

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: May 10, 2010
POSITION: Support

BILL NUMBER: AB 2181
AUTHOR: C. Hagman

BILL SUMMARY: State Contract Act: Contracting by State Agencies

This bill would raise the dollar limit defining a minor capital outlay project from \$400,000 to \$600,000, and would require Finance to adjust this figure every two years to reflect percentage adjustments in the California Construction Cost Index (CCCI).

This bill would also make various technical adjustments.

FISCAL SUMMARY

There would be minor or no fiscal impacts resulting from this bill. This bill does not change the list of capital outlay improvements needed throughout the state; it simply broadens the definition of a minor capital outlay project, thus allowing a project falling from \$400,000 - \$600,000 to be classified and funded as minor capital outlay project instead of a major capital outlay project.

SUMMARY OF CHANGES

Notable amendments from April 12, 2010 to the present bill version include changing the cost limit of a minor capital outlay project from \$800,000 to \$600,000. No other amendments to this bill were made.

COMMENTS

Finance supports this bill because it would allow agencies outside the Resources Agency to budget capital outlay projects currently falling in the \$400,000 - \$600,000 cost estimate range as minor capital outlay projects. This would expedite the construction of such projects by allowing the agency to prioritize its minor projects among a preapproved minor capital outlay appropriation each year. Because agencies are given a lump sum appropriation for minor projects, they can make adjustments to their minor plans as needed, thus addressing priority changes that could arise during the fiscal year. This approach also relieves an agency of having to integrate minor projects into the annual major capital outlay project funding process which is already composed of many mission critical projects.

Additionally, this bill updates the current minor capital outlay limit which was established based on materials and services costs as of 2001, and provides a mechanism for this limit to be revisited on a bi-annual basis. Figures would be updated by Finance every two years based on the California Construction Cost Index (CCCI). This is important because, in general, construction materials and services become more costly over time and it is reasonable to allow this limit to be adjusted commensurate with the CCCI. Also, we note this approach is currently used for the minor capital outlay limit that is applicable to departments within the Resources Agency.

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Analyst/Principal (0663) C. Lief	Date	Program Budget Manager Karen Finn	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS Form DF-43 (Rev 03/95 Buff)

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COMMENTS (Continued)

This bill recognizes the charge and control of specified projects not under the jurisdiction of specific listed agencies as falling under the Department of General Services. It also adds notation clarifying that the Military Department shall have sole charge and control over its own projects.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							Fund Code
	LA	(Dollars in Thousands)							
	CO	PROP							
	RV	98	FC	2009-2010	FC	2010-2011	FC	2011-2012	
9990/Var Depts	CO	No		----- No/Minor Fiscal Impact -----					0001