

CAPITAL PLANNING, DESIGN AND CONSTRUCTION
SECTION IV – FISCAL RESOURCES FOR CAMPUS DEVELOPMENT
SECTIONS 9025 – 9041

Table of Contents

	SECTION	PAGE
Fiscal Resources for Campus Development.....	9025	1
State Capital Outlay Appropriations to CSU	9026	1
Procedures for Securing Funding for Proposed Capital Outlay Program.....	9027	1
Feasibility Studies and Initial Planning Funds.....	9028	1
Inclusion of Proposed Project Fund Requests in Governor’s Budget.....	9029	1
Inclusion of Proposed Project Fund Requests in Legislative Budget Act.....	9030	1
Project Funding	9030.01	2
Record Retention.....	9030.02	2
Approval of Preliminary Plans.....	9031	2
Department of Finance Approvals.....	9032	3
Procedures for Obtaining Augmentations to Capital Outlay Appropriations.....	9033	4
Acquisition Augmentation.....	9033.01	5
Administration of CSU Appropriations for Capital Outlay Programs.....	9034	5
Construction Management Budget.....	9034.01	5
Construction Claims Program.....	9034.02	6
Cash Flow Analysis.....	9034.03	6
BRIP.....	9034.04	6
OCIP.....	9034.05	6
Procedures for Encumbering and Disbursing Funds for Construction Document Phase.....	9035	6
Reversion of Excess Capital Outlay Programs Funds.....	9036	7
Project Savings.....	9036.01	7
Funds for Minor Capital Outlay Projects.....	9037	7
Funds for Capital Renewal/Infrastructure Improvements.....	9038	8
Funds for Professional Services.....	9039	8
Procedures for Encumbering Funds for Professional Services.....	9040	8
Custodial and Farm Acreage General Fund Support Monies.....	9041	8

CAPITAL PLANNING, DESIGN AND CONSTRUCTION
SECTION IV – FISCAL RESOURCES FOR CAMPUS DEVELOPMENT
SECTIONS 9025 – 9040

9025 FISCAL RESOURCES FOR CAMPUS DEVELOPMENT

The following paragraphs describe the process for obtaining and encumbering funding for capital outlay. The process for obtaining support funds for new space is also described below.

9026 STATE CAPITAL OUTLAY APPROPRIATIONS TO CSU

State appropriations are the predominant source of funds for capital improvements for the CSU. Each year the State of California enacts a budget in which appropriations are made to the CSU. The Chancellor's Office, on behalf of the Board of Trustees, administers the funds for capital improvements except where a campus has delegated authority to administer the project funds.

9027 PROCEDURES FOR SECURING FUNDING FOR PROPOSED CAPITAL OUTLAY PROGRAM

The CSU annual “call letter” sets the calendar for campus capital outlay project submittals to CPDC. From the campus submittals, CPDC develops the capital outlay program for review and approval by the Board of Trustees. The Trustees then approve a proposed capital outlay program for the CSU. The proposed state-funded portion of the capital outlay program is submitted to the Department of Finance for inclusion in the Governor’s Budget.

Questions raised by the control agencies during their review and evaluation of the budget submittals are answered by CPDC, with the assistance of the campuses. Fund requests for new buildings are based solely on the budget change proposal (COBCP) submitted.

The steps to be taken for securing funds for a proposed capital outlay program are discussed in Section 9028 through 9030.

9028 FEASIBILITY STUDIES AND INITIAL PLANNING FUNDS

Campuses are responsible for funding from existing resources the initial planning, cost benefit analysis, and feasibility studies that are needed to prepare budget submittals consisting of plans, outline specifications, and a cost estimate for all projects included in the Board of Trustees' proposed capital outlay program. Other initial planning funds are appropriated by the Budget Act for specific projects by line item.

9029 INCLUSION OF PROPOSED PROJECT FUND REQUESTS IN GOVERNOR’S BUDGET

Based on evaluation of budget submittals and other appropriate data, the Department of Finance recommends projects for inclusion in the Governor's Budget. The Governor’s budget is presented to the Legislature in January each year.

9030 INCLUSION OF PROPOSED PROJECT FUND REQUESTS IN LEGISLATIVE BUDGET ACT

The Senate Budget and Fiscal Review Committee and the Assembly Budget Committee, each and separately through its respective subcommittee, considers each project proposed in the Governor's Budget. Legislators are advised on the projects by the Legislative Analyst. If either subcommittee requires additional information on a particular project of the CSU, the Chancellor's Office has an opportunity to speak in depth to the issues during that subcommittee's scheduled hearings.

From the initial recommendations of each subcommittee, the determinations of the Joint Legislative Budget Committee and from subsequent amendments including the May revise, the Governor's Budget is transformed into the Budget Act when the governor signs the Budget Bill.

CAPITAL PLANNING, DESIGN AND CONSTRUCTION
SECTION IV – FISCAL RESOURCES FOR CAMPUS DEVELOPMENT
SECTIONS 9025 – 9040

The Budget Act, referred to by chapter number and the year adopted, identifies each major project appropriation by item number. The Budget Act also indicates the source of funds for each appropriation and the time of availability for encumbrance and for liquidation. It is important to be familiar with the Budget Act appropriations and the control language.

9030.01 PROJECT FUNDING

The appropriate method of financing is determined through the legislative process. Capital financing through state appropriations may take several forms such as: direct appropriations from various general or special fund revenue sources, proceeds of general obligation (GO) bonds approved by voter initiative, lease purchase agreements, and lease revenue bonds (LRB) or revenue bonds, approved by the legislature and issued by the State Public Works Board (PWB). For projects funded with lease revenue bonds, any sublease agreements anticipated within the facility will need to be reviewed and approved by the PWB prior to the sale of the LRB bonds. A signed CPDC form 4-2 must accompany the proposed lease agreement to verify the allocation of donor or Non-State reserve contributions towards the cost of construction of the leased areas in order to fit within the permissible limits of private use. The Budget Act, referred to by chapter number and the year adopted, identifies each major project appropriation by item number. The Budget Act also indicates the source of funds for each appropriation and the time of availability. It is important to be familiar with the Budget Act appropriations and the relevant control language for each project.

9030.02 RECORD RETENTION

All projects funded with tax-exempt bonds, including GO, LRB and Systemwide Revenue Bonds (SRB), must demonstrate compliance with Internal Revenue Service (IRS) tax codes and retain records related to private activity use for subleased areas and for federal research grants in campus facilities during the life of the tax-exempt bonds plus five years, typically a total of 35 years. Campuses will use report forms (Appendix B, CPDC 4-2, 4-4, Appendix B) to identify IRS “safe-harbors” related to grants/research funding and to methods of allocating donor or non-state reserve contributions towards subleased areas in order to fit within permissible limits of private use. In addition to the CPDC 4-2 Facility Information Sheet, a memo is required for the project file which documents the total amount of the donor or non-state dollars available during the construction period of the project (typically indicated on the CPDC 2-7 budget form), as that will document for IRS audit purposes the declaration that these comingled funds can be attributed to the private use space being subleased. Campuses are also required to keep records of all federal or corporate research grants and the lease and sublease arrangements and square footage of the leased areas involved. Campuses are required to maintain records for any subsequent construction/improvements to a tax-exempt bond financed facility even if the subsequent construction is not financed by bonds. These records provide supporting evidence when the space is used by private parties and the IRS questions whether the space was funded by tax-exempt bonds that had restrictions on the private use. This information is to be retained on campus and available for IRS review during the life of the bond plus five years. Original documents are preferred; however the difficulty of storage for 35 years leads the IRS to accept electronic (scanned) copies. Scanned files must contain clear copies of all signatures authorizing expenditures, invoices, contracts, etc.

See Appendix A for definitions of tax code terminology.

9031 APPROVAL OF PRELIMINARY PLANS

Reference: SAM 6851

Preliminary plans for all major capital outlay projects unless specifically exempt such as streamlined projects must be approved by the Public Works Board before appropriations for working drawings or construction can be expended.

Appropriations for preliminary planning, surveys, equipment, or minor capital outlay projects normally do not require Public Works Board approval.

Section 13332.11 of the Government Code requires the State Public Works Board to approve all preliminary plans for all major capital outlay projects to ensure that projects proceeding are consistent with legislatively approved cost

CAPITAL PLANNING, DESIGN AND CONSTRUCTION
SECTION IV – FISCAL RESOURCES FOR CAMPUS DEVELOPMENT
SECTIONS 9025 – 9040

and scope and are carried out with all due speed and diligence. Budget Act language may exempt this approval by the Public Works Board.

The Chancellor's Office is responsible for obtaining approval of preliminary plans by the Public Works Board prior to expenditure of appropriated funds for subsequent phases. Requests for Public Works Board actions are prepared by the Chancellor's Office staff and are due to the Department of Finance at least 20 working days prior to the scheduled meeting. If the request requires prior legislative notification, it must be sent to the Department of Finance at least 30 working days prior to the meeting and must include a draft of the required letter of notification. In order to meet the deadline, the campus should submit at least 15 days prior to CPDC submittal of documents to the DOF. When transmitting requests for approval of preliminary plans, each must include:

- A completed, dated set of preliminary plans and outline specifications
- A proposed Public Works Board agenda item (see SAM 6845)
- A Project Cost and Funding Summary (see SAM 6845, Illustration 2)
- A completed Request for Approval to Proceed or Encumber Funds (see SAM 6845, Illustration 1) (DOF D-14D)
- An estimate of cost in unformat (CPDC 2-7, Appendix B) backed up with a detailed cost estimate
- Project Area Summary
- All other related documents

After the Public Works Board approves the preliminary plans, CPDC will receive the signed Request for Approval to Proceed or Encumber Funds from the Department of Finance. The approved funds can then be encumbered following issuance of an allocation order.

In the case of streamlined projects, the campus will submit to CPDC the preliminary plans and cost estimate for validation and concurrent review. CPDC will notify the campus of any review comments that should be considered/incorporated in the working drawings.

9032 DEPARTMENT OF FINANCE APPROVALS

Reference: Budget Act Section 2.00

The Department of Finance approves the allocation of funds from each appropriation in the Budget Act.

Except for those projects exempt by provisional language in the Budget Act, the following approvals of the Department of Finance must be obtained by CPDC prior to proceeding into the next phase of development following approval of the preliminary plans:

Scope Changes (See SAM 6863)

No changes may be made to preliminary plans or working drawings as approved by the State Public Works Board and the Department of Finance without first receiving written approval by the Department of Finance. Any proposed construction alternate (additive or deductive) must be approved by the Department of Finance (Section 13332.11 of the Government Code).

Changes in program space (including Assignable Square Feet and Gross Square Feet of building area), increases/decreases in capacity related areas and changes in delivery method must be approved by the Department of Finance prior to commencing work on the changes to working drawings or preliminary plans. If changes are made, the Department of Finance may require notification to the Legislature and request approval of revised preliminary plans by the Public Works Board.

- Approval to proceed into working drawings and allocation of working drawing funds.
- For projects using Design/Build delivery, Public Works Board approval of the project RFP, Performance Specifications and Bid Alternates is required prior to circulation of the RFP.

CAPITAL PLANNING, DESIGN AND CONSTRUCTION
SECTION IV – FISCAL RESOURCES FOR CAMPUS DEVELOPMENT
SECTIONS 9025 – 9040

All requests for augmentations for construction projects must be submitted to the Department of Finance with the following information:

- A complete narrative description justifying the need for such augmentation.
- A Public Works Board agenda item.
- A project Cost and Funding Summary (see SAM Section 6845, Illustration 2).
- A final cost estimate based on receipt of bids (CPDC 2-7, Appendix B)

It is the responsibility of the CSU to submit all augmentation requests that require Public Works Board approval to the Department of Finance 30 working days preceding a Public Works Board meeting.

9033.01 ACQUISITION AUGMENTATION

Reference: Government Code Section 13332.11

Section 13332.11 of the Government Code authorizes the Public Works Board to augment land acquisition projects up to 20 percent of the appropriations provided for acquisition. All augmentations that exceed 10 percent of the funds appropriated require a 20-day notification to the Joint Legislative Budget Committee prior to action by the State Public Works Board or its delegated authority.

All requests for augmentations for land acquisition projects must be submitted to the Department of Finance with the following information:

- A financial statement which displays the funds appropriated and expended to date including all future augmentation requirements.
- A listing of all budgeted parcels and a description of the acquisition status of each parcel (acquired, in negotiation, etc.).
- A complete narrative description justifying the need for such augmentation.
- A parcel map showing the relationship of the parcels requiring augmentation to the total funded acquisitions.

It is the responsibility of the CSU to submit all augmentation requests that require Public Works Board approval to the Department of Finance 30 working days preceding a Public Works Board meeting.

After an augmentation has been approved, the allocation of the additional funds is made by the Department of Finance.

9034 ADMINISTRATION OF CSU APPROPRIATIONS FOR CAPITAL OUTLAY PROGRAMS

Funds appropriated to the CSU to implement the approved capital outlay program are administered by the Chancellor's Office on behalf of the Board of Trustees. Funds for projects delegated to the campus will be allocated via the Chancellor's Office to the campus to be expended as authorized by the Legislature/Chancellor's Office.

9034.01 CONSTRUCTION MANAGEMENT BUDGET

The construction management budget of 7 percent of the total construction budget amount is for direct and indirect costs such as testing, inspection, printing, project management fees, and campus administrative fees. This includes the CPDC 1.5 percent fee for administrative cost for all state funded delegated projects and non-state projects. An additional amount of 0.3 percent for SFM and 0.025 percent adjustment in the CPDC fee to fund compliance with the Labor Commission will be made for appropriate projects. The balance is for other project administrative costs. For non-state funded projects, the construction management budget of 7 percent of the construction contract includes the CPDC 0.5 percent fee for administrative costs 0.3 percent for SFM and the remainder for other administrative costs for delegated projects.

CAPITAL PLANNING, DESIGN AND CONSTRUCTION
SECTION IV – FISCAL RESOURCES FOR CAMPUS DEVELOPMENT
SECTIONS 9025 – 9040

Campuses may set up a trust account to record the receipt and expenditure of the management fees for capital outlay projects. To move capital funds into a trust account a Plan of Financial Adjustment must be processed through the State Controller's Office. The management fees are to be reflected as an expense to the project and can be used only after award of the construction contract.

9034.02 CONSTRUCTION CLAIMS PROGRAM

All state funded streamlined (302) capital outlay projects are required to participate in the Construction Claims Program, administered by CPDC. Participation requires a 1 percent fee of the construction contract award and is collected at the time of award. The fee should be budgeted from the construction building and sitework cost.

9034.03 CASH FLOW ANALYSIS

Campuses are responsible for submitting a monthly Cash Flow Analysis Report for delegated projects to the Chancellor's Office Accounting Department. When a project receives an augmentation, those funds must be noted and included on the monthly cash flow reports. This will ensure that adequate cash will be available to pay project invoices. The report format and specific instructions can be found in Coded Memo AD 98-03 located at www/acct/CodedMemos/coded_memos_1998/CODED%20MEMOS98TOC.shtml.

9034.04 BRIP

All capital outlay projects with a budgeted construction cost of over \$610,000 are required to participate in the Builders' Risk Insurance Program, administered by CPDC. Participation requires a fee based on the project's construction class and the construction contract award. The fee is collected at the time of award. Projects with a cost of over \$5 million are billed a second, final premium adjustment based on the final construction cost. The cost for the CSU Construction Project Seismic Fund is included in the fee billed at the time of the construction contract award. "Delay in Construction" coverage is made available as an option and the cost for the premium is collected at construction contract award. A second final adjustment is collected at construction completion. All fee rates are adjusted on an annual basis every July 1.

The BRIP fee should be budgeted from the total construction, building, and sitework cost. Detailed information is available on the web at the CSU, Capital Planning, Design and Construction, Construction Management, Contract Documents webpage under CSU Builders' Risk Insurance Program.

9034.05 OCIP

All projects that have a construction cost greater than \$10 million are required to participate in the Owner Controlled Insurance Program (OCIP). The Trustees have procured general liability for third party bodily injury/property damage, workers compensation/employers liability, products/completed operations liability (for up to 10 years beyond project completion, and professional liability coverage). The OCIP program is administered by Alliant Insurance Services in conjunction with CPDC construction management. The OCIP fee should be budgeted from the total construction, building, and sitework cost. Detailed information is available on the web at the CSU, Capital Planning, Design and Construction, Construction Management, Contract Documents webpage under: <http://www.calstate.edu/cpdc/cm/constuction-insurance-programs.shtml>.

9035 PROCEDURES FOR ENCUMBERING AND DISBURSING FUNDS FOR CONSTRUCTION DOCUMENT PHASE

Procedures for Projects Assigned to Private Firms or Individuals:---As a project proceeds into the construction document phase (working drawings), CPDC will write a letter of authorization.

Copies of the authorization letter are sent to the project architect, project engineer or landscape architect, and the campus. If the funds for the project have been allocated to the campus, the authorization letter serves as a notice for

CAPITAL PLANNING, DESIGN AND CONSTRUCTION
SECTION IV – FISCAL RESOURCES FOR CAMPUS DEVELOPMENT
SECTIONS 9025 – 9040

the campus to make the appropriate encumbrance. Payments from the encumbered funds are scheduled through the Office of the Chancellor, Accounting Office after receipt of proper payment notices.

Procedures for Projects Assigned to the Division of the State Architect:---A project assigned to the Division of the State Architect moves into the construction document (working drawing) phase after the Public Works Board has approved the preliminary design documents. At that time, CPDC must authorize the Division of the State Architect to initiate a Public Works Project Authorization and Fund Transfer Request so that funds allocated for the project can be transferred to the Architecture Revolving Fund. The Division of the State Architect makes encumbrances and disbursements from this fund, as necessary, for completion of the project as authorized.

9036 REVERSION OF EXCESS CAPITAL OUTLAY PROGRAMS FUNDS

Reference: SAM 6862

Unless otherwise exempted, when there are savings in the appropriation because of a favorable bid, a request for reversion of the savings will be submitted to be scheduled at a future meeting of the Public Works Board by CPDC. This information will also be posted to the Proposition 1D Bond Accountability website as appropriate. Reversions would not occur for Lease Revenue Bond funded projects where bonds have not been sold for that portion of the appropriation.

9036.01 PROJECT SAVINGS

Pursuant to Budget Act provisional language, when a project is completed and clear of all claim disputes and items to complete, unencumbered funds remaining in the project may be used before the reversion date as specified in the provisional language. The campus shall identify the savings and submit a request to CPDC indicating for what the monies will be used. The CPDC university planner will then request approval to de-allocate the funds from the major capital outlay project and reallocate the savings, for example for minor capital outlay project(s), based on the approved request. The CSU is required to submit an annual report to the Chairperson of the Joint Legislative Budget Committee and to the chairpersons in each house identifying the savings, by project, and the purpose for which they were used. This information will also be posted to the Proposition 1D Bond Accountability website as appropriate.

9037 FUNDS FOR MINOR CAPITAL OUTLAY PROJECTS

Reference: SAM 6807

Each year the Chancellor's Office submits a minor capital outlay request to the Department of Finance for inclusion in the Governor's Budget. The program refers to a specific list of projects; it is for a lump-sum appropriation for allocation to the campuses, based upon the list of approved projects.

Minor capital outlay projects are budgeted as capital outlay in the Budget Act and are composed of construction projects whose total estimated project cost is \$610,000 or less. State real estate acquisition projects, regardless of amount, are funded in major capital outlay. After execution of the Budget Act, the funds are allocated to the individual campuses via the Chancellor's Office.

These funds usually have a statutory appropriation term of one year. Funds that are not encumbered by a valid contract or other expenditure document by May 1 of each fiscal year may be redirected to CPDC to accomplish other high-priority projects. Savings generated by a completed minor project for less than the amount funded may be returned to the systemwide account for a reallocation to system priorities. Campuses should not assume project balances will remain on campus.

Funds not encumbered by contract within one year from the date of appropriation will expire and be reverted. The expenditures are reported to the Legislature and the Department of Finance. A post-audit report is due in October of each fiscal year.

CAPITAL PLANNING, DESIGN AND CONSTRUCTION
SECTION IV – FISCAL RESOURCES FOR CAMPUS DEVELOPMENT
SECTIONS 9025 – 9040

9038 FUNDS FOR CAPITAL RENEWAL/INFRASTRUCTURE IMPROVEMENTS

Each year the Chancellor’s Office submits a capital renewal request to the Department of Finance for inclusion in the Governor’s Budget. These projects are classified as Infrastructure Improvements to clarify the appropriate capital application for the Department of Finance. The program refers to a specific list of projects; it is for a lump-sum appropriation for allocation to the campuses, based upon the specific approved projects.

Infrastructure Improvement projects are budgeted as capital outlay in the Budget Act and are composed of construction projects whose total estimated project cost is typically between \$2-3 million. After execution of the Budget Act, the funds are allocated to the individual campuses. These funds usually have a statutory appropriation term of one year. Funds that are not encumbered by a valid contract or other expenditure document by May 1 of each fiscal year may be redirected to CPDC to accomplish other high-priority projects. Infrastructure Improvement projects must be reviewed at the Schematic Design level and approved by CPDC in order to receive funding to proceed to working drawings and construction. Savings generated by a completed project for less than the amount funded may be returned to the systemwide account for a reallocation based upon system priorities. Campuses should not assume project balances will remain on campus.

Funds not encumbered by contract within one year from the date of appropriation will expire. The expenditures are reported to the Legislature and the Department of Finance. A post-audit report is due in October of each fiscal year.

9039 FUNDS FOR PROFESSIONAL SERVICES

Funds for professional services are obtained from a number of sources.

Project Professional Services:---Provided by the State Capital Outlay Budget or by special state or campus funds, such as the Dormitory Construction Fund.

Other Services (including telecommunications consultants):---May be provided by the State Capital Outlay Budget, Support Budget, non-state funds, or other sources.

9040 PROCEDURES FOR ENCUMBERING FUNDS FOR PROFESSIONAL SERVICES

The fully executed CSU Project Architect/Engineer agreement used for architect or engineer services is the encumbrance document. The original agreement is intended to be executed as a single document with subsequent individual phases of work authorized by letter. Even if the project has only received P funds, it is essential that the original agreement be issued for the Basic (Design and Development and Construction Development) Services in order to ensure that the architect/engineer is contractually obligated to provide all requisite services needed for the life of the project. The Trustees’ architect/engineer agreement is structured to protect against incurring unfunded obligations by contract language that requires explicit written direction before the architect/engineer proceeds with any subsequent phase. It is generally not appropriate to amend agreements to authorize additional phases of work. Typically agreements are encumbered by phase. In all cases, individual authorizations by phase to proceed shall be issued by letter only after funds are encumbered for that particular phase.

9041 CUSTODIAL AND FARM ACREAGE GENERAL FUND SUPPORT MONIES

Custodial space and farm acreage data is maintained on the SFDB in CPDC and directly affects the campus support budget. Annually CPDC issues a call letter to request the campus changes to custodial and farm acreage space. The completion date and occupancy date of a new facility are critical in determining the timing of new funding for maintenance. The reporting period for custodial requests occurs annually and information is gathered a complete year in advance and is used in the preparation of the next budget cycle. Estimates of all new state-supported square footage, changes to campus’ farm square footage and improved and unimproved acreage are indicated on the Custodial and Farm Square Footage Campus Worksheet (CPDC 4-1) and should reflect all new facilities and/or any facility removals planned during the upcoming budget year. Custodial funding requests for new space are to be

CAPITAL PLANNING, DESIGN AND CONSTRUCTION
SECTION IV – FISCAL RESOURCES FOR CAMPUS DEVELOPMENT
SECTIONS 9025 – 9040

accompanied by the Facility Information Sheet (CPDC 4-2) and the Space and Facilities Database Worksheet (CPDC 4-3). The final Farm Acreage Report is submitted to the CSU Budget Office for inclusion in the Trustees' Support Budget Request. The call letter, policies and guidelines can be found at www.calstate.edu/CPDC/Facilities_Planning/Space_Mgmt/index.shtml.