

BUDGET LETTER

SUBJECT: THE STATE CONTRACT ACT—PROJECT COST THRESHOLD ADJUSTMENTS	NUMBER: 26-02
REFERENCES: PUBLIC CONTRACT CODE SECTIONS 10105, 10108, 10108.5, AND 10108.6	DATE ISSUED: March 18, 2026
	SUPERSEDES: BL 24-04

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

FROM: DEPARTMENT OF FINANCE

Budget Officers are requested to forward this Budget Letter (BL) to the Department Facilities Manager.

This BL adjusts the dollar threshold for a project subject to Division 2, Part 2, Chapter 1 of the Public Contract Code (State Contract Act), which defines: (1) a project that requires oversight by the Department of General Services (DGS); (2) the maximum cost for a project to be budgeted as a minor capital outlay project; and (3) for the Resources Agency departments, the project cost threshold to require a competitive bid and the maximum day labor amount.

Section 10105 of the Public Contract Code defines a “project” as the erection, construction, alteration, repair, or improvement of any state structure, building, road, or other state improvement of any kind with a total cost exceeding a specified amount that is biennially adjusted by the Director of Finance to reflect the percentage change in the annual California Construction Cost Index (CCCI) as used by DGS.

Section 10108 of the Public Contract Code establishes the maximum cost of a project that may be budgeted as a minor capital outlay project. It also requires the project cost amount be adjusted biennially for CCCI.

Section 10108.5 of the Public Contract Code applies to departments within the Resources Agency, except those otherwise specified in section 10107. This section requires a **biennial** CCCI adjustment to: (1) the project dollar threshold for DGS oversight; (2) the cost threshold that determines when a Department of Forestry and Fire Protection project must be competitively bid; and (3) the maximum day labor amount.

A summary of these new dollar thresholds for calendar years 2026 and 2027 follows:

Adjusted Project Cost Threshold	2026 and 2027 Amounts
Section 10105 DGS oversight required for projects over:	\$484,000
Section 10108 Minor capital outlay project limit:	\$1,157,000
Section 10108.5 DGS oversight is required for projects over: <i>(applies to departments within the Resources Agency)</i>	\$1,502,000

Competitive bidding required for projects over: <i>(applies to the Department of Forestry and Fire Protection)</i>	\$150,000
Maximum day labor amount: <i>(applies to departments within the Resources Agency)</i>	\$303,000

Pursuant to Section 10108.6, Department of Finance approval is required for any department's request for exemption from DGS oversight, should the project or class of projects exceed \$3,000,000.

For any questions, contact your Capital Outlay budget analyst.

/s/ Sally Lukenbill

Sally Lukenbill
Program Budget Manager