

SAM - BUDGETING

THE CAPITAL OUTLAY PROCESS IN BRIEF

6808

(Revised 5/1998)

The ten major phases of the capital outlay process, along with their supporting activities, are described in following text. For projects implemented through multiple or *phase* appropriations, parts of Phase 3 will need to be repeated for *each* appropriation.

Note that this description of the capital outlay process is based on the standard *design-bid-build* approach to project delivery. Other project delivery methods, such as the *design-build* approach, have slightly different project phases. Section 6842 discusses project delivery systems.

Reference to DGS in the following text applies to any department authorized to act as its own project manager.

1. **Concept and documentation phase:** 2 to 5 months (Sections 6816–6821)
 - a. Client department defines problem and develops conceptual solution.
 - b. Client department collects supporting data and documents how the project supports the department's strategic plan.
 - c. Client department documents findings and conclusions in its five-year plan and COBCPs.
2. **Historical resources phase:** Usually coincides with phases 1 and 3 (Section 6822)
 - a. Client department submits proposed project and *Historic Resources Inventory* to State Historic Preservation Officer for review *if* the project will impact a state-owned structure over 50 years of age.
 - b. The State Historic Preservation Officer may propose mitigations which, if unacceptable to the department, must be mediated by Office of Planning and Research.
3. **Budget approval phase:** 17 months (Section 6814 describes the budget enactment timetable; Sections 6824–6832 gives detailed descriptions of processes).
 - a. DOF reviews the five-year plan and COBCPs, including their relationship to the department's strategic plan.
 - b. DGS prepares a technical feasibility review for the project, if requested by DOF.
 - c. DGS develops budget packages, as requested by DOF.
 - d. DOF conducts scope meetings, as required.

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- e. DOF conducts Administration budget hearings and includes approved COBCPs in the *Governor's Budget*.
 - f. The Legislative Analyst comments on selected projects in *The Analysis of the Budget Bill*.
 - g. Policy or technical changes to capital outlay projects proposed in the *Governor's Budget* are submitted by Finance Letter to the Legislature.
 - h. The Legislature holds budget subcommittee and conference committee hearings, and approves the capital outlay budget, with any revisions.
 - i. After reducing or vetoing selected appropriations in the enrolled bill, the Governor signs the measure.
4. **Site selection and acquisition phase:** Up to 12 months (Section 6849)
- a. Client department and DGS make site selection.
 - b. PWB approves site selection.
 - c. As PWB's agent, DGS acquires property (through the exercise of eminent domain, if needed).
 - d. PWB approves settlement price, if any.
5. **Environmental review phase:** May coincide with phases 1 through 4 (Section 6850)
- a. Department meets the CEQA requirements. By policy, if land is purchased as part of a project, CEQA requirements must be completed before acquisition. Otherwise, environmental review must be completed by the end of Phase 6.
6. **Preliminary plan phase:** 3 to 12 months (Section 6851)
- a. Design architect/engineer prepares schematic documents.
 - b. Design architect/engineer prepares design development and estimate of project costs
 - c. Environmental process certified by department.
 - d. PWB approves preliminary plan design.

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7. **Working drawing phase:** 3 to 11 months (Section 6852)
 - a. Design architect/engineer prepares plans and specifications for bidding and construction work and refines the cost estimate.
 - b. Responsible lead design agency obtains mandatory review and approvals (e.g., State Fire Marshal).
 - c. DGS submits the design certification to DOF.
 - d. DOF approves working drawings and proceeding to bid.
8. **Bidding phase:** 3 to 6 months (Sections 6852 and 6853)
 - a. DGS advertises the project for construction bids.
 - b. Interested bidders prepare and submit construction bids to DGS.
 - c. DOF authorizes award (if within approved funding levels) and approves transfer of construction funds.
 - d. DGS awards construction contract to contractor.
9. **Construction phase:** 3 to 36 months (Section 6854)
 - a. Contractor constructs project.
 - b. DGS processes construction progress payments and change orders within approved contingency amount.
 - c. DGS files contract completion notice with DOF.
10. **Claims and close-out phase:** (Section 6856)
 - a. Contractor files notice of claims.
 - b. DGS and contractor resolve claims through arbitration, mediation, and/or court.
 - c. DGS closes-out project per Government Code 14959.

Projects funded through bonds and financing leases have additional administrative steps addressed in Sections 6870–6888. Project changes for cost and scope are addressed in Sections 6861 and 6863, respectively.