

BUDGET LETTER

	NUMBER: 18-26
SUBJECT: CONTROL SECTION 6.10 OF THE BUDGET ACT OF 2018: STATEWIDE DEFERRED MAINTENANCE	DATE ISSUED: August 15, 2018
REFERENCES: BL 18-17 AND 18-25	SUPERSEDES:

TO: Agency Secretaries
Department Directors
Departmental 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.

Deadlines and Deliverables

August 30, 2018

Deferred Maintenance project lists due to the Department of Finance support budget analyst and capital outlay budget analyst.

This Budget Letter (BL) provides detailed instructions and due dates for submitting and making changes to deferred maintenance project lists pursuant to Control Section 6.10 of the Budget Act of 2018: Statewide Deferred Maintenance. The Budget Acts of 2015 and 2016 also included deferred maintenance funding. Please note the requirements for the 2018 funding are similar—but not identical—to previous deferred maintenance funding.

It is the intent of the Legislature to provide funding under Control Section 6.10 of the Budget Act of 2018 for maintenance projects that will keep state infrastructure in acceptable condition, to preserve the condition, or extend the useful life of the infrastructure. The Department of Finance may allocate \$305 million General Fund to the following departments in the amounts identified for deferred maintenance projects:

- Department of Water Resources—\$100,000,000
- Judicial Branch—\$50,000,000
- California State University—\$35,000,000
- University of California—\$35,000,000
- California Exposition and State Fair—\$15,000,000
- Department of State Hospitals—\$10,000,000
- Department of General Services—\$10,000,000
- Department of Developmental Services, Porterville Facility—\$10,000,000
- Department of Corrections and Rehabilitation—\$9,000,000
- California Science Center, California African American Museum—\$7,000,000
- California Military Department—\$4,000,000
- Department of Veterans Affairs—\$4,000,000
- State Special Schools—\$4,000,000
- Office of Emergency Services—\$4,000,000
- Network of California Fairs—\$3,000,000
- Department of Forestry and Fire Protection—\$2,000,000
- Department of Food and Agriculture—\$1,000,000
- Employment Development Department—\$1,000,000

California Conservation Corps—\$500,000
Hastings College of the Law—\$500,000

A. Submittal of 2018 Deferred Maintenance Project Lists:

The Department of Finance is required to provide a list of deferred maintenance projects for each entity identified above to the Chairperson of the Joint Legislative Budget Committee 30 days prior to the allocation of any funds.

Each entity identified above is required to provide a list of the deferred maintenance projects for which this funding will be allocated to their Finance support budget analyst and capital outlay budget analyst by **August 30, 2018**. Deferred maintenance project lists should include the following information:

- Department name.
- Facility location: include the facility/district/unit name and address. Do not use acronyms.
- Project title: include a meaningful description of the project.
- Estimated project cost, rounded to the thousands.

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. The total estimated project costs for all projects should not exceed the department's Control Section 6.10 allocation. Please note that the deferred maintenance project lists must be signed by the Deputy Director (or above), reviewed and approved by the respective agencies, as applicable, prior to submittal to Finance.

Deferred Maintenance Project Lists that do not meet the criteria above will be returned to the department for correction, which may delay the legislative notice for the department.

Reminders:

- Deferred Maintenance is maintenance that has not been completed to keep state-owned facilities in an acceptable and operable condition. Actions like replacing old equipment, repainting, reroofing, repairing wiring and plumbing, dredging river or stream beds to restore original flow capacity, and repairing roads are all examples of deferred maintenance.
- No capital outlay projects may be funded through Control Section 6.10. Capital outlay is the construction of new facilities, additions to and modifications of existing facilities, and includes projects that generally expand the capacity or change the function of state-owned properties. For additional information regarding the difference between deferred maintenance and capital outlay projects, see [SAM Section 6806](#).

B. Infrastructure Assessments:

Each entity identified above may utilize up to 10 percent of the amount allocated by Control Section 6.10 of the Budget Act of 2018, but no greater than \$5 million, for the purposes of conducting assessments of departmental infrastructure. Any such assessments shall either be conducted by the Department of General Services or shall adhere to guidelines published by the Department of General Services.

For additional information related to Infrastructure Assessments, please contact your Finance capital outlay budget analyst.

C. Changes to the Final 2018 Deferred Maintenance Project Lists:

Prior to making any changes to the deferred maintenance project lists after they have been submitted, departments are required to obtain Finance approval. Finance is required to notify the Chairperson of the Joint Legislative Budget Committee no less than 30 days prior to adding any project with estimated costs greater than \$1 million, and quarterly for any and all changes to the list of deferred maintenance projects. The 30-day and quarterly notification to the Joint Legislative Budget Committee must identify the projects removed or added, the cost of those projects, and the reasons for the changes.

- **Documents Required to Request Changes to the Final 2018 Deferred Maintenance Project Lists:**
 - ✓ A transmittal letter, signed by a Deputy Director (or above), that identifies the requested changes, including: (1) the projects proposed for removal or addition, (2) the cost of those projects, and (3) the reasons for the proposed changes.
 - ✓ A redlined deferred maintenance project list that identifies any projects that are being proposed for removal and/or addition, and the cost of the proposed changes.
 - ✓ A clean deferred maintenance project list that is updated to include the proposed changes.

D. Annual Reporting:

Beginning September 1, 2019, and annually thereafter until the deferred maintenance projects have been completed, Finance is required to provide an annual report to the Chairperson of the Joint Legislative Budget Committee that identifies: (1) the status of each project, (2) any changes to project costs, and (3) any additions and/or removals of projects. Additionally, for any projects added or removed, the report must explain the reasons for the change.

- Project status reports will be requested from, and additional direction will be provided to, departments separately related to annual reporting requirements.
- Departments are strongly encouraged to closely track the status of their deferred maintenance project lists, as project status reports may be requested by Finance at any time.

E. Availability of Funds:

The amounts allocated pursuant to Control Section 6.10 of the Budget Act of 2018 are available for encumbrance or expenditure until June 30, 2021.

If you have any questions, please contact your Finance support budget analyst or your Finance capital outlay budget analyst.

/s/ Karen Finn

Karen Finn
Program Budget Manager

Attachment