

Bank debit notice of dishonored checks

**Register:**

General Cash Disbursements Register

**Journal Entry for payment of dishonored check:**

Debit:

1315 Accounts Receivable—Dishonored Checks a/  
1110 General Cash a/

**AND**

Debit:

3110 Due to Other Funds or Appropriations b/ 8000 Revenue c/  
8100 Reimbursements d/  
1600 Provision for Deferred Receivable e/  
a/ total amount of dishonored checks purchased.  
b/ amount of dishonored checks previously accounted as revenue collected for other funds.  
c/ amount of dishonored checks previously accounted as revenue.

(Continued)
ENTRY NO. 11 – [ALTERNATE ENTRY FOR DISHONORED CHECKS] 10511 (Cont.1) (Revised 10/2015)

d/ amount of dishonored checks applicable to reimbursements that are not to be accounted as reimbursements until collected or until ordered into the State Treasury.

e/ amount of dishonored checks that will not be credited to income accounts until collected and the receivables for which must be fully reserved.
ENTRY NO. 12 – [CONTROLLER’S RECEIPT IS RECEIVED] 10512

(Revised 10/2015)

This entry is made to clear the Cash in Transit to State Treasury account and to liquidate the uncleared collections account when the department receives the Controller’s Receipt.

Information:

The Controller’s Receipt is the certification copy of either the Controller’s Remittance Advice Form CA 21 or the Report to State Controller of Remittance to State Account, Form CA 21A which orders the cash into the State Treasury. (This entry is recorded as of the date on the Controller’s Receipt.)

Cash in Transit to State Treasury may be comprised of (1) amounts pertaining to the departments operating fund and/or (2) amounts representing salary overpayments being remitted to the State Payroll Revolving Fund.

Uncleared collections may be comprised of reimbursements and/or amounts representing salary overpayments being remitted to the State Payroll Revolving Fund.

Included in this entry is the application of reimbursements of the type that, according to law, must be credited to the appropriation current at the time moneys are ordered into the State Treasury.

When a Controller’s Receipt is received by the department the corresponding remittance advice is removed from the uncleared file, compared with the receipt to note any differences, and then discarded. The Controller’s Receipt is the only copy filed in the cleared file.

Source Document:

Controller’s Receipt (Certification copy of Controller’s Remittance Advice Form CA 21 or Report to State Controller of Remittance to State Account, Form CA 21A)

Register:

Controller’s Receipts Register (if volume justifies)

Journal Entry for General Ledger Accounts:

Debit:

1140 Cash in State Treasury a/ Credit:

1115 General Cash, Remittance in Transit b/ 1150 Cash in Transit to State Treasury b/

Note 1: The following entry is made when the department receives the certification copy of Controller’s Remittance Advice, Form CA 21 or Report to State Controller of Remittance to State Account, Form CA 21A, for salary overpayments ordered into the State Treasury to the credit of the State Payroll Revolving Fund.
ENTRY NO. 12 – [CONTROLLER’S RECEIPT IS RECEIVED] 10512 (Cont.1)

(Revised 10/2015)

Debit:
3730 Uncleared Collections c/

Credit:
1115 General Cash, Remittance in Transit d/
1150 Cash in Transit to State Treasury d/

Note 2: The following entry is also made for the amount of reimbursements included in "c" which, according to law, must be applied to the appropriation current at the time moneys are ordered into the State Treasury.

Debit:
3730 Uncleared Collections e/

Credit:
8100 Reimbursements e/

a/ amount credited to funds other than the State Payroll Revolving Fund.
b/ total amount of cash in transit credited to treasury funds by the State Controller’s Office.
c/ amount of salary overpayments collected from employees and remitted by the agency to the credit of the State Payroll Revolving Fund. See SAM section 8593.2 for explanation of such transactions.
d/ Same as "c".
e/ amount now applied reimbursements.

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Cr.1115/1150  Dr. 1140  Dr. 1311  Dr. 3730

Cr. 8100
This entry is made to record cash received that is not expected to be deposited.

**Information:**

When cash or checks are received that (1) normally will be returned to payers without being deposited, such as bid deposits, or (2) are payments of smaller amounts than are due the state which if deposited would prejudice the state's right to make further collections, they are retained in the department’s custody as cash on hand until their final disposition is determined. These items subsequently will be either (1) returned to the payers or (2) applied and deposited in the General Cash account.

Departments will maintain a register of such items received. This register will note the date each item is returned or deposited. Open items in this register will be verified or reconciled monthly to the amount of such cash on hand and to the balance of the General Ledger Account 1190.

When items are returned to the payers or deposited the entry below is reversed. When these items are deposited in the General Cash account, the amount is recorded in the General Cash Receipts Register and included in Entry No. 7.

**Source Document:**

Cash Receipt

**Register:**

Cash on Hand Register

**Journal Entry for Cash on Hand:**

Debit:

1190 Cash on Hand Credit:

3730 Uncleared Collections
ENTRY NO. 14 – [PREPAYMENT TO OTHER FUNDS OR APPROPRIATIONS]

(Revised 10/2015)

This entry is made to record the amount advanced from the department's appropriation or fund to a service agency or fund such as the Service Revolving Fund.

Information:

A transfer is received from the State Controller's Office for an amount advanced from the department's appropriation or fund to a service agency. (This entry is recorded as of the date on the Controller's Reserved Appropriation Advance.)

This entry will not be used to record advances to the Water Resources Revolving Fund, the State Highway Account, State Transportation Fund, or the Architecture Revolving Fund. Advances to these funds will be recorded as shown in Entry No. 17.

Note: This entry would be reversed for any portion of the advance returned from the service agency or fund.

Source Document:

Controller's Reserved Appropriation Advance

Register:

Controller's Transfer Register (if volume warrants)

Journal Entry for Prepayment to Other Funds or Appropriations:

Debit:
1730 Prepayments to Other Funds or Appropriations

Credit:
1140 Cash in State Treasury
This entry is made to record the payment by the State Controller’s Office (SCO) to the Office of State Publishing (OSP) for printing services and/or supplies received.

**Information:**

SCO’s Notice of Transfer journal entry is received for services from OSP (this entry is recorded as of the date on the SCO journal entry). Departments will have previously received copies of Publishing Order, Std. Form 67, and the OSP’s, Notice of Electronic Fund Transfer request. See SAM section 8471.2, Electronic Fund Transfer for Department of General Services’ Invoices.

**Note:** The entries below will be reversed for any SCO journal entries that reverse amounts from previous journal entries.

**Source Document:**

SCO’s Notice of Transfer Publishing Order, Std. Form 67
OSP’s Notice of Electronic Fund Transfer request

**Register:**

Controller’s Journal Entry Register (if volume warrants)

**Journal Entry for services/supplies received:**

Debit:
5350 Reserve for Encumbrances
Credit:
6150 Encumbrances

**AND**

Debit:
9000 Appropriation Expenditures (or other appropriate expenditure account)
Credit:
1730 Prepayment to Other Funds or Appropriations
This entry is made to record the transfer of the estimated project cost to the fund under control of the department doing the work.

**Information:**
A State Controller’s Office (SCO), Notice of Transfer is received relating to a document authorizing work to be performed for the department by the (1) Division of The State Architect, (2) Department of Transportation, or (3) Department of Water Resources. (This entry is recorded as of the date on the SCO journal entry.)

Upon receipt of an approved transfer request, the SCO transfers the estimated amount of the project cost to the fund under control of the agency doing the work. At this time the transaction is recorded as an appropriation expenditure and also as a fully-reserved prepayment.

The transfer will be accounted as an expenditure of the fiscal year in which the SCO journal entry is dated. Unless the transfer request was approved and encumbered prior to the June 30 on which the availability of the appropriation for encumbrance expired but the transfer is made in the following fiscal year.

**Source Document:**
SCO’s Notice of Transfer and supported by an approved transfer request.

**Register:**
Controller’s Transfer Register (if volume justifies.)

**Journal Entry for transfer of estimated project cost:**
Debit:
1730 Prepayments to Other Funds or Appropriations a/ Credit:
5330 Reserve for Prepaid Items b/

**AND**
Debit:
9000 Appropriation Expenditures c/
9893 Prior-Year Appropriation Adjustments d/ Credit:
1140 Cash in State Treasury a/

a/ amount transferred to the respective funds or appropriations. b/ total amount of transfers.

c/ amount chargeable to appropriations currently available for encumbrance.
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d/ amount chargeable to prior-year appropriations no longer available for encumbrance but not yet reverted.

(Continued)

**ENTRY NO. 17 – [PREPAYMENTS TO A CONSTRUCTION AGENCY]** 10517 (Cont.1) (Revised 10/2015)

**Journal Entry to liquidate Encumbrance made by the transfer:**

Debit:

5350 Reserve for Encumbrances e/

Credit:

6150 Encumbrances e/

e/ amount of encumbrance liquidated by the transfer.
This entry is made to record the expenditures reported by a construction agency against the prepayments.

**Information:**

Reports of expenditures made during the fiscal year from prepayments to construction agencies, not yet completed, are received from the Department of Transportation or Department of Water Resources.

When construction agencies report to client departments the expenditures made from prepayments, the prepayment account and the contra reserve account are reduced by the amount of such expenditures, thereby reducing the prepayment account to the amount still unexpended by the construction agency.

If the expenditures are for a project that will be capitalized in the property records, the expenditure amount on uncompleted projects will be debited to GL 2350 and credited to GL 5200. No entry to the expenditure accounts is required since the total amount advanced is accounted as an expenditure.

**Source Document:**

Reports of expenditures by construction agencies

**Journal Entry to reduce prepayment account:**

Debit:

5330 Reserve for Prepaid Items a/ Credit:

1730 Prepayments to Other Funds or Appropriation a/

a/ amount of expenditures made during the period of the report, both for projects that will be capitalized upon completion and other work that will not be capitalized.

**Journal Entry to record capitalized property:**

Debit:

2350 Construction Work in Progress b/ Credit:

5200 Investment in Capital Assets b/

b/ amount of expenditures on projects that will be capitalized in the property accounts when completed.

(Continued)
ENTRY NO. 18.A - [AN INTERNALLY GENERATED CAPITAL ASSET IN PROGRESS]
10518 (Cont.1)
(Revised 08/2015)

Information:
An internally generated tangible or intangible asset meets the criteria for capitalization and the development costs associated with the asset are recorded as in progress in GL 2350 or 2430. It is recommended this journal entry be recorded at least quarterly. See SAM section 8600, Purpose and Objective of Property Accounting.

Journal Entry for work in progress:
Debit:
2350 Construction Work in Progress
2430 Internally Generated Intangible Assets in Progress Credit:
5200 Investment in Capital Assets
ENTRY NO. 19 – [A PROJECT IS COMPLETED BY A CONSTRUCTION AGENCY] 10519
(Revised 10/2015)

This entry is made to record any unexpended balance in the project prepayment that is returned to the department's appropriation. Concurrently the cost of the project now completed is entered in the capital asset accounts.

Information:

The Division of the State Architect, Department of Transportation, or the Department of Water Resources reports a project completed, and the State Controller's Office (SCO) returns by transfer the unexpended portion of prepayments to the department's appropriation. (This entry is recorded as of the date on the SCO journal entry.)

After a project is completed a report is issued by the construction agency and any unexpended balance in the project prepayment is returned to the department's appropriation. Concurrently the cost of the project now completed, including preliminary planning costs, if a capital improvement as distinguished from a maintenance or repair project, is entered in the capital asset accounts. The project completion report relating to such projects will be analyzed as to the amounts of (1) equipment and (2) improvements other than buildings included in the project. See SAM section 8613, Improvements Other than Buildings.

Source Document:

SCO’s Notice of Transfer and supported by a project completion report.

Journal Entry for unexpended and returned prepayments:

Debit:
5330 Reserve for Prepaid Items a/ Credit:
1730 Prepayments to Other Funds or Appropriation a/

AND

Debit:
1140 Cash in State Treasury b/ Credit:
9000 Appropriation Expenditures c/
9891 Refunds to Reverted Appropriations d/ 9893 Prior-Year Appropriation Adjustments e/

a/ amount of prepayments still outstanding on the department's books for the particular project now completed.
b/ amount of prepayments unexpended and now returned.
c/ amount of "b" that is applicable to an appropriation still available for encumbrance. d/ amount of "b" that is applicable to an appropriation that has reverted.
e/ amount of "b" that is applicable to an appropriation no longer available for encumbrance but not yet reverted.

(Continued)
ENTRY NO. 19 [A PROJECT IS COMPLETED BY A CONSTRUCTION AGENCY] 10519 (Cont.1)

Journal Entry to record capitalized property:

Debit:
2331 Improvements Other than Buildings f/ 2341 Equipment g/

Credit:
2350 Construction Work in Progress h/ 5200 Investment in Capital Assets i/

f/ total cost of improvements other than buildings now being capitalized, including preliminary planning costs as reported by The Division of the State Architect whether or not paid from an appropriation made to the construction agency.

g/ total cost of any equipment included in the project now being capitalized.

h/ amount previously accounted in this account and as a reduction of prepayments for the particular project now completed.

i/ amount of the difference between the amount previously accounted as Construction Work in Progress and the amount capitalized (f+g-h).

(Continued)
ENTRY NO. 19A - [AN INTERNALLY GENERATED CAPITAL ASSET IS COMPLETED]

10519

(Cont.2)

(Revised 8/2015)

Information:

An internally generated tangible or intangible asset is completed and the development costs associated with that asset that were recorded as in progress in GL 2350 or 2430 are recorded in the appropriate property account.

After an internally generated tangible or intangible asset is complete, the project completion status and total cost is determined. Methods for determining total cost should be retained as a record of the asset value. See SAM section 8635 for information on Internally Generated Intangible Asset.
Source Document:

Notification is received that an internally generated capital asset is complete.

Journal Entry for General Ledger Accounts:

Debit:
2321 Buildings
2331 Improvements Other than Buildings 2333 Utility Plant in Service
2341 Equipment
2361 Infrastructure-Non-depreciable
2362 Infrastructure-Depreciable
2411 Computer Software—Amortizable 2412 Land Use Rights—Amortizable
2413 Patents, Copyrights, Trademarks—Amortizable 2414 Other Intangible Assets—Amortizable
2422 Land Use Rights-Non-amortizable
2423 Patents, Copyrights, Trademarks-Non-amortizable 2424 Other Intangible Assets-Non-amortizable

Credit:
2350 Construction Work in Progress
2430 Internally Generated Intangible Assets in Progress
ENTRY NO. 20 - [CAPITAL ASSETS ARE ACQUIRED] 10520

(Revised 10/2015)

This entry is made to record capital assets that are acquired.

Information:

Capital Assets (other than those that are internally generated or obtained through project prepayments to The Division of the State Architect, the Department of Transportation, or the Department of Water Resources) are acquired.

Journal Entry for capitalized assets acquired:

Debit:

2310 Land

2321 Buildings

2331 Improvements Other than Buildings 2333 Utility Plant in Service

2341 Equipment

2361 Infrastructure-Non-depreciable

2362 Infrastructure-Depreciable

2411 Computer Software–Amortizable 2412 Land Use Rights–Amortizable

2413 Patents, Copyrights, Trademarks–Amortizable 2414 Other Intangible Assets–Amortizable

2422 Land Use Rights–Non-Amortizable

2423 Patents, Copyrights, Trademarks–Non-Amortizable 2424 Other Intangible Assets–Non-Amortizable

Credit:

5200 Investment in Capital Assets
This entry is to record capital assets that are written off.

**Journal Entry for capital assets written off:**

**Debit:**

5200 Investment in Capital Assets

**Credit:**

2321 Buildings

2331 Improvements Other than Buildings 2333 Utility Plant in Service

2341 Equipment

2361 Infrastructure-Non-depreciable

2362 Infrastructure-Depreciable

2411 Computer Software–Amortizable 2412 Land Use Rights–Amortizable

2413 Patents, Copyrights, Trademarks–Amortizable 2414 Other Intangible Assets–Amortizable

2422 Land Use Rights–Non-Amortizable

2423 Patents, Copyrights, Trademarks–Non-Amortizable 2424 Other Intangible Assets–Non-Amortizable
ENTRY NO. 22 - [CAPITAL ASSET IS ACQUIRED BY INSTALLMENT PURCHASE OR CAPITAL LEASE CONTRACT] 10522

(Revised 10/2015)

This entry is to record a capital asset acquired through a lease-purchase contract. Note: This entry would normally be included in Entry No. 20. It is shown here separately for clarity.

Information:

Capital asset is acquired by an installment purchase or capital lease (lease-purchase) contract. When a lease contract which is essentially an installment purchase or an actual installment purchase contract is executed, an asset is recorded in the Capital Asset Group of Accounts. Since there is also a long-term commitment to make the lease or installment payments, a liability is also recorded in the General Long-Term Debt Account Group. See SAM section 8632, Installment Purchase/Capital Lease Contracts.

Source Document:

Capital lease or installment purchase contract.

Journal Entry for General Ledger Accounts:

Debit:

2310 Land a/

2321 Buildings a/

2331 Improvements Other than Buildings a/ 2333 Utility Plant in Service a/

2341 Equipment a/

2361 Infrastructure-Non-depreciable a/

2362 Infrastructure-Depreciable a/
SAM—STANDARD ENTRIES

2411 Computer Software—Amortizable a/ 2412 Land Use Rights—Amortizable a/

2413 Patents, Copyrights, Trademarks—Amortizable a/ 2414 Other Intangible Assets—
     Amortizable a/

2422 Land Use Rights—Non-Amortizable a/

2423 Patents, Copyrights, Trademarks—Non-Amortizable a/ 2424 Other Intangible
     Assets—Non-Amortizable a/

Credit:

5200 Investment in Capital Assets b/

AND

Debit:

2920 Amount to be Provided for Other Long-Term Debt c/ Credit:

4210 Installment Contracts Payable c/ 4220 Lease-Purchase Contracts c/

a/ specific asset type; recorded in appropriate general ledger account above recorded at
lesser of fair value or present value of the minimum contract payments.

b/ offset to Capital Asset Group of Accounts.

c/ same amount as "a/" less any amount paid at inception of contract.
ENTRY NO. 23 - [CLAIM IS FILED FOR PAYMENT ON INSTALLMENT PURCHASE OR CAPITAL LEASE CONTRACT] 10523

(Revised 10/2015)

This entry is made when a claim is filed for payment on installment purchase or capital lease (lease-purchase) contract. Note: This entry would normally be included in Entry No. 3. It is shown here separately for clarity.

Information:

At the time an installment purchase or capital lease (lease-purchase) contract is executed an asset is recorded in the Capital Asset Group of Accounts for the principal amount of the contract along with a long-term liability, see Entry No. 22. As claims are filed for contract payments, the total amount of the claim is charged to expenditures. However, the liability is reduced only for the amount of the payment applicable to the principal, excluding any interest, maintenance, or other operating costs.

Source Document:

Claim Schedule

Journal Entry for General Ledger Accounts:

Debit:

4210 Installment Contracts Payable a/ 4220 Lease-Purchase Contracts a/

Credit:

2920 Amount to be Provided for Other Long-Term Debt a/

AND

Debit:
9000 Appropriation Expenditures b/ Credit:

3020 Claims Filed b/

a/ amount of payment made on contract excluding any interest, maintenance or other operating costs.

b/ total amount of claim.
ENTRY NO. 25 – [REVENUES COLLECTED IN ADVANCE ARE APPLIED] 10525

(Revised 10/2015)

This entry is made when revenues collected in advance in a prior fiscal year are credited to the revenue accounts of the fiscal year to which they apply.

Information:

This entry dated July 1 credits the current fiscal year revenue account amounts applicable to those accounts that were received and cleared in the prior fiscal year as revenue collected in advance but that will be earned in the current fiscal year.

If such receipts or any portion thereof were remitted and ordered into the State Treasury during the prior fiscal year as revenue collected in advance, the State Controller's Office will be requested by a Transaction Request to make a similar entry. The Transaction Request will show the revenue account code to be credited and will cite the Controller's Remittance Advices on which the amounts were remitted.

Source Document:

Analysis of June 30 balance of GL 3410.

Journal Entry for General Ledger Accounts:

Debit:

3410 Revenue Collected in Advance

Credit:

8000 Revenue
ENTRY NO. 26 – [REIMBURSEMENTS COLLECTED IN ADVANCE ARE APPLIED] 10526

(Revised 10/2015)

This entry is made when reimbursements collected in advance are credited to the reimbursement accounts of the fiscal year to which they apply.

Information:

This entry credits the appropriate fiscal year reimbursement amounts applicable to those accounts that were previously received and cleared as reimbursements collected in advance.

If such receipts or any portion thereof were remitted and ordered into the State Treasury as reimbursements collected in advance, the State Controller's Office will be requested by a Transaction Request to make a similar entry. The Transaction Request will show the subsidiary accounts to be credited and will cite the Controller's Remittance Advices on which the amounts were remitted.

Source Document:

Analysis of GL 3420 throughout the year and at June 30.

Journal Entry for General Ledger Accounts:

Debit:

3420 Reimbursements Collected in Advance Credit:

8100 Reimbursements
ENTRY NO. 27 – [DEPOSITS MADE TO THE
CONDEMNATION DEPOSITS FUND] 10527
(Revised 10/2015)

This entry is made when departments engaged in condemnation proceedings are required by the court to deposit a sum of money in the Condemnation Deposits Fund.

Information:

Money is transferred to the Condemnation Deposits Fund as a deposit in condemnation proceedings for acquisition of real property. (This entry is recorded as of the date on the SCO journal entry.) The amount is determined by the court; deposits are retained in the Condemnation Deposits Fund until the court orders payment to the grantor. In some instances the court may order an advance payment. However, usually the entire deposit remains in the Condemnation Deposits Fund until final settlement is determined by the court.

Source Document:

SCO’s Notice of Transfer journal entry

Register:

Controller’s Transfer Register (if volume justifies).

Journal Entry for General Ledger Accounts:

Debit:

2730 Deposits in Condemnation Proceedings Credit:

5390 Other Reserves

AND
Debit:

9000 Appropriation Expenditures Credit:

1140 Cash in State Treasury
ENTRY NO. 28 – [CLAIM IS FILED FOR ACQUISITION OF PROPERTY UNDER CONDEMNATION PROCEEDINGS] 10528
(Revised 10/2015)

This entry is made to record the claim filed against the department's fund and appropriation in settlement of a condemnation proceeding for acquisition of real property.

**Information:**

In settlement of some condemnation proceedings, payment is made to the grantor from the department's fund and appropriation prior to return of the deposit from the Condemnation Deposits Fund. In these cases, the State Controller’s Office (SCO) is requested to transfer the amount of the deposit back to the department's fund and appropriation, and the amount of the deposit is transferred from GL 2730 to GL 1400. At this time, the actual cost of the capital assets is recorded in the General Ledger Capital Asset Group of Accounts. Since the amount deposited was recorded as an appropriation expenditure, only the difference between the amount of the deposit and the amount of the final settlement now is recorded as an appropriation expenditure or abatement.

If a claim for settlement has been filed on or before June 30 but the deposit has not been returned by that date, the amount to be returned will be reported to the SCO as an abatement accrual.

**Source Document:**

Claim Schedule

**Register:**

Claims Filed Register

**Journal Entry for General Ledger Accounts:**

Debit:
5390 Other Reserves a/

Credit:

2730 Deposits in Condemnation Proceedings a/

AND

Debit:

2310 Land b/

2331 Improvements Other than Buildings c/ Credit:

5200 Investment in Capital Assets e/

AND

Debit:

1400 Due from Other Funds or Appropriations a/ 9000 Appropriation Expenditures d/

Credit:

3020 Claims Filed e/ (Continued)
ENTRY NO. 28 – [CLAIM IS FILED FOR ACQUISITION OF PROPERTY UNDER CONDEMNATION PROCEEDINGS] 10528 (Cont.1)

(Revised 10/2015)

a/ amount deposited in the Condemnation Deposits Fund for the case now being settled. b/ amount of settlement for land acquired.

c/ amount of settlement for improvements acquired.

d/ excess of amount of settlement over amount of the deposit (if amount of judgment is less than the amount of the deposit, this entry will be the reverse of that shown).

e/ amount of claim filed settlement (b+c).
ENTRY NO. 29 – [CONDEMNATION DEPOSIT IS RETURNED] 10529

(Revised 10/2015)

This entry is made to return the deposit in the Condemnation Deposits Fund to the department's fund and appropriation after the department has made payment to the grantor from funds under its own control.

Information:

When payment is made to the grantor in a condemnation proceeding by a warrant drawn on the department’s fund and appropriation, the State Treasurer will release the deposit in the Condemnation Deposits Fund. Upon request, the State Controller’s Office (SCO) will transfer the amount of the deposit back to the department's fund and appropriation. (This entry is recorded as of the date on the SCO journal entry.)

Source Document:

SCO’s Notice of Transfer journal entry

Register:

Controller's Transfer Register (if volume justifies).

**Journal Entry for General Ledger Accounts:**

Debit:

1140 Cash in State Treasury Credit:

1400 Due from Other Funds or Appropriations
This entry is made to record the State Treasurer’s Office (STO) filing of a claim against the Condemnation Deposits Fund to make payments directly to the grantor upon settlement of a condemnation proceeding.

**Information:**

This entry is made in lieu of Entry No. 28 when payment is made to the grantor by a warrant drawn on the Condemnation Deposits Fund.

If the amount of the settlement is more than the amount of the original deposit, an additional deposit will be made and recorded by Entry No. 27. If the amount of the settlement is less than the original deposit, upon request the State Controller’s Office (SCO) will transfer the excess amount to the department's fund and appropriation. The SCO’s Notice of Transfer is recorded by Entry No. 29. (This entry shows the recording of the transaction in the accounts of the fund from which the deposit was originally made.)

**Source Document:**

Copy of the STO’s claim schedule

**Journal Entry for General Ledger Accounts:**

Debit:

5390 Other Reserves a/

Credit:

2730 Deposits in Condemnation Proceedings a/
Debit:

2310 Land b/

2331 Improvements Other than Buildings c/ Credit:

5200 Investment in Capital Assets d/

AND (if the settlement is less than the original deposit)

Debit:

1400 Due from Other Funds or Appropriations e/ Credit:

9000 Appropriation Expenditures e/

a/ amount deposited in the Condemnation Deposits Fund for the case now being settled. b/ amount of settlement for land acquired.

c/ amount of settlement for improvements acquired. d/ amount of capital assets acquired (b+c).

e/ excess of amount of deposit over amount of settlement.
ENTRY NO. 31 – [SURPLUS MONEY INVESTMENT FUND] 10531
(Revised 10/2015)

This entry is made when surplus cash is transferred to the Surplus Money Investment Fund.

Authority:

Government Code sections 16470 through 16476 provide for the transfer of surplus cash in certain funds to the Surplus Money Investment Fund for investment by the State Treasurer’s Office.

Information:

Departments that maintain the Cash in State Treasury account for funds are furnished copies of the State Controller’s Office (SCO) Notice of Transfer when cash is transferred to or returned from the Surplus Money Investment Fund. (These entries are recorded as of the date on the SCO’s journal entry.)

Note: When cash is returned from the Surplus Money Investment Fund the entry is reversed.

Source Document:

SCO’s Notice of Transfer journal entry

Journal Entry for General Ledger Accounts:

Debit:
1210 Deposits in Surplus Money Investment Fund.

Credit:
1140 Cash in State Treasury
ENTRY NO. 32 – [INTEREST EARNINGS ON INVESTMENTS OF THE SURPLUS MONEY INVESTMENT FUND AND CONDEMNATION DEPOSITS FUND] 10532
(Revised 10/2015)

This entry is made to record interest earnings on investments of the Surplus Money Investment Fund and the Condemnation Deposits Fund when they are transferred from those funds to the department's fund.

Information:

Interest on investments of the Surplus Money Investment Fund and the Condemnation Deposits Fund is apportioned quarterly to other funds by the State Controller's Office (SCO). The administering agency for funds receiving such interest will receive the SCO’s Notice of Transfer in the month following the end of the quarter.

The July transfer is accounted for differently because the interest was accrued as of June 30. See SAM section 10605, Entry No. A-6.

Source Document:

SCO’s Notice of Transfer journal entry

Journal Entry for Interest Transferred in January, April, and October:

Debit:
1140 Cash in State Treasury a/ Credit:
8000 Revenue b/

Journal Entry for Interest Transferred in July:

Debit:
1140 Cash in State Treasury a/ Credit:

1410.0681 Due from Surplus Money Investment Fund c/ 1410.0910 Due from
Condemnation Deposits Fund c/

a/ amount of interest transferred

b/ amount of interest transferred in January, April, and October c/ amount of interest
transferred in July
This entry is made to record investments when purchased.

**Information:**

Investments are purchased and held by the State Treasurer’s Office (STO). The source of this entry is a copy of the STO’s claim schedule. (The entry is recorded as of the date of the detail sheet supporting the claim schedule.)

**Source Document:**

Detail sheet supporting the claim schedule prepared by the STO.

**Journal Entry for Investments Purchased:**

Debit:

1320 Accrued Interest Receivable  
a/ amount of accrued interest purchased on investments acquired between interest dates.  
b/ cost investment in debt securities.

1320 Investment in Securities at Cost  
b/ cost investment in debt securities.

c/ face value of investment in debt securities.

d/ amount of premium paid on investments purchased.  
e/ cost of investment in common stocks.

2013 Premium on Securities  
d/ amount of premium paid on investments purchased.

2021 Investment in Common Stock  
e/ cost of investment in common stocks.

2022 Investment in Preferred Stock  
e/ cost of investment in common stocks.

Credit:

1140 Cash in State Treasury  
g/ 2014 Discount on Securities  
h/ 2014 Discount on Securities.

a/ amount of accrued interest purchased on investments acquired between interest dates.  
b/ cost investment in debt securities.

c/ face value of investment in debt securities.

d/ amount of premium paid on investments purchased.  
e/ cost of investment in common stocks.
f/ cost of investment in preferred stocks.
g/ amount expended for investments purchased. h/ amount of discount on investments purchased.
ENTRY NO. 34 – [INVESTMENTS MATURE OR ARE SOLD] 10534

(Revised 10/2015)

This entry is made to record the investments when they mature or are sold.

Information:

The Controller’s Receipt shows the amount of proceeds from investment sales or maturities ordered into the State Treasury. At the same time, the State Controller’s Office prepares a journal entry, a copy of which is sent to the department, showing any premium or discount to be written off and/or accrued interest sold. (This entry is recorded as of the date on the Controller’s Receipt.)

Source Document:

Controller’s Receipt and journal entry

Journal Entry for General Ledger Accounts:

Debit:

1140 Cash in State Treasury a/ 2014 Discount on Securities b/

Credit:

2011 Investment in Securities at Cost c/ 2012 Investment in Securities d/

2013 Premium on Securities e/

2021 Investment in Common Stock f/ 2022 Investment in Preferred Stock g/ 8000 Revenues h/

a/ proceeds from sale or maturity deposited in the appropriate fund in the State Treasury. b/ unaccumulated discount on investments sold before maturity.

c/ cost of investment in debt securities matured or sold.

d/ face value of investment in debt securities matured or sold. e/ unamortized premium
on investments sold before maturity. f/ cost of common stocks sold.

g/ cost of preferred stocks sold.

h/ (1) amount of accrued interest sold plus or minus the difference between the amount received and the book value plus accrued interest sold, or (2) gain or loss on the sale of stocks. This net entry would result in a debit to the general ledger Revenue account if the result of the sale was a loss greater than the amount of accrued interest sold or a loss on the sale of stocks.
ENTRY NO. 35 – [INTEREST RECEIVED ON INVESTMENTS] 10535

(Revised 10/2015)

This entry is made to record the interest earnings, amortization of premium, and accumulation of discount on investment securities.

Information:

Interest is received on investment securities and premium and discount on investments are amortized or accumulated. The State Controller's Office will show the amounts of premium being amortized or discount being accumulated and the amount of interest received. The "interest method" for amortization of premium and discount is used to yield an equal periodic rate of interest. (This entry is recorded as of the date on the Controller's Receipt.)

Source Document:

Controller's Receipt journal entry

Journal Entry for General Ledger Accounts:

Debit:

1140 Cash in State Treasury a/ 2014 Discount on Securities b/

Credit:

1313 Accounts Receivable Revenue c/ 1320 Accrued Interest Receivable d/ 2013 Premium on Securities e/

8000 Revenue f/

a/ amount of interest received and deposited in the appropriate fund in the State Treasury.
b/ amount of discount accumulation since the last accumulation of discount, either at the time of receipt of interest or accrual of interest as of June 30.
c/ amount of interest accrued at June 30 now liquidated.

d/ amount of accrued interest purchased collected at first interest date, exclusive of accrued interest purchased accounted through Account No. 1313 as a result of Entry No. A–5.

e/ amount of premium amortization since the last amortization of premium, either at the time of receipt of interest or accrual of interest as of June 30.

f/ amount of interest earned that was not accrued previously.
ENTRY NO. 36 – [ACCOUNTS RECEIVABLE ARE SOLD] 10536

(Revised 10/2015)

This entry is made when departments receive cash payments for the sale of accounts receivables (AR).

Information:
Departments are authorized to sell their AR to private persons or entities. Sales of this nature will result in the receipt of payment in amounts less than the invoiced AR amount. This entry will remove the AR at its full invoiced amount and adjust the income/expenditure accounts to reflect the appropriate net amounts received.

Source Document:
General Cash Receipt

Register:
General Cash Receipts Register

Journal Entry for AR-Abatement Sold:

Debit:
1110 General Cash a/
9000 Appropriation Expenditures b/
9893 Prior Year Appropriation Adjustments c/ Credit:
1311 Accounts Receivable —Abatements d/

a/ total cash received for deposit in the General Cash account.

b/ the amount that represents the difference between the amount of current year invoiced Accounts Receivable—Abatements and the amount received from the sale of
the Accounts Receivable–Abatements.

c/ the amount that represents the difference between the amount of prior year invoiced Accounts Receivable–Abatements and the amount received from the sale of those accounts receivable.

d/ invoice amount of Accounts Receivable–Abatements that have been sold.

**Journal Entry for AR-Reimbursement Sold:**

Debit:
1110 General Cash e/ 8100 Reimbursements f/
9893 Prior Year Appropriation Adjustments g/ Credit:
1312 Accounts Receivable —Reimbursements h/ (Continued)
(Continued)

**ENTRY NO. 36 – [ACCOUNTS RECEIVABLE ARE SOLD]**

(Revised 10/2015)

e/ total cash received for deposit in the General Cash account.

f/ the amount that represents the difference between the amount of current year invoiced Accounts Receivable–Reimbursements sold and the amount received from the sale of the Accounts Receivable–Reimbursements.

g/ the amount that represents the difference between the amount of prior year invoiced Accounts Receivable–Reimbursements and the amount received from the sale of those accounts receivable.

h/ invoice amount of Accounts Receivable–Reimbursements that have been sold.

**Journal Entry for AR-Revenue or AR-Operating Revenue Sold:**

Debit:

1110 General Cash i/ 8000 Revenue j/

9892 Prior-Year Revenue Adjustments k/ Credit:

1313 Accounts Receivable —Revenue l/

1314 Accounts Receivable —Operating Revenues l/

i/ total cash received for deposit in the General Cash account.

j/ the amount that represents the difference between the amount of current year invoiced Accounts Receivable–Revenue sold and the amount received from the sale of the Accounts Receivable–Revenue.

k/ the amount that represents the difference between the amount of prior year invoiced Accounts Receivable–Revenue sold and the amount received from the sale of the Accounts Receivable–Revenue.

l/ invoice amount of Accounts Receivable–Revenue and Accounts Receivable-Operating Revenue that have been sold.
Journal Entry for AR-Dishonored Checks or AR-Other Sold:

Debit:
1110 General Cash m/
1600 Provision for Deferred Receivables n/ Credit:
1315 Accounts Receivable —Dishonored Checks o/ 1319 Accounts Receivable —Other o/

m/ total cash received for deposit in the General Cash account.

n/ the amount that represents the difference between the sold accounts receivables accounted for during the year on a fully reserved basis and the amount received from the sale of the Accounts Receivable—Other.

o/ invoice amount of Accounts Receivable-Dishonored Checks or Accounts Receivable—Other that have been sold.
CHAPTER 10600 INDEX

Entry #A-1 GENERAL CASH IS ADJUSTED FOR UNDEPOSITED RECEIPT

Entry #A-2 REVOLVING FUND CASH IS ADJUSTED TO ITS ACTUAL CASH BALANCE

Entry #A-3 ACCOUNTS RECEIVABLE ABATEMENTS AND REIMBURSEMENTS

Entry #A-4 ACCOUNTS RECEIVABLE ABATEMENTS AND REIMBURSEMENTS AND CERTAIN COLLECTIONS ARE ADJUSTED WHEN AN APPROPRIATION REVERTS

Entry #A-5 ACCOUNTS RECEIVABLE REVENUE ARE ACCRUED FOR INTEREST EARNINGS ON INVESTMENTS

Entry #A-6 RECEIVABLES DUE FROM SURPLUS MONEY INVESTMENT FUND AND CONDEMNATION DEPOSITS FUND ARE ACCRUED FOR INTEREST EARNINGS

Entry #A-7 CAPITAL ASSET ACCOUNTS ARE ADJUSTED FOR UNSOLD SURVEYED EQUIPMENT

Entry #A-7r ENTRY A-7 IS SEMI-REVERSED

Entry #A-8 ACCOUNTS PAYABLE ARE ACCRUED

Entry #A-8r ENTRY A-8 IS SEMI-REVERSED

Entry #A-9 REVENUE IS ACCRUED

Entry #A-9r ENTRY A-9 IS SEMI-REVERSED

Entry #A-10 REVENUE IS ADJUSTED FOR DISHONORED CHECKS

Entry #A-11 REVENUE IS ADJUSTED FOR CASH SHORTAGES

(Continued)
Entry #A- 12  APPROPRIATION EXPENDITURES AND REIMBURSEMENTS ARE ADJUSTED FOR BILLED RECEIVABLES THAT ARE DEFERRED 10614

Entry #A- 13  CASH IN STATE TREASURY IS TRANSFERRED TO FUND BALANCE-CLEARING ACCOUNT (FOR FUNDS NOT ACCOUNTED ENTIRELY BY ONE AGENCY) 10615

Entry #C-1  REVENUE AND REIMBURSEMENTS ACCOUNTS ARE CLOSED 10650

Entry #C-2  APPROPRIATION EXPENDITURES ACCOUNTS ARE CLOSED 10651
ENTRY NO. A-1, GENERAL CASH IS ADJUSTED FOR UNDEPOSITED RECEIPTS

(Revised 6/14)

Nature of Transaction:

The General Cash account is adjusted for undeposited receipts as of June 30 so the actual amount of general cash will be shown in the department’s centralized State Treasury (CTS) account with the State Treasurer. (This entry is made as of June 30 and reversed as of July 1.)

Journal Entry for General Ledger Accounts:

Debit:

1190 Cash on Hand

Credit:

1110 General Cash

Source Document:

Analysis of General Cash Receipts Register at June 30. Explanation:

During the fiscal year Account No. 1110, General Cash, shows all cash receipts deposited and to be deposited in the General Cash account. This adjusting entry is made in the General Ledger as of June 30 each year to reduce, for year-end financial report purposes, the balance of the General Cash account to the cash (including deposits in transit) in the department’s CTS account with the State Treasurer.

The General Cash Receipts Register will be analyzed to determine the amount of general cash received by June 30 but not deposited as of that date.
ENTRY NO. A–2

Nature of Transaction:

The Revolving Fund Cash account is adjusted as of June 30 for unreimbursed expenditures therefrom and undeposited receipts and undeposited warrants for reimbursement of the revolving fund, so that the agency accounts will show the actual amount of revolving fund cash in agency accounts with the State Treasurer at that date. (This entry is made as of June 30 and reversed as of July 1.)

Journal Entry for General Ledger Accounts: Debit:

- 1190 Cash on Hand
- 1319 Accounts Receivable – Other
- 1710 Expense Advances
- 2600 Other Deferred Charges
- 3010 Accounts Payable
- 3020 Claims Filed
- 1130 Revolving Fund Cash
- 3010 Accounts Payable

Credits

- 1130 Revolving Fund Cash
- 3010 Accounts Payable

a/ Amount of cash in subrevolving funds, undeposited cash receipts, and undeposited warrants for reimbursement of revolving fund. Undeposited warrants include warrants dated on or before June 30 but not received or deposited until July.

b/ Amount advanced to other funds by revolving fund.

c/ Amount advanced to employees for travel and salary expenses.

d/ Revolving fund expenditures not scheduled for reimbursement by June 30 resulting from payment of deferred charges chargeable to the new fiscal year. Payments made for deferred charges should only be made after the Budget Act for the subsequent fiscal year is enacted.

e/ Revolving fund expenditures not scheduled for reimbursement by June 30 but applicable to an appropriation then current.
f/ Claims filed on or before June 30 to reimburse the revolving fund but not paid by that date.

g/ Amount required to reduce the revolving fund account to the cash it contains. h/ Amount payable to other funds for revolving funds advanced.

(Continued)
(Continued)

ENTRY NO. A-2 10601 (Cont. 1)

(Revised 5/95) Source:

Analysis and Reconciliation of Revolving Fund Accountability as of June 30. For preparation instructions see SAM Section 7965.

Explanation:

During the fiscal year Account No. 1130, Revolving Fund Cash, is accounted on an imprest basis. To the extent that such revolving fund accounts consist of items other than cash, the procedure has the effect of overstating cash in the agency’s statements. Adjusting entries must therefore be made in the General Ledger as of June 30 each year to the accounts of each fund affected to reduce, for year-end statement purposes, the balance of the Revolving Fund Cash account to the cash in the agency account with the State Treasurer.
Nature of Transaction:
Accounts receivable abatements, reimbursements, and revenue are recorded for the fiscal year just ended. This entry is dated and posted as of June 30.

Journal Entry for General Ledger Accounts:

Debit:
- 1311 Accounts Receivable—Abatements a/
- 1312 Accounts Receivable—Reimbursements b/
- 1313 Accounts Receivable—Revenue c/
- 1410 Due From Other Funds d/
- 1420 Due From Other Appropriations e/
- 1510 Due From Federal Government f/
- 1540 Due From School Districts g/
- 1590 Due From Other Governmental Entities h/

Credit:
- 1600 Provision for Deferred Receivables* i/
- 8100 Reimbursements j/
- 9000 Appropriation Expenditures k/

*NOTE: Those revenue receivables accrued in this entry and deemed to be collectable during the ensuing fiscal year will be included in the A-9, revenue accrual, entry. See SAM Section 10610.

a/ Amount of abatement receivables due from private entities at June 30 that were not billed or recorded prior to July 1 that are deemed to be collectable during the ensuing fiscal year.

b/ Amount of reimbursement receivables due from private entities at June 30
that were not billed or recorded prior to July 1 that are deemed to be collectable during the ensuing fiscal year.


\[ \text{c/ Amount of revenue receivables due from private entities at June 30 that were not billed or recorded prior to July 1.} \]

(Continued)
d/ Amount of abatement, reimbursement, and revenue receivables due from other funds at June 30 that were not billed or recorded prior to July 1. The abatement and reimbursement receivables are deemed to be collectable during the ensuing fiscal year.

e/ Amount of abatement, reimbursement, and revenue receivables due from other appropriations within the same fund at June 30 that were not billed or recorded prior to July 1. The abatement and reimbursement receivables are deemed to be collectable during the ensuing fiscal year.

f/ Amount of abatement and revenue receivables due from the federal government at June 30 that were not billed or recorded prior to July 1. The abatement receivables are deemed to be collectable during the ensuing fiscal year.

g/ Amount of abatement, reimbursement, and revenue receivables due from school districts at June 30 that were not billed or recorded prior to July 1. The abatement and reimbursement receivables are deemed to be collectable during the ensuing fiscal year.

h/ Amount of abatement, reimbursement, and revenue receivables due from other governmental entities at June 30 that were not billed or recorded prior to July 1. The abatement and reimbursement receivables are deemed to be collectable during the ensuing fiscal year.

i/ Total amount of revenue receivables in a through h.

j/ Total amount of reimbursement receivables in a through h, excluding f.

k/ Total amount of abatement receivables in a through h.

(Continued)
(Continued)

ENTRY NO. A–3

(Revised 2/99) Source:

Detail list of all abatement, reimbursement and revenue receivables at June 30 as estimated or not billed prior to actually closing the books. The list should contain name and address, invoice or encumbrance number, or other reference, date, and amount.

Explanation:

This entry is made to accrue the receivables that had not been otherwise recorded on June 30. The list supporting this entry will contain adequate references and will be retained by the agency for audit purposes.

The abatement and reimbursement amounts accrued in this entry will be posted to the applicable Allotment-Expenditure Ledger accounts.

Also see SAM Section 10506.
ENTRY NO. A–4

(Revised 4/2015)

Nature of Transaction:

Accounts receivable and certain collections are adjusted for the following when an appropriation reverts:

1. Abatements and reimbursements not collected before reversion, and
2. Amounts collected before reversion but credited by the State Treasury after reversion.

(This entry is recorded as of the date on the Controller’s Journal Entry reverting the appropriation.)

Journal Entry for General Ledger Account: Debit:

1319 Accounts Receivable—Other a/ 9893 Prior Year Appropriation Adjustments
b/

Credit:

1311 Accounts Receivable—Abatements c/
1312 Accounts Receivable—Reimbursements d/
1600 Provision for Deferred Receivables e/
9891 Refunds to Reverted Appropriations f/

a/ c + d b/ e + f

c/ Amount of abatements not collected before reversion. (Includes both accrued and reserved receivables.)
d/ Amount of reimbursements not collected before reversion. (Includes both accrued and reserved receivables.)
e/ The amount of accrued abatements or reimbursements not collected before reversion.
Amount collected prior to reversion but not credited into the State Treasury until after reversion.

(Continued)
Source:

Analysis of accounts receivable and recent collections applicable to reverted appropriations.

Explanation:

Abatement and reimbursement receivables are no longer such after the appropriation reverts. Therefore, at the time the appropriation reverts (usually as of June 30) the department must reclassify the receivables.

Abatement and reimbursement collections credited into the State Treasury after the appropriation reverts will be credited to a Refunds to Reverted Appropriations account by the State Controller’s Office.
Nature of Transaction:
Accounts receivable for interest earnings on investments are accrued as of June 30 with appropriate adjustment of accrued interest purchased, premium, and discount accounts. This entry is dated and posted as of June 30.

Journal Entry for General Ledger Account:

Debit:
1313 Accounts Receivable—Revenue  a/ b/
2014    Discount on Securities
Credit:
1320 Accrued Interest Receivable 2013 c/ d/
Premium on Securities 8000  Revenue e/

a/ Amount of interest accrued since the last interest date.
b/ Amount of discount accumulation since the last interest date. c/ Amount of accrued interest not yet collected.
d/ Amount of premium amortization since the last interest date. e/ Amount of interest earned.

Source:

Explanation:
The State Controller's Office will accrue interest earned but not yet received at June 30 and will send the agency a copy of its Journal Entry showing all amounts to be included in this entry.
ENTRY NO. A–6

Nature of Transaction:
Receivables due from the Surplus Money Investment Fund and the Condemnation Deposits Fund are accrued for interest earnings as of June 30.

Journal Entry for General Ledger Account: Debit:
1410.0681 Due from Surplus Money Investment Fund 1410.0910 Due from Condemnation Deposits Fund

Credit:
8000 Revenue

Source:
The SCO’s View Direct on-line system allows agencies to view the interest earned as of June 30 and transferred in July.

Document—Controller's Notice of Transfer issued in July.

Explanation:
The quarterly transfer of interest earned on money in the Surplus Money Investment Fund and the Condemnation Deposits Fund must be recorded as an accrual as of June 3.
ENTRY NO. A–7 CAPITAL ASSET ACCOUNTS ARE ADJUSTED FOR
UNSOLD SURVEYED EQUIPMENT 10606
(Revised 06/14)

Nature of Transaction:

Capital asset accounts are adjusted for unsold surveyed equipment and its estimated sales value is recorded to give effect to such uncompleted equipment transactions in final year-end statements and reports of funds where receipts of such transactions are abated to an appropriation specific in amount. This entry is made as of June 30 and is semi-reversed as of July 1. (See Entry No. A–7R.)

Journal Entry for General Ledger Account: Debit:

2740 Inventory of Surveyed Equipment a/
5200 Investment in Capital Asset b/

Credit:
2310 Land b/
2321 Buildings b/
2331 Improvements Other than Buildings b/
2333 Utility Plant in Service b/
2341 Equipment b/
2361 Infrastructure-Non-depreciable b/
2413 Patents, Copyrights, Trademarks—Amortizable – Assets – Amortizable b/
2414 Other Intangible Assets – Amortizable b/
2422 Land Use Rights – Non-Amortizable b/
2423 Patents, Copyrights, Trademarks – Non-Amortizable b/
2424 Other Intangible Assets Non-Amortizable b/
9000 Appropriation

a/

a/ Estimated amount to be received from sale of surveyed capital asset that was budgeted to be traded-in.

b/ Book value of above capital asset. (Continued)
ENTRY NO. A-7 CAPITAL ASSET ACCOUNTS ARE ADJUSTED
FOR UNSOLD SURVEYED EQUIPMENT 10606 (Cont. 1)
(Revised 06/14)

Source Document:
Detailed list of items supporting this entry. This list will be retained by the agency as an accounting document for audit purposes.

Explanation:
This entry is made only for those capital assets that were budgeted to be traded-in during the fiscal year and have been surveyed but are still on hand pending sale in lieu of trade-in. The purpose of this entry is to accrue the estimated sales value of surveyed capital assets as an abatement to the appropriation expenditure account of the fiscal year just ended and to write-off from the capital asset accounts.

ENTRY NO. A-7R
(Renumbered 5/95) 10607
Nature of Transaction:
Entry No. A-7 is semi-reversed as of July 1.
Journal Entry for General Ledger Account:
Debit:
2341 Equipment
a/ b/
9893 Prior Year Appropriation Adjustments
Credit:
2740 Inventory of Surveyed Equipment 5200 b/ a/
Investment in General Fixed Assets

a/ Book value of surveyed equipment.
b/ Estimated amount to be received from sale of surveyed equipment.

Rev. 365
Source:

Entry No. A–7. Explanation:

Entry No. A–7 is semi-reversed as of July 1, in the accounts of the new fiscal year, so that when the transaction is completed in the new fiscal year it may be processed normally.
ENTRY NO. A–8, ACCOUNTS PAYABLE ARE ACCRUED

(Revised 10/2018)

**Nature of Transaction:**

The A-8 entry accrues expenditures for valid encumbrances (commitments) and obligations for the fiscal year just ended. This entry is dated and posted as of June 30.

**Journal Entry for General Ledger Account:**

Debit:

5350 Reserve for Encumbrances a/ 9000 Appropriation Expenditures b/
9893 Prior Year Appropriations Adjustments c/ Credit:
3010 Accounts Payable d/ 3114 Due to Other Funds e/
3115 Due to Other Appropriations, Within the Same Fund f/ 3210 Due to Federal Government g/
3220 Due to Local Government h/
3290 Due to Other Governmental Entities i/ 6150 Encumbrances a/

a/ Balance of Accounts No. 5350 and 6150 as of June 30.
b/ Amount of valid encumbrances and obligations as of June 30 payable from appropriations available for encumbrance during the fiscal year just ended.
c/ Amount of valid encumbrances and obligations as of June 30 payable from prior year appropriations not available for encumbrance during the fiscal year just ended.
d/ Amount of obligations in b and c due to private entities and the total encumbrances in b and c.
e/ Amount of obligations in b and c due to other funds.

Rev. 443
SAM—STANDARD ENTRIES (Cont.d)

f/ Amount of obligations in b and c due to other appropriations, within the same fund

g/ Amount of obligations in b and c due to the federal government. h/ Amount of obligations in b and c due to local governments.

i/ Amount of obligations in b and c due to other governmental entities.

In addition, if any encumbrances will be funded by a reimbursement, the reimbursement may be accrued in one asset account, Accounts Receivable – Reimbursements, General Ledger Account 1312. See SAM section 7952.

(Continued)
ENTRY NO. A–8, ACCOUNTS PAYABLE ARE ACCRUED

(Continued)

ENTRY NO. A–8, ACCOUNTS PAYABLE ARE ACCRUED

(Revised 10/2018)

Source Document:

Encumbrance documents (e.g., contracts, purchase orders, purchase estimates, Public Works Project Authorization and Transfer Requests, etc.)

Explanation:

This entry is made to accrue the amounts for (1) valid encumbrances (goods/services not received/performed as of June 30), and (2) obligations (goods/services received/performed as of June 30 but not yet scheduled for payment).

To determine the amounts for valid encumbrances and obligations, all unliquidated encumbrances are reviewed to identify whether they are valid encumbrances or obligations of the year just ended, as defined by the California Victim Compensation Board Rule 610 and described in SAM section 8340.

Contracts and purchase orders will be analyzed to determine that the amounts approximate the actual expenditures that will be incurred. Amounts will be adjusted at this time if appropriate, e.g., purchase estimates adjusted to amounts of related purchase orders, contract balances liquidated when final payment has been made on a contract, etc.

For multi-year agreements, departments must determine by June 30 the amount to encumber against the first fiscal year, in accordance with the budget plan when the agreement was issued. Any amounts not encumbered and not accrued to an appropriation during the period of encumbrance availability shall be paid from an appropriation that is available for encumbrance.
Many support and local assistance encumbrances remaining at year-end should be liquidated within a few months of the new fiscal year. Capital outlay encumbrances generally require more time to liquidate. Departments are instructed to closely monitor encumbrances to effect prompt delivery of requested goods or services and to ensure timely disencumbrances in instances where it is determined the goods or services will not be received/performed or will cost less than originally estimated.

Even though the unencumbered balance is not formally reverted in the appropriation accounts of the State Controller’s Office, the remaining two years prior to actual reversion are strictly for the liquidation of encumbrances accrued as of the last date the appropriation was available for encumbrance and the payment of obligations, which are chargeable only to a prior year appropriation.

(Continued)
ENTRY NO. A–8, ACCOUNTS PAYABLE ARE ACCRUED

(Continued)

Any obligations that were not previously encumbered will be accrued. Any obligations of prior fiscal year appropriations that have not yet reverted will be accrued to the applicable fiscal year. In addition, any obligations of reverted appropriations will be accrued to a like appropriation of the fiscal year just ended. These procedures permit all valid obligations of state funds to be reflected in year-end financial reports.

Once the encumbrances and obligations have been determined, these amounts are recorded as (1) expenditures in the applicable appropriation accounts and (2) liabilities in the accounts which identify to whom the amount is due. See above detailed journal entry.

Accrual entry amounts will, at a minimum, be supported by the following: vendor name, document number or other reference (contract number, purchase order number, etc.), and entry date. Departments must retain supporting documentation and reports for audit purposes.
ENTRY NO. A–8R

(Revised 10/99)  
10609  
Nature of Transaction:  
Entry No. A–8 is semi-reversed as of July 1.  
Journal Entry for General Ledger Accounts:  
Debit:  
3010 Accounts Payable  
6150 Encumbrances  
Credit:  
5350 Reserve for Encumbrances 9000  
Appropriation Expenditures  
9893 Prior Year Appropriation Adjustments  

a/ Amount credited to Accounts Payable in entry A–8.  
b/ Amount of expenditures accrued in Entry A–8 applicable to continuing appropriations still available for encumbrance in the new fiscal year, plus the adjustment amount of any other encumbrances applicable to those appropriations that were liquidated in Entry A–8 but are valid encumbrances of the new fiscal year.  
c/ Amount of expenditures accrued in Entry A–8 applicable to continuing appropriations still available for encumbrance in the new fiscal year.  
d/ Amount of expenditures accrued in Entry A–8 applicable to appropriations no longer available for encumbrance in the new fiscal year but not yet reverted.  
Source:  
List of valid obligations supporting Entry A–8. Explanation:  
This entry reverses the accounts payable accrued in Entry A–8 so that: (1) expenditures from continuing appropriations may be recorded in the same manner as other current expenditures; and (2) expenditures from appropriations no longer available for encumbrance may be posted to the Prior-Year Appropriation Adjustments accounts on a claims filed basis without adjusting for each transaction wherein the amount paid differs from the amount accrued at June 30.  
The amounts recorded in this entry also will be posted to the applicable Allotment-Expenditure Ledger accounts or Prior Year Appropriation Adjustments Ledger accounts.
ENTRY NO. A–9 10610
(Revised 10/99)

Nature of Transaction:
Revenue earned as of June 30 but not received is accrued. Journal Entry for General Ledger Account:
Debit:
1600 Provision for Deferred Receivables a/

Credit:
3110 Due to Other Funds or Appropriations c/ 8000 Revenue b/

a/ Amount required to adjust this account balance for the amount of revenue earned but not received as of June 30 for fully deferred receivables that are estimated to be collectible within the ensuing fiscal year.
b/ The amount of adjustment in "a" applicable to Revenue.
c/ The amount of adjustment in "a" applicable to Due to Other Funds or Appropriations.

Source:
Documents—Worksheet showing computations of amounts of accounts receivable that probably will not be collected during the ensuing fiscal year. See Explanation.

Explanation:
Throughout the fiscal year, some accounts have been maintained on a fully deferred basis. On June 30, revenue related to these accounts is accrued by adjusting the Provision for Deferred Receivables in the manner stated in "a". Revenue earned in this fiscal year is assumed to be collectible within the ensuing fiscal year unless information exists to the contrary. Therefore, a worksheet showing the computations of amounts of accounts receivable that probably will not be collected during the ensuing fiscal year will
be prepared. This uncollectible amount will not be accrued as revenue. All other revenue earned in this fiscal year will be included in this entry.

This accrual entry is partially reversed as of July 1 (see Entry No. A–9R).
Nature of Transaction:
As of July 1 the previous fiscal year's revenue accruals are partially reversed.

Journal Entry for General Ledger Account: Debit:
9892 Prior Year Revenue Adjustments
Credit:
1600 Provision for Deferred Receivables

Source:
Same as Entry No. A–9.

Explanation:
Entry A–9 is partially reversed as of July 1 by this entry so that accounts receivable collections (except those related to abatements, non-deferred appropriation reimbursements, and certain deferred appropriation reimbursements) can be credited to a nominal account when received. (Nominal accounts will not be credited for collections of certain deferred appropriation reimbursements until they are ordered into the State Treasury.)

The Prior Year Revenue Adjustment Account is used to permit a comparison of revenue collected during the fiscal year following the date of Entry No. A–9 with amounts accrued in Entry A–9.
ENTRY NO. A–10 10612

(Renumbered 5/95)

Nature of Transaction:

Revenue accounts are adjusted for dishonored checks outstanding at June 30. (Except that revenue accounts are not adjusted for dishonored checks estimated to be collectible in the coming fiscal year.)

This entry is required as of June 30 only for those agencies that do not adjust their revenue accounts as dishonored checks are redeemed from banks. This entry is made as of June 30 and is not reversed as of July 1.

Journal Entry for General Ledger Accounts: Debit:

3110 Due to Other Funds or Appropriations a/
3410 Revenue Collected in Advance b/
3420 Reimbursements Collected in Advance c/
3730 Uncleared Collections d/
8000 Revenue e/
8100 Reimbursements f/
9000 Appropriation Expenditures g/
9891 Refunds to Reverted Appropriations h/
9892 Prior Year Revenue Adjustments i/
9893 Prior Year Appropriation Adjustments j/

Credit:

1600 Provision for Deferred Receivables k/

a/ Amount of dishonored checks held by feeder funds on revenue items collected for other funds or appropriations where the items were not identified as being earned as of the preceding June 30.

b/ Amount of dishonored checks on revenue collected in advance.

c/ Amount of dishonored checks on reimbursements collected in advance.
d/ Amount of dishonored checks on deferred reimbursement items that are still credited to uncleared collections pending their being ordered into the treasury.

e/ Amount of dishonored checks on revenue items not identified as being earned as of the preceding June 30.

f/ Amount of dishonored checks on deferred reimbursement items that have already been credited as reimbursements.

g/ Amount of dishonored checks on current year abatements.

(Continued)
ENTRY NO. A–10  

h/ Amount of dishonored checks on refunds to reverted appropriations.

i/ Amount of dishonored checks applicable to revenue (except reimbursements) which was identified as being earned as of the preceding June 30.

j/ Amount of dishonored checks on deferred reimbursement items of prior fiscal year appropriations.

k/ a + b + c + d + e + f + g + h + i + j

Source:
Analysis of dishonored checks purchased during the year which have not cleared as of June 30.

Explanation:
Dishonored checks usually are honored upon later presentation to a bank or they are substituted by other checks or legal tender within a short period of time. Therefore, the procedure of debiting the dishonored checks account at the time an agency buys back a dishonored check from a bank is a method whereby the agency does not have to adjust its accounts for each transaction of this type. Under such procedure, however, an adjustment is required at the close of the fiscal year. It is also necessary to make appropriate adjustments to the remittance of June receipts to the State Treasury. The latter adjustment is for the amounts remitted previously which remain outstanding as dishonored checks in agency accounts on June 30.
ENTRY NO. A–11

(Renumbered 5/95) Nature of Transaction:

Revenue accounts are adjusted for cash shortages outstanding at June 30. This entry is made as of June 30 and is semi-reversed as of July 1. In the semi-reversal all accounts debited in Entry No. A–2 are credited and all accounts credited in Entry No. A–2 are debited except where footnotes show otherwise.

Journal Entry for General Ledger Accounts: Debit:

3110  Due to Other Funds or Appropriations  a/  1/
3410  Revenue Collected in Advance  b/  2/
3420  Reimbursements Collected in Advance  c/  3/
3730  Uncleared Collections  d/
8000  Revenue *  e/  1/
8100  Reimbursements  f/  4/
9000  Appropriation Expenditures  g/  4/
9892  Prior Year Revenue Adjustments  h/
9893  Prior Year Appropriation Adjustments  i/  5/

*NOTE: Account No. 8000, Revenue will be debited for all cash shortages that cannot clearly be attributed to abatement, reimbursement, or other identifiable revenue items.

Credit:

1600  Provision for Deferred Receivables  j/

a/ Amount of cash shortages on revenue items collected for other funds or appropriations where the items were not identified as being earned as of the preceding June 30.

b/ Amount of cash shortages on revenue collected in advance.

c/ Amount of cash shortages on reimbursements collected in advance.

d/ Amount of cash shortages on deferred reimbursement items that are still credited to uncleared collections pending their being ordered into the treasury.

e/ Amount of cash shortages on revenue items not identified as being earned as of the preceding June 30.

f/ Amount of cash shortages on current-year reimbursement items that have already been credited to reimbursements.

(Continued)
g/ Amount of cash shortages on abatements to current-year expenditure items. h/ Amount of cash shortages applicable to revenue (except appropriation reimbursements) which was identified as being earned as of the preceding June 30.

i/ Amount of cash shortages on abatements and reimbursements of prior fiscal year appropriations.

j/ Total amount of cash shortages outstanding at June 30. (Balance of Account No. 1316)

Source:
Analysis of accounts receivable for cash shortages as of June 30.

Explanation:
Agencies must adjust their revenue accounts for all cash shortages outstanding as of June 30, at the same time setting up a temporary reserve for these items. It is also necessary to make appropriate adjustments to the remittance of June receipts to the State Treasury. The latter adjustment is for the amounts remitted previously which remain outstanding as cash shortages in agency accounts on June 30.

Footnotes:
1/ Credit Prior-Year Revenue Adjustments in semi-reversal if the cashier's shortages relate to revenue identifiable on collection to the fiscal year in which it was earned.

2/ Credit Revenue or Due to Other Funds on Appropriations in semi-reversal.

3/ Credit Reimbursements in semi-reversal for amount applicable to current year appropriation.
4/ Credit Prior-Year Appropriation Adjustments in semi-reversal for amount applicable to appropriations no longer available for encumbrance.

5/ Credit Prior-Year Revenue Adjustments in semi-reversal for amount related to appropriation that reverted as of the June 30 date that Entry No. A–11 was made.
ENTRY NO. A–12

(Renumbered 5/95) Nature of Transaction:

Appropriation expenditure and reimbursement accounts are adjusted for billed abatement, reimbursement, and those non-revenue receivables, which had not been deferred to the amount that is estimated will be collectible during the ensuing fiscal year.

Journal Entry for General Ledger Account: Debit:

8100  Reimbursments  a/
9000  Appropriation Expenditures  b/ 9891  Refunds to Reverted Appropriations  
c/ 9893  Prior Year Appropriation Adjustments  d/

Credit:

1600  Provision for Deferred Receivables  e/

a/ Amount of billed Accounts Receivable—Reimbursement which will not be collectible within the ensuing fiscal year.

b/ Amount of billed Accounts Receivable—Abatements which will not be collectible within the ensuing fiscal year.

c/ Amount of billed Accounts Receivable credited to Account No. 9891, Refunds to Reverted Appropriations which will not be collectible within the ensuing fiscal year.

d/ Amount of billed Accounts Receivable credited to Account No. 9893, Prior Year Appropriation Adjustments which will not be collectible within the ensuing fiscal year.

e/ Total Accounts Receivable deferred (a + b + c + d). Source:

Worksheet showing computation of amounts of billed accounts receivable that probably will not be collected during the ensuing fiscal year.

Explanation:

During the fiscal year, billed accounts receivable for abatements, reimbursements, and some non-revenue items have been generally credited back to an appropriation. At June 30, the amount credited will be adjusted for those accounts receivable that are deemed not collectible during the ensuing fiscal year.

These receivables will remain deferred and, upon their eventual collection, will be handled in the same manner as any other deferred receivable. See SAM Section 10507.
ENTRY NO. A–13 10615

(Revised 2/2015) Nature of Transaction:

When a fund is shared by multiple departments, the Cash in State Treasury Account No. 1140 balance is transferred to the Fund Balance—Clearing Account to facilitate the closing of nominal accounts at June 30.

Journal Entry for General Ledger Accounts: Debit:

1140 Cash in State Treasury Credit:

5570 Fund Balance—Clearing Account

Source:

Department’s Account No. 1140 balance at June 30. (Normally Account No. 1140 for shared funds will have a credit balance. Should a department’s Account No. 1140 have a debit balance, the above entry would be reversed.)

Explanation:

For shared funds, Account No. 1140, Cash in State Treasury, only shows the net cash balance in the State Treasury for the fund. By having the department transfer their balance of Account No. 1140, in addition to the closing entries C–1 and C–2 to the Account No. 5570, Fund Balance—Clearing Account, each department will show their equity (net assets or liabilities) of the shared fund, and SCO’s records will show the net activity for the fund as a whole.

Prior to the closing of nominal accounts to Fund Balance—Clearing Account and to ensure the accuracy of the department’s financial reports, departments will perform a monthly fund reconciliation to their general ledger account balances. To reconcile the activity in Account No. 1140 for all fund users to SCO’s records as required in SAM section 7921, Reconciliation of Department’s Account Balances with SCO Balances, the fund administrator of a shared fund will obtain the necessary reports from all fund users.
ENTRY NO. C–1  10650

(Renumbered 5/95) Nature of Transaction:
Revenue and reimbursements accounts of the fiscal year just ended are closed.

Journal Entry for General Ledger Accounts: Debit:
8000  Revenue
8100  Reimbursements
9891 Refunds to Reverted Appropriations Credit:
5530  Fund Balance—Unappropriated (For funds accounted entirely by one agency)
(or)
5570  Fund Balance—Clearing Account (For funds not accounted entirely by one agency)
9892  Prior Year Income Adjustments (Assuming a debit balance in the account)

Source:
Final June 30 balances of revenue and reimbursements accounts.

Explanation:
Revenue and reimbursements accounts are closed in determining either the fund balance available for appropriation for funds accounted entirely by one agency or each agency’s shared equity (net assets or liabilities) of particular funds in the State Treasury not accounted entirely by one agency.
ENTRY NO. C–2

(Renumbered 5/95) Nature of Transaction:
Appropriation expenditures accounts of the fiscal year just ended are closed.

Journal Entry For General Ledger Account: Debit:
5530 Fund Balance—Unappropriated (For funds accounted entirely by one agency)
(or)
5570 Fund Balance—Clearing Account (For funds not accounted entirely by one agency)

Credit:
9000 Appropriation Expenditures
9893 Prior Year Appropriation Adjustments (Assuming a debit balance in the account)

Source:
Final June 30 balances of appropriation expenditures accounts.

Explanation:
Appropriation expenditures accounts are closed in determining either the fund balance available for appropriation for funds accounted entirely by one agency or each agency’s shared equity (net assets or liabilities) of particular funds in the State Treasury not accounted entirely by one agency.
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<td>VENDOR’S INVOICE</td>
<td>10808</td>
</tr>
<tr>
<td>RECEIPTS</td>
<td></td>
</tr>
<tr>
<td>PURCHASED STORES</td>
<td>10821</td>
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<tr>
<td>DONATED STORES</td>
<td>10822</td>
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<tr>
<td>Donated Farm Stores Received Register</td>
<td>10822.1</td>
</tr>
<tr>
<td>PRODUCED STORES</td>
<td>10823</td>
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<td>REQUISITIONS</td>
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<td>Sub-Storerooms</td>
<td>10831.1</td>
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<td>STOCK RECORDS</td>
<td>10850</td>
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<tr>
<td>PURCHASED STORES LEDGER</td>
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<tr>
<td>MEMORANDUM STORES LEDGER`</td>
<td>10852</td>
</tr>
<tr>
<td>PHYSICAL INVENTORIES</td>
<td>10860</td>
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<tr>
<td>Duplicate Stores Records</td>
<td>10860.1</td>
</tr>
<tr>
<td>PURCHASED STORES INVENTORY</td>
<td>10861</td>
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<tr>
<td>LIST OF UNPAID STOCK RECEIVED REPORTS FOR FARMING AND PROCESSING OPERATIONS</td>
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<tr>
<td>LIST OF ACCOUNTS PAYABLE FOR FARMING AND PROCESSING OPERATIONS</td>
<td>10873</td>
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</tbody>
</table>

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<table>
<thead>
<tr>
<th>RELATED SPECIAL PROCEDURES</th>
<th>10890</th>
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</thead>
<tbody>
<tr>
<td>CLOTHING AND BED LINEN</td>
<td>10891</td>
</tr>
<tr>
<td>RETURNABLE CONTAINERS</td>
<td>10892</td>
</tr>
</tbody>
</table>
All state institutions financed by the General Fund and having a resident population will maintain a stores system. Such institutions will keep stock records for those commodities that are specified in Section 10851. Institutions may maintain stock records for additional materials and supplies and/or equipment to the extent they have time available. (See Section 10852.) To the extent that the stock records are kept, they will provide management tools for (1) regulating and controlling the uses of commodities and (2) establishing accountability for commodities. Also the stores system facilitates the annual determination of farming and processing costs.

These instructions pertain principally to purchased and donated stores. Certain instructions, however, (such as those relating to Requisitions, Section 10831; Direct Deliveries, Section 10832; and Physical Inventories, Section 10860) apply also to produced stores. For instructions related to produce stores only see SAM Chapter 10900.

Freight, cartage, and express charges invoiced separately will be charged to a special allotment under the function of administration. Service and handling charges for donated surplus materials, supplies, and food will be charged to the expenditure allotment that would be charged for the cost of such commodities if they were purchased commercially.
ESTIMATING AND ORDERING

(Revised 7/1975)

(See also SAM Sections 3550–59.)

The employee in charge of a function or sub-function at a state institution normally is delegated the task of requesting quarterly the materials and supplies that will be required for that function. The employee will request the commodities by submitting an Intra-Office Requisition (Local Request), Std. Form 5, to the business office. The number of units “on hand” (including those on order) will be shown for each commodity requested on the Std. Form 5. Requests will be placed quarterly to the greatest extent practical in order to concentrate purchases and obtain more favorable prices. Estimates for food supplies will be compiled in accordance with the established ration and the estimated population of the institution, after taking into consideration the inventories on hand and the estimated local production. The business office will review the requests and make modifications, if necessary. The business office will prepare Purchase Estimate, Std. Form 66, and Purchase Estimate Continuation Sheet, Std. Form 10, or Food Purchase Estimate Detail, Std. Form 11, for the items approved by the business manager. Items will be grouped on separate sheets as prescribed by the Office of Procurement, Department of General Services. Commodities will be priced for encumbrance purposes at latest purchase order prices unless more recent prices are available. Detail sheets will be summarized by allotment on Purchase Estimate, Std. Form 66. The completed estimate then will be sent to the accounting office. The accounting office will (1) check the adequacy of the budget allotment and (2) register the estimate as an encumbrance.

PURCHASE ORDERS

(Revised 8/1967)

(See also SAM Chapter 3500)

The Office of Procurement, after securing competitive bids and placing purchases with successful bidders, will forward copies of Purchase Orders, Form GSOP 8, to the

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institution. One copy will be filed with the accounting office and another copy with the storekeeper.
Produce (fresh fruit and vegetables) is purchased for state institutions by the Office of Procurement, Department of General Services. Purchase orders will provide for inspection of the produce by the United States Department of Agriculture or the California Department of Agriculture if the vendor and/or the ordering institution are in an area served by either of these departments. Wherever practical, inspections will be made at the institution. If they cannot be made there, they will be made at the point of origin or the vendor's establishment. If they are made at other than the institution, an inspection certificate will accompany the shipment.

Even though a shipment is accompanied by a certificate, the receiving institution may judge the commodities to be unacceptable. In this case the institution is to contact the Office of Procurement, Department of General Services, which will arrange for a re-inspection. If upon re-inspection the inspector finds that the produce meets specifications, the institution must accept the produce and pay for the cost of re-inspection. If the inspector finds that the produce does not meet the specifications, it is to be replaced and the vendor is to pay the cost of re-inspection.

If neither the institution nor the vendor is in an area served by either of the departments, the institution, upon receiving substandard produce, will contact the Office of Procurement for instructions on how to proceed. The Office of Procurement prefers that the institutions not contact the vendors directly.
The Stock Received Report will be the document authorizing the accounting office to schedule the vendor's invoice for payment. When the invoice is received covering the commodities purchased, it will be checked against the corresponding Stock Received Report and Purchase Order. If it differs from the Stock Received Report or Purchase Order, the invoice will be corrected to conform thereto. The vendor will be notified of such correction by Notice of Correction of Invoice, Std. Form 107. Information will be entered on the copy of the invoice retained by the agency sufficient to identify and permit reference to the Stock Received Report, the Purchase Order and the estimate to which the invoice relates. As each invoice is audited and determined to be proper for payment, the accounting office will write or stamp "Scheduled" on the related Stock Received Report to aid in insuring against payment of duplicate invoices.

The unit price of a commodity as shown on the Purchase Order is the maximum price which can be paid. Agencies will take advantage of cash discounts offered by vendors. Quantities accepted under any Purchase Order should not exceed the quantities stated therein except in cases where it was impractical to deliver the exact quantity. In such cases, the excess permissible will be limited to a reasonable amount. (See SAM 3566.2.)

If it becomes necessary to return certain goods for which Stock Received Reports have been issued, their return will be recorded on Returned Stock Report, Std. Form 108. A copy of this report will be sent immediately to the accounting office. The accounting office will request a refund or credit memorandum from the vendor. Returned Stock Reports will be filed with the Stock Received Reports.

Vendors' invoices will be posted at net purchase price (after deducting cash discounts) to the Allotment Expenditure Ledger cards for the appropriate allotments.
The storekeeper will record on Stock Received Report, **Std. Form 106**, the receipt of goods immediately upon delivery. This document will be prepared in duplicate. The original will be sent to the accounting office. The duplicate will be retained by the storekeeper. Std. Form 106 will show from whom the goods were received, date of their receipt, Purchase Order number, estimate number, how received, car number in case of carload shipments, and the name and quantity of each article received. If, when goods are received, the storekeeper discovers that the vendor has shipped goods not in accordance with the terms of the Purchase Order, he will promptly notify the business manager of the fact and ask for disposition of the shipment. Daily, the storekeeper will sign all Stock Received Reports covering goods received and forward them to the accounting office. The practice of direct delivery of materials to points other than the stores warehouses should be avoided whenever possible. The storekeeper will check carefully all materials received.

The accounting office will check the numerical sequence of the Stock Received Reports to verify that all the Stock Received Reports have been received from the storekeeper. The Stock Received Reports then will be posted to the Purchased Stores Ledger. The documents then will be kept in an open file pending receipt of the vendor’s invoice. The Stock Received Reports will be filed in numerical sequence after the vendors’ invoices have been scheduled for payment. The amount of goods on order but not received can be determined directly from the copy of the Purchase Order furnished to the accounting office. All unfilled Purchase Orders will be held in an open file. When goods are received, the accounting office will check off on the Purchase Order the items received and show on the Purchase Order the number of the Stock Received Report on which the receipt of the goods was recorded. If the shipment completely fills the order, the Purchase Order will be transferred from the open to the completed Purchase Order file. If the shipment only partially completes the order, then the Purchase Order will be retained in the open file. Thus, the open Purchase Order file will show at all times the goods which have been ordered but not received.
The storekeeper will record the receipt of commodities that are donated to the institution on Stock Received Report, Std. Form 106. These Stock Received Reports will be clearly identified as being for donated stores. The original will be sent to the accounting office. The duplicate will be retained by the storekeeper.

Stock Received Reports for donated items for Farming and Processing allotments only will be entered in the Donated Farm Stores Received Register after they have been priced by the accounting office. Stock Received Reports for such donated items received from the State Educational Agency for Surplus Property will be priced to show both the fair value and the service and handling charge assigned by the State Educational Agency for Surplus Property. Assistance in pricing other donated farm stores may be obtained from the Office of Procurement. The value used in a given instance will depend on the source of the donations. Stock Received Reports for other donated items will not be priced or entered in the Donated Farm Stores Received Register. Service and handling charges for donated surplus materials, supplies, and food will be charged to the expenditure allotment that would be charged for the cost of such commodities if purchased commercially.

The Stock Received Reports then will be posted to the Purchased Stores Ledger. At the end of each month the Stock Received Reports for donated stores for the month will be arranged in numerical sequence (together with Stock Received Reports for purchased stores), fastened together, and filed.

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Priced Stock Received Reports for all donated items for farming and processing enterprises will be recorded in the Donated Farm Stores Received Register during the fiscal year (see SAM Section 10822). As of June 30 the total net value (fair value less charges) of such items issued during the year will be determined from this register in order to prepare the Worksheet–Farming and Processing Operating Expenses (see SAM Section 10990). Only Stock Received Reports for donated items for farming and processing enterprises will be priced and recorded in this register. The register is illustrated below.

**DONATED FARMS STORES RECEIVED REGISTER**

<table>
<thead>
<tr>
<th>Stock Received Report Number</th>
<th>Fair Value ($)</th>
<th>Charges ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>203</td>
<td>100</td>
<td>10</td>
</tr>
<tr>
<td>900</td>
<td>75</td>
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</tr>
<tr>
<td>954</td>
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<td>55</td>
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<tr>
<td>1299</td>
<td>200</td>
<td>30</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td><strong>1000</strong></td>
<td><strong>120</strong></td>
</tr>
</tbody>
</table>

$120 ÷ $1,000 = 12%

Net Value of Donations Received:

$1,000 - $120 = $880

**PRODUCED STORES**

(Revised 8/1970)
Farm products will be accounted at the time they are harvested or otherwise produced. Farm unit heads will prepare a Production Advice form, showing description and quantity of commodities produced. The storekeeper will verify the accuracy of the Production Advice form, sign it, and send one copy to the accounting office where it will be priced and entered in the Production Advice Register and on a Stock Record similar to sample shown in SAM Section 10960, in the Produced Stores Ledger. For details see SAM Section 10920.
Materials will be issued from the storeroom on approved requisitions only. A person requiring stores items will prepare an Order for Storeroom Supplies, Std. Form 115, in triplicate. He will show the date the requisition, department, or account to be charged and the name and quantity of each article ordered. Then he will sign the requisition, send the original and duplicate copies to the approving officer, and retain the triplicate copy until the storekeeper has filled the requisition. When the goods are received, the person who ordered them will check the quantity received, sign the receipt portion of the triplicate copy, and send it to the accounting office.

The approving officer will send both original and duplicate copies of the requisition to the storekeeper.

The storekeeper will fill the approved requisitions. He will number all filled requisitions in sequence, using a new series of numbers each month. He will sign and send the original copies of filled requisitions to the accounting office daily. He will file the duplicate copy.

The accounting office will compare the original copy of the requisition, received from the storekeeper, with the triplicate copy, received from the person that prepared the requisition. The triplicate copy will be filed by department. The original copy will be posted to the stores ledger cards. After all the requisitions filled during the month have been posted, the original copies will be arranged according to the number assigned to them by the storekeeper, fastened together, and filed.

SUB-STOREROOMS
(Revised 8/1970)

The requisition procedure will be used for those commodities that are stored in a sub-storeroom under the custody of an employee other than the user. Such custodian will render the physical inventories stock on hand that are required by SAM Section 10860. An example of such a sub-storeroom is a cold-storage room in which meat and other...
products are under the custody of a butcher, who does not cook. In the case of meats, the butcher will prepare periodically an Order for Storeroom Supplies Std. Form 115, for the scraps and waste after they actually have been weighed. Normally an inventory adjustment for meat will be necessary each time a physical inventory is taken because of meat shrinkage. Abnormally large adjustments will be checked thoroughly by the business manager or a designated subordinate.
Certain classes of commodities, such as fresh fish, fresh vegetables, and milk, will not be stored but will be issued directly as received to units for which ordered.

The storekeeper will prepare a Receipt for Direct Deliveries, Std. Form 115A as a carbon copy of the Stock Received Report, Std. Form 106, for direct delivered items. The Stock Received Report number will be shown the Receipt for Direct Deliveries. The unit head who ordered the goods will check the quantity received, on the Receipt for Direct Deliveries, and send it to the accounting office. The accounting office will compare the signed Receipt for Direct Deliveries with the Stock Received Report. The Receipts for Direct Deliveries may be filed by allotment for management purposes after they have been compared to the Stock Received Reports.

Stock records will not be kept for direct delivered items when the institution assumes for custody purposes that the items are used as soon as received. Institutions may keep stock records on items delivered directly to the point of use if they wish to hold the recipient of the materials accountable therefor until actually uses the materials and is relieved of accountability by a usage report reviewed and approved by his supervisor.

Stock records will be kept for materials and supplies that are purchased or donated for the following allotments of the General Fund: Feeding, Clothing, Housekeeping, Laundry, Personal Care, and allotments of the Farming and Processing function. These
stock records are required of all state institutions that have resident population supported by the General Fund and will be referred to as the Purchased Stores Ledger.

Stock Record will be kept for these materials and supplies even though the item cannot be stored under the personal custody of the storekeeper. (See SAM Section 10832, Direct Deliveries, for items that are delivered to the custody of the user.) The stock records will be arranged within the Purchased Stores Ledger according to the allotments specified above.
MEMORANDUM STORES LEDGER 10852

(Revised 12/1973)

Each institution may, to the extent it has personnel available, maintain stock records for materials and supplies and/or equipment that are not specified in SAM Section 10851. This portion of the stock records, which is discretionary with the business manager and departmental headquarters, will be referred to as the Memorandum Stores Ledger. (See SAM Section 10860 for physical inventories of these items.)

Materials and supplies and equipment items purchased for capital outlay projects may be included in the Memorandum Stores Ledger for custody purposes.
At least once every three months a designated employee, preferably not the storekeeper or custodian of the property, will take a complete physical inventory of those commodities that are required to be accounted in the Purchased Stores Ledger (see SAM Section 10851). If it is unavoidable for other than the storekeeper or custodian to take the inventory, a realistic spot-verification of the inventory taking will be made by another employee designated by the business manager. The inventory may be taken on a cycle basis; i.e., one-third each month. Agencies may take a complete physical inventory once a month if their experience indicates that the monthly period is less time-consuming in the end because in their case the greater time required to trace errors on a quarterly basis outweighs the time saved in taking less frequent physical inventories. A detailed inventory plan similar to that described in SAM 8600 for equipment will be established and administered by the business manager.

The inventory will be taken after the storekeeper fills all the requisitions he can fill during the month. The person taking the inventory will sign the inventory listing and send it to the accounting office. The accounting office will compare the physical inventory to the book inventory. The accounting office will verify the recount of any items that are not in agreement. Any differences which cannot be located will be listed, together with any pertinent explanation, and sent to the business manager. The business manager, after he has satisfied himself as to the propriety of the adjustments, will authorize the adjustment of the stock records by signing the list of inventory adjustments and returning it to the accounting office. The accounting office will post the adjustments authorized by the business manager to the Purchased Stores Ledger and will retain the signed list.

Sheets for recording the inventory count can be prepared by (1) typing a list of items from the stores ledger leaving blank spaces as necessary for additional items and (2) duplicating the listing by mimeograph, ditto, etc.

At least once a year a physical inventory will be taken of those materials and supplies that are accounted in the Memorandum Stores Ledger. (See SAM Section 10852.)
These inventories may be taken during the year as time permits. The accounting office and the business manager will give these inventories the same attention and provide for the same internal control as described above for the inventories of the Purchased Stores Ledger.

(Continued)
PHYSICAL INVENTORIES

To the extent time can be made available, business managers will require that controlled inventories be taken once a year of materials and supplies that are not accounted in either the Purchased Stores Ledger or the Memorandum Stores Ledger. Sectional inventories may be taken without regard to the time inventories of other unrelated materials and supplies are being taken. The person taking the inventory will sign the inventory to indicate that it includes all the materials and supplies, as of the inventory dates, that are not accounted in a stores ledger. These inventories will be reviewed to determine that the quantities on hand are consistent with the institution’s needs. The business manager will notify the departmental headquarters of any excessive inventory for possible sale to other institutions. Receipts from such sales will be accounted as reimbursements.

DUPLICATE STORES RECORDS

Storekeepers and custodians of commodities will not establish or maintain stores ledger cards or stock records that duplicate official records required to be maintained by the accounting office. The accounting office Purchased Stores Ledger, Produced Stores Ledger, and Memorandum Stores Ledger will be used to determine usage or indicate re-order points if the agency finds such determination or notation necessary. Bin cards for significant items may be maintained by storekeepers and custodians, if essential. Bin cards are merely an indication to storekeeping personnel of the quantity of the item available. Bin cards will not identify the cost or value of the items or identify receipt or issuance documents. Bin cards will not be used or given any recognition in taking physical inventories.
Purchased Stores Inventory materials and supplies on hand at the end of the fiscal year that belong to institutional farming and processing operations will be priced. Materials and supplies on hand that relate to other operations will not be priced.

The inventory will be priced by (1) multiplying the units on hand by the appropriate unit price as described in the next paragraph, (2) recording the result of this multiplication under the last balance in a stock record for the commodity, (3) running a tape to determine the value of all the commodities, and (4) adding 5% for sales or use tax to the amount determined, if appropriate.

Unit prices to be used are as follows:

1. Use the price shown on the latest purchase order prior to June 30.
2. If items posted to the Purchased Stores Ledger card consist solely of donated federal surplus property, use the fair value shown on the latest invoice from the Department of Education.
3. If items posted to the Purchased Stores Ledger card consist of both (a) federal surplus property and (b) purchased or other donated items, use the price shown under either "1" or "2", whichever is more appropriate.
The Stock Received Reports for farming and processing materials and supplies that have been received but not scheduled for payment by June 30 will be listed each year. The preparation of this list will simplify if it is prepared promptly at the end of the fiscal year. A List of Unpaid Stock Received Reports for Farming and Processing Operations is illustrated on the following page.

Every unpaid farming and processing Stock Received Report listed will be compared to the List of Accounts Payable for such materials and supplies. (See SAM 10873.) This comparison will be made in order to identify the unpaid Stock Received Reports for those materials and supplies that have been received by June 30 and that will be charged to the next year’s appropriations. This identification is necessary in order to prepare the Worksheet–Farming and Processing Operating Expenses. (See SAM 10990.) It will be made by checking off those Stock Received Report numbers on the List of Unpaid Stock Received Reports which are shown on the List of Accounts Payable.

An adjustment will be made in the Worksheet–Farming and Processing Operating Expenses (Section 10990) for the materials and supplies that have been received by June 30 but will be charged to next year’s appropriation. The amount of this adjustment will be determined by (1) pricing the unchecked, unpaid Stock Received Reports in the same manner that the Purchased Stores Inventory will be priced (see SAM 10861) and (2) analyzing these priced unpaid Stock Received Reports by operation, such as Farm General or Hog Ranch. See illustration on following page.
### LIST OF UNPAID STOCK RECEIVED REPORTS

<table>
<thead>
<tr>
<th>Report No.</th>
<th>Chargeable to Current or Prior Fiscal Years (See Section 1687)</th>
<th>Chargeable to Next Fiscal Year's Appropriation (Advance Deliveries)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2606</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2607</td>
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<td>2633</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2634</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Total**: 50

**Total**: $1,500

---

(1) For materials and supplies only.

(2) Amounts in this column will be reported in column 4 of the Worksheet -- Farming and Processing Operating Expenses (Section 19999).
LIST OF ACCOUNTS PAYABLE FOR FARMING
AND PROCESSING OPERATIONS  10873
(Rev. 5/1987)

SAM Chapter 10500 requires that accounts payable as of June 30 be listed by allotment and appropriation but prescribes no specific form. That instruction regarding the form of the list also applies to institutions with farming and processing operations for all of their allotments except Farming and Processing. For this allotment the List of Accounts Payable for Farming and Processing Operations illustrated on the following page is prescribed.

Every account payable for farming and processing materials and supplies will be compared with the Stock Received Reports listed on the List of Unpaid Stock Received Reports. (See SAM 10872.) This comparison will be made in order to identify the accounts payable for those materials and supplies that will be charged to current or prior year appropriations but that have not been received by June 30. This identification will be made by checking off the Stock Received Report numbers on the List of Unpaid Stock Received Reports and at the same time noting the Stock Received Report numbers on the List of Accounts Payable.

Adjustments will be made in the Worksheet–Farming and Processing Operating Expenses (See SAM 10990) for the amounts of the materials and supplies that are on order for current or prior year appropriations but which have not been received by June 30. The amounts of these adjustments will be determined by analyzing by operation, such as Farm General or Hog Ranch, accounts payable for materials and supplies for which a Stock Received Report number is not indicated.
# SAM – INSTITUTIONAL STORES ACCOUNTING

## LIST OF ACCOUNTS PAYABLE

### FOR FARMING AND PROCESSING OPERATIONS

<table>
<thead>
<tr>
<th>Documents</th>
<th>Encumbrances</th>
<th>Accounts Payable</th>
<th>Stock Received Report Nos. for Items Received by June 30</th>
<th>Materials and Supplies Ordered But Not Received as of June 30 (Purchased Stores Inventory in Transit)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Section A: July Transactions</strong></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>C Sch.</td>
<td>100</td>
<td>100</td>
<td>75</td>
<td>1506,2510,873</td>
</tr>
<tr>
<td>C C</td>
<td>100</td>
<td>100</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>Controller’s Transfer No.</td>
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<td>5,000</td>
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<tr>
<td>C Sch.</td>
<td>250</td>
<td>250</td>
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<td>115</td>
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<tr>
<td>C Sch.</td>
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<tr>
<td>C Sch.</td>
<td>500</td>
<td>500</td>
<td>400</td>
<td>390</td>
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<tr>
<td>C Sch.</td>
<td>4,000</td>
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<tr>
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<td>C Sch.</td>
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<tr>
<td>C Sch.</td>
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<td>C Sch.</td>
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<td>C Sch.</td>
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<tr>
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<tr>
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<tr>
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</tr>
<tr>
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<td>6,000</td>
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</tr>
<tr>
<td>C Sch.</td>
<td>3333</td>
<td></td>
<td>100</td>
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</tr>
</tbody>
</table>

### Section B: Valid Encumbrances Outstanding

| P. O. | 3,000 | 3,000 | | |
| P. O. | 1,000 | 1,000 | 900 | 900 |
| Sub P. O. | 400 | 400 | 400 | 400 |
| F. O. | 2,000 | 2,000 | | |
| P. O. | 8,000 | 8,000 | 7,000 | 7,000 |
| P. O. | 200 | 200 | | |
| P. O. | 400 | 400 | 400 | 400 |
| P. O. | 900 | 900 | | |

### Section C: Encumbrances Outstanding on the “Accrual Date” which are not valid encumbrances of the fiscal year just ended

| Ext. | 500 |
| Ext. | 300 |
| Ext. | 8,000 |

### Totals

- Current Appropriation: 85,000
- Support Appropriation for Prior (prior) Fiscal Year: 1,500

### Totals

- Prior Appropriation: 5,000
- Grand Total all General Fund Appropriations: 30,000

**Footnote:** Amounts in this column will be reported in column 8 of the Worksheet — Farming and Processing Operating Expenses (Section 9950).

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CLOTHING AND BED LINEN

Clothing (including shoes) and linen, such as sheets, pillow slips, and towels, made at the institution will be accounted in the Purchased Stores Ledger. Requisitions for raw materials issued to the sewing room will be posted to the stock record for the raw material. The major component material in the finished article, such as cloth for dresses, will be recorded on a work order. Stock records will not be kept for work-in-process.

Stock records for finished articles will be posted from the work orders.
<table>
<thead>
<tr>
<th>Index Category</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>GENERAL</td>
<td>10900</td>
</tr>
<tr>
<td>PRODUCTION RECORDS</td>
<td>10920</td>
</tr>
<tr>
<td>PRODUCTION ADVICES REGISTER</td>
<td>10921</td>
</tr>
<tr>
<td>REQUISITIONS FOR STORES</td>
<td>10930</td>
</tr>
<tr>
<td>RAW PRODUCTS PROCESSED</td>
<td>10940</td>
</tr>
<tr>
<td>SALE OF SURPLUS PRODUCTS</td>
<td>10950</td>
</tr>
<tr>
<td>PRODUCED STORES LEDGER</td>
<td>10960</td>
</tr>
<tr>
<td>ANALYSIS OF PRODUCED STORES ISSUED</td>
<td>10980</td>
</tr>
<tr>
<td>REPORT OF FARMING OPERATIONS</td>
<td>10990</td>
</tr>
<tr>
<td>LIVESTOCK INVENTORIES REPORT</td>
<td>10991</td>
</tr>
<tr>
<td>Livestock Inventories</td>
<td>10991.1</td>
</tr>
<tr>
<td>Equipment Records</td>
<td>10991.2</td>
</tr>
<tr>
<td>ADJUSTMENT FOR SALARIES AND WAGES</td>
<td>10992</td>
</tr>
<tr>
<td>DISTRIBUTION OF STABLE AND TRACTOR</td>
<td>10993</td>
</tr>
<tr>
<td>Charge For Tractor Usage</td>
<td>10993.1</td>
</tr>
<tr>
<td>REPORT OF FARMING OPERATIONS</td>
<td>10994</td>
</tr>
</tbody>
</table>
Farming and processing operations are conducted at institutions to (1) produce commodities at less than market prices and (2) provide healthful and beneficial employment for inmates.

Procedures contained in SAM Sections 10900–10999 are to be used only by those institutions with farming and processing units that are financed by the General Fund.

Instead of keeping separate Allotment-Expenditure Ledger cards for each farming and processing unit, institutions may maintain allotments as follows:

- **Salaries and Wages**: Quarterly for all units combined
- **Operating Expenses**: Annual for all units combined
- **Equipment**: Annual for all units combined

If this procedure is followed:

1. Data will be reported for all units combined on Monthly Budget Report, Std. Form 584.

2. Expenditure postings to the Allotment-Expenditure Ledger will be coded to permit reporting these expenditures by farming or processing unit on the Report of Farming Operations, Form BD–59. (See SAM Section 10990.) Also, the value of (1) purchased stores and produced stores issued to each farming or processing unit and (2) the local production of each farming and processing unit will be reported in this report. Forms BD–59 can be obtained by contacting the Budget Division, Department of Finance.

Department of Finance approval is not required to transfer between operating expense allotments of farming and processing units.
The accounts for farming and processing operations are maintained to (1) furnish information as to the value of products and direct costs of production, (2) provide a custody control over the commodities produced and (3) account for the use of the commodities as an element of the cost of operating the institution.
Farm products will be accounted as additions to inventory at the time they are harvested or otherwise produced. Farm products will be valued at prices approximating current market prices.

Farm unit heads will prepare Production Advice form, showing description and quantity of commodities produced. Commodities will be considered to be produced when they have been processed to the point where they become available for (1) use by the kitchen or by a processing unit for consumption in production or (2) sale. For example, the dairyman will itemize on a Production Advice the number of gallons of cream, skim milk and whole milk produced. Similarly, the hog ranch operator will itemize on a Production Advice the number of pounds of dressed pork produced.

The storekeeper will verify the accuracy of a Production Advice, sign it, and send one copy to the accounting office. Production Advices, insofar as practicable, will be prepared promptly when crops are harvested or commodities are produced, so as to permit a prompt verification of quantities. For certain commodities, the harvest of which involves a constant flow or series of deliveries, memorandum records may be made of deliveries which will be summarized on monthly Production Advices, provided that the storekeeper has the opportunity to verify quantities of deliveries.

The accounting office will price the Production Advices at the market price current at the time of production. The accounting office will request the Office of Procurement to furnish prices of commodities produced that are not otherwise available. Production Advices will be entered in the Production Advices Register. Production will be analyzed by producing enterprise in the Production Advices Register. The items on the Production Advice will be posted to a Stock Record similar to the sample shown in SAM Section 10960.

The accounting office will register the Production Advices after they have been priced (see SAM Section 10920). The Production Advices Register will be analyzed by producing unit. This register will be the source of the amounts shown as Credit for Production in the annual Report of Farming Operations. An illustration of this register is shown below.

Products of institution farming and processing units are valued uniformly from price bulletins issued by the Office of Procurement, except that products sold as surplus are valued at selling prices. Local production is credited to the various farming and
processing units at time of production for the purpose of evaluating the productivity and economic worth of farm enterprises.

(Continued)
(Continued)

**PRODUCTION ADVICES REGISTER**  
10921 (Cont. 1)

(Revised and Renumbered 2/1965)

PRODUCTION ADVICES REGISTER

Year Ending June 30, 19

<table>
<thead>
<tr>
<th>Production Advice No.</th>
<th>Total Local Production</th>
<th>Farm General</th>
<th>Hog Ranch</th>
<th>Orchard</th>
<th>Vegetable Garden</th>
<th>Stable and Tractor</th>
<th>Food Processing</th>
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<td>500</td>
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<td></td>
<td></td>
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</tr>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>1,000</td>
</tr>
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<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>20</td>
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<td></td>
<td></td>
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</table>

<table>
<thead>
<tr>
<th>Production Advice No.</th>
<th>Total Local Production</th>
<th>Farm General</th>
<th>Hog Ranch</th>
<th>Orchard</th>
<th>Vegetable Garden</th>
<th>Stable and Tractor</th>
<th>Food Processing</th>
</tr>
</thead>
<tbody>
<tr>
<td>1201</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>900</td>
<td></td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td><strong>180,000</strong></td>
<td><strong>6,000</strong></td>
<td><strong>15,000</strong></td>
<td><strong>5,000</strong></td>
<td><strong>70,000</strong></td>
<td><strong>4,000</strong></td>
<td><strong>80,000</strong></td>
</tr>
</tbody>
</table>
Produced stores, like purchased stores, will be issued on the basis of approved requisitions only. Identical procedures will be followed for both produced and purchased stores requisitions. (See SAM Section 10830.) Both types of stores may be requested on the same Order for Storeroom Supplies, Std. Form 115. See SAM Section 10980 for pricing issues.

Deliveries of large quantities of certain purchased and/or produced commodities to various farm units to meet the units’ requirements for a substantial period of time will not be accounted as an issue. These commodities will be accounted as inventory. Only the quantity consumed each month, as reported on requisitions by the various farm units, will be accounted as an issue. Requisitions will be posted to the stores cards for the quantity consumed. Various farm unit heads will report monthly to the accounting office (1) feeds received, consumed, and on hand, (2) livestock inventories, and (3) other data as required.

Processing units will prepare and be charged with requisitions for purchased and/or produced stores they receive.

Processing units will prepared Production Advices for commodities they produce. These advices will be accounted in the same manner as production advices for farm products. (See Section 10920.)

The separation, pasteurization, and homogenization of milk will not be considered a processing operation regardless of where it is performed at the institution. Whole milk, cream, and skim milk will be considered products of the dairy. The manufacture of butter and cheese will be considered a processing operation. The dairy products put into process will be charged to the processing unit and the butter and cheese produced will be accounted as products of the processing unit. This procedure will be followed even though the processing operations are performed by the dairy.
Dressed pork and by-products will be considered products of the hog ranch. The manufacture of hams, bacon, and other commodities made from pork will be considered a processing operation. The pork put in process will be charged to the processing unit and the ham, bacon, or other commodities will be accounted as products of the processing unit.
Sections 11330 to 11335, Government Code, require institutions that have products in excess of their needs to notify the Department of General Services. Such notice will be prompt and, if possible, in anticipation of the actual availability of the product. In certain specific instances, advance approval is given by the Department of General Services for selling of livestock.

Surplus products sold to other institutions or private persons will be priced on Production Advices at actual sales price. If products are sold that have been accounted on a Production Advice at a different price, a supplemental Production Advice will be prepared to adjust their valuation to the sales price. These adjustments will be accounted as production for the period in which the supplemental Production Advice is prepared. For example, price adjustments for products produced in one fiscal year and sold at a different price in a subsequent fiscal year will be accounted as production (plus or minus) for the subsequent fiscal year.

The accounting office will prepare requisitions for local products that are sold.

Section 11334, Government Code, specifies that the proceeds will augment the appropriation that is current when the agency receives the proceeds. See SAM Section 10506 and Section 10507 for entries used to account sales of surplus products.
Stock records will be kept for products that are produced locally by farming or processing units operated by the General Fund.

The quantity and value of items produced will be posted from the Production Advice form to stock records for the products.

The quantity of farm products issued will be posted from the Requisition for Storeroom Supplies, STD. Form 115, to stock records for the products. The "Issued" portion of the stock record for produced stores will include three analysis columns; (1) Feeding; (2) Production; (3) Sold. Postings to the "Production" column will be coded to indicate consuming unit.

At the end of each fiscal year the values of (1) the ending inventory and (2) farm products issued to each consuming unit will be determined for each farm product. These values will be determined as follows:

1. An average unit price will be determined for each farm product by adding the value on hand at the beginning of the year and the value produced during the year and dividing this total value by the total of the quantity on hand at the beginning of the year and quantity produced during the year.

2. The value of each farm product on hand will be determined by multiplying the quantity on hand at the end of the year by the average unit price. The value of each farm product issued for feeding will be determined by multiplying the total quantity issued for feeding by the average unit price.

The value of each farm product sold will be determined similarly. The value of each farm product issued to each consuming unit other than feeding and surplus sales will be determined similarly except that before the multiplication can be made the quantity issued to each of these consuming units will be determined from the coded postings in the "Production" column of the "Issued" portion of the stock record. See Section 10980 for summarizing the value of all farm products issued to each consuming unit.
An adjustment will be made for odd cent differences. The amount of this adjustment will be determined for each farm product by comparing the sum of the value of the ending inventory and the value of units issued with the sum of the value of the beginning inventory and the value of units produced. The amount of any odd cent differences will be added or subtracted for each farm product to either the value of the ending inventory or the value of the major consuming unit whichever is the larger.

(Continued)
Physical inventory adjustments for produced stores will be charged or credited to the consuming unit in proportion to use of the particular product. The method of taking physical inventories and reviewing inventory adjustments, is the same as for purchased stores (see SAM10860).
# SAM – INSTITUTIONAL FARMING AND PROCESSING OPERATIONS

## Illustration

**Figure 1 Stock records**

<table>
<thead>
<tr>
<th>Date</th>
<th>Document</th>
<th>Quantity</th>
<th>Value</th>
<th>Production</th>
<th>Sale</th>
<th>Hand</th>
</tr>
</thead>
<tbody>
<tr>
<td>6-18</td>
<td>Potato</td>
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<td>100</td>
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<td></td>
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<tr>
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<td>Potato</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>7-28</td>
<td>Potato</td>
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</tr>
<tr>
<td>8-17</td>
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</tr>
<tr>
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<td>Potato</td>
<td>100</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Each amount is the sum of that column for the year.
- Average unit price: \( \frac{100}{200} = 0.50 \)
- These values determined by multiplying the various quantities by the average unit price.
- Consuming units other than feeding and surplus sales.

Rev. 323

(10960 Illustration 1)
### Analysis of Produced Store Issues

<table>
<thead>
<tr>
<th>Category</th>
<th>Total Stored Issues</th>
<th>Quantity of Issues</th>
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<tr>
<td><strong>General</strong></td>
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<td></td>
</tr>
<tr>
<td><strong>Veggie</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Dairy</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Meat</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Egg</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Fish/Chick</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Others</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
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<td></td>
</tr>
</tbody>
</table>

**Figure 2** Analysis of produced store issue

**Rev. 323**

*(10960 Illustration 2)*
SAM – INSTITUTIONAL FARMING AND PROCESSING OPERATIONS
(WORKSHEET ILLUSTRATION) See next page for explanation, Section 10990

WORKSHEET-FARMING AND PROCESSING OPERATING EXPENSES (CURRENT) F.Y.

<table>
<thead>
<tr>
<th>Operating Expenses Allotment</th>
<th>Purchased Stores Inventory (Beginning of FY)</th>
<th>Purchased Store Inventory-In transit (Beginning of FY)</th>
<th>Appropriation Expenditures, (Current FY)</th>
<th>Advance Deliveries (End of FY)</th>
<th>Net value of Donated Stores Received (Current FY)</th>
<th>Sub-Total</th>
<th>Purchased Stores Inventory (Current FY)</th>
<th>Purchased Stores Inventory-In transit (End of FY)</th>
<th>Advance Deliveries (Beginning of FY)</th>
<th>Operating Expense (Current FY)</th>
</tr>
</thead>
<tbody>
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<td>200</td>
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<td>0</td>
<td>16,000</td>
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<tr>
<td>Operating Expenses Allotment</td>
<td>Purchased Stores Inventory (Beginning of FY)</td>
<td>Purchased Store Inventory In transit (Beginning of FY)</td>
<td>Appropriation Expenditures, (Current FY)</td>
<td>Advance Deliveries (End of FY)</td>
<td>Net value of Donated Stores Received (Current FY)</td>
<td>Sub-Total</td>
<td>Purchased Stores Inventory (Current FY)</td>
<td>Purchased Store Inventory In transit (End of FY)</td>
<td>Advance Deliveries (Beginning of FY)</td>
<td>Operating Expense (Current FY)</td>
</tr>
<tr>
<td>-----------------------------</td>
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<td>-------------------------------------------------</td>
<td>-----------------------------------</td>
<td>--------------------------------</td>
<td>---------------------------------------------</td>
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<td>-----------------------------------</td>
<td>-----------------------------</td>
<td>----------------------------------</td>
<td>-----------------------------</td>
</tr>
<tr>
<td>Stable &amp; Tractor</td>
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<td>3,000</td>
<td>900</td>
<td>0</td>
<td>4,300</td>
<td>0</td>
<td>700</td>
<td>500</td>
<td>3,100</td>
</tr>
<tr>
<td>Feed Processing</td>
<td>3,000</td>
<td>500</td>
<td>17,000</td>
<td>200</td>
<td>1,000</td>
<td>21,700</td>
<td>100</td>
<td>400</td>
<td>200</td>
<td>21,000</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td><strong>8,000</strong></td>
<td><strong>2,600</strong></td>
<td><strong>49,000</strong></td>
<td><strong>1,500</strong></td>
<td><strong>1,600</strong></td>
<td><strong>62,700</strong></td>
<td><strong>3,000</strong></td>
<td><strong>1,600</strong></td>
<td><strong>900</strong></td>
<td><strong>57,200</strong></td>
</tr>
</tbody>
</table>

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*(10960 Illustration 2, Cont. 1)*
1) These will be the amounts used in 7 below at the end of the prior year.

2) These will be the amounts used in 8 below at the end of the prior year.

3) The appropriation expenditures for operating expenses, after posting end of year accruals, during the fiscal year just ended from the appropriation for that period. These will be determined from the Allotment Expenditure Ledger.

4) The value of advance deliveries of materials and supplies that were delivered by June 30 and that are chargeable to next year's appropriation. These will be determined by analyzing the unpaid stock received reports as of June 30 to determine the values of those stock received reports which will be settled by next year's appropriation.

5) The net value (fair value less charges) of donated materials and supplies received during the fiscal year. These will be determined by pricing and registering stocks received reports for donated materials and supplies.

6) The sum of the first five columns.

7) The value of the ending stores inventory for each farm enterprise. These amounts will be determined by pricing the units on hand (per stock records after inventory adjustments of each commodity).

8) Accounts payable for materials and supplies that had not been delivered as of the end of the fiscal year of each for each farming enterprise although they were valid accounts payable under Rule 610 of the Board of Control. These amounts will be determined by analyzing the accounts payable to determine the value of materials and supplies on order and chargeable to the current or prior year's appropriation but which have not been delivered as of June 30.

9) These will be the amounts used in 4 above at the end of the prior year.

10) Column 6 minus column 7, 8, 9.

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*(10960 Illustration 2, Cont. 1)*
The value of produced stores issued to each consuming unit will be determined annually by preparing from the Produced Stores Ledger (see Section 10960) an Analysis of Produced Stores Issued. The totals of the Consumed in Production columns will be reported as Produced Stores Consumed in Production in the annual Report of Farming Operations. (See SAM 10994). The column headed Produced Stores Inventory, June 30, 19____ is included in this analysis as a convenient means of preserving an identified detail listing of produced stores inventory. (See preceding page for illustration of analysis form.)

The accounting office of each institution operating General Fund farming and processing units will prepare an annual Report of Farming Operations, Form BD–59. (See SAM 10994). This report will show for each farming and processing unit (1) net credit for production, (2) direct production expenses and (3) the difference between the net credit for production and the direct production expenses. See illustration of Worksheet–Farming and Processing Operating Expenses on a preceding page for method of determining operating expenses for Farming and Processing enterprises.

The credit for production portion of the farming report will be adjusted for the changes in value of livestock inventories. This adjustment will be referred to as "Natural Increase–Livestock Inventories" in the farming report (see Section 10990). An increase in value of livestock will increase the net credit for production. Conversely, a decrease in the value of livestock will decrease the net credit for production. The amount of this adjustment will be the amount shown on the annual Livestock Inventories Report from the reports required in Section 10991.1. The inventories will be priced as current market value. See the illustration of Livestock Inventories Report on the next page.
### LIVESTOCK INVENTORIES REPORT

**Livestock Inventories**
**As of June 30, 19**

<table>
<thead>
<tr>
<th></th>
<th>Price</th>
<th>Number</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Hog Ranch</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hog, Fat</td>
<td>$15.00</td>
<td>15</td>
<td>$225.00</td>
</tr>
<tr>
<td>Hog, Feeder (over 100 lbs)</td>
<td>10.00</td>
<td>16</td>
<td>160.00</td>
</tr>
<tr>
<td>Hog, Feeder (under 100 lbs)</td>
<td>7.00</td>
<td>20</td>
<td>140.00</td>
</tr>
<tr>
<td>Pigs, Weaned</td>
<td>5.90</td>
<td>24</td>
<td>133.60</td>
</tr>
<tr>
<td>Pigs, Barrow</td>
<td>1.40</td>
<td>60</td>
<td>84.00</td>
</tr>
<tr>
<td>Sows, Brood</td>
<td>55.00</td>
<td>25</td>
<td>1375.00</td>
</tr>
<tr>
<td>Goats</td>
<td>100.00</td>
<td>3</td>
<td>300.00</td>
</tr>
<tr>
<td><strong>Total Hog Ranch</strong></td>
<td></td>
<td></td>
<td>$2628.00</td>
</tr>
<tr>
<td><strong>Stable</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Horses, Work</td>
<td>$167.00</td>
<td>2</td>
<td>$334.00</td>
</tr>
<tr>
<td>Horse, Work</td>
<td>200.00</td>
<td>5</td>
<td>1000.00</td>
</tr>
<tr>
<td>Horse, Work</td>
<td>725.00</td>
<td>1</td>
<td>725.00</td>
</tr>
<tr>
<td>Horses, Saddle</td>
<td>150.00</td>
<td>1</td>
<td>150.00</td>
</tr>
<tr>
<td>Horses, Saddle</td>
<td>200.00</td>
<td>4</td>
<td>800.00</td>
</tr>
<tr>
<td>Horse, Saddle</td>
<td>300.00</td>
<td>2</td>
<td>600.00</td>
</tr>
<tr>
<td><strong>Total Stable</strong></td>
<td></td>
<td></td>
<td>$3252.00</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td></td>
<td></td>
<td>$5880.00</td>
</tr>
</tbody>
</table>

### II. NATURAL INCREASE - LIVESTOCK INVENTORIES
**For the _____ Fiscal Year**

<table>
<thead>
<tr>
<th></th>
<th>Hog Ranch</th>
<th>Stable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Livestock Inventory, June 30, 19</td>
<td>$2,110.00</td>
<td>$1,113.03</td>
</tr>
<tr>
<td>Increase: Livestock Inventory July 1, 19</td>
<td>4,110.00</td>
<td>2,310.00</td>
</tr>
<tr>
<td>Purchased Livestock Received this year</td>
<td>420.00</td>
<td>100.00</td>
</tr>
<tr>
<td><strong>Natural Increase this year</strong></td>
<td>$130.00</td>
<td>$50.00</td>
</tr>
</tbody>
</table>

---

**Figure 3** Livestock inventories Report

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(10991 Illustration 1)
LIVESTOCK INVENTORIES 10991.1
(Revised and Renumbered 2/1965)
Each farm unit head will report changes in livestock inventories on their monthly report for the Dairy, Poultry Ranch, Stable and Tractor, and Hog Ranch.

EQUIPMENT RECORDS 10991.2
(Revised 5/1987)

The original purchase of livestock that is considered equipment (i.e., all livestock regardless of cost, not purchased for laboratory or food purposes) will be entered in the Property Acquisition File in the same manner as other equipment.

The amount shown on the Livestock Inventories Report as "Natural increase this year" will be carried forward to the Property Acquisition File.

Property Survey Report, Std. Form 152, will not be prepared for livestock disposals except when it appears that losses have been incurred by theft or negligence. Individual dispositions of livestock, including survey reports for losses by theft or negligence, will not be entered in the Property Acquisition File because they are reflected in the calculation of the "Natural increase this year" on the Livestock Inventories Report.

Property Record Cards, Std. Form 153a, need not be retained for livestock except for the copies that become the Property Acquisition File. Property Cards for equipment plus the value of livestock, as shown on the Livestock Inventories Report, must equal the balance of Account No. 2341, Equipment.

ADJUSTMENT FOR SALARIES AND WAGES 10992
(Revised and Renumbered 2/1965)

The salaries and wages entered in the Report of Farming Operations, Form BD–59, from the Monthly Budget Report, Std. Form 584, will be adjusted for the value of time worked on operations other than on those for which it was budgeted. Each farming and processing unit will be charged for the value of actual time worked for that unit by employees of other farming and processing units and also by employees whose salaries and wages were not budgeted for the Farming and Processing function. Conversely,
each unit will be credited with the value of time worked for other farming and processing units or for other functions.

The head farmer will report to the accounting office monthly the (1) actual time, (2) employee's name, and (3) farming and processing units for which adjustments should be made. The accounting office will make these adjustments for salaries and wages from the information supplied by the head farmer. The adjustments will be priced at the employee's hourly rate as shown in the column headed "Overtime and Intermittent" in the Table of Hourly Rates. (See SAM Chapter 8500)
The Monthly Report of Stable and Tractor, will show days worked by animals and hours worked by tractors for each unit or operation. Horse-days and tractor-hours will be accounted as products of the Stable and Tractor unit. A monthly Production Advice will be prepared by the accounting office from the Monthly Report of Stable and Tractor for the total value of horse-days and tractor-hours worked. Horse-days and tractor-hours will be priced by using the average cost per horse-day and per tractor-hour for the preceding fiscal year. The unit price for a horse-day will be computed by dividing the total horse-days into the year's stable cost, including paid labor, purchased supplies, sundry expenses, and produced supplies. The unit price for a tractor-hour will be computed similarly, except that a charge for tractor usage will be added to the other expenses for determining the year's tractor costs. (See SAM 10993.1.)

The accounting office will prepare a monthly requisition to charge the various units for horse-days and tractor-hours consumed verifying such items with heads of units charged. Charges for horse-days and tractor hours will be distributed on the Analysis of Produced Stores Issued as local products consumed in production.

At the end of each year, the unit prices for the fiscal year just ended will be calculated and the year's charges to each unit will be adjusted for any difference between the unit prices for the preceding fiscal year and the fiscal year just ended. The Report of Farming Operations for the year just ended, which is prepared after this adjustment has been made, will show equal amounts for the Adjusted Credit for Production and the Total Direct Production Expenses.

**CHARGE FOR TRACTOR USAGE**

(Revised and Renumbered 2/1965)

The annual charge for tractor usage, which is included in the unit price for a tractor hour, will be computed by dividing the equipment's value (original purchase price ignoring trade-ins) by ten. This charge will be made in lieu of depreciation each year the tractor is in use regardless of the number of years it is used. If the tractor is disposed of or retired during the year, the charge will be a proportionate fraction of the annual charge.
# SAM – INSTITUTIONAL FARMING AND PROCESSING OPERATIONS

## REPORT OF FARMING OPERATIONS

(Revised 2/1965)

<table>
<thead>
<tr>
<th>Financial Statement</th>
<th>Dairy</th>
<th>Hog</th>
<th>Poultry</th>
<th>Field Crop</th>
<th>Vegetables</th>
<th>Orchard</th>
<th>Food Processing</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. a. Credit for production</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. Livestock inventory change</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Increase = +, Decrease = -)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NET CREDIT FOR PRODUCTION</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>II. a. Adjusted sales and usage</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. Operating expense(1)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c. Products of labor used in production</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL DIRECT PRODUCTION EXPENSE</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### OTHER INFORMATION

IV. Value of patates purchased

V. Acreage (if differed from last year)

VI. Total Production(2)

### Livestock Inventory Jan 30, 10

<table>
<thead>
<tr>
<th></th>
<th>Cows</th>
<th>Hogs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dairy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beef</td>
<td>7 yrs.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- 5 yrs.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- 4 yrs.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- 3 yrs.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- 2 yrs.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- 1 yrs.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- 6 mos.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- 5 mos.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- 4 mos.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- 3 mos.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- 2 mos.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- 1 mos.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- 6 mos.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- 5 mos.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- 4 mos.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- 3 mos.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- 2 mos.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- 1 mos.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Calves</th>
<th>Sheep</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dairy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sows</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pig</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sheep</td>
<td></td>
<td></td>
<td></td>
</tr>
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</table>

### Rev. 323

(10994 Illustration)
<table>
<thead>
<tr>
<th>Section</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>STATE-OWNED HOUSING-REPORTING AND WITHHOLDING REQUIREMENTS</td>
<td>11010</td>
</tr>
<tr>
<td>PAYMENT BY EMPLOYEES</td>
<td>11020</td>
</tr>
<tr>
<td>MEALS AND MEAL TICKET BOOKS</td>
<td>11030</td>
</tr>
<tr>
<td>RECORDS AND RECORD RETENTION</td>
<td>11040</td>
</tr>
</tbody>
</table>
State departments may furnish services to employees such as meals, laundry, dry cleaning, and rental of living quarters as indicated in the California Code of Regulations sections (CCR), Title 2 Administration, Division 1 Administrative Personnel, Chapter 3 Department of Personnel Administration, Subchapter 1 General Civil Service Rules, Article 3, Valuation of Employee Housing and Services, sections 599.640 through 599.652 and in accordance with Government Code sections 19815.4 (d) and 19822.

The services, rates, safeguards, reporting and tax withholding requirements, and rates are governed by the Department of Human Resources (CalHR) and must comply with the CCR sections listed below at:


**CCR, Title 2, Division 1, Chapter 3, Subchapter 1, Article 3. Valuation of Employee Housing and Services**

<table>
<thead>
<tr>
<th>Section</th>
<th>Topic</th>
</tr>
</thead>
<tbody>
<tr>
<td>599.640</td>
<td>Scope</td>
</tr>
<tr>
<td>599.641</td>
<td>Definitions</td>
</tr>
<tr>
<td>599.642</td>
<td>Monthly Rates</td>
</tr>
<tr>
<td>599.643</td>
<td>Dormitory Accommodations</td>
</tr>
<tr>
<td>599.644</td>
<td>Monthly Rental and Utility Rates – Nonrepresented Employees 599.645 Trailer and Mobile Home Charges</td>
</tr>
<tr>
<td>599.647</td>
<td>Responsibility of the Department of Personnel Administration 599.648 State Policy on Possessory Interest Taxes</td>
</tr>
<tr>
<td>599.649</td>
<td>Household Furnishings</td>
</tr>
<tr>
<td>599.650</td>
<td>Laundry Services</td>
</tr>
<tr>
<td>599.651</td>
<td>Dry Cleaning Service 599.652 Meals at State Agencies</td>
</tr>
</tbody>
</table>

Rev. 420
STATE-OWNED HOUSING – REPORTING AND WITHHOLDING REQUIREMENTS 11010

(New 06/2010)

State-owned housing shall be administered and rent rates determined in accordance with SAM section 11000 – 599.642 Services Furnished to Employees and CCR section through 599.649. Information regarding the reporting and tax withholding requirements associated with employer-provided housing/lodging is available on the CalHR website at http://www.calhr.ca.gov/Pages/home.aspx.

PAYMENTS BY EMPLOYEES 11020

(New 06/2010)

Payment shall be made or payroll deduction shall be arranged when the service is received. Payments will be remitted to the State Treasury for credit to the support appropriation current at the time the employee received the service, unless otherwise specified by law. Use other receipt code 580800 – Employee Payment for Use of State Resources. Any amounts outstanding shall be collected from separating employees.

Payroll deductions must be uniform in nature and are established by agreement with the State Controller’s Office (SCO) in accordance with Section H650 of the Controller’s Payroll Procedure Manual using STD. Form 650 – Miscellaneous Deduction Change Report. The STD. 650 is used in the case where a credit is owed to an employee and requires approval from the approved designated employee or manager. Refer to the SCO Payroll Manual for additional information located on the SCO website at http://www.sco.ca.gov/ppsdp_min.html.
Meals may be provided at state departments, such as correctional facilities, to individuals other than inmates, patients, or wards, as specified in CCR Section 599.652
– Meals at State Agencies. Meals will be paid for at established rates and remitted as indicated in SAM Section 11020. Agencies will collect sales tax on meals and food products sold unless exempt according to Revenue and Taxation Code Section 6363.

All meal tickets will be accounted for and treated as if cash. Internal control principles for cash shall be followed, including reporting on STD. 520 – Meal Ticket Sales Report accounting for all sales, refunds, cancellations and used to support journal entries.

Records and Record Retention

Departments shall ensure adequate records for services furnished to employees and retained in accordance with the department’s records retention schedule.
Although very complete accounting instructions are prescribed for Governmental Funds in this manual, both as presently revised and prior to this revision, it has at times been necessary for the Department of Finance, Fiscal Systems and Consulting Unit or its predecessor in the Department of General Services to issue special instructions memoranda. Such instructions are still applicable except that accounts prescribed in SAM Chapter 7600 will supersede those shown in such memoranda.
<table>
<thead>
<tr>
<th>Category</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>PROPRIETARY AND FIDUCIARY FUNDS</td>
<td>13400</td>
</tr>
<tr>
<td>FUNDS WITH PROCEEDS FROM SALE OF BONDS</td>
<td>14400</td>
</tr>
<tr>
<td>RETIREMENT FUNDS</td>
<td>16400</td>
</tr>
</tbody>
</table>
Each Proprietary and Fiduciary Fund (except for the Special Deposit Fund) was established for a special purpose and is accounted by only one agency. Therefore, no special accounting procedures relating to these funds are prescribed in this manual. In order to show appropriately the financial status and operations of certain Proprietary and Fiduciary Funds, it has been necessary to prescribe in special manuals or special instructions memoranda the use of all or some commercial accounting principles such as:

1. Accruing collectible operating income earned, regardless of when collectible.
2. Accruing expenditures on the basis of services received and goods used—or goods received if there are insignificant differences between usage and receipts of goods.
3. Accounting for all assets with no offsetting reserve and depreciating it.

Where special manuals or special instructions memoranda have been issued by the Fiscal Systems and Consulting Unit of the Department of Finance, these instructions are still applicable except that (1) accounts prescribed in SAM Chapter 7600 will supersede those shown in such manuals and memoranda and (2) procedures regarding income accounting prescribed in SAM Sections 8200–8290 will supersede those shown in such manuals and memoranda unless the fund is of a type requiring accrual of collectible operating income earned regardless of when collectible. Funds requiring accrual of collectible operating income earned regardless of when collectible normally account for operating income as it is billed throughout the year and will continue to accrue income at the time and to the extent they now do.

Where such manuals and memoranda have not been issued, general procedures described in SAM Chapter 7000 to 8900 will be followed, as well as Journal Entries described in SAM Sections 10500 to 10536 to the extent that they are applicable, modified for the use of some different General Ledger accounts as prescribed in SAM Chapter 8200 will not be used if the fund is of a type requiring accrual of collectible operating income earned regardless of when collectible.
The accounting treatment for funds with a major source of revenue from proceeds from sale of bonds varies according to the provisions of the Bond Act authorizing the issuance of the bonds and by practical application of generally accepted accounting principles where they are not in conflict with any provisions of the Bond Act.

The State Controller's Office keeps the fund balance and accounts by appropriation for the State Construction Program Fund and for the State Beach, Park, Recreational and Historical Facilities Fund. Agencies account the funds in the same manner that they account the General Fund except that Operating Expenditures is used instead of Appropriation Expenditures and fixed assets are capitalized in the General Fund.

For the Public School Building Loan Fund, the State School Building Aid Fund, and the State School Building Fund, the Office of Local Assistance, Department of General Services maintains specially designed detail accounts for apportionments made to school districts and for the unapportioned balances of the funds.

The State Controller's Office maintains accounts of apportionments made to each grade level of each school district, of interest accrued and repayments due. It also maintains summary accounts for each fund showing deposits, disbursements and transfers, and resulting treasury transactions and balances.
Each Retirement Fund was established for a special purpose and is accounted by only one agency. Therefore, no special accounting procedures relating to these funds are prescribed in this manual.

When special manuals or special instructions memoranda have been issued by the Fiscal Systems and Consulting Unit of the Department of Finance staff in the Department of General Services, these instructions are still applicable except that (1) accounts prescribed in SAM 7600 will supersede those shown in such manuals and memoranda and (2) procedures regarding income accounting prescribed in SAM 8200 will supersede those shown in such manuals and memoranda unless the fund is of a type requiring accrual of collectible operating income earned regardless of when collectible. Funds requiring accrual of collectible operating income earned regardless of when collectible normally account for operating income as it is billed throughout the year and will continue to accrue income at the time and to the extent they now do.

Where such manuals and memoranda have not been issued, general procedures described in SAM Chapter 7000 to 8900 will be followed, as well as Journal Entries described in SAM 10500 to the extent that they are applicable, modified for the use of some different General Ledger accounts as prescribed in Section 7600—except that procedures regarding income accounting prescribed in SAM 8200 will not be used if the fund is of a type requiring accrual of collectible operating income earned regardless of when collectible.

Earned collectible operating income of retirement funds is accrued regardless of when collectible.
# CHAPTER 17000 INDEX

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
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Chapter 1284, Statutes of 1978 (AB 3322), created the Federal Trust Fund effective July 1, 1979. The purpose of this fund is to provide a single depository for all Federal funds deposited in the State Treasury. Information such as sources of funds from individual Federal agencies and programs is available on a statewide basis. This fund also has the capability to track Federal funds from the authorization process to the receipt and disbursement process.

All State agencies receiving monies directly from the United States Government are required to deposit these monies in the Federal Trust Fund with the exception of those State agencies which have specific statutory authority to maintain Federal funds outside the State Treasury. Whenever any law provides that specific Federal funds be deposited in a specific State Treasury fund, the Federal funds shall first be deposited in the Federal Trust Fund and then transferred to the specific State Treasury fund designated by the statute.
DEFINITION OF FEDERAL FUNDS

The following definition of Federal funds is to be used for the purpose of identifying those monies remitted to the State Treasury which must be deposited in the Federal Trust Fund:

Federal funds are all monies received directly from the United States Government, the expenditure of which is administered through or under the direction of any State agency and reported as Federal Trust Fund monies in the "Reconciliation with Appropriations" in the Governor's Budget. As discussed in SAM Chapter 6000, no distinction is made between Federal reimbursements and Federal grants; and, therefore, all money received directly from the United States Government, with the exception of revenues as defined below, is to be treated as a source of funds and reported as Federal Trust Fund monies in each department's budget. Revenue, as defined by SAM Chapter 6000, is an addition to cash or other current assets which does not increase any liability or reserve, nor represent the recovery of an expenditure, e.g., reimbursements and abatements, and should be accounted according to procedures contained in SAM Chapter 8200. Some examples of revenue are: sale of documents, sale of water, rentals of State property, sale of forest products, and sale of State public lands.

If for any reason a department has budget money received directly from the United States Government as a reimbursement, this money is also required to be deposited in the Federal Trust Fund. In these instances, the department should contact its Department of Finance budget analyst for possible reclassification of these monies from reimbursed expenditures to Federal Trust Fund source of funding. Only monies received directly from the Federal Government will be classified as Federal funds. Federal monies passed from one State agency to another will be classified by the second agency as reimbursements.

APPROPRIATION OF FEDERAL FUNDS

Government Code 13338 provides for the Budget Act appropriation of Federal funds received by the State and deposited in the State Treasury. The Budget Act must provide the authority for both direct expenditures from the Federal Trust Fund and transfers to other funds.
Departments will account for these funds at the grant and appropriation schedule level. Any amount received from the Federal Government exceeding the amount appropriated is subject to the provisions in Section 28 of the Budget Act.
TO ESTABLISH OR AMEND A FEDERAL TRUST FUND ACCOUNT

To establish a new Federal Trust Fund account, or to amend an existing account, departments will complete a Request to Establish or Amend Federal Trust Fund Account form, AUD 10A. The AUD 10A form is available on the SCO website: http://www.sco.ca.gov/Files-ARD/state_aud10a.pdf. Completed forms will be sent to the SCO, Division of Accounting and Reporting for approval.

FEDERAL TRUST FUND DEPOSITS

(New 3/1982)

Federal Trust Fund deposits are to be processed on Controller’s Remittance Advices, CA21, separate from other deposits. Such remittance advices will include appropriate account title and codes.

YEAR-END REPORTING

(Revised 06/2010)

All departmental Federal Trust Fund accounts are maintained on a modified accrual basis throughout the year. Under the modified accrual basis of accounting, expenditures are accounted for in the period in which goods and services are received and a liability is incurred. Expenditures are accrued at June 30 for all valid obligations incurred as of June 30 but not yet paid. Liabilities may be incurred at any time throughout the year; however, accruals are posted only at year-end. Accounts receivable are accrued at June 30 if they have been earned and are expected to be collected within one year after the end of the current fiscal year. The accrual process brings the State Controller’s Office accounts, which are maintained on a cash basis, in line with departmental accounts.

General instructions in SAM covering the State’s fiscal procedures are applicable to the Federal Trust Fund.
FEDERAL TRUST FUND GENERAL LEDGER ENTRIES

To record a receivable for Federal funds:

<table>
<thead>
<tr>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1510</td>
<td>Due from Federal Government</td>
</tr>
<tr>
<td>8020</td>
<td>Federal Grants and Contracts</td>
</tr>
</tbody>
</table>

To record a receivable for Federal funds:

<table>
<thead>
<tr>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1110</td>
<td>General Cash</td>
</tr>
<tr>
<td>1510</td>
<td>Due from Federal Government</td>
</tr>
</tbody>
</table>

(If no receivable had been established, the receipt would be recorded as a debit to Account 1110 and a credit to Account 8020.)

To record remittance of Federal funds to the State Treasury:

<table>
<thead>
<tr>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1150</td>
<td>Cash in Transit to State Treasury</td>
</tr>
<tr>
<td>1110</td>
<td>General Cash</td>
</tr>
</tbody>
</table>

To record remittance of Federal funds to the State Treasury:

<table>
<thead>
<tr>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1140</td>
<td>Cash in State Treasury</td>
</tr>
<tr>
<td>1150</td>
<td>Cash in Transit to State Treasury</td>
</tr>
</tbody>
</table>

To record appropriated expenditures from the Federal Trust Fund. This will occur when:

(1) expenditures of Federal funds are made directly from the Federal Trust Fund or (2) the disbursement is accounted as expenditure in the Federal Trust Fund and cash is transferred to another fund to be accounted as a reimbursement.

(Continued)
Debit | Credit
--- | ---
9000 | Appropriation Expenditures
1140 | Cash in State Treasury

To record disbursement of money from the Federal Trust Fund when the appropriation is for transfer to another fund:

Debit | Credit
--- | ---
9812 | Operating Transfers Out
1140 | Cash in State Treasury

To record a payable when Federal funds are appropriated and expended from the Federal Trust Fund:

Debit | Credit
--- | ---
9000 | Appropriation Expenditures
3010 | Accounts Payable, or
3110 | Due to Other Funds or Appropriations, or
3210 | Due to Federal Government, or
3220 | Due to Local Government

To record a payable when the authorized or appropriated expenditure of Federal funds occurs in another fund:

Debit | Credit
--- | ---
9812 | Operating Transfers Out
3110 | Due to Other Funds or Appropriations
Each Trust and Agency Fund—Federal and Other (with the exception of the Special Deposit Fund) was established for a special purpose and is accounted by only one agency. Therefore, no special accounting procedures relating to these funds are prescribed in this Manual.

Where special instructions memoranda have been issued by the Fiscal Systems and Consulting Unit, Department of Finance, or its predecessor in the Department of General Services, these instructions are still applicable except that (1) accounts prescribed in SAM 7600 will supersede those shown in such memoranda and (2) procedures regarding income accounting prescribed in SAM 8200 will supersede those shown in such memoranda unless the fund is of a type requiring accrual of collectible operating income earned regardless of when collectible. Funds requiring accrual of collectible operating income earned regardless of when collectible normally account for operating income as it is billed throughout the year and will continue to accrue income at the time and to the extent they now do.

Where such memoranda have not been issued, general procedures described in SAM Sections 7000 to 8900 will be followed, as well as Journal Entries described in SAM 10500 to the extent that they are applicable, modified for the use of some different General Ledger accounts as prescribed in SAM 7600—except that procedures regarding income accounting prescribed in SAM 8200 will not be used if the fund is of a type requiring accrual of collectible operating income earned regardless of when collectible.
CHAPTER 18000 INDEX

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REVERSION OF UNCLAIMED MONEY 18424.7
The Special Deposit Fund (SDF) is a trust fund in the State Treasury. This fund provides a depository for money received in trust for specific purposes by a department but for which no other fund has been created to receive those funds. See Government Code sections 16370–16377. Departments may establish accounts in the SDF by submitting a Request to State Controller to Establish or Amend Special Deposit Fund Account, form AUD 10, to the Department of Finance (Finance), Fiscal Systems and Consulting Unit (FSCU). Along with the AUD 10 form, departments must submit a cover letter to Finance, FSCU that includes a justification to establish the account. Approved requests will be forwarded to the State Controller’s Office (SCO), Division of Accounting and Reporting (DAR). The SCO assigns an account number for each approved SDF account. A copy of the AUD 10 form with the approved account number is sent by the SCO to the department.

If the money is a gift, the department must first obtain approval from its Finance budget analyst to accept the gift, unless the department is statutorily exempted from Finance approval (See Sam section 8634). Departments may submit to the Finance budget analyst the Request for Approval of Gift form, DF-581. In lieu of the form DF-581, departments may submit a letter with the required gift information. If the acceptance of the gift is approved, the department will then submit the Request to State Controller to Establish or Amend Special Deposit Fund Account, form AUD 10, to Finance, FSCU. Approved requests will be forwarded to the SCO, DAR. The SCO assigns an account number for each approved SDF account. A copy of the AUD 10 form with the approved account number is sent by the SCO to the department.

Each department is responsible for notifying the SCO, DAR when an account in the SDF can be terminated before the expiration date. A request letter, including the account title, number, and reason for termination, should be sent to the SCO, DAR. In addition, departments should send a copy to Finance, FSCU.

For unclaimed trust accounts information, see SAM section 18424.
UNCLAIMED TRUST ACCOUNTS

(Unamed and Revised 12/2003)

Unclaimed trust accounts are used for the following:

1. Any unclaimed money that is required by law to be deposited into the Special Deposit Fund.
2. Any unclaimed money, including deposits, that is not required by law to be deposited into a fund.

UNCASHED OR UNCLAIMED WARRANTS AND CHECKS

(Revised 12/2003) Refer to SAM Sections:

8042 Uncashed or unclaimed agency checks.
8281 State Controller’s Warrants
8422.6 Delivery of SCO Warrants.
8580.5 Undelivered salary warrants.

18424.2 Uncashed or unclaimed agency trust fund checks. 18424.5 Remittances to the Special Deposit Fund.

18424.6 Withdrawals from the Special Deposit Fund.

UNCASHED OR UNCLAIMED AGENCY TRUST FUND CHECKS

(Revised 12/2003)

Checks have a one-year period of negotiability. Uncashed or unclaimed agency trust fund checks will be canceled and credited to the depositors or special trust accounts, unless the trust agreement or statute under which the trust was established requires that such checks be remitted to the Special Deposit Fund. Stop Payment Requests will be prepared for the uncashed checks. See SAM 8045.
UNCLAIMED DEPOSITS 18424.4

(Renamed and Revised 2/1999)

Unless otherwise provided by law, unclaimed deposits will be remitted to the State Treasury monthly for deposit in the Special Deposit Fund.

REMITTANCES TO SPECIAL DEPOSIT FUND 18424.5

(Revised 9/2000)

State agencies remitting unclaimed moneys to the Special Deposit Fund will prepare a Report to State Controller of Remittance to State Treasurer (remittance advice) form, CA 21, in triplicate, and a schedule of unclaimed trust deposits in duplicate. The schedule of unclaimed trust deposits must include the following:

a. Name of original payee or depositor
b. Amount
c. Warrant or check number reference and date
d. Remittance advice number

The total amount being remitted will be shown on both the remittance advice and the schedule of unclaimed trust deposits. The original schedule of unclaimed trust deposits will be sent to SCO. The duplicate will be retained as the agency copy. The original and duplicate of the remittance advice, together with a check made payable to the State Treasurer, will be sent to the State Treasurer's Office (STO). The triplicate will be retained as the agency copy. After endorsement by STO, the SCO will send to the agency documentation that includes the controller’s receipt number. After verifying the information on the SCO receipt document, the agency will file this document with their copy of the schedule of unclaimed trust deposits and destroy the agency copy of the remittance advice.
WITHDRAWALS FROM SPECIAL DEPOSIT FUND 18424.6

(Renamed and Revised 9/2000)

A claim schedule to withdraw unclaimed moneys from the Special Deposit Fund must be filed by agencies with SCO in time to permit payment within two years of the issuance date of the controller’s receipt. The claim schedule must include the following information:

a. Name of original payee or depositor
b. Amount
c. Warrant or check number reference and date
d. Controller’s receipt number and date

If the claimant is a person other than the original payee or depositor of the unclaimed moneys, evidence must be provided with the claim schedule to show that the claimant is entitled to the payment.

Whenever a claim schedule is filed against an unclaimed trust deposit in the Special Deposit Fund, the state agency will note the claim schedule number and date opposite the applicable item listed on the duplicate copy of the schedule of unclaimed trust deposits.

REVERSION OF UNCLAIMED MONEY 18424.7

(Renamed 12/2003) (Revised 06/2016)

Government Code section 16374 provides for the reversion of unclaimed money after it has been on deposit in the Special Deposit Fund for two years. The SCO will notify state departments of the amounts reverted. State departments will note the reversion date on the duplicate copy of the schedule of unclaimed trust deposits if applicable.

Claimants requesting payment of amounts that have reverted should be directed to the Department of General Services. See SAM section 8710.
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June 30 statements will reflect Accounts Payable and Accounts Receivable for transactions debited or credited to subsidiary accounts in the Depositor's Ledger on or as of that date but for which cash was not disbursed or received by the date. Examples of such accruals are receivables for earned payrolls and invoices payable. Such accruals will be considered in preparing the Analysis of Change in Fund Balance (Statement of Operations).
Trust and Agency Funds outside the State Treasury, i.e., money or property in the custody of a State agency not required to be deposited in a fund in the State Treasury, generally fall into the following types:

1. State Veterans’ Home Post Fund
2. Agriculture Marketing Act Trusts
3. Department of Employment Trust Funds
4. Guaranty Deposits
5. Private Trusts
6. Special Purpose Trusts

Since each of the first three types is accounted by only one agency, specific procedures related to them are not included in this manual. Certain special procedures applicable to the last three types of trusts listed above are prescribed in SAM Section 19410 through 19464.

In order to show appropriately the financial status and operations of certain Trust and Agency Funds, it has been necessary to prescribe in special manuals or special instructions memoranda the use of all or some commercial accounting principles such as:

1. Actually collectible operating income earned regardless of when collectible.
2. Accruing expenditures on the basis of services received and goods used—or goods received if there are insignificant differences between usage and receipts of goods.
3. Accounting for assets with no offsetting reserve and depreciating it.
4. Year-end reports 7, 8, and 9 will be prepared for trust accounts outside the State Treasury. (See SAM Sections 7962 and 7963.)

Where special manuals or special instructions memoranda have been issued by the Department of Finance, Fiscal Systems and Consulting Unit, or its predecessor in the
Department of General services, these instructions are still applicable except that (1) accounts prescribed in Section 7600 will supersede those shown in such manuals and memoranda unless the fund is of a type requiring accrual of collectible operating income earned regardless of when collectible. Funds requiring accrual of collectible operating income earned regardless of when collectible normally account for operating income as it is billed throughout the year and will continue to accrue income at the time and to the extent they now do.

(Continued)
SPECIAL ACCOUNTING PROCEDURES FOR TRUST AND AGENCY FUNDS OUTSIDE THE STATE TREASURY 19400 (Cont. 1)

(Revised 4/1992)

Where such manuals and memoranda have not been issued general procedures described in SAM Chapters 7000 to 8900 will be followed, as well as Journal Entries described in SAM 10500 to the extent they are applicable, modified for the use of some different General Ledger accounts as prescribed in Section 7600 (unless otherwise provided in Sections 19420 through 19464, which apply to guaranty deposits, private trusts, and special purpose trusts)—except that procedures regarding income accounting prescribed in Sections 8200-8290.9 will not be used if the fund is of a type requiring accrual of collectible operating income earned regardless of when collectible.

Separate General Ledger accounts will be maintained for each type of trust.

GUARANTY DEPOSITS 19410

(Revised 12/2007)

Guaranty and/or performance deposits are held by several State agencies to ensure compliance with various legal requirements. These deposits may consist of securities or cash.

Negotiable securities will be held by the State Treasurer for safekeeping. Negotiable securities are defined as any security which can be legally transferred to another party by endorsement or delivery. This includes any security which can be converted to cash by presentation or endorsement, e.g. bearer bonds and stocks. Securities held as guaranty deposits will be valued in accordance with individual agency requirements.

Differences in statutory and operating requirements for the handling of these securities make it impossible to prescribe a standard fixed valuation procedure. Securities held by the Treasurer will be accounted by agencies as a debit to General Ledger Account No. 2720, Securities and Other Property Held in Trust, and a credit to Account No. 3510, Deposits.
Cash deposits will be deposited by the agency in the centralized State Treasury System, in accordance with applicable legal or administrative provisions. These deposits will be accounted as a debit to Account No. 1120, Agency Trust Fund Cash, and a credit to Account No. 3510, unless the cash is in lieu of a bond. Cash received in lieu of a bond and subject to the provisions of Code of Civil Procedure Section 995.710 must be maintained in an interest bearing account. To comply with this requirement, agencies will request an account in the Special Deposit Fund, as described in SAM 18000.
Private trust consists of money, securities, or sundry personal property held by agencies for the benefit of specific individuals such as inmates, students, etc. The State agency acts as custodian of the private individual's assets to the State Treasury for custody.

A subsidiary Trusts Deposits Ledger will be maintained containing an account for each person for whom money or securities are held.

Agencies will exercise normal principles of internal control and will store securities and other personal property in a manner commensurate with their apparent value. Agencies that use safe deposit boxes for the safekeeping of valuable property will permit access to such boxes only when two authorized employees are present to verify the transaction.

**INTEREST BEARING PRIVATE TRUST ACCOUNTS**

Except where prohibited by law, State Departments will deposit private trust moneys (e.g., money held for State hospital residents) in interest bearing account at federally insured financial institutions. Of course, this principle will not apply to trust moneys which must be maintained to meet day-to-day cash needs.

Departments will credit interest earnings to trust accounts when earnings are credited by the depository institutions and at the time trust accounts are closed.

In some instances, individual trust accounts may be consolidated for investment purposes. For example, Treasury Bills or Certificates of Deposit may be purchased with consolidated funds to produce greater interest earnings for each trust account. Interest on such investments will be credited to individual accounts when the earning are made available and at the time trust accounts are closed.
Departments are responsible for maintaining accountability for each private trust account. Any program to consolidate individual trust funds must be approved by the Fiscal Systems and Consulting Unit, Department of Finance.
Cash receipts will be written in accordance with the provisions of SAM 8020 except that agencies may write a receipt to notify a depositor of an amount received from another person for credit to the depositor's account.

Cash in the custody of a State agency for depositors usually will be deposited in the agency's account in the centralized State Treasury System and accounted in Account No. 1120, Agency Trust Fund Cash.

Disbursements will be supported by authorizations signed by depositors or depositors' guardians unless (1) the disbursement is by check payable to the depositor or (2) provisions of law permit or court orders direct that the disbursement be made.

Receipt of cash trust moneys will be entered in the Trust Fund Cash Receipts Register. Disbursement of cash trust moneys will be entered in the Trust Fund Cash Disbursements Register. Receipts and disbursements of money will be posted to the Trust Deposits Ledger during the month to keep the balance of each depositor's account current.

At the end of each month, agencies will (1) reconcile the Trust Fund Cash portion of their account in the centralized State Treasury System, and (2) balance their Trust Deposits Ledger with Account No. 3510, Deposits.
DEPOSITOR'S SECURITIES

Agencies will issue press-numbered property receipts for securities received from private individuals. The par or face value of the securities will be shown on the property receipts. No-par stock will be assigned an arbitrary value of one dollar per share.

Amounts are entered on property receipts for securities for custody accounting purposes only. They have no relationship to market values.

Interest coupons will be presented for collection as they become due. Interest received will be credited to the depositor’s values.

Agencies will obtain receipts discharging themselves from accountability whenever they release securities. The values that were shown in property receipts when the securities were received by the agency will be shown on receipts discharging the agency from accountability for the securities. If the securities are released to other than the owner, the circumstances or the authority for the release will be indicated on the discharge of accountability receipt. The Controller's Receipt will suffice for securities that are remitted to the Unclaimed Property Fund or the Special Deposit Fund.

Property receipts and discharge of accountability receipts will be entered in the General Journal or in a Securities Register if the Volume justifies a register. Receipts and dispositions of securities will be posted to the individual's security account in the Trust Deposits Ledger, which is subsidiary to Account No. 3510, Deposits.

Postings will be made at the end of each month to Account No. 2720, Securities and Other Property Held in Trust, and Account No. 3510, Deposits, from the General Journal or Securities Register. Securities should be inventoried at least annually.
SAFEKEEPING

Securities will be kept in a safe or vault. Agency facilities may be used or the securities may be transmitted to the State Treasurer for safekeeping. If securities are transmitted to the State Treasurer, the head of the agency or his deputy will complete a letter similar to the following on the agency's letterhead:

Date
State Treasurer
P.O. Box 1919 Sacramento, CA 95809

Dear Sir:

The following employees of the (Name of Agency), whose names and signatures appear below are hereby authorized to issue and sign any letters, instructions, or other written evidence of authority directed to the State Treasurer of the State of California whereby said State Treasurer is authorized to receive, release, or otherwise dispose of any securities or other property belonging to or under the control of this agency, which is about to be deposited or is now on deposit with the State Treasurer for safekeeping or which is or may be deposited with him under the provisions of any laws of the State of California.

(Name—Typewritten) (Title)
(Authorized Signature)

In the event the securities or other property so held are directed by instructions signed by anyone of the above persons to be delivered to this agency, then the following employees whose names and signatures appear below are hereby authorized to take delivery of an official receipt from you on behalf of this agency.

(Name—Typewritten) (Title)
(Authorized Signature)

Your responsibility will cease upon making delivery in accordance herewith.
These instructions are to remain in full force and effect until written revocation is filed with the State Treasurer.

Very truly yours,
Sundry personal property is personal property other than cash or securities.

Agencies will issue press-numbered property receipts for sundry personal property received from private individuals. No values will be assigned to sundry personal property.

Agencies will obtain receipts discharging themselves from accountability whenever they release sundry personal property. If the property is released to other than the owner, the circumstances or authority for the release will be indicated on the discharge of accountability receipt.

Sundry personal property will be described on the individual's property card, which is a monetary record of the property held by the agency for the individual.

Sundry personal property may vary greatly in value and size. Sundry personal property will be kept in safekeeping in a manner that will meet the established rule of law that while a State officer in possession of property lawfully received is not an insurer of its safety, he is required to exercise reasonable and ordinary care and diligence to keep and preserve the property so that it may be restored to the person entitled to it or disposed of in the manner directed by law.
Institutions having possession of deceased inmates' personal property will dispose of such personal property subject to provisions of SAM 19425.3 (after the required 30 days' notice) as follows:

1. Unclaimed cash will be remitted to the State Treasurer's Office for deposit in the Unclaimed Property Fund one year after death of the inmate.

2. All deeds, contracts, or assignments will be filed with the public administrator of the county of commitment of the deceased inmate one year after death of the inmate.

3. All other personal property will be sold at public auction, or upon sealed-bid basis, one year after the date of the inmate, and the proceeds of the sale remitted to the State Treasurer in the same manner as unclaimed money.

4. Any personal property that is not salable at public auction or upon sealed bids, provided it has insufficient intrinsic value to justify deposit with the State Treasurer, may be destroyed one year after the death of the inmate. Items that warrant deposit with the State Treasurer will be delivered to the State Controller who will deliver them to the State Treasurer.

The institution delivering any money or other inmates' personal property to the State Treasurer or State Controller shall furnish the State Controller a schedule setting forth (1) a description of all money and other personal property delivered and (2) the name and last known address of the deceased owner. The institution will draw a check payable to the State Treasurer to remit the Unclaimed Property Fund the cash portion of the deceased inmates' personal property after complying with provisions of SAM Section 19425.3. Such cash will be reported on Form CA 21, Controller's Remittance Advice, and will have attached a schedule reflecting the required information. Form CA 21 will not be used to transmit securities or other personal property. Such items will be transmitted by letter, reflecting the pertinent information described above.

(Continued)
To simplify bookkeeping, remittances of cash and property belonging to deceased, escaped, discharged, or paroled depositors will not be included with other remittances to the State Treasurer's Office. The agency will make the following entry for property transmitted to the Unclaimed Property Fund:

<table>
<thead>
<tr>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>3510</td>
<td>Deposits</td>
</tr>
<tr>
<td>1120</td>
<td>Agency Trust Fund Cash</td>
</tr>
<tr>
<td>2720</td>
<td>Securities and Other Property held in Trust</td>
</tr>
</tbody>
</table>

The Trust Deposits Ledger, which is subsidiary to Account No. 3510 deposits, will be posted from the counterfoil of the check or from the Controller's Receipt and as of the date of that document.

Claimants of cash or personal property that has been remitted to the Unclaimed Property Fund will be referred to the Unclaimed Property Bureau, Division of Accounting, State Controller's Office. The claimant will file his claim directly with the State Controller's Office.
Institutions having possession of personal property of escaped, discharged, and paroled inmates, will dispose of such personal property subject to provisions of SAM 19425.3, (after the required 30 days' notice) as follows:

1. All deeds, contracts, or assignments will be refilled with the public administrator of the count of commitment one year from the date of escape, discharge, or parole of the inmate.

2. All tangible unclaimed personal property other than money shall be sold at public auction or upon a sealed-bid basis one year from the date of escape, discharge, or parole of the inmate. Such property may be sold in lots, provided a determination can be made as to each inmate's share of the proceeds. Proceeds from the sale shall be identified by inmate and shall be held for a period of seven years from the date of escape, discharge, or parole of the inmate. Upon expiration of the seven year period, the moneys will be reported and disposed of in accordance with procedures prescribed in Item "3" below.

3. All moneys and other intangible personal property (such as securities, stock certificates, etc.) shall be held for a period of seven years from the date of escape, discharge, or parole of the inmate, except that such unclaimed intangible personal property of paroled minors may be exempted from this seven year provision during the period of their minority and for a period of one year thereafter at the discretion of the director of the department concerned. Upon expiration of this seven year period, such intangible personal property is considered abandoned. Annually, before November 1, the agency shall report such abandoned tangible personal property on hand as of June 30 to the State Controller on a form and in a manner prescribed by the State Controller. The agency will remit such funds to the State Treasurer for deposit in the Unclaimed Property Fund–Abandoned Property Account only upon written request of the State Controller.

Entries to the agency's accounting records are the same as described in Section 19425.1 above.

Claimants of cash or other personal property that has been remitted to the Unclaimed Property Fund–Abandoned Property Account, will be referred to Unclaimed Property Bureau, Division of Accounting, State Controller's Office. The claimant will file his claim directly with the State Controller's Office.
NOTICE OF PROPOSED DISPOSITION OF DEPOSITORS' PERSONAL PROPERTY 19425.3
(Revised 5/1987)

Before any money, personal property, or documents are delivered to the State Treasurer, State Controller, or public administrator or sold at public auction or upon a sealed bid basis or destroyed, in accordance with SAM Section 19425.1 or 19425.2, notice of the intended disposition of the property shall be posted in a public place in the institution where disposition will be made at least 30 days prior to disposition of the personal property. A copy of such notice shall be mailed to the last known address of the owner or deceased owner.

No officer or employee of the State having jurisdiction over the disposition of inmates' personal property at public auction or by sealed bid shall purchase or cause to be purchased for him/her or for his/her use said inmates' personal property. See Government Code Section 1091.
Individuals, associations, corporations, public agencies, etc., may make gifts or grants to the State for specific purposes such as conducting research in a particular field, providing assistance to deserving students, providing money or other assets for the education or recreation of an institution's inmates, etc.

Sections 16305 through 16305.3 of the Government Code require that all money in the possession of or collected by any state agency be deposited in trust in the custody of the State Treasurer, except when otherwise authorized by the Director of Finance, or unless deposited directly in the State Treasury.

Gifts of money will be credited to the State School Fund unless the donor, at the time of making the donation, specifies in writing (1) that the gift is for another fund or appropriation or (2) the purposes of the trust without specifying any fund or appropriation. See Government Code Sections 11005 and 16302.

If the written designation states the purposes of the trust without specifying any fund or appropriation, the money will be deposited in the Special Deposit Fund unless statutes provide for keeping the money in depositories other than the State Treasury. See Government Code Section 16371.

See SAM Section 8634 for procedures to follow in accepting gifts of real and personal property.

In some cases, specific provisions of law permit trusts to be maintained in accounts in the centralized State Treasury System or in bank accounts instead of in a fund in the State Treasury. A few statutes provide that special purpose trusts outside the State Treasury will receive the income from certain sources. For example, Welfare and Institutions Code Section 4125 provides that a benefit trust for the education or recreation of patients will receive the income from the investment of a hospital's cash trust moneys.
Special purpose trusts outside the State Treasury normally will be deposited in an 
account in the centralized State Treasury System and accounted in Accounts No. 1120, 
Agency Trust Fund Cash, and 5530, Fund Balance–Unappropriated. If necessary, 
agencies may maintain a separate self-balancing group of General Ledger accounts for 
each special purpose trust.
Each trust account established shall be supported by documentation as to the type of trust, donor or source of trust moneys, purpose of the trust, time constraints, persons authorized to withdraw or expend funds, specimen signatures, reporting requirements, and instructions for closing the account, disposition of any unexpended balance, and restrictions on the use of moneys for administrative or overhead costs. This documentation will be retained until the trust is dissolved.

Government Code section 11012 requires any state department with some exceptions, authorized to deposit funds in bank accounts or to invest trust funds in securities to obtain prior approval from the Department of Finance (Finance). However, Finance approval is required only on transactions exceeding $25,000 for securities and balances exceeding the Federal Deposit Insurance Corporation (FDIC) limit for each bank account. Therefore, if any one transaction or the balance in an account exceeds these limits, the state department must obtain Finance approval. Finance approval is not required for the state departments listed in Government Code section 11012 or exempted by other statutes.

Generally, trust money not under the control of the State Treasurer should be deposited or invested only if the interest earnings (1) will accrue to the individual accounts of or directly benefit a group of wards, patients, students, or inmates, or (2) will accrue to a trust account or fund established for gifts and donations that is dedicated to assisting wards, patients, students, or inmates, or (3) will affect the charges for auxiliary nonprofit and nonstate supported activities and services furnished to wards, patients, students, or inmates.

In any circumstance, it is the state department’s responsibility to ensure that the bank or savings and loan association is insured by the FDIC or Federal Savings and Loan Insurance Corporation, respectively. Additionally, the state departments may deposit in excess of the FDIC limit in any one bank or savings and loan association, if the state department notifies the State Treasurer that the collateral requirement has been met. See SAM 8002 for collateral requirements.
Departments may be authorized either by statute or by approval from the Department of Finance (Finance), Fiscal Systems and Consulting Unit, (FSCU) to deposit moneys not under the control of the State Treasurer (Treasurer) in banks outside of the centralized State Treasury System (CTS).

Departments that have statutory authority to deposit state moneys in banks outside the CTS without Finance approval should adhere to the conditions prescribed by the Director of Finance and must notify the Treasurer by letter stating the name and location of the bank, amount, source, and purpose of the funds to be deposited, and the type and term of the deposit arrangement. In addition, departments that have statutory authority to deposit outside the CTS without Finance approval must submit the report required by Condition 4 of this section.

Departments without such statutory authority will request approval from Finance, FSCU by letter to deposit state moneys in bank accounts outside the CTS. See SAM section 8002.

The following conditions are prescribed by the Director of Finance for depositing moneys in bank accounts outside the CTS:

1. Unless otherwise exempted by statute, a department must have approval from Finance, FSCU to maintain the account outside the CTS.

2. Except as otherwise provided by law, General Fund money will not be deposited with banks by any state officer other than the Treasurer.

3. Deposits shall not exceed the Federal Deposit Insurance Corporation (FDIC) limit in any one bank, including all of its branches. However, departments may deposit in excess of the FDIC limit in any one bank if the department notifies the Treasurer that deposit collateral requirements have been met. See SAM section 8002 for collateral requirements.

4. The Report of Accounts Outside the State Treasury form, STD. Form 445 stating the balance as of June 30, the purpose and the authority for each account shall be submitted annually to STO and SCO by August 20 or the following Monday if August 20 falls on a weekend. If the account has been
closed during the reporting period, departments must specify the date the account was closed. See SAM sections 7930, 7951, and 7975.

5. Bank statements for each account indicating collateralization on Report 14 shall be submitted semi-annually to STO, Collateral Management Section, by February 1 (monthly bank statement stating bank balances as of December 31) and August 20 (monthly bank statement stating bank balances as of June 30).

(Continued)
6. No person shall make withdrawals until a bank signature card has been properly completed. The same statement shown in SAM section 8001.2 pertaining to the necessity of two authorized signatures for withdrawals in excess of $15,000 is required.

Any department that maintains account balances close to the FDIC limit should periodically review its bank account balances to make certain that the maximum insured amount will not be exceeded when interest earnings are added to the accounts.

Departments are responsible for making arrangements with the bank to allow interest payments to be sent directly to the department when such payments would increase the balance of an account in excess of the maximum insurable amount. These excess amounts may be deposited in another bank (upon approval by Finance, FSCU) or within the CTS.

The deposit of state moneys in bank accounts should permit the maximum earnings of interest and the ready access to a reasonable amount of cash to meet unusual demands, in addition to cash held in the CTS account to meet ordinary withdrawal demands.

Departments should assure that time or interest-bearing term deposits are held until expiration of the certificate or certificate of deposit to avoid early withdrawal penalties. Federal regulations require a substantial interest penalty for early withdrawals of principal. Generally, no interest is earned for 90 days immediately preceding the withdrawal and any applicable interest earning are calculated at the current rate on regular accounts.
Departments may be authorized either by statute or by approval from the Department of Finance (Finance), Fiscal Systems and Consulting Unit (FSCU), to deposit moneys not under the control of the State Treasurer (Treasurer) in savings and loan associations outside of the centralized State Treasury System (CTS).

Departments that have statutory authority to deposit state moneys in savings and loan associations or credit unions without Finance approval should adhere to the conditions prescribed by the Director of Finance and must notify the Treasurer by letter stating the name and location of the savings and loan association or credit union, amount, source, and purpose of the funds to be deposited, and the type and term of the deposit arrangement. In addition, departments that have statutory authority to deposit outside the CTS without Finance approval must submit the report required by Condition 4 of this section.

Departments without such statutory authority will request approval from the Finance, FSCU, by letter to deposit state moneys in savings and loan associations or credit unions. See SAM section 8002.

The following conditions are prescribed by the Director of Finance for depositing moneys with savings and loan associations or credit unions:

1. Unless otherwise exempted by statute, a department must have written approval from the Finance, FSCU, to maintain the account outside the CTS.

2. Except as otherwise provided by law, General Fund money will not be deposited with savings and loan associations or credit unions by any state officer other than the Treasurer.

3. Deposits shall not exceed the FDIC or NCUA limit in any one savings and loan association or credit union, including all of its branches. However, a department may deposit in excess of the maximum FDIC or NCUA limit in any one savings and loan association or credit union if the state department notifies the Treasurer that deposit collateral requirements have been met. See SAM section 8002 for collateral requirements.
4. The Report of Accounts Outside the State Treasury form, STD. Form 445 stating the balance as of June 30, the purpose and the authority of each account shall be submitted annually to STO and SCO by August 20 or the following Monday if August 20 falls on a weekend. If the account has been closed during the reporting period, departments must specify the date the account was closed. See SAM sections 7930, 7951, and 7975.

(Continued)
SAVINGS AND LOAN ASSOCIATION AND CREDIT UNION ACCOUNTS (Cont. 1)

(Revised 12/2013)

5. Bank statements for each account indicating collateralization on Report 14 shall be submitted semi-annually to STO, Collateral Management Section, by February 1 (monthly bank statement stating bank balances as of December 31) and August 20 (monthly bank statement stating bank balances as of June 30).

6. No person shall make withdrawals until a savings and loan or credit union signature card has been properly completed. The same statement shown in SAM section 8001.2 pertaining to the necessity of two authorized signatures for withdrawals in excess of $15,000 is required.

7. Deposits shall be made only with eligible savings and loan associations or credit unions as stated in Government Code section 16600.

Any department that maintains account balances close to the FDIC or NCUA limit should periodically review its savings and loan or credit union balances to make certain that the maximum insured amount will not be exceeded when interest earnings are added to its accounts. Departments are responsible for making arrangements with its savings and loan association or credit union to allow interest payments to be sent directly to the department when such payments would increase the balance of an account in excess of the maximum insurable amount. These excess amounts may be deposited in another eligible savings and loan association, credit union (upon approval by Finance, FSCU) or within the CTS.

The deposit of state moneys in savings and loan associations or credit unions accounts should permit the maximum earnings of interest, and the ready access to a reasonable amount of cash to meet unusual demands, in addition to cash held in the CTS account to meet ordinary withdrawal demands.

Departments should assure that time or interest-bearing term deposits are held until expiration of the certificate or certificate of deposit to avoid early withdrawal penalties. Federal regulations require a substantial interest penalty for early withdrawals of principal. Generally, no interest is earned for 90 days immediately preceding the withdrawal and any applicable interest earnings are calculated at the current rate on regular accounts.
Agencies that invest cash trust moneys in securities may make arrangements with the State Treasurer's Office (or in some instances with the State Employees' Retirement System) for the handling of purchase and sale transactions. The securities will be held by the State Treasurer for safekeeping. The head of the agency or his deputy will send a letter to the State Treasurer similar to that prescribed in SAM Section 19423.

The following principles will be observed in accounting for investments in securities.

- Par value, premium, discounts, and accrued interest purchased on stated rate of interest securities will be accounted in separate accounts.
- The "no stated rate of interest" securities will be recorded at cost and no interest will be recognized except at time of sale or maturity and at June 30 (when the interest will be accrued).
- Premium will be amortized and discount will be accumulated by the "interest method" (amortization of premium and discount is used to yield an equal periodic rate of interest) as of each June 30 only. Amortization and accumulation to each interest date will not be required.
- Interest will be accrued as of each June 30.
- Bond amortization schedules will be developed by the agency or may be purchased from a publishing company. Effective yield will be computed to the nearest 1/100 of 1 percent. The following information must be supplied when ordering bond amortization schedules: (1) face value, (2) purchase price, (3) coupon rate, (4) maturity date (month, day, year), (5) purchase date (month, day, year). and (6) the fact that amortization is required as of each June 30 only.

(Continued)
The following journal entries illustrate the prescribed procedure for stated rate of interest securities only.

### 1. Securities are purchased:

<table>
<thead>
<tr>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1320</td>
<td>Accured Interest Receivable a/</td>
</tr>
<tr>
<td>2012</td>
<td>Investment in Securities b/</td>
</tr>
<tr>
<td>2013</td>
<td>Premium on Securities c/</td>
</tr>
<tr>
<td>1120</td>
<td>Agency Trust Fund Cash d/</td>
</tr>
<tr>
<td>2014</td>
<td>Discount on Securities e/</td>
</tr>
</tbody>
</table>

- **a/** Amount Of Interest Accured On Securities At Date Of Purchase.
- **b/** Face Value Of Securities Having A Par Value.
- **c/** Amount That Purchase Price Exceeds The Sum Of Face Value And Accured Interest Purchased.
- **d/** Amount Paid For Securities
- **e/** Amount That The Sum Of Face Value And Accured Interest Purchased Exceeds Purchase Price.
2. **Interest payments are received:**

<table>
<thead>
<tr>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1120</td>
<td>Agency Trust Fund Cash a/</td>
</tr>
<tr>
<td>1314</td>
<td>Accounts Receivable-Operating Revenue b/</td>
</tr>
<tr>
<td>1320</td>
<td>Accured Interest Receivable c/</td>
</tr>
<tr>
<td>5530</td>
<td>Fund Balance-Unappropriated d/</td>
</tr>
</tbody>
</table>

a/ Amount of cash received.
b/ Amount of interest received that had been accrued at the previous June 30.
c/ Amount of interest received that had accrued at the date of purchase.
d/ Amount of interest received that had not been received at the previous June 30.

3. **Par value of maturing securities is received:**

<table>
<thead>
<tr>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1120</td>
<td>Agency Trust Fund Cash a/</td>
</tr>
<tr>
<td>1314</td>
<td>Accounts Receivable-Operating Revenue b/</td>
</tr>
<tr>
<td>2011</td>
<td>Investment in Securities at Cost c/</td>
</tr>
<tr>
<td>5530</td>
<td>Fund Balance-Unappropriated d/</td>
</tr>
</tbody>
</table>

a/ Amount of cash received.
b/ Amount of interest accrued at the previous June 30 on the maturing securities.
c/ Cost of —no stated rate of interest all securities sold.
d/ a- (c+d). This account would be debited if c+d exceeded a.

(Continued)
4. Interest is accrued at June 30:

<table>
<thead>
<tr>
<th>Debit</th>
<th>Credit</th>
<th>a/</th>
</tr>
</thead>
<tbody>
<tr>
<td>1314</td>
<td>Accounts Receivable-Operating Revenue</td>
<td>a/</td>
</tr>
<tr>
<td></td>
<td>5530 Fund Balance-Unappropriated</td>
<td>a/</td>
</tr>
</tbody>
</table>

a Amount of interest accrued at June 30 at the purchase yield rate.
<table>
<thead>
<tr>
<th>Topic</th>
<th>Page</th>
</tr>
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<tbody>
<tr>
<td>INTRODUCTION</td>
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<td>CENTRAL AUDIT ORGANIZATIONS</td>
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<td>AUDIT COORDINATION</td>
<td>2001</td>
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<tr>
<td>FEDERAL PASS-THROUGH FUNDS (Single Audit)</td>
<td>2002</td>
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<td>INTERNAL AUDIT ORGANIZATIONS</td>
<td>2003</td>
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<td>AUDIT STANDARDS</td>
<td>2004</td>
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<td>INTERNAL CONTROL</td>
<td>2005</td>
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<tr>
<td>REPORTING RISKS, INTERNAL CONTROLS, AND MONITORING</td>
<td>2006</td>
</tr>
<tr>
<td>NOTIFICATION OF FRAUD OR ERROR</td>
<td>2007</td>
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<tr>
<td>REPORTING MATRIX</td>
<td>2008</td>
</tr>
<tr>
<td></td>
<td>2009</td>
</tr>
</tbody>
</table>
California state government employs a variety of audit resources to assist management in assuring that:

State assets are protected
Laws and regulations are followed
Financial and management information is reliable
Organizations and programs are operating effectively and efficiently

These audit resources include central audit organizations with statewide responsibilities, as well as internal auditors located within many state agencies.

The following acronyms and abbreviations are used throughout this section of the State Administrative Manual:

- **SAM** State Administrative Manual
- **Finance** California Department of Finance
- **OSAE** Finance’s Office of State Audits and Evaluations State Auditor
  California State Auditor
- **Controller** California State Controller’s Office GC Government Code
- **OMB** Federal Office of Management and Budget
- **SLAA** State Leadership Accountability Act
- **agency** Every state entity including agencies, offices
including constitutional officers, departments, divisions, bureaus, boards, and commissions.

The following SAM sections describe the functions and responsibilities of the various audit resources within state government. These sections do not cover revenue/tax auditors.
The state’s central audit organizations include Finance, State Auditor, and the Controller.

CALIFORNIA DEPARTMENT OF FINANCE

Finance serves as the Governor’s chief fiscal policy advisor and has general responsibility for supervising matters concerning the state’s financial and business policies. Additionally, Finance is responsible for coordinating the internal audit function for the executive branch of state government. Finance’s OSAE assists and supports Finance in these responsibilities.

Finance’s broad oversight responsibilities and numerous statutes result in OSAE performing a wide variety of activities, including financial, performance, and compliance audits; quality assurance reviews; budgetary reviews; and consulting services.

Additionally, OSAE monitors and coordinates SLAA as described in SAM section 20060 and 20070, issues Audit Memos to provide instruction to departments and internal audit organizations, promotes bond accountability through ongoing oversight activities, and coordinates and carries out the state’s federal reporting responsibilities related to the Single Audit Act of 1984 and Single Audit Act Amendment of 1996 (Single Audit Act). A majority of OSAE’s activities are conducted on a cost reimbursement basis.

CALIFORNIA STATE AUDITOR

Senate Bill 37, Chapter 12, Statutes of 1993 (GC 8543), created the Bureau of State Audits. GC 8543 was amended in September 2012, establishing the California State Auditor’s Office. To assure its independence, the State Auditor is free from the control of the executive and legislative branches. A state commission oversees its administrative operations. The State Auditor performs an annual audit of the state’s financial statements prepared by the Controller and the annual audit of the federal funds (Single Audit) compiled by Finance.
The State Auditor also conducts financial and performance audits as directed by statute, and other government audits requested by the Joint Legislative Audit Committee. The State Auditor has the explicit authority to audit any agency that receives state funds. Consequently, it sometimes audits at the local government level. In addition, the State Auditor administers the "California Whistleblower Protection Act," which includes a hotline for anonymous reporting.

(Continued)
CALIFORNIA STATE CONTROLLER’S OFFICE

The primary function of the Controller is to provide sound fiscal control over both receipts and disbursements of public funds and to report periodically on the financial operations and condition of both state and local government. Consequently, the Controller performs financial audits and financial related audits of federal and state funds, and audits state agencies’ payroll procedures in connection with the Controller’s central disbursing function. Additionally, the Controller performs audits under contract for state and federal agencies and reviews single audit activities of local government and K-12 school districts.

The Controller also provides pre-audits and post-audits of claims for payment as part of the state’s central disbursement function. The Controller functions in a coordinating role for Auditor/Controllers at the local government level.

AUDIT COORDINATION

To prevent duplication of the annual financial audit conducted by the State Auditor, GC 8546.4(e) prescribes that except for those state agencies that are required by state law to obtain an annual audit, no state agency shall encumber funds appropriated by the Legislature for the purpose of funding annual financial audits that may be covered by the single audit performed by the State Auditor.

In addition, GC 8546.4(e) states that no state agency shall enter into a contract for a financial or compliance audit without prior written approval of Finance and the Controller.
GC 13071 assigns Finance the primary responsibility of coordinating state internal audit activities. This coordination will not affect audit activities that are an integral part of an agency’s functions, such as regulatory and tax auditors, or other auditors who work directly with selected industries or taxpayers.

Finance also issues Audit Memos. These memos may establish uniform policies, interpretations, procedures or technical requirements, or provide advice or information. Copies are available from Finance’s OSAE, or electronically on the Finance website at http://www.dof.ca.gov/Programs/OSAE/Audit_Memos/.

(Continued)
In addition, Finance may coordinate the implementation of internal audit standards by conducting quality assurance reviews of internal audit units. See SAM section 20050 for Quality Assurance Reviews of the state’s internal audit units to determine their compliance with appropriate audit standards.

SINGLE AUDIT COORDINATION

Pursuant to the Single Audit Act, the OMB’s Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (commonly called “Uniform Guidance”) was officially implemented in December 2014. The Uniform Guidance, which is a government-wide framework for federal awards/grants management, supersedes guidance from earlier OMB Circulars including OMB A-133. See SAM section 20030 for new requirements under the Uniform Guidance. The Single Audit Act and Uniform Guidance establish standards for the expenditure and audit of federal funds.

At the state level, California meets the federal audit requirements through the State Auditor’s annual single audit of the Schedule of Expenditures of Federal Awards (SEFA). The Single Audit also includes an audit of federal programs for compliance with federal laws and regulations, and recommendations to improve the state’s financial systems and internal control.

Finance serves as the federal audit liaison and coordinates and carries out responsibilities related to the Single Audit Act. These responsibilities include:

- Compiling information received from state agencies for inclusion in the SEFA.
- Compiling individual entity management representation letters into a single representation letter signed by the Director of Finance and
SAM—AUDITING OF STATE AGENCIES

submitted to the State Auditor, as required in SAM 20080, Notification of Fraud or Error, Single Audit Notification.

- Coordinating state agency corrective action plans specific to prior year audit findings.
- Submitting the Single Audit Report to the federal government.

See the Single Audit page on Finance’s website for guidance.

The Controller serves as the single audit oversight agency for most California local governments. Additionally, the Controller submits an audit inquiry letter to the Attorney General requesting information on pending or threatened litigation. This information is provided directly to the State Auditor as part of the single audit process.
FEDERAL PASS-THROUGH FUNDS 20030

(Revised and Renumbered 12/2017)

State agencies receiving federal grants or awards (recipients) greater than $750,000 per fiscal year beginning on or after December 26, 2014, must comply with the audit requirements set forth in the Uniform Guidance. For more information regarding the Uniform Guidance, visit the Federal Register’s website.

As described in SAM section 20020, Single Audit Coordination, the State Auditor conducts the State of California’s single audit and Finance serves as the audit liaison responsible for federal audit coordination. For single audit reporting guidance, see SAM section 7974 and section 7974.1, and the Single Audit page on Finance’s website.

In addition, the Controller serves as the Single Audit oversight agency for most California local governments. See the Controller’s website for further information and guidance on single audit reporting for local governments.

INTERNAL AUDIT ORGANIZATIONS 20040

(Revised and Renumbered 12/2017)

Many state agencies have internal audit organizations. GC 1237 requires state agencies with aggregate annual spending of fifty million dollars ($50,000,000) or more annually consider establishing an internal audit unit. OSAE maintains a list of internal audit organizations. These organizations provide objective assurance and consulting services designed to add value and improve the agency’s operations. The internal audit organization helps an agency accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and internal control processes.

Internal auditors of state agencies shall utilize the “International Standards for the Professional Practices of Internal Auditing (Standards)” (GC 13071) or the Government Auditing Standards as issued by the Comptroller General of the United States (GC 13886.5). Standards require that internal audit organizations develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit organization.
Various organizations promulgate audit standards for auditors to follow. Standards are designed to enhance the quality and consistency of audits and audit reports.

**GC 13886.5** specifies that all state agencies that have their own internal auditors or that conduct internal audit activities shall conduct internal audit activity under the general and specified standards of internal auditing prescribed by the Institute of Internal Auditors or the *Government Auditing Standards* issued by the Comptroller General of the United States, as appropriate. In addition, auditors are required to adhere to other generally accepted audit standards whenever applicable, such as the *Generally Accepted Auditing Standards* promulgated by the American Institute of Certified Public Accountants.

**INTERNAL AUDIT STANDARDS**

The **Institute of Internal Auditors** promulgates standards for internal auditors in a publication titled *International Standards for the Professional Practice of Internal Auditing (Standards)* known as the “Red Book.” These standards are principle-focused and provide a framework for performing and promoting internal auditing.

The Standards are mandatory requirements consisting of statements of basic requirements for the professional practice of internal auditing and for evaluating the effectiveness of its performance. Additionally, management must ensure that the internal audit organization is independent of the activities and programs it audits.

**GOVERNMENT AUDITING STANDARDS**

The Comptroller General of the United States issued the *Generally Accepted Government Auditing Standards*, known as the “Yellow Book,” to provide a framework for conducting high quality audits with competence, integrity, objectivity, and independence. The Yellow Book is for use by auditors of government agencies, agencies that receive government awards, and other audit organizations performing Yellow Book audits.
GENERALLY ACCEPTED AUDITING STANDARDS

The American Institute of Certified Public Accountants requires adherence to *Generally Accepted Auditing Standards (GAAS)* for external audits of financial statements as codified in GAAS and in interpretations of those standards. *Statements on Standards for Attestation Engagements* supplement these standards. Together, these standards provide a general framework and guidelines when performing various audits from an external audit perspective.

(Continued)
AUDIT STANDARDS

(Continued)

20050 (Cont. 1)

(Revised and Renumbered 12/2017) QUALITY ASSURANCE REVIEWS

Standards require an external quality assurance review every five years and Yellow Book requires an external peer review every three years. Consistent with GC 13071, Finance may perform quality assurance reviews of the state’s internal audit units to determine their compliance with appropriate audit standards. The reviews result in reports containing an opinion that the internal audit unit fully complies, adequately complies, or does not comply with the required standards.

INTERNAL CONTROL

20060

(Revised 12/2017)

INTERNAL CONTROL DEFINED

Internal control is defined as a process effected by an entity’s oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved. These objectives and related risks of not achieving those objectives can be broadly classified into one or more of the following three categories:

1. Effectiveness and efficiency of operations
2. Reliability of reporting for internal and external use
3. Compliance with applicable laws and regulations

This definition is from the Standards for Internal Control in the Federal Government (Green Book) by the Comptroller General of the United States. The Green Book provides the overall framework for establishing and maintaining an effective internal control system. The State of California has adopted the Green Book as a framework for an internal control system. The Green Book adapted internal control principals from the Committee of Sponsoring Organizations of the Treadway Commission’s (COSO) published Internal Control - Integrated Framework which establishes five principals related to basic components of internal control. The five components of internal control are listed below in the SLAA section.
SLAA defines internal control in a manner similar to the Green Book. SLAA defines internal control as a process, including a continuous built-in component of operations, effected by a state agency’s oversight body, management, and other personnel that provide reasonable assurance that the state agency’s objectives will be achieved.

(Continued)
Further state internal audit organizations may be familiar with another definition of internal control as defined in the *International Standards for the Professional Practice of Internal Auditing (Standards)*, issued by the *Institute of Internal Auditors* (IIA). IIA defines internal control as any action taken by management, the board, and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved.

**STATE LEADERSHIP ACCOUNTABILITY ACT**

State agency heads, by reason of their appointments, are accountable for activities carried out in their agency. This responsibility includes the establishment and maintenance of a system of internal control, and effective and objective ongoing monitoring of the internal controls within the agency. Such responsibility also includes documenting the system, communicating system requirements to employees, and ensuring that the system is functioning as intended and is modified, as appropriate, for changes in conditions.

Because governments are susceptible to fraud, waste, and abuse, increased attention has been directed toward strengthening internal control to help restore confidence in government and improve its operations. As a result, SLAA1 was enacted in 1983 to inhibit waste of resources, create savings, and enhance public accountability. SLAA is codified in GC 13400 through 13407, which describes the legislative findings, agency responsibility, internal controls, and reporting on the adequacy of internal control and ongoing monitoring. All levels of management must be involved in assessing and strengthening the systems of internal control to minimize fraud, errors, abuse, and waste of government funds.

GC 13403 defines internal control and sets forth the elements of a satisfactory system of internal control. It also emphasizes the importance of ongoing monitoring and agency head responsibilities. As stated in GC 13403, internal controls provide reasonable assurance that the agency objectives will be achieved. To constitute an effective internal control system, the state agency needs to effectively design,
implement, and operate the five components of internal control in an integrated manner. The five components of internal control include the following:

(Continued)

1 Formerly the Financial Integrity and State Manager’s Accountability Act of 1983 (FISMA).
1. **Control Environment.** The foundation for an internal control system that provides the discipline and structure to help an agency achieve its objectives.

2. **Risk Assessment.** An assessment of the risks facing the agency as it seeks to achieve its objectives and provides the basis for developing appropriate risk responses.

3. **Control Activities.** The actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system.

4. **Information and Communication.** The quality of vital information used and communicated to achieve the agency’s objectives.

5. **Monitoring.** Activities management establishes and operates to assess the quality of performance over time and promptly resolve the findings of audits and other reviews.

**GC 13403** states the elements of a satisfactory system of internal control shall include, but are not limited to:

1. A plan of organization that provides segregation of duties appropriate for proper safeguarding of state agency assets.

2. A plan that limits access to state agency assets to authorized personnel who require these assets in the performance of their assigned duties.

3. A system of policies and procedures adequate to provide compliance with applicable laws, criteria, standards, and other requirements.

4. An established system of practices to be followed in performance of duties and functions in each of the state agencies.

5. Personnel of a quality commensurate with their responsibilities.

6. An effective system of internal review.

7. A technology infrastructure to support the completeness, accuracy, and validity of information processed.
These elements, as important as each is in its own right, are expected to be mutually reinforcing and, thus, to provide the system with “internal checks and balances.” All the elements are so basic to adequate internal control that serious deficiencies in any one could preclude effective operation of the system and signal a problem.

Another vital aspect of an internal control system is the ongoing monitoring of the system. Ongoing monitoring ensures management possesses the information to assess whether the system is functioning as intended, controls remain effective, control weaknesses are corrected timely, and information is accurate and reliable.

(Continued)
SYMPTOMS OF CONTROL DEFICIENCIES

Experience has indicated that the existence of one or more of the following situations are usually indicative of a poorly maintained or vulnerable control system. These situations may apply to the organization as a whole or to individual units or activities. Agency heads and managers must identify and make the necessary corrections if any of the situations listed below exist within their organization and/or a similar situation of equal gravity.

1. Policy and procedural or operational manuals are not current or are nonexistent.
2. Lines of organizational authority and responsibility are not clearly articulated or are nonexistent.
3. Financial and operational reporting is not timely and is not used as an effective management tool.
4. Management and line supervisors ignore or do not adequately monitor control compliance.
5. Operation controls are not regularly evaluated for effectiveness.
6. Identified internal control weaknesses are not corrected timely.
7. Controls and/or control evaluations bear little relationship to organizational exposure to loss.

REPORTING RISKS, INTERNAL CONTROLS, AND MONITORING

SLAA REPORT REQUIREMENTS AND SUBMISSION

SLAA (GC 13405) requires each state agency head to conduct a review of and report on the adequacy of the agency’s internal control systems and monitoring practices. The
report is due no later than December 31 of each odd-numbered year. The review and report shall be conducted, in accordance with the Finance’s guidance. The report shall identify inadequacies or weakness in the agency’s systems of internal control that prevent systems from operating effectively.

The report shall be signed by the entity head. The report shall be addressed to the Agency Secretary, or the Finance Director for an entity without a Secretary. The report shall be submitted by the entity head to Finance through the SLAA web portal at https://slaa.dof.ca.gov/.

(Continued)
REPORT ACCEPTANCE, DISTRIBUTION AND POSTING

The agency will be notified of report acceptance by e-mail from the SLAAhotline. The acceptance notification will be sent to the agency head, the SLAA Primary contact and the SLAA Administrator. The SLAA Primary contact and Administrator are designated positions within the SLAA web portal. These positions are determined by the agency head. The agency head, SLAA Primary contact and SLAA Administrator have prescribed authority and authorization within the SLAA web portal.

Finance will send a copy of the submitted and accepted report to the Legislature, the California State Auditor, the State Controller, the Secretary of Government Operations, and to the State Library where the copy shall be available for public inspection.

The agency shall post the accepted report on its Internet website within five business days after acceptance by Finance.

IMPLEMENTATION PLAN REQUIREMENTS AND SUBMISSION

In addition to the biennial report, if the agency’s SLAA report identified any inadequacy or weakness in the internal control systems or monitoring processes, the agency shall provide to Finance an implementation plan (Plan) and schedule for correcting the identified inadequacies and weaknesses described in the report. The first Plan should be submitted to Finance through the SLAA web portal by December 31 of each odd-numbered year in conjunction with the corresponding SLAA report. Subsequent Plans should be updated and submitted to Finance every six months until all actions are fully implemented or a new report is due. Plans are submitted to Finance through the SLAA web portal (GC 13405).

IMPLEMENTATION PLAN ACCEPTANCE

(Continued)
The agency will be notified of the Plan acceptance by e-mail from the SLAAHotline. The acceptance notification will be sent to the agency head, the SLAA Primary contact and the SLAA Administrator. The Plan is not distributed nor is it required to be posted.

REPORTING FALSE OR MISLEADING INFORMATION

Any allegation of providing false or misleading information in connection with the SLAA review or report shall be investigated by the agency. The agency head shall report to Finance within 90 days, if there is reasonable cause to believe false or misleading information was provided in the SLAA report (GC 13406).
(Continued)

REPORTING RISKS, INTERNAL CONTROLS, AND MONITORING

(Cont. 2)

(Revised 12/2017) SLAA RESOURCES

The agency will conduct SLAA reviews and meet the reporting requirements using existing resources. Sound internal controls and monitoring processes inhibit waste of resources and thereby create savings (GC 13407).

Tools, templates, Audit Memos, and other guidance are available on SLAA webpage at http://dof.ca.gov/Programs/OSAE/SLAA/. Questions on the review and reporting processes can be addressed to Finance at SLAAhotline@dof.ca.gov.

NOTIFICATION OF FRAUD OR ERROR

(Revised 12/2017) WHY REPORT

State agencies are required to report actual or suspected fraud or errors. Reporting heightens awareness of the potential breakdown of the control activities which serve to protect state assets. The information reported is collected and analyzed by Finance. The reported information informs Finance in developing guidance for state agencies. Implementing the guidance promotes the enhancement of internal controls. The breakdown of control activities can occur regardless of the dollar amount involved, therefore all incidents must be reported.

WHAT TO REPORT

An entity will notify Finance’s OSAE and the State Auditor of all actual or suspected incidents related to the following:

- Misuse/Theft - Intentional use of state assets for an improper purpose or taking state assets without consent.
- Damage - Intentional acts impairing the value, usefulness, or function of state assets.
- Contract/Procurement - Inappropriate activities involving:
1. The purchase of or contracting for goods and services
2. Grant activity
3. Subvention program activity

- Employee Misconduct - Willful, improper employee behavior affecting state interests.
- Error - Unusual event causing impairment or inaccuracy.
This requirement applies to all incidents whether:

- Alleged against state employees or other individuals
- Discovered internally or by referral

**WHEN TO REPORT**

State entities must report to OSAE and the State Auditor no later than 30 calendar days following the discovery of the incident. Update reports are required every 180 days from the date of initial notification until the incident is resolved. An incident is considered resolved when either of the following circumstances occurs:

- Internal investigation is completed and corrective action is taken.
- Referral is made to the proper authority (such as the Attorney General, California Highway Patrol, outside law enforcement, etc.), action has been taken, and collection efforts are ended.

**HOW TO REPORT**

The Fraud or Error Notification form (DOF 20080) is required for:

- Initial notifications
- Updates
- Incident resolution

The DOF 20080 is available on the SLAA webpage at http://www.dof.ca.gov/Programs/OSAE/SLAA/. The Form and any attachments may be submitted by e-mail to SLAAhotline@dof.ca.gov or by sending a hard copy to the following addresses:
NOTIFICATION OF FRAUD OR ERROR

(Continued)

SINGLE AUDIT NOTIFICATION

Entities will report material matters in their annual management representation letters submitted to OSAE in accordance with SAM 20020, Single Audit Coordination.

DEFINITIONS

1. Fraud or Errors Definitions and Examples are available on the SLAA webpage at http://www.dof.ca.gov/Programs/OSAE/SLAA/. This document has definitions and examples which are useful when reporting an incident to OSAE and the State Auditor.

2. State assets are cash, check, time, or property. State assets do not include information assets for purposes of SAM 20080.

3. Property, see SAM 8601.


REFERENCE TO OTHER SAM SECTIONS

The following sections have a reporting requirement to OSAE on form DOF20080.

- SAM 2482, Insurance and Surety Bonds, Reporting Requirements.
- SAM 8041.1, Cash, Examination of Paid Checks for Alteration or Forgery.
- SAM 8048, Cash, Loss of Blank Check Stock.
- SAM 8072, Cash, Shortages.
- SAM 8643, Property Accounting, Lost, Stolen, or Destroyed Property.
# SAM—AUDITING OF STATE AGENCIES

## REPORTING MATRIX

(Revised 12/2017)

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<tr>
<td>Single Audit Federal or Non Federal Award Certification Form</td>
<td>All state Agencies</td>
<td>Annually upon Finance’s notification</td>
<td>Finance</td>
</tr>
<tr>
<td>Single Audit Management Representation Letter</td>
<td>All state Agencies</td>
<td>Annually upon Finance’s notification</td>
<td>Finance</td>
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<td>SLAA Report</td>
<td>All state Agencies</td>
<td>December 31 of each odd-numbered year</td>
<td>Multiple Recipients</td>
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<td>SLAA Implementation Plan</td>
<td>All state Agencies</td>
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<td>SLAA Subsequent Implementation Plans</td>
<td>All state Agencies</td>
<td>Every six months until all corrections are fully implemented or next report is due</td>
<td>Finance</td>
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