

BUDGET LETTER

	NUMBER: 18-17
SUBJECT: CAPITAL OUTLAY BUDGET PROPOSALS, FIVE-YEAR INFRASTRUCTURE PLANS, AND DEFERRED MAINTENANCE SUBMISSIONS FOR 2019-20	DATE ISSUED: July 25, 2018
REFERENCES: STATE ADMINISTRATIVE MANUAL SEC 6821, ET. SEQ. AND AB 1473 (CHAPTER 606, STATUTES OF 1999), BL 18-07 AND BL 18-15	SUPERSEDES: BL 17-10

TO: Agency Secretaries
Department Directors
Department Budget and Accounting Officers
Department of Finance Budget and Accounting Staff

FROM: DEPARTMENT OF FINANCE

NOTE: Budget Officers are requested to forward a copy of this Budget Letter to the Department's Facilities Manager as well as program personnel with capital outlay infrastructure needs.

<i>Deadlines and Deliverables</i>	
July 30, 2018	Five-Year Infrastructure Plans, Major and Minor Capital Outlay Budget Change Proposals (COBCP), and Capital Outlay Concept Papers (COCP) for 2019-20, due to the Department of Finance capital outlay budget analyst.
September 7, 2018	Deferred Maintenance information due to the Finance capital outlay budget analyst.

This Budget Letter (BL) provides detailed instructions and due dates for submitting Five-Year Infrastructure Plans, Major and Minor COBCPs, COCPs, and deferred maintenance information. As a reminder, [BL 18-15](#), which Finance issued on July 19, 2018, sets forth the Department of Finance's policy guidelines for preparation of the proposed 2019-20 Governor's Budget. These guidelines are in effect until such time as the incoming Governor and Administration make known their specific priorities and policies.

Five-Year Infrastructure Plans, Major and Minor COBCPs, and COCPs are due by **July 30, 2018**, as indicated in BL 18-07. Deferred maintenance information is due by **September 7, 2018**. Any state agency with capital outlay needs in 2019-20 through 2023-24 must submit a Five-Year Infrastructure Plan (Infrastructure Plan), including the necessary COBCPs and/or COCPs as detailed in this BL.

Confidentiality: Until release of the Governor's Budget, please remember that all information contained in the approved budget documents used during the Governor's Budget development process is strictly confidential.

1. Submittal Of 2019-20 Infrastructure Plans, COBCPs, and COCPs

A. Five-Year Infrastructure Plans:

The Governor is required to annually submit an Infrastructure Plan in conjunction with the Governor's Budget. The 2018-19 Infrastructure Plan evaluated the state's 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. The 2018-19 Infrastructure Plan can be found at the following link: <http://www.ebudget.ca.gov/2018-19/pdf/BudgetSummary/Infrastructure.pdf>.

B. Major and Minor COBCPs and COCPs:

All COBCPs and COCPs for all major and minor capital outlay projects proposed for the 2019-20 Governor's Budget and the 2019-20 Infrastructure Plan must be submitted to Finance no later than July 30, 2018.

As described in BL 18-15, Finance will consider workload budget and technical requests for continuing projects based on current law, the merits of the proposal, and funding availability. This criteria applies to all departments, including those not under the Governor's direct authority.

Departments are encouraged to work with their Finance capital outlay budget analyst to prioritize capital outlay budget requests prior to submitting any proposals. Requests not meeting the criteria above will not be considered for inclusion in the 2019-20 Governor's Budget.

Reminders: Appropriations for preliminary plans, working drawings, performance criteria, and minor projects are generally available for encumbrance for one year. Construction appropriations are generally available for encumbrance for up to three years, but revert at the end of the first year of appropriation if Finance has not allocated the funding through fund transfer or approval to proceed to bid (see Section 1.80 of the 2018 Budget Act for the standard availability periods for all project phases).

• Documents Required to Request Capital Outlay Funds:

- ✓ For ALL proposals: COBCPs, COCPs, and FIWs must be submitted electronically as word documents or excel spreadsheets and through Hyperion to the appropriate Finance capital outlay budget analyst. Contact your Finance capital outlay budget analyst for your project I.D. when submitting a new project.
- ✓ Departments must use the current COBCP forms, which are available on the [Budget Forms](#) page of Finance's website.
- ✓ The new version of these budget forms are required for all capital outlay budget requests. Please work with the appropriate Finance capital outlay budget analyst for additional information related to future requests.
- ✓ Please note the "COBCP Abstract" in the COBCP, which provides a brief overview of the scope, cost, and schedule of each project. The COBCP Narrative includes sample language for capital outlay projects utilizing the Design-Bid-Build or the Design-Build project procurement methods.
- ✓ Reappropriations: For reappropriation requests, the following documents should be submitted: COBCPs (cover page and sections A and B of the COBCP Narrative only), three-page estimates, and FIWs.
- ✓ All documents must also be submitted to Finance in hard copy with the appropriate signatures by the due date listed above.

- **When to Prepare a COBCP:**

Complete COBCPs are required for all new projects or capitalized leases proposed to be included in the 2019-20 Governor's Budget.

For continuing phases of previously funded projects, departments must submit a complete COBCP and FIW; *any* changes to the cost or scope of the project must be clearly identified and explained.

- **Requesting Budget Packages:**

Budget packages are used to verify feasibility, scope, and costs of projects. Finance may use infrastructure planning funds for budget packages when Finance determines a budget package is desirable for a specific project and funding is not otherwise available.

Departments may submit requests to Finance to fund specific budget packages or use departmental support funds to contract with the Department of General Services (DGS), Real Estate Services Division, prior to submission of COBCPs. **Regardless of funding source, departments are strongly encouraged to consult with their capital outlay budget analyst on the scope of the budget package.** Completion of a budget package does not guarantee future funding of a project.

- **Agency Review and Distribution:**

Infrastructure Plans, including COBCPs and COCPs must be approved by the Agency Secretary, as applicable, *prior to* submission to Finance. After agency approval, submit:

- ✓ Two copies to Finance, Capital Outlay Unit, 915 L Street, Ninth Floor. (Submit three copies to the Capital Outlay Unit for projects based on enrollment/caseload/population changes, program workload adjustments, or program policy changes—the extra copy will be given to the Finance support analyst).
- ✓ These copies are in addition to any copies that agency may require.

- **Major Capital Outlay Budget Reminders:**

- ✓ A capital outlay appropriation is required for the acquisition of real property or any lesser interest in real property (including, but not limited to, capitalized leases, easements, purchase options, and rights-of-way), except as otherwise authorized.
- ✓ All major capital outlay projects are subject to the administrative oversight of the State Public Works Board (PWB) unless specifically exempted. Departments must follow PWB and Finance administrative requirements when implementing projects. Questions on these requirements should be directed to the appropriate Finance capital outlay budget analyst.
- ✓ Funds cannot be transferred between major capital outlay projects, unless specifically authorized in the Budget Act or by other statute.

- **Minor Capital Outlay Budget Reminders:**

- ✓ Minor capital outlay is any project under \$709,000, which has been specifically budgeted as a minor project and which a department has been authorized to implement directly pursuant to Public Contract Code section 10108.
- ✓ Natural Resources Agency capital outlay projects up to \$975,000 may be budgeted as minor projects with the concurrence of Finance.

- ✓ Departments may not circumvent the budget process by “piecemealing” larger projects through several minor projects.
- ✓ Minor capital outlay projects are included in the Infrastructure Plan as a lump sum for each of the five years.

2. Deferred Maintenance:

Departments (with the exception of the Department of Transportation) are required to provide a detailed list of their identified deferred maintenance need, if one exists, to their Finance capital outlay budget analyst by **September 7, 2018**. The list should include: department name, project location, project title, project description, and estimated project cost. To the extent possible, the projects should be in priority order. This information should be submitted as an Excel file using the Deferred Maintenance Project List template, which is available on the [Budget Forms](#) page of Finance’s website.

Please note that the identified deferred maintenance needs of each department must be reviewed and approved by their respective agencies, as applicable, prior to submittal to Finance.

If you have any questions, please contact the appropriate Finance capital outlay budget analyst at (916) 445-9694.

/s/ Karen Finn

Karen Finn
Program Budget Manager