

## SAM - BUDGETING

### CAPITALIZED ASSET BUDGET DEVELOPMENT HIGHLIGHTS

6812

(Revised 10/2017)

**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.

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(Continued)

### **CAPITALIZED ASSET BUDGET DEVELOPMENT HIGHLIGHTS**

6812 (Cont. 1)

(Revised 10/2017)

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.