

# BUDGET LETTER

<b>SUBJECT:</b> THE STATE CONTRACT ACT—PROJECT COST THRESHOLD ADJUSTMENTS	<b>NUMBER:</b> 16-03
<b>REFERENCES:</b> PUBLIC CONTRACT CODE SECTIONS 10105, 10108, AND 10108.5	<b>DATE ISSUED:</b> February 16, 2016
	<b>SUPERSEDES:</b> BL 14-01

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 of the Public Contract Code (Contracting by State Agencies), 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 (\$250,000 originally) 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 (\$600,000 originally) 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. This section requires a biennial CCCI adjustment to: (1) the project dollar threshold (\$500,000 originally) for DGS oversight; (2) the cost threshold (\$50,000 originally) that determines when a project must be competitively bid; and (3) the maximum day labor amount.

A summary of these new dollar thresholds for calendar years 2016 and 2017 follows:

<u>Adjusted Project Cost Threshold</u>	<u>2016 and 2017 Amount</u>
Section 10105—DGS oversight required for projects over	\$291,000
Section 10108—Minor capital outlay project limit	\$656,000
Section 10108.5—DGS oversight required for projects over	\$903,000
Section 10108.5—Competitive bidding required for projects over	\$ 90,000
Section 10108.5—Maximum day labor amount	\$181,000

Any questions on this BL should be referred to Chris Lief, Assistant Program Budget Manager for Capital Outlay, Department of Finance, at (916) 445-9694.

/s/ Karen Finn

Karen Finn  
Program Budget Manager