# State Administrative Manual

## All Chapters

State Administrative Manual chapter index


| Subject | Section |
|---|---|
| Purpose and Contacts | 1 |
| General Policy | 100 |
| General | 200 |
| Exempt Classification and Pay | 400 |
| General Policy | 500 |
| General Policy | 700 |
| GENERAL | 900 |
| GENERAL POLICY | 1100 |
| Introduction | 1200 |
| PROGRAM SUMMARY, RESOURCES, AND CONTACTS | 1300 |
| INTRODUCTION | 1400 |
| PROGRAM PURPOSE | 1600 |
| PROGRAM SUMMARY, RESOURCES, AND CONTACTS | 1700 |
| INTRODUCTION | 1800 |
| GENERAL POLICY | 1900 |
| GENERAL POLICY | 2400 |
| WORKERS' COMPENSATION AND INJURY PREVENTION | 2500 |
| STATE OF CALIFORNIA PRINTING SERVICES | 2800 |
| GENERAL POLICY | 3100 |
| INTRODUCTION | 3400 |
| GENERAL | 3500 |
| WATER, BOTTLED DRINKING | 3600 |
| GENERAL POLICY | 3700 |
| GENERAL POLICY | 3800 |
| INTRODUCTION | 4100 |
| PROGRAM SUMMARY, RESOURCES, AND CONTACTS | 4500 |
| OFFICE OF TECHNOLOGY SERVICES TELECOMMUNICATIONS AND NETWORK AUTHORITY | 4600 |
| PROGRAM SUMMARY | 4700 |
| STATE INFORMATION MANAGEMENT PRINCIPLES | 4800 |
| PURPOSE | 4900 |
| EQUIPMENT ACQUISITION, MAINTENANCE AND DISPOSITION | 5000 |
| TECHNOLOGY STANDARDS | 5100 |
| INTRODUCTION | 5200 |
| INTRODUCTION | 5300 |
| PURPOSE | 5900 |
| INTRODUCTION TO THE BUDGETING CHAPTER | 6000 |

| | |
|---|---|
| OVERVIEW OF CAPITALIZED ASSETS | 6800 |
| TERMS AND DEFINITIONS | 7000 |
| PURPOSE OF A SYSTEM OF ACCOUNTING | 7100 |
| GOVERNMENTAL ACCOUNTING – KEY DIFFERENCES | 7200 |
| GENERAL | 7300 |
| DESCRIPTION OF STATE FUNDS | 7400 |
| ACCOUNTS AND LEGACY GENERAL LEDGER ACCOUNTS | 7600 |
| SUBSIDIARY RECORDS-INTRODUCTION | 7800 |
| INTRODUCTION TO RECONCILIATIONS AND REPORTS | 7900 |
| GENERAL | 8000 |
| INTRODUCTION AND LIMITATIONS | 8100 |
| INTRODUCTION | 8200 |
| PURPOSE OF BUDGETARY ACCOUNTING | 8300 |
| TERMS AND DEFINITIONS | 8400 |
| CENTRAL SERVICE ROLES FOR PAYROLL PROCESS | 8500 |
| PURPOSE AND OBJECTIVE OF PROPERTY ACCOUNTING | 8600 |
| RECORD OF CREDIT CARDS | 8700 |
| PURPOSE OF THE CENTRAL FUND ACCOUNTS | 8800 |
| CASH GROUP OF ACCOUNTS | 8900 |
| ALLOCATION OF COSTS – INTRODUCTION | 9200 |
| ACCOUNT NUMBER1110, GENERAL CASH | 10400 |
| ENTRY NO. 1 – REVOLVING FUND ADVANCE | 10500 |
| ENTRY NO. A-1, RECORD UNDEPOSITED RECEIPTS | 10600 |
| PROPRIETARY AND FIDUCIARY FUNDS | 13400 |
| FEDERAL TRUST FUND | 17000 |
| SPECIAL DEPOSIT FUND ACCOUNTS | 18000 |
| ACCRUALS TO TRUST ACCOUNTS | 19000 |
| INTRODUCTION | 20000 |


## Chapter - 1

Sections for Chapter 1


| Section | Subchapter |
|---|---|
| Purpose and Contacts | 0001 |
| Authority | 0005 |
| Access to SAM | 0010 |
| SAM Arrangement | 0015 |
| Revising SAM | 0020 |
| Management Memos | 0025 |
| SAM Publication Contacts | 0030 |


### Purpose and Contacts - 0001

SAM is a resource to statewide management policy. A list of the authoring department and the contact information for each SAM section is contained in Section 0030. For inquiries or to obtain publications or additional information for a specific SAM section, you must contact the authoring department directly.

## Authority - 0005

The SAM was created in 1953 by the Department of Finance (DOF) to provide management communication among state departments. On July 31, 1990, SAM responsibility was officially transferred from DOF to the Department of General Services (DGS). This program is located within the DGS Office Training and Administrative Standards (OTAS), Policy Unit.
DGS is delegated the responsibility of developing and providing a centralization of business management functions and services of the state. SAM communicates major policy related to this responsibility.

## Access to SAM - 0010

SAM is available online at no cost and may be accessed at https://www.dgs.ca.gov/Resources/SAM.
This online version is fully searchable. Hard copies of the SAM are not available due to regular updates making it impractical to produce in any significant quantity since it would almost immediately become obsolete. All, or any portion of the SAM may be printed at any time.

## SAM Arrangement - 0015

The SAM contains the following major parts:

1. SAM Revision History. *(Dated back to December 2002 only.)*
2. SAM Table of Contents (listing all chapters).
3. Chapter Table of Contents (listing all related sections).

## Revising SAM - 0020

**Responsibility for Revising SAM**

Responsibility for updating SAM content is assigned to authoring state departments. The SAM Section 0030 lists authoring departments for each SAM chapter/section and provides contact information that can direct SAM Users to authors to assist with content clarification/guidance. The departmental director or his/her designee is responsible for certifying that any revisions to their SAM sections are legal and consistent with overall state policies.

The Department of General Services (DGS) expects SAM authors to review and/or revise their respective chapters/section(s) every three (3) years. The SAM should be immediately updated or revised when content is outdated, or procedures, guidelines, laws or code changes dictate change.

**Making Revision Recommendations to the SAM**

Anyone can recommend revisions to SAM. To recommend SAM revisions, contact the author's office listed in SAM Section 0030 or contact the SAM Unit. When the author determines that SAM revisions are necessary, the SAM Unit can provide process information and timetables. The author may designate an author contact to write and coordinate revisions through the SAM Unit.

**Completing Revisions/Reviews to SAM**

When it has been determined that revisions or reviews to the SAM are necessary, the following steps should be taken by the SAM Author and Coordinator to complete revisions/reviews:
Table content available in source manual.

**Notation for Changes in Revision Packages**

Vertical bars on pages indicate additions or overall changes. Revised pages in chapter rewrites do not contain bars. Section and subsection titles in the text are followed by information indicating whether the section is new, revised, or renumbered.

## Management Memos - 0025

The Governor's Office (GO), California Department of Technology (CDT), Department of Finance (DOF), Department of General Services (DGS), and California Department of Human Resources (CalHR) issue SAM Management Memos to disseminate information directly related to SAM requiring immediate attention. A Management Memo is signed by the issuing departmental director. Generally, Management Memos expire within 12 months from the issue date. Management Memos are distributed to SAM subscribers and departmental headquarters offices. Active Management Memos may be accessed on the Internet at: **https://www.dgs.ca.gov/Resources/ManagementMemos**.

A department which wants to develop a Management Memo should contact the SAM Unit to ensure that the Management Memo process is the appropriate communications vehicle. The SAM Unit can consult in the Management Memo process and alternative processes.

## SAM Publication Contacts - 0030

Below you will find SAM section author and contact information.
For questions related to a specific SAM section contact the authoring department directly.
For questions on how to revise SAM, contact the DGS Policy Unit.

# Chapter - 100

Sections for Chapter 100

| Section | Subchapter |
|---|---|
| General Policy | 0100 |
| Terms and Definitions | 0101 |
| Development and Enforcement of Policy | 0110 |
| Approval of Proposals for Reorganizing a Department | 0130 |
| Reports to Department of Finance and/or Department of General Services | 0150 |
| Requests for Approval | 0170 |
| Office Hours | 0180 |
| Statewide Telework Policy | 0181 |
| Medical and Hospital Services Provided by State Institutions | 0190 |
| Employee Physical Exams | 0191 |
| Fee Schedules, Medical and Related Services | 0192 |

## General Policy - 0100

This chapter defines general policy concerning the authority of the departments of Finance and General Services, the ability of directors to reorganize their departments, general statewide office hours, and medical services provided to employees and visitors at State institutions.

## Terms and Definitions - 0101

DHCS. The Department of Health Care Services.
CalHR. California Department of Human Resources.
DGS. The Department of General Services.
DOF. The Department of Finance.
Staggered work hours. Where employees arrive and leave the work place at different times, by an approved fixed schedule.
Flex-time. Where employees can arrive and leave the work place at different times, but not by an approved schedule, as long as they work their full assigned number of hours.
Panel physician. A physician with whom the employee is preregistered.

## Development and Enforcement of Policy - 0110

DGS develops policies and procedures to ensure effective departmental operations. DGS also enforces its polices, investigates and holds proceedings as it deems necessary to conserve the rights and interests of the State. See Government Code Section 14600.

## Approval of Proposals for Reorganizing a Department - 0130

The director of each department may reorganize the department. This includes arranging and classifying the work of the department and consolidating, abolishing or creating divisions.

Except as provided by law, all organizational plans and changes at the division level or higher require the approval of the Governor. These plans and changes must be submitted through the agency Secretary and the Department of Finance (DOF). They will make their comments and recommendations to the Governor. It is best to have DOF review a reorganizational proposal as early as possible. In this way problems can be spotted and addressed promptly.

All reorganizations that may change the level of expenditures, including those below the division level, must be reflected in the Governor's budget. They must also be compatible with the programs authorized by the Legislature and with legislative intent. If new or revised programs are proposed, the Legislature must be informed. This can be done by a revised presentation in the Governor's budget, a DOF Letter, or a Section 28 Letter.

This SAM Section covers only reorganizations initiated by the director of a department. Other types of reorganizations are Executive Reorganizations pursuant to Government Code Sections 12080 through 12081.2, and those resulting from changes in laws.

## Reports to Department of Finance and/or Department of General Services - 0150

DOF and DGS are authorized to require State agencies to submit operating reports. The reports required, forms used, and time and method of submittal are discussed in other sections of this manual. See Government Code Sections 13291, 13292, 14618 and 14746.

## Requests for Approval - 0170

DOF and DGS are responsible for generally supervising all matters concerning the financial and business policies of the State. Unless exempted, all State agencies must have their contracts and agreements approved by DGS. Changes in financial and business policies must be approved before negotiations are started. See SAM Section 1200.

## Office Hours - 0180

Government Code Section 11020 About Office hours requires all state agencies to be "open for the transaction of business" from 8:00 a.m. to 5:00 p.m. every day except Saturdays, Sundays, and legal holidays. The legal holidays are listed in Government Code Sections 6700 through 6709.

Any state agency or administrative unit may stay open at other times, as long as the rules and laws and labor agreements about employee hours of work are not broken.

## Statewide Telework Policy - 0181

**Intended Audience**

This policy applies to all state of California agencies, departments, boards, commissions, and offices (departments). Departments are responsible for ensuring compliance with the provisions of this policy.

**Overview**

The purpose of this policy is to provide the structure needed for effective telework programs to benefit the state of California and its employees. Each department shall establish a written policy specific to the department's business needs in accordance with this statewide policy. Departments shall establish uniform expectations for performance management and for communication within distributed teams as a foundation for a successful telework program.

The terms 'telework,' 'teleworking,' and 'telecommuting' refer to work flexibility arrangements established between the department management and the employee where the employee performs the duties and responsibilities of their position from a location other than the office.

Note: Definitions for terms are at the end of the policy.

**Goals**

An effective telework program must provide a benefit to the state, as well as employees, and should generate savings or at least be cost neutral. Department's telework programs are expected to:

- Encourage participation of eligible employees
- Reduce required state office space
- Improve employee retention and recruitment
- Maintain or improve employee productivity
- Reduce state environmental impacts, such as traffic congestion
- Maintain or improve customer service

**Authority**

The statewide telework program is established pursuant to Government Code sections 14200-14203. Existing law requires every state department to incorporate telecommuting as a work option.

For bargaining units (BUs) with an existing Memorandum of Understanding (MOU), if the MOU contains telework language that is in conflict with this policy, the MOU language shall be controlling.

**General Provisions**

Department Management shall:

- Ensure that teleworking arrangements conform with applicable laws, rules, regulations, policies, and collective bargaining agreements.
- Compensate telework employees in accordance with all applicable laws, rules, regulations, and policies, including the Fair Labor Standards Act (FLSA).
- Evaluate employee performance in accordance with existing performance management laws, rules, regulations, policies, standards, expectations, and measures.

Departments should incorporate telework into their continuity of operations plans.

**Policy Directives**

Departments shall:

1. Establish or revise their telework program and supporting policy within twelve months of the issuance of Management Memo 21-08 for compliance.
    a. The policy shall include:
        i. The applicable criteria for an employee's participation in the department's telework program. Not all positions or job classifications may be appropriate for telework arrangements and departments have the discretion to determine an employee's participation in telework. All employees in positions designated by management as eligible shall be qualified to participate in telework and are authorized to participate to the fullest extent possible without diminished individual or organizational performance.
        ii. The process of how employees will be notified of their eligibility and approval for telework consistent with bargaining unit agreements.
        iii. The financial responsibility of the department with respect to telework program costs.
        iv. The technology and security responsibilities of the department and the employee including setting forth appropriate measures to protect confidential information, for both electronic and paper records, that may be taken from the office to alternate work locations.
        v. Expectations to supervisors/managers on advising employees that they will continue to be assessed using existing performance standards, expectations, and measures.
        vi. Clear communication that teleworking employees will be eligible for the same opportunities as employees not participating in telework, including assignments, development opportunities, promotions, and awards/recognition.
        vii. Information on the procedure to request modification or termination of telework agreement.
        viii. The goals of the department's telework program in addition to the statewide policy goals.
    b. The telework program shall:
        i. Consider telework for all possible positions in which telework can promote effective and efficient business operations.

            The following guidance may be used to determine what functions may be appropriate for telework:
            - Activities that do not require physical presence, including, but not limited to, analysis, data entry, telephoning, writing and editing, design and virtual service delivery.

- Responsibilities that do not require public presence.
- Activities where data is not sensitive or confidential or where an information security risk assessment and resulting security approach is in place for telework access to sensitive or confidential data.

ii. Consider at a minimum the following factors when determining which positions may be eligible for a telework arrangement:
- Nature of work performed.
- Efficiency of work processes.
- Effectiveness of existing project teams.
- Impact on ability to provide quality customer service.
- Utilization of office space or space savings.
- Technology readiness of department such as equipment, infrastructure, and support.
- Impact to employee retention.

iii. Establish a Telework Coordinator.

Designate a department Telework Coordinator who will be responsible for the following:
- Retaining approved Telework Agreement forms for each employee.
- Reviewing Telework Agreements for compliance with telework program.
- Serving as primary point of contact for employees who have questions or concerns about the telework program.
- Developing or assisting with departmental policy, guidelines, and implementation.
- Serving as an advisor for department leadership regarding telework.
- Serving as a resource for supervisors with telework issues and concerns.
- Assisting with completion and reporting of metrics to ascertain effectiveness of telework program.
- Serving as point of contact for the Department of General Services regarding telework program and its effectiveness.

iv. Establish department-specific technology policies and/or guidelines which shall include, but not be limited to:
- Sufficient internet bandwidth required to perform duties.
- Standards and expectations for communication and collaboration tools.
- Security requirements for state-owned and for employee-owned computing devices (if allowing teleworkers to use them).
- Physical and electronic data protection.
- Asset Management.

2. Document the arrangement with each teleworking employee utilizing the Telework Agreement form (Standard Form 200 – Telework Agreement). The Telework Agreement provides the framework for the general expectations between management and the employee. The Telework Agreement must be completed and acknowledged by both parties prior to implementation. In order to ensure standard application across all departments, departments may not modify the form. Departments may choose to recreate the form electronically to aid with workflow and/or data collection.
3. Ensure methods are established for performance management for all staff eligible to work.
4. Prohibit ongoing informal telework arrangements. Incidental telework may be permitted at the department's discretion. Emergency telework arrangements due to unforeseen circumstances may be entered into at the department's discretion.
5. Implement a standard process to allow employees to check out state-issued equipment for telework use, including computer equipment required for the job and ergonomic equipment.
    a. Have a process to reliably track state-owned assets before allowing employees to check out equipment.
    b. Ensure that appropriate security measures have been taken, including encryption of any storage devices or media.
6. Designate teleworkers as either Remote-centered or Office-centered. A teleworker is considered Remote-centered if they work fifty percent or more of their time from an alternate work location. A teleworker is considered Office-centered if they work more than fifty percent from the office.
7. Optimize the use of state office resources by providing equipment for a single dedicated workstation for teleworking employees. Remote-centered teleworkers shall have their dedicated work station at their designated alternate work location. Remote-centered teleworkers shall use a shared workstation when working in the office. Office-centered teleworkers shall have a dedicated work station in the office and utilize their own equipment or department provided mobile equipment for teleworking at their designated alternate work location.
8. Ensure that the employee has the necessary tools to be successful in their job.

Department Management shall:

1. Determine that the employee can effectively perform the job duties of the position while teleworking.
2. Review employee Telework Agreements at least annually to ensure the agreement continues to meet business needs.
3. Retain the authority to disapprove an employee's selection of a particular alternate work location if management determines the location is not business appropriate.
4. Treat teleworking employees the same as an employee working in the office with respect to performance management, conduct, training, and promotional opportunities.
5. Revise or cancel an employee's Telework Agreement, if it is determined by management that:
    a. The telework arrangement results in a reduction in performance, does not enable training, oversight, or any other supervision deemed necessary.
    b. The agreement no longer supports operational needs due to funding or services being shifted.
6. Endeavor to provide 30 days' notice to the employee in the event of a revision or termination of a Telework Agreement.

Employees shall:

1. Be responsible for maintaining their workstation at their alternate work location and for maintaining and returning equipment as outlined in the Telework Agreement.
2. Ensure that alternate work location is free from distractions.
3. Secure needed internet service prior to the start of a telework arrangement.
4. Observe departmental policy for overtime. Overtime compensation shall be consistent with the department's overtime policy. A Telework Agreement does not amend compensation or time reporting requirements.
5. Use state-owned hardware, software, internet, email, and other forms of state-owned communication media in a manner consistent with the state's information security and privacy policies and standards that are prescribed in the State

Administrative Manual (SAM) Chapter 5300 and the corresponding State Information Management Manual (SIMM).
6. Agree to follow their department's Acceptable Use Policy.
7. Complete their annual Information Security and Privacy Awareness training.
8. Ensure dependent care and other personal responsibilities do not adversely affect an employee's normal work duties or professionalism.
9. Participate in all studies, inquiries, reports, and analyses relating to the telework program.

**Equipment Cost**

The employee can use their own equipment, including their own computing device, with departmental approval. Where an employee is not providing their own equipment, the department shall provide appropriate equipment for a single dedicated work station required to perform job functions including:

- Computing equipment.
- Telephone service.
  - If an employee needs a work number, they should be provided a single phone number that can be used at an alternate work location and office location.
- Ergonomic equipment as appropriate per department's ergonomic policy such as chair, sit/stand device, or headset.
- Office supplies such as paper, pens, etc.
- Delivery of items that are not easily moved to the work station at the alternate work location.

Business expenses shall be evaluated in accordance with existing applicable policies, laws and standards. Other business expenses may include, but are not limited to, printers, scanners, and other office supplies.

Maintenance of state-owned equipment is managed the same as in the office.

**Reporting Requirements**

DGS will survey departments to measure the results of adopting telework programs. Departments shall provide reporting to DGS no later than twelve months from the issuance of Management Memo 21-08. At a minimum, departments shall report:

- Number of employees eligible to participate.
- Number of employees participating in telework.
- Average number of days teleworking per employee.
- Office space saved as a result of teleworking.
- Additional costs and/or savings associated with implementation of telework.
- Number of shared work stations.
- Measures used to determine productivity.
- Reduction in vehicle commute miles traveled.

**Liability**

The alternate work location is an extension of the department's workplace only when used for work. All existing workplace health and safety rules, as well as all existing employment laws, rules, and policies, apply the same as they would for staff reporting to the office.

The state of California is not responsible for any injuries to family members, visitors, or other guests at the employee's alternate work location. The teleworking employee shall not have any business guests at a residence designated as an alternate work location.

The teleworking employee is solely responsible for any tax implications and insurance requirements, and compliance with state and local laws and ordinances when the alternate work location is a residence.

**Definitions**

**Remote-centered telework:** A teleworker is considered Remote-centered if they work fifty percent or more of their time from an alternate work location. Remote-centered teleworkers shall have their dedicated work station located at their designated alternate work location. Remote-centered teleworkers shall use shared space when working in the office.

**Office-centered telework:** A teleworker is considered Office-centered if they work more than fifty percent from the office. Office-centered teleworkers maintain a dedicated work station in the office and utilize their own equipment or department provided mobile equipment for teleworking at their designated alternate work location.

**Alternate work location:** The term alternate work location refers to the approved work location other than the office. Alternate work location could be an employee's residence or other approved site.

**Shared space:** Shared space is a work area that is used on an individual basis by multiple people. Alternatives may include hoteling or shared cubicles.

**Dependent care:** The term dependent care refers to the support and nurturing of persons who cannot meet their own needs, such as children, functionally impaired adults, or the elderly.

**Emergency telework:** Emergency telework occurs due to unforeseen circumstances, such as inclement weather, a declared State of Emergency or closure of government buildings. In an emergency, departments may choose to temporarily modify formal agreements and policy as appropriate.

**Office:** The term office refers to the location, state building, or official worksite that would be the employee's work location if not teleworking.

**Incidental telework:** The term refers to an unplanned situation causing an employee to request and receive supervisorial approval to work from an alternate work location.

**Informal telework:** Informal telework arrangements are those without a formal documented Telework Agreement.

**Distributed teams:** A distributed team is comprised of employees where at least one member is not co-located with other members.

**Telework:** The terms 'telework,' 'teleworking,' 'telecommute,' and 'telecommuting' are defined as a work flexibility arrangement established between the department management and the employee under which the employee performs the duties and responsibilities of the employee's position, and other authorized activities, from an approved location other than the office. In practice, telework is a work arrangement that allows an employee to perform work, during any part of regular, paid hours, at an approved alternate work location.

**Telework Agreement:** The Telework Agreement is a formal document prepared and signed by the teleworker and supervisor. The Telework Agreement provides the framework for the discussion about the general expectations that need to take place

between the supervisor and the employee in order to work effectively.
**Work station:** The term work station refers to the desk or place where the employee completes work.

## Medical and Hospital Services Provided by State Institutions - 0190

State agencies are responsible for carrying out the policies of this SAM Section.
Extensive medical and hospital services should only be provided to the inmates, wards, patients, members or students for whom the State-operated medical facilities were established. This is because of physical and policy limitations.
Employees. Limited care and treatment of employee injuries and illness is permitted. In this case the medical staff, equipment, materials, and hospital services may be used.
The illness or injury must be reported to arise out of and occur during the course of State employment. They also must be within the scope of the State's liability as defined by Workers' Compensation and Safety Laws. The following are considered to be reasonable services:

1. First aid treatment.
2. First medical treatment of a work injury.
3. Diagnosis and prognosis of conditions connected with work.
4. Arrangement for further treatment.
5. Evaluation of the physical ability of an injured employee to return to work.
6. Pre-employment and periodic physical exams for fitness and ability to safely perform arduous and hazardous tasks.
7. Preventive measures such as chest x-rays, lab tests, immunization and other measures that will minimize hazards of exposure to contagious diseases while at work.

Medical treatment of industrial injuries should be limited to the initial visit and any follow- up visit that would be considered first aid. Additional visits should be handled according to the applicable worker's compensation guidelines. In the case of an injury that will results in temporary disability or a permanent disability, or will require hospitalization, employees should be directed to an appropriate physician in accordance with applicable workers' compensation guidelines. See SAM Sections 2581.4 through 2581.6 for procedures on reporting employee work injuries.
Visitors. First aid is the only medical service that should be given to visitors who become ill or are injured while on state property. Medical personnel must be certain that one of the following has occurred before the visitor is discharged:

1. The visitor has been transferred to another physician.
2. A friend or relative has accepted responsibility for further care.
3. The visitor can properly take care of himself or herself if no further medical attention is needed.

When outside physicians or ambulances are called, it should be made clear to the visitor that the visitor, and not the state, is responsible for the costs of all medical care, treatment, and other provided services.
When the visitor alleges injury or was involved in an accident on state property, Accident Report Form STD. 268 *must* be filled out. See Appendix A-1. SAM Section 2460.1 explains the reporting procedures.
Records. Complete records must be kept of all first aid services rendered at state medical facilities. The records must fully identify:

1. The person treated.
2. The date of the injury or illness.
3. The full diagnosis.
4. The reason the treatment was needed; i.e., a description of the accident, etc.
5. The services rendered, including drugs and supplies used.

## Employee Physical Exams - 0191

When physical examinations are required for pre-employment or as a condition of employment, the state will provide or pay for them. The applicant must pay for any more studies or exams beyond the approved level.
The California Department of Human Resources (CalHR) is responsible for ensuring the uniformity of health questionnaires and exam forms. CalHR's Medical Officer must approve any job classification's requirement for all tests or procedures. The description of all special or extensive tests or procedures must also be approved by the Medical Officer.
The Department of Health Care Services sets the dollar amount that the State will pay for all exams and related medical services. This amount may be changed by a Memoranda of Understanding applicable to rank and file employees or by CalHR regulations that apply to employees excluded from collective bargaining. The State will also pay for required diagnostic services or special tests when they are not commonly performed as part of the general physical exam. Reimbursement for physician services will be based on the proper unit value listed in the "1974 California Relative Value Studies".
A copy of the 1974 California Relative Value Studies is kept by the DHCS's Fee-For- Service Rates Development Division, (916) 552-9638.

## Fee Schedules, Medical and Related Services - 0192

Fee schedules. Fee schedules include, but are not necessarily limited to, the following:

1. Medical.
2. Dental.
3. Optical.
4. Hospital.
5. Nursing home.
6. Related services.
7. Drugs.
8. Medical appliances.

These fees are binding on the programs of all agencies except those financed under an insurance principle as in the case of the State Compensation Insurance Fund and the Disability Insurance Program.

Department of Health Care Services has the primary responsibility for developing fee schedules for medical, dental, and related services. Policy related to priorities, expansion, or contraction of medical care programs is the responsibility of the program agency.
Sections of the schedules of maximum allowances for medical and related services are published and periodically revised by the DHCS. If you need a copy, contact the department.
Advisory Committees. Advisory Committees selected for the administrative and technical staffs of program agencies concerned with medical care will be established. These committees will be created as needed to advise DHCS on a particular problem or group of problems. They will serve until a solution for the problem or issue is developed.

# Chapter - 200

Sections for Chapter 200

| Section | Subchapter |
|---|---|
| General | 0200 |

### General - 0200

The Governor's Office policies and procedures for the purpose of obtaining uniform action from all agencies, including the transmittal of correspondence, are transmitted from the Cabinet Secretary to agency secretaries.
Questions about current policies and procedures should be directed to the appropriate agency or to the Cabinet Office.

# Chapter - 400

Sections for Chapter 400

| Section | Subchapter |
|---|---|
| Exempt Classification and Pay | 0400 |
| Exempt Pay Memoranda | 0422.1 |

### Exempt Classification and Pay - 0400

Policies and procedures governing the pay and classification for positions exempt from civil service are contained in the Exempt Pay Schedule published by the California Department of Human Resources.

### Exempt Pay Memoranda - 0422.1

Changes in, or additions to, the Exempt Pay Scales are published in the form of Exempt Pay Letters. These constitute the official notice of approval by California Department of Human Resources of agencies' requests for establishments or change of exempt salaries, or changes to existing or establishment of new exempt classifications.

# Chapter - 500

Sections for Chapter 500

| Section | Subchapter |
|---|---|
| General Policy | 0500 |
| Terms and Definitions | 0501 |
| Advertising an Auction | 0510 |
| Publication of Administrative Regulations | 0520 |
| "Help Wanted" Advertisements | 0530 |
| Advertising Public Works Contracts | 0540 |
| Contracts for Advertisements | 0550 |
| Advertising in State Publications | 0580 |

### General Policy - 0500

Government Code Sections 11080 and 11081 mandate that every State agency shall send all notices, advertisements, or publications which they are legally required or authorized to publish to the Department of General Services (DGS). The law gives DGS the sole authority to approve and have published all such notices, advertisements, and publications.
The DGS grants each State agency an exemption from its approval and delegates to each state agency the authority to have published any required or authorized notice, advertisement, or publication.
Section 500 et seq. of SAM discusses the following rules:

1. Advertising an Auction
2. Publication of Administrative Regulations
3. "Help Wanted" Advertisements
4. Advertising Public Works Contracts
5. Contracts for Advertisements

### Terms and Definitions - 0501

Table content available in source manual.

### Advertising an Auction - 0510

When advertising an auction of state property, the ad must state those sales taxes, when applicable, will be added to the bid prices.

### Publication of Administrative Regulations - 0520

Agencies do not need DGS approval to publish legal notices when adopting, amending or repealing regulations. See Government Code 11346.4 for the legal requirements governing publication of notices for adopting, amending or repealing regulations.

### "Help Wanted" Advertisements - 0530

Agencies do not need DGS approval to place “help wanted” ads.

### Advertising Public Works Contracts - 0540

For information about advertising small or minor public works contracts, please see the State Contracting Manual (SCM). You may also request a manual through the DGS Office of Legal Services (OLS) at 916-376-5080 or visit https://www.dgs.ca.gov/OLS.

### Contracts for Advertisements - 0550

Contracts for advertising space do not require DGS approval unless they exceed $15,000 or the amount specified in SAM 1215., for more information visit https://www.dgsapps.dgs.ca.gov/dgs/sam/DocumentsDetail/DetailByChapter/1200.

### Advertising in State Publications - 0580

Statutory Authority Government Code 14851, at authorizes the Office of State Publishing (OSP), to accept paid advertisements in state publications except that OSP may not accept or publish paid political advertising. This legislation specifically authorizes OSP to provide this service; it does not allow for the printing of paid advertising by other service providers without an agreement with OSP. You can visit the OSP online at https://www.dgs.ca.gov/OSP.
Advertising Media, the variety of advertising media available to OSP includes traditional printing of publications and mailings, CD-ROM, and internet on-line publications.
Information Resources Contact the OSP Advertising Manager at 916-327-5867, email: danelle.hamilton@dgs.ca.gov for information regarding the OSP Advertising Program

## Chapter - 700

Sections for Chapter 700

| Section | Subchapter |
|---|---|
| General Policy | 0700 |
| Terms and Definitions | 0710 |
| Request for Travel Expense Exception Approval | 0715 |
| Per diem Allowances | 0720 |
| Short-Term Travel | 0721 |
| Long-Term Travel | 0722 |
| Noncommercial Allowance | 0723 |
| Conventions, Conferences, or Business Meetings | 0724 |
| Expenses for Applicants Called for Interviews | 0725 |
| Allowances while on Sick Leave, Vacation, or Compensating Time Off (CTO) | 0726 |
| Business-Related Meals | 0727 |
| Overtime Meals | 0728 |
| Travel Expenses Outside Working Hours | 0731 |
| Travel by Aircraft | 0740 |
| Commercial Air Travel | 0741 |
| Use of Agency Owned/Leased Aircraft | 0742 |
| Privately-Owned Aircraft | 0743 |
| Reimbursement for use of Privately-Owned Aircraft | 0744 |
| Agency-Rented Aircraft | 0745 |

| | |
|---|---|
| Insurance Requirements for Privately-Owned/Rented/Leased Aircraft | 0746 |
| Pilot Qualifications | 0747 |
| Transportation Selection Authorization & Accountability | 0748 |
| Vehicle Use | 0750 |
| Operator Requirements | 0751 |
| Defensive Driver Training | 0752 |
| Authorization to Use Privately Owned Vehicle | 0753 |
| Reimbursement for use of Privately Owned Automobiles | 0754 |
| Reimbursement for Parking Charges | 0755 |
| Reimbursement for Pool Vehicle Expenses | 0756 |
| Reimbursement for Damage to Privately-Owned Vehicle | 0757 |
| Reimbursement for Damage to Commercial Rental | 0758 |
| Privately-Owned Motorcycles | 0759 |
| Out-of-State Travel | 0760 |
| Advance Blanket Approval | 0761 |
| Criteria for Blanket Approval of Out-of-State Travel | 0762 |
| Travel Plan | 0763 |
| Individual Trip Approval | 0764 |
| Administration of Out-of-State Travel | 0765 |
| Return of Deceased Employees to Headquarters | 0772 |
| Travel & Related Reimbursement of Persons Not State Employees | 0774 |
| Travel Expense Claim (TEC), STD. 262 | 0780 |


## General Policy - 0700

This chapter provides guidelines on traveling for official State of California (State) business and for obtaining reimbursements. Travel expenses are reimbursed in accordance with the policies found within the California Code of Regulations, Title 2 (Administration), Division 1 (Administrative Personnel), Chapter 3 (Department of Human Resources), Subchapter 1 (General Civil Service Rules), Article 2 (Travel Expenses), employee Memoranda of Understanding (MOU), and the CalHR Online HR Manual (section 2200).

Basic Policies

1. Use travel when personal contact is the most economical way of conducting official State business.
2. Limit attendance at conferences and meetings to those directly concerned with the topic.
3. Use the most economical method of transportation. Consider the time employees will be away from the office and the direct cost of the methods that may be used.
4. Avoid backtracking and duplicate travel whenever possible.
5. State vehicles should not be parked overnight at an airport unless there is no other practical and reasonable way for the employee to get to and from the airport.
6. Travel should be done in the most efficient and least costly manner. An employee may use a more costly form of transportation, but they may be paid at the less costly rate. In such cases a cost-comparison must be done to determine the least costly rate.

## Terms and Definitions - 0710

(For further clarification of the following terms and definitions, see CALHR Rule 599.616 or CALHR Rule 599.616.1).
Business and Miscellaneous Expenses. These are costs necessary for completion of State business. Some examples are: phone calls, telegrams, emergency clothing, equipment, and supply purchase.

Business-Related Meals. These are meals taken in combination with business meetings when business cannot be done at any other time.

Headquarters. This is where employees spend the largest part of their regular working time, or where the employee returns upon completion of a special assignment, or a specifically assigned geographic area regularly traveled.

In-State Travel and Travel in Bordering States. Travel within state boundaries and through areas next to state borders is in-state travel. The bordering state travel must be incidental to the in-state trip to be in-state travel.

Incidentals. The State reimburses an employee (when the travel period is greater than 24 hours) for small miscellaneous expenses while traveling. Examples include: laundry and dry cleaning, newspapers and magazines, tips, etc.

Out-of-State Travel. This includes travel to and from a point outside California to transact official State business. It does not include trips through or stopovers in bordering states incidental to travel within points in California.

Per Diem Expenses. These expenses are charges for meals and lodging while traveling.

Primary/Permanent Residence. This is the dwelling where the employee lives, which bears the most logical relationship to the employee's headquarters, regardless of other legal or mailing addresses. If an employee maintains more than one dwelling, the department will designate the employee's primary/permanent residence.

Secondary Residence. When an employee maintains more than one dwelling that meets the criteria in CALHR Rules 599.616(b) or 599.616.1(b), these are secondary residence(s).

State Vehicles (Pool Vehicles). A fleet of vehicles maintained by the Department of General Services or other agencies for use by State agencies in the conduct of their business.

Transient Occupancy Tax. A tax imposed by cities and counties within the State. The tax varies from 6% to 12% (depending on location). This tax may be waived (and your lodging rate reduced) if you show proof that you are a State employee on official State business. The waiver is always at the option of the lodging establishment. See Travel Guide Supplement for a sample Tax Waiver Form.

Transportation Expenses. These expenses are the charges to transport the employee to and from the employee's headquarters. Some examples are: charges for commercial carriers (e.g., airline, bus, rental vehicle, etc.), private vehicle mileage, parking costs, bridge and road tolls.

Travel Expenses. Travel expenses include per diem expenses, transportation expenses, and business and miscellaneous expenses.

## Request for Travel Expense Exception Approval - 0715

CALHR will consider travel exception requests when:

1. Appropriate or unavoidable lodging, and/or meal expenses occur while on travel status within 50 miles of headquarters. These circumstances require prior approval by the appointing power.
   CALHR PML 93-28 delegated to agencies/departments the authority to approve exceptions to the “50 mile rule” when certain criteria are met. Certain reimbursements which are made under the provisions of PML 93-28 may be deemed reportable income. Contact your departments’ accounting office for clarification on this issue.
2. Lodging costs associated with regular travel, and conferences/conventions are in excess of the approved State rates found within CALHR Rules 599.619(a), 599.621(a), and the MOU. Exception requests must be submitted and approved on an Excess Lodging Rate Request form (STD 255C) , found here http://www.documents.dgs.ca.gov/dgs/fmc/pdf/std255C.pdf, prior to the trip taking place. Details about the approval process for the STD 255C may be found on CALHR in the Human Resources Manual. Visit http://hrmanual.calhr.ca.gov/Home/ManualItem/1/2203 for more information.

CALHR requires a minimum of 10 days advance notice; please submit request at least two weeks in advance of the trip. No request will be considered after the date of travel.

## Per diem Allowances - 0720

CALHR Rules and MOU’s provide for the reimbursement of actual and necessary out- of-pocket expenses while traveling on State business. Limits exist for each expense type (e.g., lunch, mileage, hotel, etc.). These limits help employees plan trips within agency and personal budgets.

Employees who claim the allowable rate without submitting receipts with their travel expense claims should retain their receipts in order to substantiate out-of-pocket expenses in the event of an audit by the State or the IRS. Contact your department’s accounting office for your department’s policy as it relates to the submission of receipts.

## Short-Term Travel - 0721

Employees on travel status for more than one 24-hour period and less than 31 consecutive days may claim per diem for each 24 hours of travel. Expenses for partial days after the 24 hours may be claimed.

Employees on travel status for less than 24 hours may claim lodging expenses, if this applies, and breakfast or dinner. No lunch or incidental allowance is paid when employees are on travel status for less than 24 hours. Expenses must be incurred at least 50 miles from headquarters. This distance from the headquarters is the normal commute distance determined by the most direct route. Sometimes one route of travel may be a greater distance but is the more reasonable commute. For example, taking a freeway route instead of congested surface streets is more reasonable. The freeway miles may be greater but because it is more efficient the freeway miles are used to determine the distance.

**Lodging and Meal Allowance Reimbursements**

The following defines conditions for payment.

1. In-State Lodging/Meal Allowance. Per diem and lodging expenses will be reimbursed in the amount of actual expenses, supported by a receipt, up to the maximum rates as identified in the CALHR Rules and current applicable MOU. Each item of expense of $25.00 or more requires a receipt; receipts may be required for items of expense that are less than $25.00.
2. Out-of-State Lodging/Meal Allowance. Reimbursement is made for actual lodging expense, supported by a receipt. Meals and incidentals will be reimbursed at in- State rates. Failure to furnish lodging receipts will limit reimbursement to meals and incidentals at the in-State rates.
3. Out-of-Country Lodging/Meal Allowance. Reimbursement will be made for actual lodging, supported by a receipt. Meals/incidentals will be reimbursed according to the Maximun Per Diem Allowances for Foreign Areas, Section 925, U.S. Department of State Standardized Regulations and the meal/incidental breakdown in Federal Travel Regulation Chapter 301, Travel Allowances, Appendix B.

Employees who receive a meal as part of State travel must reduce their per diem claim by the cost for that meal. For non-represented employees, see CALHR Rule 599.619(a)(5) for guidance.

**Time Frames for Meal Allowances**

Time frames for payment for meals are outlined in Appendix AF-1.

## Long-Term Travel - 0722

Employees on travel status for longer than 31 consecutive days qualify for long-term travel per diem. The full long-term per diem is paid for each 24-hour period provided the employee's primary residence is occupied by the employee's dependents or is maintained at a net expense greater than $200 per month. If an employee does not maintain a separate residence, payment is one-half the full long-term rate. The rate ends when an employee is assigned to another geographic area. If long-term lodging is not available, then short-term rates may be approved beyond 31 days with advance approval of the appointing authority. Partial days of long-term travel are paid as follows: Less than 12 hours- one half the long-term rate; 12-24 hours-full long-term rate. This rate includes meals, lodging, and incidental allowances. Consult the CALHR Rules and employee MOU for current per diem rates.

## Noncommercial Allowance - 0723

This rate may be claimed by employees for out-of-pocket expenses incurred when staying with friends or relatives, when using their personal travel trailers, camping equipment, vans, or other noncommercial facilities. The employee may claim the noncommercial rate, beginning on the first day of travel. Partial days of noncommercial travel are paid as follows: Less than 12 hours- one half the noncommercial rate; 12-24 hours- full noncommercial rate. This rate is for meal and incidental allowances only.

## Conventions, Conferences, or Business Meetings - 0724

For a conference called by a State agency, no per diem expense will be allowed within 50 miles of an employee's headquarters. Exceptions may be given in advance by CALHR. See SAM Section 0715. Registration fees for conferences/conventions are payable if the employee has prior approval to attend.

Travel Expense Claims that contain expenses incurred due to a conference, convention, or similar meeting must be countersigned by the agency head, or the deputy whose name has been forwarded to the Audits Division of the State Controller's Office (SCO) under the following circumstances. These circumstances are: when two or more agents, officers, or employees attend the same convention, or conference; or when the registration fee exceeds $50.

Agencies will establish a procedure to enable verification and audit of travel expense claims for persons attending meetings of Boards, Commissions, Committees, etc., when claims are not approved by someone having personal knowledge of meeting attendance.

## Expenses for Applicants Called for Interviews - 0725

CALHR Rule 599.634 provides for per diem and travel expenses for non-State applicants who are called for interviews. Payments may be approved in advance by the appointing power. Requests must meet the following conditions:

1. Requests must be submitted prior to the actual travel date.
2. Requests must include the following:
    a. Names and addresses of the applicant (applicant may not be a current state employee).
    b. Approximate amount of the anticipated expenses, including tax. (Payment may not exceed the current State rates.)
    c. Reason(s) why it is necessary to call the applicant for interview, i.e., position is hard to fill, recruitment for affirmative action, or disabled hire, etc.
    d. Title of position being filled.

Attach a copy of the approved request to the applicant's Travel Expense Claim prior to submission to the SCO.

## Allowances while on Sick Leave, Vacation, or Compensating Time Off (CTO) - 0726

Employees granted sick leave while on official travel status may be paid allowances for up to three days of sick leave time. See CALHR Rules 599.633 and 599.633.1. If the sick leave exceeds three days, or in unusual cases, added payment may be approved by the agency according to CALHR delegation. Exceptions must include the following:

1. Name and home address of employee.
2. Nature of illness.
3. Address where employee is confined during illness/injury.
4. Address where expenses are being incurred.
5. Number of days confined during illness/injury.
6. Cost of expenses incurred.

Departments shall not consider exceptions if the employee is confined to a hospital and hospital costs are covered by insurance. Expenses incurred other than hospital costs may be considered.

Attach a copy of the approved exception to the employee's Travel Expense Claim prior to submission to the SCO.

Normally, no per diem expenses are allowed when employees are on vacation or CTO. An agency may allow an exception to an employee claiming other than short-term per diem if they are: authorized time off on CTO, or authorized time off on vacation while employed in seasonal agricultural work.

## Business-Related Meals - 0727

In some instances, the cost of business-related meal expenses may be allowed. It must be clearly shown that it was impractical to conduct the State's business during working hours and that the meal took place in conditions beyond the employee's control. The employee provides justification on the TEC. The statement must include the purpose or goal of each business-related meal and the unusual conditions that justify payment. For meals consumed, the employee may claim expenses not to exceed the breakfast, lunch, or dinner per diem rates. The amount must be supported by a voucher or receipt for represented employees. Nonrepresented employees do not have to provide receipts.

Examples of allowable meals may include: participants from different cities hold a luncheon meeting to allow one or more of them to make connections on a scheduled flight; an employee is required to go to lunch as a member of a group, such as a Board or

Commission where official business is conducted; the meeting does not adjourn during lunch and the employee has no choice of place to eat.
Examples of non-allowable meals include: two or more employees go to lunch together and continue their business as an incidental to the meal; or, the meal is strictly for public relations purposes; or, the meeting could have taken place during the regular working hours.
No payment is allowed for the meal if the employee claims per diem for that day.
CALHR will consider exception requests to CALHR Rules 599.622(b)(c) and 599.623(b)(d)(e) for business-related meals.

### Overtime Meals - 0728

Nonrepresented employees may be paid for an overtime meal when they are required to work before or after a regularly scheduled work day and can't be expected to return home for the meal. Represented employees may be paid for an overtime meal in accordance with the MOU. The overtime meal allowance is to enable employees to continue working overtime. Agencies may either provide the meal or grant a meal allowance. An added meal allowance may be granted for each additional six hours worked to a maximum of three overtime meal allowances in any 24-hour period.

### Travel Expenses Outside Working Hours - 0731

Per CALHR Rule 599.626, Represented employees may claim travel expenses related to call-back for overtime work which requires more than one trip to the assignment on a normal work day or any call-back on an employee's normal day off. Pre-scheduled work on an employee's normal day off is not considered to be a call-back. Refer to the applicable MOU for provisions that may supersede this regulation.
Per CALHR Rule 599.626.1, Excluded employees may claim travel expenses related to call-back to work which requires more than one trip to the assignment on a normal work day or any call-back or pre-scheduled work on an employee's normal day off.

### Travel by Aircraft - 0740

Employees should travel by aircraft when it is the most efficient and least costly method for conducting official State business.

### Commercial Air Travel - 0741

Employees will travel by the least costly class and take advantage of discounts whenever possible. Refer to the current Department of General Services Management Memo for Airline Reservation Requirements (#21-07). If an employee travels in other than the least costly class, full explanation must be submitted with the claim. See SAM Section 8422.115.
Frequent Flier Points/Premiums/Vouchers received by the employee because of travel on official State business are the property of the employee.
Departments that currently have programs in place which require employees to turn these premiums back to the State for future use may continue to do so.

### Use of Agency Owned/Leased Aircraft - 0742

Use is limited to official State business. Do not use aircraft for executive travel if the destination is within two hours driving time or a regular commercial airline serves the location.
Section 0748 outlines exceptions to this policy. Agencies may adopt more strict guidelines. Agency Secretaries ensure that the interpretation and application of the policy is consistent throughout their agencies.
When feasible, agency aircraft may be used on a charter basis by other state State agencies or for official governmental activities. This is billed by the agency at full cost, including the expense of the pilot. The agency's policies regarding passengers apply.

### Privately-Owned Aircraft - 0743

Privately-owned aircraft may be used for official travel when it is the least costly means or is in the best interest of the State. Employees must obtain approval of the agency.
Aircraft must have Federal Aviation Agency (FAA) certification and approved equipment. Aircraft must have adequate insurance. This is certified by the employee on an Insurance Verification and Authorization to Operate Privately- Owned/Rented/Leased Aircraft on State Business form, STD. 265. See Appendix A-2 for preparation instructions. Employees who pilot aircraft on official business must meet pilot qualifications outlined in SAM Section 0747.

### Reimbursement for use of Privately-Owned Aircraft - 0744

The reimbursement rate for employee privately-owned aircraft is 50 cents per statute mile. Mileage is computed on the shortest air route from origin to destination, using airways whenever possible. Enter "Air Miles" and mileage on the TEC. For expenses other than mileage, substantiate the expense with a voucher. Landing and parking fees are paid except at the site where the aircraft is normally stored.

### Agency-Rented Aircraft - 0745

When necessary or in the best interest of the State, an aircraft may be rented. This requires approval of the head of the agency. Obtain advance approval by the Cabinet Section of the Governor's Office in any of these situations: the aircraft is multi-engined; the aircraft is single engined with power exceeding 250 h.p.; the aircraft is of a special type helicopter, seaplane, etc.; or the aircraft is rented with a pilot. Use a memo to the Cabinet Section as an approval request. Clearly explain the nature, cost, and necessity for the rental of the aircraft. If one of the official travelers is the pilot, they must meet the requirements of SAM Section 0747.

### Insurance Requirements for Privately-Owned/Rented/Leased Aircraft - 0746

Travel on official State business may be by privately-owned/rented/leased aircraft whenever this is the least costly means or is in the best interest of the State.
Employees must first obtain supervisor approval. Employee pilots shall certify at least yearly to their employing agency that they have the required liability insurance in force during the period of official travel. These required limits are shown on STD. 265. Use STD. 265 for certification.
In all cases, the aircraft must be certified in accordance with FAA regulations and properly equipped for the type of flying to be performed.

State employees who pilot aircraft on official State business must meet the requirements of CALHR Rule 599.628 and SAM Section 0747.

## Pilot Qualifications - 0747

To operate privately-owned, rented, or State-owned aircraft on official business, pilots must be physically qualified and licensed to fly the aircraft for the type of flying performed.
To carry passengers on official business, a pilot must:

1. Either possess a valid (FAA) commercial pilot's license or have previously logged at least 250 hours of flight time as a licensed pilot in command of an aircraft; and,
2. Have logged at least 40 hours of actual flight time as a pilot in command of an aircraft during the preceding 12 months.

Pilots must obtain approval from their agencies to use air transportation and must satisfy the requirements outlined in CALHR Rule 599.628 and SAM Section 0746.

## Transportation Selection Authorization & Accountability - 0748

1. Select the least costly method of transportation. Consider direct expense and employee time away from the office. Commercial transportation will be used whenever its total cost is less than agency provided aircraft. Agency aircraft may be used when it proves to be the least costly method. Consider and document these criteria when deciding:
    a. The cost of personnel hours lost in travel.
    b. Total commercial travel costs (airlines, rental vehicle, taxi, etc.).
    c. Added per diem costs.
    d. Accessibility and/or urgency of the situation.
    e. Scheduling demand and limitations.
    f. Driving time to location would exceed two hours one way.
    g. Commercial airline service and schedules between points of origin and destination including any intermediate stops or layovers.

2. To find the cost of agency aircraft include the following estimates:
    a. Pilot cost (wages and benefits) per hour.
    b. Total operational costs of the aircraft per hour.

Authorization:
The agency director or designee is solely responsible for authorizing flights.
Accountability:

1. Submit approval request in writing to the agency approval authority as soon as possible but not less than 24 hours before the flight.
2. Immediate or unanticipated requests can be made verbally. File a confirming written request within 24 hours of trip completion.
3. Requests will contain:
    a. Date, time, and name/title of requester.
    b. Date(s) and itinerary of requested flight(s).
    c. Purpose of trip.
    d. Passengers (include title and organization).
    e. Transportation selection criteria justification.

4. Administrative units that provide aircraft services shall evaluate requests for compliance with the transportation selection criteria. They will maintain a record of the aviation activities and prepare a monthly report. The report will be sent to the director or authorized designee and will include the following:
    a. Dates of flight.
    b. Pilot (or company if chartered).
    c. Hours flown.
    d. Type of aircraft.
    e. Rate.
    f. Total cost.
    g. Short explanation of purpose.
    h. Destination and stopovers.
5. Maintain a flight log for each State-owned or leased aircraft. Include in the log the use of the aircraft, passenger names, dates, destinations, and purposes of flights. Retain logs for four years or until audited, whichever occurs first.

## Vehicle Use - 0750

Agencies determine who will drive on official State business and the vehicle types to be used: State-owned, privately-owned, or commercially-owned rental vehicles.
State Vehicles. These may be authorized when one or more employees are traveling individually or together. The trip includes intermediate stops not feasible for public transportation; the schedule of public carriers does not fit the itinerary; transportation is not available at the destination; an employee must carry specialized tools, books, etc.
Rental Vehicles. You may rent a vehicle when a State vehicle is not available and automobile travel is essential. Refer to SAM section 4117.2 for current commercial car rental policy, including policy regarding Zero Emission Vehicle (ZEV) rentals.
Privately-Owned Vehicles. Employees may use their privately-owned automobiles on official State business if this is approved by the agency. If the use is not less costly, the supervisor may authorize the use, but the payment will be for the less costly alternative. No agency will require an employee to use their privately-owned vehicle unless this is a formal condition for employment.

## Operator Requirements - 0751

Agencies shall participate in the Department of Motor Vehicles (DMV) “Employer Pull Notice Program” (EPN) if they have employees who operate vehicles on official business as a condition of employment for Class A, B, or Class C drivers’ licenses with special certificates. See Vehicle Code Section 1808.1. Agencies may participate in the DMV EPN on a voluntary basis for other employees who frequently operate vehicles on state business. To enroll in the EPN program contact: Department of Motor Vehicles, Office of Information Services, Account Processing Unit at, (916) 657-5564 or see EPN for additional information.

Employees who operate vehicles on official State business must have a valid driver’s license, insurance, and a good driving record. To determine if a driver has a valid license and a good driving record, agencies should request drivers’ records annually.

Employees who operate vehicles on official State business shall use, and ensure all passengers use, all available safety equipment in the vehicle being operated.

Frequent drivers should attend and successfully complete an approved defensive driver training course at least once every four years.

## Defensive Driver Training - 0752

The Department of General Services *(DGS)*, Office of Risk and Insurance Management, approves and develops statewide driver training courses. All courses are conducted on a statewide basis. Charges for courses are listed in the General Services Price Book and Directory of Services. Course descriptions and scheduling information may be obtained by *accessing the DGS Training Registration System website at https://www.training.dgs.ca.gov or* contacting the Defensive Driver Training Coordinator, Office of Risk and Insurance Management, Department of General Services, 707 Third Street, First Floor, West Sacramento, CA 95605, Telephone (916) 376-5308.

Agencies shall compile and submit the Summary of State Miles Driven to the Office of Risk & Insurance Management. This annual report must be submitted by February 1 for the proceeding calendar year. For information forms and instructions, contact the Defensive Driver Training Program, Office of Risk & Insurance Management, Department of General Services, 707 Third Street, First Floor, West Sacramento, CA 95605, Telephone (916) 376-5308.

## Authorization to Use Privately Owned Vehicle - 0753

Legal Authority

Vehicle Code section 16056

Definitions

None

Policy

Agencies are responsible for determining who will be authorized to drive privately owned vehicles while conducting official State business.

Employee must certify in writing that the vehicle shall always be:

- Covered by liability insurance as provided in Vehicle Code section 16056.
- Adequate for the work performed.
- Equipped with operating safety belts.
- In safe mechanical condition.

Employees should be aware that the insurance maintained by the state is for the liability above the amount of the employees' policies. Mileage reimbursement rates paid to employees include an amount that reimburses employees for maintaining minimum insurance coverage.

Responsibilities

**Employee:**

1. Complete an STD 261 – Authorization to Use Privately Owned Vehicle on State Business form (STD 261).
2. Submit signed STD 261 to manager/supervisor for review and approval. STD 261 must be renewed annually thereafter.

**Manager/Supervisor:**

1. Review and approve STD 261 submitted by employees driving a privately owned vehicle on official state business; annual review and approval required.
2. Verify current approved STD 261 is on file before:
   a. Authorizing an employee to drive their privately owned vehicle on official State business.
   b. Approving a Travel Expense Claim submitted by an employee.

Resources

- STD 261 – Authorization to Use Privately Owned Vehicle on State Business

## Reimbursement for use of Privately Owned Automobiles - 0754

Mileage reimbursement is paid to employees authorized to use privately-owned vehicles while conducting official State business. The reimbursement rate is based on the current MOU and the CALHR Rules.

When an employee is driven to a common carrier, the employee can claim double the rate authorized for one-way trips to and from the common carrier. The vehicle cannot be parked at the terminal and the employee must be an occupant of the vehicle. “Double mile” claims are considered to be reportable to SCO since the amount claimed is above the rates found in the current

MOU and the CALHR Rules. If the employee departs or returns to a common carrier on the employee's day off or one hour before or one hour after the normal workday, payment for actual miles driven may be claimed.

### Reimbursement for Parking Charges - 0755

Employees using State-owned vehicles or privately-owned vehicles on official State business may be reimbursed for certain parking charges. These charges are:

1. For day parking when on trips away from their headquarters office and residence.
2. For overnight public parking when on trips away from the headquarters city and city of residence. Claims are not allowed if expense-free overnight parking is conveniently available.
3. For day parking next to their headquarters, provided they have other reimbursable vehicle expenses for the same day or are using a State vehicle. This is for employees who spend most of their time on field assignments and report to their headquarters offices occasionally. Other examples of payable expenses are expenses due to a call-back or scheduled overtime on a normal day off.

Employees parking at airports must use the less expensive peripheral parking, or adequately justify excessive parking charges. Submit claims for parking on a TEC. Attach a receipt to claims exceeding 10 dollars for one continuous period. Regardless of the cost, the appointing authority may require submission of receipts for parking costs claimed.

### Reimbursement for Pool Vehicle Expenses - 0756

If a traveler pays for emergency repairs or items included in the pool vehicle rental charges, the traveler can be paid. See SAM Chapter 4100.

### Reimbursement for Damage to Privately-Owned Vehicle - 0757

An employee can claim repair for a privately-owned vehicle damaged while conducting official State business if the accident was not the employee's fault. Payment is made out of the employing agency's allotted travel funds. File the claim in the following manner:

1. File a Report of Vehicle Accident form, STD. 270. See SAM Chapter 2400 for instructions.
2. Attempt to recover damages through insurance coverage.
3. Prepare TEC. Attach the green copy of STD. 270, signed by the employee's supervisor, and a receipted bill for repairs/parts to the TEC. Enter this certification in the Remarks Section of the TEC: "I hereby certify that this expense was incurred by me as a result of damage to my privately-owned vehicle. This expense is not reimbursable through the insurance coverage of any of the parties involved in the accident."
4. Submit three estimates of repair costs.

The approving official takes the following actions:

1. Reviews STD. 270 and TEC for compliance with the governing CALHR Rules.
2. Signs STD. 270 to certify that the vehicle was being operated on official State business and that the accident was not through the fault of the employee.
3. Determines the claim is not the result of the employee's, officers, or agent's decision not to maintain collision coverage. Claims filed because of a decision not to maintain collision coverage may be filed with the Department of General Services.

Signs TEC to certify the employee has presented sufficient evidence that the repair expense has not been paid by insurance and to authorize payment for the least costly of the three competitive estimates.

### Reimbursement for Damage to Commercial Rental - 0758

An employee cannot be reimbursed for the collision damage waiver costs for a rental vehicle. Should a rental vehicle sustain damages and the rental company makes demand against the employee, submit the claim in the manner described in Section 0780. Insert the following in TEC, Remarks Section: "I hereby certify that this expense was incurred by me as a result of damage to a commercial rental vehicle used on official State business by me. This expense is not reimbursable through the insurance coverage of any of the parties involved in the accident."

### Privately-Owned Motorcycles - 0759

Privately-owned motorcycles and motor-driven bicycles are not an authorized mode of transportation for official business. There is no reimbursement for mileage or transportation expenses for these modes.

### Out-of-State Travel - 0760

Government Code Section 11032 outlines out-of-state travel policy.
State time authorized for out-of-state travel is limited to the time necessary to transact business plus actual travel time. The travel time cannot exceed rail time.
State cars must not be used to provide transportation when the trip is funded by sources other than State, federal, or personal funds.
There are two ways to obtain approval for out-of-state travel:

1. Advance blanket approval-Annual approval by the Agency Secretary (as applicable), and the Governor's Operations Office of all routine travel identified in your travel plan.See SAM Section 0763.
2. Individual trip approval- Travel identified in your blanket approval request which has not yet been approved by the Governor's Operations Office or travel that does not meet the criteria outlined in SAM Section 0762.

### Advance Blanket Approval - 0761

The Blanket Approval for Out-of-State Travel form, STD. 260, should reach the Governor’s Operations Office by the deadline specified on the annual Budget Letter, along with the Travel Plan in two separate sections. Section 1 represents mission critical travel as defined in the most recent OST Budget Letter and Section 2 represents trips that an Agency believes represents a benefit to the State. The supporting documents should be assembled in that order. See Appendix A-4 for preparation instruction for STD. 260.

Bordering States (Blanket Trips)
Travel into bordering states (SAM Sections 0761 and 0763, and Government Code Section 110321/ and 110333/) that is for less than five consecutive working days' duration does not require approval from the Governor's Operations Office. If such travel exceeds five consecutive working days, approval is required and the process for approving OST blanket or trips will apply. Departments with significant out-of-state travel to states bordering California for more than five consecutive working days may obtain advance approval by using a separate Blanket STD. 260. Prepare this package in the same manner as outlined in this section. The STD. 260 should be marked "BORDERING STATES" prominently in the space at the top. The Governor's Operations Office will approve and distribute the package.
Once the OST blanket or trip is approved, the Governor's Operations Office will forward an original signed copy to the State Controller's Office and a copy to the Agency Secretary (if applicable) and the originating department.
Review and Approval of Blanket Requests
The Advance Blanket Approval package is reviewed by the Agency Secretary (as applicable) and the Governor's Operations Office. Their recommendations will be shown on the Out-of-State Travel Request form, STD. 257C.
The total dollar amount of all approved travel becomes the approved level of expenditure. Indicate this amount on STD. 260 as: "Total Expense of All Trips Not to Exceed" and the amount.
Distribution and Approval of Blanket Requests
The Governor's Operations Office will retain one copy and will send the approved package to the Agency Secretary (if applicable), or the originating agency. One copy of STD. 260 will be sent to the State Controller's Office by the Agency Secretary (if applicable) or the originating agency.

## Criteria for Blanket Approval of Out-of-State Travel - 0762

Blanket approval for out-of-state travel gives the department the authority to approve any travel listed in their travel plan. Each trip listed in the travel plan must meet one of the following criteria.

a. Enforcement responsibilities
b. Auditing
c. Revenue collection
d. A function required by statute, contract, or executive directive
e. Job-required training necessary to maintain licensure or similar standards required for holding a position
f. Equipment inspection as required by a contract
g. Meetings or training **required** by a grant or to maintain grant funding
h. Litigation related (depositions, discovery, testimony)
i. Request by the Federal Government to appear before committees

Travel must clearly be of benefit to the State. The justification must be complete and show the benefits to the State in terms of the relationship to the department's program and costs.

## Travel Plan - 0763

Prepare the Travel Plan in the two sections as referenced in the Budget Letter. Include only those trips that meet the criteria outlined in SAM Section 0762. Do not include trips that must receive individual approval by the Governor. See SAM Section 0764.

## Individual Trip Approval - 0764

Use STD. 257 for individual trip approval in the following cases:

1. A blanket approval and travel plan have been submitted but not yet approved.
2. The trip is not covered by SAM Section 0762.
3. The trip involves unusual circumstances, public interest, or possible questions of propriety. Some examples include: trips to Hawaii, Alaska, territorial possession, foreign countries; trips involving an extended period of time; and requests to add persons to a trip listed in the approved blanket travel plan.
4. The trip is funded from a non-federal grant.

Submit STD. 257 with justification. Attach justification on a separate page. If any of the expenses will be paid with funds other than State or federal, the department must list the amount, source, and the purpose of these funds.
The request must reach the Governor's Operations Office a minimum of 14 days before the travel is scheduled to begin. Any request submitted to the Governor's Operations Office without this lead time must have a special justification and may be denied.
**Bordering States (Individual Trips)**
Travel to bordering states that is less than five consecutive working days does not require approval from the Governor's Operations Office. STD. 257 can be used to request individual trips that exceed five consecutive working days unless exempt per Government Code 11033. Enter "Bordering State" prominently in the space at the top and follow the normal routine for requesting approval on OST blanket or trip. The Governor's Operations Office will approve and distribute the package.
**Distribution and Approval of Individual Trip Requests**
The requesting department should send one copy of STD. 257 and justification through the Agency Secretary (if applicable) to the Governor's Operations Office. The Governor's Operations Office will retain one copy and will send a copy of the approved package to the Agency Secretary (if applicable) or the originating department. One copy of STD. 257 will be sent to the State Controller's Office by the Agency Secretary (if applicable) or the originating agency.

## Administration of Out-of-State Travel - 0765

**Departmental Use of STD. 257 When Blanket Has Been Approved**
Trips that are included in the approved STD. 260 and travel plan may be taken upon departmental approval. STD. 257 may be used internally for departmental control purposes for such trips but should not be sent to the Agency Secretary, the Governor's Operations Office, or the State Controller's Office.
The following characteristics of a trip may be changed, without additional approval:

1. The person making the trip.
2. The trip itinerary unless the change results in the trip becoming reportable under SAM Section 0763.

3. The dates of the trip.
4. The cost or funding source.
5. The total cost as long as it does not vary by more than 10%

### Return of Deceased Employees to Headquarters - 0772

CALHR Rules allow payment of transportation expenses necessary to return the remains of agents, officers or employees who die while traveling on official State business. Reimbursement is for return to the employee's headquarters or the place of burial in the State, whichever is least costly. CALHR Rules 599.636 and 599.636.1 lists expenses normally allowed. Agencies will contact the estate of the employee, in writing, and detail the allowances and procedures for claiming them. Agencies may contact the local funeral home selected by the estate to arrange shipment in the least costly manner to the State. CALHR may grant exceptions to CALHR Rules 599.636 and 599.636.1.

### Travel & Related Reimbursement of Persons Not State Employees - 0774

Reimbursement for transportation and per diem costs to persons who are not state employees is outlined in CALHR Management Memo 86-01. Policy for non-State employees who are interviewing for a position with the State can be found in CALHR Rule 599.634.

### Travel Expense Claim (TEC), STD. 262 - 0780

CALHR Rules 599.638 and 599.638.1 require that TECs contain a brief statement of purpose for each trip. Enter this statement (one line if possible) on the line immediately below the last entry for each trip. If two or more trips are made for the same purpose and one TEC is used, one statement is sufficient for the trips.
Instructions for completing the Blanket Approval for Out-of-State Travel, STD. 260:
**https://www.documents.dgs.ca.gov/dgs/fmc/pdf/std260.pdf**
Table content available in source manual.
Instructions for completing the STD. 265, Insurance Verification and Authorization:
**https://www.documents.dgs.ca.gov/dgs/fmc/pdf/std265.pdf**
Table content available in source manual.
Instructions for completing the Authorization to Use Privately Owned Vehicles on State Business, STD. 261:
**https://www.documents.dgs.ca.gov/dgs/fmc/pdf/std261.pdf**

Table content available in source manual.
Instructions for completing the Request for Approval of Out-of-State Travel, STD. 257:
**https://www.documents.dgs.ca.gov/dgs/fmc/pdf/std257c.pdf**

Table content available in source manual.

Criteria for Claiming Meal Expenses:
Table content available in source manual.

## Chapter - 900

Sections for Chapter 900

| Section | Subchapter |
|---|---|
| GENERAL | 0900 |
| RESEARCH GRANTS ADMINISTERED BY STATE AGENCIES OR AUXILIARY ORGANIZATIONS | 0910 |
| MANDATED STATE CLEARINGHOUSE'S ROLE | 0911 |
| FEDERAL GRANTS | 0912 |

### GENERAL - 0900

Research of general public interest and benefit is a concern of state government and should be furthered, provided that such research does not unduly interfere with prescribed state programs and functions, and is in accord with the intent and desire of the State Legislature and state law. The following provisions relating to the acceptance and administration of public and private organization grants for research are not intended to interfere with or discourage the furtherance of desirable research. Neither are they intended to prohibit the incidental use of state equipment and facilities or otherwise discourage the personal study and development of state-employed scholars and professional personnel. These provisions are intended to establish uniform general principles concerning the administration of grant funds, reasonable use of state employees, and reasonable recovery of the state's expense in the performance of grant- funded projects.

Many private or public organizations grant funds to finance research and other projects which involve state employees, facilities, and operating costs. These projects are generally, but not necessarily always, of public interest and concern.

### RESEARCH GRANTS ADMINISTERED BY STATE AGENCIES OR AUXILIARY ORGANIZATIONS - 0910

The Legislature has authorized and appropriated funds to some departments specifically to conduct research in connection with the department's authorized functions and programs. These departments administer grant funds through normal state financial procedures.

Many grants are made that involve state employees, facilities, and operating costs of state agencies and institutions that the Legislature has not specifically authorized for the performance of research and for which no appropriation of state funds have been made for this purpose. Often such grants are accepted and administered by "auxiliary" organizations and corporations

formed by state employees of the agency or institution involved. The research is performed at the state institution or agency using state facilities and often by or under the direction of state employees. It is probable that many of these grants are awarded in recognition of the state facility and state employment of the personnel involved.

## MANDATED STATE CLEARINGHOUSE'S ROLE - 0911

1. The State Clearinghouse (SCH) reviews applications for federally funded grants mandated by Executive Order (E.O.) 12372, Appendix I of the Catalog of Federal Domestic Assistance. Any state, independent, or local agency applying or planning to apply for federal funds should contact the SCH or consult OPR's website (Governor's office of Planning and Research - federal grant review page) to determine if that their Catalog of Federal Domestic Assistance Number (CFDA Number) is one of the grants subjected to state review. The SCH requires that a federal Standard Form 424 (the front application cover page) be submitted to SCH and their appropriate Area wide Clearinghouse at least 30 to 60 days prior to the final deadline set by the federal agency. The SCH does not set nor know the final deadlines for grants and will accept a federal Standard Form 424 at any time. The applicant is responsible for submitting their grant application in sufficient time to meet all deadlines. State agencies and departments who apply for federal funds are responsible for including a provision for recovery of indirect costs as described in Government Code sections 13332.01 and 13332.02 and reiterated in SAM section 8755.1.
2. In addition, the SCH **does not** have information on federally funded grants. Information can be obtained by calling the federal agency funding the grant or by looking in the Catalog of Federal Domestic Assistance.

3. The SCH will send a letter to the applicant at the end of the review period. If the SCH does not receive comments on a grant, the review will close 30 days after submittal. If comments are received, then the review period will close 60 days after submittal. All grant applications are sent out for review in the State Clearinghouse Newsletter.Federal agencies who require this letter will contact the SCH.
4. The SCH does not deal with form CA-189, only the federal Standard Form 424 and those grants mandated for review by E.O. 12372.
5. General Review. Once a federal Standard Form 424 (see Appendix C) has been submitted to the SCH and assigned a number, it is put out for review in the State Clearinghouse Newsletter. This newsletter is sent to all state agencies, area clearinghouses, local libraries, university libraries, and private citizens (at their request). The SCH requires that a federal Standard Form 424 (usually the front application cover page) be submitted at least 30 to 60 days prior to the final deadline set by the federal agency. If the SCH does not receive comments on a grant, the review will close 30 days after submittal. If comments are received, then the review period will close 60 days after submittal. All comments will be forwarded to the applicant.
6. This review process is standard for all grants that are listed under E.O. 12372. A grant that does not fall under the E.O. 12372 should not be submitted to the SCH. Not all federally funded grants fall under E.O. 12372 for state review.

7. This is the only role of the SCH in relation to federally funded grants. The SCH does not play a role in the review, awarding, or funding of state grants. Click here for a current copy of the State Clearinghouse Handbook.

## FEDERAL GRANTS - 0912

Pursuant to the provisions of Government Code section 13326, advance approval for application to the federal government is delegated to agencies/departments, except requests for federal funds for the following:

1. "New" activities not included in the budget,
2. Activities which have been previously denied by the Administration or the Legislature, and
3. Sensitive policy issues. The determination of a "sensitive policy" issue is at the discretion of the agency/department making the request for federal funds.

Budgeted Grant Requests

Requests for federal funds which can be anticipated should be included and justified as part of the departmental budget request. For budgeted grant requests, the applicant must file federal Standard Form 424 with the SCH prior to the publication of the Governor's Budget document for the fiscal year for which the grant is requested. The remittance advice for receipt of a budgeted grant request should cite the SCH identification number.

Unbudgeted Grant Requests

Requests for federal grants that were not anticipated ("unbudgeted") must be forwarded to DOF if they meet any of the criteria specified above (Items 1, 2 and 3 - Review By DOF). For each grant request meeting this criteria, departments must submit a "Federal Grant Request" form DF-24. See Appendix D. Agency approval must be obtained prior to submission to DOF, except that departments which do not report to an agency secretary are to submit their requests directly to DOF. Forms must be submitted to DOF at least 10 working days prior to the federal deadline for application. Constitutional Officers, the University of California, and the California State University are not required to obtain DOF approval. Departments are also responsible for determining if any request for unanticipated federal funds meets the criteria for legislative notification set forth in Control Section 28.00 of the annual Budget Act. If requests meet the notification criteria, departments are also responsible for submitting the appropriate Section 28.00 materials to DOF along with the "Federal Grant Request" form DF-24.

After approval is received by DOF for an unbudgeted grant request, the applicant must also file federal Standard Form 424 with the SCH.

**Employer/Taxpayer Identification Number for Grant Requests**

The federal Standard Form 424 must include the Employer/Taxpayer Identification Number that was assigned to the department by the Internal Revenue Service (See also SAM section 8422.19).

State, Metropolitan, and Regional Clearinghouses

For a list of Areawide, Metropolitan, and Regional Clearinghouses, see State Clearinghouse Handbook . The address and telephone number of the SCH is:
California State Clearinghouse Office of the Governor
Office of Planning and Research 1400 Tenth Street
Sacramento, California 95814

Telephone: (916) 445-0613

# Chapter - 1100

Sections for Chapter 1100

| Section | Subchapter |
|---|---|
| GENERAL POLICY | 1100 |
| TERMS AND DEFINITIONS | 1101 |
| POLICY AND AUTHORITY | 1103 |
| STEPS TO PLANNING PROCESS | 1106 |
| BASIC INFORMATION REQUIREMENTS FOR HUMAN SERVICE-RELATED PLANS | 1107 |

## GENERAL POLICY - 1100

(Revised and Renumbered From 1102 4/92)
The State Plan Preparation and Review Process provide guidance to State agencies who must prepare State plans. This Chapter applies to all agencies, including those designated as a single State agency for receipt of Federal funds.

***Objective.*** State plans should present a clearly defined, uniform policy that directs all State administered programs. The planning process described below is not meant to duplicate or replace the coordination between departments that is normally achieved at the Cabinet level. The objective of this process is to promote:

1. State policies that guide spending.
2. Uniform programs and policies in areas that affect more than one agency.
3. The use of the same population projections and demographic data that is provided by the State's Demographic Research Unit.
4. Oversight in the use of Federal funds.
5. Consultation between agencies when the programs of one agency may impact the programs of other agencies.
6. Uniform policies when more than one agency serves the same client group.
7. Interaction between agencies with similar programs where there is the possibility that they can help one another deliver services.
8. The avoidance of duplicated effort among State agencies.
9. The receipt of Federal funds.
10. The use of Federal funds to achieve State policies while avoiding increased State expenditures.
11. The use of Federal funds and regulations in keeping with State policies.
12. Human and social services that prevent dependence on public assistance, and foster self-sufficiency and independence whenever possible.
13. Providing the Department of Finance (DOF) with timely planning and program data. This will help Finance better evaluate the cost-effectiveness of State planning programs.
14. Providing the Office of Planning and Research (OPR) with timely planning and program data. This will help OPR better evaluate the effectiveness, coordination, and consistency of State planning programs in meeting Statewide goals and objectives.

***Procedure***. All State agencies that are required by legislative or executive mandate to prepare a State plan must comply with the planning process review procedures described below. The State plan does not need to be statewide in scope. If more than one plan is prepared to fulfill State or Federal requirements, then each plan is subject to the review process.

All State agencies that prepare a State plan must:

1. Submit an Early Notice of Plan Preparation to the Office of Planning and Research (OPR) by February 1 of the year that the plan is prepared.
2. Participate in an early consultation meeting sponsored by OPR. The meeting is held to discuss the concerns and recommendations of agencies, and interested parties regarding the proposed plan.
3. Submit to OPR the number of copies of the draft plan which they request. OPR distributes the copies to State agencies, interested parties, and appropriate regional planning bodies.
4. Respond to the comments that come out of the plan review process.

## TERMS AND DEFINITIONS - 1101

***Consulting Agencies.*** Refers to clearinghouses and State, local, and nonprofit agencies that participate in the preparation and review of State plans. These include agencies that run related programs, serve the same clients, or offer special expertise on clients or services.
***DOF***. The Department of Finance.
***Early Consultation Meeting***. Refers to a presentation by the agency preparing the plan to the consulting agencies. The meeting takes place before submission of the draft State plan. Consulting agencies present issues and identify opportunities for coordination at the meeting. This meeting is the most important step in the coordinated preparation and review process of State plans.

A. ***O. 12372.***A Presidential Executive Order.
***OPR***. The Office of Planning and Research.
***Preparing Agency***. The agency with the primary responsibility for writing a State plan. The State agency that administers federally funded activities is the "preparing agency".
***State Plan***. Plans by State agencies that promulgate State objectives and standards, or determine or affect the allocation or administration of State or Federal funds. This includes, but is not limited to, all mandated State plans subject to review under E.O. 12372, Part III. A State plan may include:

1. Policy directives.
2. A program for development of facilities.
3. Guidelines for governmental activities.
4. Federal grant applications.
5. Recommended actions.

## POLICY AND AUTHORITY - 1103

Government Code Section 65030 declares that the future growth of the State should be guided by an effective planning process. This process should proceed within the framework of goals and policies that address:

1. Land use.
2. Population growth and distribution.
3. Urban expansion.
4. Other relevant physical, social, and economic development factors.

Government Code Section 65036 states the need to ensure orderly planning by units of State government who have responsibility for specific functions. State plans must also start with common assumptions and forecasts of statewide growth and development.
Examples are:

1. Water development.
2. Transportation.
3. Natural resources.
4. Economic development.
5. Human resources.

Education Code Section 56881 requires OPR to "establish procedures for the development and review of State agency plans" that use Federal funds for programs that may serve handicapped children. The purposes of the review are to assure coordination of programs serving handicapped children and to secure all available Federal funding.

Government Code Section 65032 states the need to integrate the planning and the executive budgeting functions. The purpose of integrating these functions is to allocate fiscal and other resources of the State among the competing programs.

Government Code Section 65040 establishes OPR as the overall State planning agency. OPR's purpose is to serve the Governor and the Cabinet, as staff, for long range planning and research. Section 65040 authorizes OPR to "assist in the orderly preparation of" and "regularly evaluate" State plans. In addition, E. O. 12372, Part III requires that the Governor or his delegated agency review State plans and local needs. Clearinghouses are also encouraged to review the plans and needs.

OPR's authority to implement the E.O. 12372 process is provided by Government Code Section 12035. This section of the Government Code designates OPR as the State Clearinghouse for E.O. 12372. Executive Order D-24-83 directs the Office to coordinate Federal grants.

Government Code Section 13073 establishes the Population Research Unit and its duties. The duties include:

1. "Providing adequate demographic data to aid effective State and local planning and policy making."
2. "Serving all levels of government and the private sector as the centralized State source of demographic data."

Section 13073 assures that State planning, funding and policy making for all agencies is done with the same set of population and enrollment data. Where they exist, Council of Government forecasts should be used if they do not exceed DOF's baseline regional forecasts.

## STEPS TO PLANNING PROCESS - 1106

1. Each preparing agency must submit an Early Notice of Plan Preparation to OPR for each plan it will prepare. The Early Notice should be sent to OPR by February 1 of the calendar year in which the plan is to be prepared. If an agency learns

that it must prepare a State plan after February 1st, it must submit the Early Notice within 30 days. For an example of the format and content of the Early Notice, see AF-1 in the Appendix at the end of this Chapter.
2. OPR distributes the Early Notice of Plan Preparation to consulting agencies identified as having programs or interests related to the plan.
3. If there is sufficient interest, OPR in cooperation with the preparing agency, sets up an early consultation meeting. The meeting takes place prior to writing the draft plan.
   During the meeting, the preparing agency must give an overview of the contents of the proposed plan. Consulting agencies and OPR may:
   a. Present issues that the plan should address.
   b. Identify duplication and overlap in clients and programs.
   c. Follow-up on previous years' comments on the plan.
4. After the preparing agency writes the draft plan, it must send copies to OPR. The exact number needed is set by OPR based on response to the Early Notice of Plan Preparation. OPR must get its copies at least 45 days before the final plan is presented to the approving or funding Federal or State organization.
5. OPR sends copies of the draft State plan to consulting agencies. These agencies are asked to review the plan. They are also asked to comment on how well it reflects the recommendations and comments made during the early consultation meeting. OPR performs a similar analysis.
6. OPR sends the preparing agency the written comments and recommendations, including OPR's own, on the draft State plan within 30 days after they are received from the last responding agency.
7. If the comments warrant, OPR will set up a meeting between the preparing and consulting agencies, or itself. The meeting is scheduled during the 30-day draft plan review period. The purpose of the meeting is to discuss changes to the plan. Any unresolved issues to be followed up in next year's planning process are also discussed.

**STEPS TO PLANNING PROCESS**

(Revised 2/93) OPR sends a copy of the comments to the responsible Cabinet level agency for the department preparing the plan with a copy of the comments. When appropriate, OPR also provides issues of an interdepartmental nature for agency or Cabinet level resolution.

1. When plans fall within the E.O. 12372 process, OPR sends a letter to the preparing agency when the review requirements are complete.
2. The preparing agency sends OPR at least two copies of the final plan. One copy goes to the State Library and one copy goes to each of the consulting agencies.
3. OPR recognizes that delays in finalizing Federal regulations can reduce the time available to prepare State plans. For this reason, the early consultation meeting can occur before Federal regulations are finalized. When regulations are delayed, OPR's State Plan Coordinator should be contacted to work out a new time schedule.

Any of the steps listed above may be changed by mutual agreement of OPR and the preparing agency. Time periods can be lengthened or shortened. Change is done on a case-by-case basis. Modification of the process is based on:

1. The time needed to ensure proper interagency consultation.
2. The interest stated by other consulting agencies.
3. Shortened Federal time lines.

## BASIC INFORMATION REQUIREMENTS FOR HUMAN SERVICE-RELATED PLANS - 1107

The objectives of interdepartmental consultation are:

1. To find ways of solving the problems of two or more agencies either through a single program or by working together.
2. To get more done than is possible if involved agencies remain unaware of each other's common interests.

Agencies can easily work together when they have a good understanding of how related programs work. To make State plans usable by other agencies, basic information is needed to make consultation worthwhile. This basic information helps area wide Clearinghouses perform E.O. 12372 reviews of State plans.

There is no special format for exchanging basic information. This allows the preparing agency the flexibility to meet other State and Federal information provisions. Basic information should describe:

***Eligibility for Services—Target Groups***. Give income guidelines, eligibility for related services, age ranges, target groups and targeted community characteristics, if any (urban, rural, etc.).

***Role of Local Agencies in Program Administration and Service Delivery***. Note the role of welfare departments, community-based agencies, community action agencies, local offices of State agencies, and others.

***Sources of Program Funding***. Give totals for Federal, State, local, and private sources. Include reimbursement amounts and typical rates.

***Similar Complementary Services***. Briefly describe similar services. These might be programs run by other State, Federal, or local agencies, or by independent agencies like United Way affiliates or CHAD. Include a brief description of complementary services. These might be programs offered within an agency on which plan related services are dependent.

# Chapter - 1200

Sections for Chapter 1200

| Section | Subchapter |
|---|---|

| | |
|---|---|
| Introduction | 1200 |
| STATE CONTRACTING MANUAL | 1205 |
| AUTHORIZATION OF AGREEMENTS | 1208 |
| EXEMPTION FROM APPROVAL BY THE DEPARTMENT OF GENERAL SERVICES | 1215 |
| CONTRACTS NOT EXEMPT FROM DEPARTMENT OF GENERAL SERVICES APPROVAL | 1216 |
| CONTRACTS EXEMPT FROM CALIFORNIA STATE CONTRACTS REGISTER ADVERTISING AND COMPETITIVE BIDDING | 1233 |
| ELECTRONIC SIGNATURES FOR STATE CONTRACT DOCUMENTS | 1240 |


## Introduction - 1200

This chapter provides policy direction for state agencies for services, consultant services, interagency agreements, and architectural and engineering and minor public works contracts. Other types of contracts are covered in SAM Sections 5200 et seq.; 1450 et seq.; and 1300 et seq.

## STATE CONTRACTING MANUAL - 1205

Department of General Services, Office of Legal Services (DGS/OLS), has coordinated the effort to compile State Contracting Manual Volume 1 (SCM 1) which contains policies, procedures, and guidelines in securing necessary services for the state. The SCM1 and other OLS publications are available on the Internet at:
https://www.dgs.ca.gov/OLS/Resources/Page-Content/Office-of-Legal-Services-Resources-List-Folder/State-Contracting

## AUTHORIZATION OF AGREEMENTS - 1208

1. State Departments–Authorized Signatures
    a. Authority to sign purchase documents is limited to those executive officers who either have statutory authority or have been duly authorized in writing by one who has statutory authority.
    b. Anyone who signs a purchase document should have knowledge in the procurement laws, policies, and procedures pertaining to the goods or services being procured. If an individual with signature authority does not possess sufficient procurement knowledge and expertise, the individual should, prior to signing, have the purchase document reviewed by someone who possesses such knowledge and expertise.
    c. Delegation of signature authority is a selective process and should be commensurate with experience with principles of sound contracting and procurement policies, demonstrated familiarity with the process of purchase document formation, execution, and administration, and completion of applicable training and/or certifications.
    d. Each executive officer who has statutory authority to sign purchase documents shall ensure that his/her agency maintains a current written record of agency employees authorized to enter into and sign purchase documents on behalf of that agency.This written record shall be subject to DGS audit.
    e. State Board's and Commission's purchase documents in excess of $5,000 must be accompanied by a copy of the resolution approving the execution of the purchase document, unless by statute the executive officer may sign the purchase document.
2. Local Governmental Entities–Authority
    a. Purchase documents to be signed by a county, city, district or other local public body must be authorized by a resolution, order, motion or ordinance for the purchase document. A copy of the authorization should be sent to DGS/OLS with the purchase document.
    b. Where performance by the local governmental entity will be complete prior to any payment by the state a resolution is not needed.Such instances are usually one-time events such as a room rental.

## EXEMPTION FROM APPROVAL BY THE DEPARTMENT OF GENERAL SERVICES - 1215

1. All contracts must conform to the requirements for contracts as stated in statutes, regulations, and policy.
2. The law requires all contracts to be approved by DGS unless exempted or there is a delegation to an agency.
3. All contracts and interagency agreements (I/A) are subject to approval by DGS except:
    a. Contracts of $50,000 or less, unless subject to the provisions of SAM Section 1216. See Government Code (GC) Section (§) 14616.
    b. Contracts with specific statutory exemption from DGS approval. See Public Contract Code (PCC) § 10295.
    c. Amendment to a contract or I/A that only extends the time for completion of performance for a period of one year or less. A contract may only be amended once under this exemption. See PCC § 10335.
    d. Any contract for which the agency has a specific exemption letter from DGS under GC § 14616, or PCC §10351.
    e. It is an I/A over $50,000 and less than $1,000,000 that uses the current GIAs (including SAM 8752 and 8752.1 cost provisions) without modification and that has no direct or indirect subcontracting (GC §11256), subject also to the following:
        1. This I/A exemption does not apply when contracting with CSU, UC, or any other state agency that is a exempt from Division 2, Part 2 Chapter 2 of the Public Contract Code (PCC § 10290 et seq.);
        2. Agencies shall not use I/As to circumvent any state law or contracting requirements;
        3. Agencies shall not use I/As to obtain any third-party IT goods or services nor any third-party non-IT goods or services;
        4. DGS reserves the right to audit exempt contracts at the contracting agency's expense;
        5. If DGS determines an agency is failing to abide by the conditions of this exemption, DGS reserves the right to revoke the exemption such that that agency would then be required to submit to DGS for approval all I/As of $5,000 or more (or such other amount as DGS establishes when revoking or reducing this exemption);
        6. DGS is establishing this I/A exemption on a pilot basis, and DGS will evaluate outcomes to determine whether to modify, continue, or discontinue the exemption.

Although these contracts do not require DGS/OLS approval, review/approval services are available on request for any contract, regardless of value.

4. Considerations Related to Exempt Contracts

a. No contract which exceeds $75,000 will be exempt from DGS review, without specific statutory authority.

b. A copy of each exempt contract or I/A is to be retained in the agency's file for three years from the date of the final payment.

c. Where the performance is other than monetary, such consideration must be valued on a monetary basis for the purpose of determining whether approval of DGS is required.

d. Any state agency that enters into or expects to enter into more than one consulting services contract with the same individual, business firm, or corporation within a 12-month period for an aggregate amount of fifty thousand dollars ($50,000) or more, shall notify DGS in writing and shall have each contract that exceeds an aggregate amount of fifty thousand dollars ($50,000) approved by DGS.

e. Splitting of contracts to avoid any monetary limitations is prohibited. If it is found that more than one contract has been awarded to a single contractor in any one year for work normally considered one undertaking, and the total of the contracts exceeds $4,999, the agency may be denied the exemptions from DGS approval as granted in this and other sections of SAM.

f. Revenue and reimbursable contracts are to be submitted to DGS under the same dollar categories as other contracts.

g. Master agreements are to be submitted to DGS regardless of the dollar amount. Contracts or subscription agreements pursuant to a master agreement are to be submitted to DGS under the same dollar categories as other contracts.

## CONTRACTS NOT EXEMPT FROM DEPARTMENT OF GENERAL SERVICES APPROVAL - 1216

Any contract containing any of the following provisions shall be subject to approval by DGS even though it may also be one of the types otherwise exempted from approval:

1. Contracts of hazardous nature regardless of dollar amount require review by DGS OLS.
2. Any provision whereby the state agrees to indemnify or save harmless any party to the contract or any third person against or on account of any claim, liability, or matter arising out of, or connected with the contract; or any provision which limits the contractor's liabilities.
3. Any provision whereby the state agrees to assume responsibility for matters beyond its control (e.g., in rental contracts, a promise to assume full responsibility for damage to rented equipment, regardless of the cause of damage).
4. Any provision calling for payment of rental or other services in advance.
5. Any provision creating a contingent liability against the state (e.g., vendors' printed rental contracts frequently contain clauses obligating the user of rented equipment to serious contingent liabilities).
6. Contracts that seek to modify the state's standard terms and conditions (GTCs, CCCs, GIAs).

## CONTRACTS EXEMPT FROM CALIFORNIA STATE CONTRACTS REGISTER ADVERTISING AND COMPETITIVE BIDDING - 1233

**Competitive bidding is required unless there is a legally authorized basis for bid exemption. Key exemption categories are identified below.**

A. Statutory Exemptions

1. Contracts of less than $5,000 (PCC §§ 10335(a), 10335.5(c)(5)).

2. Contracts of less than $5,000 where only per diem or travel expenses, or a combination thereof, are to be paid (PCC § 10335(a)).

3. Emergency contracts. The work or service is for the immediate preservation of the public health, welfare, safety, or protection of state property (PCC § 1102, 10340).

4. Interagency agreements. Contracts with other California state agencies, and California State University and University of California campuses (PCC §§ 10335(a), 10340(b)(3); GC § 11256; see also SCM 1, section 3.03.).

5. Contracts with other public entities, including contracts with another state, local, or federal agency, auxiliaries of CSU or the California community colleges; or an organization acting as a governmental agency under a joint powers agreement (PCC §§10335(a), 10340(b)(3); see also SCM 1, section 3.06.A).

6. Contracts solely for the purpose of obtaining expert witnesses for litigation (PCC § 10335.5(c)(3).

7. Contracts for legal defense, legal advice, or legal services by an attorney or the attorney's staff (PCC § 10335.5(c)(4)).

8. Community Based Rehabilitation Program (CRP). Contracts with business entities operating Community Based Rehabilitation Program (CRP), that are justified under one of the exceptions in GC § 19130(b), and that meet the criteria established by Welfare and Institutions Code §1 9404 (PCC §10340). Note: Contracts with CRPs that are justified under GC § 19130(a) are required to be competitively bid.

9. Small Business/Disabled Veteran Business Enterprise (SB/DVBE) Option (GC § 14838.5; PCC §§ 10335.5(c)(6), 10340(b)(6)).

a. This option allows for an award under the following conditions:

1) The contract is awarded to a certified SB, micro-business or DVBE;

2) The contract award is greater than $5,000 and less than $250,000; and

3) Quotes were received from at least two certified SBs or micro-businesses; or two certified DVBEs.

b. An award based on receiving only one quote is not permitted under this method.

c. Mixing quotes (e.g. one SB and one DVBE) is not permitted under this method.

d. The code does not expressly require award to the low quote, however, if award will be made by other than low quote, the agency must document the business reasons and cost reasonableness basis for selecting the other quote.

e. No particular format or timing is required under this option. Agencies have discretion as to how to obtain the quotes. Agencies should provide vendors sufficient information about the services on which the vendors can formulate a quote, including copy of the proposed contract (e.g. scope, payment provisions, and terms).

f. The SB preference is not applicable under this method.

g. There is no protest right for this method. (GC §14838.5) Therefore agencies should not cite protest provisions when soliciting quotes.

h. Use of this method is capped at $250,000 for the entire contract term, including any option years and/or amendments. If an agency believes the contract may exceed $250,000, they should use a different solicitation method, such as an IFB or RFP. If quotes come in over $250,000, the agency would need to resolicit, either scaling down the project to lower the quotes or using a different solicitation method.

i. For public works, the dollar range for which this two-quote method can be used is $5,000 to $270,000 (or other project cost limit amount as may periodically be issued by the Director of Finance pursuant to PCC § 10105) (GC § 14838.7).

10. Contracts for the development, maintenance, administration, or use of licensing or proficiency testing examinations (PCC § 10340(b)(7)).

11. Other Specific Statutory Exemption. The STD 215 should identify the statutory citation supporting the exemption.

B. DGS Approved Exemptions (PCC §10348)

1. Non-Competitive Bid (NCB) or Special Category Request (SCR)

a. An NCB transaction (formerly “sole source”) is a contract for goods or services or both when only a single business enterprise is afforded the opportunity to provide the specified goods or services.

b. Executive Order on NCB
The Governor’s Executive Order, D-02-55, issued effective May 20, 2002, rescinded the previous sole source Executive Order W-103-94 and all management memos related to that Executive Order.

c. The NCB form with instructions and signature requirements can be found on the DGS/PD website. See also SCM volume 2 (SCM 2).

d. An SCR is similar to an NCB but involves a group of related contracts rather than a single contract. The SCR form and further information can also be found on the DGS/Procurement Division website and in SCM 2.

2. DGS Categorical Exemptions (PCC § 10348; historical references: SAM Section 1233, Management Memo (MM) 03-10).

a. Services contracts using a DGS Leverage Purchase Agreement;

b. Subvention and local assistance contracts as defined in SCM 1, section 3.17. This exception applies only when services are provided to the public and not specifically to a state agency;

c. Maintenance agreements under $250,000 per year for equipment that is under documented warranty, or where there is only one authorized or qualified representative or where there is only one distributor in the area for parts and services under $250,000.00 per year;

d. Contracts where the state is unable to compete and select a different contractor because a contractor has already been selected by a federal, state, city, county, or other regulatory entity to perform a service in a specific geographical area (e.g., refuse and/or sewage disposal contracts where there is an exclusive franchise agreement that has no exception for the state);

e. Public entertainment contracts for state-sponsored fairs and expositions;

f. Contracts that can only be performed by a public entity as defined in Unemployment Insurance Code Section 605(b);

g. Contracts for conference or meeting facilities, including room accommodations for conference attendees, not to exceed $250,000;

h. Contracts for ambulance services (including but not limited to 911) when there is no competition because the contractor is designated by a local jurisdiction for the specific geographic region; (historical reference: MM 05-04.)

i. Contracts for emergency room hospitals, and medical groups, physicians, and ancillary staff providing services at emergency room hospitals, when a patient is transported to a designated emergency room hospital for the immediate preservation of life and limb and there is no competition because the emergency room hospital is designated by a local emergency medical services agency and medical staffing is designated by the hospital. This exemption covers only those services provided in response to the emergency room transport; (historical reference: MM 05-04.)

j. Contracts with health maintenance organizations (HMOs) through a cooperative agreement with the Centers for Medicare and Medicaid Services (CMS) to pay monthly premium payments for medical/Medicare eligible members, where services are essential or necessary for health and safety;

k. Proprietary subscriptions, proprietary publications and/or technical manuals regardless of media format, up to $250,000. This includes access to pre-existing proprietary research data through a non-IT services contract, however “subscription” is not intended to include the performance of any personal services (such as, but not limited to, consulting, advice, research);

l. Rental of proprietary postage meters if they are interfaced and intermembered with existing mailing equipment and there is only one authorized manufacturer’s branch or qualified dealer representative providing services for a manufacturer in a specified geographical area. This exemption applies only in circumstances where annual postage meter rental services are less than $100,000;

m. Departmental memberships in professional organizations provided it is solely a membership and does not include the performance of any personal services. Note: Memberships for represented employees are governed by applicable collective bargaining agreements and memberships for non-represented employees are governed by CalHR rules; (See SCM 1, section 3.23.)

n. Contracts for non-IT services training for state personnel if the cost of the training contract does not exceed $50,000 and the cost of multiple training contracts with a single contractor does not exceed $50,000 cumulatively in any 12-month period. (Historical reference: MM 11-05.) The exemption is for pre-existing training courses; it does not cover development of training or other personal or consulting services. Agencies shall not split contracts to avoid competitive bidding or other contract requirements. Agencies with recurring training needs should assess the cumulative amounts departmentally and generally should go out to bid if there are ongoing and/or department-wide needs.

## ELECTRONIC SIGNATURES FOR STATE CONTRACT DOCUMENTS - 1240

**Purpose**

This policy permits the use of electronic signatures (hereafter “e-Signatures” or e-Sign) in conducting state procurement operations.

**Policy**

The Department of General Services Procurement Division permits the use of e-Signatures on all contract documents.

**E-Signatures:** State agencies may accept e-Signatures from all parties as legally binding and equivalent to handwritten signatures to signify an agreement. Each type of e-Signature will include the date the document was signed. Where state or federal laws, regulations, or rules require a handwritten signature, that requirement is met if the document contains an e-signature unless otherwise prohibited by policies, laws or regulations.

**Scope**

This policy applies to all transactions governed by the State Contracting Manual (all volumes) and/or conducted by the Department of General Services (DGS) Procurement Division. This policy enables state agency staff to conduct many

transactions electronically, to accept e-signatures by other parties, and to sign agreements on the agency's behalf by using an e-signature. This policy does not waive or modify any requirement or limitation as to which officers and employees are authorized to bind their agency to a contract.

**History of Approvals and Corrections Required:** A chain of approval demonstrates a history of approvals for the electronic document. If corrections are necessary, an email with the requisite "I approve the attached revised document [specify document name, number of other specific document ID]" is needed.

Electronic approvals made through FI$Cal meet the approval chain requirements.

**For Electronic Signature, Electronic Transaction and Electronic Records Management for State Forms please refer to SAM 1734.**

**For Terms and Definitions related to Electronic Signatures please refer to SAM 1710.**

# Chapter - 1300

Sections for Chapter 1300

| Section | Subchapter |
|---|---|
| PROGRAM SUMMARY, RESOURCES, AND CONTACTS | 1300 |
| ORGANIZATIONAL STRUCTURE | 1301 |
| ASSET MANAGEMENT BRANCH PROGRAM SUMMARY, RESOURCES, AND CONTACTS | 1310 |
| ORGANIZATIONAL STRUCTURE | 1310.1 |
| PORTFOLIO MANAGEMENT SECTION | 1311 |
| TERMS AND DEFINITIONS | 1311.1 |
| LOCAL GOVERNMENT ASSESSMENTS | 1311.2 |
| STATEWIDE PROPERTY INVENTORY | 1311.3 |
| LEASE MANAGEMENT UNIT | 1311.4 |
| ASSET ENHANCEMENT SECTION | 1312 |
| MANAGING SURPLUS STATE LANDS | 1312.1 |
| REAL ESTATE LEASING AND PLANNING SECTION | 1313 |
| LEASING SERVICES UNIT | 1313.1 |
| ELECTRIC VEHICLE SUPPLY EQUIPMENT (EVSE) REQUIREMENTS FOR LEASED FACILITIES | 1313.11 |
| FACILITIES DEVELOPMENT OVERVIEW TRAINING | 1313.12 |
| PLANNING SERVICES UNIT | 1313.2 |
| STATE SPACE ALLOWANCE STANDARDS FOR LEASED SPACE | 1313.21 |
| REQUESTS FOR PLANNING SERVICES | 1313.22 |
| ACQUIRING MODULAR SYSTEMS FURNITURE | 1313.23 |
| STATE OWNED LEASING AND DEVELOPMENT UNIT LEASES ON STATE PROPERTY | 1313.3 |
| REAL PROPERTY SERVICES SECTION PROGRAM SUMMARY, RESOURCES AND CONTACTS | 1314 |
| ACQUISITION OF REAL PROPERTY | 1314.1 |
| STATE PROPERTY EASEMENTS | 1314.2 |
| PROJECT MANAGEMENT AND DEVELOPMENT BRANCH PROGRAM SUMMARY, RESOURCES, AND CONTACTS | 1320 |
| ORGANIZATIONAL STRUCTURE | 1320.1 |
| TRANSFER OF FUNDS TO THE ARCHITECTURE REVOLVING FUND (RESD FORM 22) | 1321.1 |
| REQUEST FOR PROJECT UNDERTAKING BY STATE AGENCY (RESD. FORM 23) | 1321.12 |
| AGENCIES WITH SEPARATE AUTHORITY TO UNDERTAKE PROJECTS | 1321.13 |
| ALTERNATIVE OFFICE STRATEGIES | 1321.15 |
| CODE REQUIREMENTS FOR STATE–CONTROLLED AND STATE–OWNED FACILITIES | 1321.18 |

| | |
|---|---|
| PROGRAM SUMMARY | 1326 |
| CONSTRUCTION SERVICES BRANCH PROGRAM SUMMARY, RESOURCES, AND CONTACTS | 1328 |
| CONSTRUCTION SERVICES | 1328.1 |
| PROGRAM SUMMARY | 1330 |
| COST OF SERVICES | 1330.1 |
| BUILDING ALTERATIONS | 1330.2 |
| USE OF BUILDINGS OUTSIDE REGULAR WORKING HOURS | 1330.3 |
| PARKING IN LOADING DOCK AREAS OF STATE BUILDINGS | 1330.4 |
| SMOKING IN STATE BUILDINGS | 1330.5 |
| OFFICE PLANTS | 1330.6 |
| DISPLAY OF ART, POSTERS, AND NOTICES IN STATE BUILDINGS | 1330.7 |
| PURCHASE AND DISPLAY OF FLAGS AT STATE BUILDINGS | 1330.8 |
| POSTING OF STATE PROPERTY | 1330.9 |


## PROGRAM SUMMARY, RESOURCES, AND CONTACTS - 1300

The Department of General Services (DGS), Real Estate Services Division (RESD) offers a full range of real estate and property management services to all state agencies. RESD is dedicated to providing effective, high quality and value-added services to our customers and incorporates all organizational elements necessary to provide these services to customers.
The Asset Management Branch (AMB) is the initial point of contact for all new requests for services from RESD. New project requests are submitted from the customer agency to AMB via Global CRUISE: RESD's electronic project request system. To obtain a Global CRUISE user account, access https://www.dgsapps.dgs.ca.gov/resd/gc2/Login.aspx and click on the "Click here to create a user account" link. For assistance with Global CRUISE, contact the AMB Customer Services Management Unit at 916-376-1800. Customer Services Managers are assigned by agency and are available to provide needed assistance and training. Additionally, the "HELP" tab in Global CRUISE includes a handy user guide.
Additional information on the RESD's services and operations may be obtained from the RESD homepage located at https://www.dgs.ca.gov/RESD#@ViewBag.JumpTo or by telephone at 916-376-1800.

## ORGANIZATIONAL STRUCTURE - 1301

The organizational structure for RESD is composed of the Deputy Director and three branches:
Asset Management Branch (AMB) SAM Section 1310
Project Management and Development Branch (PMDB) SAM Section 1320
Construction Services Branch (CSB) SAM Section 1328
Note: Building and Property Management Branch was renamed the Facilities Management Division in July 2016 and its descriptions and functions are found in Section 1330 as of September 2016.
RESD Branches and their Functions
Table content available in source manual.

Table content available in source manual.

## ASSET MANAGEMENT BRANCH PROGRAM SUMMARY, RESOURCES, AND CONTACTS - 1310

The Asset Management Branch (AMB) ensures the optimum use of the state's real estate assets to meet program needs and to derive the maximum value from the state's surplus property. AMB also provides regional and facility planning services which present strategies for most effectively meeting the state's office space needs.
AMB's Customer Services Management unit is the initial point of contact for requesting new RESD projects. The Customer Services Manager (CSM) serves as a liaison to RESD for state agencies. Customers seeking RESD services should contact their RESD CSM or call the Customer Services Management unit at (916) 376-1800.
More information about the Asset Management Branch is available on the AMB website at:
https://www.dgs.ca.gov/RESD/About/Asset-Management-Branch or by telephone at (916) 376-1800.

## ORGANIZATIONAL STRUCTURE - 1310.1

The Asset Management Branch is made up of the Portfolio Management and Asset Enhancement sections.

## PORTFOLIO MANAGEMENT SECTION - 1311

(Revised and renumbered from 1310.2)
The Portfolio Management Section is the initial point of contact for new RESD projects and serves as a liaison to RESD for state agencies.
Customer Services Managers (CSMs) are assigned by agency and are the central point of contact to RESD. CSMs review incoming CRUISE requests for completeness and direct each request to the appropriate branch for project execution. This unit maintains an understanding of the customer's programs, real estate and facility requirements, and assists with collaboration among RESD programs.
Regional Portfolio Managers (RPMs) review all project requests to ensure RESD services are provided from a statewide, strategic asset management perspective and reflect state management, policy and statutory priorities. The RPMs also maintain a

profile of the state's real estate portfolio by managing the utilization of space in a state-owned or DGS-controlled office building, assisting agencies with planning short and long term real estate needs, and developing regional plans for future state office requirements.

The following terms and conditions in the DGS Building Occupancy Policy (Policy) pertain to state agencies (occupant agencies) that hire from the DGS certain premises with the appurtenances situated in various cities within the State of California. Occupant agencies are assigned space subject to the terms contained in the Policy, Building Rules and Regulations, Space Assignment GS 4091, legislative mandates, and any and all applicable State of California statutes, policies, and regulations.

The Statewide Property Inventory (SPI) section is mandated by Government Code Section 11011 to maintain an inventory of the state's real property assets, which includes real estate holdings, state-owned land and structures and leased space statewide. It collects, validates and geographically codes the property to be maintained in the SPI database and SPI Geographic Information System (GIS), which displays the data on an interactive map. The SPI section routinely responds to information requests from the Department of Finance, the State Controller's Office, Office of Emergency Services (OES) internal DGS staff, legislators, other state entities and private sector parties regarding the state's real property assets.

## TERMS AND DEFINITIONS - 1311.1

(Revised 6/2014 and Renumbered from 1310.3 11/2020)

Capitol Area Plan. This plan is the official master plan, approved in statute, for development of state-owned property proximate to the State Capitol Complex and Capitol Park. Progress reports are submitted to the Legislature annually.

Major Metropolitan Regional Planning Areas.

1. Sacramento/East Yolo Counties
2. Los Angeles County (excluding Long Beach)
3. San Francisco Bay Area
4. San Diego County.

Other Regional Planning Areas.

1. San Joaquin Valley
2. Upper Sacramento Valley
3. South Central Coast
4. North Coast
5. Orange County
6. San Bernardino/Riverside Counties
7. Santa Clara/Contra Costa/East Alameda Counties
8. Long Beach

## LOCAL GOVERNMENT ASSESSMENTS - 1311.2

(Renumbered from 1310.4)

Pursuant to Article XIII C & D of the California State Constitution, California state agencies may be subject to assessments levied by local government agencies on real property that receives a special benefit. Said Articles were added to the Constitution as a result of Proposition 218 which received voter approval in the November 1997 election. DGS developed SAM Section 1310.4 per Government Code Section 53752, which provided that compliance standards be developed to inform owners of state property of their duties and responsibilities with regard to Article XIII.

Existing law, Government Code Section 53752, prescribes specific procedures for notice, protest, and hearing for the levying of new or increased assessments by local government agencies pursuant to Article XIII Dof the California Constitution. These statutory procedures supersede other statutory provisions applicable to the levying of these assessments and are subject to the approval process set forth in Section 4 of Article XIII D of the California Constitution.

Upon receipt of an invoice, statement, tax bill or other notification with a line item assessment or information pertaining to the development of an Assessment District, all state agencies are required to review the information and obtain its legal council's opinion in determining if the Assessment District was constituted pursuant to the procedures prescribed by law and further evaluate whether or not the state property within the district receives a special benefit. Agencies receiving bills from districts constituted prior to 1996 should verify that the districts have gone back and followed the procedures established in current law which would allow the state's participation. If the validity test is met, then the state agency which owns or controls the property is required to promptly pay its share of the assessment. Management Memo 05-17, Assessments Levied by Local Government Agencies, describes the DGS policy with regards to Local Government Assessments. Procedures to determine if the state is required to participate in proposed or existing Business Improvement or Special Assessment Districts can be found at Business Improvement Districtsand includes the Assessment District Questionnaire (to be completed by a state agency when participating in an Assessment District).

## STATEWIDE PROPERTY INVENTORY - 1311.3

(Revised and Renumbered from 1310.7)

The DGS' Responsibility

DGS is required to maintain a complete and accurate statewide inventory of all real property held by the State of California. This is called the Statewide Property Inventory (SPI) and is a comprehensive database of all state proprietary land holdings.

Agency's Responsibility

Government Code Section 11011 et seq. requires state agencies that acquire, encumber, or dispose of real property to provide information to DGS for inclusion in the SPI and routing to the Secretary of State Archives annually. For assistance in determining the appropriate documents to be submitted, contact RESD's SPI Unit at (916) 375-4052 or via e-mail SPIweb@dgs.ca.gov.

## LEASE MANAGEMENT UNIT - 1311.4

(Revised and renumbered from 1322.12)

Lease Management (LM) manages all leases statewide that are executed by DGS on behalf of state departments. LM's main role is to ensure lease compliance, resolve property management issues, define responsibilities, and to collect delinquent rents. Other duties include administrative tasks such as, rent increase changes, change of ownership and address changes, and working with FI$CAL. In the case of emergency situations involving the health and safety of tenants, the departments should take immediate and necessary action to address the situation and if, the department requires LM assistance, the department should contact the

assigned LM Real Estate Officer in their region. Examples of such emergencies are: fire; broken water pipes and plumbing overflows; the presence of toxic, explosive, or noxious fumes or vapors; vandalism, and broken locks or glass.

## ASSET ENHANCEMENT SECTION - 1312

(Renumbered from 1310.5)
The Asset Enhancement staff identifies and implements value enhancement solutions for unused or underutilized state-owned properties. This section is responsible for the disposition of state-owned real property which has been declared surplus to future state needs.

## MANAGING SURPLUS STATE LANDS - 1312.1

(Revised 6/2014 and Renumbered from 1310)
Surplus land refers to land acquired by the state through purchase, condemnation, or donation, which is no longer needed for any state purpose.
Identification of Surplus State Lands— (Responsibility of state agencies)
Government Code Section 11011 et seq. requires each state agency to annually review all proprietary lands under its jurisdiction to identify and report to RESD any land that is excess to the agency's foreseeable needs.
Reporting of Surplus State Lands— (Responsibility of DGS)
DGS is required to annually report to the Legislature the lands identified as excess by state agencies and request authorization to dispose of the lands by sale or otherwise.
The Annual Report to the State Legislature on Surplus Proprietary Land is prepared by –AMB's Asset Enhancement Section. This report provides information about the excess properties submitted by agencies. It also serves as the basis for DGS sponsored legislation each year to obtain authorization to carry out the disposal of surplus properties.
Disposing of Surplus State Lands
After the Legislature authorizes the disposal of surplus properties, AMB's Asset Enhancement Section performs the activities necessary to carry out the sale, lease, exchange, or other disposition.

## REAL ESTATE LEASING AND PLANNING SECTION - 1313

The Real Estate Leasing and Planning Section (RELPS) provides real estate services under the broad authority assigned to DGS for centralized business management functions. RELPS consists of three primary units: Leasing Services, Planning Services and State Owned Leasing and Development (SOLD). The RELPS mission is to contribute to the success of customer agencies and to the prosperity of all Californians by making the best use of the state's real estate assets and providing quality facilities for state operations in the most effective manner.

## LEASING SERVICES UNIT - 1313.1

(Revised and Renumbered from 1322)
Privately Owned Space Leases
The RELPS Leasing Services Unit provides services to assist state agencies in leasing office, warehouse, labs and other specialized facilities in privately owned buildings pursuant to the statutory authority contained in Government Code Section 14669. In carrying out RELPS's responsibility for leasing privately owned space, the Leasing Services Unit performs the following functions:

1. Initiates, negotiates, bids, and executes leases of real property for use by state agencies, including lessor financed, new construction projects, and related amendments, extensions, and terminations related thereto.
2. Initiates, negotiates, bids, and executes leases with purchase options for modular buildings.

The Leasing Services Unit works in conjunction with the Planning Services Unit on all new space or lease renewal projects as well as new construction projects and modular building leases. Each project has two RELPS team members assigned to work on it; one from the Leasing Services unit and one from the Planning Services unit.
DEPARTMENT OF FINANCE APPROVAL
DOF approval is required if either of the following conditions exist:

1. Rental costs (excluding one-time costs) as determined by RELPS are estimated to exceed $300,000 in any year of the firm term of the lease. (Lease renewals are exempt unless a 10 percent or greater space increase or budget augmentation is required.)

2. The requesting agency will require a budget augmentation for any year within the firm term of the proposed lease. One-time costs associated with the space request, including moving, equipment, furniture, telephones, and data processing related costs must be considered.

During the development of a project, if it is determined that the actual costs are going to exceed DOF approved level initially estimated by RELPS, additional review and approval of DOF is required prior to execution of the lease.
SUB-LEASING OF STATE LEASED SPACE
Leased space that becomes excess to the tenant agency's operations maybe considered for sublease to other governmental or private sector tenants only after it has been determined that the space cannot be used by another state agency and the lease cannot be terminated by the state.
Requests for subleasing space should be submitted to AMB via CRUISE.
Interagency Agreement
An agency proposing to make a portion of its leased space available to another state agency should prepare an Interagency Agreement form, STD. 213.
Requests for Warehouse or Storage Space
All requests for new warehouse or storage space exceeding 2,000 square feet will be reviewed by RELPS and the DGS Procurement Division, Material Services Section. They determine how an agency's needs can be accommodated, or if other alternatives exist, for example, the use of DGS Transit Storage warehousing services.
Leasing Market Information

RELPS leasing staff are familiar with rental rates and market conditions in most locations throughout the state, and often are knowledgeable about specific properties. In addition, RELPS has contracted with private brokerage firms in metropolitan areas to assist in the solicitation and selection of potential buildings for state agencies.

Food Preparation and Vending Machines

The Department of Rehabilitation (DOR) has priority for providing all food service facilities on state property. Tenant agencies must pay all costs for the construction of the facility, the monthly rental for the space, and utilities. Before vending machines may be installed in space that is controlled by the state, the department with control of the space must contact the Business Enterprise Program (BEP) located in the DOR. If the BEP elects not to provide the service, vending machines may be installed by another entity. All vending machine income, including commissions from those machines, must be forwarded to BEP pursuant to Welfare and Institutions Code Sections 19625 and 19630. A copy of the contract with the vending machine operator must be forwarded to DOR as soon as it is fully executed.

California Environmental Quality Act (CEQA)

CEQA requires consideration of the environmental impact of specific state projects, which includes office leasing. It is generally the responsibility of the requesting agency (lead agency) to comply. The Environmental Services program in PMDB is available on a fee basis to handle CEQA filing requirements. See SAM Section 1313 for more details.

## ELECTRIC VEHICLE SUPPLY EQUIPMENT (EVSE) REQUIREMENTS FOR LEASED FACILITIES - 1313.11

### A. Overview

Any state agency (hereinafter “client agency”) executing a lease or lease renewal for an office, warehouse, laboratory, or other specialized facility in a privately-owned building, where state fleet vehicle(s) may be domiciled on site, where the firm term of the lease is three (3) years or more, is required to include the installation and maintenance of electric vehicle supply equipment (EVSE) and all related infrastructure at the location as a condition of the lease agreement. For the purposes of this section, EVSE refers to one or more fully operational electric vehicle charging stations. State fleet vehicles, defined pursuant to SAM section 3620.1, include mobile equipment and passenger vehicles; motorcycles are considered mobile equipment.

The client agency must request and ensure installation of EVSE for all state fleet battery electric vehicles (BEVs) and plug-in hybrid electric vehicles (PHEVs) that will be domiciled at that location. The client agency shall also request installation of EVSE for any vehicles that are: (1) eligible for the replacement threshold, defined pursuant to SAM section 4126, within the firm term of the lease; and, (2) meets the criteria for replacement by a BEV or PHEV pursuant to the ZEV and Hybrid First Purchasing Mandate (see SAM section 4121.1).

It is the responsibility of the client agency to ensure the installation of the number of EVSE is sufficient to support the state fleet vehicles that will be domiciled at that location. Failure to install an adequate quantity of EVSE could jeopardize the client agency’s future state fleet vehicle acquisitions, pursuant to SAM section 4120. The lack of EVSE at a location is not an allowable exemption to the ZEV and Hybrid First Purchasing Mandate for both light duty vehicles and heavy duty and medium duty vehicles, pursuant to SAM sections 4121.1 and 4121.9.

This requirement does not apply to vehicles with special performance requirements necessary for the protection of public safety and welfare, pursuant to SAM section 4121.4.

### B. Fleet Storage and EVSE Plan

When submitting a Global Customer Requests: Upgraded Information Sharing Environment (CRUISE) request for a new lease or lease renewal, where state fleet vehicles may be domiciled on site the client agency must submit a Fleet Storage and EVSE Plan (FSEP) to the Department of General Services’ (DGS) Office of Sustainability (OS) Clean Transportation Unit (OS-CTU), which details the state fleet vehicles that the agency intends to domicile at the leased location. The purpose of the FSEP is to determine the quantity of EVSE required at the leased location to support the agency’s fleet for the duration of the firm term of the lease. OS-CTU will consider several factors in its recommendation, including the number of BEVs and PHEVs intended to be domiciled on site, vehicles that may be replaced with by BEVs or PHEVs during the firm term of the lease, and the number of publicly accessible Level 2 and Level 3 chargers in the area. While agencies are encouraged to install infrastructure for workplace charging, the FSEP only considers the infrastructure required to support the agency’s state fleet vehicles.

The FSEP must be certified by the agency’s Deputy Director (or higher) by electronic signature in the Certification section of the FSEP and submitted electronically to the OS-CTU for approval by email at Sustainability@dgs.ca.gov. The email subject line shall clearly state “Request for FSEP Approval” so that OS-CTU can prioritize review of the form. If any BEV or PHEV vehicle domiciled at this location is deemed a public safety special performance vehicle, the department shall also provide a completed EO B-16-12 Public Safety Special Performance Exemption Request (OFAM 163 form) for those assets. The approved FSEP will specify the quantity of EVSE required at the new facility.

The OS-CTU approved FSEP must be submitted with the client agency’s Global CRUISE request for a new lease or lease renewal where state fleet vehicles may be domiciled on site. A CRUISE submission for a new lease or lease renewal without an approved FSEP where state fleet vehicles may be domiciled on site will not be reviewed until one is completed.

### C. EVSE Installation

The installation of the required number of EVSE shall be a condition of the lease agreement.

The DGS’ Real Estate Leasing and Planning Section (RELPS) will negotiate the terms of installation, maintenance, and operation of EVSE with the lessor on behalf of the client agency. Exempting alternative arrangements, the client agency shall be responsible for the cost of installation, service, and maintenance of the EVSE through agency funds or the use of third-party funding opportunities.

RELPS shall consult with OS-CTU to determine what current programs, policies and State contracts may be available to assist the client agency with the procurement and installation of EVSE. The OS-CTU may support leased facilities by providing funding assistance and procurement of EVSE to be installed on lessor-installed infrastructure.

- For new leases, the installation of EVSE must be completed prior to occupancy.
- For lease renewals, EVSE must be installed within twelve (12) months from the date of execution of the renewal lease.

### D. Exemptions

The client agency may request an exemption to the EVSE requirement through OS-CTU if the client agency can quantitatively demonstrate that the additional cost of installation of EVSE would make the lease or lease renewal cost prohibitive and that sufficient publicly accessible charging infrastructure exists near the site to support the client agency's fleet. To obtain a waiver under this condition, the client agency must be able to demonstrate that the cost of meeting this requirement would preclude them from relocating or renewing their lease, that alternative domicile sites are available for their state fleet vehicles and that OS-CTU has approved the use of nearby public charging stations identified by the client agency.

## FACILITIES DEVELOPMENT OVERVIEW TRAINING - 1313.12

(Renumbered from 1322.12)

Facilities Development Overview Training for Client Agency Personnel – Training that covers information and instructions on procedures to request new or additional leased space is recommended. It is available in a two-day course specifically designed for state agencies' business and facilities staff assigned to work with RELPS in the development of leased space. A course manual is available which provides detailed information for all aspects of leased facilities development. For more information about this course, contact RESD Training Coordinator at (916) 376-1853 or 376-1854.

## PLANNING SERVICES UNIT - 1313.2

The Planning Services Unit provides all planning services for client agencies in state leased space. Planning services include: programing, space planning, design services, furniture layouts and specifications, construction management and space assessment and utilization studies. Space planners assist clients with new leased space, new construction projects, modular building design, modular furniture specifications and alterations projects. All new project requests begin with a CRUISE. Refer to SAM section 1300 for CRUISE information.

## STATE SPACE ALLOWANCE STANDARDS FOR LEASED SPACE - 1313.21

(Revised and Renumbered from 1321.14)

The RESD is responsible for developing and implementing planning and design standards and determining space needs for state leased facilities. The following table delineates the maximum space allowances and space types for each job category. The allowances indicate net square feet and do not include space for circulation and special requirements outside the office/workstation space. These standards are general guidelines and can be modified and developed to meet specific job requirements of individual agencies and their employees.

Once an agency's design standards and space allocations have been developed and approved by RELPS, any modifications must be reviewed and approved by RELPS.

State Space Allowance Maximum Net Square Feet by Space Type Classification

Table content available in source manual.

* The need for privacy and confidentially of personnel/labor relations issues should be considered through the effective location and configuration of work stations or placement of quiet rooms.

Refer to definitions section below.

SPACE PLANNING DEFINITIONS

**CF Conventional Furniture:** Freestanding furniture used to make up a workstation, whether in both traditional and open office design settings.

**MSF Modular Systems Furniture:** System of interconnecting acoustical panels and hang- on components used to make up a workstation. Used in open office design and private offices.

**Private** One person, individual, hard wall constructed office for classifications indicated. If an agency requests a private office for a classification not indicated on the table, the RESD staff will work with the agency to find an alternative design solution for that classification. If an alternative design cannot be found, the agency will need to justify in writing the need for a private space.

**Open** Office design with a minimum of private offices. Emphasizes flexibility of reconfiguration, uses MSF.

**Group** Hard wall constructed office with two or more persons sharing the working area. Used with compatible work functions.

Throughout the design process, RESD Space Planners shall work with the client to establish allocations of personal and programmatic storage and file space for each employee as appropriate to the selected strategies.

For Alternative Office Strategies refer to SAM 1321.15.

## REQUESTS FOR PLANNING SERVICES - 1313.22

(Revised and Renumbered from 1321.6)

Requests for space planning and alteration design services (excluding maintenance or repair) to state-leased or state-owned office and warehouse space, relocatable buildings, and trailers shall be submitted to AMB via CRUISE. Requests to increase or decrease space shall be accompanied by a Space Planning Data form, RESD Form 4083.

**State-owned space.** Responsibility for the assignment, design, and alteration of space in state-owned office buildings controlled by DGS is assigned to the RESD PMDB, (SAM Section 1320) in coordination with the AMB and the FMD-DCU. See SAM Sections 1310 and 1330 for information on these Branches.

## ACQUIRING MODULAR SYSTEMS FURNITURE - 1313.23

(Revised and Renumbered from 1321.17)

This policy and procedures sets forth for state agencies (departments) wishing to acquire Modular Systems Furniture (MSF). MSF utilizes components including panels, work surfaces, storage, and accessories that can be configured in a variety of combinations to create workstations.

It is state policy that surplus MSF will be utilized to the greatest extent possible. If it is determined that existing furniture is not available or not cost effective to utilize, the RELPS planner will prepare a request form to submit to CalPIA. Priority is given to CalPIA on all furniture purchases.

If CALPIA accepts the project, it will notify the DGS project manager, and the project will then proceed through coordination of the design, purchase, manufacturing, shipping, installation and final completion phases. Tenants are cautioned about altering or redesigning office layouts without the assistance of RESD to prevent code violations (Fire and Life Safety Codes, Americans with Disabilities Act or Industrial Relations regulations) and to maintain the functional integrity of the office plan and product warranties.

CALPIA may indicate on the request form that it is waiving the project because either it cannot meet the department's needs, or it has scheduled or scope concerns. If CALPIA waives the project, the requesting department, with assistance from the DGS project

manager, may contact the MSF vendor designated in the current DGS Modular Systems Furniture contract.
If a department is requesting to purchase and install MSF on their own, a CRUISE must be submitted for delegation from RELPS.

**OBTAINING A DGS EXEMPTION**

Refer to SAM section 1321.17

## STATE OWNED LEASING AND DEVELOPMENT UNIT LEASES ON STATE PROPERTY - 1313.3

(Revised and renumbered from 1323.1)

The Asset Management Branch is the initial point of entry for real estate services. To request real estate services, agencies submit a request via CRUISE. See Section 1300 and 1310.

**Leasing State-Owned Real Property to Others**

The Director of DGS, with the consent of the state agency concerned, may lease state- owned real property to others for a period not to exceed five years. Leases of state-owned property are required to reflect fair market rental, with certain exceptions. Leases of state- owned real property for radio and television purposes (telecommunications leases) and other specified uses may exceed the five-year limit. When space permits, agencies may request that space in state facilities be leased to financial institutions in order to provide for Automated Teller Machines.

**General Competitive Bidding Requirement for Leases of State-Owned Property**

Competitive bids shall be solicited for new leases or renewal of existing leases of state-owned real property, except for the following:

1. Leases where prior approval has been received from DGS to lease without solicitation and at a rental rate consistent with fair market value.
2. Renewal of a lease for up to three five-year extensions where prior approval has been received from DGS and at a rental rate consistent with fair market value.
3. Leases to nonprofit organizations.
4. Leases to governmental agencies.
5. Telecommunications leases.

**Commercial Advertising Signs**

There are restrictions regarding commercial advertising signs on state property. To obtain guidelines before entering into a lease for signage, clients may contact DGS.

**Veteran's Home Property Use Policy**

**APPROVAL CRITERIA**

A. In accordance with MVC §1023(b), all leases, licenses, and other property uses of Veterans Home Property must be in the best interests of the home and its members. To be in the best interests of the home and its members, all property use must meet at least one of the following criteria:

**Member Benefit**

1. The property use would principally and directly benefit the members of the home and their medical, welfare, recreation, or similar needs;

**Operational Benefit**

2. The property use would principally and directly benefit the operations of the home, solely as it relates to the home's delivery of long-term and residential care to current members;

**Health & Safety Benefit**

3. The property use would directly, routinely, substantially, and demonstrably benefit the health and safety of home members; and/or

**Use of Existing Facilities**

4. The property to be used is an existing home facility that cannot be reasonably operated or repurposed in a manner that meets the preceding criteria, and the terms of the property use agreement would maximize the direct benefit to the home and its members while complying with all other requirements for the use of state property, to include fair market value rent and lease duration.

**Approval Determination**

B. Only the Secretary or designee shall determine whether the proposed Property use meets these Approval Criteria.

C. These approval criteria shall be applied to all future considerations of new or renewed property use agreements.

D. An activity that principally and directly benefits the home and its members must be provided exclusively or primarily to members, or it must be designed for the particular needs of the home and its members, as opposed to the general public.

**General Public**

1. Any benefit of property use to the general public, to include non-member veterans, must be ancillary to the intended benefit to the home and its members and must not be a determinative factor in the development of the lease.

**Revenue**

2. Generation of revenue for any state fund, including the Morale, Welfare, and Recreation Fund, is not an appropriate substitute for this requirement, regardless of how the revenue may be used, unless the event itself is a fundraiser for the benefit of the home and its members.

**Incompatible Use**

E. Any other third-party uses of home property are incompatible with the letter or intent of MVC §1023(b) and shall not be approved.

IV. EXAMPLES OF APPROPRIATE PROPERTY USE

A. Examples of third-party activities that principally and directly benefit the home and its members include:

**Beneficial Third Party Activities**

1. Meetings of veterans or support groups, provided that attendance significantly consists of home members;
2. Onsite barbershops and salons that primarily serve home members;
3. Fundraisers and meetings by support foundations for the purposes of soliciting and distributing donations for the home and its members;
4. State-owned housing leases for home employees;

5. Events such as picnics, holiday parties, and Veterans Day celebrations, which may be operated or sponsored by third parties but primarily serve home members and their families; and

6. Medical care, financial assistance, or similar services to be provided for home members.

B. Examples of third-party activities that do not principally and directly benefit the home and its members include:

**Third-Party Activities Without Direct Benefit**

1. Private events, such as corporate events and company picnics, in which home members are not the primary participants or beneficiaries;

2. Leases and events that primarily benefit the community at large, even if they provide a secondary benefit to home members, such as free admission;

3. Walking, running, or cycling events not primarily composed of home members, unless the event is held for the explicit purpose of raising donations and providing support for the home and its members;

4. Activities that benefit veterans in the community and do not provide a significant benefit to home members; and

5. Activities that create undue disruption or risk for the home or its members or are otherwise incompatible with the mission of the home, regardless of the type, purpose, or beneficiary of the activity.

**Third-Party Activities Benefiting Health & Safety**

C. Examples of third-party leases that are in the best interests of the home, regardless of the principal beneficiary, due to the direct, routine, substantial, and demonstrable benefit to the health and safety of home members include:

1. An active firefighting or law enforcement facility that regularly dispatches firefighters or police officers to respond to emergencies on the campus of the home; and

2. A clinic or other medical facility that regularly provides healthcare services to members of the home.

## REAL PROPERTY SERVICES SECTION PROGRAM SUMMARY, RESOURCES AND CONTACTS - 1314

(Revised and Renumbered from 1322)

The Real Property Services Section (RPSS) offers a full range of real estate and property management services to all state agencies. The RPSS serves as the state's agent in the acquisition and disposal of state-owned real property for many state agencies, providing centralized services in the following areas:

Acquisition

Appraisal

Appraisal review

Relocation assistance

Real Property Conveyances Pursuant to Government Code 14664

Review and Approval of Real Estate Transactions Conducted by Other State Agencies

Real Property Title Due Diligence

Easement Acquisition and Conveyance

Real Property Transfers of Jurisdiction

## ACQUISITION OF REAL PROPERTY - 1314.1

(Renumbered from 1323.12)

The DGS has the general responsibility for approving the acquisition of real property, including exercising purchase options, for nearly all state agencies.

**Appraisal of Real Property, Agencies with Real Estate Staff.** The RPSS prepares appraisals of real property or specific property rights upon request. An appraisal review is an independent review of real estate appraisals that ensures the appraisals are prepared in conformance with accepted appraisal principles and techniques.

**Acquisition of Real Property, Agencies without Real Estate Staff.** As a full service real estate organization, RPSS can carry out all the necessary activities to acquire real property on behalf of state agencies. The RPSS can also provide advice and assistance to blend the efforts of agency staff and PSB staff when appropriate.

**Acquisition of Real Property, Agencies with Real Estate Staff.** Some state agencies have authority, staff resources, and expertise to carry out their own property acquisitions. In these cases, the RPSS provides procedures for agencies to use. (Note: The procedures do not apply to acquisitions by the Department of Transportation or to the Department of Water Resources.)

**Role of the State Public Works Board.** The State Public Works Board approves the selection and acquisition of real property on behalf of the state.

**Relocation Assistance.** Public agencies, including the State of California, are required to provide relocation assistance and benefits to persons and businesses displaced as result of a public acquisition of real property. The RPSS prepares relocation plans and entitlement reports and provides relocation assistance for state agencies upon request.

**Gifts of Real Property.** Acceptance of gifts of real property to the state is subject to the approval of the Director of the Department of Finance (DOF). Prior to DOF approval, DGS reviews certain elements of the proposed gift. The agency being gifted will furnish documentation to RPSS to facilitate the review.

**Transfers of Jurisdictions Between State Agencies.** The DGS' approval is required for transfer of state-owned real property from one agency to another. Any compensation paid shall be at fair market value at the time of the transfer. Agencies are advised to obtain an appraisal from the RPSS or a certified appraiser to determine value. A transfer of property between two agencies financed from a common fund may be made with no compensation being paid, provided approval of the DOF has been obtained, and both agencies agree to the transfer.

## STATE PROPERTY EASEMENTS - 1314.2

(Revised 1/2015 and Renumbered from 1323.14 & 1323.15, 11/2020)

Agencies are required to submit any proposed acquisitions of easements requiring execution or approval by the Director of DGS to RPSS. Acquisition of easements where the total amount to be paid by the state is less than $1,000 are exempt, as long as the agency uses an agreement Form previously approved in writing by RPSS.

Requests to grant easements across state property generally require execution or approval of the Director of DGS. When such approval is required agencies should not negotiate with the grantee about the terms and conditions of the proposed grant until the RPSS determines the consideration for the grant.

Landholding agencies shall consider the effect of the proposed grant upon the environment and provide RPSS with the appropriate environmental document (s). RESD can assist agencies in developing the necessary environmental documents. Agencies shall not permit potential grantee use of state lands until authorized by an executed document.

## PROJECT MANAGEMENT AND DEVELOPMENT BRANCH PROGRAM SUMMARY, RESOURCES, AND CONTACTS - 1320

The mission of the Project Management and Development Branch (PMDB) within RESD is to deliver quality, cost effective and timely real estate services to State Agencies. This includes management of the planning, design and construction of major and minor capital outlay projects and leasing projects within the scope, budget, and schedule that meet the program requirements of our clients and the authorization of the Legislature. This may be done either through the capital outlay process or alternative forms of delivery. The PMDB services also include architectural and engineering, space planning and interior design, leasing and lease management, real estate sales, appraisals, acquisitions, energy and environmental services (including toxic site investigation and remediation) etc.
The SAM Sections 6801 through 6899 provide a detailed explanation of PMDB's role in the state's capital outlay process.

The RESD's Asset Management Branch AMB is the initial point of entry for requesting new services online through CRUISE (Customer Requests: Upgraded Information Sharing Environment: http://www.webapps.dgs.ca.gov/resd/cruise

State Agencies use CRUISE to submit requests for RESD services.
Additional information on PMDB's services and operations may be accessed from the RESD homepage located at https://www.dgs.ca.gov/RESD . PMDB contact information:

Project Management and Development Branch Real Estate Services Division
707 Third Street, 4th Floor West Sacramento, CA 95605 916-376-1700
(IMS Code Z-01)

## ORGANIZATIONAL STRUCTURE - 1320.1

The services provided by PMDB include:

**Real Estate Leasing and Planning**

Provides services to assist state agencies in acquiring leases for office, warehouse, labs, and other specialized facilities in privately owned buildings. These services include space planning, lease negotiation, execution and lease management services. See SAM Section 1322 for more details.

**Real Property Services**

Provides appraisal services, appraisal review, acquisition services, real property transaction review, leases of State-owned property, and telecommunications leases to State agencies, and executes the sale of surplus state-owned property. See SAM Section 1323 for more details.

**Architecture and Engineering Services**

Provides in-house architectural services, civil engineering, structural engineering, mechanical engineering, electrical engineering. PMDB prepares cost estimates for all phases of construction projects including change order estimates, value engineering and estimates of project fees.

**Program and Project Management**

Provides management of large and/or complex projects and programs including capital outlay projects and programs, design-build, lease build-to-suit, special repairs, hazardous materials assessments and remediation, underground storage tank programs, and energy projects. Strategic planning, budgeting, estimating,

**Energy and Sustainability**

(Moved to Chapter 1800, September 2016)

**Environmental Services**

The Environmental Services program provides environmental due diligence studies and compliance, including the preparation, review and oversight of Environmental Impact Reports/Statements, Initial Studies/Negative Declarations, and permits as required by the California Environmental Quality Act (CEQA), the National Environmental Policy Act (NEPA), and other environmental laws; hazardous materials assessments and remediation, consultation/permitting with regulatory agencies, and construction monitoring. See SAM Section 1325 for more details.

## TRANSFER OF FUNDS TO THE ARCHITECTURE REVOLVING FUND (RESD FORM 22) - 1321.1

For clients using the Architecture Revolving Fund (ARF), the client agency must first transfer the funds to the ARF via RESD Form 22 before design and construction support services can be provided. DGS/RESD will prepare and provide the completed Form 22 to the client agency for their approval and subsequent submission to the Department of Finance for funding approval.

## REQUEST FOR PROJECT UNDERTAKING BY STATE AGENCY (RESD. FORM 23) - 1321.12

Except as otherwise noted in Public Contract Code Section 10107, the erection, construction, alteration, repair, or improvement of any state structure, building, road, or other state improvement of any kind is generally under the sole charge and direct control of DGS. **Exceptions** from this requirement may be granted if DGS determines its services in connection with such projects are not required.
When state agencies request authorization to carry out a project that meets the requirements of Public Contract Code Section 10108 or 10108.5, they must use the Request for Project Undertaking by State Agency (RESD Form 23). Note: All projects must be reviewed and signed by the appropriate requesting agencies before the Form 23 is submitted to DGS. See SAM Appendix A-2 for a copy of the Request for Project Undertaking by State Agency (RESD Form 23).

## AGENCIES WITH SEPARATE AUTHORITY TO UNDERTAKE PROJECTS - 1321.13

The following agencies have authority to execute projects without DGS review or oversight:
Table content available in source manual.

## ALTERNATIVE OFFICE STRATEGIES - 1321.15

RESD shall assist agencies/departments in the design of office space through the use of appropriate Alternative Officing (AO) methodologies to better utilize existing and proposed space and to support employee alternative work schedules. AO strategies are:

**Universal Plan:** Standardized design of workstation area that allows departments to move people rather than furniture

**Team Space:** Open workspace arrangement involving workstations with fewer, lower partitions to facilitate communication and collaboration.

**Shared Workspace:** Two or more employees sharing a single, assigned workspace either during the workday or on different shifts or schedules.

**Teleworking:** Employees work at home, fielded offices or designated Teleworking Centers one to five days a week on either a formal or informal schedule.

**Satellite Office:** A full service office location used by full-time employees living nearby.

**Free Address:** Non-dedicated, unassigned workspace at an agency/department location available to the employee on a first-come, first served basis.

**Hoteling:** Non-dedicated, unassigned workspace at an agency/department location reserved by the employee via a designated coordinator, on an as-needed basis.

## CODE REQUIREMENTS FOR STATE–CONTROLLED AND STATE–OWNED FACILITIES - 1321.18

**State Fire Marshal.** Plans and specifications for new space and for alterations to existing space must be submitted to the State Fire Marshal for code compliance review and approval before commencement of alterations. PMDB obtains approval for all projects that it executes.

**Health and Safety Code Compliance.** Projects undertaken by the RESD meet all applicable regulations of the Department of Industrial Relations, Department of Health Services, and the Occupational Safety and Health Agency. The RESD's state leased space complies with local building and fire codes and state-owned space complies with Title 24 as administered by the State Fire Marshal.

**Seismic Certification.** All buildings considered for occupancy by the state must meet a seismic performance objective of substantial life safety as outlined in FEMA 178, or meet 75 percent of the current building code.

**American with Disabilities Act Requirements.** All state facilities must comply with the requirements of the Americans with Disabilities Act (ADA) access guidelines and Title 24 accessibility requirements. Current regulations are found in the California Administrative Code, Title 24, State Building Standards, and the Americans with Disabilities Act. PMDB coordinates the review and approval of plans by the Division of State Architect's Access Compliance Unit for projects in state-owned facilities.

Projects in leased facilities are reviewed by PMDB for conceptual compliance with the ADA and Title 24 during the preparation of preliminary plans. Final compliance of the construction documents and completed facility is the responsibility of the building owner/lessor.

## PROGRAM SUMMARY - 1326

The Environmental Services program has extensive experience in environmental due diligence including the preparation, review and oversight of environmental studies and documents, environmental impact reports/statements, and permits as required by the California Environmental Quality Act (CEQA),the National Environmental Policy Act (NEPA), and other environmental laws. Environmental Services staff prepares environmental documents and analyses for a full range of projects and programs such as State facilities (e.g., offices, communication towers, fire stations, hospitals, parks, museums, hatcheries, and laboratories), infrastructure improvements, environmental restoration, and regulatory programs.

The Environmental Services program has extensive experience in environmental due diligence including the preparation, review and oversight of environmental studies and documents, environmental impact reports/statements, and permits as required by the California Environmental Quality Act (CEQA), the National Environmental Policy Act (NEPA), and other environmental laws. Environmental Services staff prepares environmental documents and analyses for a full range of projects and programs such as State facilities (e.g., offices, communication towers, fire stations, hospitals, parks, museums, hatcheries, and laboratories), infrastructure improvements, environmental restoration, and regulatory programs.

CEQA requires consideration of the environmental impacts of public projects, including but not limited to those involving public works, improvements to public structures, leases and permits, and laws and plans involving such projects. It is the responsibility of the requesting agency (lead agency) to comply. Refer to the Public Resources Code 21000 et seq. for more information. The Environmental Services staffs are available on a fee basis to complete environmental studies, compliance, and State and federal requirements.
Specialized services include:

1. Permits and/or consultation with regulatory and environmental agencies, including SHPO, US Army Corps of Engineers, US Dept. of Fish and Wildlife, California Dept. of Fish and Wildlife, Coastal Conservancy, FAA, Water Quality Control Board, Dept. of Toxic Substances Control, local and regional agencies.
2. Site suitability studies as part of site selection and acquisition.
3. Community planning meetings, consensus building, public outreach and involvement.

4. Studies and assessments include cultural resources (archaeology, architectural history, and historic resources), biological resources (wetlands, endangered species, and stream crossings), visual impacts, traffic, air quality/greenhouse gas emissions, geology/soils, hydrology/water quality, and toxics.
5. Environmental project management, planning, budgeting.
6. Hazardous Materials investigation and remediation, Underground Storage Tank Compliance
7. Construction monitoring, SWPPP, Mitigation Monitoring and Reporting Plans

## CONSTRUCTION SERVICES BRANCH PROGRAM SUMMARY, RESOURCES, AND CONTACTS - 1328

The Construction Services Branch (CSB) provides construction management and contract document compliance inspection services for construction projects undertaken by the state.

**MAJOR POLICIES AND SERVICES**

- Available Services
  - Quality Assurance Inspection and Testing
  - Code Inspection to Ensure Compliance with Building Codes and Regulation
  - Field Level Management of Construction
  - Change Order Estimating and Negotiation
  - After-Contract Guarantee Enforcement and Dispute Resolution
  - Administration of Construction Contracts

Contact information and additional program information on CSB's services and operations may be accessed from our home page located at https://www.dgs.ca.gov/FMD/About/Direct-Construction-Unit

## CONSTRUCTION SERVICES - 1328.1

Statutory Authority

Government Code Section 14951states: "The State Architect has general charge, under the DGS, of the erection of all state buildings and shall have an inspector assigned to each building during its construction." Responsibility for this inspection has been delegated to CSB by the State Architect.

The focus of CSB is to ensure that state building and related facilities are constructed in accordance with approved design and contract documents, in compliance and applicable codes and regulations, and to the highest quality standards. CSB headquarters is located in Sacramento but area offices are strategically located throughout the state.

The CSB offers the following services:

1. Quality assurance inspection and testing
2. Code inspection to ensure compliance with building codes and regulations
3. Construction management services
4. After-contract guarantee enforcement
5. After-contract dispute resolution

## PROGRAM SUMMARY - 1330

The DGS Facilities Management Division (FMD) manages, maintains, and operates state buildings and grounds. It is a statewide operation with management units located in major cities throughout California. Its mission is to provide tenants and the public with a safe and healthy environment in which to conduct business, and to preserve the state's investment in real property and equipment through an efficient and effective centralized maintenance and operations program. FMD offers full building and grounds maintenance and operations, including all labor, materials, and equipment, in most locations where services are provided.

FMD's Direct Construction Unit (DCU) is the state's in-house construction contractor. It provides, for the use of all agencies, direct construction supervisors, casual trades crafts persons, and contracting available to provide direct construction services in case of emergency or when it has been determined to be in the best interest of the state to directly undertake the work per Public Contract Code Section 10122.

FMD services include:

Table content available in source manual.

Information pertaining to the location and/or use of a building's facilities and amenities (e.g., auditoriums, conference rooms, atriums, cafeteria, break rooms, restrooms, concession stands, and other rooms); building directory services and bulletin boards; building services such as elevators, office temperatures, and lighting; hazardous or dangerous conditions and other related facility related areas can be directed to the building manager's office.

Additional information on FMD's services and operations may be accessed from our home page located at https://www.dgs.ca.gov/FMD. If you wish to write or call us, our mailing address and telephone number are:

Facilities Management Division Department of General Services 707 – 3rd Street, 3rd Floor West Sacramento, CA 95605 (916) 376-1902

## COST OF SERVICES - 1330.1

Agencies pay rent for the space they use in buildings owned and operated by DGS. The rent covers regular building services, including all labor, materials and equipment. The DGS' Price Book lists the FMD's hourly rates for services not covered in the rent. Your building manager may be contacted to answer any billing questions. Monthly invoices are generated directly to the requesting agency for:

1. Special building services that are not included in the rent, i.e., tenant services such as locksmithing, painting, carpentry, minor repairs, etc. Charges for special services are based on costs for time and materials. Your building manager can provide information on the services included in standard and special building services.
2. Services to special-funded buildings where costs are not recovered through rent. Charges to special fund agencies who own their building(s) are based on the actual costs of providing services.

## BUILDING ALTERATIONS - 1330.2

When an agency determines the need for a building alteration in a DGS-owned or managed building and funding of the proposal is approved, FMD will complete the project with its in-house staff, or hire a private contractor. If a private contractor is hired, FMD will obtain contract approval/execute and supervise the completion of the job.

## USE OF BUILDINGS OUTSIDE REGULAR WORKING HOURS - 1330.3

The DGS-owned and managed buildings are typically in operation from 7:00 a.m. to 6:00

p.m. In light of resource conservation, personal safety, and building security concerns, agencies are encouraged to minimize the use of state buildings outside of these hours. In many buildings, use outside of the regular operation hours requires the heating or cooling of the entire building.

If your agency's operations require use of a building outside of regular operation hours, please contact your building manager so appropriate staffing and other arrangements can be made.

## PARKING IN LOADING DOCK AREAS OF STATE BUILDINGS - 1330.4

Assigned parking is not permitted in loading dock areas in buildings under the jurisdiction of the DGS. Unauthorized vehicles may be towed at the vehicle owner's expense.

## SMOKING IN STATE BUILDINGS - 1330.5

Government Code Sections 19994.30-35 ban smoking, including electronic cigarettes that deliver nicotine or other vaporized liquids, in state-owned and state-leased space. This prohibition applies to any area enclosed by the outermost walls of the building.

Atriums, balconies, stairwells, and other similar building features are considered within a building.

## OFFICE PLANTS - 1330.6

Purchase and care of office plants are not a service of FMD. Budgetary justification, purchase, or lease of office plants by state personnel or by a service contract is the responsibility of the agency.

## DISPLAY OF ART, POSTERS, AND NOTICES IN STATE BUILDINGS - 1330.7

Posting signs, notices, or other written material in DGS-owned and managed office buildings is not allowed except on bulletin boards or other display equipment designed for this purpose. This policy is designed to prevent damage to painted surfaces and maintain a clear entry and exit. Commercial or political notices are not permitted.

Artwork displayed in lobby areas will be shown only with the approval of the Director of DGS. The director will designate a location and duration for display. If you plan a display, your justification should follow these guidelines:

1. Display will include work by more than one artist.
2. Display is not controversial.
3. Display is not commercial and/or not for sale.
4. State will not be liable for damaged or stolen artwork.

Further information on the display of artwork may be obtained by contacting your building manager. Information on the Art in Public Buildings Program can be found in Government Code Section 15813 et seq.

## PURCHASE AND DISPLAY OF FLAGS AT STATE BUILDINGS - 1330.8

General

Government Code Sections 420 and 430-439 provide basic information regarding the State Flag of California and the Flag of the United States. A pamphlet entitled California Bear Flag is available from DGS, Office of Procurement, Documents and Publications Section.

Information pertaining to the Flag of the United States is available at a nominal charge from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C., 20402. The Flags of the World web site also has information and links on this topic.

Purchase and Display

State law requires the State and American flags to be displayed at all state buildings when the state is the sole or major tenant of the building (occupying more than 50 percent of the available space). The flags must be flown outside the building and must be prominently placed although a freestanding flagpole is not necessarily required.

Flying any other flags outside or on state buildings will require the approval of the Director of DGS.

The responsibility for purchase and display of flags is:

1. With an individual state agency when the agency is the sole or major tenant of the building, and the building is not maintained by DGS.
2. With FMD where it manages and maintains the buildings and grounds.

Should a duly elected California official on behalf of a democratic sovereign nation or its duly appointed representative(s) request the flying of its national flag at a state building to commemorate or honor the special day, such request should be made in writing

to the Director of DGS 60 days in advance of the event, when practical.

The Governor annually proclaims the third Friday of September to be known as Prisoner-of-War/Missing in Action (POW/MIA) Recognition Day. On that day the flag of the National League of POW/MIA Families shall be flown over certain prescribed state buildings and public buildings and grounds as specified in Military and Veterans Code Section 1831.

Flying the Flag at Half-mast

Generally, the American flag is flown at half-mast at state buildings only by presidential and/or gubernatorial decree. In the event a state agency wishes to fly flags at half- mast, authorization will be obtained from their agency secretary. The state flag shall be displayed in the same manner as the American flag.

### POSTING OF STATE PROPERTY - 1330.9

(Revised and Renumbered from 1323.13)
The posting of state-owned property in an effort to protect it from misuse, destruction, vandalism, or criminal activity is the responsibility of the agency or department who controls the property. The agency or department shall coordinate the posting of state-owned property with the California Highway Patrol.

## Chapter - 1400

Sections for Chapter 1400

| Section | Subchapter |
|---|---|
| INTRODUCTION | 1450 |
| DESIGN AND CONSTRUCTION OVERSIGHT | 1451 |
| CODE DEVELOPMENT | 1452 |
| ACCESSIBILITY STANDARDS | 1452.1 |
| STRUCTURAL SAFETY | 1452.2 |
| HISTORICAL BUILDING CODE | 1452.3 |

### INTRODUCTION - 1450

The Division of the State Architect (DSA) provides design and construction oversight for K–12 public schools, community colleges and various state-owned and leased facilities. The Division also develops accessibility, structural safety, and historical building codes and standards utilized in various public and private buildings throughout the State of California.

The DSA operates from a Headquarters office in Sacramento and four Regional Offices located in Oakland, Sacramento, Los Angeles and San Diego. The State Architect is appointed by the governor and serves a four-year term. The State Architect reports to the Director of General Services and leads the DSA.

### DESIGN AND CONSTRUCTION OVERSIGHT - 1451

The DSA reviews construction projects for compliance with the California Building Standards Code, as contained in Title 24 of the California Code of Regulations (CCR). The review consists of design review (construction plans, specifications and other documents) and oversight of project construction and applies to:

- K-12 public schools
- Community colleges
- State-owned and leased essential services buildings

The DSA also provides design review for compliance with accessibility standards of the California Building Standards Code, as contained in Title 24 of the CCR, for the following:

- State facilities
- California State University facilities
- University of California facilities

The DSA charges fees for its review and oversight, which are statutorily based as a percentage of the estimated cost of the project. The fees are payable at the time of submittal of application for plan review; subsequent changes during plan review or construction may be subject to additional review fees.

For detailed information on DSA construction oversight services, including forms and publications, refer to the DSA web site at www.dgs.ca.gov/dsa.

### CODE DEVELOPMENT - 1452

The DSA is one of several state agencies that propose changes to the California Building Standards Code, as contained in Title 24 of the CCR, through the Building Standard Commission's rulemaking process. Regulations and building standards proposed by DSA are approved and adopted by the California Building Standards Commission, which maintains the California Building Standards Code. The Commission's web site (http://www.bsc.ca.gov/Home.aspx) contains information on the code adoption process, proposed amendments and code publications.

### ACCESSIBILITY STANDARDS - 1452.1

The DSA develops access-related building code amendments for both government facilities and privately owned public accommodations and commercial facilities. These amendments are contained in Chapter 11B of Part 2 of Title 24, CCR. The DSA coordinates its amendments with the requirements of federal Americans with Disabilities Act Standards and also maintains reference resources to assist clients in meeting accessibility standards.

The DSA Access Compliance Section assists in the administration of Certified Access Specialist program (CASp). This program certifies individuals who can render opinions as to the compliance of buildings and sites with the accessibility building standards.

For additional information on DSA services for accessibility standards refer to the DSA web site at DSA.

### STRUCTURAL SAFETY - 1452.2

The DSA proposes Title 24 building regulations for structural safety applicable to California's K-12 public schools, community colleges and state essential services facilities. In proposing these regulations, the DSA amends model building codes to meet the seismic performance objectives and administrative requirements of state law for these facilities. The DSA administrative regulations are contained in Part 1 of Title 24, CCR, also known as the California Administrative Code. Structural safety building requirements are contained in Part 2 of Title 24, CCR.

In addition to its code proposals, the DSA also issues interpretations of code, as well as policies and procedures necessary for stakeholder understanding and coordination of enforcement among the DSA Regional Offices. For a list of DSA publications refer to the DSA web site at DSA.

### HISTORICAL BUILDING CODE - 1452.3

The State Historical Building Code (SHBC) is adopted by the State Historical Building Safety Board, which is established as a unit within the DSA. The SHBC provides regulations and standards for the rehabilitation, preservation, restoration (including related reconstruction) or relocation, as applicable, to all historical buildings, structures and properties deemed of importance to the history, architecture, or culture of an area by an appropriate local or state governmental jurisdiction.

**The SHBC is contained in Part 8 of Title 24, CCR. For detailed information about the SHBC and the State Historical Building Safety Board refer to the DSA web site at SHBC.**

## Chapter - 1600

Sections for Chapter 1600

| Section | Subchapter |
|---|---|
| PROGRAM PURPOSE | 1600 |
| TERMS AND DEFINITIONS | 1601 |
| STATUTORY AUTHORITY | 1602 |
| ANNUAL REPORT TO THE GOVERNOR | 1603 |
| AGENCY RESPONSIBILITIES | 1604 |
| RECORDS MANAGEMENT COORDINATOR | 1605 |
| ROLE OF THE STATE ARCHIVES DIVISION - CALRIM | 1606 |
| RECORDS MANAGEMENT PROGRAM AND PRACTICES AUDITS | 1607 |
| ROLE OF THE SECRETARY OF STATE, ARCHIVES DIVISION –STATE RECORDS APPRAISAL PROGRAM (SRAP) | 1608 |
| RECORDS MANAGEMENT ROLE OF THE DEPT. OF GENERAL SERVICES – STATE RECORDS CENTER (SRC) | 1609 |
| FILING EQUIPMENT AND SUPPLIES | 1610 |
| RECORDS RETENTION SCHEDULE PROGRAM | 1611 |
| RECORDS INVENTORY | 1612 |
| STATE AND FEDERAL RULES AND GUIDELINES | 1613 |
| RECOMMENDED RETENTION PERIODS | 1614 |
| RECORDS RETENTION SCHEDULES | 1615 |
| APPROVING THE RECORDS RETENTION SCHEDULE | 1616 |
| UPDATING AND AMENDING THE RECORDS RETENTION SCHEDULE | 1617 |
| RECORDS TRANSFER | 1618 |

| | |
|---|---|
| RECORDS REQUEST | 1619 |
| VAULT STORAGE OF VITAL (ESSENTIAL) RECORDS | 1620 |
| DEPARTMENTAL RECORDS STORAGE FACILITIES | 1621 |
| RECORDS OF A DISBANDED FUNCTION OR PROGRAM | 1622 |
| DESTRUCTION OF RECORDS | 1623 |
| ARCHIVES, RECORDS MANAGEMENT, AND STATE RECORDS CENTER INFORMATION, POINTS OF CONTACT, AND ADDRESSES | 1624 |


## PROGRAM PURPOSE - 1600

The State of California Records Management Program (RMP) was established to apply efficient and economical methods to create, use, maintain, retain, preserve, and dispose of state records, including those on electronic media. Required procedures and processes and other useful information are contained in supplemental state records management handbooks, guidelines and factsheets made available to ensure the statutory requirements and objectives of the state's RMP are met.

## TERMS AND DEFINITIONS - 1601

Public Record: State law defines a public record to include but not be limited to "…any writing containing information relating to the conduct of the public's business prepared, owned, used, or retained by a state or local agency regardless of physical form or characteristics…" (Govt. Code 6252(e)).

Archival Value: "…the ongoing usefulness or significance of a record based on the administrative, legal, fiscal, evidential, or historical information it contains, justifying its permanent preservation." (Govt. Code 12271(b))

See the Record Management Handbook for additional terms, and definitions.

## STATUTORY AUTHORITY - 1602

**The State of California Records Management Program**

The State Records Management Act contained in Government Code Sections 12270- 12279 requires the Secretary of State to:

"Establish and administer, in the executive branch of government, a records management program which will apply efficient and economical management methods to the creation, utilization, maintenance, retention, preservation, and disposal of state records" (Govt. Code 12272(a)).
The Secretary of State has assigned the development and implementation of the state's RMP to the California Records and Information Management Program (CalRIM) and State Records Appraisal Program (SRAP) within the State Archives Division. Together, these programs oversee the complete life cycle of public records from record creation to disposition via either transfer to the State Archives or destruction.

Understanding the life cycle of a record, establishing appropriate record retention periods, and support from upper management are all key to sound records management and the preservation of records with archival value.

**Records at Risk**

The Secretary of State has the authority to take possession of records at risk:

"Notwithstanding any other law, a record held in the State Records Center or by a state agency determined by the Secretary of State to have archival value and to be at risk of damage or loss, or in poor physical condition, shall be transferred to the State Archives at the direction of the Secretary of State with notification to the head of the agency not less than 10 days prior to the transfer." (Govt. Code 12273)

**Agency Records Management Program**

Government Code Sections 12270-12279, in conjunction with the rules, regulations, and standards and procedures issued by the Secretary of State, requires the head of each state agency to:

a. establish and maintain an active, continuing program for the economical and efficient management of the records and information practices of the agency;
b. identify records essential to the functioning of state government in the event of a major disaster; and
c. when requested by the Secretary of State, provide a written justification for storage1 or extension of records in the State Records Center for a period of 50 years or more. Records deemed to have archival value will be transferred to the State Archives.

**Disposal of Records**

Government Code 12275(a) requires that no record shall be destroyed or otherwise disposed of by any agency of the state, unless it is determined by the Secretary of State, that the record has no further administrative, legal, or fiscal value and the Secretary of State has determined that the record is inappropriate for the preservation in the State Archives.

Government Code 12275(b) requires that the Secretary of State shall not authorize the destruction of any record subject to audit until he or she has determined that the audit has been performed.

Government Code 12275(c) requires that the Secretary of State shall not authorize the destruction of all or any part of an agency rulemaking file subject to Government Code Section 11347.3 regarding the administration of regulations and rulemaking files

- *1 Approval is required for department storage. Please see section 1618 for more information.*

## ANNUAL REPORT TO THE GOVERNOR - 1603

Effective September 28, 2012, the Annual Report to the Governor was abolished per SB 71.
*[SEC. 67. Article 5 (commencing with Section 14760) of Chapter 5 of Part 5.5 of Division 3 of Title 2 of the Government Code is repealed.]*

## AGENCY RESPONSIBILITIES - 1604

Although not all inclusive, some of the more pertinent responsibilities are:

1. Per Government Code 12274, and in accordance with the rules, regulations, and standards and procedures issued by the Secretary of State, requires the head of each state agency to:
    a. Establish and maintain an active, continuing program for the economical and efficient management of the records and information practices of the agency;
    b. Identify records essential to the functioning of state government in the event of a major disaster; and
    c. When requested by the Secretary of State, provide a written justification for storage or extension of records in the State Records Center for a period of 50 years or more. Records deemed to have archival value will be transferred to the State Archives.
    d. Provide all requested reports, written justifications, requests for offsite storage approval, or any other retention schedule documentation to CalRIM and/or SRAP.
    e. Dispose of, or recycle, obsolete records in accordance with approved and current Records Retention Schedule
    f. Transfer the custody of records appropriately when a program or function is discontinued, by updating or revising the records retention schedule (*see Records of a Disbanded Function or Program, SAM section 1624*).

b. Assign a Records Management Coordinator to work with CalRIM, State Records Center (SRC), and SRAP staff. It is recommended that the Records Management Coordinator be assigned to staff at an SSA level or above.2 The agency must inform CalRIM of the staff assignment or of any changes to Records Management staff assignments within one month of the assignment change.

- *2 Because records management is management driven, a coordinator at the SSA level or above will have broader knowledge of the overall agency organization and function and be able to make management-driven records management decisions.*

## RECORDS MANAGEMENT COORDINATOR - 1605

The agency's Records Management Coordinator is encouraged3 to:

1. Attend CalRIM and SRAP training within 6 months of appointment.
2. Coordinate the agency's records management program.
3. Comply with the Records Management Act and Chapter 1600 of SAM.
4. Act as liaison between the agency and CalRIM, SRC, and SRAP.
5. Respond to questions from CalRIM, SRC, and SRAP.
6. Schedule CalRIM and SRAP training for agency staff who have records management duties.
7. Review and approve agency records retention schedules prior to submission to CalRIM.
8. Review and approve agency destruction of records stored at the SRC.
9. Carry out an annual disposition of agency records not stored at the SRC. This includes transfer of records to the Secretary of State Archives or State Record Center as well as destruction of records at the Document Destruction Center.
10. Review and approve purchase or rental of filing equipment or shredders.
11. Provide all requested reports, written justifications, requests for offsite storage approval, or any other retention schedule documentation to CalRIM and/or SRAP.
12. Distribute announcements of records management activities.

3 *Best records management practices suggest that a records manager be given a certain amount of authority to fulfill his/her role as coordinator based on the knowledge required to understand the life cycle of a record, provide consistent execution of internal policy and procedure, as well as a basic understanding of the laws and regulations that govern state records*

## ROLE OF THE STATE ARCHIVES DIVISION - CALRIM - 1606

The State Records Management Act identified in SAM Section 1602 requires the State Archives Division - CALRIM to:

1. Establish standards and procedures to carry out the records management program.
2. Help agencies to:
    a. Develop record series to account for forms, reports, correspondence, directives, files, as well as records in other formats, such as electronic media.
    b. Develop record series to manage retention and disposition of records: either transfer to the State Archives or disposal of records.
3. Develop general retention guidelines for records that are common to most state agencies.
4. Approve schedules that meet the records management and archives policies, procedures, regulations, and guidelines established by SAM and the Records Management handbook Receive notification when new departmental offsite storage facilities other than SRC will be used.
5. Oversee the transfer of custody of records when a function or program ends.
6. Provide records management consultation and training including:

a. Handling of active, semi-active and inactive records
b. Best records management practices, available guidelines, and legal requirements.
c. Records inventory, scheduling and disposition
d. Appropriate retention periods

7. Provide guidance and assistance to agencies on requests to purchase or rent destruction, filing, or imaging equipment.
8. Perform periodic on-site audits of agency records management programs.

## RECORDS MANAGEMENT PROGRAM AND PRACTICES AUDITS - 1607

With the transfer of the records management program to the Secretary of State's Archives Division (effective July 1, 2014), the Audit Section of DGS no longer conducts periodic audits of state agencies' records management practices. Periodic audits of state agencies' records management practices/programs will now be conducted by CalRIM and SRAP. Reports and recommendations will be provided to the agency by CalRIM and SRAP following an audit.

## ROLE OF THE SECRETARY OF STATE, ARCHIVES DIVISION –STATE RECORDS APPRAISAL PROGRAM (SRAP) - 1608

The State Records Management Act identified in SAM Section 1602 requires the State Archives Division – SRAP to:

1. Review records retention schedules to identify records which have historical and research value.
2. Approve schedules that meet the records management and archives policies, procedures, regulations, and guidelines established by SAM and the Records Management handbook.
3. Provide training regarding the Archives' role and function within records management training and instruction.
4. Perform periodic on-site audits of agency records management programs for records with archival value.
5. Determine if records that have archival value are at risk of damage or loss, or in poor physical condition, and transfer them to the State Archives. Notification to the head of the agency will occur not less than 10 days prior to the transfer.
6. Will Provide access to state historical records and make them available to agencies and the public for reference and research under the provisions of the California Public Records Act, Information Practices Act, and other laws that restrict access to public records.

## RECORDS MANAGEMENT ROLE OF THE DEPT. OF GENERAL SERVICES – STATE RECORDS CENTER (SRC) - 1609

The State Records Storage Act contained in Government Code Sections 14740-14746 requires the Department of General Services (DGS) to administer a state records storage program.

**The DGS - State Records Center shall:**

1. Store, process, and service scheduled records for state agencies pending their deposit with the State Archives or their disposition in any other manner (Government Code section14746 (e)).
   Note: Records transferred to the SRC must have a current and approved schedule in place. Records housed at the SRC may not be housed longer than 50 years without appropriate justification.
2. Provide agency staff access to their own warehoused records. Access to another agency' records without written approval is not permitted.

Note: Agencies may not establish and/or create new storage facilities outside of the SRC for their records without prior written approval from CalRIM.

## FILING EQUIPMENT AND SUPPLIES - 1610

**Vertical Shelf Files, Office Type (Open Shelf).**
Vertical shelf filing is the most efficient type and is the state's standard. Records are stored on shelves in rows, instead of in drawers. When planning a file system determine if it is feasible and economical to replace current files with shelf file systems.

**Records Storage Containers:**

Clean cardboard cartons are required for the storage of inactive records shipped to and stored in the SRC.

Box dimensions: height – 10", width – 12", depth – 15" (Accommodates letter and legal size files)

Only clean unused boxes will be accepted for the storage of inactive records.

## RECORDS RETENTION SCHEDULE PROGRAM - 1611

Each agency must establish a Records Retention Schedule Program consistent with state and agency statutory requirements. The Records Retention Handbook (Handbook) implements statutory requirements and supplements information in SAM 1600. The Handbook covers specific procedures and areas necessary to ensure that all records produced, maintained, or disposed of by the agency are properly and timely acted upon.

## RECORDS INVENTORY - 1612

Each agency must inventory its records once every five years using Records Inventory Worksheet form, STD 70. See the Records Retention Handbook for specific guidelines on how to prepare and conduct the inventory.

## STATE AND FEDERAL RULES AND GUIDELINES - 1613

All state agencies must be aware of and document in the remarks column of their retention schedule the federal and state laws, rules and guidelines that determine appropriate access, retention and disposition of state records.

**Federal Programs**

If an agency is involved in a federal program, it must also follow any federal rules and guidelines when reviewing, appraising, or scheduling records.

**California State Laws**

Significant California Government and Civil Codes that affect records:

1. The Information Practices Act of 1977, beginning at Civil Code Section 1798, places specific requirements on state agencies when they collect, use, maintain, and disseminate information about individuals. This Act also comes into play when determining retention periods and disposal methods. In particular, consider the following sections of the Act:
   a. Civil Code Section 1798.14. This section requires agencies to maintain information about individuals in terms of relevance and necessity.
   b. Civil Code Section 1798.24. This section sets conditions under which information about individuals can be disclosed to third parties.
2. The California Public Records Act, Government Code 6250 et seq. detail what information is available to the public and what are not, public records open to inspection, response time guidelines, and regulations governing procedure.

## RECOMMENDED RETENTION PERIODS - 1614

CalRIM provides recommended retention periods for: Records Management, Personnel and Payroll, Delegated Testing, Fiscal, Information Technology, Administrative, e-mail, and records that are common to most offices. Use them when setting up your Records Retention Schedules form, STD 73. For the recommended retention periods, visit the section "Recommended General Records Retention" on the CalRIM Website at: http://www.sos.ca.gov/archives/calrim/.

SRAP provides a list of records that will always be kept by the State Archives, as well as a list of records that do not have archival value. Other records may require additional appraisal after they are transferred to the State Archives to determine whether they will be kept by the State Archives or appropriately destroyed. For copies of each list, visit the "Records with Archival Value" and "Records without Archival Value" on the SRAP website at: https://www.sos.ca.gov/archives/.

## RECORDS RETENTION SCHEDULES - 1615

After you complete the Records Inventory (STD. 70), you must list your records on a Records Retention Schedule, STD. 73. This form is used as a basis for the designation of records to be retained, transferred, or destroyed in a particular records series. It also serves to identify vital, confidential, and public records. See the Records Retention Handbook for specific guidelines on how to prepare a records retention schedule.

## APPROVING THE RECORDS RETENTION SCHEDULE - 1616

A schedule is only considered approved once the schedule cover page (STD. 73) is signed by the agency manager responsible for the records, the agency records management analyst, a Secretary of State-CalRIM consultant and the Chief of Archives or his/her designated SRAP representative. Approved schedules are considered current for five years and can be amended within that five year period. After five years, schedules are considered active but out of compliance and will require an inventory and schedule revision to meet compliance guidelines as outlined in SAM 1600.

Only an approved, current schedule gives a state agency authorization to store records at the State Records Center.

Approved current and active schedules give state agencies authorization to transfer records to the State Archives and/or appropriately dispose of scheduled state records after the scheduled retention period.

If a record is not scheduled, pursuant to Government Code Section 12275, it

"shall not be destroyed or otherwise disposed of by an agency of the state, unless it is determined by the Secretary of State that the record has no further administrative, legal or fiscal value and the Secretary of State has determined that the record is inappropriate for preservation in the State Archives"

## UPDATING AND AMENDING THE RECORDS RETENTION SCHEDULE - 1617

Always amend retention periods for records on retention schedules when changes impact keeping, transferring, or disposing of agency records. Records retention schedules must be updated and revised every five years after the required inventory and review process.

To amend a scheduled retention period, add and/or delete items from records retention schedules, follow the procedures reflected in the Records Retention Handbook.
Amendments made during the five-year retention schedule cycle are not classified as revisions and the original Approval Number/Expiration Date is retained.

## RECORDS TRANSFER - 1618

(Revised and Renumbered 6/2015)
**To the State Records Center**

To transfer your records to the SRC you must first fill out a Records Transfer List, STD. 71, and send the original to the SRC. SRC staff will review each state agency transfer list for a current approval number and confirms retention period listed on the retention schedule. You must have SRC approval before sending the boxed records.

**To the State Archives**

a. Records stored In-house

   It is the responsibility of each state agency to transfer scheduled records that are flagged for the State Archives to the State Archives at the end of the scheduled retention period. Please contact SRAP staff prior to transfer with information regarding the transfer date and quantity of records to be sent. The State Archives also uses the Records Transfer List (STD. 71) for records transferred to the Archives but does not require the form be sent in advance of the records.

b. Records stored at the State Records Center

Records at the State Records Center that have been approved for destruction by state agency staff are reviewed on a quarterly basis and may be transferred to the State Archives.

## RECORDS REQUEST - 1619

(Revised and Renumbered 6/2015)
An agency may withdraw their own records from the SRC at any time. If you want to view a record that has been placed in storage by a different agency, you must first get the other agency's permission.
To check out a stored record, fill out a SRC Reference Request STD. 76, and send it to the SRC. To make an emergency request, call the SRC.
When you no longer need the record, return it to the SRC with one copy of the STD. 76 still attached to the record.

## VAULT STORAGE OF VITAL (ESSENTIAL) RECORDS - 1620

The SRC will store microfilm, CD's, or other electronic media for state agencies in a climate controlled vital records protection vault. If any agency needs to store microfilm longer than 10 years, silver halide film must be used. Records to be kept fewer than 10 years may be on diazo, vesicular, or dry silver film. Do not store silver halide film with any other type of film.

Microfilm stored in the vault for over two years should be inspected annually. Other media should be inspected and migrated as necessary.

Contact the SRC for procedures on how to transfer, store, inspect, or retrieve records from the vault. Vault storage does not include viewing equipment. Deliveries to/from the vault are handled by the SRC. All vital records must be listed on a current and approved records retention schedule.

## DEPARTMENTAL RECORDS STORAGE FACILITIES - 1621

(Renumbered and Revised 6/2015)
Agencies may not establish and/or create new facilities to store their records without prior written approval by CalRIM.

## RECORDS OF A DISBANDED FUNCTION OR PROGRAM - 1622

(Renumbered and Revised 6/2015)
When a program or function ends, the agency must transfer the custody of the program's records. Normally the custody is transferred to another group within the department, board, commission, or council. The agency must also send a copy of a revised records retention schedule to CalRIM. This will notify CalRIM that records have been transferred.

If an entire organization within one of the agencies is abolished, custody of the records must be reassigned by the Agency. Send a notice of the transfer of custody to CalRIM and SRAP. The notice must be signed by staff that represents both the transferring and the receiving organizations. It must include the name, title, address, and telephone number of the person who will be responsible for making decisions about the records.
When the records are sent to the new organization, they must be accompanied by the revised records retention schedules, transfer lists, and any other documentation dealing with the management of the records being transferred.

When an entire organization is abolished by legislation, custody for the records should be assigned in the "sunset" legislation.

When an abolished program is not part of a larger department or Agency and no plan for the records was made in the "sunset" legislation, call CalRIM and SRAP staff for assistance.

## DESTRUCTION OF RECORDS - 1623

**Confidential Records -** The Document Destruction Center (DDC) provides for the destruction of confidential records. However, each state agency must still make sure their obsolete records are disposed of in accordance with laws, rules, and State policies. In Sacramento, DDC staff will be used to witness the destruction of confidential records. If an agency needs to destroy accountable forms, arrangements must be made with the DDC to ensure witnessing by appropriate agency personnel.

Agencies must send a State employee to witness confidential destruction when using the services of private contractors.

**Non-confidential Records-** To destroy your non-confidential records, contact the DDC.

If you use the DDC to destroy your obsolete records, you do not need to fill out a Property Survey Report, STD. 152.

## ARCHIVES, RECORDS MANAGEMENT, AND STATE RECORDS CENTER INFORMATION, POINTS OF CONTACT, AND ADDRESSES - 1624

(Renumbered and Revised 6/2015)
Available Records Management Guidance and Assistance**.** CalRIM has written helpful records management program guidelines, factsheets, and/or handbooks to assist agencies to administer their program. Copies may be obtained from the agency's Records Management Coordinator or from CalRIM.

1. **Records Retention Handbook**

2. **Record Retention Schedule Detailed Instructions**
3. **Perpetual Retention Type Records**
4. **Vital Records Protection**
5. **Electronic Records Management Handbook**
6. **Guidelines for Conducting a "Preliminary File Purge" of Paper Records**

**Secretary of State Archives Division 1020 O Street**
**Sacramento, CA 95814**

CalRIM Website: http://www.sos.ca.gov/archives/calrim/
E-Mail: **CalRIM@sos.ca.gov**
Phone: 916-653-7715

SRAP Website: http://www.sos.ca.gov/archives/programs/state-records-appraisal/
E-Mail: SRAP@sos.ca.gov
Phone: 916-653-7715

**State Records and Document Destruction Center Department of General Services (DGS)**

Shipping: 3240 Industrial Blvd., West Sacramento, CA 95691

Regular Mail: 1501 Cebrian Street, West Sacramento, CA 95691

Phone: 916-375-6760
E-Mail: 916-375-6769

# Chapter - 1700

Sections for Chapter 1700

| Section | Subchapter |
|---|---|
| PROGRAM SUMMARY, RESOURCES, AND CONTACTS | 1700 |
| STATUTORY AUTHORITY | 1701 |
| RESPONSIBILITIES OF THE FORMS MANAGEMENT CENTER | 1702 |
| ESTABLISHING THE AGENCY PROGRAM | 1705 |
| RESPONSIBILITIES OF THE DEPARTMENTAL FORMS MANAGEMENT REPRESENTATIVE (FMR) AND FORMS COORDINATOR (DFC) | 1706 |
| TERMS AND DEFINITIONS | 1710 |
| FORMS MANAGEMENT TRAINING AND GUIDELINES | 1715 |
| FORMS DESIGN STANDARDS | 1720 |
| ACCESSIBILITY REQUIREMENTS | 1721 |
| FORMS REVIEW PROCESSES | 1725 |
| STATE STANDARD (STD.) FORMS | 1730 |
| STATE STANDARD (STD) FORMS IDENTIFICATION | 1731 |
| STATE STANDARD (STD.) FORMS CONTROL | 1732 |
| MODIFIED STATE STANDARD (STD.) FORMS | 1733 |
| ELECTRONIC SIGNATURES, ELECTRONIC TRANSACTIONS AND ELECTRONIC RECORD MANAGEMENT FOR STATE FORMS | 1734 |
| BUSINESS-USE INVENTORY | 1735 |
| PUBLIC-USE FORMS INVENTORY | 1740 |
| OTHER APPLICABLE FORM REQUIREMENTS | 1745 |
| DISPOSAL OF UNUSED ACCOUNTABLE FORMS | 1750 |

## PROGRAM SUMMARY, RESOURCES, AND CONTACTS - 1700

Government Code Section 14771 establishes the State Forms Management Program (SFMP) for all state agencies to facilitate the statewide standardization of all agencies' forms and forms management programs.

The SFMP is administered by the Forms Management Center (FMC) and is managed by the Statewide Forms Manager. The FMC is located within the Department of General Services, Administrative Division, 707 Third Street, West Sacramento, California 95605. For inquires, email the FMC at FormsManagement@dgs.ca.gov or telephone at (916) 375-4216.

This chapter provides policy for the SFMP, which includes, but is not limited to, criteria for forms design, electronic signature (eSignature), inventory control process, terms and definitions, review processes, agencies' responsibilities and reporting requirements. Procedures for complying with this policy can be found on the Statewide Forms Program website.

They are part of the FMCs resource documents and are based on "best business practices" for forms programs. They contain guidelines, procedures, instructions, recommended readings, and other detailed information relating to state and departmental forms management programs.

The Forms Management Representative (FMR) and/or other staff involved in the forms management responsibilities should contact the FMC for guidance on the policy within SAM 1700. See SAM Section 0030 for contact information.

## STATUTORY AUTHORITY - 1701

Government Code Section 14770 requires the director of the Department of General Services (DGS) to ". . . establish and staff an activity within the department to be known as the "forms management center" for the orderly design, implementation and maintenance of a statewide forms management program." This activity includes the study, development, coordination, and initiation of state standard (STD) forms (forms of interagency and common administrative usage) which is required by Government Code Section 14771(a)(2).

Government Code Section 14771(a)(9) requires the director of the Department of General Services (DGS), through the Forms Management Center (FMC) to "…develop and promulgate rules and standards to implement the [State Forms Management Program]." These rules and standards include responsibilities of the FMC, State agencies, and departmental forms coordinators (DFCs).

Government Code Section 14771(a)(14) requires the director of the Department of General Services (DGS), through the FMC, to "...provide notice to state agencies, forms management representatives, and departmental forms coordinators, that in the usual course of reviewing and revising all public-use forms that refer to or use the terms spouse, husband, wife, father, mother, marriage, or marital status, that appropriate references to state- registered domestic partner, parent, or state-registered domestic partnership are to be included."

The term" agency" refers to appropriate state departments, offices, boards, commissions, etc.

## RESPONSIBILITIES OF THE FORMS MANAGEMENT CENTER - 1702

The Forms Management Center (FMC) is responsible for carrying out the provisions of Government Code Section 14771 on behalf of the director of the Department of General Services. These responsibilities include:

a. Establishing standards, policies and procedures to carry out the state's forms management program.
b. Assisting agencies in developing programs for the effective management, analysis and design of forms.
c. Establishing basic design and specification criteria for the state forms.
d. Maintaining a central cross-index of state agency forms, eliminating redundant forms while providing a central source of information for users.
e. Establishing a program for the management of the state standard (STD.) forms.
f. Studying, developing, designing, revising, coordinating, and managing the state's STD. forms in cooperation with the agencies responsible for their content.
g. Obtaining information and reports from agencies as required administering the program and evaluating its progress.

## ESTABLISHING THE AGENCY PROGRAM - 1705

Government Code Section 12274(a) requires the head of each agency to "…establish and maintain an active, continuing program for the economical and efficient management of the records and information collection practices of the agency. The program shall ensure that the information needed by the agency shall be obtained with a minimum burden upon individuals and businesses…"

Government Code Section 14771(a)(4) requires the director of the Department of General Services (DGS), through the Forms Management Center (FMC), to "…provide assistance, training, and instruction in forms management techniques to state agencies, forms management representatives, and departmental forms coordinators . . ."

The forms management program is mandatory. Its effectiveness depends on a clear understanding of the responsibilities of the operating agencies, DGS and the FMC. The responsibilities, derived from the statutes cited here are formulated from good business practices and gathered from forms professionals and forms associations.

Forms management is a staff activity. The program should be housed at a level high enough to give the perspective and authority needed for across-the-board improvements and to provide technical guidance and department-wide coordination between functions. The program should be centralized and needs backing, upper-level support, and stature in the organization to be successful.

Government Code Sections 14771(a) and 14775 require the director of each state agency to fulfill legislative requirements needed to effectively implement the State Forms Management Program. Such requirements may involve submitting various reports to the DGS FMC.

## RESPONSIBILITIES OF THE DEPARTMENTAL FORMS MANAGEMENT REPRESENTATIVE (FMR) AND FORMS COORDINATOR (DFC) - 1706

Government Code Section 14772 requires the director of each State agency to ". . . appoint a forms management representative (FMR) and provide necessary assistance to implement the State Forms Management Program (SFMP) within the agency." Agencies are required to notify the Forms Management Center (FMC) at FormsManagement@dgs.ca.gov anytime there is a change to the FMR role within the agency.

Each office management appoints at least one (1) departmental forms coordinator (DFC) to work with the FMR to manage and maintain the forms management program within the agency.

The FMR is responsible to serve as the liaison between the agency and the Forms Management Center (FMC). FMRs also maintain and submit to the FMC a list of forms distinguished by business- and public-use categories and keep contact information about their authors current.

The FMR of an agency is to work closely with the SFM to coordinate the development, design and publication of the state standard (STD) form; including ensuring the proof review and approval cycle is prompt between authors and the FMC. Agencies may also staff their forms management program with forms program managers, forms analysts, forms designers, forms authors, forms programmers, proofreaders, and ADA compliance subject matter experts to assist their FMR and DFC in carrying out the forms management responsibilities of the agency.

On behalf of the agency, the FMR is responsible for:

a. Coordinating the agency forms management program.
b. Delegating duties to other appropriate personnel.
c. Acting as the contact between the agency and the FMC.
d. If the agency is responsible for the content of any STD form, providing timely response to requests for information from the FMC.
e. Inventorying and establishing an ongoing system of controls for the forms ordered and maintained by the agency.
f. Providing safeguards in all forms management activities for the protection of individual privacy and confidentiality of information.
g. Ensuring that the new or revised forms meet the standards set forth in the Forms Handbook.
h. Ensuring discontinuance of obsolete forms from the agency system.
i. Conducting research into forms management problems.
j. Conducting forms analysis for designing or redesigning the agency's forms.
k. Being responsible for reports required by the FMC for administration of the program. These include, but are not limited to, reports on the agency Public Use Forms Program and the Business Use Forms/Reports Program.
l. Distributing information on forms management activities.
m. Coordinating with the agency training office to provide and make arrangements for appropriate training of forms management personnel.

## TERMS AND DEFINITIONS - 1710

**Permissible Types of E-Signatures**

- **Name Typed or Stamped**: A person signing or stamping a form electronically does so by typing or stamping their name in the designated signature field with a statement confirming agreement.

- **Recorded Voice**: While a voice recording could be considered an electronic signature, simple voice recordings may not establish intent of agreement. Many voice systems include an additional step such as keypad verification to confirm agreement. To use a recorded voice as an e-Signature, it must:

    - Be associated with the speaker;
    - Be associated with a specific document or record;
    - Show evidence of the speaker's intent to be bound to the terms and conditions in that specific document or record;
    - Be captured in electronic format.

- **Personal Identification Number (PIN) or Password**: When using a PIN or password for an e-Signature, a person accessing an application is requested to enter identifying information, which may include an identification number, the person's name and a "shared secret" (called "shared" because it is known to both the user and the system), such as a PIN and/or password. The system checks that the PIN and/or password is indeed associated with the person accessing the system and "authenticates" the person. Sometimes the entry of some personal information (for example: name or date of birth) along with the PIN and password is also required.

- **Digitized Image of Handwritten Signature**: A digitized signature is a graphical image of a handwritten signature. Some applications require a person to create a handwritten signature using a special computer input device, such as a digital pen and pad. Digitized signatures are most often used in face-to-face consumer transactions using credit cards. Some applications can compare the digitized representation of the entered signature with a stored copy of the graphical image of the signature. A digitized signature may be another form of shared secret known both to the person and to the system. Forging a digitized signature can be more difficult than forging a paper signature because the technology that compares the submitted signature image with the known signature image is more accurate than the human eye.

- **Digital Signatures**: The California Secretary of State has established regulations for Acceptable Technologies for Digital Signatures. See California Code of Regulations, Title 2, § 22003. There are two main types of digital signatures, one using Symmetric Cryptography and the other using Asymmetric Cryptography.
    - Symmetric Cryptography or Shared Private Key: In this e-Signature method, a person electronically signs using a single cryptographic key that is not publicly known, for authentication purposes. The same key is used to sign a document and verify the signer's identity and is shared between the signer and the entity hosting the transaction requiring the signature.
    - Asymmetric Cryptography or Public/Private Key: To produce a digital signature, two mathematically linked keys are generated - a private signing key that is kept private, and a public validation key that is publicly available. The two keys are mathematically linked, but the private key cannot be deduced from the public key. The public key is often made part of a "digital certificate," which is a digitally signed electronic document binding the individual's identity to a private key in an unalterable fashion. Digital signatures are often used within the context of a Public Key Infrastructure (PKI) in which a trusted third party known as a Certification Authority binds individuals to private keys and issues and manages certificates.

**Terms and Definitions Related to Electronic Signatures**

- **Authentication:** The process of securely verifying the identity of an individual prior to allowing access to an electronic service.
- **Automated Transaction:** A transaction conducted or performed, in whole or in part, by electronic means or electronic records, in which the acts or records of one or both parties are not reviewed by an individual in the ordinary course in forming a contract, performing under an existing contract, or fulfilling an obligation required by the transaction.
- **Electronic:** Relating to technology having electrical, digital, magnetic, wireless, optical, electromagnetic, or similar capabilities.
- **Electronic Agent:** A computer program or an electronic or other automated means used independently to initiate an action or respond to electronic records or performances in whole or in part, without review by an individual.
- **Electronic Record:** A record created, generated, sent, communicated, received, or stored by electronic means.
- **Electronic Signature:** An electronic sound, symbol, or process attached to or logically associated with an electronic record and executed or adopted by a person with the intent to sign the electronic record. For purposes of this title, a "digital signature" as defined in subdivision (d) of Section 16.5 of the Government Code is a type of electronic signature.
- **Information:** Data, text, images, sounds, codes, computer programs, software, databases, or the like.
- **Record:** Information that is inscribed on a tangible medium or that is stored in an electronic or other medium and is retrievable in perceivable form.
- **Security Procedure:** A procedure employed for the purpose of verifying that an electronic signature, record, or performance is that of a specific person or for detecting changes or errors in the information in an electronic record. The term includes a procedure that requires the use of algorithms or other codes, identifying words or numbers, encryption, or callback or other acknowledgment procedures.
- **Transaction:** An action or set of actions occurring between two or more persons relating to the conduct of business, commercial, or governmental affairs.
- **Wet** or **Original Signature:** A signature that is created when a person physically writes a name in a stylized, cursive format (or even a simple "X") on a piece of paper.

**General Terms and Definitions**

- **Forms** – Any documents containing locked content or requests that are used repeatedly. Variable data or fill-in spaces may or may not be included. It includes such items as form letters, tags, labels, continuous forms, tab cards and envelopes. Web-based forms, surveys and reports are included in this definition.
- **Business** – A business is any partnership, corporation, organization, business trust, or any person or nongovernmental entity or representative thereof, which supplies the state with information by filling out a form**.**
- **Business-Use Forms/Reports** – State forms and/or reports used to collect and/or solicit information, including signatures, from businesses.
- **Public-Use Forms** – State forms used to obtain or solicit facts, opinions, or other information from the public or private citizens, etc. State Standard (STD) Forms – State forms developed for use by all agencies to carry out common statewide administrative functions.
- **Agency / Departmental Forms** – State forms created and used specifically by an agency to carry out the agency's administrative functions. The term "agency" refers to appropriate departments, offices, boards, commissions, etc.
- **Forms Management Center (FMC)** – Includes the Statewide Forms Manager (SFM), Forms Management Representative (FMR) and a technical support unit within the Department of General Services responsible for the orderly design, implementation and maintenance of the statewide forms management program.
- **Statewide Forms Management Program (SFMP)** – A program built up of individuals statewide selected to carry out forms management responsibilities.
- **Statewide Forms Manager (SFM)** – An individual responsible for the management functions required by the SFMP.
- **Forms Management Representative (FMR)** – An individual appointed by the department's director to implement the agency's forms management program. See GovernmentCodeSection14772.
- **Departmental Forms Coordinator (DFC)** – An individual assigned by the office chief/ manager to serve as the liaison between the office/program and the FMR.
- See Government Code Sections 14770-14775.

## FORMS MANAGEMENT TRAINING AND GUIDELINES - 1715

As required by Government Code Section 14771(a)(4), the Forms Management Center (FMC) provides training and assistance in all aspects of establishing and implementing the State Forms Management Program.

Due to advances in technology, many state government agencies use diverse software to produce forms, both paper and electronic such as data entry screens used to process data on a variety of information-processing systems. The FMC provides resources and material such as forms design, forms management and forms analysis.

See Statewide Forms Program webpage.

## FORMS DESIGN STANDARDS - 1720

Forms can be filled out and designed on paper or by electronic media. Agencies should follow the forms design standards, criteria, and techniques presented in the Forms Handbook. All agency departmental forms and all state standard (STD) forms must contain the term "State of California", the authoring department's name, a form title, a form number, and a form creation or revision date. Contact the Forms Management Center (FMC) for information about forms design standards and software.

All State forms must comply with all other applicable form requirements (see SAM Section 1745).

Forms not included in the STD Forms Program may not carry "STD" or any variation of that designation as a prefix to the form number. If a form is removed from coordination as an STD form and returned to management of the generating agency, the agency must change the number and identification. These forms may carry a statement such as "Formerly STD XXX"'.

All agency forms must show certain identifying information. If there is space, you should place this information together on the form. The Forms Handbook shows formatting for this information.

Form Titles – Form titles must describe both the form's subject and function. See the Forms Handbook for help with titling forms.

Form Numbers – Ideally, form numbers should be prefixed by the initials of the agency, i.e., FTB, SCO, etc. The numbers may follow any plan or scheme that works for your agency but must not duplicate a number already in use by the agency. A form used by an office or division within an agency may carry a sub-prefix. An example is "DGS OLS" for the DGS, Office of Legal Services.

Creation or Revision Dates – The date, must be the month and year in which the form was created or first distributed, such as "MM/YYYY". If it is revised, the date will be the month and year in which the form was revised, such as "'Rev. 01/2020"'.
Hypertext Markup Language (HTML) Format - Converting or developing forms in an HTML format can provide many benefits, including but not limited to: ADA compliance, increased business process efficiencies, secured data collection as well as enabling automated workflows to be adopted more easily.
Agencies must use the current standard, HTML5 or higher.
Agencies must consider usability of the forms and build them to have a responsive and extensible design. (Ex. Mobile devices, tablets, laptops etc.).

It is not advisable to preprint names of employees on forms unless there are compelling reasons to do so. An exception may be made for names of elected or appointed officials.

## ACCESSIBILITY REQUIREMENTS - 1721

The State of California is required to provide all customers equal access to its online information by creating accessible digital content. To ensure equal access to online information (regardless of physical limitations or disabilities), the Statewide Forms Directory content, documents, including forms, intended for posting, must be designed to be accessible and compatible with assistive technology.
All public documents must be designed to comply with the current Web Content Accessibility Guidelines at the "AA conformance level", which is a classification of accessibility requirements for visual presentation.
All documents (including Microsoft Word, Excel, PDF, etc.) intended for posting on any public website must be created in an accessible format and comply with all accessibility requirements. Documents may not be posted online without first being assessed for accessibility. The DFC and FMR for each agency should assess and correct any issues before submitting the form to the FMC for posting. If a form cannot be made compliant a conforming alternative version must be made available.
This policy complies with State and Federal Digital Accessibility Laws:

- State: California Govt. Code Section 11546.7, 7405, 11135
- Federal: Section 508 of the Rehabilitation Act

## FORMS REVIEW PROCESSES - 1725

Proposed changes to state standard (STD) and departmental forms should be reviewed for legal impact, policy compliance, workflow, and electronic signature or approval processes.

Coordinating this review and approval process is the responsibility of the Forms Management Representative (FMR) for each agency/department.

## STATE STANDARD (STD.) FORMS - 1730

State standard (STD) forms are state forms developed for use by all agencies to carry out common statewide administration functions. The Forms Management Center (FMC) is responsible for the orderly design, implementation, management and maintenance of STD forms.

In accordance with Government Code Section 14771, state government agents and entities doing business with the state should use STD forms disseminated by the FMC rather than reproduce their own.

The FMC ensures the most current versions are available online STD forms are available for online use on the California State Forms Directory. Certain paper forms are available through the Office of State Publishing (OSP) in prepackaged quantities and minimum print quantities. See OSP Storefront.

Using STD forms managed by the FMC ensures that the most cost-effective, economical and efficient solution is provided to the state.

These compliance practices reduce costs associated with reproduction, dissemination, storage, and destruction, eliminating redundancy by serving as a centralized location for management of STD forms. Observing these compliance practices avoids the probability of using an expired form revision or an unauthorized form. Unauthorized forms and expired form revisions have been found to increase administrative costs and cause legality problems.

If a state agency has a suggested revision to an STD form, but is not the author of the form, it may submit the revision proposal to the FMC. The FMC will review the proposal and coordinate review by the form's authoring agency for approval.

Note: Customizing department forms for anyone other than the authoring agency will not be performed by the FMC.

## STATE STANDARD (STD) FORMS IDENTIFICATION - 1731

To ensure accuracy in tracking the author of a state standard (STD) form, the originating department's name must be placed near the location of the title, number and date of the form after or opposite the "State of California" line.

The Forms Management Center (FMC), in order to enforce forms identification standards statewide, reserves the right to modify the information contained in the "State of California" line, department's name, title, number, and date of any STD form.

Modification of this information may not be made without the consent of the FMC. The positioning of this information on a form is left to the discretion of the FMC and may be modified by the FMC to fit space limitations.

Forms not included in the STD Forms Program may not carry “STD” or any variation of that designation as a prefix to the form number. If a form is removed from coordination as an STD form and returned to management of the authoring agency, the agency must change the number and identification. These forms may carry a statement such as
“Formerly STD XXX”.

## STATE STANDARD (STD.) FORMS CONTROL - 1732

To ensure compliance, authenticity and version control by being the primary source of state forms control measures will be applied and enforced on all state standard (STD) forms the Forms Management Center (FMC) disseminates.

These control practices include locking of STD forms to reduce unauthorized possession and unapproved altering of the content, design and form field properties, and disabling of menu options for STD deployed on the California Forms Directory. The FMC will post online to facilitate a cost-effective, economical and efficient solution is provided to the state, and to enable entities, public and private, to conduct administrative transactions for state business.

STD forms should not be downloaded for the purpose of redistribution. This non-downloadable aspect ensures that the current revision of an STD form is used.

## MODIFIED STATE STANDARD (STD.) FORMS - 1733

If an agency has a significant and compelling need for a modification to a STD form for the agency only, a request for approval must be submitted via email to the Forms Management Center (FMC). This request should explain the need for the change. The benefits expected and a mock-up or draft of the modified form. The agencies Forms Management Representative (FMR), must review and approve the request before submitting to the FMC. If the FMC finds the request is reasonable, they will then ask the responsible agency if the modification can be accepted. If the request is granted, a copy of the FMC’s approval must be attached to any request for printing. Approvals will be valid for one year unless specifically stated in the approval by the FMC in order to ensure the most current forms are being used.

STD forms modified by an agency with approval of the FMC will carry the STD number and the naming convention of the generating agency, such as “STD 15 - Department of General Services (Rev 12/2019).”

Overprinted STD forms – If your agency purchases STD forms in their original paper form and wishes to overprint with agency information, you must request pre-approval from the FMC. Send the FMC a written request with a mockup copy of the form showing the overprinted text. The Office of State Publishing (OSP) will not overprint STD forms without approval from the FMC. Overprinted forms do not need special identification of the using agency if it is identified in the material overprinted.

State government agencies may opt to have STD forms developed in-house by state government union employees such as digital composers but must coordinate development with the FMC. STD forms must adhere to the FMC’s forms design principles and practices. The FMC has final approval of the layout and design of STD forms. The final management and dissemination of STD forms is required by the FMC or from its centralized resource center. Compliance with these guidelines minimizes the chance of errors associated with unauthorized forms and maximizes efficient use of state resources.

## ELECTRONIC SIGNATURES, ELECTRONIC TRANSACTIONS AND ELECTRONIC RECORD MANAGEMENT FOR STATE FORMS - 1734

**Purpose**

This policy requires all forms that are designed to be completed by internal or external customers (public or private sector entities) conducting business with the State of California, whether standard (STD) or agency forms, are available in an electronic format. Agencies shall use electronic signatures (hereafter “e-Signatures” or “e-Sign”) in place of a wet signature unless prohibited by law.

This policy identifies the permissible types of e-Signatures, electronic transactions, and electronic records (hereafter “e-Records”) when utilizing forms for state business.

**Scope**

This policy applies to all business processes conducted using forms managed by Forms Management Center (FMC) including STD forms and agency business-use forms. This policy enables state agency staff to conduct transactions electronically, to accept e-Signatures by other parties, and to sign agreements on the agency’s behalf by using an e-Signature. This policy does not waive or modify any requirement or limitation as to which officers and employees are authorized to bind their agency to a contract.

This policy does not affect a state agency’s right or obligation to have forms be provided or made available in alternate formats when required by applicable policies, laws, or regulations.

**Background**

Federal legislation known as the Electronic Signatures in Global and National Commerce Act made both electronic contracts and e-Signatures as legal and enforceable, with some exceptions, as traditional paper contracts and forms signed in person.

Following the federal government’s lead, California adopted the Uniform Electronic Transactions Act (California Civil Code § 1633.1-1633.17), which establishes the legal validity of e-Signatures and contracts in a manner similar to the federal law.

California law was revised to make clear that the state is authorized to use any type of e-Signature. See AB 2296 (Chapter 144, Statutes of 2016), effective 1/1/17.

**Policy**

State agencies shall ensure all forms are digitally available and can accept e-Signatures. When an electronic form is transmitted to a state agency, the chain of approval of all those required to sign that document must be clear and unambiguous. All parties required to sign must have unequivocally approved the same document.

Agency Responsibilities

When implementing the use of e-Signatures, agencies shall:

- Implement an e-Signature policy;
- Implement confidentiality procedures to address accurate identification, authentication, authorization, and accountability;
- Implement integrity procedures to address non-repudiation;
- Maintain an e-Record management procedure to ensure electronic form storage and availability;
- Ensure processes and technologies are in place to accept and enable the use of e-Signatures;
- Format forms requiring signatures to accept e-Signatures.

The Department of General Services (DGS) and FMC permit the use of the following e-Signatures, transactions and record management activities in conducting state business with STD or Agency forms:

- **Electronic Signatures:** State agencies may accept permissible types of e-Signatures from all parties as legally binding and equivalent to handwritten signatures to signify an agreement. Each type of e-Signature will include the date the document was signed. Where state or federal laws, regulations, or rules require a handwritten signature, that requirement is met if the document contains an e-Signature unless otherwise prohibited by policies, laws, or regulations. Electronic forms must clearly and unambiguously show the chain of approval of all parties required to sign that document.
- **Electronic Transactions:** State business operations utilizing forms can now be completed electronically. In some cases, state agencies may have a legal obligation to collect a wet signature. In such cases, some forms will still need to be submitted to the agency in paper format. These requirements may change over time as technology adoption is implemented into policy.
- **Record Management:** An e-Record may serve as the official copy of a business-related document. All relevant records, including e-Records, shall be maintained in a reliable recordkeeping system. Business conducted by electronic means shall be fully documented to meet recordkeeping requirements. Records shall be retained or disposed of in accordance with the approved records retention schedules stated in California State Records and Information Management (CalRIM) as supported by the State Contracting Manual (SCM) and the State Administrative Manual (SAM) 1600 *et seq*.

**Types of E-Signatures Permitted for Use on State and Agency Forms by State Agencies**

Only the following types of e-Signatures (further defined in SAM 1710) can be used on forms by state agencies.

- Name Typed or Stamped
- Recorded Voice
- Personal Identification Number (PIN) or Password
- Digitized Image of Handwritten Signature
- Digital Signature

A form needs to include a statement confirming agreement (for example: “I confirm”, “I agree”, or “I accept”) that is tied to the e-Signature to create a binding electronic record. Most state and agency forms already include this language above the signature block.

## BUSINESS-USE INVENTORY - 1735

Government Code Sections 14771(c) and 14775 require the development, maintenance, and review of a statewide inventory of non-tax business-use forms and reports used by state agencies to collect and/or solicit information from businesses.

This inventory is known as the Business-Use Inventory (BUI), synonymous with departmental forms, which is comprised of the forms your department has created in order to conduct its daily business and reports that it requests of businesses. For the purpose of this inventory, a business is defined as any partnership, corporation, organization, business trust, or any person or non-governmental entity or representative thereof which supplies the state with information by filling out a form.

Government Code Section 14771(c) requires the director of the Department of General Services (DGS), through the Forms Management Center (FMC), to develop and maintain the statewide BUI, and notify state agencies of their annual review requirements.

Government Code Section 14775(b) requires each state agency, commencing on December 31, 1995, to review one-third of its BUI on an annual basis.

The reporting period is January 1 through December 31. Each agency shall submit their inventory report using the form FMC 95 - *Forms Inventory Report.* Reports for that calendar year are due to the Form Management Center (FMC) on December 31.

As part of the annual review requirements, each state agency is to eliminate those forms and/or reports that are not mandated by statute. However, an agency head may certify the continued use of a form and/or report if the information provided on the form and/or report meet specific requirements detailed in Government Code Section 14775(b).

Government Code Section 14775(c) states that a business may contest an agency head's certification of the continued use of a form and/or report.

## PUBLIC-USE FORMS INVENTORY - 1740

Government Code Section 14771(a)(12) requires that forms used by the public (including businesses) have assigned control numbers. The agency form number serves this purpose and must appear on the form as part of the identification. See SAM Section 1720.

An agency may not ask for or require members of the public to supply information to the state on a form without the required identification number.

Agencies have been given the responsibility by the Forms Management Center (FMC) to identify all forms used by the public to maintain a current index and inventory of forms. Upon request, agencies must report changes to their inventory to the FMC.

Government Code Sections 14771 – 14775 and SAM Chapters 1700 – 1750 give the FMC ruling authority concerning the disposition of public-use forms. During the FMC's analytical review of public-use forms, the FMC may create a state standard (STD) form in order to eliminate duplicate forms and duplicate form authoring efforts by state departments.

When weighing the effect that a form's disposition has on interagency and common administrative usage, consideration of management and maintenance criteria shall include, but is not limited to, costs associated with publication, distribution and availability.

The FMC will make every effort to meet the needs of the authoring agency. However, an authoring agency must understand that the needs of the state supersede the needs of an agency. FMC expects full cooperation and objectivity from an authoring agency and expects abidance by and compliance with the FMC's decisions, policies, and procedures.

### OTHER APPLICABLE FORM REQUIREMENTS - 1745

There are other pertinent laws and/or directives regarding forms. This includes:

Americans with Disabilities Act (ADA)
Section 508 of the Rehabilitation Act requires electronic and information technology to be accessible to people with disabilities, including employees and members of the public.

- The Rehabilitation Act: Public Law No: 93-112
- US Department of Justice, Civil Rights Division: Overview of Section 508

Savable Documents
All State forms that are available online must be available in a fillable and savable format. This will help reduce errors, processing delays and enhance the user experience by providing a more efficient method to communicate with government.

Privacy and Disclosure
State and federal laws protect people's privacy and confidential information. An agency must obey these laws when gathering or disclosing information about an individual. These laws include requirements concerning the kind of information a form can request, the information that is provided by the individual, how to store the forms and their information; and disclosing the data on the forms.

- Federal Privacy Act, Public Law 93-579
- Freedom of Information Act, 5 U.S.C. 552(b)(6)
- Information Practices Act, California Civil Code Section 1798 et seq.
- California Public Records Act, Government Code Section 6250 et seq.

### DISPOSAL OF UNUSED ACCOUNTABLE FORMS - 1750

Each agency is responsible for the appropriate disposal of unused (blank) accountable forms. Accountable forms are unused pre-numbered forms used to record or transfer money.
Examples are checks, receipts, meal tickets, and licenses.

Destruction of accountable forms should be witnessed by a member of your agency's internal audit unit. If there is no such unit, it must be witnessed by an agency employee who is not directly responsible for handling or accounting for the documents or the fees for which the documents are issued.

## Chapter - 1800

Sections for Chapter 1800

| Section | Subchapter |
|---|---|
| INTRODUCTION | 1800 |
| DEFINITIONS | 1801 |
| ENERGY AND SUSTAINABILITY PROGRAM | 1802 |
| STANDARD OPERATING PROCEDURES FOR ENERGY MANAGEMENT IN STATE BUILDINGS | 1805 |
| POLICY | 1805.1 |
| AUTHORITY | 1805.2 |
| STANDARD OPERATING EFFICIENCY PROCEDURES | 1805.3 |
| RESOURCES | 1805.4 |
| PROCEDURES FOR ENERGY MANAGEMENT IN STATE BUILDINGS DURING ELECTRICAL EMERGENCIES | 1810 |

| | |
|---|---|
| POLICY | 1810.1 |
| AUTHORITY | 1810.2 |
| ELECTRICAL EMERGENCY NOTIFICATION SYSTEM (EENS) | 1810.3 |
| PROCEDURES FOR ELECTRICAL EMERGENCIES | 1810.4 |
| DEMAND RESPONSE | 1810.5 |
| RESOURCES | 1810.6 |
| ENERGY USE REDUCTION FOR NEW, EXISITING, AND LEASED BUILDINGS | 1815 |
| POLICY | 1815.1 |
| AUTHORITY | 1815.2 |
| REQUIREMENTS FOR NEW, EXISTING, AND LEASED BUILDINGS | 1815.3 |
| REPORTING REQUIREMENTS | 1815.4 |
| RESOURCES | 1815.5 |
| ZERO NET ENERGY FOR NEW AND EXISTING STATE BUILDINGS | 1815.31 |
| ENERGY EFFICIENCY IN DATA CENTERS AND SERVER ROOMS | 1820 |
| POLICY | 1820.1 |
| AUTHORITY | 1820.2 |
| REQUIREMENTS OF DATA CENTERS AND SERVER ROOMS | 1820.3 |
| RESOURCES | 1820.4 |
| STATE BUILDINGS AND GROUNDS MAINTENANCE AND OPERATION | 1821 |
| POLICY | 1821.1 |
| DEFINITIONS | 1821.2 |
| INTEGRATED PEST MANAGEMENT | 1821.3 |
| DROUGHT MORATORIUM | 1821.4 |
| LANDSCAPING PRACTICES | 1821.5 |
| MAINTENANCE OF BUILDING EXTERIORS, ROOFS, HARDSCAPE, LANDSCAPE AND EXTERIOR PAINTING | 1821.6 |
| RESOURCES | 1821.7 |
| INDOOR ENVIRONMENTAL QUALITY: NEW, RENOVATED AND EXISTING BUILDINGS | 1825 |
| POLICY | 1825.1 |
| AUTHORITY | 1825.2 |
| DEFINITIONS | 1825.3 |
| ENSURING A HEALTHY INDOOR ENVIRONMENT | 1825.4 |
| RESOURCES | 1825.5 |
| WATER EFFICIENCY AND CONSERVATION | 1835 |
| POLICY | 1835.1 |
| AUTHORITY | 1835.2 |
| DEFINITIONS | 1835.3 |
| WATER USE REPORTING REQUIREMENTS | 1835.4 |
| WATER USE REQUIREMENTS | 1835.5 |
| FACILITIES EXEMPT FROM WATER USE REDUCTION REQUIREMENTS | 1835.6 |

| | |
|---|---|
| RESOURCES | 1835.7 |
| RECYCLING AND WASTE DIVERSION PRACTICES | 1840 |
| STATE AGENCY BUY RECYCLED CAMPAIGN (SABRC) | 1845 |
| ENVIRONMENTALLY PREFERABLE PURCHASING | 1850 |


## INTRODUCTION - 1800

**Energy and Sustainability**

This State Administrative Manual (SAM) chapter provides the policies and guidelines put in place pursuant to the Green Building Action Plan accompanying Executive Order B-18-12. In partnership with other state agencies, the Department of General Services ((DGS) develops policies and guidelines for the operation and maintenance of state buildings to achieve operating efficiency improvements and water and resource conservation, and continually incorporates them into SAM.

The DGS Office of Sustainability develops and implements clean energy strategies and programs for state buildings. State departments strive to lead by example in advancing clean energy and sustainability goals in the state. The office supports state departments in this goal with programs that include clean renewable energy projects, energy retrofit projects/programs, zero net energy (ZNE) building policy development, electric vehicle charging infrastructure development, LEED certification support and state buildings benchmarking. See SAM section 1802 for more details.

## DEFINITIONS - 1801

For definitions of terms used in this SAM Chapter, please refer to the Green California glossary.

## ENERGY AND SUSTAINABILITY PROGRAM - 1802

(Renumbered from 1325)

The Energy and Sustainability Program provides research and project implementation for green and sustainable projects and buildings. The program's mission is to progressively move state agencies towards compliance with the Administration's sustainability initiatives.

- **Clean Renewable Energy Projects** – Consultation and management of projects involving clean renewable energy sources including solar photovoltaic systems and wind turbines.
- **Power Purchase Agreement (PPA) Programs** – Statewide program that provides clean renewable on-site solar and wind energy that does not require up-front capital and generally costs less than grid-based energy.
- **Energy Retrofit Projects/Programs –** Statewide program that offers a no up- front capital, budget-neutral opportunity to participating agencies to reduce their electricity, gas and water consumption while addressing deferred maintenance and improving the environment of state facilities.
- **Zero Net Energy (ZNE) Building Program** – Project consultation program where a new or existing building is designed to produce as much on-site energy as it consumes over the course of a year.
- **Electric Vehicle Charging Program** – Consultation and management of projects for the installation of electric vehicle charging stations.
- **State/Investor-Owned Utility (IOU) Partnership Liaison** – Liaison with the IOU companies regarding incentive programs, Demand Response (DR), grid stability, and renewable energy interconnections.
- **LEED and Sustainability** – Consultation on achieving LEED building certification and other sustainable measures.

## STANDARD OPERATING PROCEDURES FOR ENERGY MANAGEMENT IN STATE BUILDINGS - 1805

The intent of this section is to announce policy and guidelines regarding efficient energy management in state buildings during normal operations.

## POLICY - 1805.1

All state agencies shall follow the Standard Operating Efficiency Procedures for managing energy usage in state-owned buildings and, as practical, in state-leased buildings. Department directors or their designees shall designate energy coordinators for each location their department occupies. Energy coordinators are responsible for ensuring that the Standard Operating Efficiency Procedures are carried out to the extent that funding is available and they do not conflict with health and safety requirements or operations necessary for a department to fulfill its mission and responsibilities.

For the comprehensive policy see Management Memo 14-07: Standard Operating Procedures for Energy Management in State Buildings.

## AUTHORITY - 1805.2

Executive Order B-18-12 requires that state agencies:

1. Take measures toward achieving Zero Net Energy for 50 percent of the square footage of existing state-owned building area by 2025;
2. Take measures to reduce grid-based energy purchases for state-owned buildings by at least 20 percent by 2018, as compared to a 2003 baseline, and reduce other non-building, grid-based retail energy purchases by 20 percent by 2018, as compared to a 2003 baseline; and
3. Participate in "demand response" programs to obtain financial benefits for reducing peak electrical loads when called upon, to the maximum extent that is cost-effective for each state-owned or leased facility, and does not materially adversely affect agency operations.

To meet the Executive Order requirements, state agencies must ensure that they are operating at a high standard level of operating efficiency. This SAM section outlines Standard Operating Efficiency Procedures to ensure efficient energy management in state buildings during normal operations, helping to achieve the Executive Order requirements.

## STANDARD OPERATING EFFICIENCY PROCEDURES - 1805.3

State departments shall follow the Standard Operating Efficiency Procedures described below, to the extent that funding is available and they do not conflict with health and safety requirements or operations necessary for a department to fulfill its mission and responsibilities.

Department directors or their designees shall designate energy coordinators for each location their department occupies. Energy coordinators are responsible for ensuring that the Standard Operating Efficiency Procedures are carried out, except as noted above.

Throughout this section, the term “facility manager” is used. Depending on the structure of the individual facility, the “facility manager” may be the building operator, property manager, or another employee. Other titles may include staff services manager, business services assistant, office building manager, real estate officer, associate business management analyst and associate governmental program analyst. State agencies are responsible for identifying the appropriate party or designee to implement all procedures indicated.

General Requirements

1. At the end of the workday or when not needed, employees shall turn off all lights and equipment in their work space, except for equipment designated as 24/7 or for which there is a specific need for after-hours operations (e.g., email servers, fax machines or other essential equipment). Facility managers are encouraged to install reminder labels.
2. If occupancy controls are not used in common areas, facility managers or appropriate designees shall turn off all equipment and non-emergency lighting at the end of the workday or when not needed.
3. Information Technology managers or appropriate designees shall enable the automatic power-down or “Energy Saver” feature on all computers, copiers, printers, and other electrical equipment, consistent with IT Policy Letter 10-09 and subsection 12 of the State Administrative Manual Section 4819.31.
4. When purchasing equipment, state agencies shall purchase the most energy efficient ENERGY STAR rated equipment that is practical, considering Environmentally Preferable Purchasing principles.

Hours of Operation

Typically, state-owned and leased buildings will be operational from 6:00 AM through 6:00 PM Monday through Friday (excluding facilities that are designated as 24/7 or continuously operational). All non-essential lighting and other electrical loads shall be minimized outside of normal building hours. State agencies are expected to make a reasonable determination as to what functions must continue outside of these hours.

Building Heating and Cooling Systems

1. Facility managers shall allow building temperatures to fluctuate within an acceptable range to avoid wasteful over-control patterns. This range may vary with each building’s control system; the target range is plus or minus two degrees Fahrenheit from the temperature set point, for a total fluctuation of four degrees Fahrenheit. The temperature set point should be no higher than 68°F in winter and no lower than 78°F in summer; unless such a temperature in a particular job or occupation may expose employees to a health and safety risk. Simultaneous or alternate heating and cooling operations to maintain exact temperature in work areas shall be avoided.
2. Whenever practical, facility managers shall operate and adjust controls to get optimum advantage from outside temperatures for meeting cooling demand (e.g., using outside air economizers and night flush cycles). Avoid operating chillers and compressors when possible. All “pre-cooling” options for buildings shall be employed.
3. State employees are prohibited from using personal heaters without the express written consent of the facility manager or an approved reasonable accommodation request.
4. state employee shall keep windows and doors closed to prevent loss of heated or cooled air, unless the facility manager has indicated that the building is specifically designed for natural ventilation efficiency.
5. State employees in state-occupied locations shall adjust window blinds or coverings, if installed, to prevent solar heat gain during summer and prevent heat loss in winter.
6. Facility managers shall order data center operators to maintain ambient temperature settings at manufacturer specification maximums.
7. Facility managers shall not set domestic hot water temperatures above 105° F unless this conflicts with a code requirement for the facility. Facility managers and state employees in state-occupied locations shall take every opportunity to minimize hot water usage.

Year-Round Maintenance

1. Facility managers shall inspect and maintain ducts, air filters, and related hardware to maximize effectiveness at the lowest acceptable power use.
2. Facility managers shall tune up all forced and induced draft gas and oil-fired boilers at least twice annually. If there are automated combustion controls, verification of combustion efficiency shall be conducted at least twice annually.

Lighting

1. State employees in state-occupied locations shall turn off all lights in unoccupied rooms. Facility managers shall install occupancy sensors whenever practical. Occupancy sensors shall be selected to be appropriate to the room geometry and usage patterns of the space.When areas served exceed 10,000 square feet, occupancy sensors should undergo quality assurance testing included in building systems that are commissioned.
2. Facility managers shall reduce lamps and/or luminaires in number and/or wattage to provide the lighting level appropriate for the activities of the work area affected.
3. Facility managers shall replace any incandescent lighting with higher efficiency sources, such as fluorescent, high intensity discharge (HID), light-emitting diode (LED), or induction lighting whenever replacement is required.
4. For fluorescent lights, facility managers shall have a plan by December 2015 to replace any older “core and coil” magnetic ballasts with newer energy-efficient electronic ballasts.
5. Facility managers shall install some form of daylight controls in day-lit zones (near windows and under skylights). When such day-lit areas exceed 10,000 square feet, or are part of new construction or a major renovation, these day lighting controls (e.g., sensors that adjust artificial lighting in response to the available natural light) should be included in building systems that are commissioned.
6. Where practical, facility managers shall consider the significant energy savings made possible by the selection of lower level general ambient lighting with small- area, high-efficiency fluorescent or LED task lighting for higher level task lighting requirements – an approach particularly appropriate for work stations and computer use areas.
7. When painting or renovating, use light colored ceiling, wall, floor and desk surfaces throughout building to boost overall ambient illumination levels (dark surfaces absorb light). Keep lighting fixtures clean to maintain lighting levels.
8. Facility managers shall have custodial personnel turn lights on only as needed and turn lights off when their work is done. Where practical, have custodial personnel work in teams to complete cleaning on each floor of multi-story buildings.

Plug Loads

1. State employees shall not plug in any personal devices, including but not limited to coffee pots, microwaves, refrigerators, and heaters, in workspaces. Exception: the following may be allowed if the facility manager determines that the circuit can safely accommodate the electrical load:
2. Facility managers shall work with employees and vendors to ensure that all equipment in employee kitchens, lunch rooms, and other shared spaces complies with the following:
    1. Additions of new equipment must have a current ENERGY STAR rating, when available;
    2. As practical, strive to replace refrigerators and equipment manufactured prior to 2000 with more efficient models;
    3. Refrigerated beverage vending machines and hot/cold water dispensers that are purchased, leased, or supplied by an outside vendor must be ENERGY STAR rated to the current version, when available;
    4. All vending machines with non-perishable items must comply with one of the following:
        1. Have built-in low power modes for lighting and refrigeration, as applicable and described in ENERGY STAR program requirements for refrigerated beverage machines, version 3.0, section 3)B); or
        2. The facility manager has installed an after-market occupancy sensor.
    5. Coffee makers must shut off automatically;
    6. Equipment must be regularly cleaned and maintained to optimize efficiency.

3. Facility managers shall install power strips with timer settings and/or inexpensive, energy-efficient timers to turn off equipment during non-work hours (including paper shredders, lighted ambient snack vending machines, and hot/cold water dispensers). In implementation of this section, facility managers shall follow any applicable procurement guidelines established for such equipment.

4. Department directors or their designees shall distribute an annual email to educate all employees about the importance of minimizing electrical plug loads and to review relevant state policies and guidelines.

Demand Response

Facility managers should be proactive in contacting their local utility to research the various demand response programs and select appropriate options, when applicable. When an electrical emergency is predicted for the day, the facility manager shall alert state employees and building operations in anticipation of the emergency, and shall implement curtailment measures immediately upon or before the emergency declaration.

In facilities with appropriate energy management systems installed, automated demand response should be considered.

## RESOURCES - 1805.4

1. Plug Load Best Practices Guide: Managing Your Office Equipment Plug Loads, New Buildings Institute.
2. Commercial Plug Load Energy Use Policy: What's in Place, Pending and Possible, New Buildings Institute, April 2013.
3. Plug Load Control, U.S. General Services Administration, September 2012.
4. Assessing and Reducing Plug and Process Loads in Office Buildings, National Renewable Energy Laboratory, April 2013.

## PROCEDURES FOR ENERGY MANAGEMENT IN STATE BUILDINGS DURING ELECTRICAL EMERGENCIES - 1810

The intent of this section is to provide information regarding actions state agencies shall take to control energy usage during electrical emergencies.

## POLICY - 1810.1

State agencies shall designate personnel to receive Department of General Services (DGS) Electrical Emergency Notifications (EENS) list server. Additionally, state agencies shall incorporate the procedures for electrical emergencies into their departmental Emergency Plans.

For the comprehensive policy see Management Memo 14-09: Energy Efficiency in DataCenters and Server Rooms.

## AUTHORITY - 1810.2

Executive Order B-18-12 mandates that state agencies participate in "demand response" programs to obtain financial benefits for reducing peak electrical loads when called upon, to the maximum extent that is cost-effective for each state-owned or leased facility, and does not materially adversely affect agency operations.

Federal law requires that the California Independent System Operator (CAISO) maintain specified levels of energy reserves available to the electrical grid. When reserves reach dangerously low levels because electrical demand is high, the CAISO may declare a Stage 1 Electrical Emergency to bring about a reduction in demand. The CAISO can escalate the emergency to Stage 2 and then Stage 3 if curtailment measures do not successfully reduce demand. Finally, the CAISO may use rotating outages to balance the demand for electricity to the available supply.

## ELECTRICAL EMERGENCY NOTIFICATION SYSTEM (EENS) - 1810.3

The DGS EENS Manager will use email to notify all parties that have registered for the EENS list server on the EENS Web page.

All state agencies should have one or more persons from each state-owned or state leased facility subscribe to the list server so they can receive electrical emergency notifications. It is the responsibility of the agencies to update the contact e-mail addresses on the list server as required.

For information on the EENS system, copies of energy instruction documents, and additional energy conservation information and links, please send an e-mail to EENS@dgs.ca.gov .

The DGS Real Estate Services Division periodically conducts tests of its notification system. The test messages will also contain information on how to update agency contact information.

## PROCEDURES FOR ELECTRICAL EMERGENCIES - 1810.4

The DGS Real Estate Services Division will alert departments, universities, and community colleges when the CAISO declares a Stage 1, 2, or 3 Electrical Emergency and when those Stages are cancelled.

This table contains links to documents that provide detailed instructions on controlling energy usage. The energy management practices of all state agencies should conform to these procedures.

Table content available in source manual.

State agencies should print a copy of these procedures and incorporate them in departmental Emergency Plans in order to be prepared for an electrical emergency.
Based on operational needs, some departments may need to employ conservation measures that are more or less restrictive. Department energy management personnel must communicate department-specific instructions to the appropriate staff.

## DEMAND RESPONSE - 1810.5

Executive Order B-18-12 mandates that state agencies participate in "demand response" programs to obtain financial benefits for reducing peak electrical loads when called upon, to the maximum extent that is cost-effective for each state-owned or leased facility, and does not materially adversely affect agency operations.

State agencies should be proactive in contacting their local utility to research the various Demand Response programs and selecting an appropriate option, when applicable. When an electrical emergency is predicted for the day, the agency should prepare the occupants and operations in anticipation of the emergency and implement curtailment measures immediately upon or before the emergency declaration.

In facilities with appropriate energy management systems, Automated Demand Response should strongly be considered.

## RESOURCES - 1810.6

1. California Energy Alert
2. Department of Personnel Administration Employee Leave and Safety during Rolling Blackouts, January 23, 2001

# ENERGY USE REDUCTION FOR NEW, EXISITING, AND LEASED BUILDINGS - 1815

Legal Authority

Executive Order B-18-12
Government Code section 8316
Green Building Action Plan

Definitions

Definitions can be found on the Green Glossary at https://www.green.ca.gov/buildings/resources/glossary/

Policy

All state agencies shall achieve targets and timelines for energy use reductions established in Executive Order B-18-12 and the Green Building Action Plan for buildings they design, build, manage, or lease.
Agencies shall include their strategies and procedures to achieve these targets in their Five-Year Infrastructure Plan updates and sustainability roadmaps.

All monthly energy consumption data shall be entered into the ENERGY STAR® Portfolio Manager® by **March 1** of each year.

1. **New Buildings and Major Renovations**

a. All new building and major renovation project computer modeling, reports, and other related documentation prepared as part of the design process shall become the property of the state once the project is closed out and/or has received an occupancy permit.
b. All new building and major renovation projects shall be designed and constructed to exceed by 15 percent or more the applicable version of the Title 24, Part 6, Building Energy Efficiency Standards, and include building commissioning.
c. All new building and major renovation projects less than **10,000 gross square feet of building area (gsf)** shall meet or exceed applicable Tier One project requirements. (Title 24, Part 11, California Green Building Standards.)
d. All new building and major renovation projects **larger than 5,000 gsf and exceeding an energy use intensity (EUI) of 50,000 British thermal units (BTU)/gsf, or larger than 10,000 gsf** shall be commissioned in accordance with California Title 24, Part 6, Energy Efficiency Standards and approved rating system that are in effect and utilized at the time.
e. All new building and major renovation projects **larger than 10,000 gsf** shall:
    i. Install and operate all design-appropriate and economically feasible clean, renewable power generation including, but not limited to solar photovoltaic, solar thermal, and wind power generation including clean backup power supplies.
        1. To the extent possible, explore methods of alternative financing including but not limited to power purchase agreements (PPAs) or other mechanisms to fund, install, and/or manage on-site or off-site renewable energy generation.
    ii. Obtain a green building rating, based upon applicable standards in effect at the time project schematic design documents are initiated by the state agency.
        1. Since 2004, the state has utilized Leadership in Energy and Environmental Design (LEED) as the default green building rating system. However, any building rating systems that generally cover the same sustainability subject matter may be utilized.
        2. In determining the specific building rating system, for projects managed by DGS, approval of the proposal as to which system to be used shall be made by the Deputy Director of the Real Estate Services Division (RESD) of the Department of General Services.
        3. At the beginning of the design of a given project, or earlier if a feasibility, infrastructure, or other study is to be performed, the project team shall propose a building rating system and level of certification by memo to the Deputy Director of RESD.
        4. In proposing a building rating system, the project team shall ensure that the system advances the state's priorities for sustainable design, is feasible to achieve, and is achievable without undue cost burden to the project (either in direct costs to document/obtain the certification or indirectly through cost-ineffective requirements).
        5. At no time shall the building rating system, nor the specific level of certification for a given project, be less than what is required by Executive Order and statute.
f. All new buildings and major renovation projects shall include an Energy Management Systems (EMS) with a training program for energy management and maintenance staff; or shall include an Energy Management Plan.
g. All EMS systems shall be Automated Demand Response capable and enrolled with the state's Demand Response provider/aggregator where feasible.

2. **Existing Buildings**

a. **All existing buildings over 50,000 gsf** shall obtain a green building rating, for existing buildings based upon applicable standards.
    i. Since 2004, the state has utilized Leadership in Energy and Environmental Design (LEED) as the default green building rating system. However, any building rating systems that generally cover the same sustainability subject matter may be utilized.
    ii. For buildings under the jurisdiction of DGS, the selection of the rating system proposed shall be approved by the Deputy Director of the Facilities Management Division.
    iii. Buildings shall also meet or exceed an ENERGY STAR rating of 75, to the maximum extent cost-effective.
b. All state agencies shall take measures to reduce annual grid-based energy purchases for existing buildings by 20 percent, compared to a 2003 calendar year baseline. Total grid-based energy purchases shall be calculated in equivalent thousand British thermal units (kBtu Site) when compared to purchases in calendar year 2003 for all forms of energy provided (for example, electricity, natural gas, propane, and any other forms of energy) according to Table 1 below.

Table content available in source manual.

i. Retail electricity purchases for water management activities directly associated with water conveyance and flood control are excluded.
ii. Agencies shall set up automated energy data transfers from their utility into the ENERGY STAR Portfolio Manager database, if available from their utility.

c. All state agencies shall participate in all available demand response power supply programs, through the DGS OS's Demand Response provider/aggregator where feasible, designed to reduce peak electrical loads when such programs do not adversely affect state agency building operations, occupant performance or indoor environmental quality.
d. Existing buildings shall incorporate building commissioning to facilitate improved and efficient building operations as set forth in Table 2 below.

Table content available in source manual.

**3. Leased Buildings**

a. All state agency build-to-suit leases shall be designed and constructed to meet the requirements of Section 1 above for New Buildings and Major Renovations.
b. All new and renegotiated state building leases shall encourage lower than industry-standard energy and other resource use to the extent possible and economically feasible. These leases should also encourage landlords to participate in available utility programs that offer financial incentives and alternative financing to cover energy efficiency measure and renewable power system incremental costs.
c. All new state building leases shall, where economically feasible, require the use of submeters for gathering energy use data as needed to complete ENERGY STAR Portfolio Manager reports.
d. Renegotiated state building leases for buildings, where the state is a sole tenant, shall provide energy use data, if possible, for completing ENERGY STAR Portfolio Manager energy use evaluations and for benchmarking reports.
e. All state-leased facilities shall request that the lessor participate in cost-effective demand response power supply programs designed to reduce peak electrical loads, through the DGS OS's Demand Response provider/aggregator where feasible, without adversely affecting state agency building operations, occupant comfort and performance, or indoor environmental quality requirements. Sustainable operations and practices can be found in Chapter 1800 of SAM.

**4. Reporting Requirements**

a. Agencies shall update and incorporate energy use reduction goals in their Five-Year Infrastructure Plans on an annual basis and the biennial sustainability roadmaps.
b. Annual whole building energy use shall be entered into the ENERGY STAR Portfolio Manager database; access shall be granted to the DGS Office of Sustainability.
c. Benchmarking of initially occupied new buildings and build-to-suit leases should begin upon building occupancy.

## Responsibilities

### Agency

1. Update Five-Year Infrastructure Plan annually, to include goals and actionable items to achieve energy use reduction and include in biennial Sustainability Roadmaps.
2. Enter monthly energy consumption data into the ENERGY STAR® Portfolio Manager® including electricity, natural gas, propane on-site renewable energy, and any other forms of energy. Onsite renewable energy generated counts toward energy reductions and is not included in total energy purchases.
3. Verify all data is complete and accurate by March 1st each calendar year for the previous calendar year by emailing DGS Office of Sustainability.
4. Provide online access to the ENERGY STAR Portfolio Manager database to the DGS Office of Sustainability.

### DGS-Office of Sustainability

1. Publish the New, Existing, and Leased building sustainability reporting metrics on the Green California website.
2. Coordinate all benchmarking and interagency sustainability reporting, sustainability roadmaps, and sustainability policy development.

### DGS-Deputy Director, Real Estate Services Division

1. Review and approve green building rating for New Buildings and Major Renovations for projects managed by DGS.

### DGS-Deputy Director, Facilities Management Division

1. Review and approve green building rating for existing buildings under the jurisdiction of DGS.

## Resources

Design Guidelines to Consider:

- Energy Design Resources, Investor-Owned Utilities PG&E,SDG&E, SCE, SMUD,and LADWP
- California Energy Design Assistance Program (CEDA)
- Saving Energy in Commercial Buildings, NREL, U.S. Department of Energy
- Energy Star Building Upgrade Manual, U.S. Environmental Protection Agency
- National Institute of Building Sciences Whole Building Design Guide
- California Commissioning Guides for New Buildings and Existing Buildings

- Leadership in Energy and Environmental Design (LEED) Resources, US Green Building Council
- Database of State Incentives for Renewables & Efficiency

Tracked Changes Version Not Available

## POLICY - 1815.1

All state agencies shall achieve targets and timelines for energy use reductions established in Executive Order B-18-12 and the Green Building Action Plan for buildings they design, build, manage, or lease.

- Agencies shall include their strategies and procedures to achieve these targets in their existing building infrastructure plan updates.
- Agencies shall enter all energy consumption data into the ENERGY STAR® Portfolio Manager® annually, by March 1. As agencies automate their meters, this information will be collected monthly.

For the comprehensive policy see Management Memo 15-04: Energy Use Reduction For New, Existing, And Leased Buildings.

## AUTHORITY - 1815.2

This management memo is executed under the Governor's executive authority established in Executive Order B-18-12 and the Green Building Action Plan

## REQUIREMENTS FOR NEW, EXISTING, AND LEASED BUILDINGS - 1815.3

1. **New Buildings and Renovations**
    a. All new building and renovation project computer modeling, reports, and other related documentation prepared as part of the design process shall become the property of the state once the project is closed out and/or has received an occupancy permit.
    b. All new building and renovation projects shall be designed and constructed to exceed by 15 percent the applicable version of the Title 24, Part 6, Building Energy Efficiency Standards.
    c. All new building and renovation projects less than **10,000 gross square feet of building area (gsf)** shall meet or exceed project applicable Title 24, Part 11, California Green Building Standards Tier One requirements.
    d. All new building and renovation projects **larger than 5,000 gsf** and **exceeding an energy use intensity (EUI) of 50,000 British thermal units (BTU)/gsf**, or **larger than 10,000 gsf** shall be commissioned in accordance with Leadership in Energy and Environmental Design (LEED) requirements and California Title 24, Part 6, Energy Efficiency Standards that are in effect at the time.
    e. All new building and renovation projects **larger than 10,000 gsf** shall:
        i. Install and operate all design-appropriate and economically feasible clean, onsite power generation including, but not limited to solar photovoltaic, solar thermal, and wind power generation including clean backup power supplies.
            1. To the extent possible, explore methods of alternative financing including but not limited to power purchase agreements (PPAs) or other mechanisms to fund, install, and/or manage on-site renewable energy generation.
        ii. Obtain LEED Silver or higher certification using the version of LEED that is in effect at the time the project schematic design documents are initiated by the state agency. Certification to an equivalent or higher rating system or standard (if any) is acceptable only when approved by the Sustainability Task Force.
    f. All new building and renovation projects that are authorized to begin the schematic phase of design on or after **January 1, 2020, and before January 1, 2025,** shall be constructed as zero-net-energy (ZNE) facilities, **unless** the department has achieved the goal of at least 50 percent of new building and renovation projects during that period being ZNE. All new building and renovation projects that are authorized to begin the schematic phase of design on or after **January 1, 2025,** shall be constructed as zero-net-energy (ZNE) facilities.
    g. All new buildings and renovation projects shall include an Energy Management Systems (EMS) with a training program for energy management and maintenance staff; or shall include an Energy Management Plan.
2. **Existing Buildings**
    a. **Before January 1, 2016, all existing buildings over 50,000 gsf** shall complete LEED for Existing Building Operations and Maintenance (LEED-EBOM) certification. Buildings shall meet or exceed an ENERGY STAR rating of 75, to the maximum extent cost-effective.
    b. **For calendar year 2018 or before**, all state agencies shall take measures to reduce annual grid-based energy purchases for existing buildings by 20 percent, compared to a 2003 calendar year baseline. Total grid-based energy purchases shall be calculated in equivalent thousand British thermal units (kBtu) when compared to purchases in calendar year 2003 for all forms of energy provided (for example, electricity, natural gas, propane, and any other forms of energy) according to Table 1 below.

Table content available in source manual.

    i. Agencies shall enter current energy use data into the ENERGY STAR Portfolio Manager database, including electricity, natural gas, propane on-site renewable energy, and any other forms of energy. Onsite renewable energy generated counts toward energy reductions and is not included in total energy purchases.
        1. Online access to the ENERGY STAR Portfolio Manager database shall be provided to DGS.
        2. Retail electricity purchases for water management activities directly associated with water conveyance and flood control are excluded.
    ii. Agencies shall set up automated energy data transfers from their utility into the ENERGY STAR Portfolio Manager database, if available from their utility.
1. **Before January 1, 2025**, all state agencies shall take measures toward achieving ZNE for at least 50 percent of total state-owned building area (gsf) that they manage. Agencies shall:
    i. Reduce non-facility energy use (including plug loads affected by building occupant behaviors, computers, equipment and appliances).

ii. Assess feasibility, methods, and mechanisms to install on-site renewable energy to generate as much energy over a year as all combined sources of energy used on the site during the same year.
iii. To the extent possible, explore methods of alternative financing including, but not limited to energy service companies (ESCOs), on-bill financing, GS-$Mart, and PPAs.

2. **By December 31, 2016**, all state agencies shall participate in all available demand response power supply programs designed to reduce peak electrical loads when such programs do not adversely affect state agency building operations, occupant performance or indoor environmental quality.
3. Existing buildings shall incorporate building commissioning to facilitate improved and efficient building operations as set forth in Table 2 below.

Table content available in source manual.

3. **Building Leases**
   a. All state agency build-to-suit leases shall be designed and constructed to meet the requirements of Section 1 above for New Buildings and Renovations.
   b. All new and renegotiated state building leases shall encourage lower than industry-standard energy and other resource use to the extent possible and economically feasible. These leases should also encourage landlords to participate in available utility programs that offer financial incentives and alternative financing to cover energy efficiency measure and renewable power system incremental costs.
   c. All new state building leases shall, where economically feasible, require the use of submeters for gathering energy use data as needed to complete ENERGY STAR Portfolio Manager reports.
   d. Renegotiated state building leases for buildings, where the state is a sole tenant, shall provide energy use data, if possible, for completing ENERGY STAR Portfolio Manager energy use evaluations and for benchmarking reports.
   e. All state-leased facilities shall participate in cost-effective demand response power supply programs designed to reduce peak electrical loads, if available, without adversely affecting state agency building operations, occupant comfort and performance, or indoor environmental quality requirements outlined in the State Administrative Manual (SAM), Sustainable Operations and Practices Ch. 1800.

## REPORTING REQUIREMENTS - 1815.4

1. **Reporting Requirement**
   Each state agency shall be responsible for developing annual energy use reduction goals and intended actions for achieving the goals stated in its five- year infrastructure plan.
   a. Agency Reporting Requirements for State-Owned (Existing) Buildings and New and Renegotiated State Building Leases.

The annual energy use reduction goals of existing buildings, as well as new and renegotiated state building leases, shall be included in the annual state agency five-year infrastructure plan, and annual whole building energy use shall be entered into the ENERGY STAR Portfolio Manager database, with access provided to DGS.
Benchmarking of initially occupied new buildings and build-to-suit leases should begin upon building occupancy.

## RESOURCES - 1815.5

Alternative funding sources to support agency five-year infrastructure plans to meet or exceed the requirements of this management memo can include power purchase agreements (PPA's), GS $Mart, the *Energy Efficient State Property Revolving Fund*, or other funding mechanisms.

Title 24, Part 6, Energy Efficiency Standards http://www.energy.ca.gov/title24/

*Design Guidelines to Consider*

- Energy Design Resources, Investor-Owned Utilities PG&E,SDG&E, SCE, SMUD,and LADWP
- Savings by Design Program
  Savings by Design Online Program Handbook
- Saving Energy in Commercial Buildings, NREL , U.S. Department of Energy
- Energy Star Building Upgrade Manual, U.S. Environmental Protection Agency
- National Institute of Building Sciences Whole Building Design Guide
- California Commissioning Guides for New Buildings and Existing Buildings
- Leadership in Energy and Environmental Design (LEED) Resources, US Green Building Council
- Database of State Incentives for Renewables & Efficiency

## ZERO NET ENERGY FOR NEW AND EXISTING STATE BUILDINGS - 1815.31

**Purpose**
This policy was outlined in Management Memo 17-04 and provides state agencies and building professionals with the requirements for meeting zero net energy (ZNE), as well as the direction, strategies and procedures that will help them achieve ZNE for new building design and construction, and build-to-suit leases, as well as existing state-owned buildings.

This policy is part of a series of directives to state agencies designed to implement the Governor's Executive Order (EO) B-18-12 on energy and resource conservation in state buildings.

**Policy**

Executive Order B-18-12 requires the following actions to reduce the environmental impact of state facilities on climate change:

- All new State buildings and major renovations beginning design after 2025 shall be constructed as Zero Net Energy facilities.
- 50% of new facilities beginning design after 2020 shall be Zero Net Energy.
- State agencies shall also take measures toward achieving Zero Net Energy for 50% of the square footage of existing State-owned building area by 2025.

  To facilitate achieving these goals the following shall apply:
- All new state buildings, major renovations, and build-to-suit leases beginning design after October 23, 2017, shall be designed and built following cost-effective energy efficiency strategies for achieving ZNE identified below.
- Departments shall work to improve energy efficiency in existing buildings in the most cost cost-effective manner to meet or exceed energy efficiency targets established in energy efficiency strategies for achieving ZNE identified below.
- Renewable energy generation shall be added to state facilities either onsite, and/or offsite to achieve EO B-18-12 targets by following renewable energy generation prioritization and strategies identified below.

**Reporting Requirements**

Energy use reporting is already required monthly into the ENERGY STAR Portfolio Manager database (see SAM chapter 1815.4). Departments shall also provide status on compliance with this policy in their department *Sustainability Road Map*.

**Definition of Zero Net Energy (ZNE)**

***ZNE Source*** – *Energy Efficient building that produces as much clean renewable energy as it consumes over the course of a year, when accounted for at the energy generation source.*

Source energy represents the total amount of raw fuel that is required to operate the building. It incorporates all fuel extraction, transmission, delivery, and production losses. By taking *all* energy use into account, the ZNE definition provides a complete assessment of energy used in buildings.

Definitions of other terms can be found in the Green California Glossary.

**Energy Measurement and Calculation**

Measurement of source energy converts all energy sources into common units of *Source kBtu* using established conversion factors for each energy source. Energy use quantities are included in the Energy Star Portfolio Manager reporting1. Source energy conversion factors shall be applied to energy metrics from all energy sources, including district energy and renewable energy and shall be based on national averages in ASHRAE Standard 105-20142. They are also included in a *ZNE Calculator* for State Buildings. Energy used for Zero Emission Vehicle charging or fueling is excluded from building total energy for ZNE calculations.

State agencies shall utilize the following strategies to achieve ZNE at state facilities whenever possible and cost-effective to ensure the highest output and efficiency possible, reduce long-term operating budgets and reduce or avoid any uneconomical over- generation of renewable energy:

1. **Energy Efficiency** – Ultra-low energy use through energy conservation, passive systems and whole-building integrated energy efficiency measures should always be the initial focus for each building pursuing ZNE.
   a. **New Construction, Major Renovations and Build-to-Suit Leases** – All new projects shall exceed the applicable version of California code (California Code of Regulations, Title 24, Part 6), by fifteen percent or more. (This is already required by EO B-18-12 and identified in its Green Building Action Plan)
      - Build-to-suit leases apply where the state will likely become the eventual owner of the building, and the state is the sole tenant.
      - All new projects should design and construction facilities to maximize efficiency, and accommodate on-site renewable energy to the extent feasible and cost-effective, whether onsite renewables are installed with new project, or at a later date. This may include site orientation, massing, layout, landscape design, roof design and orientation, and mechanical/electrical room layouts. If onsite renewable energy is not possible, or feasible, other renewable energy generation strategies may be utilized (see Renewable Energy Generation categories below.)
      - Design and install conduits and chases for eventual wiring and plumbing required for connecting site and/or building renewable energy systems to mechanical/electrical rooms.
      - Departments with decision-making authority are responsible to implement energy efficiency measures into all new construction and major renovation projects, and meet energy efficiency targets, or exceed them to the extent cost effective. The Department of General Services (DGS) is responsible for implementing these measures into buildings for Departments without this authority.
      - All departments are responsible to conserve energy to the extent feasible, through procurement of energy-efficient office equipment, and other measures identified in SAM Section 1805.3 – Standard Operating Efficiency Procedures.
      - A ZNE Decision Making Matrix for State Agencies helps identify measures and responsibilities of owners, tenants of new and existing state buildings pursuing ZNE.
   b. **Existing Buildings** – Existing state buildings should strive to achieve high levels of energy efficiency before adding renewable energy to achieve ZNE. While state agencies are required to take measures toward achieving ZNE on 50 percent or more of their building area, they should work to achieve high energy efficiency levels in their entire portfolios to the extent cost effective.
      - Energy efficiency for ZNE is to be measured using Source Energy Use Intensity (Source EUI), and uses the following units of measurement – **kBtu/sq. ft. Source** (thousand British thermal units per square foot of building area). This metric can currently be extracted from the Energy Star Portfolio Manager in a report, but can also be calculated using the ZNE Calculator.
      - Energy efficiency targets for existing state buildings are derived from 2015 historic state-owned building energy data and some national data. These energy efficiency targets are established as the top quartile of energy use

for each building type. For some building types (i.e. offices & other types) EUI targets are established for some specific state occupancies, as well. This accounts for variations from differences in occupancy, hours of use, equipment, etc.

- Source EUI targets for Existing State Buildings are all listed in the linked table and includes variations for each of the 16 California Climate Zones. These are soft EUI targets that state agencies should attempt to achieve for buildings or facilities pursuing ZNE. They are intended as a guide, as some circumstances may vary affecting the feasible achievability of some targets.
- Energy use reduction in existing buildings can be achieved through a variety of measures including:
  - Upgrading lighting systems and controls to more efficient systems
  - Upgrading heating, ventilation and air conditioning (HVAC) systems and/or controls for improved efficiency
  - Improving thermal performance of building envelope (insulation, glazing, roofing, etc.)
  - Reducing plug loads by improving efficiency of equipment and appliances used in building (see SAM chapter 1805)
  - Energy conservation measures of occupants
  - Retro-commissioning and monitoring-based commissioning, as required and outlined by SAM Section 1815.3
  - The DGS Energy Efficiency Retrofit Program provides support for state departments on energy efficiency upgrades utilizing ESCo's, and other alternative financing options.
- A ZNE Decision Making Matrix for State Agencies helps identify measures and responsibilities of owners, tenants of new and existing state buildings pursuing ZNE.

**Renewable Energy Generation**

In addition to achievement of energy efficiency targets, renewable energy must be generated and used to offset the annual energy use of the facilities achieving ZNE. Renewable energy generation should come from the following sources, as much as possible in the priority listed (a through d below), but can include a combination of the following approaches. In all cases Renewable Energy Credits (RECs) must be retired (not sold to other customers) for all renewable energy systems.

a. **Building** – Generate and use renewable energy on-site to the extent possible and cost-effective.
   - This can utilize rooftops, or the building site (parking lot, adjacent land) for on-site renewable generation.
   - On-site systems can be purchased as part of projects, procured through Power Purchase Agreements (PPA's), or through other means. DGS provides assistance procuring PPA's through its Clean Energy Generation Program.
   - It is strongly advised that all on-site renewable energy system procurement include services for operation and maintenance to assure that system operation and generation persists for the life of the equipment.

b. **Campus** – Generate and use renewable energy within a multiple building campus to the extent possible.
   - This can utilize rooftops, or the building or campus site (parking lot, adjacent land, common areas) for on-site renewable generation.
   - Advantages of campus generation include that excess renewable energy generation, above the amount of the building(s) achieving ZNE can be used to offset other campus loads.

c. **Portfolio** – Generate and use renewable energy within an owner's portfolio to the extent possible.
   - Multiple building sites by the same owner could be used and aggregated so that the combined on-site renewable energy could offset the combined building energy from the aggregated building sites. This could apply to the entire portfolio, or portions of the portfolio.
   - This approach would allow ZNE to be achieved for energy-efficient buildings within the portfolio where the capacity for on-site renewable energy is very restricted. While preferable, it is not required that renewable generation using the portfolio approach be in the same utility grid as the building achieving ZNE.
   - This approach may require a cooperative agreement with the utility, and could also provide an outlet for excess renewable energy production during periods of the day when over-generation of electricity is likely, to avoid financial losses from selling back excess energy wholesale to utilities.

d. **Community** – Generate renewable energy within the state for use at the facility, after other feasible options have been exhausted to the extent possible.
   - This could be applied to allow long-term purchase agreements of state-generated, renewable energy, dedicated to providing energy for the building(s). Agreements should extend a minimum of 20 years, and must specify that the RECs are owned by the electricity customer and retired by the utility.
     - Some utilities may offer customers the opportunity to enter a long-term contract to purchase renewable energy from the utility for some portion of the energy used at the site. The contract must be for at least 20 years and must specify that RECs are owned by the electricity customer and will be retired by the utility.
   - Short-term RECs would not be allowed to be counted toward achievement of ZNE, while they are still effective to reduce GHG emissions.

e. **Other renewable generation strategies to consider**
   - **Share excess generation** – Whenever possible, excess generation should be utilized on-site through energy storage, with other buildings on campus, or through utility agreements with other buildings in portfolio.
   - **Install energy storage** – Utilize on-site energy storage (batteries, thermal, etc.) to shift energy use for peak load reduction, limit over- generation sent back to the grid, reduce demand charges, reduce energy costs by taking advantage of time-of-use (TOU) rates, and provide cloud cover and outage protection for the facility.
   - **PV array orientation –** To the extent possible, orient the PV arrays in way that maximizes alignment of the onsite generation with the onsite electrical load. This approach should be reviewed and adjusted over time to provide alignment with the needs of the utility grid.
   - **Use over-generated energy for EVSE charging** – Electric vehicle service equipment (EVSE) can utilize excess energy generated to charge electric vehicles. This will help reduce or avoid export of over- generated electricity, and help agencies meet zero-emission vehicle charging infrastructure goals. Energy used for electric vehicle charging does not count toward building energy use, nor does it need to be included in ZNE building calculations. However, electricity generated through on-site renewables that is used for EV charging can be used in ZNE calculations to offset non-EV-charging electricity and natural gas use at the site.
   - **Renewable heating and cooling** (including ground source heat pumps or district heating), electrification, and other technologies to improve efficiency.

- **Mixed source of renewable energy** – Consider mixed sources of renewable energy from multiple sources, to mirror best grid optimization. For example, wind power also generates without sunlight, and during non-daylight hours.
- **Renewable heating and cooling** (including ground source heat pumps or district heating), electrification, and other technologies to improve efficiency.

**Additional Energy Reference Policies**
State departments should have implemented the practices incorporated into the State Administrative Manual (SAM) Chapter 1800, *Sustainable Operations and Practices*, in the operation and maintenance of their facilities. Chapters that contain energy policies include:

- Standard Operating Procedures for Energy Management in State Buildings (Section 1805)
- Procedures for Energy Management in State Buildings During Electrical Emergencies (Section 1810)
- Energy Use Reduction for New, Existing and Leased Buildings (Section 1815)
- Energy Efficiency in Data Centers and Server Rooms (Section 1820)

State of California Zero Net Energy Resources and Guides
State of California Energy Efficiency Targets for Existing State Buildings Pursuing Zero Net Energy (ZNE)

- Source EUI targets – Table identifying energy efficiency (Energy Use Intensity) targets for existing state buildings to achieve or exceed when pursuing ZNE. Targets use Source EUI metrics that can be retrieved from Energy Star Portfolio Manager in a report, or calculated using ZNE Calculator.
- ZNE Calculator – Spreadsheet calculator developed by California Department of General Services to calculate Source EUI, estimate renewable energy generation and/or photovoltaic array requirements, and to verify achievement of ZNE after 12 months of energy data is verified.
- ZNE Decision Making Matrix for State Agencies – Guideline for what decisions need to be made by owners, tenants, etc., for state ZNE buildings.

Information and Directories:

- Getting to Zero Database – Database of verified and emerging ZNE buildings. Agencies are encouraged to submit information on their buildings that have been built or upgraded to be ZNE, as well as after 12 months of energy data have verified achievement.

Guidelines and Resources:

- New Buildings Institute Zero Net Energy Hub – Website with resources and tools supporting ZNE, energy efficiency and other related efforts.
- The Technical Feasibility of Zero Net Energy Buildings in California – A ZNE technical report by ARUP for PG&E published December 2012.
- The Road to ZNE: Mapping Pathways to ZNE Buildings in California – A ZNE report by HMG for California Utilities, published December 2012.
- Net Zero Energy Design: A Guide for Commercial Architecture, Thomas Hootman, 2012
- Design Professional's Guide to Zero Net Energy Buildings, Charles Eley, 2016
- How-To Guide for Energy-Performance-Based Procurement: An Integrated Approach for Whole Building High Performance Specifications in Commercial Buildings – NREL, 2013
- Introduction to Cost Control Strategies for Zero Energy Buildings: High-Performance Design and Construction on a Budget – NREL, 2014
- Cost Control Strategies for Zero Energy Buildings: High-Performance Design and Construction on a Budget – NREL, 2014
- *An Energy-Performance-Based Design-Build Process: Strategies for Procuring High- Performance Buildings on Typical Construction Budgets: Preprint* – NREL, 2014

Case Studies:

- Zero Net Energy Case Study Buildings Volume 1– Six case studies of ZNE buildings published in September 2014, written by Edward Dean for PG&E
- Zero Net Energy Case Study Buildings Volume 2– Five case studies of ZNE buildings published April 2016, written by Edward Dean for PG&E
- Zero-Net Energy Case Studies – New Buildings Institute, 2014. Brief case studies of various ZNE buildings in US. More NBI case studies at this link.

1 State agency and facility energy use is posted on the governor's green building website, and will eventually include energy efficiency metrics and ZNE data.
2 ASHRAE Standard 105-2014, Table J2A. Primary Energy Conversion Factors for National Comparisons

## ENERGY EFFICIENCY IN DATA CENTERS AND SERVER ROOMS - 1820

The intent of this section is to provide direction to all state agencies under the Governor's executive authority to meet data center and server room energy efficiencies as required in the Green Building Action Plan Section 10.7.

### POLICY - 1820.1

State agencies will achieve energy operating efficiency in data centers and server rooms in state owned and state leased buildings.

### AUTHORITY - 1820.2

Executive Order B-18-12 mandates that DGS work with other state agencies to develop and implement policies and procedures for the operation and maintenance of state buildings to achieve operating efficiency improvements and water and resource

conservation, and to continually update and incorporate these into the State Administrative Manual (SAM); pursuant to the Green Building Action Plan section 10.7.

## REQUIREMENTS OF DATA CENTERS AND SERVER ROOMS - 1820.3

1. By December 31, 2014, all state-owned and leased data centers and server rooms greater than 200 square feet shall be operated within the 2011 ASHRAE - TC 9.9, Class A1 – A4, recommended guidelines for temperature and humidity in addition to all applicable 2013 Title 24 Building Energy Efficiency Standards. In most cases it will not be necessary to control humidity and/or dew point in order to stay within the specified ASHRAE- recommended guidelines. If this becomes a problem, the Department of Technology can assist agencies by recommending solutions.
   Temperature and humidity in data centers and server rooms shall be measured at the information technology (IT) equipment air inlets for temperature and humidity compliance. It is recommended that supply air inlet temperatures in data centers remain in the 23 to 27 degree Celsius (C) (73 to 81 degrees Fahrenheit) range.
   Table content available in source manual.

2. All state data centers that exceed 1,000 square feet shall measure and report their power usage effectiveness (PUE) annually by December 31 (beginning December 31, 2014) to the Department of Technology using the Power Usage Effectiveness Report (TECH 408). For agencies whose cooling is supplied through the downtown Sacramento Central Plant, the Department of Technology can provide specific instructions for the calculations. Agencies are responsible for submitting these reports, and must base their PUE calculations on the criteria outlined in the Green Grid publication.
   Data centers that exceed a PUE of 1.5 shall reduce their PUE by a minimum of 10 percent per year until they achieve a 1.5 or lower PUE. These reductions can be achieved through energy saving measures and/or through scheduled and budgeted power and cooling supply equipment replacements. If agencies that manage data centers 1,000 square feet or larger do not have the expertise to reduce PUE, the Department of Technology can provide suggestions. The Department of General Services and local utilities also are excellent resources to suggest energy savings measures.
3. When purchasing network switches and routers, all state agencies must specify the Energy Efficient Ethernet IEEE (Institute of Electrical and Electronics Engineers) 802.3-2012 Section 6 standard to the maximum extent possible. (Download a free copy of this IEEE standard from (the IEEE Standards Association).
4. All state agencies must consider virtualization (options when refreshing equipment or standing up new systems. Virtualization is the creation of a virtual rather than actual version of something such as an operating system a server a storage device or network resources. Use of the most energy efficient power supplies available should be included in the purchase of new IT equipment.

## RESOURCES - 1820.4

1. Power Usage Effectiveness Report http://www.cio.ca.gov/pdf/PUE-Reporting- Report.pdf
2. Institute of Electrical and Electronics Engineers (IEEE) Standards

## STATE BUILDINGS AND GROUNDS MAINTENANCE AND OPERATION - 1821

SAM section 1821 provides state building and facility managers with practices and procedures that will help them achieve operational efficiencies and resource conservation measures for:

1. Integrated Pest Management (IPM)
2. Drought Moratorium
3. Landscaping Practices
4. Maintenance of Building Exteriors, Roofs, Hardscape, and Exterior Painting

State departments should have implemented the practices incorporated into SAM Chapter 1800, Sustainable Operations and Practices, in the operation and maintenance of their facilities. See the following SAM sections for more information:

- Water Conservation (Section 1835)
- Indoor Environmental Quality (Section 1825)
- Recycling And Waste Diversion (Section 1840)
- Environmentally Preferable Purchasing (EPP) (Section 1845)
- Cleaning Products And Methods (Section 1825.4)

## POLICY - 1821.1

State department building and facility managers will implement practices and procedures that assist them in meeting the increased efficiency and resource conservation goals described in EO B-18-12.
In addition to the ENERGY STAR Portfolio Manager database reporting requirements for water and energy use, departments should be prepared to provide status on compliance with these policies in the *Road Map to Achieving Executive Order B-18-12 and B-16-12*.

## DEFINITIONS - 1821.2

Definitions:
For SAM section 1821, *buildings and grounds maintenance* refers to the routine cleaning and the day-to-day maintenance of a building's interior and exterior and the surrounding landscape and hardscape that are considered a part of that facility.

Buildings and grounds maintenance can include repairs of a minor and simple nature involving mechanical and electrical systems and building elements that can readily be performed by maintenance personnel or technicians.

Exclusions:
It does not include the following: (see Green California Glossary for definitions)

- Remodeling
- Rehabilitation
- Renovation
- Restoration
- Additions, or
- Any other type of work normally performed by a construction contractor or personnel with specialized certification.

## INTEGRATED PEST MANAGEMENT - 1821.3

On-site staff and contracted pest management companies shall follow an Integrated Pest Management (IPM) strategy that focuses on long-term prevention or suppression of pest problems through a combination of techniques that may include:

- Monitoring for pest presence and establishing treatment threshold levels;
- Using non-chemical practices to make the habitat less conducive to pest development;
- Improving sanitation; and
- Employing mechanical and physical controls.

The Department of General Services (DGS) Best Practices Manual, Chapter 3 provides detailed steps on implementing an IPM plan. Topics include:

A. Objectives and Strategies: IPM Best Practices (pg. 3-3)
B. Lead Person: Assign pest management lead person for each building site (pg. 3-5)
C. Monitoring and Evaluation: Monitor, keep records, and evaluate IPM program activities (pg. 3-7,3-12)
D. Green IPM Practices: Emphasize use of cultural, nonchemical and biological controls in all IPM activities(pg. 3-8)
E. Communication: Notify building occupants before pesticide application (3-11)
F. IPM Design: Design landscape to minimize pest problems and install mowing strips and underlayments to reduce herbicide use (pg. 3-29, 3-30, 3-32)
G. Lighting: Install outdoor lighting that doesn't attract flying insects (pg. 3-31)
H. Waste: Store garbage receptacles on concrete or asphalt surfaces, away from building entrance; keep sealed after loading; empty regularly (pg. 3-31, 3-35)
I. Proactive Maintenance: Make building repairs that exclude pests (e.g., install door sweeps, automatic door closers), and reduce water sources, food, and harborage (e.g., seal cracks and crevices, fix HVAC and plumbing leaks) (pgs. 3-28, 3-34, 3-38)
J. Eliminate Food Sources: Keep food storage areas clean and dry (pg. 3-36)

When establishing a pest treatment plan, appropriately licensed personnel shall use non-chemical and biological controls. If this treatment is ineffective, use Tier 3 (least hazardous) herbicides/insecticides, progressing to Tier 2 and then to Tier 1 (most hazardous) only if necessary to manage the pests. Utilize only Tier-rated herbicides/insecticides as listed on the current San Francisco Department of Environment Hazard Screening List.

## DROUGHT MORATORIUM - 1821.4

The Emergency Drought Proclamation dated January 17, 2014, places a moratorium on new, non-essential landscaping projects at state facilities and on state highways and roads. Projects that are not needed to protect existing trees and shrubs, or are not necessary for erosion or dust control are considered non-essential. Any exemptions must be approved by the governor's office. Submit any exemption requests to sustainability@dgs.ca.gov

## LANDSCAPING PRACTICES - 1821.5

State building and facility managers will adopt the following landscaping practices:

- Reduce landfill waste material and water use;
- Promote the purchase of sustainable plant and maintenance materials; and
- Maintain a healthier outdoor environment.

These practices apply to all grounds and building exterior maintenance and landscape projects occurring on site* and will be followed by on-site staff participating contractors and vendors. They include:

A. Existing Landscapes: Should be maintained to survive the drought with reclaimed water whenever possible. Protect high priority landscape elements such as existing trees, ground covers and shrubs. Protect all slopes from erosion. Convert conventional spray heads or rotors to drip and/or low precipitation rate nozzles. A minimum three inch (3″) layer of mulch shall be applied on all exposed soil surfaces of planting areas except in turf areas, creeping or rooting groundcovers, or direct seeding applications.

B. Existing Lawns: During a declared drought, low priority landscapes such as lawns without trees shall be watered only to the extent to a minimum to control dust and erosion. The University of California, Davis publication, Managing Turfgrasses during Drought, provides useful information on warm-season and cool-season grasses in California. Trees in lawn areas that provide shade to buildings and hardscapes are high priority. Add drip irrigation around the drip line of the tree or water slowly and deeply with a trickling hose to increase survival rate. Trees can develop Phytophthora root rot if soil around their base remains wet for long periods. To prevent excessive growth, do not fertilize lawns. Follow the US Composting Council guidelines when using compost to retain moisture on existing lawns.
** Refer to latest version of the California Department of Water Resource's model water efficiency landscape ordinance, section 490.1(e) for exceptions*

C. .Low Water Use Landscape: All new and rehabilitation landscape projects shall comply with the latest version of the California Department of Water Resource's model water efficiency landscape ordinance (MWELO, 2015 Revision).
D. Irrigation: Installation of irrigation sub-meters, flow meters, master valves and smart irrigation controllers are recommended. Overhead irrigation shall be scheduled between 8:00 p.m. and 10:00 a.m. unless weather conditions prevent it. If allowable hours of irrigation differ from the local water purveyor, the stricter of the two shall apply. Operation of the irrigation system outside the normal watering window is allowed for auditing and system maintenance. Observe irrigation cycles and if water is running off, adjust irrigation timers to run for less time, but more frequently (as allowed). Establish a water budget for the landscape based on the plants, landscape area and local climate, and schedule irrigation based on the weather, soil type and to meet the water budget. (Click here for cycle and soak methods.)
E. Sustainable Grounds and Landscape Maintenance Practices*:* Sustainable landscaping practices produce significant economic and environmental benefits. Savings include reduced labor, water and fertilizer cost, lower hauling expenses and disposal fees. Standard landscaping practices include grass- cycling, lawn aeration, mulching, and composting practices that enhance the soil. These practices increase the water-holding capacity of soil, reduce erosion, and conserve water. Where appropriate, choose plants that are native or of low water use and are non-invasive to the area; consider mature plant size as it relates to available planting space to reduce pruning needs.
F. Erosion, Sedimentation Control and Storm Water Retention*:* Follow recommendations for prevention of erosion, storm water pollution and reducing peak runoff found in 5.106.1 Storm Water Pollution Prevention (p.31), 5.106.10 Grading and Paving (p.34) in the 2013 California Green Building Standards Code (or current edition). Where possible, incorporate A5.106.2 Storm Water Design (page 100) and A5.106.3 Low Impact Development (LID)(page100).

## MAINTENANCE OF BUILDING EXTERIORS, ROOFS, HARDSCAPE, LANDSCAPE AND EXTERIOR PAINTING - 1821.6

To reduce the harmful effects of chemicals and air pollution on the local environment and to promote water and energy conservation during exterior maintenance activities, departments are required to develop a maintenance program consistent with the guidelines outlined in Sustainable Site Credit 2: Building Exterior and Hardscape Management Plan of LEED 2009 or the Sustainable Sites Prerequisite of LEED v4 for Existing Buildings Operations and Maintenance and in accordance with the additions and modifications described in this policy. Departments are required to amend service contract documents as necessary to support the policy requirements.

A. Chemicals: The use of harsh chemicals is not usually necessary for most building exterior maintenance activities. The strength of the cleaning solutions should approximate the level sufficient to obtain satisfactory results. Do not use cleaning solutions stronger than necessary for the particular task. Cleaning solutions for exterior maintenance should be Green Seal certified or equivalent and should conform to Environmentally Preferable Purchasing (EPP) guidelines as stated in SAM 1850.
B. Exterior Maintenance*:* Sweeping or raking are the preferred methods of exterior cleaning; blowing is allowed when appropriate and when authorized by facilities management. When using a blower, electric or battery powered equipment should be used. Engine powered blowers may be utilized in compelling circumstances and with the prior authorization of facilities management. Departments are to adopt building exterior maintenance programs that conserve water. These programs include using manual cleaning methods over those that require high volume water spraying equipment. Water use, while sometimes necessary to carry out certain cleaning activities, should be carefully monitored to avoid excessive waste and runoff. If pressurized washing equipment is necessary, use equipment at the lowest output settings necessary to achieve satisfactory results. When power washing equipment is needed, use electric powered or battery- powered equipment to reduce air and noise pollution. Gasoline powered equipment should only be used in unusual circumstances and only with the prior authorization of facilities management.Departments are to replace gasoline-powered equipment with zero-emission strategies including (but not limited to) electric, battery powered or manual equipment as equipment replacement schedules allow.
C. Hardscape: Water should never be used for general sweeping of hardscape although pressurized water use for purposes of specific removal of stains or grime from pavement, or for hygienic reasons, is considered reasonable use. State facility childcare centers with playgrounds and patios where food can be consumed should also be hygienically and routinely maintained. The monitored use of pressurized water would be appropriate for these areas as well.
D. Landscape: Landscaping tasks should be done with manual equipment whenever possible. For tasks that require power equipment, electric or battery powered equipment should be used whenever possible. Equipment in this category includes, but is not limited to, mowers, leaf blowers, string trimmers, hedge trimmers, chainsaws, pole saws, and tillers. Electric equipment shall be charged with grid electricity and never with a portable generator. Engine powered lawn and garden equipment may only be used in compelling circumstances with the prior authorization of facilities management.Departments are to replace gasoline-powered equipment with zero-emission strategies including (but not limited to) electric, battery powered or manual equipment as equipment replacement schedules allow.
E. Roofing Cleaning*:* Roofs should be maintained on a periodic basis consistent with the roof type (built-up, single-ply, metal, cool roof, etc.); manufacturers' warranty requirements; location environment (coastal, urban, desert, mountain, etc.); and other external factors that affect roof performance, reflectivity and longevity. Department maintenance programs should establish roof cleaning methods and frequencies specific to the needs of each building roof to avoid unnecessary cleaning and overuse of water and cleaning solvents. Simple hand removal of debris from roofs, drains, gutters, downspouts, and overflows is often sufficient. Unwarranted frequent cleaning with powered equipment can reduce the lifespan of the roof by wearing down protective coatings and roofing materials. When powered roof cleaning equipment is necessary, equipment with a water recovery/recycle system should be considered in the maintenance program for the appropriate roof type. Refer to local municipalities for additional requirements.
F. Exterior Painting: Building maintenance often requires the repainting of exterior walls. Paints shall either be no or low volatile organic compound (VOC) and contain recycled content when obtainable, meeting industry performance standards (see Green Seal GS-43 Standard), unless prior authorization is obtained from facilities management to use something else. Use water-based paints over those containing oils. When spray equipment is used, ensure that care is exercised to prevent overspray and runoff, particularly near people, vegetation, waterways, and storm drains.
G. Training*:* Departments are responsible for providing training and instruction to maintenance personnel and contractors on the proper use, handling, recycling and/or disposal of all solvents and paint products. (Refer to SAM Section

1930.9.)Personnel should be directed to use manual methods of cleaning and painting whenever possible and to avoid the risk of excessive discharge with powered equipment.

## RESOURCES - 1821.7

***Information and Directories:***

- CalRecycle Compost and Mulch: *Starting point to learn about the uses and benefits of compost and mulch.*
- CalRecycle Compost and Mulch Producers: *A list of permitted compost and mulch producers, searchable by county.*
- Seal of Testing Assurance: *Program run by U.S. Composting Council to assure high-quality finished products, includes listing of approved composters and laboratories.*

***Guidelines and Resources:***

- Rescape California: *Provides a whole systems approach to the design, construction, and maintenance of landscapes that works in harmony with the natural world and addresses the changing environment. Training and resources are available for public and private sector landscape professionals.*
- Caltrans Compost Specifications: *Guidelines for purchase and use of compost along California roadways, developed by California Department of Transportation (Caltrans). Other resources on erosion control, infiltration and plant establishment.*
- Compost Use for Landscape and Environmental Enhancement Manual: *CalRecycle manual with information on compost use in landscape plantings and environmental applications.*
- GrassCycling: *The natural recycling of grass by leaving clippings on the lawn when mowing.*
- Xeriscaping: *Developing landscapes specifically designed to use little or no water.*
- Landscape Plants for California Gardens, Robert C. Perry 2010.
- California Invasive Plant Council (Cal-IPC): *List of invasive plants.*
- *Erosion Control Toolbox | Caltrans*

## INDOOR ENVIRONMENTAL QUALITY: NEW, RENOVATED AND EXISTING BUILDINGS - 1825

The intent of this section is to announce policy and provide direction to state agencies that build, lease and operate state buildings, on reducing indoor pollutant levels and ensuring healthful indoor environments for occupants in new, renovated, leased, and existing state buildings, as directed in Executive Order B-18-12.

## POLICY - 1825.1

State agencies that build, lease and operate state buildings shall implement measures to ensure a healthful indoor environment for their building occupants. State agencies shall implement as follows:
New/Renovated State Buildings: State agencies shall implement mandatory measures and relevant and feasible voluntary measures of the *California Green Building Standards Code (CALGreen)*, Part 11, related to indoor environmental quality (IEQ) that are in effect at the time of new construction or alteration. The information is available at CalGreen.
Existing State Buildings: When accomplishing Alterations, Modifications, and Maintenance Repairs and when relevant and feasible, state agencies shall implement the mandatory and voluntary measures of the *California Green Building Standards Code (CALGreen)*, Part 11, related to indoor environmental quality.
New and Renegotiated State Leased Buildings:
The Department of General Services (DGS) will encourage Lessors to implement measures of the *California Green Building Standards Code (CALGreen)* related to indoor environmental quality, where economically feasible, for all new or renegotiated leases.
For the comprehensive policy see Management Memo 14-05: Indoor Environmental Quality: New, Renovated, And Existing Buildings.

## AUTHORITY - 1825.2

Executive Order B-18-12 mandates that state agencies implement relevant and feasible voluntary measures from Divisions A4.5 and A5.5 of the California Green Building Standards Code, to ensure healthy indoor environments for occupants.

## DEFINITIONS - 1825.3

For the purposes of SAM Section 1825 – 1825.5, the following definitions are used:

- ***Alterations*** - Any construction or renovation to an existing structure, other than repair, for the purpose of maintenance or addition.

***Modifications and Maintenance Repairs*** - Making alterations to an existing structure such that it will be better suited to current needs. This type of work may involve changing the use of interior space by repositioning walls, replacing fixtures, or other such modifications under the $200,000 threshold triggering *CALGreen*

## ENSURING A HEALTHY INDOOR ENVIRONMENT - 1825.4

There are major steps agencies can take to ensure a healthful indoor environment:

1. Use indoor products and materials that emit little or no harmful chemicals;
2. Provide appropriate ventilation, filtration and proper Heating, Ventilating, and Air Conditioning (HVAC) equipment maintenance;
3. Prevent water intrusion and the growth of mold;
4. Implement line of sight and “daylighting” for new buildings; and
5. Solicit feedback from tenants every two years.

Resources for implementing these steps are provided below:

Step 1: Use Indoor Products and Materials That Emit Little or No Harmful Chemicals

1. Building Materials
    1. Use adhesives, sealants, caulks, paints, coatings, and aerosol paints and coatings that meet the volatile organic chemical (VOC) content limits specified in *CALGreen* (Sections 4.504.2.1 through 4.504.2.4, and 5.504.4.1 through 5.504.4.3.1).
    2. Use carpet systems, carpet cushions, composite wood products, resilient (e.g., vinyl) flooring systems, and thermal insulation, acoustical ceilings and wall panels that meet the VOC emission limits specified in *CALGreen* (Sections 4.504.3 through 4.504.5, 5.504.4.4 through 5.504.4.6, A4.504.1 through A4.504.3, and A5.504.4.5.1 through A5.504.4.9.1).
2. Furnishings and Seating

    Use office furniture and seating that complies with either:

    1. The DGS' Purchasing Standard and Specifications (*Technical Environmental Bid Specification 1-09-71-52,* Section 4.7) or
    2. The American Society of Heating, Refrigerating and Air-Conditioning Engineers' (ASHRAE) *Standard 189.1-2011* (Section 8.4.2.5).
    3. CALPIA manufacturing and associated products are compliant with the DGS' Purchasing Standard and Specifications (*Technical Environmental Bid Specification 1-09-71-52*

*3.* Cleaning Products: Use cleaning products that are low emitting and meet Green Seal (GS) Standard GS-37, *Cleaning Products for Industrial and Institutional Use*. CALPIA offers GS certified cleaning products at: Products for Industrial and Institutional Use

For relevant building types/uses, consider:

-GS-53, *Specialty Cleaning Products for Industrial/Institutional Use*

-GS-8, *Cleaning Products for Household Use*, and

-GS-52, *Specialty Cleaning Products for Household Use*

All GS standards can be found at: Green Seal

4. Cleaning Procedures:

i. Specify, use and properly maintain effective vacuum cleaners that meet the Carpet and Rug Institute's TM 113 – 110901, *Laboratory Test Procedure for Quantifying Respirable Particulate From Vacuuming Carpet*. Information can be found at: https://carpet-rug.org/resources/technical-bulletins-and-papers/.
ii. Maintain entryways as specified in *CALGreen* (Section A5.504.5.1).
iii. Use non-chemical cleaning methods where feasible. Minimize the use of chemicals when cleaning floor surfaces.
iv. Follow the cleaning procedures of GS-42*, Commercial and Institutional Cleaning Services.*
v. Follow the Carpet and Rug Institute's *Carpet Maintenance Guidelines for Commercial Applications*. See: Carpet for Business

Step 2: Provide Appropriate Ventilation, Filtration, and HVAC Equipment Maintenance.

1. Existing Buildings – Maintenance and Operation
    1. Operate HVAC systems continuously during work hours and provide no less than the required minimum outdoor air requirements in effect when the building permit was issued, or if no building permit was issued, when the building was designed, constructed or renovated. Please refer to Cal- OSHA's Title 8 regulations, Section §5142: Mechanically Driven Heating, Ventilating and Air- Conditioning (HVAC) Systems to Provide Minimum Building Ventilation, at Control of Hazardous Substances
    2. Inspect HVAC systems at least annually; all HVAC inspections and maintenance shall be documented in writing (as required by Title 8, Section 5142). Annual inspections shall also include:
        - Verification of minimum outdoor airflows using properly calibrated hand- held airflow measuring instruments.
        - Confirmation that air filters are clean and replaced according to the manufacturer's specified interval or more frequently as needed based on specific local or seasonal conditions. Use high Minimum Efficiency Reporting Value (MERV) filters as specified below.
        - Verify that outdoor dampers, actuators, and associated linkages operate properly.
        - Check the condition of all accessible heat exchanger surfaces for fouling and microbial growth, and take action as needed.
        - Check condensate drain pans for proper drainage and possible microbial growth, and take action as needed to correct and to prevent future drain blockages and microbial growth.
        - To the extent accessible, inspect the first 20 feet of all lined ductwork downstream of cooling coils for visible microbial growth. If microbial growth is found, correct and take action to prevent future growth.
        - Ensure that cooling towers are properly maintained and records of chemical treatment of cooling tower water are kept. Cooling tower plume discharges closer than 25 feet to any building intake shall be retrofitted where possible to meet the 25-foot requirement.
        - Building managers shall develop a comprehensive HVAC preventative maintenance program
    3. Where feasible, use filters with a MERV rating of no less than 11, as specified in Section A5.504.5.3.1 of *CALGreen.* Existing HVAC systems incapable of accommodating increased pressure drops associated with the 11 MERV rating shall use the highest MERV rating that their fan(s) can accommodate while providing the design airflows. To the extent possible, all fan change-outs shall be sized to accommodate MERV 13 filters.
    4. Provide ongoing factory training for stationary engineers on proper operation and maintenance of all new and existing equipment, as well as all building management systems.
    5. Initiate a computer-based preventive maintenance program for all HVAC equipment
    6. Provide specialized air treatment for buildings in areas where air quality standards are routinely exceeded. Consider using:
        - Particulate matter air filters with a minimum MERV rating of 13 or higher (if feasible) for buildings in areas where the Environmental Protection Agency (US EPA) standards for PM10 (particulate matter) or PM2.5 are routinely exceeded.

- Ozone-removing air cleaning deviceswith a minimum volumetric ozone removal efficiency of 40 percent in areas where the US EPA 8- hour average ambient ozone standard is routinely exceeded. These devices should be operated continuously during times that the relevant air quality standard is exceeded and the building is occupied. See Air Quality Data Statistics or contact your local air quality management district to determine whether a specific site falls into this category.

7. Purge buildings prior to daily occupancy with outdoor air, with either the minimum ventilation rate for one hour, or three complete air changes as required for non-residential buildings (Section 120.1(c)2 of the 2013 *California Code of Regulations*, Title 24, Part 6.)

2. New and Renovated Buildings

1. Commission new buildings to ensure proper installation and operation of all building systems, including the proper delivery of the required amount of outdoor air (Title 24, Part 6, Section 120.8).
2. Implement relevant *mandatory* measures and relevant and feasible *voluntary* measures from *CALGreen* (Division 5.5 and Appendix section A5.5).
3. Provide specialized air treatment for buildings in areas where air quality standards are routinely exceeded.
   - Use particulate matter air filters with a minimum MERV rating of 13. MERV 16 or HEPA (high efficiency particulate arrestance) filters should be considered where feasible for institutional residential buildings that house sensitive groups such as the elderly or infirm, and buildings used by children.
   - Consider using ozone-removing air cleaning devices with a minimum volumetric ozone removal efficiency of 40 percent in areas where the US EPA 8-hour average ambient ozone standard is routinely exceeded. These devices should be operated continuously during times that the relevant air quality standard is exceeded and the building is occupied. See Air Quality Data Statistics to determine whether a specific site falls into this category.
4. Specify that all HVAC systems above 2,000 cubic feet per minute (cfm) be equipped with outdoor airflow measuring stations and be connected to a building energy management system. Building management systems shall be programmed to provide audible and visible alarms when minimum outdoor airflow rates are not met. If feasible, HVAC systems smaller than 2,000 cfm shall also be equipped with such airflow measuring stations.
5. Specify that all HVAC systems above 2,000 cubic feet per minute (cfm) be equipped with outdoor airflow measuring stations and be connected to a building energy management system. Building management systems shall be programmed to provide audible and visible alarms when minimum outdoor airflow rates are not met. If feasible, HVAC systems smaller than 2,000 cfm shall also be equipped with such airflow measuring stations.
6. Develop an IEQ Construction Management Plan that incorporates measures in *CALGreen* Sections A5.504.1 through A5.504.2 for actions during and after construction to ensure healthful IEQ.

Step 3: Prevent Water Intrusion and Growth of Mold

Keep all buildings clean and sanitary as required by Title 8 Section 3362 Safe Practices and Personal Protection. When exterior water intrusion, leakage from interior water sources, or other uncontrolled accumulation of water occurs, the intrusion, leakage or accumulation shall be corrected, typically within 24-48 hours because these conditions may cause the growth of mold.

Step 4: Line of Sight and Daylighting – New Buildings

1. Toplighting and sidelighting are recommended per *CALGreen* (Section A5.507.2); recommended are the use of light shelves, reflective room surfaces, means to eliminate glare, photosensor controls and not using diffuse daylighting glazing where views are desired. See New Buildings - Lightingand Lighting Designfor additional information.
2. Direct line of sight to the outdoor environment via vision glazing between 2.5 and

7.5 feet above the finished floor in 90 percent of all regularly occupied areas is required. *(CALGreen* Section A5.507.3).

Step 5: Input from Occupants – Existing Buildings

Input from building occupants should be solicited every two years to obtain feedback on any IEQ and/or comfort concerns. One of the following methods should be used:

1. Occupant surveys to collect information on IEQ, as well as on other sustainability issues, such as the need or desirability for electric vehicle charging stations, commute alternatives, etc.
2. Maintenance and regular review of an occupant complaint database documenting complaints related to IEQ and response to the complaints.

## RESOURCES - 1825.5

Guidelines and standards can help state agencies achieve acceptable IEQ, including but not limited to:

1. VOC emission limits for building materials established by CDPH (Volatile Organic Compounds)
2. Architectural coatings guidelines and composite wood rules from CARB (see CALGreen, Architectural Coatings Program and Composite Wood Products Airbone Toxic Control Measure)
3. Green Seal guidelines for cleaning products and processes Green Seal
4. Ventilation, filtration, and daylighting regulations from the Energy Commission (see current building efficiency standards at California Energy Commission)
5. Cal-OSHA requirements (Control of Hazardous Substances Safe Practices and Personal Protectionand others);
6. Measures included in criteria from green building organizations such as those in the US Green Building Council's Leadership in Energy & Environmental Design program (LEED V4 Rating Systems)
7. ASHRAE (consensus) standards for ventilation and filtration: ASHRAE
8. California Best Practices Manual: Better Building Management for a Better Tomorrow
9. California Buying Green Guide: Standards and Specifications for Environmentally Preferable Purchases (Buyers Green Guide)
10. Building Standards Commission Guidebooks (BSCG Guide)

## WATER EFFICIENCY AND CONSERVATION - 1835

The intent of this section is to provide direction to all state agencies under the Governor's executive authority on meeting the water use reduction requirements outlined in Executive Order B-18-12.

## POLICY - 1835.1

State agencies shall reduce water use at their facilities 10 percent by 2015, and 20 percent by 2020 as measured against a 2010 (or earlier) baseline. State agencies shall enter complete annual water use data into the Energy Star Portfolio Manager, and provide access to the Department of General Services (DGS) by March 1 of each year.
For the comprehensive policy see Management Memo 14-02: Water Efficiency and Conservation.

## AUTHORITY - 1835.2

Executive Order B-18-12 mandates that DGS work with other state agencies to develop and implement policies and procedures for the operation and maintenance of state buildings to achieve operating efficiency improvements and water and resource conservation, and to continually update and incorporate these into the State Administrative Manual (SAM).
Executive Order B-18-12 also requires state agencies to reduce overall water use at the facilities they operate by 10 percent by 2015 and by 20 percent by 2020, as measured against a 2010 baseline.

## DEFINITIONS - 1835.3

For the purposes of SAM Section 1835, the following definitions are used:

- ***Process Water*** – Water used for manufacturing processes, for testing and maintaining manufacturing equipment, and water used in combined heat and power facilities.
- ***GrayWater*** - Untreated wastewater that has not been contaminated by any toilet discharge, has not been affected by infectious, contaminated, or unhealthy bodily wastes, and does not present a threat from contamination by unhealthful processing, manufacturing, or operating wastes. Includes wastewater from bathtubs, showers, bathroom washbasins, clothes washing machines, and laundry tubs, but does not include wastewater from kitchen sinks or dishwashers.

## WATER USE REPORTING REQUIREMENTS - 1835.4

The following are water use reporting requirements for state agencies:

1. General Requirements
   By March 1 of each year, state agencies shall enter complete annual water use data for the preceding year into the Energy Star Portfolio Manager database. Agencies shall provide online access to this data upon completion to the Department of General Services, Office of Sustainability, and notify upon completion to sustainability@dgs.ca.gov.
   Agencies may exclude process water from the annual reporting and water use reduction requirements. Also excluded is water used for fish and wildlife habitat, livestock maintenance, and firefighting. Annual usage will be measured against the baseline data previously reported by each state agency to determine if water reduction targets are met.
2. Instructions for Leased Facilities
   New and renegotiated state leases shall include provisions for reporting water use where economically feasible. Agencies managing state-owned buildings are to report water usage. If agencies lease a building or space (state owned) managed by DGS, DGS will report the water use for that building space. If a state agency other than DGS manages the building or space, that agency will report the water use for that building.
3. Estimating Water Use at Facilities without Water Meters

It is understood that not all state facilities can report actual water use, because metering or sub-metering is not available. This does not exempt these agencies/facilities from responsibility for active management of water consumption or reporting of water use. Baseline and ongoing water use can be estimated based on the water use ratings of fixtures and appliances at the site, the duration per use, amount of usage, and the number of occupants. Department of Water Resources Water Use Reduction Guidelines and Criteria document provides guidance on how to baseline water usage and report annual usage for facilities without meters.
Agencies operating in these facilities should also apply Best Management Practices for Water Use, and document policies for purchasing/replacing water-using fixtures and/or equipment with higher efficiency models. If not cost prohibitive, state agencies should make water meter installations a priority so they can obtain accurate measurements of water use.

## WATER USE REQUIREMENTS - 1835.5

The following are requirements for water use for state agencies:

1. State agencies shall purchase, install and operate WaterSense or equivalent (labeled) industry standard fixtures and equipment (including irrigation equipment) whenever it is available, cost-effective, and meets quality requirements.
2. Landscape plants shall be selected based on their suitability to local climate and site conditions, and reduced water needs and maintenance requirements.
3. All new and renovated state buildings and landscapes shall utilize alternative sources of water wherever cost-effective. Sources may include, but are not limited to: recycled water, graywater, rainwater capture, storm water retention, and other water conservation measures.
4. State agencies should perform the following critical activities for water use reduction:
   a. Implement Best Management Practices (BMPs)
   BMPs are ongoing actions that establish and maintain water use efficiency. State agencies must implement the BMPs in the Water Use Reduction Guidelines and Criteria. State agencies are responsible to review and apply these BMPs to all facilities they occupy.
   a. Complete Building and Landscape Inventories: State agencies should complete a Building and Landscape Inventory every five years. The quantitative inventory requires a facility walk- through to assess the types, numbers and condition of all water using fixtures, appliances and irrigation equipment.
   b. Implement a Landscape Water Budget Program: Large landscape areas over 20,000 sq. ft. should be managed and water use tracked with a landscape water budget program. Large landscape water use often represents a significant

percentage of a facility's water use, and significant water savings can often be achieved through better irrigation scheduling or inexpensive improvements in irrigation hardware. Landscape maintenance staff should attend an WaterSense-labeled training program to become proficient in landscape water budgeting and water management.

### FACILITIES EXEMPT FROM WATER USE REDUCTION REQUIREMENTS - 1835.6

Buildings or facilities that meet or exceed 2010 or newer CalGreen water efficiency standards may be exempted from water use reduction requirements, since they already meet low water use targets. Supporting documents or data must be provided if requested and may include monthly/annual utility water use reports and/or water use calculation tables that document the water use ratings.
Agencies must still report the water use of these facilities in the Energy Star Portfolio Manager database on an annual basis, as outlined in section 1835.4.

### RESOURCES - 1835.7

1. Department of Water Resources, Water Use and Efficiency Branch
2. SBX7-7
   Sustainable Sites Initiative
3. Greening Federal Facilities Graywater regulations
4. American Rainwater Catchment Association
5. Irrigation Association
6. Establishing Baselines and Meeting Water Conservation Goals of Executive Order 13693
7. Water Smart Guidebook; a Water-Use Efficiency Plan
8. California Landscape Contractors Association WMCP (Water Management Certification Program)
9. River Friendly Guidelines for Landscape Professionals
10. Green California
11. Water sense
12. CalGreen

### RECYCLING AND WASTE DIVERSION PRACTICES - 1840

Please refer to SAM Chapter 1900 – Waste Prevention and Recycling of Non- Hazardous Waste.

### STATE AGENCY BUY RECYCLED CAMPAIGN (SABRC) - 1845

Departments will consider Recycled Content Products (RCP) in conducting their purchasing activities. Please refer to State Contracting Manual (SCM) Vol. 2 and Vol. 3, Chapter 3 – Socioeconomic and Environmental Programs.

### ENVIRONMENTALLY PREFERABLE PURCHASING - 1850

Departments are required to purchase commodities that meet DGS Purchasing Standards. Please refer to State Contracting Manual (SCM) Vol. 2 and Vol. 3, Chapter 3 – Socioeconomic and Environmental Programs.

## Chapter - 1900

Sections for Chapter 1900

| Section | Subchapter |
|---|---|
| GENERAL POLICY | 1900 |
| TERMS AND DEFINITIONS | 1910 |
| STATUTORY AUTHORITY | 1920 |
| EXECUTIVE MANDATE | 1921 |
| RECYCLING OF MATERIALS | 1930 |
| CALIFORNIA REDEMPTION VALUE (CRV) BEVERAGE CONTAINERS | 1930.1 |
| CARPET | 1930.2 |
| CONSTRUCTION AND DEMOLITION (C&D) | 1930.3 |
| ELECTRONIC WASTE | 1930.4 |
| FOOD WASTE | 1930.5 |
| MATTRESS | 1930.6 |
| MOTOR OIL | 1930.7 |
| ORGANIC WASTE | 1930.8 |
| PAINT | 1930.9 |
| PAPER | 1930.10 |
| SCRAP METAL | 1930.11 |

| | |
|---|---|
| SHARPS | 1930.12 |
| TIRES | 1930.13 |
| TONER CARTRIDGES | 1930.14 |
| UNIVERSAL WASTE (BATTERIES, MERCURY THERMOSTATS AND PRODUCTS NON-EMPTY AEROSOL CANS) | 1930.15 |
| THE DEPARTMENT OF RESOURCES, RECYCLING AND RECOVERY (CALRECYCLE) RESPONSIBILITIES | 1940 |
| STATE AGENCY RESPONSIBILITIES | 1950 |
| STATE AGENCY BUY RECYCLED CAMPAIGN (SABRC) | 1960 |
| REDUCE AND REUSE | 1970 |
| CONTRACTS FOR COLLECTION OF GARBAGE | 1980 |
| THEFT OF RECYCLABLE MATERIALS | 1990 |
| MATERIALS BANNED FROM DISPOSAL | 1995 |


## GENERAL POLICY - 1900

The Department of Resources, Recycling and Recovery (CalRecycle) is committed to reducing the amount of solid waste entering landfills, and to assist state agencies and facilities in meeting required waste diversion goals, and to enact programs for all recyclable materials where feasible. CalRecycle's Internet location is: CalRecycle.
For information on state agency requirements and assistance: Waste Management for State Agencies.

## TERMS AND DEFINITIONS - 1910

To access CalRecycle's terms and definitions relating to recycling and waste prevention Laws and Regulations.
For and index of programs and services: CalRecycle.

## STATUTORY AUTHORITY - 1920

On and after January 1, 2004, each state agency and each large facility shall divert at least 50 percent of all solid waste through source reduction, recycling, and composting activities. Each state agency and large state facility is also required to designate at least one solid waste reduction and recycling coordinator to oversee the implementation of waste management programs. Commencing January 1, 2007, pursuant to Public Resources Code (PRC) 42921.5, the 50 percent diversion requirement is measured by comparing the per capita disposal rate in subsequent years with the equivalent per capita disposal rate that would have been necessary for the state agency or large state facility to comply with the 50 percent diversion requirement (for additional information about the measurement system see State Agency Laws and Regulations). Also, beginning 2012, each state agency and large state facility is to annually submit a state agency waste management report to CalRecycle by May 1. For more information on state agency waste management report: Waste Management Annual Report.
Additionally, Public Contract Code (PCC) sections 12200-12217, the State Agency Buy Recycled Campaign (SABRC), and related PCC sections 12180-12184, include purchasing and reporting requirements for state agencies regarding products purchased by the State of California, in specific product categories. The requirements state that if fitness and quality are equal, each state agency shall purchase recycled products instead of non-recycled products whenever recycled products are available at the same or lesser total cost than non-recycled products. For more information on SABRC reporting: CalRecycle.

## EXECUTIVE MANDATE - 1921

The Governor's Executive Order EO-B-18-12, requires the Department of General Services (DGS) to work with other state agencies to develop by July 1, 2013, policies and guidelines for the operation and maintenance of State buildings to achieve operating efficiency improvements and water and resource conservation, and to continually update and incorporate these into the State Administrative Manual (SAM).

## RECYCLING OF MATERIALS - 1930

The following subsections provide guidance to state agencies in managing these material wastes: California Redemption Value (CRV) beverage containers, carpet, construction, and demolition material (C&D), electronic waste (e-waste), food waste, mattresses, organic landscape waste, oil, paint, paper, scrap metal, sharps, tires, toner cartridges and universal waste (u-waste). U-wastes are: batteries, lamps/light bulbs, mercurcy-containing equipment and thermostats, and non-empty aerosol cans.
For more information on implementation of waste prevention, reuse, and recycling programs: CalRecycle Assistance.

## CALIFORNIA REDEMPTION VALUE (CRV) BEVERAGE CONTAINERS - 1930.1

Until placed in a recycling bin, a CRV beverage container is the property of the person who purchased it. CRV beverage containers placed in state-owned recycling bins are the property of the state. CRV beverage containers placed in recycling bins furnished by a contracted recycling service provider are the property of that contracting organization. Unauthorized removal of CRV beverage containers from a CRV recycling bin is a misdemeanor criminal offense.
For agencies needing information on locating a CRV beverage container recycling center: Beverage Container Recycling Center

## CARPET - 1930.2

California is the first state in the nation to establish a statewide Carpet Stewardship Program which helps ensure that discarded carpet becomes a resource for new products. A non-profit carpet stewardship organization designs and implements the statewide carpet stewardship program.
Information on carpet stewardship is at: CalRecycle Carpet. This website has information on the carpet stewardship program, the stewardship organization running the statewide program, and associated laws, regulations, plans and guidance.

To best reuse or recycle old carpet, it needs to be dry and not contaminated with other debris.
Reuse is a preferred method for managing carpet, if feasible, however it tends to be limited to carpet tiles. Some manufactures of the carpet tile take it back so check if this is feasible.
Recycling is a preferred option over landfilling because it saves resources, reduces greenhouse gas emissions, and saves landfill space. When purchasing and installing new flooring that requires the removal of old carpet, ask your contractor/vendor to recycle the old carpet.
To locate a carpet collector and/or processor near you to recycle or dispose of old carpet, check the resources on this page: Carpet and Carpet Pad Recycling Facilities

## CONSTRUCTION AND DEMOLITION (C&D) - 1930.3

Historically, construction and demolition waste such as concrete, lumber, and carpet has comprised nearly a third of all materials disposed in California landfills annually.
Title 24, Part 11, California Green Building Standards Code (CalGreen) requires all permitted new construction to divert at least 50% of the construction and demolition wastes generated as part of the project. CalGreen also requires the diversion of 50% of the C&D waste generated resulting from alterations with a permit value ≥ $200,000 or additions adding ≥ 1,000 ft2 of conditioned space. Executive Order B-18-12 requires all State buildings greater than 50,000 square feet to meet the Leadership in Energy and Environmental Design (LEED) for Existing Buildings.
State agencies shall meet the following requirements, as they apply: Meet the construction and demolition waste diversion requirements of California Green Building Standards Code (CalGreen) for all applicable new and existing buildings; or for existing buildings greater than 50,000 feet, meet the C&D diversion credit requirements of LEED for Existing Buildings where feasible; or for building projects not covered under CalGreen, the agency should divert as much material from the project as is feasible and consistent with the requirements of Public Resources Code (PRC) sections 42920 et seq.
For more information on C&D recycling: CalRecycle ConDemo. For more information on CalGreen: CalGreen

## ELECTRONIC WASTE - 1930.4

Electronic waste (e-waste) is presumed hazardous when disposed and may not be disposed with municipal solid waste. Functional or refurbishable surplus electronic equipment must be managed pursuant to SAM 3500 and SAM 5900. Pursuant to SAM 3520.9, state agencies must recycle irreparable e-waste using an authorized recycler. Management Memo 12-02 encourages state agencies to consider redirecting functional computers and associated peripherals towards educational reutilization.
To find an E-waste recycler: CalRecycle Electronics

## FOOD WASTE - 1930.5

Food waste is one of the largest single disposed materials in California landfills. Assembly Bill 1826 (PRC Sections 42649.8 - 42649.86) was passed in September 2014 requiring businesses, **including state agencies**, which generate certain amounts of organic waste per week to have organic waste recycling programs.
On and after January 1, 2016, local jurisdictions across the state are required to implement an organic waste recycling program to divert organic waste generated by businesses, **including state agencies**.
The types of organic material that the law requires organic waste programs to address include: food waste, green waste, landscape and pruning waste, nonhazardous wood waste, and food-soiled paper waste that is mixed in with food waste.
All state agencies with food preparation/dining service (either state or contractor operated), shall explore options that reduce or prevent the landfill disposal of food waste. Reducing the generation of food waste is always preferable. In regions where programs exist, state agencies can participate in local or regional efforts to donate unspoiled edible food for human or animal consumption before it is disposed.
State agencies can direct that food waste be separated from other waste material and diverted to facilities where it is composted, digested or otherwise processed. Because food waste degrades quickly and can produce odors or attract vectors, state agencies should consult with CalRecycle staff to explore available source reduction and recycling options, compliance with solid waste handling regulations, laws and regulations regarding mandatory organics recycling, as well as any permits which may be required if the option selected includes on-site food waste recycling solutions.
Collection of pre- consumer food waste generated at adult correctional institutions may be managed through a master agreement. Example food waste collection contract language for other state agencies is available on the CalRecycle's web site: CalRecycle Office Paper.

This law phases the requirement to have organic waste recycling programs over time. In particular, the minimum threshold of organic waste generation by businesses, including state agencies, decreases over time, which means that an increasingly greater proportion of businesses will be required to comply.
The phased requirement dates to have organic waste recycling programs:
8 or more cubic yards of organic material per week – April 1, 2016
4 or more cubic yards of organic material per week – January 1, 2017
4 or more cubic yards of solid waste per week – January 1, 2019
2 or more cubic yards of solid waste per week, if statewide disposal of organic waste is not decreased by half – January 1, 2020.
State Agencies can comply with the new requirements by taking one or any combination of the following actions:
Source-separate organic waste from other waste and subscribe to an organic waste recycling service that specifically includes collection and recycling of organic waste. Recycle organic waste onsite, such as composting, anaerobic digestion, vermicomposting, or self-haul to an organics recycling facility.
Subscribe to an organic waste recycling service that includes mixed-waste processing that specifically recycles organic waste.
Sell or donate the generated organic waste.
Please refer to Mandatory Commercial Organics Recycling (MORe) FAQS under "Business" to answer additional questions on how an agency qualifies as a business. (CalRecycle FAQ) and for more information on food waste recovery: CalRecycle Organics
Listed below are some steps to take:
Review the background and overview to Mandatory Commercial Organics Recycling CalRecycle Organics
Check with your CalRecycle LAMD representative to discover what organics recycling programs are or will be available in your jurisdiction or area.

If applicable, coordinate with the building owner regarding areas for collecting, storing and loading the organics.
Implement additional programs, when possible or required. Each type of organics recycling program may not be required for your agency and will depend on the jurisdiction or area.
Refer to SAM 1950 for State Agency Responsibilities.
Report on programs in the annual State Agency Waste Management Report due May 1st each year CalRecycle State Agency.
For additional mandatory organic recycling requirements, please refer to SAM section 1930.8: ORGANIC WASTE.

## MATTRESS - 1930.6

Although mattresses are bulky, hard-to-manage products, many of their components can be recycled. In fact, according to a 2012 CalRecycle-commissioned mattress case study recycling mattresses saves landfill space and is estimated to offset 45 percent of Greenhouse Gas (GHG) emissions associated with the production and landfilling of these products.
The California Used Mattress Recovery and Recycling Act (SB 254, Hancock, Chapter 388, Statutes of 2013) aims to reduce illegal dumping, increase recycling, and substantially reduce public agency costs for the end-of-use management of used mattresses.
This law requires a non-profit mattress recycling organization (MRO) to design and implement the Mattress Stewardship Program. The MRO's plan will outline how it intends to fulfill its responsibilities under the law and communicates a course of action to stakeholders and the public. CalRecycle is required to approve the stewardship plan and provide oversight and enforcement to ensure a level playing field among program participants. The approved stewardship plan and a list of compliant mattress manufacturers and brands will be posted and made available to the public on CalRecycle's website. The mattress program is expected to be fully operational in early 2016.
Mattresses manufactured by the Prison Industry Authority (PIA) and purchased by the state or its agencies are exempt from the Act's recycling charge and any end-of-life incentives that may be established by the MRO, as noted in Public Resources Code Section 42989.2.1. Mattresses sold subject to this exemption shall be permanently marked or labeled to clearly identify them as having been manufactured by PIA.
More information can be found on CalRecycle's Mattress Product Management webpage: CalRecycle Mattresses

## MOTOR OIL - 1930.7

Used motor oil is a hazardous waste that must be properly managed. It is against the law to pour used oil onto the ground or into storm drains, or place into trash cans (even in a sealed container) as it can contaminate and pollute the soil, groundwater, streams, and rivers. Recycling used motor oil reduces this pollution threat and allows a waste material to be recycled, cleaned, and used again.
Certified used oil collection centers will accept used oil from the public at no charge, and can be found via the Certified Collection Center search tool. Certified collection centers will not accept used motor oil that has been contaminated with other fluids such as antifreeze, solvents, gasoline, or water. If used oil is suspected of being contaminated, local agencies can be contacted for information on management options.
More information on used oil management can be found on the Used Oil Recycling home page.
To find certified used oil recycling centers: Used Oil Certified Collection Center

## ORGANIC WASTE - 1930.8

Assembly Bill 1826 (PRC Sections 42649.8 - 42649.86) was passed in September 2014 requiring businesses, including state agencies, which generate certain amounts of organic waste per week to have organic waste recycling programs. On and after January 1, 2016, local jurisdictions across the state are required to implement an organic waste recycling program to divert organic waste generated by businesses, including state agencies.
The types of organic material that the law requires organic waste programs to address include: food waste, green waste, landscape and pruning waste, nonhazardous wood waste, and food-soiled paper waste that is mixed in with food waste.
This law phases the requirement to have organic waste recycling programs over time. In particular, the minimum threshold of organic waste generation by businesses, including state agencies, decreases over time, which means that an increasingly greater proportion of the commercial sector will be required to comply.
The phased requirement dates to have organic waste recycling programs: 8 or more cubic yards of organic material per week – April 1, 2016
4 or more cubic yards of organic material per week – January 1, 2017
4 or more cubic yards of solid waste per week – January 1, 2019
2 or more cubic yards of solid waste per week, if statewide disposal of organic waste is not decreased by half – January 1, 2020.
State Agencies can comply with the new requirements by taking one or any combination of the following actions:
Source-separate organic waste from other waste and subscribe to an organic waste recycling service that specifically includes collection and recycling of organic waste. Recycle organic waste onsite, such as composting, anaerobic digestion, vermicomposting, or self-haul to an organics recycling facility.
Subscribe to an organic waste recycling service that includes mixed-waste processing that specifically recycles organic waste.
Sell or donate the generated organic waste. (Continued)

Please refer to Mandatory Commercial Organics Recycling (MORe) FAQS under "Business" to answer additional questions on how an agency qualifies as a business CalRecycle FAQ.
Listed below are some steps to take:
Review the background and overview to Mandatory Commercial Organics Recycling CalRecycle Organics.
Check with your CalRecycle LAMD representative to discover what organics recycling programs are or will be available in your jurisdiction or area.
If applicable, coordinate with the building owner regarding areas for collecting, storing and loading the organics.
Implement additional programs, when possible or required. Each type of organics recycling program may not be required for your agency and will depend on the jurisdiction or area.
Refer to SAM 1950 for State Agency Responsibilities.
Report on programs in the annual State Agency Waste Management Report due May 1st each year https://www.calrecycle.ca.gov/StateAgency/.

## PAINT - 1930.9

Existing law prohibits the disposal of paint in the land or waters of the state and authorizes certain entities to accept latex paint for recycling. Paint represents almost one-third of the material collected at local household hazardous waste facilities and costs local government millions of dollars to manage. The California Architectural Paint Recovery Program, established by AB 1343 (2010), requires manufacturers of architectural paint to develop and implement a recovery program to manage the reuse, recycling, and proper disposal of leftover paint. This program allows state agencies to return leftover paint to drop-off locations at certain paint retailers, hardware stores, transfer stations, and household hazardous waste facilities throughout the state at no charge. If a state agency generates over 300 gallons of leftover paint, direct pick-ups may also be arranged.

In order to reduce the generation of leftover paint, only buy an appropriate amount of paint for each project. If paint is purchased in greater quantities than needed, it can be reused or reprocessed to make a high-quality, economical, recycled paint for use in place of standard latex paint. Leftover paint should be taken to a drop-off site for reuse, recycling, or proper management.

For more information on paint product management, including recycling leftover paint: http://www.calrecycle.ca.gov/Paint/

## PAPER - 1930.10

Paper and paperboard products make up around 20% of office or business disposal in California. State agencies should reduce the amount of paper consumed by implementing paper waste prevention activities such as the use of electronic filing systems, setting printer defaults to duplex printing mode, and establishing paper reuse areas for one-sided paper. Many State agencies already have paper and cardboard recycling programs, because paper products comprise the greatest volume of recyclables for the typical office. The most common paper types generated in state offices are: white ledger (copier and printer paper), colored paper, newsprint, magazines, phone books and directories, paper bags, and cardboard. Mixed paper is what occurs when these commodities are not sorted. Sorting white paper from other types could produce revenue depending on the amount generated, market prices, and how well it is sorted. Some facilities mix paper and other recyclables into a single bin that is sorted at a material recovery facility. The single bin concept creates convenience for staff, but produces a lower grade of recycled paper that will produce little or no revenue. Recycling paper, even mixed paper, avoids disposal costs and helps agencies meet their 50% diversion requirement. These recycling programs also support the State of California's 75% statewide waste diversion goal, in accordance with the provisions of AB 341 (2011). For recycling non-confidential records, the shredded paper should be bagged to avoid litter.

For more information on paper waste prevention, reuse, and recycling: CalRecycle Paper

For more information on Confidential Records Destruction, see SAM 1600

## SCRAP METAL - 1930.11

Scrap metal recycling is common and has a mature, extensive infrastructure. Depending on the quantity and quality of scrap metal generated, state agencies may receive revenue from recycling ferrous (sticks to a magnet, like steel & iron) and non-ferrous (aluminum, copper, brass, etc.) metal. Types of common scrap metal include: used wire, pipes, signs, posts, appliances, tin (steel) cans, empty aerosol and paint cans, rails and fencing, and some types of furniture. Agencies that generate significant amounts of scrap metal may choose to either sort out the most valuable types, or to commingle all types into one bin before sale to a scrap metal recycler.

Metals are among the most valuable recycled commodities and they should be protected from theft.

When it is recycled, scrap metal is generally exempt from hazardous waste regulations under both federal and state law. Scrap metal is not exempt from regulations under either federal or State Law when disposed, especially if it exhibits a characteristic of hazardous waste or is contaminated with a listed hazardous waste. Such situations may include metals covered with old, leaded paint, or motor parts covered with oil and grease. In these cases, metal may need to be managed as a hazardous waste under federal law 40 CFR 261.6(a)(3)(ii) and state law 22 CCR 66261.6(a)(3)(B).

## SHARPS - 1930.12

Although only pertaining to home-generated sharps, beginning in 2008 state law (Section 118286 of the California Health and Safety Code) made it illegal to dispose of those sharps in household trash or recycling containers. Thus, state employees who often must self-inject during work hours, must follow similar requirements at home as those described below. Ultimately, decreasing the number of sharps disposed in standard trash receptacles will help prevent potential health risks to janitorial staff and other waste and recycling workers.

Buildings with full-time state employees (excluding contractors) shall make a sharps container available in at least one of each male and female restroom. The sharps container shall meet the standards and receive approval from the federal Food and Drug Administration as a medical device for use as a sharps container (search for "sharps" in the search box at the following link: Premarket Notification).

Signage near any restroom trash receptacle lacking a nearby sharps container should reference the location of the sharps container(s) that is/are available for employees.

Disposal should be arranged for by the building management and/or by state agency agreement.

For more information on handling sharps: Sharps Waste Disposal

## TIRES - 1930.13

CalRecycle is mandated to regulate and manage waste tires generated within the state. The Legislature recognized the need for waste tire management and passed the California Tire Recycling Act in 1989. To further strengthen waste tire management, the Legislature passed Senate Bill (SB) 876 in 2000 to augment the California Tire Recycling Act.

California is faced with the challenge of diverting or safely managing more than 45 million reusable and waste tires generated annually in the state. Any state agency transporting 10 or more used or waste tires must be a registered waste tire hauler with CalRecycle and track tire transactions on a manifest form. Any state agency who stores or stockpiles more than 500 waste tires at a specific location are required to acquire a major or minor waste tire facility (WTF) permit and comply with technical standards for the safe storage of waste tires. Information regarding CalRecycle's enforcement program can be found at: Tires Enforcement

For more information on recycling tires, including tire haulers and recyclers: CalRecycle Tires

## TONER CARTRIDGES - 1930.14

In accordance with Public Contract Code, Section 12156(c), it is unlawful to prohibit a printer or duplication cartridge that is sold to the State from being recycled or remanufactured, except as specified in subdivision (b). Department of General Services (DGS)'s toner cartridge purchasing contracts require the vendor to provide recycling boxes for toner cartridges to each State agency once they place an order. Once the box is full, the ordering agency should seal the box and contact the contractor's take back contact person to arrange for pickup replacement with an empty recycling box. For remote locations, the contractor will

provide a recycling box with a prepaid shipping label. Ordering agencies may contact the contractor's take back contact person to arrange for a shipping pick-up. To purchase high quality low-cost remanufactured toner cartridges, obtain a copy of the current contract available from DGS.
For more information on recycling toner cartridges: Ink and Toner Cartridges

## UNIVERSAL WASTE (BATTERIES, MERCURY THERMOSTATS AND PRODUCTS NON-EMPTY AEROSOL CANS) - 1930.15

"Universal waste" is a designation that includes certain commonly generated hazardous wastes. Because they pose a relatively lower risk to people and the environment than other hazardous wastes, universal wastes are regulated based on a relaxed set of standards which is more appropriate for the specific hazards they pose. California's Universal Waste Rule requires large and small quantity handlers to ship their universal waste to another handler, a universal waste transfer station, a recycling facility, or a disposal facility.
See these references for more information on the following individual U-wastes.

- Batteries: Batteries;
- Lamps: Lamps;
- Mercury-containing thermostats: Mercury-Containing Thermostats;
- Other mercury-containing products: Mercury in Consumer Products;
- Non-empty aerosol cans: Aerosol Cans.

For more information on U-waste Universal Waste

## THE DEPARTMENT OF RESOURCES, RECYCLING AND RECOVERY (CALRECYCLE) RESPONSIBILITIES - 1940

For new agencies/departments, CalRecycle approves the integrated waste management plan and creates the electronic annual reporting system. For existing agencies/departments, CalRecycle does the following:

1. Assist agencies to implement programs to source reduce, separate and collect recyclable materials and compost, as applicable, purchase recycled-content products. CalRecycle can provide the following:
    a. Promotional and educational materials.
    b. Information on entities that collect recyclables.
    c. Recycling coordinator and general staff training.
2. Consider requests to implement recycling programs at state facilities when those facilities are located in an area already served by an existing CalRecycle contract (see "Recycling Contract Approval" above). For a list of these contracts view this link: Contracts
3. Conduct site assessments to determine:
    a. Equipment needs,
    b. Training needs,
    c. The appropriate recyclable material collector,
    d. Annual reporting requirements,
    e. Promotional material needs,
    f. Purchasing recycled-content products, and
    g. Potential materials to be collected.
4. Conduct compliance reviews

## STATE AGENCY RESPONSIBILITIES - 1950

These activities are the primary operational components of a state agency's program to comply with the requirements of AB 75 (PRC Sections 40148-42928), AB 341 (PRC Sections 42649 & 42926), and AB 1826, (PRC Sections 42649.8 - 42649.86). Each state agency shall:

1. Designate a Recycling Coordinator for each facility and provide the name and phone number of that person to CalRecycle. The facility/office Recycling Coordinator is responsible for ensuring that all discarded materials generated in sufficient quantity are source separated and collected for recycling to the extent feasible, and facilitates waste prevention practices such as double sided printing and copying or use of electronic files when possible.
2. For new state agencies, request CalRecycle approval to establish a recycling program on a site-by-site basis.
3. Secure a site management agreement before implementing a recycling program.
4. Provide for collection of recyclables, including, but not limited to, office paper, corrugated cardboard, newsprint, beverage containers, plastics, glass, used oil, metals, toner cartridges, paint, carpet, mattresses, sharps, electronic and universal waste, construction and demolition, organics (food waste, greenwaste, landscape and pruning waste, nonhazardous wood waste, and food-soiled paper waste) and other materials as applicable and where feasible.
5. Determine persons at the site that will collect recyclables and ensure that they will collect the recyclables on a regular basis.
6. Purchase recycling equipment to facilitate the collection and recycling of materials. Set up collection bins, desk side containers, and a collection schedule.
7. Place recycling containers in work and common areas that meet approval by the State Fire Marshal.
8. Encourage all employees to use recycling containers to collect recyclables.
9. When initiating a new recycling program issue a "kick-off memo" to all staff announcing a new recycling effort, materials that will be recycled, management support for it, and the time and place of orientation meetings. Utilize various forms of outreach i.e. internal internet, newsletters, staff meetings, and bulletin boards (electronic/physical).
10. Work with CalRecycle Local Assistance and Market Development staff assigned to your agency/department/facility to implement an employee information and education program to ensure their continued participation and cooperation in separating recyclables. A recycling education program should be part of a new employee orientation and should be periodically reviewed and updated for employees.For state-owned and leased facilities, each respective state entity responsible for the planning and development of facilities to house state operations shall consider providing adequate, accessible, and convenient areas for collecting, storing, and loading recyclable materials.

11. For state-owned and leased facilities, each respective state entity responsible for the planning and development of facilities to house state operations shall consider providing adequate, accessible, and convenient areas for collecting, storing, and loading recyclable materials.
12. At least annually, review the adequacy and condition of recycling containers, and associated signage.
13. Ensure that CalRecycle receives annual reports summarizing its progress in reducing solid waste as required in PCC Section 12167.1 at each facility, including information on annual disposal, explain changes in waste generated or disposed, a status of diversion programs. Also, ensure CalRecycle receives annual reports for State Agency Buy Recycled Campaign (SABRC) and their requirement to comply with PCC Section 12200-12217.
14. Utilize surplus property. See Management Memo 11-01.

### STATE AGENCY BUY RECYCLED CAMPAIGN (SABRC) - 1960

Purchasing is a key component in any comprehensive waste management program including buying recycled content products. All state agencies are required to comply with the purchase requirements of the State Agency Buy Recycled Campaign
The State Agency Buy Recycled Campaign (SABRC), pursuant to Public Contract Code (PCC) Sections 12200-12217, was created to promote the increase of state purchases of recycled content products, particularly to encourage the expansion of businesses located in California that manufacture and/or distribute recycled content products, and to encourage the purchase of products that utilize recycled resources. Pursuant to SABRC requirements, state agencies and the Legislature are required to purchase products made with post-consumer recycled content and to report annually to the Department of Resources Recycling and Recovery (CalRecycle) on product purchases within the eleven categories of material types. Please refer to CalRecycle's website for the most up to date information on the SABRC program annual reporting requirements, and product categories: (Buy Recycled State Agency).
Please refer to the State Contracting Manual (SCM) on how the SABRC program relates to the contracting process. SABRC information is included in Volume 2, Chapters 3 and 12 and SCM Volume 3, Chapters 3 and 12

### REDUCE AND REUSE - 1970

The Integrated Waste Management Act of 1989 (AB 939, Sher) declared that the state's hierarchy for waste management is: first, Source Reduction; second, Recycling and Composting; and finally, environmentally safe transformation and disposal.
According to the hierarchy, before considering recycling or disposal, one should first seek opportunities to reduce the generation of waste. Source reduction includes purchasing strategies that help to eliminate waste or packaging. The best example of source reduction is the use of duplex rather than single sided printing. Source reduction also includes reuse. Reutilizations of surplus properties are an example of reuse, as are "last chance" areas. Last chance areas are places designated to store extra or surplus office supplies and equipment that staff can access rather than purchasing new materials.
For more information on Waste Reduction: Reduce Waste

### CONTRACTS FOR COLLECTION OF GARBAGE - 1980

State facility contracts for the collection of garbage must provide for the greatest diversion of discarded materials from landfilling. All garbage collection and hauling contracts with the State should allow flexibility to reduce container size, the number of containers, or pickup frequency to avoid unnecessary costs for excess or unused garbage container capacity

### THEFT OF RECYCLABLE MATERIALS - 1990

No person, other than the authorized recycling agent shall remove CRV beverage containers, paper, glass, cardboard, plastic, used motor oil, metal, or other recyclable materials which have been segregated from other waste materials and placed in a designated collection location for the purposes of collection and recycling.

### MATERIALS BANNED FROM DISPOSAL - 1995

Several materials, including many of those listed above, are forbidden from being disposed. For a list of those materials: Wastes Banned from the Trash.

## Chapter - 2400

Sections for Chapter 2400

| Section | Subchapter |
|---|---|
| GENERAL POLICY | 2400 |
| AIR TRAVEL INSURANCE | 2410 |
| MOTOR VEHICLE LIABILITY SELF-INSURANCE PROGRAM | 2420 |
| MOTOR VEHICLE ACCIDENTS AND REPORTING | 2430 |
| SUPERVISOR'S REVIEW AND POLICE REPORTS | 2440 |
| REPORTING AND INVESTIGATING ACCIDENTS/INCIDENTS INVOLVING STATE EMPLOYEES OR STATE PROPERTY | 2455 |
| RECOVERING COSTS WHEN STATE VEHICLE DAMAGED BY THIRD PARTY | 2456.1 |
| PROCEDURES | 2456.2 |
| ACCIDENTS NOT TO BE REPORTED ON ACCIDENT REPORT, STD. 268 | 2460.1 |
| RECEIPT OF LEGAL PAPERS | 2461 |
| COOPERATION WITH THE ATTORNEY GENERAL'S OFFICE | 2462 |

| | |
|---|---|
| INQUIRIES FOR FILING CLAIMS AGAINST THE STATE OF CALIFORNIA | 2464 |
| REPORTING REQUIREMENTS | 2482 |


## GENERAL POLICY - 2400

The Office of Risk and Insurance Management (ORIM), Department of General Services, is available to consult on risk and insurance management issues.
Additionally, ORIM has responsibility for most of the state's insurance and safety programs.

## AIR TRAVEL INSURANCE - 2410

State agencies may insure their officers and employees against injury or death from aircraft accidents while flying on state business in all but regularly scheduled passenger aircraft. See CalHR Rule 599.628(d) for qualifications. Agencies in need of this coverage should inform ORIM in writing the number of employee passengers and employee pilots separated between represented and nonrepresented employees.

## MOTOR VEHICLE LIABILITY SELF-INSURANCE PROGRAM - 2420

Legal Authority

Government Code §§ 16378, 16379, 11290
Insurance Code § 557.5

Vehicle Code §§ 17000, 17001

United States Code, Title 19, § 1627a(c)(1)

Definitions

**Self-Propelled Land Vehicles:**
Defined in 19 USC § 1627a(c)(1)

Policy

The Office of Risk and Insurance Management (ORIM) administers the State Motor Vehicle Liability Self-Insurance Program (VELSIP), which provides self-insured liability coverage for state agencies and employees who operate covered self-propelled land vehicles on official state business.

Effective January 1, 2004, liability coverage is limited to $1,000,000 per occurrence/accident when the state-owned vehicle is operated by a non-civil service employee (e.g., student assistant, volunteer, etc.) on official state business. In such an instance, the employing department/agency will be financially responsible for the payment of any claims, settlements, judgments or verdicts in excess of $1,000,000.

With the exception of peace officers as defined in Insurance Code section 557.5, the VELSIP provides excess liability coverage for state employees while driving non-state vehicles on official state business, but only after the vehicle owner's liability policy limits have been paid.

**Personal Injuries**

The VELSIP does not provide coverage for injury to state employees or damage to state owned vehicles. Employee injuries are handled through the Workers' Compensation program.

**Property Damage**

Repairs for damage to state vehicles is the responsibility of the state agency owning the vehicle.

Responsibilities

**ORIM:**

1. Administers the State Motor Vehicle Liability Self-Insurance Program.
2. Provides annual rate assessment invoice to state agencies.

Resources

None

Tracked Changes Version

## MOTOR VEHICLE ACCIDENTS AND REPORTING - 2430

If involved in a motor vehicle accident while on state business, state employee drivers **must report the accident within 2 business days** (regardless of the ownership of the vehicle) on a Vehicle Accident Report form, STD. 270, to the:

Office of Risk and Insurance Management (ORIM)707 Third Street, First Floor
West Sacramento, CA 95605P (916) 376-5300.
F (916) 376-5277

Claims@dgs.ca.gov

Should the accident result in **bodily injury** to anyone **other than** the state employee, the accident must be **immediately** reported to the ORIM by telephone or an advance faxed or email copy of STD. 270. On weekends, call (916) 376-5300, to leave a Voice Mail.

An Accident Identification card, STD. 269, should be carried in the glove compartment of all state vehicles. This card should be completed and the tear-off portion given to the other party. The card provides a convenient place to write down pertinent information while still at the accident scene. This information should be transferred to the STD. 270 and sent to ORIM.

For reporting purposes,

An **accident** is defined as one that involves a state-owned vehicle (or a non-state-owned vehicle operated by a state employee on state business) where there is damage caused to **another** person or property.

An **incident** involves **only** a state-owned vehicle where the damage, **regardless** of the amount, is limited **just** to the state vehicle which was **stationary** at the time the damage occurred. **Incidents** should **not** be reported to ORIM.

State employees should not discuss the accident with anyone other than the police, their supervisors, ORIM Claims Unit, or the independent adjusting company under contract with ORIM. If contacted by the other party, their attorney or insurance company, the state employee should refer the party or correspondence to ORIM Claims Unit. Under no circumstances should the state employee driver give either a written or recorded statement to the other party or their representatives.

If served with any post-accident legal papers, **call ORIM Claims Unit immediately.**

## SUPERVISOR'S REVIEW AND POLICE REPORTS - 2440

The supervisor of an employee involved in an accident must investigate the accident. This investigation will enable the supervisor to co-sign STD. 270. The supervisor is also responsible to ensure that STD. 270 is completed and promptly forwarded to ORIM.

The supervisor is also responsible to prepare Review Of State Driver Accident (Supervisor's) form, STD. 274, take any appropriate corrective action, and forward STD. 274 to both ORIM and the agency's Safety Coordinator.

If a California Highway Patrol (CHP) or other police authority accident report is needed to allow the supervisor to do the above, he or she may obtain these reports as an "interested party" and at no cost.

## REPORTING AND INVESTIGATING ACCIDENTS/INCIDENTS INVOLVING STATE EMPLOYEES OR STATE PROPERTY - 2455

**Reporting**

In the event of an accident/incident involving state employees or state property the following procedures should be followed:

1. If the accident/incident involves motor vehicles contact the local CHP office.
2. All other types of accidents/incidents:

   Report the incident to your supervisor. Departments will have written procedures to follow. Complete, Accident Report (Other Than Motor Vehicle) form STD. 268*.

*If the accident/incident involves serious injury or death, extensive personal or state property damage or a significant potential for state/public liability, the Attorney General's Office will be notified within 24 hours by contacting the Department of Justice Command Center at (916) 227-3244.

If a completed report is not immediately available, provide the following information:

1. Identify the department/agency, unit and employees involved, including all contact information;
2. Date, time, place, injuries and circumstances;
3. Names, addresses and contact information of all injured people and witness(es);
4. Name and telephone number of a departmental contact person.

Upon completion, the original report and all relevant documents will be immediately forwarded to:

Attorney General's Office
P.O. Box 944255
Sacramento, CA 94244-2550
Attn: Government Claims Unit
Telephone: (916) 210-7524
E-Mail Address: GCU@doj.ca.gov

Department/agencies will have written procedures for maintaining copies of the report for their purposes/records.

Employees are instructed to not discuss or speak to any individual concerning the accident/incident other than (or with approval of) a representative of their legal office or the Office of the Attorney General.

**Investigation**—Complete STD. 268

Obtain all witness information.

Obtain accurate measurements or relevant dimensions.

When possible and appropriate, photographs, video recordings, diagrams will be taken immediately.

Provide the names, titles and telephone numbers of the individual preparing the report and their immediate supervisor.

Opinions and conclusions, if provided, are to be prepared on a separate attached page.

Upon completion, the original report and all relevant documents will be immediately forwarded to:

Attorney General's Office
P.O. Box 944255
Sacramento, CA 94244-2550
Attn: Government Claims Unit
Telephone: (916) 210-7524
E-Mail Address: GCU@doj.ca.gov

**Requests for Copies of Accident/Incident Reports**
All departments will have written procedures to respond to requests for copies of reports. Reports will only be released through appropriately designated personnel, the department's legal office, or the Attorney General's Office.

## RECOVERING COSTS WHEN STATE VEHICLE DAMAGED BY THIRD PARTY - 2456.1

The Office of Risk and Insurance Management of the Department of General Services takes action to recover for most State agencies the cost of damage done to State vehicles by third parties. A few State agencies undertake their own collection activities under statutory authority or upon approval of the Office of Risk and Insurance Management. This section applies only to those agencies for which the Office of Risk and Insurance Management undertakes collection activity.

## PROCEDURES - 2456.2

1. An agency forwards a Report of Vehicle Accident, STD. 270, to the Office of Risk and Insurance Management in accordance with SAM Chapter 2400.
2. The Office of Risk and Insurance Management makes the necessary review and notifies the third party if it is indicated that the third party is liable for the cost of repairing the State vehicle.
3. When the Office of Risk and Insurance Management notifies the third party, it also requests the agency to forward to the Office of Risk and Insurance Management colored photo(s) of the damage to the vehicle, a repair invoice(s) and any disapproved estimates. It is imperative that the agency forward these invoice copies as soon as the invoice is received by the agency. If the agency has decided that repairs will not be made, the agency should notify the Office of Risk and Insurance Management immediately so needless collection activity will not occur. The Office of Risk and Insurance Management in these cases will notify the agency if it is still advisable to proceed with the claim and whether collection may be made on the basis of an estimate only.
4. The Office of Risk and Insurance Management will notify the agency of the amount demanded from the third party. The agency will then recognize the claim as a contingent receivable. In the event a contingent receivable is closed without recovery, or closed with recovery of a lesser amount received than that which was claimed, the Office of Risk and Insurance Management will notify the accounting office of the State agency concerned.
5. The Office of Risk and Insurance Management will notify the agency when a claim against a third party becomes a valid receivable. In the event that a valid receivable becomes uncollectible, the State agency must follow procedures as outlined in SAM section 8776.6. The Office of Risk and Insurance Management will not notify the agency when an insurance company gives notice that they will be forwarding a check for payment of damages. Although this might be considered a promise to pay, it is not expedient to classify such claims as valid receivables because payment will be received in ten to fifteen days.
6. Collections of damage recovery claims will normally be received by the Office of Risk and Insurance Management of the Department of General Services. The accounting office will forward to the agency a cash State check for the amount of the collection and a copy of the cash receipt containing pertinent information. If an agency happens to receive a payment directly from a third party or its agent, it is important that the agency notify the Office of Risk and Insurance Management immediately so that Office of Risk and Insurance Management files can be updated.
7. The agency will be responsible for reconciling its records to those of the Office of Risk and Insurance Management. Yearly a list of open departmental claims will be forwarded to the Office of Risk and Insurance Management, Department of General Services, which will advise as to their status. Agency records will consist of items recorded in the accounting records as well as a pending file of items which have been determined to be contingent receivables when the repair costs are paid

## ACCIDENTS NOT TO BE REPORTED ON ACCIDENT REPORT, STD. 268 - 2460.1

Do not report the following on STD. 268:

1. Accidents resulting from operating motor vehicles by officers, agents, and employees of the state which are reported on Report of Vehicle Accident, STD. 270. See SAM Section 2430.
2. Accidents and occurrences arising from the activities of the Department of Transportation. These incidents are handled according to Department of Transportation procedure.

## RECEIPT OF LEGAL PAPERS - 2461

All departments/agencies will have written procedures to follow in the event legal papers are delivered/served.
The employee will immediately prepare a memo to the department/agency's legal office stating (1) the date of receipt and (2) the method of receiving the papers (i.e. personal/mail/etc.).
This memo will be attached to the original papers and forwarded immediately to the legal office. The legal office will contact the Office of the Attorney General.
Employees are instructed to not (1) sign or return any legal papers concerning the accident/incident and/or (2) discuss or speak to any individual concerning the accident/incident other than their legal office or a representative of the Office of the Attorney General.

## COOPERATION WITH THE ATTORNEY GENERAL'S OFFICE - 2462

Upon request of the Office of the Attorney General departments/agencies and employees will cooperate fully during investigations, settlements, hearings and trial or in any other manner of assistance that may be required.

## INQUIRIES FOR FILING CLAIMS AGAINST THE STATE OF CALIFORNIA - 2464

Any inquiry or claim against the State of California, departments or employees will be directed to:
Department of General Services Office of Risk & Insurance Management
Government Claims Program
P.O. Box 989052 MS – 414
West Sacramento, CA 95798-9052
800-955-0045

Additional information and services may be accessed from Department of General Services home page located at DGS Risk and Insurance Management.

### REPORTING REQUIREMENTS - 2482

Property or money losses due to employee infidelity or dishonesty must be reported in writing to Department of Finance, Office of State Audits and Evaluations and the Bureau of State Audits. See SAM Section 20060

## Chapter - 2500

Sections for Chapter 2500

| Section | Subchapter |
|---|---|
| WORKERS' COMPENSATION AND INJURY PREVENTION | 2580 |
| STATE WORKERS COMPENSATION | 2580.1 |
| DEPARTMENT RESPONSIBILITY | 2580.2 |
| VOLUNTEERS | 2580.3 |
| BASIC SAFETY TRAINING FOR AGENCY SAFETY COORDINATORS | 2580.4 |
| STATE EMPLOYEE WORK INJURIES | 2581 |
| RESPONSIBILITY OF INJURED EMPLOYEE | 2581.1 |
| RESPONSIBILITY OF EMPLOYER | 2581.2 |
| EMPLOYER'S REPORT OF OCCUPATIONAL INJURY OR ILLNESS SCIF E3067 (STATE) FORM | 2581.3 |
| WHERE TO SEND SCIF E3067 AND E3301 (STATE) FORMS | 2581.4 |
| OTHER REPORTING REQUIREMENTS FOR JOB-RELATED INJURIES, ILLNESSES AND DEATHS: CALIFORNIA OCCUPATIONAL SAFETY AND HEALTH ACT | 2581.5 |
| NOTICES TO INJURED EMPLOYEES REGARDING THEIR CHOICE TO SUPPLEMENT | 2581.6 |
| MEDICAL TREATMENT | 2582 |
| TREATMENT BY A PHYSICIAN | 2582.2 |
| CHANGING PHYSICIANS | 2582.3 |
| TEMPORARY DISABILITY | 2583.1 |
| INDUSTRIAL DISABILITY LEAVE | 2583.11 |
| TEMPORARY PARTIAL DISABILITY | 2583.12 |
| PERMANENT DISABILITY | 2583.20 |
| AUDITS—WORKERS' COMPENSATION BENEFITS | 2584 |
| EMPLOYEE TOXIC EXPOSURE RECORDS | 2590 |
| TOXIC CHEMICAL SAFETY ORDER REQUIREMENTS | 2590.1 |
| MATERIAL SAFETY DATA SHEETS | 2590.2 |
| ASBESTOS NOTIFICATION TO EMPLOYEES | 2591 |

### WORKERS' COMPENSATION AND INJURY PREVENTION - 2580

The purpose of this section is to help Departments meet their responsibilities as employers by: establishing uniform policies to report workers' compensation injuries* timely, to pay benefits promptly, and to return employees to work as soon as possible. Department(s) is defined as departments, agencies, boards, commissions, or other subdivisions of the California State Government

*Injury is described as any injury or disease arising out of employment (Labor Code 3208) which causes disability or need for medical treatment (Labor Code 3208.1).

### STATE WORKERS COMPENSATION - 2580.1

The State Workers' Compensation Program (WCP) in the California Department of Human Resources is responsible for the management of the Master Agreement for workers' compensation claims between State Compensation Insurance Fund (State Fund) and all legally uninsured State Departments. The WCP also provides training and publications, offers guidance and consultation, and reviews legislation.

### DEPARTMENT RESPONSIBILITY - 2580.2

Departments shall:

Appoint (at least one) Return to Work Coordinator (RTWC) who will be primarily

responsible for managing the department's workers' compensation claims and ensuring injured employees are returned to work as soon as medically feasible.

Choose a medical provider that is part of the State Fund Medical Provider Network (MPN) and can provide immediate treatment in the event of a work-related illness or injury.
Post the chosen provider along with other appropriate notices in conspicuous place(s).
Provide every employee at time of hire or by the end of the first pay period written notice of their rights under the workers' compensation system an opportunity to pre-designate their personal physician to treat the employee in case of a work-related illness or injury.
Establish, implement and maintain written policies for prompt response to and reporting of a work-related illness or injury.
Train all supervisors and managers of their responsibilities in the event of a work-related illness or injury.
Provide the *Workers' Compensation Claim Form* (DWC 1) *& the Notice of Potential Eligibility* (e3301) to the employee within one working day of knowledge of a potential work-related illness or injury.
Submit the *Employers' Report of Occupational Injury or Illness* (e3067) to State Fund
Authorize first medical treatment at the posted facility or pre-designated physician within one day of receipt of the completed *Claim Form* (DWC 1) or within three days of knowledge of the illness or injury.
Provide transportation or accompany the employee to the first medical appointment.
Ensure payroll is processed properly so the ill or injured employee receives all required benefits timely; see section E300 and E400 of the State Controller's Payroll Procedures Manual (PPM).
Maintain contact with the injured employee and facilitate return to work as soon as possible

## VOLUNTEERS - 2580.3

Workers' compensation benefits for volunteers are not required. A volunteer who does not receive compensation for his or her work is not entitled to workers' compensation benefits, unless the agency for which the volunteer works chooses to provide these benefits (See Labor Code Section 3363.5).
If workers' compensation benefits are not provided, an injured volunteer may file a tort claim against the State. If workers' compensation coverage is provided, it becomes the injured volunteer's "exclusive remedy," and the volunteer may not make a tort claim against the State.
Departments should contact their State Fund office annually to discuss the status of their volunteers.

## BASIC SAFETY TRAINING FOR AGENCY SAFETY COORDINATORS - 2580.4

In accordance with Labor Code Section 6400 et seq., and Title 8 of the California Code of Regulations, General Industry Safety Order #3203, the Department of General Services, Office of Insurance and Risk Management, has developed a Basic Safety Training course and has been assigned the responsibility for conducting that course. In accordance with the above Labor and Administrative Codes, successful completion of this course is mandatory for all State Safety Coordinators. Those Safety Coordinators with prior training or experience who wish to challenge this course in lieu of actual participation, may do so by submitting a written application to the Department of General Services, Office of Insurance and Risk Management.
The departmental director is responsible for ensuring that the departmental Safety Coordinator completes the Basic Safety Training Course within one year of the Coordinator's appointment.

## STATE EMPLOYEE WORK INJURIES - 2581

Assigned responsibility is necessary for effective procedures for care and treatment of work-related injuries and injury prevention. The responsibility-action assignment presented here forms the basis for departmental procedures.

## RESPONSIBILITY OF INJURED EMPLOYEE - 2581.1

The employee shall:
Read and understand the workers' compensation posters, pamphlets, brochures, and forms provided by the department.
Report all incidents, illnesses, and accidents promptly.
Complete the State Fund e3301.and return to the department to pursue a workers' compensation claim.
Obtain first aid for minor injury.
Seek medical treatment at the posted provider unless a personal physician has been pre-designated in writing (and the physician agreed) before the date of illness or injury.
Provide State Fund and the department with copies of medical notes or reports received from the treating physician. These notes/reports contain information regarding the employee's ability to work including any restrictions which must be considered by the department.
Maintain contact with the department and return to work as soon as it is medically feasible.
Submit medical substantiation for all time lost due to the work-related illness or injury

## RESPONSIBILITY OF EMPLOYER - 2581.2

The employer is responsible for carrying out state and departmental injury prevention policies. In case of injury this responsibility includes initiating action to obtain prompt medical treatment for injured employees. Employer includes every person having direction, management, control, or custody of any employment, place of employment, or any employee.
The employer shall:
Assure that first aid is administered for minor injuries or arrange medical treatment by an employer selected physician or the employee's pre-designated physician when necessary. For extreme emergency get the injured to any available doctor, hospital, or public medical service.
Arrange for treatment with the employer selected physician or medical facility within the Medical Provider Network (MPN) or with the employee's pre-designated personal physician or medical group.
Arrange for transportation to doctor's office or to hospital. Use state vehicle, ambulance, taxi, or whatever is appropriate at the time.
(Note: The employer or designated representative can accompany the employee to get medical treatment.)
Provide the ill/injured employee with the Workers' Compensation Claim Form & Notice of Potential Eligibility form (DWC 1 /e3301) if medical treatment other than first aid was required or the illness or injury results in lost time. The SCIF e3301 must be provided to the injured employee within one working day of the department's notification an illness or injury has occurred.
Make a report of action taken and the facts about the accident by completing both sides of Employer's Report of Occupational Injury or Illness form, SCIF e3067(STATE).
Submit SCIF e3067 (STATE) to State Fund.

The employer shall:
Maintain contact with injured employee.
Arrange for completion of Absence and Additional Time Worked Report STD. 634 or equivalent form, for payroll purposes.
Discuss return to work with employee, physician, State Compensation Insurance Fund Claims Adjuster, and departmental Return-to-Work Coordinator.
Forward all medical documentation to the departmental Return-to-Work Coordinator.

The employer shall:
Go to the scene of the accident and collect data to reconstruct the circumstance of the accident, if appropriate.
Question witnesses and others who have knowledge of the injury. Review the Supervisors Section of SCIF e3067 (STATE), to:
Assure adequate information has been recorded for injury prevention. Make initial determination if injury is work-related or not.
Identify responsibilities for training-instructions and supervisory follow-up.
Reconcile questions and problems raised by either the supervisor or the employee.
Initiate injury prevention changes that will minimize the potential of recurrence of a similar accident. Process the form in accordance with agency safety plan.
Review SCIF e3067 (STATE) for completeness of data.
Submit SCIF e3067 (STATE) and SCIF e3301 as soon as possible, but no later than five (5) days after notification of employees work injury or death. If there is a question or doubt about the injury or illness being job-related, the supervisor shall attach a memorandum to SCIF e3067 (STATE) outlining the facts as they are known and request further investigation by State Compensation Insurance Fund.

## EMPLOYER'S REPORT OF OCCUPATIONAL INJURY OR ILLNESS SCIF E3067 (STATE) FORM - 2581.3

State Fund must receive the employer's report within five calendar days of the employer's knowledge or notification that a work-related injury or illness has occurred. The form must be submitted in the following situations:

- A work-related injury or illness results in lost time beyond the date of injury or medical treatment beyond first aid;
- An employee presents a doctor's note stating an injury or illness is or may be work related;
  or
- A completed *Claim Form* (DWC 1) is received from either the employee, their doctor, their attorney or State Fund

For instructions on how to complete and submit this report, please see the publication Workers' Compensation Claim Kit, Instructions for Completing the Forms Required to Report a Work-Related Injury or Illness on the California Department of Human Resources website: https://www.calhr.ca.gov/Documents/claim-kit.pdf

## WHERE TO SEND SCIF E3067 AND E3301 (STATE) FORMS - 2581.4

Departments shall submit the Employer's Report of Occupational Injury of Illness form, SCIF e3067 (STATE) to State Fund within five calendar days of the employer's date of knowledge of the illness, injury or death. First reports of injury may be submitted via the Electronic First Report of Injury (EFROI) which is accessed through State Fund Online. EFROI is preferred however faxes to the customer service center are also acceptable. If the injury is serious, the Department may call the assigned State Contract Services office directly.

## OTHER REPORTING REQUIREMENTS FOR JOB-RELATED INJURIES, ILLNESSES AND DEATHS: CALIFORNIA OCCUPATIONAL SAFETY AND HEALTH ACT - 2581.5

Additional work injury and illness reporting and recording is required by the California Occupational Safety and Health Act (CAL/OSHA). Information may be found at the Division of Occupational Safety and Health (Cal/OSHA), Department of Industrial Relations website at http://www.dir.ca.gov/.

## NOTICES TO INJURED EMPLOYEES REGARDING THEIR CHOICE TO SUPPLEMENT - 2581.6

In order to assist employees in selecting the proper disability benefit, state departmental personnel offices shall provide the employees with the Industrial Disability Leave with Supplementation Benefits Information and Option Selection form (STD 618S).
Departments must complete the STD. 618S, and send to the employee within 15 days of the date SCIF accepts the claim.

## MEDICAL TREATMENT - 2582

It is state policy to provide all necessary and reasonable medical treatment to an employee who suffers an injury or illness on the job. Each department by law, must post in a conspicuous location frequented by employees a Notice to Employees poster (English e13913) (Spanish e13914). This notice informs an employee of his or her right to receive medical treatment in the event of a work-related illness or injury and of his or her right to pre-designate a personal physician. The notice shall list the contact information for the hospital and physician the department has selected to provide treatment in the event of a work-related illness or injury.
Departments must also post the Guide to the State Fund Medical Provider Network (MPN) for State of California Employees brochure (e13174) in close proximity to this notice. The State Fund MPN is a selected network of physicians and other medical service providers who provide treatment to workers injured on the job.

## TREATMENT BY A PHYSICIAN - 2582.2

Notice to State Employee form, e13913, provides the name of the chosen medical provider who is in the Medical Provider Network (MPN) for the department. The department is required to post the notice in a place accessible to employees. The name of the MPN for your department will be listed on the bottom of the poster). The MPN is a group of health care providers which includes a mix of doctors specializing in work- related injuries and doctors with expertise in general areas of medicine. Employees covered by an MPN will have their workers' compensation medical needs taken care of by doctors in the network unless they pre-designated their personal doctor and did so before their injury happened. State Compensation Insurance Fund (State Fund) will assist in locating these physicians.
Departments are responsible for getting the injured person to a physician for the first treatment. The medical report must have the physician's estimate of the employee's limitations, an estimate of when the employee can return to work, and the schedule of

treatment for the recovery period. After the first treatment by a physician, State Fund will follow-up on further treatment and recovery of the injured

## CHANGING PHYSICIANS - 2582.3

If an employee has not notified the department that he/she wishes to be treated by a personal physician, the department has the right to direct the employee's medical treatment. After the initial medical evaluation with an MPN doctor an employee has the right to choose another primary treating physician or subsequent physician from the State Fund MPN.

## TEMPORARY DISABILITY - 2583.1

Employees who are unable to work due to the effects of their work related illness or injury are entitled to a temporary disability (TD) benefit. Any time lost on the date of injury is paid as *Administrative Time Off (ATO). TD benefits commence after the employee has served a three day waiting period. The waiting period is waived if the employee is temporarily disabled for more than 14 days, is hospitalized, or the injury was a criminal act of violence against the employee.

TD benefits are paid directly to the injured employee by State Fund. The TD benefit is 2/3 of the employee's average weekly wage, subject to the minimum and maximum benefit amounts in place for the date of injury.

Employees may choose to supplement their TD payments with available leave credits to make up the difference between the TD benefit and their normal take home salary. TD payments are not taxable, but supplementation is taxed at the employee's normal rate. The employee continues to receive full service credit, leave accruals, and merit salary adjustments. No contributions to CalPERS/CalSTRS are made from TD payments.

TD benefits cease when the employee is no longer temporarily totally disabled or the statutory limit is reached.

Industrial Disability Leave will be paid in lieu of temporary disability for all eligible employees. See SAM Section 2583.11.

*ATO is a form of paid administrative leave status initiated by appointing authorities.

## INDUSTRIAL DISABILITY LEAVE - 2583.11

Industrial Disability Leave (IDL) is paid in lieu of Temporary Disability (TD) to State employees who are members of the Public Employees' Retirement System (PERS) or the State Teachers' Retirement System (STRS).

Like TD, IDL is subject to a three-day waiting period which is waived if the employee is hospitalized, disabled as a result of a criminal act of violence, or disabled more than 14 calendar days. Only one waiting period is served per claim.

IDL benefits are payable for a maximum of 52 weeks of payments within a two-year period beginning on the first day of disability. Time lost on the date of injury is paid as ATO.

IDL payments are based on the employee's current wages. For the first 22 work days, the employee receives the full net salary, thereafter IDL payments are 2/3 of the gross salary. Employees may choose to supplement their reduced IDL payments with available leave credits up to their normal take home salary.

## TEMPORARY PARTIAL DISABILITY - 2583.12

Employees released by their treating physician to part-time work qualify for temporary partial disability payments under certain conditions. The payments are calculated by State Fund on a weekly basis under the concept of "wage loss" (Labor Code 4654).

The employee is entitled to two-thirds of a weekly loss of wages if the gross wage (based upon the actual hours worked) is less than the normal gross wage and falls below the maximum rate set by law in any calendar week. Contact your local State Fund office for assistance.

## PERMANENT DISABILITY - 2583.20

When the insured's condition has stabilized (the treating physician says it will get no better nor worse), the employee may be entitled to permanent disability payments.

Permanent disability payments are due if there are lasting effects from the job-related injury or illness. Permanent disability payments are not supplemented with leave credits.

If an employee is released from temporary disability compensation and starts receiving permanent disability compensation, then he/she may still be able to return to work at his/her prior position. This decision is based upon the medical restrictions placed upon the individual by the treating physician in the final report. If an employee receiving permanent disability is not able to return to work, the department is required to initiate one of the actions outlined in Government Code 19991.4.

## AUDITS—WORKERS' COMPENSATION BENEFITS - 2584

Departments will reconcile billings submitted by the State Compensation Insurance Fund for proper charges against funds or policies of insurance, as well as credits and debits of temporary disability benefits. By memorandum, State agencies will keep State Compensation Insurance Fund informed of discrepancies. See SAM Sections 8780 and 8780.1.

## EMPLOYEE TOXIC EXPOSURE RECORDS - 2590

All employers, including the State, are required to comply with the CAL/OSHA safety orders. General Industry Safety Order (GISO) Section 3204, (Title 8, California Code of Regulations) became effective April 1, 1981, and it requires the following:

- If employer creates, obtains, or has access to records of exposure or medical records of employees exposed to toxic substances or harmful physical agents, then the employer must maintain the records for the length of employment of the employee plus 30 years;
- The employer must make these records available to employees, their representatives or the Division of Occupational Safety and Health (DOSH) without cost, within 15 days of a request;
  **WARNING: DO NOT RELEASE EMPLOYEE MEDICAL RECORDS TO UNAUTHORIZED THIRD PERSONS.** If in doubt contact your legal office, the State Personnel Board Office of Information Practice or the Department of General Services, Office of Insurance and Risk Management.
- Requests for these records must be made in writing by the employee. If the employee designates a representative to obtain the records then the employee must provide a written authorization form. A sample authorization form is contained in GISO 3204;
- If the employee requests the information, and if in the opinion of the physician representing the employer the employee may be harmed by that information, then the information may be withheld from the employee. But in no event can the information be withheld from the employee's designated representative. See 8 CCR 3204 (e) (2) (B) 4 and 5.

- Care must be taken when releasing records to a requesting employee or a designated employee representative. If the records contain any information identifying another employee (e.g., by name, address, social security number, payroll number, age, height, weight, race, sex, date of initial employment, job title, etc.) the employer shall assure that personal identifiers are removed before access to the records is provided to the requesting employee or designated representative. If the employer can demonstrate that removal of personal identifiers from an analysis is not feasible, access to the personally identifiable portions of the analysis need not be provided. See 8 CCR 3204 (e) (2) (C) 2.

## TOXIC CHEMICAL SAFETY ORDER REQUIREMENTS - 2590.1

In order to comply with the safety order, the following statewide policy is established:

- The director of each department shall designate an individual to be responsible for employee toxic exposure records. It is suggested that the departmental Safety Coordinator, Return-to-Work coordinator or the Personnel Officer be designated.
- For purposes of GISO No. 3204, the State of California is deemed to be one employer, exclusive of the employees of the Regents of the University of California.
- Employee toxic exposure records shall be retained by the employing State agency until the employee transfers to another state agency or until the employee separates from State service. Departments may, at any time store retained records at the Department of General Services' State Records Center (SRC). The department must include the toxic exposure records in their Departmental Records Retention Schedule. See your Departmental Records Management Coordinator. Whenever toxic exposure records are sent to the State Records Center, a copy of the Records Transfer List must be placed in the employee's personnel file.
- Upon transfer to another state agency, the toxic exposure records shall be transferred to the new agency. Any toxic exposure records at the State Records Center shall be retrieved and sent to the new agency.
- Upon separation from state service, for whatever cause, the toxic exposure records shall be sent to the State Records Center, as custodian. These records must be kept for 30 years after state employment ends. See SAM Section 1670. The record shall remain the property of the agency transferring the document to State Records Center.
- The departmental designee shall develop and establish procedures for the orderly filing, retention, flagging, and retrieval of employee toxic exposure records

- Every state agency shall post notices in conspicuous places, stating where employee toxic exposure records are kept and who is responsible for maintaining and providing access to these records. CAL/OSHA Form S–11, Access to Medical and Exposure Records, can be used to meet this requirement. A supply of these forms may be obtained from the nearest CAL/OSHA Office.
- Environmental or workplace monitoring or measurement records which affect more than one state agency or more than one employee shall be retained by each safety coordinator, or other departmental designee, of the affected state agencies, and a copy of such records shall be sent to the Office of Risk and Insurance Management, Department of General Services. The Office of Risk and Insurance Management shall store its copy at the State Records Center for the prescribed time. If you have any questions contact the Office of Risk and Insurance Management, at (916) 376-5285 or CALNET 480-5285

## MATERIAL SAFETY DATA SHEETS - 2590.2

General Industry Safety Order (GISO) #5194 requires the state to make Material Safety Data Sheets (MSDS) and training available to employees prior to assignment in an area where there is a potential for exposure to a hazardous substance. This Safety Order became fully effective and enforceable on February 21, 1983. In order to comply with this Safety Order the following procedures will apply for all state agencies:

1. Any and all departments ordering state contract purchase items which have substance on the Director’s (DIR) List of Hazardous Substances, will require all vendors (DGS Procurement Division or otherwise), to supply MSDS to their offices. (For DIR list, see Code of Regulations, Section 339.)
2. It is the responsibility of each department or agency director to:
    a. See that employees are trained prior to the assignment in an area where there is a potential for exposure to hazardous substance.
    b. Establish internal procedures to collate and obtain MSDS on hazardous substance which are purchased either through the DGS Procurement Division or other purchasing systems. Receiving clerks should be advised to follow internal departmental procedures in making the appropriate filing and distribution of the MSDS.
    c. Establish internal procedures to maintain MSDS and to supply them to employees as needed.
    d. Confirm that the departmental Safety Coordinator is knowledgeable about General Industry Safety Order #5194 and Material Safety Data Sheets.

## ASBESTOS NOTIFICATION TO EMPLOYEES - 2591

The purpose of this section is to help agencies, managers, and supervisors meet their responsibilities as employers.

State agencies needing information about the existence of asbestos in DGS buildings should contact the building manager. The Real Estate Services Division (RESD) will advise departments in leased space when they have knowledge of the presence of asbestos in the building.

Statutory Authority

Health and Safety Code Section 25915 et seq. mandates asbestos notification to employees.

Major Policies

State agencies that occupy buildings constructed prior to 1979, and know of the presence of asbestos materials in the building, are required to provide written notification to employees working in the building. Notices are required within 15 days of knowledge and shall then be made annually to all employees.

In agency-owned buildings, the agency is responsible for Asbestos Notification to Employees. It is suggested that the building manager be designated by the agency head to carry out this duty.

The state agency that operates or controls the building must deliver a copy of the notification to other departments with employees working in the building. New employees, agencies new to the building, or contractors shall be provided notice within 15 days of commencing work in the building.

Written notice shall include the following information:

1. A description or list of the contents of any survey conducted to determine asbestos- related conditions within the building, and where and when the results of the survey are available.
2. Specific locations identified by the survey or known to the agency where asbestos materials are present.
3. General procedures and handling restrictions to minimize disturbance and exposure to asbestos. Indicate where information can be found when detailed handling instructions are necessary.
4. Results of any bulk sampling analysis or air monitoring conducted for or by the agency, and information describing where the specific data are available.
5. Potential health risks or impacts that may result from exposure to asbestos in the building.

If any construction, maintenance, or remodeling is conducted in an area of the building where there is the potential for employees to come into contact with, or to release or disturb, asbestos materials, the state agency, or agent of the owner responsible for the asbestos-related work will be required to post that area with a clear and conspicuous warning. See 2591 Illustration.
All existing asbestos survey and monitoring data, specific to the building, shall be made available to the employees or their representatives upon request. This information shall be kept within the building and be available at times convenient and accessible to employees, and their representatives, for review and photocopying.

**WARNING SIGN**

**DANGER**

**ASBESTOS MAY CAUSE CANCER CAUSES DAMAGE TO LUNGS**
**AUTHORIZED PERSONNEL ONLY**
**RESPIRATORS AND PROTECTIVE CLOTHING ARE REQUIRED IN THIS AREA**

The words on signs should be in block letters at least one inch in height with principal strokes of letters of not less than 1/4 inch wide.
Letters should be of such color and design as to be in strong contrast to the background of the sign. Signs should be posted at a sufficient distance from the asbestos work area that employees may read the signs and take necessary precautions before entering the area marked by the signs

# Chapter - 2800

Sections for Chapter 2800

| Section | Subchapter |
|---|---|
| STATE OF CALIFORNIA PRINTING SERVICES | 2800 |
| OSP STATUTORY AUTHORITY | 2805 |
| ORDERING OSP SERVICES | 2810 |
| PRINTING SERVICES EXEMPTIONS | 2811 |
| INTERAGENCY AGREEMENTS FOR PRINTING SERVICES | 2812 |
| OSP PRINTING AND COMMUNICATION SERVICES | 2820 |
| OSP ADVERTISING SERVICES | 2825 |
| CALCTRA PROGRAM SUMMARY | 2850 |
| UNION LABEL ON PRINTING | 2870 |
| STATE AGENCY IN-PLANT PRINTING OPERATIONS | 2875 |
| APPROVAL REQUIRED TO PURCHASE PRINTING EQUIPMENT | 2876 |
| IN-PLANT PRINTING OPERATIONS DATA MANAGEMENT | 2877 |
| COPYING AND DUPLICATING LIMITATIONS | 2880 |

## STATE OF CALIFORNIA PRINTING SERVICES - 2800

A. Overview
This chapter provides policy for state agency use of printing and reproduction services.
The Department of General Services' (DGS) Office of State Publishing (OSP) and the California Prison Industry Authority (CALPIA) offer printing services to California state agencies on a statutory basis. Government Code Section 14850 requires state agencies to obtain printing services from OSP. Penal Code Section 2807 enables CALPIA to also provide printing services and mandates that CALPIA products be purchased by state agencies.
State agency printing operations authorized under SAM Section 2875 ("in-plants") may perform printing services for other state agencies when authorized by the State Printer (see SAM Section 2811 for exemption process and SAM Section 2875 for in-plant operations).

B. Procurement

Pursuant to Government Code Section 14850 and Penal Code Section 2807, state agencies shall procure printing services through OSP or CALPIA, as specified on the California State Government Printing Services website: www.dgs.ca.gov/OSP/Resources/California-State-Government-Printing-Services. This website identifies which products are offered by OSP, CALPIA, or both operations, and will match the customer with the correct printing service provider based on product type and quantity. The website will also identify print products and services provided by in-plants (state agencies with in-house printing operations) authorized by the State Printer to provide printing services to other state agencies.

A detailed description of OSP products and services can be found on the California State Government Printing Services website. For information on how to order OSP services, see SAM Section 2810. For a general overview of OSP products and services, see SAM Section 2820.

A detailed description of CALPIA print products and services can be found on the California State Government Printing Services website. For information on the CALPIA ordering process, see SAM Section 2860. For a general overview of CALPIA products and services, see SAM Section 2850.

State agencies must obtain an exemption prior to obtaining printing services from an in-plant authorized to perform printing services for other state agencies or a private sector printer (see SAM Section 2811 for information on the OSP and CALPIA exemption processes).

## OSP STATUTORY AUTHORITY - 2805

A. **Enabling Legislation**

Government Code Section 14850 requires that all state printing be done by the Office of State Publishing (OSP).

Government Code Section 14865 requires that all printed materials for state agencies be prepared at the expense of the requesting agency. Government Code Section 14871 requires orders for printing to show that sufficient funds have been encumbered to cover the costs.

B. **Library Distribution Act Responsibilities**

Pursuant to Government Code Section 14900, it is the policy of the State of California to make all state publications freely available by distributing the publications to libraries throughout the state. If the material being printed qualifies for distribution under the Library Distribution Act (LDA), additional copies must be printed and distributed as outlined in Government Code Sections 14901 and 14904. Pursuant to Government Code Section 14904, all state publications done by private sector printers is subject to the LDA

## ORDERING OSP SERVICES - 2810

A. **Customer Service Representative**

The Office of State Publishing (OSP) assigns a dedicated customer service representative to each state agency. Agencies may identify their customer service representative on OSP's website at: https://www.dgs.ca.gov/OSP/Resources/Page-Content/Office-of-State-Publishing-Resources-List-Folder/Customer-Service-Lookup-for-Printing-Services.

B. **Ordering Form**

To request printing and publishing services from OSP, use the Publishing Order form (STD. 67). The reverse side of STD. 67 provides instructions on how to complete the form.

The Publishing Order form must have the name and signature of the person authorizing the expenditure. Electronic submissions by fax or email are acceptable.

For additional information, contact OSP at (916) 445-5386.

C. **Estimates**

OSP will provide cost estimates for services based upon the information available for budgeting or other purposes upon request. Firm prices will be made only when all information and specifications are complete, and materials for printing or reproduction have been examined. All estimates and firm prices are valid for thirty (30) calendar days.

OSP rates are subject to change each fiscal year.

D. **Scheduling**

The OSP Printing Operations Unit will assist in working out non-standard schedules that are reasonable and attainable as needed.

## PRINTING SERVICES EXEMPTIONS - 2811

A. Overview

SAM section 2800(B), Government Code Section 14850 and Penal Code Section 2807 require state agencies to obtain printing services from the Office of State Publishing (OSP) or the California Prison Industry Authority (CALPIA), as directed by the California State Government Printing Services website: www.dgs.ca.gov/OSP/Resources/California-State-Government-Printing-Services. A state agency seeking to have print service work performed by a private sector printer or an in-plant (state agencies with in-house printing operations other than OSP or CALPIA) must obtain an exemption as specified in SAM Section 2811(B).

Exemption requests are granted when it is not feasible for OSP or CALPIA to provide the requested printing services due to production, equipment, or other operational constraints. The use of a private sector printer must be justified by the agency under the provisions of Government Code Section 19130.

B. OSP Exemption Process

Except for those products identified in SAM Section 2850(C), state agencies must obtain an exemption from OSP prior to purchasing any print work from a source other than OSP, CALPIA or the agency's own in-plant pursuant to SAM Section 2875. To request an exemption, a state agency shall submit a Printing Services Exemption Request (PSER) to the Statewide In-Plant Operations Manager at inplantopsmanager@dgs.ca.gov with their agency's designated OSP customer service representative copied (see SAM Section 2810(A) for customer service representative information). The agency must complete each section of the PSER in accordance with the provisions of the PSER Instructions document. (Electronic copies of the PSER and the PSER Instructions can be found on the California State Government Printing Services website: www.dgs.ca.gov/OSP/Resources/California-State-Government-Printing-Services).

The customer agency must allow OSP sufficient time to review the PSER, and, if the exemption is denied, to perform the print work. OSP will not consider exemption requests submitted less than thirty (30) calendar days before the due date

identified on the PSER. However, OSP may waive this timeframe if an exemption is necessitated by extraordinary circumstances outside of an agency's control, such as a response to a natural disaster.

The Statewide In-Plant Operations Manager will communicate the decision on the exemption request to the customer. If the exemption is approved, the PSER will be returned to the customer with an OSP exemption number. If the exemption is denied, the customer will be referred to OSP, CALPIA, or a designated in-plant to complete the print work. A copy of the proposed interagency agreement or private sector printing contract must be sent to the Statewide In-Plant Operations Manager at inplantopsmanager@dgs.ca.gov within thirty (30) days of the due date identified on the PSER.

No private sector contract or interagency agreement for printing services (between a state agency and an in-plant) may be executed without an OSP-approved PSER (see SAM Section 2812 for information on interagency agreements for printing services.)

For contracts requiring DGS Office of Legal Services (OLS) approval, a copy of the approved PSER must be submitted to DGS-OLS with the contract documents.

Invoices for printing services submitted to the State Controller's Office (SCO) without an OSP-approved PSER will not be processed.

CALPIA exclusive products identified in SAM Section 2850(C) do not require an OSP exemption. State agencies must obtain an exemption from CALPIA before procuring these products from a private sector vendor.

C. CALPIA Exemption Process for CALPIA Exclusive Products

SAM Section 2850(C) lists certain print products that have been designated as exclusive to CALPIA and are not produced or offered by OSP. To obtain any of these products through a private sector vendor, a state agency must obtain an exemption from CALPIA prior to contracting for the print services. Information about CALPIA's exemption process can be found on the CALPIA website: https://www.calpia.ca.gov/about/doing-business-with-calpia/exemption-process/

D. Pay Warrants

Pay warrants and warrant-related printing produced by the State Controller's Office (SCO) are not classified as print products subject to SAM Chapter 2800. SCO warrant printing does not require an OSP exemption nor rate approval by the State Printer (see SAM Section 2875(E)).

E. Sales Tax

Pursuant to Revenue and Taxation Code 6006, sales tax must be applied and itemized separately on procurement documents for printing services obtained from a private sector printer.

## INTERAGENCY AGREEMENTS FOR PRINTING SERVICES - 2812

A. **Interagency Agreements Executed Prior to February 1, 2019**

Interagency agreements for printing services between in-plants (see SAM Section 2875) and other state agencies entered into prior to February 1, 2019, will be permitted to continue if the agreement is submitted to the Statewide In-Plant Operations Manager at inplantopsmanager@dgs.ca.gov at the Office of State Publishing (OSP) by July 1, 2019.The State Printer will issue a letter of acknowledgement upon receipt. Failure to submit the interagency agreement for review by July 1, 2019, may void the agreement, subject to determination by the State Printer.

The State Printer may amend an interagency agreement for printing services if the State Printer determines that the amendment is in the best interest of state printing operations.

B. **Interagency Agreements Executed On or After February 1, 2019**

Interagency agreements for printing services between in-plants (see SAM Section 2875) and other state agencies entered into or modified after February 1, 2019, must follow the OSP Service Exemption process pursuant to SAM Section 2811

## OSP PRINTING AND COMMUNICATION SERVICES - 2820

**A. Description of OSP Services**

The Office of State Publishing (OSP) provides printing, reproduction and communication services to state and other public agencies. OSP can provide services to federal, state and local agencies.

OSP offers the following services:

**Publications and Offset Printing:** Produces single and multiple color printing projects in large quantities, including bound publications, loose leaf documents, brochures, presentation folders, envelopes, posters and single or multi-part forms.

**Digital Printing:** High-speed single and full-color printing within a secure facility, including variable data publishing and document tracking and reporting. Meets the security requirements for the Health Insurance Portability and Accountability Act of 1996 (HIPAA) and Internal Revenue Service Publication 1075 (IRS 1075).

**Bindery Services:** Provides the finishing processes in document preparation, including packaging and preparing for distribution. Bindery services include cutting, stitching, binding, collating, folding, perforating, scoring, trimming, padding and drilling.

**Electronic Prepress Publishing:** Provides prepress solutions supporting Mac and Windows operating systems, including client consultation, composition, proofreading, fill-able form creation, scanning, color correction, File Transfer Protocol (FTP) site for file uploading, preflighting, Americans with Disabilities Act (ADA) Remediation, cross- media production, PDF linking, page and color correction for hard-copy proofs profiled for G7 color accuracy.

**Mass Mailing**: Provides multiple mailing services including full-rate first class, presorted first class, standard presort, parcel mailing, and inserting and sorting of letters and flats. CASS, NCOA, and presorting services of address lists are available.

**Addressing:** Mailing lists can be maintained in the Addressing Services database. Addresses can be added, deleted, or amended. Address labels can be prepared from preserved lists.

**Design Services**: Combining comprehensive marketing principles, aesthetics, and technology, provides effective designs to objectively develop communication solutions across print, screen and online mediums.

**Imaging and Electronic Document Management Services (EDMS):** Provides secure processing services to convert paper documents and files, including large documents and roll plans, into an easy-to-access electronic format. Services include document preparation, imaging, indexing and metadata capture and electronic storage in a custom electronic repository. Meets the security requirements for HIPAA and IRS 1075.

**Legislative Printing and Distribution**: Legislative bills and publications are printed at OSP and distributed through the Legislative Bill Room located in the basement of the State Capitol.
**Forms Printing:** Preparation of various sizes of snap out, continuous multi-part and roll-to-roll forms prepared using NCR, bond, or OCR papers. Forms can be numbered and/or perforated.
**State Records Center:** Provides secure offsite storage of records and documents for state agencies. Secure and confidential document destruction services are available.
**Fulfillment:** Manages the storage, packaging and shipping of printed materials and other promotional products for state agencies by processing orders for customers and shipping the items to recipients. Assists with warehousing, distribution and inventory control.
**Interagency Mail Service:** Courier service providing for the delivery of interagency mail to most state agencies in the Sacramento area.

## OSP ADVERTISING SERVICES - 2825

A. **Overview**

Government Code 14851 authorizes the Office of State Publishing (OSP) to include paid advertisements in state publications printed by OSP.
State printing services may not be utilized for paid political advertising.
For more information on OSP's advertising program, contact OSP at (916) 445-5386 or visit the OSP website at: https://www.dgs.ca.gov/OSP/Resources/Page-Content/Office-of-State-Publishing-Resources-List-Folder/Frequently-Asked-Questions-on-OSP-Services

## CALCTRA PROGRAM SUMMARY - 2850

Legal Authority

Government Code section 14850

Penal Code section 2807

SAM sections 2800(B) and 2811(B)

Definitions

**California Correctional Training and Rehabilitation Authority (CALCTRA)**:
Self-supporting, customer-focused business that reduces recidivism, increases prison safety, and enhances public safety by providing incarcerated individuals productive work and training opportunities. For additional information, visit calctra.ca.gov.

**Office of State Publishing:**
State agency housed within the Department of General Services that provides printing, communication, and document management solutions.

Policy

State law requires state agencies to procure printing services through the Office of State Publishing (OSP) and CALCTRA. For detailed information regarding print products and in what quantities each entity provides, please see the California State Government Printing Services website.

**Exemptions**

If a print product cannot be obtained from CALCTRA or OSP, the customer will need to obtain an exemption from or OSP as described in SAM section 2811(B) prior to purchasing the product from an in-plant printer or a private sector printer; An in-plant printer is one located within a state agency. More information for obtaining a CALCTRA exemption can be found at the CALCTRA Exemption Process webpage.

**Print Products**

CALCTRA can provide state and local agencies with a wide range of printing products:

- Booklets
- Brochures
- Business cards
- Calendars
- Envelopes
- Flyers
- Forms
- Labels
- Maps
- Postcards
- Posters

**CALCTRA-Exclusive Products**
The following products are exclusive to CALCTRA and are not produced or offered by OSP. State agencies must obtain the following products from CALCTRA or obtain an exemption from CALCTRA before obtaining these products from a private sector vendor.

- Braille
- Decals
- Diploma covers
- Fabric (Custom Print), Examples:
  - Backdrops
  - Banners

- Flags
- Tablecloths

- Magnets
- Nameplates
- Notecards
- Notepads
- Placards
- Plaques
- Registration tags
- Signs (metal, vinyl, other materials)
- Survey tags
- Tab dividers
- Tags

**Custom Orders**

CALCTRA may be able to produce custom orders for additional print products not listed above. For questions and additional information, please contact the CALCTRA Sales unit at (916) 323-2419 or print.services@calctra.ca.gov.

**How to Place An Order**

Instructions for placing a printing order can be found at the CALCTRA General Terms and Conditions webpage.

Responsibilities

State Agencies (Customers):

1. Review of the California State Government Printing Services website.
   a. Order items from CALCTRA or OSP according to website instructions.
2. Submit exemption requests for items that cannot be produced by CALCTRA or OSP.
   a. To OSP for non-CALCTRA-exclusive print products.
   b. To CALCTRA for CALCTRA-exclusive print products.

CALCTRA:

1. Produce items as ordered by the customer.
2. Provide an exemption approval letter for items that cannot be produced by CALCTRA and are on the list of CALCTRA exclusive print products.

Resources

- California State Government Printing Services
- CALCTRA Exemption Process
- CALCTRA General Terms and Conditions

## UNION LABEL ON PRINTING - 2870

All documents printed in-house by Bargaining Unit 14 members or produced by OSP shall have the Bargaining Unit 14, Printing and Allied Trades, union label displayed.
When individual state agencies or OSP vends printed material out, state agencies must adhere to the Public Contract Code when soliciting bids for state printing. This assures that no vendor will be excluded from bidding and winning a state project based on union affiliation or lack thereof. Unionized printing vendors will be required to display the appropriate union label on the printed product.
State agencies are not to add the union label to artwork or include it in electronic files unless the work is going to the agencies own Bargaining Unit 14 in plant operation.
OSP will add the union label to artwork prior to printing or the private printer will affix their own union label if the job is awarded to union printers. Private printers that are not unionized are not allowed to use any union label or facsimile thereof.

## STATE AGENCY IN-PLANT PRINTING OPERATIONS - 2875

A. Definition
An agency in-plant printing operation (hereinafter “in-plant”) is any state agency (state government office, department, division, bureau, board, or commission) which: 1) owns and/or operates one or more pieces of printing equipment, where a piece of equipment is valued at $50,000 or more at the time of acquisition; or, 2) employs one or more dedicated personnel under a printing trade classification (Bargaining Unit 14); and, 3) is not under the direct control of the State Printer.
In-plants have also been referred to as “in-house printing and reproduction facilities” or “reproductive units.”

B. Cost Recovery

Pursuant to SAM Section 9210, it is state policy for departments to recover the full cost whenever goods and services are provided for others. Cost recovery is defined by SAM Section 9210 to include all costs attributable directly to the activity, plus a fair share of indirect costs which can be ascribed reasonably to the good or service provided.

As defined in SAM Section 9211, indirect costs (or overhead costs) are the mandatory support costs (such as statewide Pro-Rata, departmental overhead, program overhead and FI$Cal) which are accumulated and allocated annually to the organizational units which benefit from the support. Pursuant to SAM Section 9210, each in-plant must account for its share of its agency's overhead costs.

C. Operating Authority

In-plants shall only produce print work for their own agency (defined as the office, department, division, bureau, board or commission that purchased and/or operates the equipment), unless otherwise authorized by the Office of State Publishing (OSP).

In-plants are only permitted to provide print work for other state agencies when the requesting agency has obtained OSP's approval on a Printing Services Exemption Request (PSER) (see SAM Section 2811 for exemption procedure). An OSP-approved PSER must be included with all interagency agreements for in-plant printing services (see SAM Section 2812(B)). In-plants may not submit a PSER on behalf of another agency.

OSP publishes a directory of in-plants authorized to provide print work for other state agencies on the OSP website at: https://www.dgs.ca.gov/OSP/Resources/Page-Content/Office-of-State-Publishing-Resources-List-Folder/In-plant-operations.

Before OSP will authorize an exemption for the in-plant to produce print work for another state agency, the in-plant must provide its services list (see SAM Section 2875(D)) and rate spreadsheet (see SAM Section 2875(E)) to the Statewide In-Plant Operations Manager at inplantopsmanager@dgs.ca.gov for review and approval by the State Printer.

The in-plant must have a current In-Plant Printing Operations Report (IPPOR) (see SAM Section 2875(F)) on file with the State Printer before OSP will authorize the in-plant to perform work for a customer agency.

D. Services List

In-plants that provide services to other state agencies must submit a list of all printing and reproduction services provided by the in-plant to the Statewide In-Plant Operations Manager at inplantopsmanager@dgs.ca.gov. OSP will refer to this list when reviewing PSERs from customer agencies to determine whether the in-plant can complete the required print work.

Any modifications to the services list should be provided to the Statewide In-Plant Operations Manager by email. The in-plant must provide an updated services list each year by September 1.

E. Rates Development

In-plants that provide printing services to other state agencies must establish an hourly rate for each piece of printing equipment operated to ensure that the printing operation is adequately recovering its costs (pursuant to SAM Section 9210). In-plants that are not providing printing services to other agencies are not required to establish rates.

In-plants should use the Rate Development Spreadsheet (RDS) in developing their rates. The agency must complete the RDS in accordance with the provisions of the RDS Instructions document.

The rates must be certified by the agency's Deputy Administrative Director (no designee signature will be accepted) by electronic signature on the Certification section of the RDS. The RDS should be submitted by the agency's Deputy Administrative Director to the Statewide In-Plant Operations Manager at inplantopsmanager@dgs.ca.gov for review and approval by the State Printer. The State Printer may reject any rate structure that does not fully recover the cost of operation

In-plants must update their rates annually to reflect changes in overhead and operational costs each fiscal year. Each year's rates should be submitted to the Statewide In-Plant Operations Manager by email for review and approval by September 1.

Electronic copies of the RDS and the RDS Instructions can be found on OSP's website at: https://www.dgs.ca.gov/OSP/Resources/Page-Content/Office-of-State-Publishing-Resources-List-Folder/In-Plant-Operations.

F. Annual Operations Reporting Requirement

State agencies that operate in-plants are required to provide an annual report detailing their printing operations to the State Printer. The agencies must use the State Printer's In-Plant Printing Operations Report (IPPOR) to fulfill this requirement. The agency must complete each section of the IPPOR in accordance with the provisions of the IPPOR Instructions document.

The IPPOR must be certified by the agency's Deputy Administrative Director (no designee signature will be accepted) by electronic signature on the Certification section of the IPPOR.

The IPPOR must be submitted electronically by the agency's Deputy Administrative Director to the Statewide In-Plant Operations Manager at inplantopsmanager@dgs.ca.gov by February 1 each year. If the State Printer requires corrections or additional information, the corrected IPPOR must also be certified and submitted electronically by the Deputy Administrative Director to inplantopsmanager@dgs.ca.gov. Electronic copies of the IPPOR and the IPPOR Instructions can be found on OSP's website at: https://www.dgs.ca.gov/OSP/Resources/Page-Content/Office-of-State-Publishing-Resources-List-Folder/In-Plant-Operations.

The provisions of SAM Section 2875 do not apply to the printing operations enabled under Penal Code Section 2807.

## APPROVAL REQUIRED TO PURCHASE PRINTING EQUIPMENT - 2876

A. Overview

No state agency may acquire printing equipment, including, but not limited to, offset printing, digital printing, or bindery equipment, where a piece of equipment is valued in excess of $50,000, without prior approval from the State Printer.

Agencies seeking to acquire new or replacement printing equipment are required to submit a Printing Equipment Acquisition Request (PEAR) (see SAM Section 2876(B)) to the State Printer for approval. The agency should use the PEAR to demonstrate that the agency has the capacity to operate the printing equipment efficiently and cost-effectively, and that the acquisition and use of this equipment will not be unnecessary duplicative of OSP services (or those services provided by other state agency in-plant

printing operations as authorized under SAM Section 2875). To assist with this analysis, a Recovery of Investment Template (RIT) (see SAM Section 2876(C)) must be included with the PEAR.

The agency submitting the PEAR must affirm that the print work performed on the equipment will only support the printing needs of the acquiring agency (referring to the office, department, division, bureau, board or commission that purchases and/or operates the equipment), and not that of other agencies, except when a Printing Services Exemption Request (PSER) has been approved by OSP (see SAM Section 2811 for OSP exemptions).

The agency must have a current In-Plant Printing Operations Report (IPPOR) (see SAM Section 2875(F)) on file with the State Printer before they may submit a PEAR for approval.

Agencies that have delegations of procurement authority, issued by the Department of General Services' (DGS) Procurement Division, are still required to submit and receive approval on a PEAR prior to exercising their delegated procurement authority.

B. Printing Equipment Acquisition Request Information

The PEAR standardizes the acquisition analysis with regard to the acquisition of printing equipment across state agencies. To ensure that the acquisition of printing equipment is cost-effective, the agency submitting the PEAR must provide a detailed account of its recovery of investment and estimated acquisition, overhead, operation, and maintenance costs.

The agency must complete each section of the PEAR in accordance with the provisions of the PEAR Instructions document. The PEAR must be signed by the agency's Deputy Administrative Director and/or Procurement and Contracting Officer (no designee signature will be accepted).

Electronic copies of the PEAR and the PEAR Instructions can be found on OSP's website at: https://www.dgs.ca.gov/OSP/Resources/Page-Content/Office-of-State-Publishing-Resources-List-Folder/In-plant.

A PEAR will not be considered complete unless a complete and accurate RIT with supporting documentation is included.

C. Recovery of Investment Template Information

State printing operations must be budgeted for cost recovery (see SAM Section 9210 requiring departments that provide goods and services to fully recover their costs). An agency seeking to acquire printing equipment must be able to demonstrate that it can recover the cost of owning and operating that printing equipment over five years. The RIT is a detailed financial analysis tool used to evaluate whether the acquisition of printing equipment is a cost-effective investment.

To ensure that the agency can adequately recover its cost, the agency must complete a five-year fiscal analysis on the RIT in accordance with the provisions of the RIT instructions document. OSP will not accept a PEAR without a complete and accurate RIT.

State agencies must depreciate all printing equipment according to the following schedule:

Table content available in source manual.

State agencies may not exceed the depreciation schedule indicated in Table 1, but may choose a lesser depreciation period at their discretion.

Electronic copies of the RIT and the RIT instructions can be found on OSP's website at https://www.dgs.ca.gov/OSP/Resources/Page-Content/Office-of-State-Publishing-Resources-List-Folder/In-plant.

D. Submitting the Printing Equipment Acquisition Request

Electronic copies of the PEAR, the RIT, and supporting documentation (as needed) must be submitted by the agency's Deputy Administrative Director and/or Procurement and Contracting Officer to the Statewide In-Plant Operations Manager at inplantopsmanager@dgs.ca.gov for review. OSP will not review a PEAR unless all sections of the PEAR and the RIT are filled out completely.

The PEAR and supporting documentation must be submitted to the State Printer for approval no less than ninety (90) days prior to the anticipated solicitation release date. If the agency intends to use one-time acquisition services from the DGS Procurement Division prior to the end of the fiscal year, the PEAR must be received by the Statewide In-Plant Operations Manager no later than the first business day of February. Agencies are not permitted to enter into a purchasing contract for printing equipment until a signed PEAR approval has been returned by the State Printer.

The State Printer may approve the PEAR as written, provide conditional approval through the recommendation of alternative equipment, or reject the PEAR with explanation. When PEAR approval is received, the submitting agency will be required to provide the PEAR to: 1) the DGS Procurement Division (if one-time acquisition services are required); 2) the DGS Office of Legal Services (OLS) (if OLS contract review is required); and, 3) the SCO (included with the invoice for processing of payment). Non-compliance with the PEAR approval process may result in non-approval of the contract and non-payment of invoices.

The amount on the solicitation to acquire the printing equipment may not exceed 10% of the purchase price indicated on Section 4, Item 1 of the PEAR without secondary approval from OSP.

Approval on a PEAR is valid for the duration of the fiscal year of issuance and the following fiscal year.

Electronic copies of the Scope of Work issued with the solicitation and the final purchase agreement must be provided to the Statewide In-Plant Operations Manager within sixty (60) days of a signed purchase agreement.

The provisions of SAM Section 2876 do not apply to printing operations enabled under Penal Code Section 2807.

### IN-PLANT PRINTING OPERATIONS DATA MANAGEMENT - 2877

A. Records Requirement
State agency in-plant printing operations (hereinafter “in-plants”), as defined in SAM Section 2875(A), must maintain accurate records of their production activity. Production activity includes, but is not limited to, the annual output hours for each piece of printing equipment (including offset presses, digital presses, and bindery and finishing equipment), the average operating speed of each press on a monthly basis, and a comprehensive accounting of each job produced and the equipment used in production (press and bindery/finishing). These records shall be used by the in-plant to complete the annual In-Plant Printing Operations Report (IPPOR) (see SAM Section 2875(F) for the annual reporting requirement). These records must be made available to the State Printer upon request.

B. Equipment Annual Output Hours
“Annual output hours” is the amount of time during a calendar year that a piece of printing equipment is being actively utilized in production. Production preparation, employee rest periods, and repair and maintenance periods are not counted as output hours. The state standard for annual output hours for printing equipment is 1500 hours per 8-hour shift per year, which accounts for state holidays, labor standards, and start-up/shut-down periods.
All in-plants are to establish and maintain a data management process for accurately tracking annual output hours for each piece of printing equipment operated by the in-plant.
Sample production log template for manual output hours tracking is available on the OSP website at: https://www.dgs.ca.gov/OSP/Resources/Page-Content/Office-of-State-Publishing-Resources-List-Folder/In-Plant-Operations.

C. Record-Keeping Methods

In order to comply with the record-keeping requirements in Sections A and B, in-plants may utilize either an automated Management Information System (MIS) to electronically track final products or manually log each job in production using a paper record system.

### COPYING AND DUPLICATING LIMITATIONS - 2880

State-owned copying and duplicating equipment will not be used for other than official state business. In accordance with Government Code Section 6253 (b), a charge for a copy of a public record is limited to the actual cost of providing the copy, or the prescribed statutory fee, if applicable.

## Chapter - 3100

Sections for Chapter 3100


| Section | Subchapter |
|---|---|
| GENERAL POLICY | 3100 |
| TERMS AND DEFINITIONS | 3101 |
| LIBRARY DISTRIBUTION ACT | 3120 |
| DEFINED STANDARDS | 3121 |
| STANDARDS CERTIFICATION AND ASSISTANCE | 3122 |
| A COPY OF ALL PUBLICATIONS MUST BE SENT TO THE STATE LIBRARY | 3123 |
| DISTRIBUTION OF PUBLICATIONS PRODUCED BY THE STATE PRINTING PLANT | 3124 |
| DISTRIBUTION OF PUBLICATIONS PRODUCED BY COPYING | 3125 |
| DISTRIBUTION OF PUBLICATIONS PRODUCED UNDER CONTRACT | 3126 |
| PUBLICATIONS REPRESENTATIVES | 3130 |
| COORDINATION BETWEEN DEPARTMENTS | 3140 |
| ANNUAL CORRECTION | 3151 |
| FREE DISTRIBUTION OF PUBLICATIONS | 3161 |
| List of Complete Depository Libraries | AT-1 |


### GENERAL POLICY - 3100

It is the policy of the State to make copies of an agency's documents and publications available to the public. The Library Distribution Act was passed to facilitate this process. This Section of SAM describes the Act and the policies and procedures of distributing Agency publications to the public.

## TERMS AND DEFINITIONS - 3101

DGS. The Department of General Services.
Complete Depository Libraries. The libraries listed in Table 1 of the Appendix. Exclusive use documents. Documents that are used only by one group or agency. Publication. Anything made in multiple copies. See Government Code Section 14902.
Selective Depository Libraries. Libraries other than the Complete Depository Libraries, which have requested to receive publications from your agency.

## LIBRARY DISTRIBUTION ACT - 3120

The Library Distribution Act set up a means of sending copies of agency publications to libraries. The purpose of this Act is to make State publications available to the public. All agencies must help make their publications available through this program. See Government Code Sections 14900–14911.

## DEFINED STANDARDS - 3121

The guidelines in this Section have been set up to help you determine if your publications fall under the Library Distribution Act. These same guidelines can help your agency's Publications Representative develop policies that will aid understanding of the requirements of the Library Distribution Act. These guidelines will also help your Publications Representative establish publications procedures.
All Agency publications fall under the Library Distribution Act, except for:

1. Publications that are specifically excused by law.
2. Publications that are specifically excused elsewhere in SAM.
3. All forms.
4. Letters.
5. Memorandums.
6. Exclusive use documents.
7. Legally restricted items.
8. Organizational and procedural manuals.
9. Publications for use only within the State administration.

You may choose to have some of your publications be issued under the Library Distribution Act, that otherwise would not. The types of publications that you may so designate, include:

1. Local interest circulars and publications.
2. Specialized publications of primary use to a select group.
3. Reports on minor reorganizations and policy changes dealing with State administration.
4. Market reports and weeklies that are tied to critical dates. (Continued)

Typical publications that fall under the Library Distribution Act include publications:

1. That are of lasting interest and use to the public.
2. That are of general interest.
3. That are of interest only to a few people that are spread over a wide geographic area.
4. That are of interest only to a few people, but when the State is the only source of the information and the information can be used for other purposes.
5. That are a group of periodicals compiled once a year. These periodicals would otherwise not qualify, but because of their calendar nature, their content becomes important.

## STANDARDS CERTIFICATION AND ASSISTANCE - 3122

If you need help understanding which publications fall under the Library Distribution Act, call the Government Publications Section of the State Library. They will also review and approve your Library Distribution Act policy guidelines and any proposed changes to your approved guidelines.

## A COPY OF ALL PUBLICATIONS MUST BE SENT TO THE STATE LIBRARY - 3123

Send two copies of your publications that do not fall under the Library Distribution Act or that are otherwise excluded by SAM Section 3121 to the State Library, Government Publications Section. This is because the State Library is expected to store all State documents and lend them to other public libraries. The State Library also must make all State publications of note available to State employees.

## DISTRIBUTION OF PUBLICATIONS PRODUCED BY THE STATE PRINTING PLANT - 3124

The Office of State Publishing (OSP) will distribute all Library Distribution Act materials that it prints. OSP will send this material to

1. All Complete Depository Libraries.
2. All Selective Depository Libraries.
3. The State Archivist.
4. The Library of Congress.

The cost of your agency's printing includes the cost for these extra copies. You are charged an extra flat amount for their handling and mailing
Your organization may want to distribute its own publications that are printed by the Office of State Publishing. If so, the director of your department, board, or commission must first send a request to the State Printer.

## DISTRIBUTION OF PUBLICATIONS PRODUCED BY COPYING - 3125

Each agency, except the University of California, must distribute publications that it produces or are produced for the agency by the central copying service. You must prepare 100 extra copies and distribute them as follows:

1. Two copies to: The State Library, Government Publications Section. These copies are needed right away so that the State Library can prepare its monthly list of new State publications without delay.
2. One copy to: the other Complete Depository Libraries listed in Table 1 of this Chapter's Tables Appendix.
3. One copy to: each Selective Depository Library that asks for the publication. Your agency must keep a mailing list of all interested Selective Depository Libraries and other interested parties.
4. Two copies to: the State Archivist.
5. Two copies to: the Exchange and Gift Division, Monthly Checklist Section, Library of Congress, Washington, D.C. 20540.
6. Copies to any other libraries that request them, until you exhaust the supply of copies.

If you get more requests for copies than you can supply, you should make sure that the Selective Depository Libraries receive their copies first. If you have extra copies left over, you must keep them on hand for one year.

### DISTRIBUTION OF PUBLICATIONS PRODUCED UNDER CONTRACT - 3126

When your agency awards a contract for any publications that fall under the Library Distribution Act, you must have that contractor print and distribute the extra 100 copies described above in SAM Section 3125. The extra 100 copies should be part of the original printing contract.

### PUBLICATIONS REPRESENTATIVES - 3130

Each department, board or commission must assign one person as its "Publications Representative." Each December 1st, your organization must send the name, mailing address and telephone number of your Publications Representative to the following:

1. The Office of State Publishing (OSP) of the Department of General Service's Office of Procurement.
2. The Librarian at the Government Publications Section of the State Library.

If you are your Department's Publications Representative, you must set up and use procedures that comply with the Library Distribution Act. Each of your published documents must state how to get a copy of the document. This includes having on each document the name, mailing address, and telephone number of the agency that distributes the document. You should try and place this information on the front or back of the title page.

If your publication is to be distributed according to the Library Distribution Act, you must indicate this on either the Printing Requisition–Invoice, STD. 67, or on the Reproduction Order, STD. 51.

### COORDINATION BETWEEN DEPARTMENTS - 3140

The State Library's Government Publications Section is responsible for coordinating the distribution of printed and processed State publications. It also prepares monthly lists of new State publications.

This Government Publications Section also helps your agency Publications Representative understands the rules and answer questions about the operation of a library distribution system. It is not always easy to decide if a publication should be distributed or not. This is especially true in the case of similar publications issued by different agencies. If you have questions, you are encouraged to call the State Library.

### ANNUAL CORRECTION - 3151

Section 14911 of the Government Code requires you to check and correct your mailing lists each year. You must do this to every mailing list and to all people on your mailing lists. The only exception is for those lists that are made up for distribution of a publication that has been specifically defined by a different law. You must carefully review each case where a name on a mailing list is at the request of the person or organization that receives the publication. This Section of the Government Code does not apply to depository libraries.

You must use the same method to check your mailing lists that you use to send your publications to State agencies and officials, even if you do not use the U.S. mail to send the publications.

Each agency must provide its own forms and procedures to comply with the Government Code.

### FREE DISTRIBUTION OF PUBLICATIONS - 3161

Even if the Department of General Services Office of State Publishing is selling your publications for your agency, you may give out the following types of documents, directly and for free for any of the following reasons:

1. You are distributing copies as required by the Library Distribution Act. See SAM Sections 3120 and 3121.
2. You are giving the copies to other government agencies.
3. The copies are part of a package for which a license fee or other fee has already been paid.
4. You are giving the copies to the public, and the publication was designed and published to promote compliance with State laws.
5. The publication provides information on issues of general statewide importance.
6. The publication provides answers to recurring questions at less cost than by repetitive specific correspondence.

Even though many publications may qualify for free distribution, you must try to keep a good balance between cost and benefits for all free distributions.

### List of Complete Depository Libraries - AT-1

** CALIFORNIA STATE DOCUMENT DEPOSITORY LIBRARIES **

Under the provisions of the Library Distribution Act (Government Code sections 14905, 14906, and 14907), the libraries listed have contracted with the Department of General Services to serve as complete or selective depositories. They agree to provide adequate facilities for the shelving and use of the publications deposited with them, render reasonable service without charge to qualified patrons, and retain all publications received until authorized to dispose of them.

There are 108 depository libraries: 16 complete depositories and 92 selective depositories.

Click the link for the Complete Depository Libraries listing.

## Chapter - 3400

Sections for Chapter 3400

| Section | Subchapter |
|---|---|
| INTRODUCTION | 3400 |
| INSTALLMENT PURCHASES | 3420 |
| PURCHASED TANGIBLE ASSETS | 3420.10 |
| INSTALLMENT PURCHASE CONDITIONS | 3420.20 |
| ENERGY EFFICIENCY PROJECT | 3420.30 |
| REFINANCING | 3420.40 |
| FINANCED LEASES | 3440 |
| LEASED TANGIBLE ASSETS | 3440.10 |
| LEASING CONDITIONS | 3440.20 |

## INTRODUCTION - 3400

The State Financial Marketplace (SFM) established by the Department of General Services, provides financing and payment programs that serve California State and local government entities. Tax-exempt rates are established with lenders for the purpose of financing both purchases and leases. The GS $Mart (pronounced “G S Smart”) is the program to use to finance a purchase. The Lease $Mart (pronounced “Lease Smart”) is the program to use to finance a lease.
Only approved lenders or lessors participate in the programs. The SFM provides negotiated contractual terms and conditions. The result is financial security regarding such issues as tax-exempt qualifications, financial health of the lender, and the financing’s effect on the state’s credit rating
State departments contemplating financing a transaction are advised to contact a SFM representative early in the acquisition planning process. Proposed use of a source other than the financial marketplace may require advanced approval from the Department of Finance.
SMF representatives can:

1. Provide program information.
2. Guide governmental entities through the financial marketplace process to create a financed contract.
3. Assist with refinancing contracts.
4. Assist with assignment (or novation) of financial marketplace contracts.

Information regarding the SFM is provided on the Procurement Division web site at the following address: State Financial Marketplace
For more detailed procedures please see Chapter 9 of: State Contracting Manual Volume 2 for Non-IT Goods
State Contracting Manual Volume 3 for IT Goods and Services

## INSTALLMENT PURCHASES - 3420

For the purpose of financing purchases, California government entities are permitted to use the Department of General Services’ (DGS) Golden State Financial ($) Marketplace (GS $Mart, pronounced “G S Smart”) to enter into installment purchase agreements (commonly referred to in the industry as “lease purchases”). Installment Purchases must be structured to comply with Internal Revenue Service (IRS) tax code. Approved lenders, financing plans, and tax-exempt rates (which are usually less costly than commercial lending rates and financed leases) are listed on the GS $Mart Internet site.

Certain budgetary conditions defined by the Department of Finance (DOF) apply to the use of the GS $Mart program. Advanced DOF approval will be required on all transactions $10 million and over, and may be required for other transactions. Contact a SFM representative prior to initiating a purchase that involves financing or prior to initiating an assignment of an installment purchase that was financed using the GS $Mart program.

## PURCHASED TANGIBLE ASSETS - 3420.10

Purchased tangible assets that may be financed through GS $Mart include:

1. Vehicles
2. Information technology equipment and necessary pre-integrated software (including mainframes, personal computers, printers, network equipment, and storage)
3. Software licenses
4. Software development and integration (on a case-by-case basis with Department of Finance (DOF) support unit approval)
5. Select services included with the procurement of assets (e.g., warranty, installation, training)
6. Copy machines
7. Laboratory equipment
8. Medical equipment
9. Furniture (including modular)
10. Video conferencing systems
11. Mailing equipment
12. Telephone systems
13. Most energy efficiency and sustainability equipment and systems (see “Capital Outlay” below)

Tangible assets that may **not** be financed through GS $Mart include:

1. Consultant and other services

2. Real property including:
    a. Land
    b. Structures
    c. Easements
    d. Rights-of-way
    e. Other forms of legal entitlements to use or dictate the use of real property
3. Capital outlay projects

Capital outlay projects are those that alter the purpose or capacity of real property. Projects that keep real property functioning at its designed level of service, or improve the efficiency of its operating systems – such as repair projects and most energy efficiency projects – are not capital outlay. Note, however, that some energy generation projects (e.g., photovoltaics) can involve significant facility engineering issues that make them capital outlay in nature or could be limited by covenants on debt-financed buildings. Such projects must receive prior approval by the DOF before securing financing.

## INSTALLMENT PURCHASE CONDITIONS - 3420.20

Installment purchases can be used for:

1. Orders for applicable items placed against Leveraged Procurement Agreements including, but not limited to the California Multiple Award Schedules (CMAS), unless otherwise stated in user instructions,
2. Competitive acquisitions, or
3. Noncompetitive acquisitions.

Conditions for entering into an installment purchase include, but are not limited to, the following:

1. Generally, the financed portion of an acquisition is a minimum of $50,000. This includes the cost of the tangible asset and, if applicable, sales tax. Financing an amount smaller than $50,000 may not be cost-effective. Contact the SFM for additional information regarding finance of lower dollar-value transactions.
2. The term duration of the installment purchase may not exceed the projected useful life of the asset being financed.
3. No GS $Mart financed contract may be signed without prior written approval by the Department of General Services.
4. Acquisitions conducted under delegated purchasing authority that include financing must subscribe to the requirements identified in the State Contracting Manual (SCM), Volume 2 or SCM Volume 3. For determination of whether the transaction is within a department's delegated purchasing authority limit, the finance cost associated with the purchase is not included.

If a department wishes to consider a lender that is not participating in the GS $Mart program, then prior to proceeding contact a SFM representative to learn how the lender can qualify to participate. Requirements to become a lender are located on the GS $Mart Internet site.
All state departments that use the GS $Mart program and are subject to the Department of General Services' oversight must send a copy of each financed agreement to the SFM. The contract is reviewed to ensure compliance with IRS tax code requirements.
The SFM also files the necessary IRS tax forms and reports on behalf of the department.

## ENERGY EFFICIENCY PROJECT - 3420.30

GS $Mart financing may be used for energy efficiency and sustainability projects. GS $Mart may not be used on buildings with bond financing unless prior approval has been received from the DOF. However, the approval of these projects is based on a cost- benefit analysis to substantiate there is enough energy savings derived to repay all associated project costs, including financing. A Life Cycle Cost (LCC) analysis model to conduct this evaluation is available from the Department of General Services (DGS). The LCC model **must** be used for this analysis. The DGS will not approve any GS $Mart financing for such projects unless the applicant department certifies that the model has been applied and the results justify the acquisition of the asset on a cost- benefit basis.

## REFINANCING - 3420.40

The GS $Mart Internet site is frequently updated with the latest market information, including approved lenders and finance rates. State departments are advised to review GS $Mart information periodically for refinancing opportunities and, if advantageous, to execute a **refinancing** contract to realize the cost savings. To ensure refinancing is executed properly, departments should contact a SFM representative before proceeding.

## FINANCED LEASES - 3440

California government entities are permitted to enter into financed leases as described in the Uniform Commercial Code, Section 2A, (commonly referred to as "operating leases") using the Lease $Mart program. Approved lessors, leasing plans, and lease factor rates are listed on the Lease $Mart Internet site. Contact a SFM representative prior to initiating a procurement that involves a lease or prior to initiating an assignment of a lease that was financed using the Lease $Mart program.
SAM 3700 requires that a lease/purchase analysis be performed prior to entering into a lease. This requirement is also applicable for leases completed using the Lease $Mart program.
If there is any chance that an entity may want to own equipment at the end of a lease, it is strongly recommended to either purchase the equipment outright or utilize the GS
$Mart program to make an installment purchase. The Lease $Mart Internet site provides a payment calculator that can help to determine the most cost-effective financing method.
For more detailed procedures please see Chapter 9 of: State Contracting Manual Volume 2 for Non-IT Goods
State Contracting Manual Volume 3 for IT Goods and Services

## LEASED TANGIBLE ASSETS - 3440.10

Leased tangible assets that may be financed through Lease $Mart includes:

1. Information technology equipment (including mainframes, personal computers, printers, network equipment, and storage),
2. Laboratory Equipment,
3. Copy machines, and
4. Vehicles.

Contact a representative of the SFM if there is a need to establish a financed lease for any other items. A determination of applicability will be made on a case by case basis.

### LEASING CONDITIONS - 3440.20

Financed leases can be used for:

1. Orders for applicable items placed against Leveraged Procurement Agreements such as the California Multiple Award Schedules (CMAS), unless otherwise stated in user instructions,
2. Competitive acquisitions, or
3. Noncompetitive acquisitions.

Conditions for entering into a financed lease include, but are not limited to, the following:

1. The term duration of the financed lease may not exceed the projected useful life of the asset being financed.
2. Acquisitions conducted under delegated purchasing authority that include leasing must subscribe to the requirements identified in the State Contracting Manual (SCM), Volume 2 or SCM Volume 3. For determination of whether the transaction is within a department's delegated purchasing authority limit, the finance cost associated with the lease is not included.
3. State departments subject to Department of General Services' (DGS) oversight that use the SFM must send a copy of each financed lease agreement to the Lease $Mart Administrator. No financed lease may be signed by a department without prior written approval by the DGS.

If a department wishes to consider a lessor that is not participating in the Lease $Mart program, then prior to proceeding contact a SFM representative to learn how the lessor can qualify to participate. Requirements to become a lessor are located on the Lease $Mart Internet site.

## Chapter - 3500

Sections for Chapter 3500

| Section | Subchapter |
|---|---|
| GENERAL | 3500 |
| COMPETITIVE PURCHASING | 3503 |
| PROHIBITED PRACTICES | 3504 |
| PURCHASES FROM COMMUNITY-BASED REHABILITATION OR SHELTERED WORKSHOPS | 3504.2 |
| PURCHASES FROM PRISON INDUSTRY AUTHORITY | 3505 |
| PURCHASING AUTHORITY | 3506 |
| AUTHORIZATION OF AGREEMENTS | 3507 |
| PROCUREMENT SERVICES | 3510 |
| SPECIFICATIONS SECTION | 3510.1 |
| AGENCY RESPONSIBILITIES | 3510.2 |
| QUALITY CONTROL SECTION | 3510.3 |
| REJECTION OF SUBSTANDARD COMMODITIES | 3510.4 |
| EMERGENCY PURCHASES | 3511 |
| CONFIRMING ESTIMATES | 3511.1 |
| MATERIALS EXPEDITING | 3511.2 |
| STANDARDS SAMPLING | 3513 |
| FINANCIAL PROFILE REPORTS | 3514 |
| MANUFACTURERS' WARRANTIES | 3515 |
| DISPOSAL OF SURPLUS PERSONAL PROPERTY | 3520 |
| PROPERTY SURVEY BOARD | 3520.2 |
| PROPERTY SURVEY REPORTS | 3520.3 |
| TRANSFER TO THE SURPLUS PROPERTY PROGRAM OFFICE | 3520.4 |
| DONATION OF STATE PROPERTY | 3520.5 |
| SALE TO ANOTHER STATE AGENCY | 3520.6 |
| PUBLIC SALE | 3520.7 |

| | |
|---|---|
| SEALED BIDS OR AUCTION SALES | 3520.8 |
| DISCARDED, SCRAPPED, RECYCLED, OR DISMANTLED FOR SALVAGE | 3520.9 |
| SURPLUS ELECTRONIC EQUIPMENT AND RECYCLING PROCEDURES | 3520.10 |
| SURPLUS ELECTRONIC EQUIPMENT - FOSTER YOUTH | 3520.11 |
| DONATED FEDERAL SURPLUS PROPERTY | 3521 |
| INSPECTION OF USED FEDERAL SURPLUS PROPERTY | 3521.1 |
| LOAN OF STATE SURPLUS PERSONAL PROPERTY | 3522 |
| INTERDEPARTMENTAL EQUIPMENT RENTALS | 3522.1 |
| CONTRACTS | 3530 |
| STATE PRICE SCHEDULES | 3531 |
| MASTER SERVICE MAINTENANCE AND RENTAL AGREEMENTS | 3532 |
| NOTICES OF CONTRACTS, STATE PRICE SCHEDULES AND MASTER SERVICE AGREEMENTS | 3533 |
| MATERIALS MANAGEMENT AND SUPPLIES WAREHOUSING | 3535 |
| STORAGE OF OFFICE EQUIPMENT | 3536 |
| REQUISITIONING PROCEDURE | 3550 |
| FORMS USED | 3551 |
| QUARTERLY REQUESTS | 3552 |
| CONSOLIDATION OF INTRA-AGENCY REQUESTS | 3553 |
| DESCRIPTION OF ARTICLES | 3554 |
| LIMITING OF COMPETITIVE BIDDING | 3555 |
| ITEMS OF SPECIFIED BRAND OR TRADE NAME | 3555.1 |
| NONCOMPETITIVE PURCHASE OF EQUIPMENT REPAIR PARTS | 3555.2 |
| NONCOMPETITIVE PURCHASE OF EQUIPMENT TO INTERMEMBER WITH EXISTING EQUIPMENT | 3555.3 |
| SALES AND USE TAX | 3556 |
| SUBMISSION PROCEDURE FOR PURCHASE ESTIMATES AND REQUISITIONS | 3558 |
| EXEMPTION OF PURCHASE DOCUMENTS FROM PROGRAM AND BUDGETARY REVIEW BY DEPARTMENT OF FINANCE | 3558.1 |
| OTHER PURCHASE ESTIMATES | 3558.2 |
| AREAS SERVED BY OFFICE OF PROCUREMENT | 3558.3 |
| INCREASE OR DECREASE OF ESTIMATES | 3559 |
| INCREASE | 3559.1 |
| DECREASE | 3559.2 |
| PURCHASE ORDERS | 3565 |
| PURCHASE ORDER CHANGES | 3566 |
| WHEN REQUIRED | 3566.1 |
| WHEN NOT REQUIRED | 3566.2 |
| BLANKET PURCHASE ORDERS | 3568 |
| DISCOUNTS | 3573 |
| FEDERAL EXCISE TAX | 3574.1 |
| SALES AND USE TAX | 3574.2 |

| | |
|---|---|
| TRANSACTIONS (SALES) AND USE TAX | 3574.3 |
| SALES AND USE TAX ON TRANSPORTATION CHARGES | 3574.5 |
| PERSONAL PROPERTY TAX EXEMPTION | 3574.6 |
| PROCEDURAL STEPS, SUB-PURCHASE ORDERS | 3575 |
| DEPARTMENTAL PROCEDURES | 3575.1 |
| CASH PURCHASES | 3580 |
| EXCISE TAX EXEMPTION ON PURCHASES | 3585 |
| CREDIT CARDS GENERAL | 3590.1 |
| RESTRICTIONS ON USE OF CREDIT CARDS | 3590.3 |
| CREDIT CARD INVOICE, COMPLETION OF | 3590.4 |
| REMOVAL OF CREDIT CARDS FROM VEHICLES | 3590.5 |

## GENERAL - 3500

The Procurement Division (PD), Department of General Services, is responsible for every purchase of non-IT supplies or equipment in excess of $100 and for contracts for purchases for every State agency with such exception as stated in Public Contract Code Sections 10295, 10298, 10430, and 12100.5.

The Procurement Division will also assist agencies in making determinations relative to the appropriate method of acquisition of their equipment needs. The office will also provide effective means of acquiring equipment whether the acquisition is to be made by purchase or through non-purchasing techniques.

## COMPETITIVE PURCHASING - 3503

The State is committed to a program of active competition in the purchase of personal property. Public Contract Code Section 10318 makes it illegal for any agency or employee to draft or cause to be drafted any specifications in such a manner as to limit the bidding directly or indirectly to any one specific concern, or any specific brand, product, thing, or service. It is the aim and desire of the Procurement Division, Department of General Services, to require that such competition be at all times by responsible suppliers, and the materials bought through such competition be properly suited to the job intended both as to price and quality.

Except for contracts and purchases for non-IT services and/or IT goods and services including telecommunication acquisitions which are processed according to the procedures set forth in SAM Chapter 1200 and SAM Chapter 5200, contracts and purchases in amounts exceeding $50,000 are normally made by sealed bid procedure. In emergency situations or other special circumstances, statutes may exempt purchases from the bid procedure. Sealed bids are opened and read at a specified time and are maintained on file (Public Contract Code Section 10301).

Where the dollar threshold involved is $50,000 and less, or where the competitive field is very limited, the Procurement Division will request informal quotations in lieu of using the more expensive formal method. Informal quotations will also be used to determine if previous prices are still in effect when dollar amounts are relatively small. Procurements valued $50,000 and less are considered informal and are to be conducted in accordance with the State Contracting Manual, Volume II, Purchasing Authority Manual (PAM) requirements for informal competitive non-IT goods procurements.

When the range of bids received is such that purchase is not in the best interests of the State, all bids will be rejected. When all bids are rejected, all bidders will be advised.

Also, all bids may be rejected when with the consideration of the surrounding circumstances it is determined that it would be in the State's best interest to do so.

## PROHIBITED PRACTICES - 3504

No State officer or employee will personally derive any benefit from use of facilities available to the State for the purchase of equipment, supplies, or commodities. Use of purchase orders or other State purchasing procedures to obtain property for personal use, or misrepresentations to vendors that personal purchases are for the State, for the purpose of obtaining price discounts not allowed on personal purchases, will expose officers or employees to prosecution under Penal Code provisions relating to embezzlement and theft.

## PURCHASES FROM COMMUNITY-BASED REHABILITATION OR SHELTERED WORKSHOPS - 3504.2

See Chapter 2 of the State Contracting Manual, Volume 2 or Volume 3 for more information.

## PURCHASES FROM PRISON INDUSTRY AUTHORITY - 3505

In preparing purchase estimates, an agency will first consider if its needs can be met by Prison Industry Authority (PIA) commodities and services. Agencies are mandated by California Penal Code 2807 to purchase from and consult with PIA to develop new products and adapt existing products to meet their needs. They shall consult with PIA for commodities and services, or like commodities and services, even though not specified in the PIA catalog.

The Procurement Division (PD), Department of General Services, will examine all submitted purchase estimates to determine whether PIA products would meet all reasonable requirements. If this appears to be the case, the Procurement Division will notify the ordering agency that the items should be purchased from PIA.

The Procurement Division will not purchase these items from commercial vendors without written authorization to do so from PIA. A waiver must be obtained from PIA prior to purchasing items from commercial vendors.

## PURCHASING AUTHORITY - 3506

The requirements for departments to obtain and maintain purchasing authority is contained in the State Contracting Manual (SCM). Departments are held accountable for the procurement activities conducted under approved purchasing authority.

## AUTHORIZATION OF AGREEMENTS - 3507

1. State Departments – Authorized Signatures
    a. Authority to sign purchase documents is limited to those executive officers who either have statutory authority or have been duly authorized in writing by one who has statutory authority.
    b. Anyone who signs a purchase document should have knowledge in the procurement laws, policies andprocurements pertaining to the goods or services being procured. If an individual with signature authority does not possess sufficient procurement knowledge and expertise, the individual should, prior to signing, have the purchase document reviewed by someone who possesses such knowledge and expertise.
    c. Delegation of signature authority is a selective process and should be commensurate with experience with principles of sound contracting and procurement policies, demonstrated familiarity with the process of purchase document formation, execution, and administration, and completion of applicable training and/or certifications.
    d. Each executive officer who has statutory authority to sign purchase documents shall ensure that his/her agency maintains a current written record of agency employees authorized to enter into and sign purchased documents on behalf of that agency.This written record shall be subject to DGS audit.
    e. State Board's and Commission's purchase documents in excess of $5,000 must be accompanied by a copy of the resolution approving the execution of the purchase document, unless by statute the executive officer may sign the purchase document.
2. Local Governmental Entities – Authority
    a. Purchase documents to be signed by a county, city, district, or other local public body must be authorized by a resolution, order, motion or ordinance for the purchase document. A copy of the authorization should be sent to DGS/OLS with the purchase document.
    b. Where performance by the local governmental entity will be complete prior to any payment by the state a resolution is not needed.

## PROCUREMENT SERVICES - 3510

The Procurement Division (PD), Department of General Services, can be of assistance to State agencies prior to requisition to determine possible supply sources, alternative product examinations, specification preparation, inspection and receiving practices, quality control, order follow-up and materials, expediting and the enforcement of the terms and conditions of purchase orders issued by the Procurement Division.

## SPECIFICATIONS SECTION - 3510.1

The Specifications Section staff of the Office of Procurement, Department of General Services, can assist agency personnel in the preparation of the description and specifications of their purchase requirements before they are submitted on purchase estimates. Copies of standard specifications are available upon request; aid is available for developing descriptions of nonstandard commodities.

## AGENCY RESPONSIBILITIES - 3510.2

Issuance of a purchase order by the Office of Procurement, Department of General Services is only one part of the buying process. The agency for whom the merchandise is purchased also has important functions to perform in this process. Following are some of the responsibilities of receiving personnel:

1. Receiving clerk must have a copy of order document to answer these questions:
    a. Is delivery significantly late, unsatisfactory, or incomplete?
    b. Does the item comply with the specifications and packaging requirements?
    c. Are any inspection stamps or special labeling required and are they in evidence?
    d. Has the shipment been inspected by the most qualified person available?
    e. Have all the terms listed on the Purchase Order been met?
2. Maintain copies of Purchase Orders on file when contractors have responsibilities into future fiscal years.
3. Quality problems and questions should be directed to the Quality Control Section. See SAM Section 3510.3.
4. Purchasing problems and questions should be directed to the Buyer whose name and phone number appear on every Contract and Purchase Order issued by the Office of Procurement.

## QUALITY CONTROL SECTION - 3510.3

Quality Control assistance is available from the Office of Procurement, Department of General Services, for agencies throughout the State. The Quality Control Section should be contacted in the event:

- An agency has questions as to whether an item delivered against a purchase order meets specifications. (If necessary, Quality Control will arrange to inspect the item in question.)
- Equipment or supplies received and placed in services do not appear to be performing as expected or represented by the seller.
- You are receiving poor service, or experiencing other problems after items have been received.

## REJECTION OF SUBSTANDARD COMMODITIES - 3510.4

Failure to meet any of the requirements stated on the purchase order is grounds for rejection. Acceptance of substandard material defeats our standards program. In each case, however, common sense must also be used in deciding upon accepting or rejecting. The Quality Control Section of the Office of Procurement, Department of General Services, should be contacted if the agency is not certain as to the action it should take.

The actual data of delivery and the condition of the merchandise at the time of delivery is seldom, if ever, known by the Office of Procurement Buyer. Copies of all correspondence concerning purchase orders should be sent to the Office of Procurement area office and to the Quality Control Section, Office of Procurement, in Sacramento. If there is any doubt about the quality of a shipment, report the problem to the Office of Procurement and get the advice of the Buyer before scheduling the invoice for payment.

## EMERGENCY PURCHASES - 3511

When an emergency involving public health, welfare, or safety requires the immediate purchase of supplies or equipment without the taking of bids, the requisitioning agency will attach to its requisition a statement regarding the emergency. The statement will be signed by an officer of the agency. Acceptable statements will show that the emergency condition is one which would not have been avoided by reasonable care and diligence or that there is an immediate threat of substantial damage or injury to persons committed to the agency's care, to employees of the agency, to members of the general public, or to property for which the agency is responsible.

## CONFIRMING ESTIMATES - 3511.1

Confirming Estimates will not be processed unless submitted in accordance with SAM Section 3511 and Public Contract Code Section 10302. Emergency purchases should ordinarily be made under the provisions of SAM Section 3571.2.

## MATERIALS EXPEDITING - 3511.2

If initial contacts with a vendor who is late meeting specified delivery dates are unsuccessful, agencies should contact the Buyer responsible for the purchase order or contract. The Buyer or a materials expediter will contact the vendor on your behalf and will continue to monitor the vendor's progress until the order is complete. Your agency will be kept fully advised as to the current status of the transaction and of the Office of Procurement's efforts to enforce the terms and conditions of the purchase order or contract.

## STANDARDS SAMPLING - 3513

From time to time, special forms will be sent to agencies to facilitate standards sampling. These forms will request information regarding date of delivery, condition of material on arrival, and pertinent comments. These forms must be filled out and returned immediately. If samples are requested, identify them with complete information, purchase order and estimate number, vendor, date, commodity, and comments.

## FINANCIAL PROFILE REPORTS - 3514

Agencies that require information on firms within the United States may obtain this data from the Procurement Division, Department of General Services, which has contracted for credit rating services. Use of the service for purposes other than as a check on firms to whom credit may be extended is not authorized. The service consists of two parts: (1) a reference book listing the general credit rating of virtually every firm in the United States; and (2) a special detailed, confidential business information report on specific firms. Reports on individual consumers may not be ordered.

Detailed reports contain a comprehensive statement of the background and financial status of the firms. Use of Procurement's reference book is free of charge. Upon written request, single reports may be purchased for a fee. The fee is updated annually; call the Procurement Division for the most current fee. Requests which require immediate information will be charged extra. All reports will be processed on the basis of single reports. All reports may be ordered from:

Department of General Services
Procurement Division
707 Third Street, Second Floor
West Sacramento, California 95605

## MANUFACTURERS' WARRANTIES - 3515

Many items of equipment purchased by State agencies carry a manufacturer's warranty of acceptable materials and workmanship. All agencies will register and maintain proper records of such warranties to ensure that defects covered by the warranty are repaired by the manufacturer.
The Procurement Division does not maintain any files or records of individual agencies' equipment warranties.

## DISPOSAL OF SURPLUS PERSONAL PROPERTY - 3520

Prior to an agency's disposal of any state-owned personal surplus property, other than vehicles and mobile equipment (See SAM Sections 4111 through SAM Sections 4112 for Disposition of Vehicles and Mobile Equipment), the agency must obtain approval from the State and Federal Property Reuse Program Office, Office of Fleet and Asset Management, Department of General Services.
The agency must submit to the State and Federal Property Reuse Program Office a Property Survey Report (STD. 152) requesting direction and approval prior to disposition of any state-owned personal surplus property, including general office furniture, regardless of the original acquisition value or if the property was recorded or capitalized for accounting purposes. The $5,000.00-unit acquisition cost requirement for capitalization does not apply to disposal actions. Final disposition, which includes sale, trade-in, discarding or turning the property over to the State and Federal Property Reuse Program Office, or discarding the property may not occur until the State and Federal Property Reuse Program Office approves the disposition.
To request approval, the agency must electronically submit the completed Property Survey Report (STD. 152), to the State and Federal Property Reuse Program Office in Sacramento. Agencies can access the online STD 152 at
http://www.documents.dgs.ca.gov/dgs/fmc/pdf/std152.pdf
This reporting requirement applies to all office furniture items, including (but not limited to) bookcases, cabinets, chairs, credenzas, desks, shelving, tables and similar items common to state offices.
The State and Federal Property Reuse Program Office facilitates and ensures recycling of used office furniture that is still sound and, therefore, reusable, thus contributing to reducing expenditures for new furniture and conserving the materials used in the manufacture of office furniture.

## PROPERTY SURVEY BOARD - 3520.2

Each agency will have a duly appointed Property Survey Board that is responsible for determining that, when disposing of surplus property, the decision to do so serves the bests interest of the state. To the extent possible, there will be a sufficient number of members on the Board to insure representation by both business management and program responsibilities. At least two Board members must approve all Property Survey Report STD. 152 and all Transfers of Location of Equipment STD. 158.

## PROPERTY SURVEY REPORTS - 3520.3

When an agency proposes to dispose of state-owned, nonexpendable surplus property either by sale, by trade-in, or by turning it over to the State and Federal Property Reuse Program Office, or by discarding the property, the agency prepares a Property Survey Report STD. 152 and submits it to the State and Federal Property Reuse Program Office for approval.

When an agency proposes to transfer such property to another agency or to a unit within the agency, the agency prepares a Transfers of Location of Equipment STD. 158.and submits it to the State and Federal Property Reuse Program Office for approval. The agency may use an agency form in lieu of STD. 158 for intra-agency transfers between organizational units accounted for in the same general ledger account.

The agency retains the original copy of the approved STD. 152 or STD. 158, as applicable, in a suspense file, pending final disposition of the property. If the agency sells the property, the agency enters the dollar amount received from the sale and the receipt number on STD. 152, and disposes of the listed property without delay.

The requesting agency and the State and Federal Property Reuse Program Office retain copies of all STD. 152's and 158's in accordance with the general disposition schedule. See SAM Section 1611.

## TRANSFER TO THE SURPLUS PROPERTY PROGRAM OFFICE - 3520.4

When state-owned surplus personal property is not to be transferred within an agency, the agency submits a Property Survey Report STD. 152 directly to the State and Federal Property Reuse Program Office.

The agency must provide adequate information in the "explanation" section of the STD. 152, and indicate the reason(s) for disposal of the property.

The agency must use a single STD. 152 only for similar items or items being surveyed for the same reason. The agency must use separate STD. 152s when surveying items for different reasons.

## DONATION OF STATE PROPERTY - 3520.5

When an agency proposes to transfer state-owned personal surplus property to a non-state entity, the agency prepares a Property Survey Report STD. 152 and submits it to the State and Federal Property Reuse Program Office for review and approval prior to final disposition. The recipient of the property must be on record with the State and Federal Property Reuse Program Office as an eligible done, thus indicating the recipient is eligible to receive such property.

*NOTE*: For vehicles and mobile equipment, submit proposals to the Department of General Services, Office of Fleet and Asset Management for review and approval.

## SALE TO ANOTHER STATE AGENCY - 3520.6

The same procedure is used as a transfer within an agency or department, except the selling agency must complete a Property Survey Report STD. 152, and forward it to the Surplus Property Program Office before the sale takes place.

## PUBLIC SALE - 3520.7

An agency can offer state-owned personal surplus property for sale to the general public after the agency has offered the property for use within the agency and after submitting a Property Survey Report STD. 152 to the State and Federal Property Reuse Program Office for review and approval.

There are three methods an agency may use to dispose of state-owned personal surplus property through a public sale:

1. Sealed bid;
2. Auction;
3. Fixed price (not recommended).

## SEALED BIDS OR AUCTION SALES - 3520.8

Typically the sealed bid method of public sale brings the highest cash return to the state. The agency must make a diligent effort to secure at least three competitive bids. If the agency cannot make three competitive bids, the agency employee who solicited the bids must prepare and sign a list of the firms or individuals contacted. The agency must attach the bid solicitation list and the bids received to the Property Survey Report STD. 152

When an agency elects to dispose of state-owned surplus personal property through a public sale by auction, the agency must publish information about the auction to all sectors of the community. Public notices include:

1. Newspaper ads;
2. Posting of notice of sale in public places;
3. Mailings to interested businesses and individuals.

A fixed price sale requires the authorization of the Director of the Department of General Services.

Public sales should be announced a minimum of one week prior to the sale with newspaper ads running no less than three days. The bid opening date should allow ample time for advertising and inspection of the items by prospective bidders.

"Notice of Sale" flyers shall be made available on-site and should contain the following information:

1. When and where the items offered for sale may be inspected.
2. Bid opening date and time.
3. Method of notification to successful bidders.
4. Required method of payment and applicability of sales tax.
5. Required time frame for successful bidders to pick up items.
6. A "General Provisions" section should include an applicable statement similar to the following:

“Items are being sold as is and where is. Verification of the description and condition is the responsibility of the bidder. All sales are final. The State of California reserves the right to reject any or all bids, or to value any defects or irregularities therein. Minimum bid amounts, when indicated, shall be applicable.”

“The State of California makes no warranty, either expressed or implied, as to the condition or completeness of the equipment being sold, nor does the equipment necessarily meet California Occupational Safety and Health Act Standard, Orders, or Regulations.”

After the successful bidder has paid for his/her items and presented his/her receipt, he/she shall be requested to sign an appropriate delivery receipt to signify that he/she has received the material. When scrap and junk is being sold, the person taking delivery shall either sign a delivery receipt or give the agency a receipt indicating the type and approximate quantity of material removed from the premises.

After the sale of material is completed, the amount of cash received shall be recorded on the approved copy of the Property Survey Report, which is retained by the organizational unit.

Whenever public sales are conducted, a system of checks and balances shall be used. This shall, at a minimum, consist of having separate persons handle the sale and the collection of funds.
State employees may participate in public sales providing they do so in the same manner as the general public. Employees may not use their position, office or prestige to their advantage when participating in sales of materials, nor may they participate on state time.

## DISCARDED, SCRAPPED, RECYCLED, OR DISMANTLED FOR SALVAGE - 3520.9

State agencies may dispose of state owned surplus personal property by means other than the sale of the property, e.g., the property is to be salvaged, recycled, or hauled to a landfill. The agency's property control officer and unit supervisor shall certify in writing that each disposition has been accomplished. The certification may be included on the STD 152 or attached and filed with the STD 152.

DISPOSITION OF MODULAR SYSTEM (MSF) AND CONVENTIONAL FURNITURE MANUFACTURED BY Commercial ORGANIZATIONS AND THE CALIFORNIA PRISON INDUSTRY AUTHORITY (CALPIA)
Prior to recycling or discarding MSF or conventional furniture, state agencies shall attempt to find other state agencies interested in the furniture for reutilization. If another state agency would like to reutilize the furniture, the owning state agency will transfer the MSF or conventional furniture to the receiving state agency using the STD 158. The receiving agency will be responsible for dismantling and accounting for all MSF pieces and parts and for moving the MSF to the receiving agency's site.
When reutilization is unsuccessful, state agencies may donate, sell, or recycle commercially manufactured MSF or conventional furniture.
CALPIA MSF or conventional furniture may not be sold. When reutilization of CALPIA MSF or conventional furniture is unsuccessful, state agencies shall recycle surplus CALPIA MSF or conventional furniture. State agencies do not need CALPIA approval to recycle surplus CALPIA MSF or conventional furniture.
Recycling of MSF or conventional furniture may be done through a scrap metal recycling facility located within the state, as defined in Health and Safety Code section 25211(e). State agencies must still submit and receive approval of a STD 152 from the Office of Fleet and Asset Management (OFAM) prior to recycling.

## SURPLUS ELECTRONIC EQUIPMENT AND RECYCLING PROCEDURES - 3520.10

**Legal Authority**

Government Code 14674

**Definitions**

**Reusable Electronic Equipment**

Means any device that requires electric power to operate, that is still usable and retains value. Electric power is typically provided by either plugging the device into an electrical outlet with a cord or by battery for wireless devices. Common examples of reusable electronic equipment include working televisions, microwaves, telephones, computers, monitors, cell phones, printers, and copiers.

**E-Waste**

Means electronic equipment that is no longer in working condition, irreparable or unusable, or past its agency-identified useful life.

**Policy**

State agencies (agencies) are required to reutilize their Reusable Electronic Equipment for which the agency has no further use through the Department of General Services (DGS), Office of Fleet and Asset Management (OFAM), State and Federal Property Reuse Program Office.

Where an agency determines that electronic equipment to still be usable, the equipment should not be considered E-Waste and should be disposed of in accordance with SAM Section 3520.

Where agencies identify surplus electronic equipment with no useful life remaining (E-Waste), agencies are required, to use the services of a California Department of Toxic Substances Control (DTSC)-authorized E-Waste handler. More information is available on the DTSC website.

Agencies shall determine which equipment meets the definition of E-Waste or Reusable Electronic Equipment, per the definitions provided above.

**Media Sanitization**

Agencies must sanitize all surplus electronic equipment in accordance with SAM Section 5365.3 prior to reutilization or disposal.

**Responsibilities**

**OFAM:**

Review and process STD 152s submitted by agencies.

**Agencies:**

Determine whether their surplus electronic equipment is Reusable Electronic Equipment or E-Waste and sanitize all surplus electronic equipment prior to reutilization or disposal in accordance with SAM Section 5365.3

Submit STD 152s electronically through the Surplus Property Survey Reports Portal.

**Resources**

- How to Submit STD 152 for E-Waste
- Surplus Property Survey Reports Portal
- STD 152 – Property Survey Report
- DTSC E-Waste Management Resources

## SURPLUS ELECTRONIC EQUIPMENT - FOSTER YOUTH - 3520.11

State departments are encouraged to donate surplus laptops and other portable computer equipment to the foster youth attending a California state college or university. Donation of this equipment is enabled through the Department of General Services (DGS) State Surplus Property Program.
Entities eligible to receive this equipment include the aforementioned institutions of higher education, and non-profit 501(c)(3) organizations associated with those institutions. To donate a computing device to a foster youth, state agencies will follow state surplus property procedures outlined in SAM Section 3520 et seq., and shall ensure the computing device has been sanitized in accordance with SAM section 3520.10.
The device then will then be listed on the DGS California Surplus Property System (CSPS) as a donation and can be delivered to the eligible entity for subsequent distribution to the student.

## DONATED FEDERAL SURPLUS PROPERTY - 3521

State agencies are eligible to receive donated federal surplus property distributed by the Department of General Services, Office of Fleet and Asset Management (OFAM), State and Federal Property Reuse Program Office. Substantial quantities of high-quality new and used surplus materials and equipment very frequently become available to State agencies from this source.
All agencies eligible to receive donated federal surplus property will make a maximum effort to acquire necessary materials and equipment through the Federal Surplus Property Program. The State and Federal Property Reuse Program Office assists agencies in securing federal surplus property through obtaining and circulating information as to available federal surplus property, and assisting agencies in placing requests for such items. Since desirable items are generally available for a very limited time, agencies should promptly respond to notices of available property.

## INSPECTION OF USED FEDERAL SURPLUS PROPERTY - 3521.1

The requesting agency inspects used federal surplus property before it is shipped to the agency. The Office of Fleet and Asset Management (OFAM), Department of General Services, inspects used vehicles.

## LOAN OF STATE SURPLUS PERSONAL PROPERTY - 3522

The State and Federal Property Reuse Program Office, Office of Fleet and Asset Management (OFAM),Department of General Services, maintains an inventory of office equipment such as computers, desks, chairs, tables, typewriters, and some office machines that are available to agencies on a short term, no-charge, loan basis.
Equipment may be obtained or reserved by contacting the State and Federal Property Reuse Program Office warehouse located at 1700 National Drive, Sacramento, CA 95834.
All types of surplus property equipment may be loaned at no charge for periods up to 30 days.
In emergency situations, agencies requiring long-term use of equipment for which they are unable to fund rental charges may request exceptions to the 30-day loan limit by submitting supporting information to the Manager, State and Federal Property Reuses Program Office, Office of Fleet and Asset Management. Also, if an agency delivers an approved purchase estimate to the State and Federal Property Reuse Program Office, surplus equipment may be loaned to the agency that originated the estimate pending receipt of the purchased equipment without regard to the 30-day limitation.
Agencies are expected to provide transportation for loaned or rented equipment. At the request of renting or borrowing agencies, equipment can be shipped by freight collect, or by common carrier.

## INTERDEPARTMENTAL EQUIPMENT RENTALS - 3522.1

It is intended that agencies exchange available equipment and related services on a rental basis. In order to provide a simplified and uniform procedure for these transactions, departments will use an Interagency Service Agreement and Invoice (STD. 13A) to request the rental of available equipment, order supportive services, and provide the necessary documentation for billing purposes. Rental rates must include charges to recover all direct and indirect costs.
Complete information on interagency rental of mobile equipment, repair facilities, and mobile equipment repair services is included in the following publications:

1. Statewide Mobile Equipment Inventory
2. Repair Facilities Inventory and Location Catalog

These publications are available from the Chairman of the State Equipment Council, care of the Office of Fleet and Asset Management, Department of General Services, 802 Q Street, Sacramento, California 95814. The telephone number for the Office of Fleet and Asset Management is (916) 327-2086 or ATSS 467-2086.
The Interagency Service Agreement and Invoice (STD. 13A) may also be used in the interchange of equipment and related supportive services with city, county, or other local government units within the State.
SALE OR EXCHANGE OF PRODUCTS (See Government Code Section 11330–35.)

## CONTRACTS - 3530

Contract buying reduces the volume of repetitive work, permitting more care and consideration of the award of major purchases, thereby allowing each buyer to become more conversant with the material requirements of the operating departments. It permits a better scheduling of supplies, allowing the operating departments, particularly institutions, to better adjust their inventories. It also encourages better service on the part of vendors, because of the value of such statewide contracts.
As a result of an expanded and comprehensive standards program, it is possible to expand the term contract program since it can be predetermined what quality or specification of material will be accepted statewide.
Officers and employees purchasing contract items at retail prices will be personally liable for the difference between the retail and contract price except in verified emergencies which must be fully explained on the invoice covering the emergency.
To verify contract dollar volumes and to ensure accurate bid information is provided to all interested bidders, each agency using State Contractors must submit one copy of each contract order STD. 65 To:
State Office of Procurement
PO Box 942804
Sacramento, CA 94204–0001

## STATE PRICE SCHEDULES - 3531

State Price Schedules are established to permit agencies to obtain volume pricing on noncompetitive items and to order directly from vendors. Unlike contracts, use of State Price Schedules is not mandatory. If an agency determines that another brand or

type of item would meet their needs at a lower price, it may either make a delegated purchase or submit a purchase estimate to the Office of Procurement, depending on the dollar amount involved. Before making a delegated purchase, the agency must notify the Office of Procurement's Research and Analysis Section, in writing, of their intention to do so. The request will be considered approved unless the Office of Procurement notifies the requesting agency to the contrary within 48 hours (two working days) of receiving the request. If the agency submits a purchase estimate to the Office of Procurement, an explanation of the circumstances should be included.

## MASTER SERVICE MAINTENANCE AND RENTAL AGREEMENTS - 3532

Agreements negotiated by the Office of Procurement, Department of General Services, for the maintenance and rental of office machines are not mandatory for State agencies if they are able to secure better prices that may be due to their remote location or similar factor.

Master Service Agreements issued by the Office of Procurement for photocopiers ensure that the guaranteed useful life of the equipment is adhered to, as contracted for in the original purchase order. Use of Master Rental Agreements for the rental of EDP equipment is subject to the provisions in SAM Section 5291. Terms and conditions of the agreement are included in the notice.

## NOTICES OF CONTRACTS, STATE PRICE SCHEDULES AND MASTER SERVICE AGREEMENTS - 3533

The Procurement Division, DGS website contains listings of all statewide contracts, State Price Schedules, and Master Service Agreements. The website will show the method for placing orders, the price, the terms and conditions, etc.

## MATERIALS MANAGEMENT AND SUPPLIES WAREHOUSING - 3535

The Director of the Department of General Services has initiated a statewide program to establish effective standards and policies for all materials management functions including reduction of expendable goods inventories which are maintained in uneconomically large quantities.

This program is being administered by the Department of General Services, Office of Procurement, within the framework of the Statewide Materials Management System or the Purchasing Information Network (PIN). The program started in November 1977 and will continue until all major agencies and warehousing facilities are participating.

The Office of Procurement is responsible for establishing effective purchase methods for expendable items which provide a means to reduce the quantity and type of expendable items in State inventories. The Office of Procurement shall also recommend policies and procedures to reduce the State's expendable inventories investment, review agency materials management practices, recommend to agencies actions to achieve more effective materials management, and monitor and report on the progress of agency programs.

Agency owned expendable goods inventories will continue to be managed by the owning agency and not by the Department of General Services. Inventory control systems used throughout the State will be standardized whenever possible.

Basic statewide inventory management policy under which all agencies will operate is as follows:

Funds used for the purchase of expendable goods inventories must be clearly identified in the support documents which are prepared to justify agency's respective portion of the Governor's Budget. See SAM Section 6120. The information may be contained in the Schedule 2 (Line Item Budget) or Schedule 11 (Preparation of Supplementary Schedule of Operating Expenses). Other documentation may suffice, but funds used for the purchase of expendable goods must be clearly identified. This information will be made available to the Department of General Services, Office of Procurement, upon request by that entity.

The Department of General Services, Office of Procurement, is responsible for establishing purchasing, warehousing, inventory control, and distribution methods which will minimize the State's need for the maintenance of supplies, warehouses, and inventories.

The Department of General Services contracts with suppliers to deliver some materials directly to the point of use for State agencies. Other materials which require quality assurance testing or which, through volume purchasing, can be landed at one point and redistributed at a savings to the State, are purchased and redistributed by the Office of Procurement, Material Services.

The Office of Procurement, Material Services, is the central redistribution warehousing organization. Departments or agencies may maintain continuing inventories of supply items available from Material Services only at or near the point of use. Departments may not maintain redistribution warehouses to resupply point of use facilities unless authorized by the Department of General Services, Deputy Director, Office of Procurement.

State agencies must maintain unit stock records and conduct annual physical inventories if they operate warehouses which aggregately meet any one of the following criteria:

-Gross floor space exceeding 4,000 sq. ft.
-Average annual inventory investment in expendable goods exceeding $50,000
-Annual issues of expendable goods exceeding $100,000
-Expendable goods inventory consisting of 400 or more stock items

Expendable items will be maintained in continuing inventory only if they are:

-Required for emergency needs involving public health, safety, or welfare
-Not readily available from supplier inventories
-Stable items with high demand and represent the low net cost purchase option

Agency inventories and operating costs generated by the continuing maintenance of such inventories shall be no greater than is actually required or economically justified. Inventories will be subject to periodic audit by Department of General Services or other authorized audit units to assure that individual agency managers have regularly and effectively maintained such inventories at the lowest practical level.

Agencies shall, within the general framework of this policy, develop and publish internal policies and procedures which must contain at least the following:

-Specific assignment of management responsibility for effective materials management at both agency-wide level and within each organizational unit that maintains continuing inventories of expendable goods.
-Policies and procedures governing the size and scope of continuing inventory investment, standards for utilization of storage space and review of materials management program effectiveness.

## STORAGE OF OFFICE EQUIPMENT - 3536

New office equipment should be shipped directly to the point-of-use by the vendor whenever possible. New equipment may not be warehoused for more than 30 days under any circumstances.

A department may store a maximum of five complements of office equipment at any facility they lease or own. A complement of office equipment consists of one desk, one chair, one work table, one credenza, one bookcase, one typewriter, and one calculator.

Departments may store a maximum of 100 complements of used office equipment at the Department of General Services, Material Services Warehouses. These complements may be stored at Material Services only if they are required for emergency needs involving public health, safety, or welfare and are not readily available from supplier inventories.

Departments must state in writing why they need to store used office equipment, how many complements will be stored, and how long it will be stored. This statement must be filed with the Materials Management Unit, Office of Procurement, Department of General Services. Exceptions to these guidelines must be approved by the Department of General Services, Deputy Director, Office of Procurement.

## REQUISITIONING PROCEDURE - 3550

Purchase estimates are initiated by the State agency to effect purchases, to provide management and the central budgetary authority with budgetary control over purchases, to serve as a formal requisition upon the Office of Procurement, Department of General Services, for agency purchases, and to provide an accounting record of purchases in process.

Agencies will contact the Office of Procurement, Department of General Services, early in the purchase process in order to benefit from advice and assistance on specifications, sources of supplies, price advantages, substitutions, and a determination of the agency's precise needs. Agencies that write to vendors for information to price purchase estimates will inform the vendors that the information requested is for accounting purposes and is not a request by the Office of Procurement for quotations. Agency titles which may be interpreted as relating to the Office of Procurement will not be used with signatures on agency request for prices. Agencies will write for price information to enter on estimates only when the balance in the allotment is such that this procedure is necessary to ensure that the allotment will not be truly over-encumbered by the purchase estimate. The agency should anticipate its needs and accumulate those needs to warrant quantity purchases. Special requests to the Office of Procurement and over-stocked inventories maintained by the individual agency increase the costs of State operation and will not be permitted unless properly justified.

## FORMS USED - 3551

The Office of Procurement, Department of General Services, will accept only those purchase requests submitted on standard forms. The standard forms are:

| | |
|---|---|
| STD. 66 | Purchase Estimate |
| STD. 66A | Purchase Estimate Continuation |
| STD. 12 | Weekly Order sheet Fresh |

## QUARTERLY REQUESTS - 3552

Large use items, such as food and clothing used in the State institutions, are normally submitted in the form of quarterly estimates. Such estimates form the basis for quarterly contracts entered into by the Office of Procurement, Department of General Services, to supply the institution's requirements of such items during the following three months.

## CONSOLIDATION OF INTRA-AGENCY REQUESTS - 3553

Agencies should make every effort to consolidate their requirements of similar items into a single purchase estimate. Items should be ordered in quantities sufficient for a reasonable period and consistent with future needs and available storage space. Agency procedures which result in the submission of several purchase estimates for the procurement of the same item or for like items for delivery to the same location often require the issuance of otherwise unnecessary purchase orders, incur additional shipping and packaging expense, cause an unfavorable impression of State business practices, and eliminate or reduce the volume purchase advantage of centralized purchasing. This practice often is an attempt to segregate purchases for accounting purposes.

Similar or like items to be purchased from more than one budget allotment or shipped to more than one location may be consolidated in a single purchase estimate. The appropriate budget allotment or shipping information may be written in the description portion of the estimate form or it may be shown on an attached detail sheet.

Estimates for similar or like items should be combined even though the items are to be paid for from separate appropriations from the same fund, or from appropriations from separate funds. In such instances the encumbrance and the subsequent expenditure will be allocated to the appropriation and fund. A single invoice received in such instances may be claimed by including the invoice in a claim schedule filed against one of the appropriations involved and putting an adequate cross-reference in the claim schedule filed against the other appropriation concerned. Frequent recurrence of such consolidated estimates may make it advisable to charge the encumbrances and expenditures for such items to a single appropriation in the first instance and subsequently recover the appropriate amount due from other appropriations by State Controller's transfer under a plan of financial adjustment as authorized by Government Code Section 11251. However, this method presents the disadvantage of overstating the encumbered balance of the allotments to be charged under the plan until such time as the State Controller's transfer is formally requested. Agencies desiring to use the plan of financial adjustment method where substantial amounts are involved should consult the Department of Finance budget staff before doing so. See SAM Section 8456.

## DESCRIPTION OF ARTICLES - 3554

Each department and institution should have one current catalog for each kind of commodity which is usually ordered. An institution should have catalogs from large hardware, plumbing, hotel supply, and office furniture dealers. Departments should be equipped with catalogs suitable to their needs. Upon request to the Office of Procurement, Department of General Services, appropriate catalogs will be supplied. Reference should not be made to eastern catalogs unless the article desired is not obtainable on the West Coast. All items to be purchased should be briefly and completely described and, whenever possible, reference should be made to catalog numbers when completing the purchase estimate form. The typing should be double-spaced between items, with detailed description of items being single-spaced.

Department or institutions purchasing lumber should keep on hand a full set of grading rules for lumber, and estimates for lumber should be in conformity with such grading rules. Copies of grading rules will be supplied on request.

Descriptions, whenever possible, should be copied from the last purchase order (not the previous requisition) since the buyers of the Office of Procurement endeavor to make the purchase orders correct in every detail of nomenclature, catalog number, and style.

## LIMITING OF COMPETITIVE BIDDING - 3555

Purchase estimates containing references to brand or trade name or other specifications which have the effect of limiting bidding to one bidder and/or one brand or trade name must be accompanied by a statement fully explaining why the product specified is necessary for the successful carrying out of the ordering agencies' services and functions. This statement shall include at least the following:

- The unique performance factors of the product specified.
- Why are these specific factors required?
- What other products have been examined and rejected and why?

Purchase estimates submitted without adequate information in support of limiting competitive bidding will be returned to the originating agency. Acceptance of a purchase estimate and the purchase of the specified product will indicate Office of Procurement, Department of General Services, agreement with the ordering agency in conformance with Public Contract Code Section 10301.

## ITEMS OF SPECIFIED BRAND OR TRADE NAME - 3555.1

When an agency decides that an article of a specified brand or trade name is the only article which will properly meet its needs, the agency will state such fact on the requisition and set forth all reasons requiring purchase of the specified item.
Acceptance of the requisition and purchase of the item will indicate Office of Procurement, Department of General Services, agreement with the agency. If the Office of Procurement disagrees with the requisitioning agency as to the brand or trade name to be purchased, the agency will be notified.
When a specified brand or trade name item is to be purchased as a result of a Board of Control decision, a copy of the decision will be filed with the related purchase order or contract in the Office of Procurement.

## NONCOMPETITIVE PURCHASE OF EQUIPMENT REPAIR PARTS - 3555.2

Purchase estimates requesting purchase of a specific brand or trade name of parts needed to repair equipment must contain the following information in lieu of that specified in SAM Section 3555:

- Why only one brand of part can be utilized to repair the equipment.
- Whether the specified brand of repair parts is available from only one source (i.e., manufacturer) or multiple sources (i.e., distributor).

## NONCOMPETITIVE PURCHASE OF EQUIPMENT TO INTERMEMBER WITH EXISTING EQUIPMENT - 3555.3

Purchase estimates requesting purchase of a specific brand or trade name of equipment to match and/or intermember with existing equipment shall contain the following information:

- What is the quantity of existing equipment to be interfaced that is currently owned by the agency?
- Why it is necessary that the requested equipment be the same manufacture as currently owned equipment?

## SALES AND USE TAX - 3556

Purchase estimates prepared for items subject to the retail sales or use tax will show such taxes as a separate item. (See Fiscal Affairs portion of this Manual for other information regarding taxes.)

## SUBMISSION PROCEDURE FOR PURCHASE ESTIMATES AND REQUISITIONS - 3558

Purchase estimates which require budget staff approval under the terms of SAM Section 3558.1 should be submitted directly to the budget staff, Department of Finance. Purchase estimates not requiring review by the Department of Finance should be submitted directly to the Office of Procurement, Department of General Services.
The deadlines for receipt of purchase estimates by the Office of Procurement are as follows:

February 1 — All purchase estimates or purchase documents chargeable to current year expiring appropriations for EDP and telecommunications goods and/or services estimated to exceed $100,000 must be submitted to the Office of Procurement for processing by this date. This deadline includes EDP Computer Assisted Retrieval (CAR) microfilm systems estimated to exceed $100,000.

April 1 — All purchase estimates chargeable to current year expiring appropriations for equipment items, as defined in SAM Section 8602 and SAM Section 8614, with an estimated cost exceeding $10,000, must be received by the Office of Procurement by April 1.

May 1 — All purchase estimates or purchase documents for EDP goods and/or services submitted to the Office of Procurement for processing, and estimated to cost less than $100,000, must be received by this date.

All other purchase estimates chargeable to current year expiring appropriations must also be received by May 1. Purchase estimates lacking required approvals by other State agencies or divisions of the Department of General Services will be returned to the ordering agency. Such purchase estimates must be received by the reviewing agencies as follows:

Due Date in Approving Division Department of General Services (Prior workday if the date falls on a weekend)
NON-EDP AND TELECOMMUNICATIONS ITEMS
Table content available in source manual.

Office of State Printing:
Table content available in source manual.

Office of Records Management:
Table content available in source manual.

Table content available in source manual.

Table content available in source manual.

EDP AND TELECOMMUNICATIONS ITEMS
(CAR microfilm and optical disk equipment)
NOTE: All EDP acquisitions, including CAR microfilm, must have necessary approvals from the Department of Finance, Office of Information Technology (OIT). Projects requiring OIT approval must be submitted to that office at least 45 days prior to the Office of Procurement's due dates.
A purchase estimate received after May 1 may be processed if there is a full and adequate explanation for the late submission approved by the department's chief administrative officer, or chief fiscal officer authorized by him/her, and it is either:

Required by an emergency involving public health, welfare, or safety, or
Funded by appropriations expiring June 30 or earlier which were not available before April 15.

Each purchase estimate should indicate that the funding is either from a "continuing appropriation" or an "expiring appropriation."
Refer to Board of Control Rule 610 concerning purchases in one fiscal year for use in the subsequent fiscal year and definition of legal charges against the old and the new fiscal years.

## EXEMPTION OF PURCHASE DOCUMENTS FROM PROGRAM AND BUDGETARY REVIEW BY DEPARTMENT OF FINANCE - 3558.1

The Department of Finance exempts from review for program and budgetary determination all purchase documents for items of equipment which can be funded from the amount budgeted for the purchase of equipment in the approved fiscal year budget.
Purchases of equipment will remain a departmental responsibility subject to statutory and administrative rules and restrictions. Equipment lists for capital outlay projects will still be required for capital outlay projects in accordance with pertinent sections of the State Administrative Manual. Departments are specifically charged with the responsibility for the analysis of equipment requirements to supplement the approved legislative program and approval of the models and types of equipment which can most sufficiently support the project or program. Subsidiary effects such as changes in staffing requirements, operating expense, supplies, and space should be evaluated with respect to each choice.
The amount budgeted for equipment in the approved fiscal year program may not be augmented except with the approval of the. Budget Revision, STD 26, by the Department of Finance.
Purchase estimates for automotive equipment will be submitted directly to the Office of Fleet Administration, Department of General Services, for approval. Estimates approved by the Office of Fleet Administration will be routed to the Office of Procurement, Department of General Services. Estimates requiring changes or deletions and disapproved estimates will be routed to the originating department.
A certification will be required of the agency for any equipment purchase estimate exempted under the above instructions as follows:

"This purchase estimate does not require approval by the budget staff, Department of Finance, under the provisions of SAM Section 3558.1.
Signed _____, Accounting Officer (or other authorized representative)."

## OTHER PURCHASE ESTIMATES - 3558.2

Purchase estimates and requisitions for items other than equipment (See SAM Section 3558.1) will be submitted to the Sacramento or Los Angeles office of the Office of Procurement, Department of General Services (see SAM Section 3558.3 for offices serving various areas), unless it is:

Dependent upon approval of a budget revision or a transfer of budget allotment, or
For an item or class of item specifically restricted.

In either of the above circumstances, the estimate or requisition will be submitted to the budget staff, Department of Finance, through agency channels.

## AREAS SERVED BY OFFICE OF PROCUREMENT - 3558.3

Areas served by the two procurement offices are shown on the map, 3558.3 Illustration. All purchase estimates should be submitted to the Sacramento office, except estimates for fresh produce for Southern California delivery should be submitted to the Los Angeles office.

## INCREASE OR DECREASE OF ESTIMATES - 3559

Please see the State Contracting Manual.

## INCREASE - 3559.1

Please see the State Contracting Manual.

## DECREASE - 3559.2

Request for Purchase Order or Estimate Change STD. 96, may be used to decrease estimates in process if it is determined that the actual expenditure will be less than anticipated, and it is desired to reduce encumbrances to facilitate other use of funds.

## PURCHASE ORDERS - 3565

Please see the State Contracting Manual.

## PURCHASE ORDER CHANGES - 3566

Information regarding purchase order changes can be found in the SCM.

## WHEN REQUIRED - 3566.1

Purchase order changes are required in the following instances:

1. Change in F.O.B. point
2. Change in terms if unfavorable to the State
3. Change in estimate number
4. Change in vendor's name (except simple spelling corrections)
5. Increase in Unit Price
6. Mathematical error over $10

7. Addition or cancellation of any item
8. Change in description specifications, scope of work or substitution of any material
9. Extension of time on "As Needed" or "As Required" order (such orders are written for units of material; "As Required" or "As Needed" for a period ending DATE).
10. Any overdraft of a purchase order except as permitted under subparagraph 3 in SAM Section 3566.2.

## WHEN NOT REQUIRED - 3566.2

Purchase order changes are not required when: Price billed is less than purchase order.

Weight or quantity is less than purchase order and unit price as stated on the purchase order.

At the time of taking a final delivery, there is a balance in a purchase order, and the final delivery does not overrun the order by more than 10%. This would apply to such items as yardage, steel, lumber, rock, asphalt, products produced from roll paper stock; e.g., forms, cartons, etc., and other items when exact quantity is not known at the time the order is placed, including items that come in standard containers.

Delivery of items such as fresh vegetables varies from the weight, quantity or count specified, on the order (not to exceed plus or minus 10% of the value of the total order up to $1 million).

Order specifies certain sized containers and other containers which are acceptable are delivered, but total quantity and price are within the limits of the order.

Items are purchased by Procurement for resale and final delivery does not exceed the order value by more than 10%.

## BLANKET PURCHASE ORDERS - 3568

Blanket purchase orders issued without the taking of competitive bids and in which the products ordered and unit prices are not specified are strongly discouraged. Requests for blanket purchase orders must be accompanied by a statement explaining the nature of the probable emergency requiring the blanket purchase order, the probable effect on public health, welfare or safety caused by this emergency, and the reasons why other purchase methods will not meet the agency need.

Present policy all but excludes the use of blanket purchase orders. All such purchases will be made under a delegated purchase authority program which may be granted on an individual basis to agencies with approved Material Management Plans. Agencies must provide a justification of their need in order to receive the special purchase authority. All requests must be submitted to the Office of Procurement, Department of General Services. Details of information which must be included in such requests may be obtained from the Office of Procurement's Research and Analysis Section.

## DISCOUNTS - 3573

It is normal practice to extend both trade and cash discounts to the State.

## FEDERAL EXCISE TAX - 3574.1

State purchases are normally exempt from Federal Excise Tax, but an Exemption Certificate, STD. 802, must be attached to the Sub-Purchase Order. See SAM Section 3585 for further detail.

## SALES AND USE TAX - 3574.2

In addition to the State sales tax, the State is subject to the Bradley-Burns Uniform Local Sales and Use Tax.

## TRANSACTIONS (SALES) AND USE TAX - 3574.3

In addition to the local sales and use tax described in SAM Section 3574.2, numerous counties have enacted ordinances establishing special taxing districts that impose one or two-and-one-half percent transactions and use taxes. The tax is imposed on the retailers and applies to sales to State agencies. State agencies taking deliveries of tangible personal property for use within the counties that have imposed these district taxes will pay this tax when such tax is added to the sales price by the retailers

Effective January 1, 1988, sellers or lessors of vehicles, aircraft or undocumented vessels are required to collect the district tax imposed in the county of registration. If the tangible personal property is purchased in a county that does not have a district tax and is brought into a county that does impose a district tax the agency should report and pay the district use tax unless the property is a vehicle, vessel or aircraft and the tax has been collected by the seller.

This tax does not apply to contracts of sale for a fixed price agreed to and executed prior to the effective date of the district tax if neither party has the unconditional right to terminate the contract.

## SALES AND USE TAX ON TRANSPORTATION CHARGES - 3574.5

California sales and use tax does not apply to separately-stated charges for transportation of property from the retailer's place of business or other point from which shipment is made directly to a place specified by the purchaser, except: (1) where the property is sold for a delivered price, or (2) where the property is delivered by facilities of the retailer.

The tax applies in the latter two circumstances unless the transportation occurs after title to property has passed to the purchaser and the charges for transportation are separately stated. In order to show that title passes prior to the transportation of goods, the intention of the parties in this regard must be expressed in some writing which constitutes a part of the contract of sale; otherwise, it will be assumed that title passes after the transportation is completed.

## PERSONAL PROPERTY TAX EXEMPTION - 3574.6

The State is exempt from property taxation under California Constitution, Article XIII, Section 3(a). Any obligation for property tax on State leased equipment would exist, if at all, only as a result of an express provision of the lease agreement. If the lease obligation existed, payment would not be made directly to taxing authorities, but would be limited to reimbursing the lessor for actual tax payments which the lessor could prove had been made.

Provisions in a lease adding "applicable State and local taxes" to the monthly rental relate to sales and use taxes and do not encompass personal property tax. Any lease clause which requires the State to reimburse the lessor for personal property tax must be contained within the approved contract before the State would make any payments to reimburse the vendor for this tax. However, clauses requiring the State to reimburse for personal property tax should be avoided whenever possible.

If a copy of a personal property tax bill is received, the bill should be forwarded for payment to the lessor named in the bill by a letter per 3574.6 Illustration. No payment should be made by the State. If, after payment of the taxes, the lessor submits a properly documented claim for reimbursement and the lease so provides, the lessor can be reimbursed for the taxes applicable to the lease term.

In some instances, personal property tax bills will be received on equipment which was on lease but which was purchased by the State prior to the tax lien date of March 1st. In such a case, the property would be tax exempt and the bill should be returned to the taxing authority with a letter notifying it of the change in ownership. Such notice should include the date on which the State's purchase was made.
Questions regarding contracts or exemptions should be directed to the Department of General Services' Legal Office at (916) 445–4084 or ATSS 485–4084.

### PROCEDURAL STEPS, SUB-PURCHASE ORDERS - 3575

Copies of the Purchase Order, STD. 65, used for purchases under $100 are not required to be submitted to the Procurement Division, Department of General Services.

### DEPARTMENTAL PROCEDURES - 3575.1

Please see the State Contracting Manual.

### CASH PURCHASES - 3580

Board of Control Rule 678 (effective January 6, 1981) permits agencies to make immediate payment from revolving funds (when funds are available) for invoices payable by cash of $50 or less not including sales tax, and for invoices payable by authorized bank drafts of $500 or less inclusive of sales tax if approved in accordance with SAM Section 8123. Sub- purchase orders are not required to affect or make record of purchases under $100. All purchases of $100 or more must be made on a Contract Delegation Purchase Order, STD. 65, or other comparable document approved by the Office of Procurement, Department of General Services. This is not an implied approval for the purchase of items requiring clearance of the Office of Procurement, Department of General Services.

### EXCISE TAX EXEMPTION ON PURCHASES - 3585

The State is exempt from the payment of Federal Excise Taxes, except for the purchase of retreaded tires and transportation of persons or property by air. This tax is normally billed as a "concealed tax" in the price of the merchandise; hence, it is the exclusive responsibility of any person authorized to sign an order on the part of the State to see that this is not paid. This is done by filing an exemption certificate with the order. (The Exemption Certificate, STD. 802, is available from Department of General Services, Office of Procurement, Material Services Section.) At the same time, write across the face of the order, "Exemption Certificate Attached" and write on the Exemption Certificate the number of the order or sub- purchase order.
To find out what is normally subject to tax and the percentage of tax, refer to the "Scope of Tax" list. Then ask your supplier if his price includes excise tax. If so, determine the amount and deduct this from the price to establish the cost of the material less tax.
On purchases where the excise tax amounts to less than $0.50 (total) made from small dealers or merchants who are unfamiliar with the means by which they can obtain reimbursement, do not claim exemption. This also applies where automotive repairs are made in conjunction with the purchase of automotive parts and a State discount is allowed by the selling garage. However, a small merchant who does business with the State on a "repeat" basis on items subject to excise tax should be familiar with how he is able to get a refund by turning in the Exemption Certificate. If in doubt, contact the nearest office of the Office of Procurement for advice.
SCOPE OF TAX
Excise taxes are imposed by the Internal Revenue Code. The rates of tax now in effect are shown by the following list:
Table content available in source manual.

### CREDIT CARDS GENERAL - 3590.1

Purchases are to be made from the service stations and dealers of participating oil companies.

### RESTRICTIONS ON USE OF CREDIT CARDS - 3590.3

Credit cards will not be used for the purchase of items covered by price contracts except as noted by item in SAM Sections 3612 through 3696.3. Agencies may further limit employee credit card purchases within classes of items listed on the reverse side of the credit card.

### CREDIT CARD INVOICE, COMPLETION OF - 3590.4

Employees using credit cards will insure that, where practicable, oil company sales tickets are completed in ink, and that in every instance the amount of the sale is totaled at the bottom of the sales ticket.

### REMOVAL OF CREDIT CARDS FROM VEHICLES - 3590.5

Agencies are to remove credit cards from their vehicles which are to be sold or otherwise disposed of, and the cards are to be delivered to the agency's accounting officer.

## Chapter - 3600

Sections for Chapter 3600

| Section | Subchapter |
|---|---|
| WATER, BOTTLED DRINKING | 3612 |
| HEAVY EQUIPMENT | 3615 |
| TYPICAL FLEET VEHICLE | 3620.1 |
| SPECIAL PASSENGER VEHICLES | 3620.2 |
| SAFETY STANDARDS FOR ALL STATE VEHICLES | 3622 |
| BACK-UP ALARMS | 3622.2 |

| | |
|---|---|
| TRAILER HITCHES AND COUPLINGS | 3622.3 |
| TRAILER WIRING CONNECTIONS | 3622.4 |
| STANDARD EQUIPMENT | 3624 |
| AUTOMOTIVE EQUIPMENT, SPARE PARTS AND REPLACEMENT ITEMS | 3626 |
| ANTIFREEZE | 3626.1 |
| AUTOMOBILE BATTERIES | 3626.2 |
| OIL FILTER ELEMENTS | 3626.3 |
| SPARK PLUGS | 3626.6 |
| TIRES AND TUBES | 3626.7 |
| DIESEL, BIODIESEL, AND RENEWABLE HYDROCARBON DIESEL BULK FUEL PURCHASES | 3627 |
| RECONDITIONED, USED, OR REMANUFACTURED AUTOMOTIVE PARTS; RE-REFINED OR SYNTHETIC MOTOR OIL AND LUBRICANTS | 3628 |
| EMERGENCY PURCHASE OF AUTOMOTIVE EQUIPMENT | 3629 |
| TAX-FREE ALCOHOL | 3661.3 |
| OFFICE EQUIPMENT UTILIZATION OF SURPLUS PROPERTY | 3671 |
| DESKS AND RELATED ITEMS OF WOOD FURNITURE | 3672 |
| PAPER STOCK CHECKS ORDERING PROCEDURES | 3696.1 |
| ENVELOPES FOR PAPER STOCK CHECKS | 3696.2 |
| CONSOLIDATION OF AGENCY ORDERS | 3696.3 |

## WATER, BOTTLED DRINKING - 3612

Building codes or health ordinances in most localities require that a building owner provide occupants a convenient source of good drinking water. It is the policy of the State to provide adequate facilities for cold drinking water from fountains connected to the building water supply. When an agency enters into or renews a lease, the lessor should, if possible, be required to provide adequate cold drinking water facilities at no cost to the State. Before entering into or renewing a lease, agencies will determine the fitness or palatability of available drinking water facilities.

Bottled drinking water may be purchased by the agency where it has been determined that the building water supply is not fit for human consumption or where the cost of connecting a drinking fountain to the building water supply renders it impractical. No other purchases of bottled drinking water will be made.

Where the building drinking water supply in existing State occupancies is so tepid as to render it unpalatable, consideration will be given to agency requests for the purchase of water coolers. Rental expense for water coolers is not authorized except in certain field conditions where potable water is not available.

## HEAVY EQUIPMENT - 3615

Agencies submitting purchase estimates for heavy equipment items of the type included in the Statewide Mobile Equipment Inventory will include a statement, on the purchase estimate, that the availability of surplus equipment for interagency purchase or rental has been investigated and no suitable equipment is available. Copies of the inventory can be obtained from the Office of Fleet Administration, Department of General Services, and Sacramento. See SAM Section 3522.1.

## TYPICAL FLEET VEHICLE - 3620.1

Typical fleet vehicles are two-door and four-door sedans with interior volume, passenger and luggage area combined, less than 110 cubic feet. Each agency's annual purchases that are powered solely by internal combustion engines utilizing fossil fuels, or that are powered by more than one source, such as a nonplug-in hybrid electric vehicles must average at least 38 Environmental Protection Agency combined city/highway mileage for passenger vehicles and 22.2 Environmental Protection Agency combined city/highway mileage for light duty trucks, vans and sport utility vehicles. The Director of the Department of General Services (DGS) may adjust the average miles per gallon (MPG) figure upward each year if examination of the mileage performance of vehicles that will meet the State's needs shows there will be at least two competing manufacturers that can meet higher mileage requirements. DGS may waive application of the standards if the State is unable to secure a competitively bid contract for a vehicle that meets both the needs of the department purchasing it, and the minimum MPG standard in this policy. Colors shall be solar reflective (white, silver metallic or gold metallic) unless the department is granted specific approval to use a non-solar reflective color by the Department of General Services, Office of Fleet and Asset Management. The following preapproved exemptions do not require a written request:

- Vehicles over 8,500 GVWR
- Vehicles that are NOT rated for highway speeds (e.g.: Gator, electric cart)
- Authorized Emergency vehicles, as defined in §165 of the Vehicle Code, that are equipped with emergency lamps or lights described in §25252 of the Vehicle Code.
- Vehicles that are modified for the purpose of providing services by a state entity to an individual with a disability or a developmental disability, as defined under the statutes or regulations governing that state entity; or, as a reasonable accommodation to an employee for a known physical or mental disability, as defined in Government Code Section 12926.

## SPECIAL PASSENGER VEHICLES - 3620.2

Elective constitutional officers and members of the Governor's Cabinet may be provided with the make and model of vehicle the officer deems necessary, equipped as they desire.

Vehicles other than types listed in SAM Section 3620.1, such as trucks, buses, station wagons, and small equipment, will be authorized as the needs of the operating agency justify. Such vehicles will be equipped as required at the time of purchase. No modifications will be made to any vehicle without approval of Office of Fleet Administration, Department of General Services.

## SAFETY STANDARDS FOR ALL STATE VEHICLES - 3622

(Renumbered from 4106 5/72)

The safety standards appearing in the following subsection are to be included in the specifications for all applicable State-owned vehicles.

## BACK-UP ALARMS - 3622.2

Back-up alarms are required for every truck that has a body capacity of 2–1/2 cubic yards or more that is used to haul dirt, rock, concrete, or any construction material. The standard alarm to be used is a mechanical or approved electronic alarm that automatically emits a warning sound when the vehicle is moving in a reverse direction. Alarms used shall be listed as acceptable by the Department of Industrial Relations

Such back-up alarms are recommended for use on other vehicles at installations where pedestrians are or may be exposed to the hazard of backing vehicles.

## TRAILER HITCHES AND COUPLINGS - 3622.3

All trailer hitches and couplings that are installed on towing vehicles and trailers shall comply with Society of Automotive Engineering (SAE) Specification J 684f. Standard hitches will be Class 2, 3, or Class 4. The following rules also apply:

- Minimum equipment for vehicles used to tow trailers with a Gross Trailer Weight (GTW) up to 3,500 lbs. shall be an SAE Class 2 hitch (2" ball on a 1" shank).
- Minimum equipment for vehicles used to tow trailers with a GTW 3,500 lbs. to 5,000 lbs. shall be an SAE Class 3 hitch (2" ball on a 1" shank).
- Minimum equipment for vehicles used to tow trailers with a GTW over 5,000 lbs. shall be either (a) a SAE Class 4 hitch (2–5/16" ball on a 1–1/4" shank), or (b) a pintle and eye hook type hitch provided and attached in accordance with SAE J 847 standards.
- All hitches shall be frame attached (no bumper hitches permitted). "Barden" or similar type bumpers shall be attached to the frame and installed or be attached to and/or reinforced to constitute a suitable Class 3 hitch.
- All installations shall be in compliance with the specifications and recommendations of the Society of Automotive Engineers, the manufacturer of the towing vehicle and the manufacturer of the towed vehicle.

## TRAILER WIRING CONNECTIONS - 3622.4

(Renumbered from 4106.3 5/72)

Trailer lights and connections shall be in accordance with Society of Automotive Engineering (SAE) Specification J 560 A. Connecting cable and conductors shall meet the standard of SAE J 559.

## STANDARD EQUIPMENT - 3624

The typical vehicle is equipped with automatic transmission. The following items of equipment, optional or standard for the model under contract, are provided:

- Installed safety seat belts and shoulder harness
- Directional signal with emergency flasher, and backup lights
- Rearview mirrors, inside and remote left-hand outside, right-hand manual
- Electric intermittent windshield wipers and manual windshield washer
- Manually controlled air conditioner, factory installed
- Tinted glass all around
- Fresh air heater and defroster, with multi-speed control
- Rear window defroster
- Oil filter, air cleaner, and high temperature thermostat
- Required emission control device(s)
- Dual padded sun visors, padded dash, and front seat padded with foam
- Glove compartment with lock
- Coat hook on each side of rear compartment
- Floor covering in front, rear, and luggage compartments
- Arm rests on left and right sides
- Cigarette lighter, ash receivers in front and rear compartments
- Power steering
- Tilt steering wheel
- Power brakes, disc front
- Cruise control
- Manufacturer’s standard radio with push button tuning and antenna
- Radial tires
- Maintenance free batteries
- Coolant recovery system
- Inside hood release

## AUTOMOTIVE EQUIPMENT, SPARE PARTS AND REPLACEMENT ITEMS - 3626

Whenever feasible, agencies should avoid maintaining a stock of repair parts, tires, tubes, batteries, and spark plugs. These items and other common automotive supplies should generally be obtained at the time of need from the State garages in Fresno, Los Angeles, Oakland, Sacramento, San Diego, or from contract vendors. Tires and batteries are available at San Bernardino

State Garage (pool office). Stocking of parts by agencies may result in increased costs due to the parts becoming obsolete, being of the wrong size or design, loss, or having unnecessary surplus supplies accumulate in agency stockrooms.

## ANTIFREEZE - 3626.1

All agencies will make the necessary arrangements early in the Fall to protect State equipment which will be operated in freezing weather. Antifreeze may be purchased from the State garages in Fresno, Los Angeles, Oakland, and Sacramento, where it will be installed for a fee. This is billed to the agency by the garage. State departments with automotive fleets may purchase and install supplies of antifreeze in assigned vehicles. The purchases may be made either through the Office of Procurement or via a department's delegated purchase authority. In an emergency, officers and employees may purchase antifreeze for their vehicles. See SAM Section 3629.

## AUTOMOBILE BATTERIES - 3626.2

Automobile batteries are to be secured through the State contract or, in an emergency, may be secured by a credit card purchase. See SAM Section 3629. Officers and employees who purchase batteries other than as authorized will be required to personally pay the difference between the State contract price and the price billed to the State by the vendor from whom the battery was obtained. No trade-in allowance is made for batteries.

Where feasible, agencies should accumulate junk batteries and sell them to recognized junk dealers by the bid process. Agencies with offices in the vicinity of Fresno, Los Angeles, Oakland, and Sacramento, may turn old batteries in at State garages for sale by the Department of General Services.

## OIL FILTER ELEMENTS - 3626.3

Oil filter elements (not the complete filter) may be purchased on the credit card of the contracting company; however, when convenient, the State garages in Fresno, Los Angeles, Oakland, and Sacramento should be called upon for this service.

State agencies are encouraged to use re-refined oil when replacing the oil for vehicle maintenance.

## SPARK PLUGS - 3626.6

(Renumbered from 3623 5/72)

Spark plugs will be ordered by model number if known, or the make, year, and model number of the equipment requiring the spark plugs. Emergency purchases of complete sets will be authorized only if request for payment is on an automotive repair shop (not a service station) invoice for engine repair or tune-up. Emergency replacement of single spark plugs is authorized and may be charged on a credit card.

## TIRES AND TUBES - 3626.7

A new tube should be installed in a new tire only when the condition of the old tube is such that it is no longer usable. If the old tube is blown out, has been patched a number of times, has grown in size (a good indication of this is chafing where the tube meets the rim), or has some other fault, it should not be used in a new tire. No trade-in allowance is made for old tires. In an emergency, tires or tubes may be purchased on a credit card providing SAM Section 3629 is followed.

Where feasible, agencies should accumulate old tires and tubes and sell them to recognized junk dealers by the bid process. Agencies with offices in the vicinity of Sacramento and Los Angeles may turn old tires or tubes in at state garages for sale by the Department of General Services.

Purchase of any special noncontract tires and tubes (such as puncture-proof tubes) must be approved by the Office of Fleet Administration, Department of General Services, and will be requested on regular purchase estimates. Bias-ply belted tires, nylon or polyglass are recommended as replacement except when replacing radial tires. Radial tires should be replaced with comparable grade radial tires. White sidewall tires may be accepted on the State Tire Contract in the event black wall tires are not available from the contractor. However, any white wall tires furnished must be mounted with the white wall turned in so it is not visible. White wall tires may be installed on vehicles with undercover plates.

Vehicles delivered with white sidewall tires by the vendor should not have the tires changed. When radial tires must be replaced and the worn tires being replaced were mounted with white walls outside, they may be replaced with white walls mounted outside provided there is no added cost to the State.

## DIESEL, BIODIESEL, AND RENEWABLE HYDROCARBON DIESEL BULK FUEL PURCHASES - 3627

State agencies shall follow the diesel, biodiesel, and renewable hydrocarbon diesel (renewable diesel) bulk fuel purchasing requirements listed below.

General Purchasing Requirement

When making bulk fuel purchases to supply state vehicles and/or other mobile equipment which utilize conventional diesel fuel, state agencies shall purchase contracted renewable diesel fuel in lieu of contracted conventional diesel and both B5 and B20 biodiesel fuel blends (biodiesel). Definitions for diesel, biodiesel, and renewable diesel fuel can be found in the California Code of Regulations §95481. Additional information pertaining to Department of General Services' (DGS) statewide contracts for bulk diesel, biodiesel, and renewable diesel can be found here.

Exemptions to Renewable Diesel Purchasing Requirements

Agencies may purchase bulk diesel or biodiesel fuel, in lieu of renewable diesel fuel, if any of the following exemption criteria is met:

a. Bulk renewable diesel fuel is not available, in the quantities needed, from that region's contracted renewable diesel fuel provider.
b. The cost to purchase contracted bulk renewable diesel fuel would exceed the cost to purchase the same quantity of contracted bulk conventional diesel fuel by 20%.
c. The operational viability of diesel powered vehicles and equipment would be compromised through the use of renewable diesel fuels. Original Equipment Manufacturer (OEM) refusal to honor a vehicle engine warranty through an agency's use of renewable diesel may be considered an operational viability issue.
d. In emergency response situations, the delivery time of bulk renewable diesel fuel would exceed the delivery time of conventional diesel fuel.

Agencies that utilize one or more of these exemptions are encouraged to use biodiesel, in lieu of conventional diesel fuel, whenever possible.

Reporting of Renewable Diesel Utilization Exemption

As part of an agency's annual fuel reporting requirements, each agency that invokes one or more of the renewable diesel utilization exemptions, shall complete the *Renewable Diesel Utilization Exemptions Form* and submit the completed form quarterly to DGS' Office of Fleet and Asset Management (OFAM). The *Renewable Diesel Utilization Exemptions* form can be located at: http://www.dgs.ca.gov/ofam/Forms.aspx. The department will be required to include the following information (as applicable) on the Form:

1. Information demonstrating an agency's decision to purchase bulk diesel or biodiesel, in lieu of renewable diesel, due to product availability, or timeliness of delivery in emergency situations.
2. Information and supporting documentation demonstrating an agency's decision to purchase bulk diesel or biodiesel, in lieu of renewable diesel, due to the price of renewable diesel exceeding the contract purchase price of bulk diesel or biodiesel by 20% or greater. Documentation must include the cost of renewable diesel from that region's contracted renewable diesel fuel provider, and the cost of bulk diesel or biodiesel (whichever is purchased) for the same quantity.
3. Information and supporting documentation demonstrating an agency's decision to purchase bulk diesel or biodiesel, in lieu of renewable diesel, due to operational viability. Documentation must include a list of vehicles by equipment number that the agency has exempted due to operational viability.

## RECONDITIONED, USED, OR REMANUFACTURED AUTOMOTIVE PARTS; RE-REFINED OR SYNTHETIC MOTOR OIL AND LUBRICANTS - 3628

The use of reconditioned, previously used, and/or remanufactured automotive parts can help reduce the cost of repairs to the State fleet and protect the environment. And, the use of re-refined or synthetic motor oil and lubricants can help reduce the State fleet's petroleum consumption and protect the environment. Therefore, State agencies shall do the following when servicing fleet assets:

1. When servicing fleet vehicles state agencies shall request the use of re-refined or synthetic motor oil and other lubricants when available.
2. State agencies shall follow the vehicle manufacturers' recommended oil change intervals for regular and synthetic oils as applicable. Because of improvements over the last several years in engine design and lubricants, the span between recommended oil change intervals has increased.
3. When repairing fleet vehicles state agencies shall request the use of reconditioned, previously used, and/or remanufactured parts whenever practical and if it would reduce the cost of the repairs.

Contact your local OFAM Inspector of Automotive Equipment (https://www.dgs.ca.gov/OFAM/Resources/Page-Content/Office-of-Fleet-and-Asset-Management-Resources-List-Folder/Directory-of-Automotive-Inspectors) for technical assistance.

## EMERGENCY PURCHASE OF AUTOMOTIVE EQUIPMENT - 3629

It is permissible to charge against credit cards items which are needed for real emergencies, such as damaged individual spark plugs (not sets), automatic transmission oil, light bulbs, fan belts, windshield wiper blades, cable for battery terminals, gasoline tank caps, tire or tube valve core, etc.

Purchases of antifreeze may be made on credit cards only in an emergency when the vehicle has lost its coolant due to a water hose or pump failure or is subjected to unseasonable freezing temperatures. This provision does not relieve agency officials of the responsibility for anticipating antifreeze requirements and ordering sufficient supplies in accordance with SAM Section 3626.1.

Purchase of tires, tubes or batteries may be made on credit cards under the following conditions:

1. Locations where the State's regular contractors have no outlets or stock or where the distance is too great to purchase from contractors' regular stock locations because of the time or expense involved; or
2. Special situations in an emergency where travel is required and purchase is necessary during hours when the regular contractor is closed (between 6 p.m. and 8 a.m. or on Sundays and holidays)

When a bona fide emergency requires the user of a General Services pool car to pay cash for repairs or for items included in the pool car rental charges, he/she may be reimbursed. See SAM Section 0758.

The usual product guarantees apply to these items. Trade-in allowance is applicable under certain conditions; if service station allows credit for old battery or tire, apply it toward purchase of new battery or tire.

It is the responsibility of the employee to justify the appropriateness of all emergency purchases as soon as possible. The Department of General Services will review the purchases when billed, and those not justified will be sent to the employee's agency for remittance from the employee. See SAM Section 4109 for auditing of charges.

## TAX-FREE ALCOHOL - 3661.3

State agencies may purchase tax-free alcohol under their delegated purchasing authority. Agencies responsible for the purchase and administration of alcohol must apply for a permit from the Alcohol and Tobacco Tax and Trade Bureau, Department of the Treasury, Internal Revenue Service. Use this link to obtain information regarding obtaining a permit. Further guidance can be found in Tax free alcohol information at this link: https://www.ttb.gov/industrial/tax-free-alcohol.

## OFFICE EQUIPMENT UTILIZATION OF SURPLUS PROPERTY - 3671

A review procedure will be established within each agency or institution to determine that the expenditure is necessary and that all possible sources of surplus office equipment, including the Office of Procurement, Surplus Property Section, Department of General Services, have been considered. See SAM Section 3520, 3521.1.

The Office of Procurement will not process any purchase estimate for office equipment which does not include signed statements by the officer responsible for equipment requests that: (a) the expenditure is necessary, and (b) there is no current surplus property available to meet the agency or institution's need.

## DESKS AND RELATED ITEMS OF WOOD FURNITURE - 3672

Refer to the State Contracting Manual (SCM) Volume 2, Chapter 2, Section C, and Topic 3 for more information on purchasing furniture.

### PAPER STOCK CHECKS ORDERING PROCEDURES - 3696.1

Paper stock checks will be used for all accounts maintained in the centralized State Treasury System. Bank transit routing symbols, account identification and check serial numbers will be printed in magnetic ink. A standard design and color for checks and check copies have been established for use by all State agencies. Unless specifically authorized by Department of Finance, Fiscal Systems and Consulting Unit, no State agencies will deviate from these standards:
Checks will be ordered as follows:

1. Contract/Delegation Order, STD. 65, will be used to order checks from the contractor in accordance with the terms, conditions, and ordering dates specified in the annual contract. The minimum number of checks to be ordered will be 1,000 checks. Agencies will maintain sufficient checks on hand to last at least nine months, but not to exceed two years. The only exception allowed is that the minimum order of 1,000 checks may exceed a two-year supply. All orders received by the vendor will be consolidated and filled at one time four times a year. Agencies should allow approximately 120 days for delivery after the consolidation dates mentioned in the contract.

2. If an agency requires checks which are not available through the annual contract, submit a purchase estimate enclosing two voided check samples to the Department of General Services, Office of Procurement. Such checks will have the agency name and account numbers printed on each check. Agencies should allow 120 days for delivery if checks are ordered by estimate.

3. In case of an emergency only, agencies may order checks on Sub-Purchase Order, STD. 40 or 40A, from the State Treasurer's Office, P. 0. Box 942809, Sacramento, California 94209-0001. The order will be accompanied by a detailed written explanation of the reason for the emergency and the steps being taken to ensure the emergency will not recur. Orders will not be filled without the explanation. The minimum number of checks which can be ordered is 1,000 or a multiple thereof.Orders will be limited to a sufficient volume to cover the agency's needs until its regular checks can be ordered and delivered. Normally, the Treasurer's Office can deliver the emergency checks in seven to ten days after receipt of the order. The checks will be issued in random, consecutively numbered blocks without regard to the check numbers used previously by the ordering agency. The agency account number on which the checks will be written must be indicated on the sub-purchase order so that it can be encoded on the checks.

All agencies should order and keep sufficient supplies of regular checks on hand so that emergency orders will not be necessary. Emergency orders will cost considerably more than regular orders due to storage and extra processing prior to use by the agency.
See SAM Section 8041 for check writing procedures.

### ENVELOPES FOR PAPER STOCK CHECKS - 3696.2

Special window-type envelopes to be used for mailing paper stock checks are obtainable from the Department of General Services, Office of Procurement, and Material Services Section. Requisitions will be made on Supply Order, STD. 116.

### CONSOLIDATION OF AGENCY ORDERS - 3696.3

Contract/Delegation Order, STD. 65, for continuous-form checks must be submitted to the contractor in accordance with the schedule noted on the contract.

## Chapter - 3700

Sections for Chapter 3700

| Section | Subchapter |
|---|---|
| GENERAL POLICY | 3700 |
| TERMS AND DEFINITIONS | 3701 |
| LEASE/PURCHASE ANALYSIS—EQUIPMENT | 3710 |
| ITEMS TO BE CONSIDERED | 3720 |
| COMPOUND INTEREST AND ANNUITY TABLES | 3730 |
| PRESENT VALUE TECHNIQUES | 3740 |
| LEASE WITH OPTION TO PURCHASE | 3750 |
| REVIEW OF LEASE | 3760 |

### GENERAL POLICY - 3700

When acquiring equipment, determine if it would be better to lease or purchase the equipment. An analysis will make it possible to know which method of acquiring the equipment is the least expensive. This chapter gives the guidelines to make a lease/purchase analysis.

### TERMS AND DEFINITIONS - 3701

The following terms are defined as they are used in this SAM chapter. Many of the terms are explained with examples and in more detail later in this chapter.

***Amortization***
Evenly spreading equipment acquisition costs over the period of useful life or the period of payment.

***Annuity***

A series of payments made at evenly spaced intervals.

***Break-even point***
The point during a lease when the cumulative leasing costs to date equal the purchase price.

***DGS***
The Department of General Services.

***Present Value***
The value today of an amount to be paid later, discounted at some interest or discount rate.

***Purchase Option***
The legal right to buy something during a defined period at a defined price.

***Rental Payments***
Periodic payments, such as monthly, for the right to use leased equipment.

***Salvage Value***
The selling price, less removal or disposal costs, of your used equipment.

***Useful Life***
The length of time that the equipment will serve program needs before it wears out or the program need for the equipment ends, whichever occurs first.

## LEASE/PURCHASE ANALYSIS—EQUIPMENT - 3710

Prepare a lease/purchase analysis in accordance with SAM Section 1276 and Management Memos regarding acquisition of equipment. The analysis must be completed on the "Lease Versus Purchase Analysis–Equipment" form shown in the Appendix at the end of this chapter. Any assumptions which are peculiar to a given acquisition should be noted on the back of the form. If this format will not fit the particular situation, use some other logical analytical sequence. Use present value techniques when doing a lease/purchase analysis. Submit one copy. If you have questions or need help working on the analysis, call the Research and Analysis Unit of the DGS Office of Procurement. A completed sample form is provided in the Appendix. See SAM Section 3740 for instructions on completing the sample form.

Do a lease/purchase analysis when arranging to rent certain equipment. In this case, submit the analysis with the contract to the DGS Office of Legal Services. This analysis must be in the same format.

The lease/purchase cost comparison views the purchase of equipment as an investment. Therefore, the basic issue is if the rental and other costs that are saved by investing in (purchasing) the equipment will provide an adequate return on investment. This approach compares the purchase price with the present value of the series of payments and other costs that are saved when the equipment is purchased. The present value (discounted cash flow) concept is based on the time value of money. It considers the fact that the dollar today is worth more than a dollar tomorrow because of its earnings potential. If the value of money is 9.479 percent annually, then $100 a year from now is worth $91.34 today; i.e., $91.34 x 1.09479 = $100.

Even when your lease/purchase analysis indicates that purchasing is more desirable, the best alternative for the State may be to lease or lease with an option to buy. This is most often true if any of the following conditions exist:

1. Trying out the system for a while before buying it.
2. The system's design is new and untried.
3. Decisions are pending that might change how the system is defined.
4. Data needed to complete the analysis is still uncertain.

## ITEMS TO BE CONSIDERED - 3720

Consider the following items when making your lease/purchase analysis:

***Maintenance Costs.*** Is the cost of keeping the equipment in good working condition the same for each alternative? If not, include the maintenance costs in the present value calculations. Deduct the maintenance costs from lease costs, or add them to the purchase price for proper analysis.

***Purchase Options.*** If the lease gives an option to buy the equipment, how will using this option affect the total cost? Also, when is it least costly to use the purchase option, and when will using the option cost more than the cash purchase price?

***Useful Life of the Equipment.*** There are two ways to look at how long equipment will be useful. One way is, how long will the equipment be needed for the program it will support? The second way is, how long will the equipment last before it wears out? Check with the equipment vendor to see if the equipment can last as long as needed. The DGS has set the useful life of office copiers at five to seven years depending on workload categories and word processing equipment at seven years.

***Salvage Value.*** When the equipment will last longer than the need for it, include an estimate of the equipment's salvage value in your cost analysis.

***Opportunity Cost.*** Figure out how much money would be earned over the same period of time if the money was invested in something else other than the purchase. Use the interest rate of 9.479 percent to compute present value.

***Other Items.*** Be sure to consider other items that are unique to the proposal when making the lease/purchase analysis.

## COMPOUND INTEREST AND ANNUITY TABLES - 3730

Use compound interest and annuity tables when making the lease/purchase analysis. Three commonly used tables are described below. These can be found on the Department of General Services, Procurement Division, State Financial Marketplace webpage. Choose the right set of interest tables according to whether the period is monthly, quarterly, semiannually, or annually as noted on the top of each page.

1. ***Present Value of $1.*** Use this percentage to find the value now of an amount due sometime in the future when the interest is compounded at the given interest rate for the periods shown in the table. This table *is not* cumulative.

2. ***Present Value of Annuity of $1.*** Use this percentage to find the value now of a series of payments that are due at equal intervals of time in the future when payments are made each period at the given interest rate. This table *is* cumulative.
3. ***Annuity Whose Present Value is $1.*** Use this percentage to find the monthly amortization payment which is enough to pay both principal and interest for a set number of times over a given length of time. This table *is* cumulative.

## PRESENT VALUE TECHNIQUES - 3740

Before making a lease/purchase analysis, gather the following information from the sources listed:

1. Cost, if purchased, of:

a. Purchase price. —From the vendor.
b. Maintenance. —From the vendor.
c. Sales tax. —Compute from the purchase price.
d. Delivery and installation. —From the vendor.
e. Any other incurred costs. —From the vendor.

2. Cost, if leased, of:

a. Amount of each lease payment. —From the vendor. For office copiers, estimate the average number of monthly copies.
b. Maintenance (if not included in the lease payment.) —From the vendor.
c. Sales tax. —Compute from the lease payment.
d. Delivery and installation. —From the vendor.
e. Any other incurred costs. —From the vendor.

3. Useful life of the equipment. Determine how long the equipment is needed based on the length of the program. From the vendor, find out how long the equipment should last.

4. Estimated salvage value when the equipment is no longer needed. This value is only needed if the equipment will outlast the program. Estimate this value with help from the vendor and/or the DGS Office of Procurement.

Complete the lease/purchase analysis on the Lease Versus Purchase Analysis– Equipment Form, GSOP 176, shown in the Appendix at the end of this chapter.. This form uses the three most common ways to figure present value.

1. Discounted cash flow.
2. Amortized cost.
3. Break-even point.

The following information is given to help explain these three present value techniques. It also serves as an example for filling out the form's three sections.

Figuring out the Discounted Cash Flow. Use this method to compare the total cost of leasing to the total cost of purchasing. This method allows for the time value of money, based upon the premise that a dollar today is worth more than a dollar tomorrow because of earnings potential. If the value of money is 9.479 percent annually, then $100 a year from now is worth $91.34 today; i.e., 1.09479 x $91.34 = $100. Thus you can find out if it is less expensive to postpone the payments until some future time by leasing, or make the entire payment right away by purchasing.

The eleven items under Computation of Discounted Cash Flow in the example shown in the Appendix were computed as follows:

1. Purchase price = $8,000. (When rental credits can be applied, the amount subtracted from the purchase price should be stated.)
2. The following purchase costs:

a. Maintenance if purchased: $50 per month (indicate period). Monthly table for Present Value of Annuity of $1 for 96 months (useful life) shows a factor of 68.04:
$50 x 68.04 = $3,402
b. Sales tax of six percent on $8,000 = $480.
c. Any other costs should be shown. Items 2a, 2b and 2c are then subtotaled.

3. Purchase price and subtotaled purchase costs are combined to produce a total purchase cost; i.e., $8,000 + $3,882 = $11,882.
4. Subtract the following if the equipment will last longer than your program:

a. Estimate of salvage value.
b. The Present Value of $1 for the periods of your program's life. Find this value in the tables in the Appendix.
c. Salvage value is multiplied by the Present Value of $1 figure to give you the present value of the salvage value.

5. Subtract the salvage value (none in this example) from Total Purchase Costs to give you the Net Purchase Costs, which remain $11,882.
6. Lease payment per month (indicate period) = $350.
7. Add the following costs for leasing over the same length of time as line 6 above.

a. The maintenance contract is included in this lease but should be shown if separate.
b. Sales tax of six percent on $350 = $21.
c. Any other costs should be shown. Subtotal these lease costs.

8. Add the lease payment and subtotaled lease costs to get the Total Lease Payment; i.e., $350 + $21 = $371.
9. The monthly table (periods must match) for the Present Value of Annuity of $1 for 96 periods (useful life) shows a factor of 68.04.
10. The present value of the lease is computed by multiplying the total lease payment by the factor for the Present Value of Annuity of $1; i.e., $371 x 68.04 = $25,243.
11. Compare the Net Purchase Cost with the Present Value of the Lease. Subtract the smaller amount from the larger amount; i.e., $25,243 minus $11,882 = $13,361.

The number on line 11 shows the amount that can be saved by choosing the less costly option. In this example the purchase is less costly.

Computation of Amortized Cost. Use this method to compare the cost of leasing and purchasing on a monthly basis (or some other regular period). A sum of money today is converted to a series of equal payments for a given number of times. This follows

the same principle as an installment loan.

The three items under Computation of Amortized Costs in the example shown in the Figures Appendix were computed as follows:

12. The monthly table for the Annuity Whose Present Value is $1 for the period of the useful life (96 months) shows a factor of .8147.
13. Multiply the net purchase costs shown on line 5 by the factor shown on line 12. This gives you the amortized cost of purchase; i.e., $11,882 x .8147 = $175, which equals the monthly cost of purchase over the period of the useful life.
14. Compare the Total Lease Payment (line 8) with the Amortized Cost of Purchase (line 13). Subtract the smaller amount from the larger amount; i.e., $371 minus $175=
$196.

The number on line 14 shows the amount that can be saved per period by choosing the lesser option. In this example the purchase is less costly.

Computation of Break-even Point. Use this method to figure out when the leasing costs equal the purchase price. This method allows for the effect of interest. In order to figure out the break-even point, any maintenance costs that are included in the purchase price or lease payment must be removed.

The four items under Computation of Break-even Point in the example shown in the Figures Appendix are computed as follows:

15. Subtract the maintenance cost for purchased equipment (line 2A) from net purchase costs (line 5). This gives you the total purchase cost without maintenance; i.e.,
$11,882 minus $3,482 = $8,480.

16. Write down the maintenance costs per period which are included in the lease payment (see line 2A). Then subtract this amount from the lease payment (line 8); i.e., $371 minus $50 = $321.

17. Divide the purchase costs (line 15) by the lease payment (line 16). This gives you the present value factor; i.e., $8,480 divided by $321 = $26.42.

18. Find the factor now shown in line 17 on the appropriate period table for the Present Value of Annuity of $1 found on the Department of General Services, Procurement Division, State Financial Marketplace webpage.

Line 18 shows the break-even point; i.e., the point in time when lease costs equal purchase costs. When the useful life exceeds the break-even point, as in the above example, it is less costly to purchase the equipment. If the useful life is shorter than the break-even point, it is cheaper to lease the equipment. In our example, the break-even point is at 30 months.
Most Economical Method of Acquisition. In the case of our example, the most economical method of acquisition is "purchase." Therefore, check the purchase box on line 19.

## LEASE WITH OPTION TO PURCHASE - 3750

Evaluation of the Option to Purchase. It may be best to lease with an option to purchase instead of regular lease or purchase. A lease with an option to purchase is like a regular lease but it gives the right to purchase the equipment at some time before all of the lease payments have been made. This alternative may be best when it is necessary or advantageous to proceed with the acquisition of the equipment that meets system specifications, but it is desirable to temporarily postpone a decision to purchase. This may be the case when an agency wants to try the system out for a short while to first prove the validity of the system design. This is especially the case when there is no previous experience with the system, or when decisions which might substantially alter the system specifications are imminent.
The possibility that future advances in technology will render the selected equipment comparatively obsolete before the cost advantage point (see break-even analysis) is reached should not stop an agency from purchasing the equipment as long as the equipment is able to satisfy their requirements.
Evaluate the above considerations against the costs associated with postponing the decision to purchase. This cost is determined as follows:
[(Purchase price–rental credits towards purchase) x Present Value of $l] – [Price– (Present Value of Annuity of $1 x lease payment)]
Example:
For this example, assume the same facts as in the sample form and instructions used in SAM Section 3740, and also assume the following:

1. 100 percent of the first three months of rental is credited toward the purchase.
2. After the first three months, 50 percent of the monthly rental payments is credited toward the purchase.
3. Payments are credited up to a maximum of 50 percent of total payments.
4. The decision to purchase will be postponed for one year.

The cost of postponing the decision to purchase is determined as follows:
Table content available in source manual.

* See tables for monthly payments Present Value of $1.
** See tables for monthly payments Present Value of Annuity of $1.
Compare the cost of postponing the decision of whether to purchase (as determined above) with the advantages of postponing the decision in order to gather additional information. When the desired equipment has been used or tested by other units, there is generally little need to further test the equipment.

## REVIEW OF LEASE - 3760

Review any equipment that is acquired under a lease when the conditions that lead to the lease decision have substantially changed, or may soon change. Frequently, there are changes in the projected useful life. For example, the useful life of the

equipment may change with increased workload volume. These changes alter the balance between lease versus purchase costs. At such times the equipment lease/purchase should be reviewed by using the lease/purchase analysis, using the same format as the original lease/purchase analysis. Generally, vendors allow credits of rental payments toward the purchase. Adjust the purchase price accordingly.

# Chapter - 3800

Sections for Chapter 3800

| Section | Subchapter |
|---|---|
| GENERAL POLICY | 3800 |
| TERMS AND DEFINITIONS | 3801 |
| TRANSPORTATION MANAGEMENT RESPONSIBILITY | 3802 |
| POLICY ON ROUTING OF STATE FREIGHT | 3803 |
| CENTRALIZED SERVICES | 3804 |
| ASSISTANCE TO AGENCIES | 3805 |
| AGENCY RESPONSIBILITY | 3806 |
| DEMURRAGE | 3807 |
| COMMERCIAL TRANSPORTATION FOR OFFICE AND INSTITUTION MOVES | 3810 |
| FREIGHT DISTRIBUTION COST ANALYSIS—REPLACEMENT OR REPAIRS ($500 OR MORE) OF VEHICLES USED FOR FREIGHT HAULING | 3815 |
| MOVEMENT OF HOUSEHOLD GOODS | 3820 |
| STATE CONTRACTED SHIPMENT | 3821 |
| EMPLOYEE CONTRACTED SHIPMENTS | 3822 |
| REQUESTS TO EXCEED MAXIMUM WEIGHT LIMITS | 3823 |
| STORAGE OF HOUSEHOLD GOODS | 3824 |
| AUDIT AND APPROVAL FOR PAYMENT OF CARRIER'S FREIGHT BILL | 3825 |
| DISTRIBUTION OF CHARGES BETWEEN AGENCY AND EMPLOYEE | 3826 |
| OVERSEAS SHIPMENTS | 3827 |
| TRUCK AND SELF-HAUL TRAILERS | 3828 |
| MOVING A MOBILE HOME | 3829 |
| RELOCATION EXPENSES | 3830 |
| SALE OF A RESIDENCE | 3831 |
| EMPLOYEE RESPONSIBILITIES REGARDING RELOCATION | 3832 |
| EXPRESS | 3835 |
| PARCEL DELIVERY SERVICE | 3836 |
| COURIER AND OVERNIGHT DELIVERY SERVICE | 3837 |
| USE OF STRAIGHT BILL OF LADING, STD. 254 | 3840 |
| HAZARDOUS MATERIALS SHIPMENTS | 3845 |
| AUDIT OF FREIGHT BILLS | 3851 |
| EXEMPTION FROM APPROVAL | 3852 |
| DISCOUNT-BEARING INVOICES CONTAINING FREIGHT CHARGES | 3853 |
| RECEIVING AND INSPECTING FREIGHT SHIPMENTS | 3861 |
| CLAIMS AGAINST FREIGHT CARRIERS FOR LOSS OR DAMAGE TO SHIPMENTS | 3862 |
| STATUTORY TIME LIMIT FOR FILING CLAIMS | 3863 |

| | |
|---|---|
| RESPONSIBILITY FOR FILING CLAIM | 3864 |
| F.O.B. ORIGIN SHIPMENTS—PAYMENT OF INVOICES AND FREIGHT BILLS | 3865 |
| F.O.B DESTINATION SHIPMENTS—PAYMENT OF INVOICES | 3866 |
| DISPOSITION OF DAMAGED SHIPMENTS | 3867 |
| CONCEALED DAMAGE OR LOSS | 3868 |
| DOCUMENTS REQUIRED IN SUPPORT OF CLAIMS | 3869 |
| SPLIT PICKUP AND SPLIT DELIVERY SHIPMENTS | 3870 |
| FREIGHT TARIFFS AND RATE AGREEMENTS | 3885 |
| STD 213 | A-1 |
| STD 66 | A-2 |
| STD 254 | A-3 |
| STD 255 | A-4 |
| STD 255A | A-5 |
| STD 256 | A-6 |


## GENERAL POLICY - 3800

Government Code Sections 14920 through 14922 define the purposes and duties of Transportation Management. These Government Code Sections give the Department of General Services (DGS) the authority to set and enforce statewide traffic management policy and regulations. All State agencies must follow these policies and regulations.

## TERMS AND DEFINITIONS - 3801

CCR. California Code of Regulations.

Commercial Carrier. A shipping company that transports freight for profit. Consignee. The person or party who accepts a shipment or delivery.

Consignor. The person or party who tenders a shipment for delivery.

Delivered Cost. The total cost of a shipment, including transportation and additional services such as packing, crating, pickup or delivery at other than the loading docks; and rail car loading and/or unloading costs.

Demurrage. When a truck, rail car, vessel, etc., must wait beyond the time agreed upon, as in loading and unloading delays.

Exempt Carrier. A transportation company that does not have to adhere to various regulations of the California Public Utilities Commission, Interstate Commerce Commission.

Express Shipments. Shipments that promise to deliver sooner than standard shipments of its mode.

F.O.B. (Free On Board). This term identifies the location where title to merchandise changes from seller to buyer.

Freight Vehicle. Any State-owned, leased, or rented motorized vehicle, one-half ton or larger, in which at least ten percent of its regular use is for the transportation of materials, supplies, or equipment with the following exclusions:

1. Vehicles used to transport materials entirely within a State institution, school, or facility.
2. Off-road vehicles.
3. Specialized vehicles adapted to carry tools, repair or maintenance parts, or special equipment.
4. Materials handling equipment.

Joint Inventory. An inspection of freight with both the consignee and the delivering driver present.

Linehaul. Intercity move in excess of fifty miles.

Mode. The type of transportation. This could be air, truck, rail, water, or a combination of these.

Proprietary Transportation. The transportation of State-owned, leased, or bailed property by State-owned, leased, or rented motor vehicles. Exclusions to this definition are limited to inter/intra-agency mail service and delivery of materials associated with emergencies involving public health or safety.

PUC. The California Public Utilities Commission.

Prevailing Wages. The rate paid to a majority of people engaged in a particular craft, classification, or type of work within a geographic area. If there is no single rate paid to a majority of the workers, then it is the common rate being paid to the greatest number of workers.

Released Valuation. Establishing the value of a shipment for purposes of insurance or liability at less than the full market value of the freight.

Split Delivery Shipment. (As defined by PUC tariff.) A shipment consisting of two or more component parts delivered to: (a) one consignee at more than one point of destination; or (b) more than one consignee at one or more points of destination, the composite shipment weighing (or transportation charges computed upon a weight of) not less than 5,000 pounds, said shipment being shipped by one consignor at one point of origin

Split Pickup Shipment. (As defined by PUC tariff.) A shipment consisting of two or more component parts picked up by a carrier within a period of two calendar days from one consignor at more than one point of origin, the composite shipment weighing (or transportation charges computed upon a weight of) not less than 5,000 pounds, said shipment being consigned and delivered to one consignee at one point of destination.

State Freight. Any shipment whose cost is borne by the State. Generally this is State- owned freight starting at a State facility such as a warehouse. It can also be freight shipped by vendors under a purchase which specifies “Freight Collect”, “Freight Prepaid and Add”, or “Third Party Billing”

Tariff. Published regulations and rates that bind freight companies operating as commercial carriers.

Tender. To present for acceptance or refusal.

Valuation Charges. The charges to provide insurance for the value of the goods during shipment.

## TRANSPORTATION MANAGEMENT RESPONSIBILITY - 3802

The DGS Transportation Management Unit is a central service agency for freight transportation and traffic management. This Unit provides:

1. Specialized consideration of all traffic problems of the State.
2. Information about rates, tariffs, and traffic problems so that all State shipments are:
    a. Timely, low-cost, and efficient.
    b. Provided by carriers whose drivers and supporting personnel are either under current collective bargaining agreements or are working under prevailing wages, standards, and conditions.
3. State representation before administrative rate setting bodies.
4. Additional information is available to all State agencies at DGS Homepage.

## POLICY ON ROUTING OF STATE FREIGHT - 3803

You must ensure that your routing of State freight is handled objectively and economically. In keeping with Government Code Section 14920, you must adhere to the following policies.

General Policy Statement. The mode and carrier you select must be able to reliably and safely transport the freight within your required time frame, and at the lowest delivered cost. You must know the carrier's liability under applicable freight tariffs for full or released valuation. You must also consider the efficient use of the nation's transportation resources, especially fuel consumption.

Legal Requirements. You can only select a carrier that has the proper operating authority and complies with all regulatory requirements. The carrier must:

1. Have the proper operating authority with the necessary regulatory agency. The carrier is only allowed to serve those areas authorized in its operating authority.
2. Have published or be served with the proper tariffs for the goods to be transported and points to be served.
3. Have the necessary insurance required by government agencies. Upon request, the carrier must provide, through its insurance broker, active certificates of insurance.
4. Agree to perform the transportation at the lowest lawful rates.

Service Requirements. In evaluating a carrier consider satisfactory service as a key consideration. You must be able to establish that the carrier can transport the State freight not only the first time, but also on a continuing basis. This means the carrier must be able to deliver the entire shipment to the place it is needed, when it is needed, and in usable condition. Find out if the carrier has suitable equipment available. Also consider the carrier's record of performance.

Use the following essential factors when you evaluate a carrier's service standards:

1. Carrier always picks up and delivers on schedule.
2. Carrier's equipment is always clean, safe, weatherproof, and able to meet the needs of the State.
3. Carrier can furnish adequate equipment and drivers when needed.
4. Carrier's drivers are clean, sober, and sufficiently experienced.
5. Carrier's drivers and supporting employees must be paid the industry's prevailing wage rates.
6. Carrier's terminal facilities must be suitable.
7. Carrier must have adequate experience in the transportation field in serving accounts with requirements similar to those of State shippers. If a carrier has fewer than two years operating experience transporting the same type of freight, you must get evidence of the carrier's satisfactory service to other accounts transporting goods similar to the type and volume normally required by your agency.
8. Carrier must demonstrate the ability to properly and accurately rate and bill the shipments according to the right tariffs.
9. Carrier must have experienced minimal loss, damage, or theft of shipments.
10. Carrier must display the ability to promptly and fairly handle claims for freight loss and damage.
11. Carrier's response to overcharge claims must be fair and prompt. (Continued)

Delivered Cost. When two or more carriers or modes can equally meet the above service requirements, you must select the carrier providing the lowest total delivered cost.

Equitable Distribution. It is the State's policy to encourage participation by various business enterprises in all areas of State procurements, including transportation services. Follow the guidance of the State Contracting Manual for goals, preferences and incentives.

Unsatisfactory Carrier Service. If you can't satisfactorily resolve problems caused by a carrier's failure to meet the State's service requirements, you should report the problem in writing to the DGS Transportation Management Unit. The DGS Transportation Management Unit may recommend punitive action against the carrier after a careful review of all the facts.

## CENTRALIZED SERVICES - 3804

The DGS Transportation Management Unit performs the following for you:

1. Master Tariff File. Maintains a master file of freight tariffs, special rate quotes, and related publications.
2. Freight Bills. Analyzes and audits all freight, storage, and service bills prior to payment (subject to designated exceptions). The Unit checks to see if the charges are warranted, if they are for the right amount, and are appropriate for the services and tariffs. The Unit will contact shipping/ordering agencies that have been identified as utilizing improper or costly shipping/ordering practices. These companies will be advised of improvement needed in their future shipments. See SAM Sections 3850 through 3853.
3. Freight Claims. Evaluates, prepares, files, and negotiates to final settlement all of your claims over $200 for loss and damage to property while in transit by carriers or while in storage in public utility warehouses, where responsibility for filing the claim rests with the State.See SAM Sections 3861 through 3869.
4. Rate Negotiations. Represents the State in negotiations with carriers, public utility warehouses, other service firms, and their rate-making committees. The Unit negotiates for proper classifications, rates, charges, and rules and regulations applicable for freight transportation, storage, and incidental services. These negotiations are subject to designated exceptions that permit direct negotiations by agencies with carriers for rates on specific freight shipments or traffic where no fixed tariff rates apply.See SAM Sections 1233 and 3885.
5. Regulatory Matters. Represents State government in proceedings before State and federal regulatory bodies involving rate, tariff, and traffic matters covering freight transportation, storage, and incidental services.

## ASSISTANCE TO AGENCIES - 3805

You may request any of the following services from the DGS Transportation Management Unit:

1. Buying Supplies. The Unit can give you data and advice to help you develop transportation terms and conditions to be used in invitations to bid and contracts for supplies. The Unit can also give you transportation cost data to help you evaluate bids.
2. Shipment and Movement of Freight.Upon request, the Unit will:
    a. Furnish you with data and advice about rates, routings, commodity classifications, tariff descriptions, packing requirements, methods of obtaining consolidations, stop-in-transit and split delivery provisions, billing requirements, and other technical data and advice needed to ensure economical shipment of freight.
    b. Advise and assist you to plan the distribution of special traffic. Also they will help you with unusual or emergency movements requiring advance arrangements. The Unit will help you with both the services and tariffs for these special or unusual needs.
    c. Help expedite shipments, trace and recover strayed and delayed shipments, and divert and reconsign shipments.
3. Contracts. The Unit will negotiate, give advice, or review your contracts for freight transportation and incidental services. However, the Unit will not execute your contract for you. The Unit will perform a traffic review of all your service agreements submitted to DGS for approval that involve or contain a reference to any type of transportation service or storage in a public utility warehouse.
4. General.The Unit can give you other technical traffic and transportation data, advice and services needed to assure the most advantageous purchase of supplies, the most economical and efficient shipment and movement of property, studies, evaluations and analyses, and other advice to solve your transportation and traffic problems.This includes assisting you to:
    a. Select storage, warehouse, and processing sites and facilities.
    b. Determine new or revised systems for the supply of materials, products, supplies, and equipment.
    c. Use State trucks for moving freight.
    d. Arrange for moves of State offices and institutions.
    e. Determine the most cost effective and efficient method of packing and shipping.

## AGENCY RESPONSIBILITY - 3806

Your agency must perform all traffic management activities that are not performed by the DGS Transportation Management Unit. You must stay within the policies of the SAM and follow the guidance furnished by the Transportation Management Unit.

Except for designated exceptions, you must also:

1. Give the DGS Transportation Management Unit all freight, storage, and service bills which involve State shipping charges, prepaid and collect, and public utility warehouse charges. Supply any other information needed by the Unit to analyze these bills.
2. Give the DGS Transportation Management Unit your freight claims of $200 or more for loss and damage to property while in transit by carriers or while in storage in public utility warehouses when the State is responsible for filing the claim. These claims will be evaluated, filed, and negotiated to final settlement. You must also provide all supporting information necessary for proper settlement.
3. Refer matters requiring rate negotiations or involving regulatory agencies to the DGS Transportation Management Unit. Make data available to the Unit so it can get favorable decisions in matters before carriers, tariff bureaus, and regulatory bodies.
4. Consult with the DGS Transportation Management Unit on site selection for storage, warehouse, and processing facilities where transportation and traffic factors are a consideration. You should request advice regarding transportation cost, rate, and traffic data during the initial phases of site selection, expansion, and comparison. This will ensure proper evaluation of these things.

5. Retain tariff and traffic information as required by the DGS Transportation Management Unit.
6. Make your shipping and receiving staff available for education and training.

## DEMURRAGE - 3807

(Revised & Renumbered from 3810 2/93)
Usually only a fixed time is allowed by the carrier for loading or unloading of rail cars, trucks or trailers, or other types of transportation. If it takes longer, the carrier will bill for the extra time. Therefore, you must make every effort to load and unload within these time periods to avoid payment of large penalties.

For truck or trailer shipments weighing 10,000 pounds or more, this charge is based on the amount of time over eight minutes per ton. Carriers also may charge for standby time for drivers and equipment waiting for dock space to load or unload trucks or trailers. You can avoid or minimize crowding by scheduling your pickups and deliveries with the carriers in advance.

You must require your carrier to present separate bills for demurrage, detention, or standby charges directly to the shippers or consignees when your agency is paying the freight charges but was not responsible for such delays.

## COMMERCIAL TRANSPORTATION FOR OFFICE AND INSTITUTION MOVES - 3810

Intercity Moves. You can transport State-owned uncrated furniture, fixtures, and equipment between cities within California by using padded van carriers that specialize in moving new furniture or used household goods. State property that is protectively packed in cartons or crates may be transported at much less cost by general freight carriers.

Linehaul rates of household goods carriers, which include inside pickup and inside delivery subject to extra charges for long carries, stairs, and elevators, are the most costly and do not include any packing labor and materials. To avoid mandatory carrier-assessed valuation charges, orders for transportation by household goods carriers must specify in writing "Shipper hereby releases the entire shipment to a value not exceeding 60 cents per pound per article."

For intercity transportation by any of these types of carriers, use an appropriate PUC licensed carrier at rates not to exceed PUC minimum rates based on weight and distance. Before the move you should have a clear understanding with the carrier that charges will be assessed against actual weight as shown by the public weighmaster's certificate(s).

Local or Hand Moves. You may use any of the following methods to get a contractor for a move within a building or between buildings in the same metropolitan area. However, you may only lawfully hire PUC licensed carriers for moves that involve transportation over the public streets and highways.

1. You may use the DGS Procurement Division Master Service Agreement contracts. The Master Service Agreements are designed for small moves. You can also use the Master Service Agreements for larger moves when the administrative effort to prepare a bid, conduct a walk-through for bidders, and develop a separate contract is not warranted. You may also use the Master Service Agreements for moves that cannot be clearly defined at walk-through for prospective bidders.

   Take full advantage of the DGS Procurement Division Master Service Agreements that provide low hourly rates for experienced help and equipment. The time chargeable to your job is clearly defined. Charges for packing containers are set. The contractor is properly insured and specially bonded. The contractor also agrees to meet the prevailing wage requirements of Government Code Section 14920. When using this Master Service Agreement, you should:
   a. Ensure persons arranging moves receive copies of the Master Service Agreement. If you have trouble getting a copy, you can get one from the DGS Transportation Management Unit.
   b. Provide the contractor with two working days notice. Indicate your agency's five- digit billing codes on your work orders.Contract hourly rates do not apply to work performed on federal holidays.
   c. Expedite payment of bills for work done under the Master Service Agreement.
   d. Submit written reports to the DGS Transportation Management Unit of any incidents where the contract moving company fails to perform under the Master Service Agreement.
2. You may go out for competitive bid for specifically defined work for a lump sum amount. If you cannot define the work at a walk-through conducted for prospective bidders, you may get bids for services at hourly rates. Bid contracts can be up to one year in length. Use the following outline of procedures to obtain competitive lump sum bids. Use similar procedures in preparing bids and contracts for services at hourly rates.
   a. Invite at least three PUC licensed local moving companies to attend a one-time walk-through.Hand out specifications and bid proposal forms.Explain and show all work (including cartons) at the origin and destination that is to be included in the lump sum bid. Advise bidders of tentative dates and hours of the move.State if the move needs to take place during or after normal working hours. Notify moving company representatives that the winning bidder must sign a Standard Agreement, STD. 213, and that the mover will be charged with repair or replacement of damage to building or any items lost, damaged, or stolen while in the carrier's custody.See (3800) A–1 in the Appendix.
   b. To avoid misunderstandings on major jobs, you must get sealed bids.Open them publicly at a set time and date. On small jobs, all of the movers can submit bids at the same time immediately after the walk-through. You must make the award to the lowest responsible bidder.
   c. Use Standard Agreement, STD. 213, with appropriate specifications for contracting lump sum work. For help with contract specifications, contact the DGS Transportation Management Unit.
   d. You must include the following paragraph about prevailing wages in any competitive bid contract and bid specifications for commercial moving.
      - Prevailing Wages

        No contractor performing hereunder shall pay any employee actually engaged in the moving and handling of goods being relocated under such contract less than the prevailing wage rate, except in geographical areas where no such employee wage standards and conditions are reasonably available. The term "prevailing wage rate" means the rate paid to a majority of workmen engaged in the particular craft, classification or type of work within the locality if a majority of such workmen be paid at a single rate; if there be no single rate being paid to a majority, then the rate being paid the greater number. Upon written request wage rates prevailing at the particular point in time will be furnished for information purposes only.

When you receive written requests from prospective bidders or contractors for prevailing wage rates, you must convey in writing the need for the desired wage rate information to the Department of Industrial Relations, Division of Labor Statistics and Research. The geographical areas in which the moving services are to be performed must be included in your request.

e. You must include any required goals, preferences or incentives in your contracting process.

See SAM Section 1200 for contract requirements.

Old Office Records. See SAM Section 1684. Records in record center boxes shipped in volume to or from State Records Centers, or elsewhere, should be transported as general freight. Describe the shipment as follows:

Old office records, each package released to a value not exceeding 3 1/2 cents per pound.

DGS contracts with small parcel delivery services carriers are the least costly and should be used for small shipments of old office records.

## FREIGHT DISTRIBUTION COST ANALYSIS—REPLACEMENT OR REPAIRS ($500 OR MORE) OF VEHICLES USED FOR FREIGHT HAULING - 3815

If you want to buy parts or repair a State-owned freight vehicle you have to first get DGS approval if you want to spend more than $500. You must fill out a Purchase Estimate form, STD. 66, and send it to the DGS Transportation Management Unit. See (3800) A–2, in the Appendix. The Unit will review the data and forward the forms to the DGS Office of Fleet Administration with recommendations. See SAM Sections 4161 and 4162. Also, see SAM Section 3620 for STD. 66.

Provide the freight activity information and cost data for proprietary vehicle operation. This is the basis for DGS's approval. If you have for-hire cost data available, complete that portion of the cost analysis. If you do not have for-hire cost data, the DGS Transportation Management Unit will estimate the for-hire cost based on the freight activity information that you have provided.

The DGS Transportation Management Unit will enter the for-hire costs, where needed, and verify your proprietary vehicle costs. Your request for $500 or more in purchases or repairs for vehicles used for freight hauling will not be accepted for review by the Office of Fleet Administration without a complete STD. 66 verified by the DGS Transportation Management Unit.

## MOVEMENT OF HOUSEHOLD GOODS - 3820

When officers or employees are notified that they will be moving, CCR, Title 2, Section 599.724 requires that they are given a copy of the relevant CCR, Title 2 regulations covering Moving and Relocation Expenses.

Payment for moving costs of household goods is authorized by Government Code Section 19841. The Department of Personnel Administration (DPA) regulations must be followed when requesting reimbursement.

SAM Section 8572.1 discusses withholding and reporting taxes of payments for moving household goods.

When arranging employee moves, try to use the State's List of Eligible Carriers. It is not recommended that employees contract for their own moves. If the employees do, they may not get all the advantages in the state's master contract. The low rates in the master contract may save employees a large amount of money if they exceed the authorized limit and are required to pay their share of the costs.

## STATE CONTRACTED SHIPMENT - 3821

The following procedures apply generally to moves within California. You should consult with the DGS Transportation Management Unit to plan an interstate move.

Employees may choose to have their moves contracted by their agency using the DGS "List of Eligible Carriers." The following is the procedure:

1. Your agency (or new department if you are being transferred to another agency) notifies you of the state authorized move by completing Part I of Moving Service Authorization, STD. 255. See (3800) A–4 in the Appendix.Your agency explains your responsibilities. The agency should give you the State's List of Eligible Carriers and the DGS Moving Guide.These are essential to a well planned move.These two items are available from the DGS Transportation Management Unit.
2. Next you select a household goods carrier from the list. Then get an accurate written estimate of weight and costs from the carrier. Where no eligible carrier is available, you may ask your agency to have the DGS Transportation Management Unit negotiate a contract with a carrier.

   You must obtain the signature of the carrier's agent in Part II of STD. 255. This signature, along with your signature, binds the carrier to do the move according to its offer and at the rates on file with the state. Give the original STD. 255 to the carrier, retain one copy, and forward the other copy directly to the DGS Transportation Management Unit, 707 Third Street, Second Floor, West Sacramento, CA 95605- 2811. Your agency will give you a stamped, self-addressed envelope for this purpose.
3. All household goods shipped under STD. 255 are automatically insured for loss or damage under the state's blanket insurance policy. The use of individual certificates or policies is not needed.This blanket insurance applies only on transportation within California or transportation between two points in California by an interstate route.

   The blanket insurance provides coverage at $2.00 valuation per pound of household goods shipped subject to the authorized weight. See CCR, Title 2, Section 599.719 and SAM Section 3823. In some cases, you may believe that the actual value of the goods is more than the amount of insurance provided by the state. If you want more coverage than provided by the State, you can buy your own additional insurance from your insurance agent at your expense.

   Shipments and authorized weights will be reported to the insurance company by the DGS Office of Risk and Insurance Management. This will be based upon the DGS Transportation Management Unit's analysis of freight bills. Agencies are billed monthly by the insurance company.

   4. The State's insurance has deductibles of $250 for loss or damage while in transit via a household goods carrier.

   When you pay part or all of a deductible, you may get a refund from your employing agency on a Travel Expense Claim form, STD. 262. When submitting this claim, you must furnish:

a. A copy of the original claim filed with the household goods carrier for moves other than self moves.
b. Documentation of the amount paid by the household goods carrier and the State's insurance company.

See the Moving Guide for a detailed description of the insurance coverage, as well as instructions on how to file a claim.

## EMPLOYEE CONTRACTED SHIPMENTS - 3822

When authorized by Part I of Moving Service Authorization, STD. 255, employees may contract with any household goods carrier. You must pay the carrier directly and submit a claim for reimbursement on a Travel Expense Claim, STD. 262. Your claim must be supported by legible copies of the carrier's itemized invoice, copies of shipping instructions, freight bills, and the official certificate of the weight of the shipment. Your claim is subject to the maximum allowances listed in the California Code of Regulations. You must send your Travel Expense Claim and supporting materials to the DGS Transportation Management Unit for a ruling that rates and charges do not exceed those assessed by a carrier for a comparable State-contracted shipment before the expense claim is submitted to the State Controller for payment.

Employee claims are subject to the procedures in SAM Sections 3823, 3824, and 3826 except STD. 255 need not be drawn up with the carrier.

## REQUESTS TO EXCEED MAXIMUM WEIGHT LIMITS - 3823

The Director of the Department of Personnel Administration (DPA) is authorized to grant exceptions to the 11,000 pound weight limit on moving household goods. If you want to get this exception granted, your agency must send a request to the DPA before the move.

Submit your request to the Department of Personnel Administration, Personnel Services Branch, 1515 S Street, North Building, Suite 400, Sacramento, California 95814, on a Moving/Relocation Expense Approval Request, STD. 256. See (3800) A–6 in the Appendix. It must be approved by your agency's director or a designated individual.

Include the following on the request for an exception to the maximum weight limit of 11,000 pounds:

1. Certify on STD. 256 that no articles prohibited by CCR, Title 2, Section 599.718 are to be included in the shipment. Household or personal goods include items such as furniture, clothing, musical instruments, household appliances, foods, and other items which are usual or necessary for the maintenance of a household. Household effects shall not include automobiles or implements thereof, other motor vehicles, boats, equipment, firewood, building material, etc.
2. Write a statement describing the efforts you have taken to reduce the estimated weight of possessions to be shipped. This statement must accompany STD. 256. Typical efforts include garage sales, personally moving household effects to new location, giving items away to family and friends, etc.
3. The size of your family to be moved.
4. The reason for extra weight; for example, hobbies, heavy furniture, large library, etc.
5. Legible signed copies of your carrier's estimating forms, including:
    a. Basis for Carrier's Probable Cost of Services. Include the front and back, with number of cubic feet per number of items to be moved.
    b. Probable Cost of Services.
6. A legible copy of the Inventory of Household Goods and Weight Certificates (if requested approval exceeds 18,000 lbs.). After your move, send a copy of the inventory and weighmaster's certificate to DPA, Personnel Services Branch. The STD. 256, along with the copies of the carrier's estimating forms, will be retained by the Personnel Services Branch until they receive the inventory to check that no articles prohibited by CCR, Title 2, Section 599.718 were included in the shipment.

When the carrier estimates less than 11,000 pounds, but the actual weight moved is more than 11,000 pounds, you may submit a request to exceed the maximum weight limitation. Submit the request as outlined above with a notation on the STD. 256 that the actual weight exceeded the estimated amount. Include a copy of the estimate and the weighmaster's certificate.

If you have already received permission to exceed the 11,000 pound limit and the actual weight moved turns out to be even more than the DPA approved weight, you may request an additional allowance. Submit this request to the Department of Personnel Administration, Personnel Services Branch, 1515 S Street, North Building, Suite 400, Sacramento, California 95814. Put a comment on STD. 256 that this is a *second* request based upon an actual weight which exceeds the previously authorized amount. A legible copy of the weighmaster's certificate supporting the carrier's billed weight must accompany the STD. 256. If the actual weight exceeds 18,000 pounds, a legible copy of the Inventory of Household Goods must also be attached.

## STORAGE OF HOUSEHOLD GOODS - 3824

You may be reimbursed for household goods placed in storage while in transit for up to 60 calendar days. See CCR, Title 2, Section 599.719. This 60-day allowance is provided to cover situations where you are unable to move your household goods directly from your old residence to your new residence.

If you need more storage time, submit a request to exceed the 60 days *before* your 60 days are up. Submit your request on a Moving/Relocation Expense Approval Request, STD. 256. Explain in writing why you need the additional storage time. Send the form and your explanation to the Department of Personnel Administration, Personnel Services Branch, 1515 S Street, North Building, Suite 400, Sacramento, California 95814. The requirements that you must satisfy in order to receive an extension are outlined in SAM Section 3830.

## AUDIT AND APPROVAL FOR PAYMENT OF CARRIER'S FREIGHT BILL - 3825

Instruct all carriers performing household moves under Part II of Moving Service Authorization, STD. 255, and the State's Uniform Tender of Services and Rates to submit their freight bills directly to the DGS Transportation Management Unit. After analysis and audit, the freight bills will be forwarded to the agency accounting office for prompt scheduling to the State Controller's Office.

Each invoice or expense claim submitted for payment must be accompanied by a certification signed by you which states:

> "I hereby agree to notify my agency of and pay transportation and related charges on any items prohibited by California Code of Regulations, Title 2, Section 599.718, as well as charges which exceed the limits stated in Section 599.719. I

understand and agree that such charges may be deducted in full from any and all funds payable by the State to me, including any salary warrant(s) issued to me by the State Controller's Office.

_____"
State Employee (Signature)

This statement must be contained on one of the following:

1. The Moving Service Authorization, STD. 255.
2. The invoice or claim.
3. As a separate statement.

## DISTRIBUTION OF CHARGES BETWEEN AGENCY AND EMPLOYEE - 3826

After the audit of the carrier's freight bill by the DGS Transportation Management Unit, your agency is responsible for any necessary distribution of charges between your agency and you. Use the following steps:

1. Adhere to CCR, Title 2, Sections 599.718 through 599.722.
2. The agency notifies the employee to send payment to the agency for all charges:
   a. Not covered or otherwise authorized.
   b. Not essential to the physical move of the goods as a single unit in regular carrier service. This includes moves of basic household furnishings from a single location at origin to a single location at destination either directly or through a storage warehouse.
   c. Resulting from split pickup and split delivery service.
   d. For overtime that was not authorized in advance by the agency.
   e. For expedited service.
   f. Resulting from nonessential service provided at the specific request of the employee.
   g. For transportation of pets such as birds, fish, cats, dogs, and livestock.
3. When the carrier's official weight certificate shows an actual weight of shipment that is more than the employee's authorized weight allowance, the DGS Transportation Management Unit determines the amount due from the employee for the extra weight. These charges will include those for transportation, packing containers and materials, packing and unpacking labor, and other services needed for the physical move of the goods as a single unit to the new location.
4. When the employee owes money, the agency must collect it and submit it with the invoice. Inability to contact the employee or the employee's reluctance to promptly pay does not excuse the agency from delaying the payment of the State's share. It is the agency's responsibility to ensure that the employee pays his/her portion promptly since the carrier is under contract with the State.

## OVERSEAS SHIPMENTS - 3827

Agencies will let the DGS Transportation Management Unit know at least 90 days in advance of any requirement for household moves to or from overseas.

## TRUCK AND SELF-HAUL TRAILERS - 3828

(Revised & Renumbered from 3826 2/93)
CCR, Title 2, Section 599.719 governs reimbursement for costs of moving household goods in a truck or trailer furnished by an employee. Truck or trailer rental charges must be supported by fully legible copies of paid rental agreements.

## MOVING A MOBILE HOME - 3829

If you are an employee who normally lives in a mobile home and have been authorized by the State to move, you may ask the State to pay for the moving of your mobile home. See CCR, Title 2, Sections 599.714 and 599.720. You may also ask the State to pay for certain costs of preparing the mobile home for movement over the highways, and for set-up at the destination. The additional reimbursed cost is limited to $2,000 not including maintenance, repairs, and parts. The cost of any permits, tolls, taxes, or charges fixed by the State or local authorities is also not included in the limit. The State will not reimburse maintenance, repair, and parts costs. You may not seek more reimbursement through Section 599.715 for the $200 miscellaneous allowance since this is specifically prohibited under CCR, Title 2, Section 599.720.

If you have arranged for the State to directly pay the moving company, you must get a copy of Moving Service Authorization/Bid Proposal–Mobile Home, STD. 255A, before the move. See (3800) A–5 in the Appendix.

Competitive Bids. You must get three competitive bids for preparing, transporting, set- up, and service. Transportation must include permits and escort services. These bids must be from licensed mobile home set-up and service companies, and PUC licensed highway carriers. Each bid must be completed by the carrier on STD. 255A. You will then forward the bids to the DGS Transportation Management Unit. According to the instructions on STD. 255A, the carrier must send the invoice directly to DGS Transportation Management Unit for review. The DGS Transportation Management Unit will then send the entire file back to your agency's accounting office for payment. The amount paid by the State Controller can never be more than the amount of the lowest bid.

Additional Information. The mover will transport your mobile home under a released valuation. The contents of your mobile home usually will not be insured. If you want to insure the contents or increase the coverage on the mobile home, you must do so at your own expense.

If you have questions about your mobile home move which your agency cannot answer, call DGS Transportation Management Unit in West Sacramento. The telephone number is (916) 376-1888 or CalNet 8-480-1888.

Refer complaints of poor set-up and service to the Contractors' State License Board's local field office. Refer complaints against the highway carrier who moved your mobile home to the PUC's local field office. See the Yellow Pages of the State Telephone Directory for either agency.

## RELOCATION EXPENSES - 3830

Costs of relocating will be reimbursed according to CCR, Title 2, Sections 599.721 and 599.722. See SAM Section 8572.1 for reporting and paying taxes on relocating expenses.

Generally permanent residences can be found within 60 days. Therefore the state will usually only pay for relocation expenses for up to 60 days. Exceptions to this are only approved in rare instances. If you want to apply for an extension because of an unusual and unavoidable hardship you may submit your request on a STD. 256. Send a STD.256, along with an explanation of the hardship, to the Department of Personnel Administration, Personnel Services Branch, 1515 S Street, North Building, Suite 400, Sacramento, CA 95814. The following requirements must be satisfied in order to receive an extension for relocation:

Request early. You must submit your request *before* the 60 days are up. This is a statutory requirement. The DPA may not approve after-the-fact requests.

Hardship as a result of the move. The employee must prove that a hardship exists and that it is a direct result of the move. The hardship must be more than an inconvenience.

Unusual circumstance. The situation must be uncommon or rare to relocation. Normal delays in processing or completing the move will not be considered. For example, if a house does not complete escrow in the 60 days, an exception will not be granted. Since escrow usually takes 30 to 60 days, this is not uncommon. However, if an unusual event directly caused the delay in the close of escrow, an extension may be granted. An example might be a death in the seller's family. If this delayed the seller from vacating the house, an exception may be granted.

Unforeseeable circumstance. The delay must be unavoidable or unforeseeable prior to acceptance of the transfer. Further, the delay must be beyond the control of the employee. Consider such items as the housing market, advancement at the new location, increased income, cost of living at the new location, and the family status at the time of the relocation prior to accepting the transfer. The DPA staff will review the employee's efforts to locate a residence. Even if all requirements are satisfied, the employee must document that every reasonable effort was made to step up the process of locating a new residence. Examples of problems that have been denied in the past and will be denied in the future are as follows:

1. Purchasing a house under construction or to be constructed. This is a personal decision of the employee's.An extension will not be granted for this reason.
2. Areas with an obvious lack of available houses. Employees should examine the housing situation and make a decision accordingly when considering a transfer to cities that have an obvious lack of housing. The employee assumes the risk of a delay in locating a residence.
3. Unable to sell the old residence. The legislation clearly only permits reimbursement of relocation expenses for finding a new home, not for selling an old one. Delays in selling the old home will not be considered.
4. Damage to new home is found while in escrow. When purchasing a home, it is the buyer's duty to inspect the structure for damage. Later, if problems are found, it is the employee's responsibility, not the state's. An extension of per diem or storage allowance will not be granted.

## SALE OF A RESIDENCE - 3831

If you are a represented employee and you want to submit a claim for the sale of your residence, you must do so within one year of reporting to your new official headquarters. The DPA may grant you a one-time, six-month extension. See CCR, Title 2, Section 599.716(d). Your request for an extension of time must be on a STD. 256, and must be approved by your agency director or designated individual. Send your approved STD. 256 to the Department of Personnel Administration, Personnel Services Branch, 1515 S Street, North Building, Suite 400, Sacramento, CA 95814.

You must also meet the following requirements in order to get approval of the extra time to sell your former residence:

1. You must state the date you were notified of your transfer.
2. You must state the date you reported to your new official headquarters.
3. Your request must be received by DPA *before* the one-year period is up.
4. You must show that you have been trying to sell your residence during the one-year period after your reporting date. You must state the date when your residence was placed on the market or listed with a realtor.

If you are a nonrepresented employee, your claim for sale of your old residence must be submitted within two years of reporting to your new official headquarters. No extensions will be allowed. See CCR, Title 2, Section 599.716(e).

## EMPLOYEE RESPONSIBILITIES REGARDING RELOCATION - 3832

It is the employee's responsibility to examine housing availability at the new location.

Represented employees must keep lodging receipts. Otherwise, you will be reimbursed at the non-commercial per diem rate.

Lodging receipts are not required for nonrepresented employees. You may claim the appropriate statewide relocation allowance for every full 24-hour period.

Reimbursement for less than 24 hours shall be at the appropriate meal and/or lodging rate.

*If you request per diem for more than 30 days, the amount is treated as income and taxed accordingly.* In order to guarantee reimbursement for all expenses (tax deductions if over 30 days), the employee should retain all receipts for the relocation period. This includes lodging, meal, and incidental expenses. Establishments are required by law to furnish receipts upon request.

In order to support getting paid for all expenses, or for taking advantage of possible tax deductions, you should keep all receipts of the relocation period. By law, businesses must give you receipts upon request.

## EXPRESS - 3835

When you want to ship materials, supplies, and equipment by an express carrier, you should first contact DGS Transportation Management Unit to determine whether a regular truck carrier is as rapid and convenient as well as more economical.

## PARCEL DELIVERY SERVICE - 3836

Parcel delivery service is available to all points within the State and most of the world under DGS Master Services Agreements. For details see Master Service Agreements

Package size and weight are limited and limitations vary between parcel companies.

Exception. Do not use parcel company service for deliveries between State offices within the Sacramento area. Use Interagency Messenger Service.

## COURIER AND OVERNIGHT DELIVERY SERVICE - 3837

Use the State's Master Service Agreements for overnight delivery of documents. This contract is managed by the DGS Procurement Division. For details see Master Service Agreements

## USE OF STRAIGHT BILL OF LADING, STD. 254 - 3840

When shipping anything, except for intra-agency and interagency mail, use the Straight Bill of Lading, STD. 254, to document the shipment. See (3800) A–3 in the Appendix. STD. 254 must be used no matter if the material is shipped by proprietary vehicle or by a for-hire carrier. Only the "Data Processing" copy of STD. 254 must be sent to the DGS Transportation Management Unit at 707 Third Street, Second Floor, West Sacramento, CA 95605-2811 after entering the freight charges for invoices $500 or less.

Use STD. 254 to comply with Federal laws governing the transportation of hazardous materials and to assure the accumulation of uniform and complete State shipping data required of the Department of General Services. For those reasons, departments must be sure that all shipments which they originate are correctly and completely documented by the original STD. 254 and the "Data Processing" copy is promptly forwarded to the DGS Transportation Management Unit with the freight invoice (over $500) for the DGS Transportation Management audit.

Departments may overprint the correct descriptions and freight classifications of often- shipped materials. You may contact the DGS Transportation Management Unit for help developing commodity descriptions and freight classifications.

## HAZARDOUS MATERIALS SHIPMENTS - 3845

If you ship hazardous materials, you are responsible for properly preparing shipping papers, marking and labeling containers, and providing placards as required.

Government regulations prescribe rigid controls for handling and transporting hazardous materials. Whenever hazardous materials are included in a shipment, you must properly describe the hazardous goods on the shipping papers. You must use the proper shipping name, hazard class, and identification number provided in the regulations. Furthermore, you must sign the following certification on STD. 254:

This is to certify that the above-named articles are properly classified, described, packaged, marked, and labeled and are in proper condition for transportation, according to the applicable regulations of the Department of Transportation.

If you transport hazardous materials on State vehicles, you have the same responsibilities as shippers. You also are required to:

1. Carry shipping papers in a designated manner.
2. Have your vehicle equipped with required emergency equipment.
3. Placard your vehicle as required.
4. Properly load your vehicle.

The California Highway Patrol provides guidance on shipments of hazardous materials.

## AUDIT OF FREIGHT BILLS - 3851

Except as provided in SAM Section 3852, all freight bills must be approved by the DGS Transportation Management Unit before they can be scheduled for payment. If a freight bill doesn't bear Transportation Management's approval stamp, it will be taken out of the claim schedule by the State Controller's Office and returned to the agency. With the returned bill will be a request that it be approved by the DGS Transportation Management Unit before resubmitting for payment. The DGS Transportation Management Unit audit ensures compliance with Government Code Section 14920.

In order to let DGS Transportation Management Unit audit and approve your vendor's freight bills, all submitted freight bills must have the following documents attached: See SAM Section 8422.1.

1. The invoice.
2. When the freight costs more than $50, attach all supporting prepaid freight bills.
3. A copy of your purchase order with the vendor.

Even though DGS audits each invoice, your agency still must ensure that payments are correct and are not duplicated.

DGS Transportation Management Unit looks at the following areas:

1. If your contract or purchase order does not give specific shipping instructions, your vendor will be expected to use the lowest cost modes and carriers needed to safely transport the shipment. Costs for exempt, private, or commercial carriers cannot be more than that of the lowest cost government rate tenders.
2. Costs for shipments transported wholly within California cannot be more than the lowest lawful charges on file with the PUC for the transportation furnished.

3. Vendor's add-ons such as service charges for prepaying freight will not be allowed unless they are clearly listed on the contract or purchase order.

If the vendor's bill is for services that are different from the above conditions, you must attach a statement to the invoice. Your statement must identify the exact rates, charges, and circumstances which you agreed upon before the transportation or PUC services were begun.

Except for those listed under SAM Section 3852, you must forward all freight bills to DGS Transportation Management Unit, 707 Third Street, Second Floor, West Sacramento, CA 95605-2811. Clearly identify the name, five-digit billing code and mailing address of your State agency. Include the supporting documents required in this SAM Section. Bills certified for payment may be scheduled to the State Controller's Office via the DGS Transportation Management Unit to expedite processing. If you schedule bills in this manner, you should ensure that bills not requiring the DGS Transportation Management Unit audit are placed on separate schedules and sent directly to the State Controller's Office.

Bills received from carriers for freight transported under Federal Government Bills of Lading should be returned to these carriers with instructions to bill their charges to the federal government.

## EXEMPTION FROM APPROVAL - 3852

DGS Transportation Management Unit approval of freight bills is not required for any of the following situations:

1. The amount of the freight bill is $500 or less.
2. Services performed under a contract, pursuant to the requirements of SAM Section 1200 et seq., specifying the exact rates to be applied for the services.

## DISCOUNT-BEARING INVOICES CONTAINING FREIGHT CHARGES - 3853

Agencies must directly pay from their revolving fund all freight invoices that are discounted for payment within 30 days. After payment, send these invoices and supporting documents to DGS Transportation Management Unit for audit.

## RECEIVING AND INSPECTING FREIGHT SHIPMENTS - 3861

(Revised & Renumbered from 3860 2/93)
When you receive a shipment, ask the shipper the following questions:

1. Is it for me? Check the delivery receipt for the consignee's name and address. If your agency has more than one location, make sure the goods are for this exact address. Check the freight to see if it is the same as described on the delivery receipt.Look at the label on each item to make sure the shipment belongs to you.
2. Is it damaged? Do not sign the receipt before inspecting for damage. Check for holes, water, stains, and tears. Pick up cartons if you can. Check for rattling. Listen for something broken inside. Check to see if any packages have been opened or if the sealing tape has been tampered with.
3. Is the piece count correct? Count the pieces and match the number on the delivery receipt to the number you have counted. If the shipment is on a pallet, check to make sure the pallet is solid with no voids inside the stack. If the shipment is shrink or stretch wrapped, make sure the wrap hasn't been cut and pieces removed. Sign only for the type of unit you receive. For example: two pallets. Don't sign for the number of packages that are supposed to be on the pallet. However, if time permits or the pallet is not banded or shrink wrapped, count the packages, and only then sign for the number of packages.

If your delivery doesn't check out, do one of the following:

1. Refuse shipment if it isn't yours, if the shipment does not meet the terms specified by your agency, or is damaged to the point where it no longer has a value.
2. If yours, and only partially damaged or short, accept it and note exceptions on the delivery receipt.

How to note exceptions:

1. Damage Notations: Be specific. Describe the damage accurately. Pinpoint the locations of all defects. If you can see the damage, have the driver wait while you open and inspect the packages. Write down the number and identity of the damaged pieces.This is called a "joint inventory."
2. Shortage Notations: If part of shipment is missing, write the number of pieces actually delivered on the delivery receipt and circle it. Then write down the number of pieces missing and note them as "short."
3. Signatures: Write down all exceptions on *both* copies of the delivery receipt. Have the driver sign both copies of the delivery receipt in his full name (not initials or nicknames). After the driver signs, you sign also. Write your agency's name, your full name, the date, and the time of day.

Follow these steps when requesting an inspection:

1. The receiving person is responsible for requesting the carrier to inspect the damaged goods and packaging. The formal request should be made by phone right after discovering any loss or damage.
2. After the phone request, make out a request for inspection by the carrier in writing. Note the date and time of your previous phone call and the person contacted. Keep a copy of your request letter on file.
3. Once contacted about damage or shortage, the carrier may waive inspection and tell you so. If so, write down the name of the person who waived the inspection, and the date and time of waiver. Then conduct your own detailed inspection. Write up your findings in a report and attach it to the file. If you can, take photographs to confirm your inspection report.

## CLAIMS AGAINST FREIGHT CARRIERS FOR LOSS OR DAMAGE TO SHIPMENTS - 3862

Use the following instructions for filing a claim against a carrier for loss or damage to shipments in transit:

1. Departments are granted authorization to refrain from collecting accounts receivables of $500 or less, provided that:
   - Attempts to collect are in accordance with SAM section 8776.6.
   - Departments will discharge only debts that have been determined to be uncollectable or continued efforts to collect are not cost beneficial.

- Departments understand the discharge from accountability does not release the debtor from the debt owed to the state.

2. For claims above $500, departments should handle the matter directly with the carrier.

## STATUTORY TIME LIMIT FOR FILING CLAIMS - 3863

Claims against regulated commercial carriers must be filed in writing with the carrier within nine months after delivery. In the case where the delivery did not occur, file within nine months from a reasonable time when delivery should have occurred. The carrier may not waive this requirement.

## RESPONSIBILITY FOR FILING CLAIM - 3864

Whoever owns the freight while in transit has the responsibility for filing claims for loss and damage. Unless the purchase contract states otherwise, the F.O.B. point governs the transfer of title. Therefore, for goods purchased under "F.O.B. Destination" or "F.O.B. Delivered," the shipper or vendor must file the claim against the carrier for loss or damage. If the F.O.B. point is other than destination, the receiving agency owns the goods while in transit and must file any claims.

## F.O.B. ORIGIN SHIPMENTS—PAYMENT OF INVOICES AND FREIGHT BILLS - 3865

When goods are purchased F.O.B. origin, title to the goods passes to the consignee upon delivery of the shipment to the carrier at point of origin. Therefore, the shipper (vendor) should be promptly paid for all merchandise signed for on the carrier's original bill of lading whether or not the goods were actually received. This is also the case when the goods are received in damaged condition as long as the carrier specified in the purchase contract what routing was used. Otherwise, call the DGS Transportation Management Unit for assistance before your pay the vendor. By law, the carrier must collect the transportation charges. A properly prepared claim must be filed against the carrier for recovery of the amount of the loss or damage including freight charges paid on the lost or damaged portion of the shipment. If a whole shipment is lost, the carrier's freight bill should not be paid.

## F.O.B DESTINATION SHIPMENTS—PAYMENT OF INVOICES - 3866

When goods are purchased F.O.B. Destination (F.O.B. Delivered), title to the goods remains with the shipper (vendor) until delivered by the carrier to the consignee in original or acceptable condition. If loss or damage occurs in transit, the vendor must replace the goods or otherwise compensate the consignee. Immediately notify the vendor of any problems and give the vendor the following documents to enable him to file claim against the carrier for recovery of the loss:

1. A copy of the freight bill (delivery receipt) bearing notation of loss or damage signed by the driver.
2. If the damage is concealed, a copy of the carrier's Inspection Report.
3. A statement of all pertinent facts that are not included above.

Payment of the vendor's invoice should be adjusted by the amount of the shortage or damage, or payment should be withheld until compensated by replacement items or repairs.

## DISPOSITION OF DAMAGED SHIPMENTS - 3867

Carriers are almost always responsible for transit loss or damage. However, consignees have a legal responsibility for keeping damage costs at a minimum and must accept damaged freight that can be reasonably repaired. If the goods are damaged so much that they become almost worthless, you may refuse the delivery. In that case be sure to file a claim for the full value of the shipment.

Some items can only be repaired by the factory where they were made. If repair costs are more than $100 and more than one company can make the repairs, try to get competitive bids.

Carriers who pay the full invoice price for claims on goods that are damaged beyond reasonable repair are, in effect, purchasing the damaged goods. The carrier will usually want the damaged goods as salvage. Therefore, you must hold the damaged goods and make them available for the carrier to pick up.

## CONCEALED DAMAGE OR LOSS - 3868

There are often disputes about who is responsible for concealed damage or loss of shipments. However, this type of claim is just as valid as any other type. If part of the shipment is missing, you must prove that the missing goods were actually shipped and then were not delivered. If goods were damaged, you must establish that the goods were properly packed in their containers, yet were damaged when they were delivered. Without this proof, carriers may refuse settlement. If you discover shortage or damage after delivery, report it promptly to the carrier and request an inspection. *Do not complete the unpacking*. Hold all packing materials and merchandise as discovered pending inspection. You only have 15 days after delivery of the shipment to report any concealed damage. If you do not report within this 15-day period, the carrier may decline the claim.

## DOCUMENTS REQUIRED IN SUPPORT OF CLAIMS - 3869

If you are filing a claim for loss or damage against a carrier, attach the following documents to the claim. If DGS Transportation Management Unit is filing the claim (claims of $100 or over), send the documents to them. If a vendor is filing the claim against the carrier, send the documents to the vendor.

1. Original bill of lading.
2. Copy of the carrier's freight bill or delivery receipt bearing notation of shortage or damage.
3. Original or certified copy of the purchase or repair invoice.
4. Carrier's inspection report (when issued).
5. Bond of indemnity (available from carriers) in place of the original paid freight bill.
6. Statement of additional facts or conditions when required to sustain reported loss or damage.

## SPLIT PICKUP AND SPLIT DELIVERY SHIPMENTS - 3870

Sometimes you can get lower freight costs by consolidating small lots into split delivery or split pickup shipments. Take advantage of these freight savings whenever possible. See SAM Section 3801 for the PUC definitions of split pickups and deliveries.

You must prepay all charges for split delivery shipments. The carrier may not collect charges of any nature from any consignee. You cannot ship more than 40 delivery components per shipment. If the components average less than 1,000 pounds per delivery component or exceed 20 components per master bill, you will be charged extra.

In addition to the component parts picked up by the carrier, a split pickup shipment may include other component parts delivered to a carrier's depot by the consignor or the consignor's agent. Each shipment will be limited to 40 pickup components. Additional charges are made when the components average less than 1,000 pounds per pickup component or exceed 20 components per master bill.

Often you can save a great deal of money on shipments by using split delivery or split pickup service. In cases where individual shipment lots are for delivery to points grouped in the same general geographic area, or the movement is in the same general direction over a carrier's freight route, you should consider consolidating and shipping the lots in a single split shipment. Contact the DGS Transportation Management Unit for assistance.

Lots must be handed over to the carrier at one time on one shipping document. The tariff requirement reads as follows:

> At the time of or prior to the initial pickup of any portion of the shipment, an appropriate written document is issued by the consignor for each component part, said document containing all of the information required to prepare a bill of lading in compliance with provisions of Item 360 of the Governing Classification. In addition, the consignor shall provide the carrier with a single document containing written information setting forth in summary, the total numbers and kind of packages, description of articles, and total weight of all commodities described on the bills of lading for each component part. Said document shall also reflect total number of pieces and total weight of all commodities in the shipment and must make reference, by number or other individual identity, to each bill of lading issued for a component part.

## FREIGHT TARIFFS AND RATE AGREEMENTS - 3885

Shipments via Surface Commercial Carriers. Shipments by commercial carriers are usually subject to the terms and conditions of the standard bill of lading contract. Rather than list the rates, this contract just calls upon the use of set tariff rates. Since these tariffs fix the exact rates for the services, no further agreement of rates is necessary. DGS Transportation Management Unit will verify the rates on the freight bills against the tariffs. The DGS Transportation Management Unit will obtain adjustments of any overcharges for you.

Under certain special circumstances, commercial carriers may grant the government less than tariff rates. Carriers quoting government rates may be subject to certain regulatory constraints. All such negotiations should be cleared through DGS Transportation Management Unit.

When using government rates, add the following sentences to the shipping documents: "Freight is for the account of the State of California. Transportation hereunder pursuant to (cite carrier and tender number)."

Contracts and purchase orders must instruct vendors to also place this sentence on the bill of lading issued to the carrier. Contact DGS Transportation Management Unit for availability of government rates on shipments starting from or destined to points outside of California. The DGS Transportation Management Unit will verify the rates on the freight bills against the tariffs and obtain adjustments for any overcharges on your behalf.

Shipments via Air Carriers. Air carriers have been deregulated. Air cargo rates fluctuate and are negotiable. Call DGS Transportation Management for help when air freight is required.

Shipments via Contract and Exempt Surface Carriers. Contract carriers and exempt carriers do not have to charge any fixed rates. Contact the DGS Transportation Management Unit for assistance before using such carriers.

Routing Guides. If you are going to use a commercial carrier, you should consult with the DGS Transportation Management Unit to see which carrier and route will give you the best balance of low cost and responsiveness to needs of shippers and consignees. Where appropriate, the DGS Transportation Management Unit will develop routing guides and will issue bulletins on procedures to follow for freight routing.

Carrier Operating Authority. If you are unsure of the category of a particular carrier, ask the carrier to give you the information in regard to the type of hauling involved. Do not use carriers who do not have the required operating authority from the California or Federal regulatory agencies. Call DGS Transportation Management Unit if you have any questions about this.

### STD 213 - A-1

State of California Standard Agreement

### STD 66 - A-2

State of California Purchase Estimate

### STD 254 - A-3

State of California Bill of Lading

### STD 255 - A-4

State of California Moving Service Authorization

### STD 255A - A-5

State of California Moving Service Authorization / Bid Proposal - Mobile Home

### STD 256 - A-6

State of California Moving/Relocation Expense Approval Request

# Chapter - 4100

Sections for Chapter 4100

| Section | Subchapter |
|---|---|
| INTRODUCTION | 4100 |
| MAINTENANCE | 4101 |
| NO SMOKING IN STATE VEHICLES | 4102 |
| MODIFICATIONS | 4103 |
| IDENTIFICATION | 4104 |
| UTILIZATION | 4105 |
| PASSENGER MOBILE EQUIPMENT USAGE REPORT | 4106 |
| TRAVEL LOGS | 4107 |
| FUEL CARD MANAGEMENT | 4108 |
| HOME STORAGE | 4109 |
| MOBILE EQUIPMENT PURCHASES | 4110 |
| DISPOSITION | 4111 |
| REUTILIZATION OR TRANSFER | 4112 |
| INSPECTION SERVICES | 4113 |
| ANNUAL INVENTORY OF MOBILE EQUIPMENT | 4114 |
| REPAIRS AT COMMERCIAL/STATE FACILITIES | 4115 |
| ACCIDENT REPAIRS | 4116 |
| PARKING AND COMMUTE SERVICES | 4118 |
| ACQUISITION OF FLEET ASSETS | 4120 |
| FLEET ASSET REPORTING | 4120.1 |
| PURCHASE ORDER STD. 65, 65A AND PURCHASE ESTIMATE STD. 66, 66A | 4120.2 |
| LEASES/RENTALS | 4120.5 |
| TEMPORARY LEASES OF PASSENGER VEHICLES | 4120.6 |
| SUBSTITUTIONS | 4120.7 |
| ABBREVIATED FAP PROCESS FOR NON-LIGHT DUTY FLEET ASSETS | 4120.8 |
| LIGHT DUTY ZERO EMISSION VEHICLE PURCHASING MANDATE | 4121 |
| ZEV AND HYBRID FIRST PURCHASING MANDATE | 4121.1 |
| 50 PERCENT PURE ZEV PURCHASING EXEMPTION | 4121.2 |
| ZEV CREDITS AND CREDIT RATIOS | 4121.3 |
| EO B-16-12 PUBLIC SAFETY SPECIAL PERFORMANCE EXEMPTION | 4121.4 |
| ZEV PURCHASE ORDERS & ABBREVIATED ZEV ACQUISITION PROCESS | 4121.5 |
| ZEV INFRASTRUCTURE PLANNING AND READINESS | 4121.6 |
| SEDAN PURCHASING RESTRICTIONS | 4121.7 |
| VEHICLE MANUFACTURER PURCHASING RESTRICTIONS | 4121.8 |
| TELEMATICS | 4122 |
| VEHICLE INSPECTIONS | 4123 |
| DONATIONS AND GIFT OF FLEET ASSETS | 4124 |

| | |
|---|---|
| STATE FLEET ASSET OVERSIGHT | 4125 |
| REPLACEMENT SCHEDULE CRITERIA | 4126 |
| STATEWIDE TRAVEL PROGRAM | 4117 |
| AIRLINES | 4117.1 |
| COMMERCIAL CAR RENTALS | 4117.2 |
| LODGING | 4117.3 |
| TRAVEL AGENCIES | 4117.4 |
| TRAVEL PAYMENT SERVICES AND VIRTUAL PAYMENTS | 4117.5 |
| PAYMENT PROCESS FOR MEETING, CONFERENCE, AND EVENT RELATED EXPENSES | 4117.6 |


## INTRODUCTION - 4100

The Department of General Services, Office of Fleet Administration Management (OFAM) is responsible for establishing, implementing, and maintaining policies and procedures governing state-owned mobile equipment. Mobile equipment is defined as equipment that is self-powered, easily moved and used for passenger, and equipment transportation and construction or maintenance work.

## MAINTENANCE - 4101

(Renumbered from 4150 and Revised 6/96)
It is the responsibility of agencies/departments to insure compliance with minimum preventive maintenance standards for state-owned mobile equipment. This includes, but is not limited to, prescribed lubrication service and mechanical inspection on a mileage or time basis. Requirements are listed in the Automobile Maintenance Record form, STD. 271. Equivalent records may be substituted with the approval of the OFA. See OFA State Fleet Handbook.

## NO SMOKING IN STATE VEHICLES - 4102

Smoking is prohibited in all state-owned passenger mobile equipment which include light and heavy duty trucks, cargo and passenger vans, buses, and any other mobile equipment with an enclosed driver/passenger compartment. See California Vehicle Code Section 465 and Government Code Section 19994.30.

## MODIFICATIONS - 4103

**(**Renumbered from 4160 and Revised 6/96)
Any modification to original factory equipped mobile equipment requires prior approval from the OFA. See OFA State Fleet Handbook.

## IDENTIFICATION - 4104

**(**Renumbered from 4120 and Revised 6/96)
State-owned mobile equipment used on public roads shall be properly identified. The Director of DGS shall approve the type of identification used.

Exceptions are state-owned mobile equipment used by elected officials with regular automobile license plates; mobile equipment designated as exempt by the Director of DGS; and undercover vehicles as authorized in the California Vehicle Code. See Vehicle Code Section 5001 and OFA State Fleet Handbook.

## UTILIZATION - 4105

**(**Renumbered from 4130 and Revised 6/96)
It is the responsibility of Agency Secretaries and/or department directors to insure the proper use of state-owned mobile equipment. See Government Code Section 19993.2 and Department of Personnel Administration (DPA) Section 599.800.

## PASSENGER MOBILE EQUIPMENT USAGE REPORT - 4106

**(**Renumbered from 4131 and Revised 6/96)
In order to insure optimum utilization of state-owned passenger mobile equipment (see Vehicle Code Section 465), a Passenger Vehicle Usage Certification form, STD. 276A, will be submitted to the OFA bi-annually, February 15 and August 15. See OFA State Fleet Handbook.

## TRAVEL LOGS - 4107

(Renumbered from 4143 and Revised 6/96)
Agencies/departments will maintain a Monthly Travel Log form, STD. 273, on all state- owned passenger mobile equipment except for motorcycles, trucks over 3/4 ton, and heavy equipment. See DPA Section 599.807 and OFA State Fleet Handbook.

## FUEL CARD MANAGEMENT - 4108

(Renumbered from 4151 and Revised 11/2019)
The State Fleet Fuel Card can only be used by state employees conducting official state business. Additionally, state departments may authorize other individuals (such as retired annuitants, volunteers, etc.) who are on official state business and whose travel expenses are paid by the state, to use the card.

The State Fleet Fuel Card can be used for department-owned and DGS-leased vehicles. Additionally, departments are authorized to use the State Fleet Fuel Card for long-term commercial vehicle rentals through the state's commercial car rental contract. A

long-term commercial rental is defined as a vehicle rental of 30 calendar days or more that has been approved by DGS Office of Fleet & Asset Management (OFAM).

**Allowable Purchases**
As authorized by a department, the State Fleet Fuel Card may be used to purchase the following items when conducting official state business:

- Regular-grade unleaded gasoline and diesel.
- Alternative fuels such as E-85, biodegradable diesel, CNG, electricity and hydrogen.
- Fluids and lubricants (i.e. oil, antifreeze, washer fluid, etc.).
- Basic (low-cost) car washes.
- Emergency roadside assistance
- Tires in accordance to the statewide tire contract.

In addition, emergency purchases, such as wiper blades, fan belts, tires, etc., are allowed in urgent situations only. Emergency purchases must be defined and approved by each department.

**Prohibited Purchases**
The following items are prohibited and must not be purchased using the State Fleet Fuel Card:

- Unless specifically required by the vehicle manufacturer, the purchase of mid-grade or premium (supreme) unleaded gasoline is strictly prohibited.
- Fuel for personal vehicles.
- Miscellaneous items such as food or sundries (personal items).

**Appropriate State Fleet Fuel Card Usage**
It is the responsibility of each department to monitor and verify the appropriate usage of the State Fleet Cards issued to their employees. If misuse is determined, each department must take appropriate action according to their departmental policy.

**Requirements**
All state departments that utilize the State Fleet Card Program must implement oversight procedures as specified in the *State Fleet Card Oversight Usage and Responsibilities* (https://www.dgs.ca.gov/-/media/Divisions/OFAM/Fleet-Services-and-Operations/Fleet-Card-Oversight-Usage-and-Responsibilities.pdf). Each department will designate an employee to act as the Fleet Card Coordinator (Coordinator) to closely manage the department's use of the State Fleet Card Program. This will include the review of fleet card exception reports on an ongoing basis.

Each department participating in the State Fleet Card Program must submit the *Annual Certification Form* (http://www.documents.dgs.ca.gov/dgs/fmc/dgs/ofam003.pdf) indicating that the department has executed the required procedures as well as certified that it has assigned a Coordinator to manage its State Fleet Card usage, as stated in the *State Fleet Card Oversight Usage and Responsibilities* document. This certification must be submitted to the DGS on an annual basis by June 30 of each year.

Additionally, each department must ensure that all individuals authorized to use the State Fleet Card sign a *Fleet Card User Agreement* (http://www.documents.dgs.ca.gov/dgs/fmc/dgs/ofam001.pdf). All active Fleet Card User Agreements should be kept on file by the department.

Department compliance with the State Fleet Card Program's oversight requirements will be subject to auditing by the DGS on a periodic basis.

For more information, contact the DGS Fleet Services Call Center at (858) 611-OFAM (6326) or FleetServices@dgs.ca.gov.

## HOME STORAGE - 4109

(Renumbered from 4144 and Revised 10/2019)
**DEFINITION OF VHSP**

A VHSP is required for any employee who stores a state vehicle at or in the vicinity of his/her home on a frequent basis as defined by CCR, Title 2, Section 599.808 (d).

Section 599.808 (d) requires the Department of General Services (DGS) to prescribe the rules and procedures relating to the home storage of state vehicles as well as to review and approve VHSPs at DGS' discretion.

**OVERVIEW**

The Department of General Services (DGS) requires that vehicle home storage permits (VHSPs) issued by state agencies shall adhere to policies outlined in section *VHSP Requirements* and meet the criteria of essential or cost effective permits as noted in section *Criteria for Essential & Cost-Effective Permits*. DGS requires the use of criteria that augment those provided in the CCR, Title 2, Section 599.808. Further, agencies shall use the revised STD 377, *Vehicle Home Storage Permit/Request Form* when requesting vehicle home storage permits.

Storage of state-owned mobile equipment at an employee's residence on a regular basis requires an approved Vehicle Home Storage Request/Permit form, STD. 377, be on file with the employee's department. Annual renewal of STD. 377 is required. See DPA Section 599.808 and OFAM State Fleet Handbook.
**VHSP REQUIREMENTS**

- State vehicles shall be used only in the conduct of state business, and that no state officer or employee shall use, or permit the use of, any state-owned motor vehicle other than in the conduct of state business (see Government Code Sections 19993.1-19993.8).
- State agencies utilizing non-exempt license plates on state vehicles must strictly adhere to the Department of Motor Vehicles (DMV) rules pursuant to Vehicle Code Sections 5001-5002.6, and DMV Form INV 218, Request for Nonexempt License Plates.
- State vehicles stored at or in the vicinity of an employee's home more than 72 nights in a 12-month period, or 36 nights in a 3-month period, require a VHSP approved by the department head, deputy, or chief administrative officer pursuant to CCR Section 599.808 and STD 377, Vehicle Home Storage Request/Permit Form.
- Employers must apply facts and circumstances on a case-by-case basis to ensure they follow Internal Revenue Service and Franchise Tax Board regulations regarding taxable compensation for personal use of a state vehicle. The State Controller's Office Payroll Procedures Manual, Section N 129 et seq. has information that covers the taxable event triggered by state vehicle use, as well as the reportable/taxable amount to report and exceptions to the taxable reporting requirements (see State Administrative Manual Section 8572.4).
- State employees must report the taxable amount monthly on the State Controller's Office STD 676V, Non-USPS Adjustment Request-Values (Fringe Benefits/Employee Business Expense), and submit it to their department's human resources office. If you have questions regarding the taxable amount or the STD 676V, please contact your department's human resources office.

**CRITERIA FOR ESSENTIAL & COST-EFFECTIVE PERMITS**

Executive Order (EO) B-2-11 specifies that state agencies and departments may only issue VHSPs that are essential or cost effective. In continuance of this policy, DGS developed ongoing criteria to assist departments in their future determinations of essential and cost-effective VHSPs.

*ESSENTIAL PERMITS*

An essential VHSP is deemed necessary even though it may not be cost-effective; it must meet all of the following criteria:

- The individual must respond to emergency events after hours as a primary responder.
- The emergency responder must respond to the field, rather than to a state facility where his/her vehicle could be stored.
- The emergency responder must be able reach the emergency event within 30 minutes to no more than 1 hour.
- The emergency response must require specialized equipment that is not transferrable to a personal vehicle, or include activity that is not reasonable for a personal vehicle (i.e., taking a felon into custody).
- The emergency response must be for health and safety purposes (i.e., responding to hazards or criminal activity).
- The individual only takes a vehicle home when he/she is needed as a primary responder.
- The individual must respond to a minimum of 24 emergency responses per year. *

A department should not issue an essential VHSP to any employee who does not meet all of the above criteria. It is also incumbent upon the department to report/record information as necessary to support the issuance of an essential VHSP.
*DGS will allow an exemption process for essential VHSPs that cannot meet the minimum of 24 emergency responses per year if a department can demonstrate that there will be a significant health and safety risk to the public if this permit is not issued. A department is required to submit the STD 377, Vehicle Home Storage Request/Permit Form, to DGS for approval and to provide narrative to substantiate the critical need for each VHSP.

*COST-EFFECTIVE PERMITS*

A cost-effective VHSP must meet at least one of the criteria from both Category A and Category B:

Category A

1. The employee has a department-approved home office separate from the department's facilities. Generally, the employee's duty statement and personnel file will denote that his/her reporting office is his/her home.

2. The vehicle is essentially the employee's office (i.e. performing requisite duties in the field on a daily basis directly from his/her home). However, the employee may still be required to occasionally work from a state office.

Category B

1. The employee's job (as reflected on the official duty statement) requires substantial field work (greater than 50 percent), and it is more efficient for the employee to travel directly to the field work location.

2. The employee drives directly to the field from home and/or has work-related after-hour activities that account for 50 percent or more work days within a given month.

A department should not issue a cost-effective VHSP to any employee who does not meet the above criteria. It is also incumbent upon the department to report/record information as necessary to support the issuance of a cost-effective VHSP.

These general standards for cost effectiveness justify the use of a state vehicle versus reimbursement for the use of a personal vehicle or rental – it is not a justification for the state to pay for personal commute miles associated with taking a vehicle home. Providing for personal commuter transportation is not an obligation of the state.

**ANNUAL CERTIFICATION**

Beginning on January 2, 2014, and each year thereafter, state agencies shall submit a DGS OFAM 162 - VHSP Certification Form to DGS that denotes the number of VHSPs issued at that time. DGS may, at any time, request copies of the permits or a list of names and other specific data for the individuals who have been issued permits.

**AUDIT REQUIREMENTS**

DGS reserves the right to audit state agencies to ensure compliance with the VHSP requirements. DGS further reserves the right to withdraw a department's ability to issue and approve its own VHSP pursuant to CCR Section 599.808 (d), if it is determined

that a state agency is not in compliance with the VHSP policy.
The following required documents shall be on file and available upon request.

- DGS STD 273, Monthly Vehicle Travel Log shall be completed on a daily basis to record, among other things, the following: daily miles traveled, date and time of travel, itinerary, overnight storage information, and the driver's name. VHSP annual certifications shall be completed each calendar year.
- VHSP requests (STD 377, Vehicle Home Storage Request/Permit Form) shall be completed for each applicable employee.
- VHSP annual certifications shall be completed each calendar year.
- VHSP requests (STD 377, Vehicle Home Storage Request/Permit Form) shall be completed for each applicable employee.

The minimum retention schedule for the required documents noted above shall be the current fiscal year and the preceding fiscal year.
Should a state agency conduct its own internal audit of its assigned VHSPs, it is required to provide the VHSP audit results and/or findings to the DGS Office of Fleet and Asset Management.

## MOBILE EQUIPMENT PURCHASES - 4110

(Renumbered from 4111 and Revised 6/96)
A Purchase Order form, STD. 65, or Purchase Estimate form, STD. 66, will be submitted directly to OFA for the purchase of additional or replacement mobile equipment. A justification for additional mobile equipment or an approved Property Survey Report form, STD. 152, for replacement mobile equipment will be attached to the purchase document.

A current Passenger Vehicle Usage Certification form, STD 276A, must be on file with OFA prior to the approval of STD. 65 or STD. 66. See SAM Section 4106, Government Code Section 13332.09, and OFA State Fleet Handbook.

## DISPOSITION - 4111

(Renumbered from 4172 and Revised 6/96)
Disposal of mobile equipment shall be by public auction or sealed bid. The method of disposal is subject to approval by OFA. See Government Code Section 13332.09 and OFA State Fleet Handbook.

## REUTILIZATION OR TRANSFER - 4112

(Renumbered from 4173 and Revised 6/96)
Mobile equipment no longer needed by an agency/department shall be made available to other state agencies/departments or government entities. Requests for reutilization or transfer of state-owned mobile equipment shall be submitted to OFA. See OFA State Fleet Handbook.

## INSPECTION SERVICES - 4113

(Renumbered from 4181 and Revised 6/96)
Inspection services are provided to agencies/departments participating in the Inspection Services Program. Services are provided upon request or can be initiated by OFA. Services include new and used mobile equipment inspection and assistance with the purchase, repair, replacement, and disposition of state-owned mobile equipment. See OFA State Fleet Handbook.

## ANNUAL INVENTORY OF MOBILE EQUIPMENT - 4114

(Renumbered from 4102 and Revised 6/96)
The Annual Inventory of Mobile Equipment form, OFA 53, is required for the self- insurance and Inspection Services Program cost allocation. Agencies/departments will submit OFA 53 to OFA by July 10. See OFA State Fleet Handbook.

## REPAIRS AT COMMERCIAL/STATE FACILITIES - 4115

(Renumbered from 4161, 4162 and 4166, and Revised 6/96)
Repairs to state-owned mobile equipment, including replacement of auto glass, at a commercial/state facility exceeding the delegated amount require prior approval from an OFA Inspector of Automotive Equipment (IAE). See OFA State Fleet Handbook and Vehicle Glass Replacement Price Schedule.

## ACCIDENT REPAIRS - 4116

(Renumbered from 4163 and New 6/96)
Agencies/departments are to obtain a minimum of three (3) bid estimates for accident repairs to all state-owned mobile equipment exceeding the delegated amount. Review and approval of the bid estimates by an OFA IAE are required. See SAM Section 3600 and OFA State Fleet Handbook.

## PARKING AND COMMUTE SERVICES - 4118

(Renumbered from 4188–4188.06 and Revised 6/96)
The OFA maintains parking facilities, provides parking in major urban areas to state employees and the public, and provides commute service information to state employees in coordination with the Department of Transportation. See Government Code Sections 14678–14679.5, and 19993.1 and OFA State Fleet Handbook.

## ACQUISITION OF FLEET ASSETS - 4120

Legal Authority

- Government Code section 13332.09
- Executive Order B-2-11

Definitions

**Fleet Acquisition Plan (FAP)**:
A standardized approval request that state agencies (Agencies) must submit to the Department of General Services (DGS), Office of Fleet and Asset Management (OFAM), prior to acquiring fleet assets.
**One-Time Acquisition (OTA):**
Procurements conducted by DGS Procurement Division (PD) on behalf of state departments for purchases that exceed a department's delegated purchasing authority. Refer to PD's website for additional information.

**State Fleet Asset**:
Defined in SAM 4100.

Policy

The Department of General Services (DGS), Office of Fleet and Asset Management (OFAM), approves the acquisition of state fleet assets. Agencies shall submit a Fleet Asset Plan (FAP) for approval prior for:

- Acquisition of new fleet assets
- Replacement of existing assets
- Entering into a temporary long-term lease (TLTL) exceeding 12 months.

Agencies shall not issue a purchase order (PO) for a state fleet asset without prior approval from OFAM.

**I. Submission and Approval Process**

A. FAP

Starting July 1 and ***no later than the first business day of February,*** agencies may submit complete FAPs directly to FAMSSupport@dgs.ca.gov. Agencies must submit a complete FAP packet to ensure prompt processing. Refer to the OFAM website for the list of required documents.

B. Addendums

Addendums to an approved FAP may be accepted during the fiscal year due to extraordinary circumstances. Justification for extraordinary circumstances may include:

- An unexpected loss of an asset, requiring replacement
- Leasing or renting equipment for more than 12 months
- Emergency fleet acquisition needs.

C. POs

Agencies may begin issuing POs once OFAM approves the FAP. FAP approvals for acquisitions with a PO are valid for the fiscal year approved, plus one additional fiscal year.

D. One-Time Acquisitions (OTA)

Agencies can submit OTA requests to the DGS Procurement Division (PD) once the FAP is approved by OFAM. FAP approvals for acquisitions requiring a DGS PD OTA approval are valid for the fiscal year approved, plus two additional fiscal years.

**II. Extensions**

Requests for extensions must include a written justification as to why the asset(s) were not purchased during the approved period and indicate the operational need. FAP extension requests are granted on a case-by-case basis.

**III. Key Deadlines**

Table content available in source manual.

## Responsibilities

**OFAM:**

1. Process FAP package to ensure compliance.
2. Approve purchasing documents for fleet assets following FAP approval.
3. Reviews and approves extensions, if appropriate.

**Agency**

1. Submit completed FAP by key deadlines.

Resources

**Resource Links:**
FAP Required Documents
OTA Guidelines
**Fleet Policy Questions:**
FleetPolicy@dgs.ca.gov
**FAP Questions, Submissions, or to Request FAP Forms Packet:**
FAMSSupport@dgs.ca.gov

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## FLEET ASSET REPORTING - 4120.1

State departments are required to comply with fleet reporting requirements pursuant to Public Resource Code Section 25722.5. Executive Order B-2-11 requires state departments to update their fleet asset information on a monthly basis, including fuel and utilization data. The fleet data is necessary for OFAM to complete and submit various reports mandated by the legislature and the federal government. Additionally, OFAM uses the fleet data entered into FAMS to conduct analysis on fleet asset requests. Consequently, beginning with FAPs submitted in FY 2015/16 and thereafter, OFAM will not process a department's FAP if the department is not in compliance with required reporting for fleet asset with odometers. Please note reporting requirements apply to all fleet assets both with and without odometers. (An electronic copy of the *list of Required Fields for Vehicles and Equipment required to be entered into FAMS* can be found at the DGS website located here.)

## PURCHASE ORDER STD. 65, 65A AND PURCHASE ESTIMATE STD. 66, 66A - 4120.2

Upon approval by OFAM of a department's FAP, the department may begin the purchasing process to acquire one or more of their approved fleet assets by submitting the appropriate purchasing documentation to OFAM. A department shall submit the *Purchasing Authority Purchase Order Form* (STD. 65) and *Purchase Estimate Form* (STD. 66 and STD. 66A) as applicable with a copy of the STD. 152 and Equipment *Inspection Form* (OFA 6), if applicable, to OFAM for the final "stamp of approval."

## LEASES/RENTALS - 4120.5

Vehicles rented or leased for over 30 consecutive calendar days or more than (4) consecutive work weeks (excluding weekends and holidays) are required to be approved through a department's FAP prior to renting or leasing the vehicle.

Continually re-renting fleet assets week to week or with a short break after 30 days without seeking OFAM approval is prohibited.

## TEMPORARY LEASES OF PASSENGER VEHICLES - 4120.6

If a department incurs significant damage to or loss of an owned passenger vehicle, DGS may provide a temporary DGS vehicle under specific circumstances. These circumstances occur when the deadline to submit an acquisition request has passed and/or there are no state contracts for that vehicle type needed in effect. In these circumstances, the department can request approval from OFAM to temporarily lease a passenger vehicle until a new FAP can be submitted and the replacement vehicle is received. These temporary requests shall be in writing but do not require a department to submit or amend an existing FAP or provide the supporting documents. These requests will be considered by OFAM on a case-by-case basis and are subject to the availability of vehicles. A department will be required to include this leased DGS vehicle on its next FAP if this vehicle needs to be replaced. If a department should need to lease/rent a vehicle for less than 30 days, a department may use the state's commercial rental contract without OFAM approval.

## SUBSTITUTIONS - 4120.7

Upon approval from the Department of General Services (DGS), Office of Fleet and Asset Management (OFAM), state agencies may substitute a fleet asset approved for replacement or purchase on their Fleet Acquisition Plan (FAP). Substitutions must be requested only under limited circumstances in which there is a demonstrated immediate business need. Substitution requests must not be used to circumvent the FAP Addendum process. Any substitution that results in a downgrade in the Zero-Emission Vehicle (ZEV) Priority level is subject to greater scrutiny.

**Substitution of Approved Replacement**

State agencies may request to substitute an approved replacement in the event of the following:

1. The vehicle is inoperable, and it is not cost-effective to repair the vehicle.
2. The vehicle is lost/stolen.
3. The department has a demonstrated immediate business need to replace the vehicle with another vehicle that was already approved on a FAP.

NOTE: Model year 2012 or older assets that did not go through the Vehicle Allocation Methodology analysis per the Executive Order (EO) B-2-11 will not be approved as substitution assets.

**Substitution of Approved Purchase**

State agencies may request to substitute an approved purchase in the event of the following:

1. The approved make/model is no longer available on the statewide vehicle contract.
2. The approved make/model is no longer available to order in the current model year.
3. The approved asset no longer meets the department's business needs due to changes in the program's requirements for which the approved asset would be used.

**Substitution Approval Process**

To obtain approval from OFAM, state agencies must submit a complete Fleet Asset Substitution form (OFAM 5) to FAMSSupport@dgs.ca.gov or their designated FAMS analyst. For substitution of replacement, all required attachments (STD. 152, OFAM 6, and police report, if applicable) must be submitted in addition to OFAM 5.

A Substitution request must meet acceptable justification criteria and complies with EO B-16-12 and ZEV/Hybrid First Purchase Mandates.

Any substitution request that includes substantive changes must be signed by the requesting department's Deputy Director and approved by the Chief of OFAM.

Any substitution request that includes non-substantive changes must be signed by the requesting department's fleet manager and approved by OFAM's Fleet Asset Management System (FAMS) manager.

**Substantive Changes**

The following changes are deemed substantive:

1. Substituting a ZEV for a lower priority ZEV or a non-ZEV.
2. Substituting a vehicle with a higher-class asset type (asset class upgrade).
3. Substituting a non-Public Safety Special Performance (PSSP) asset to a PSSP asset.
4. Any substitution that changes compliance status with the state's fleet purchasing policies.

**Non-Substantive Changes**

Substitutions that do not result in a downgrade in the ZEV Priority level and/or an upgrade in the asset class are deemed non-substantive. The following are non-substantive changes:

1. Substituting a non-ZEV for a ZEV of the same asset class.
2. Substituting a ZEV asset for a higher priority ZEV of the same asset class (ZEV Priority upgrade).

   1) and 2) will require a confirmation from the DGS Office of Sustainability that the requesting department has the necessary charging infrastructure to support the request.

3. Substituting a vehicle with a lower-class asset type (asset class downgrade).

**Changes That Do Not Require OFAM Approval**

Changing vehicle manufacturers alone is not considered a substitution if the vehicle type and engine type are the same as the approved asset. Such substitution does not require OFAM approval. Some of the examples are as follows:

1. Ford F-150 to Chevrolet Silverado 1500
2. Ford Escape to Toyota RAV 4
3. Ford Expedition to Chevrolet Suburban

## ABBREVIATED FAP PROCESS FOR NON-LIGHT DUTY FLEET ASSETS - 4120.8

Replacement mobile equipment and vehicles (fleet assets), excluding aircraft, having a gross vehicle weight rating (GVWR) of 8,501 pounds or more, may be processed through an abbreviated Fleet Acquisition Plan (FAP) process. This abbreviated process replaces the traditional FAP Memo narrative with a shortened approval form and authorizes approval of eligible fleet asset acquisition requests by the Chief of the Department of General Services (DGS), Office of Fleet and Asset Management (OFAM) or by the Deputy Director of the DGS Interagency Support Division, as applicable. All requested fleet assets must still meet all applicable fleet policies and requirements.
To use the abbreviated FAP process agencies will need to submit a complete FAP in the same manner they do now; combined with both light-duty asset (assets having a GVWR of 8,500 pounds or lower) and additional fleet asset requests. OFAM will identify the assets that meet the abbreviated process criteria, and will separate them out onto their own abbreviated FAP.

In addition, state agencies shall certify on the Fleet Acquisition Certification, in accordance with State Administrative Manual Section 4120, that a utilization analysis was conducted on all fleet assets that are like-type to those being processed through the abbreviated process, and that no assets could be redirected to meet that replacement fleet asset need. The utilization analysis shall be conducted and retained according to the following criteria:

1. Utilization analyses shall be conducted using the provided Fleet Utilization Analysis Template, and shall contain, at minimum, the following information:
   a. Each like type fleet asset included in the analysis with asset make and model, model year, equipment number and VIN
   b. Annual mileage or hours, as applicable
   c. Annual days used
   d. The applicable minimum annual utilization standard, as listed by department on the Fleet Utilization Analysis Template, and days used for each vehicle type
   e. Each asset clearly marked with which standard it meets
   f. Justifications detailing why underutilized assets are not available to be redirected and what measures the department is taking to ensure best fleet management practices are implemented to increase utilization of the fleet asset
   g. The 12 month timeframe the utilization analysis covered, which shall be based on either the prior 12 months, or the previous calendar year
2. A copy of the utilization analysis shall be retained by the conducting agency for a period of three years.
3. OFAM may, at any time, request a copy of the utilization analysis completed for a specified FAP.
4. State agencies not in compliance with the required utilization analysis standards and document retention requirements, may have their eligibility for the abbreviated FAP process revoked.

Fleet assets eligible to be processed through the abbreviated process are subject to the FAP due dates and timeframes noted in SAM Section 4127.

## LIGHT DUTY ZERO EMISSION VEHICLE PURCHASING MANDATE - 4121

Legal Authority

Health and Safety Code section 38562.4
Executive Order B-16-12

Definitions

**Field Employee:**
An employee whose official duties include substantial field work (greater than 50 percent) outside a central work location.

**Fleet Acquisition Plan:**
Defined in SAM 4120.

**Light-Duty Vehicle:**
A vehicle or mobile equipment with a Gross Vehicle Weight Rating (GVWR) of 8,500 pounds or less. For this policy, ½-ton pickups are considered light-duty irrespective of their GVWR.

**Mobile Office:**
For this policy, a mobile office is a state vehicle consistently used as a primary field workspace. This designation applies only when the vehicle is essential for regularly completing official documentation, securely accessing digital systems, or

performing other critical tasks that cannot reasonably occur elsewhere. The classification of a vehicle as a mobile office must be supported by operational necessity, not incidental or occasional use.

**Public Safety Special Performance:**
Vehicles that have special performance requirements necessary for the protection of public safety and welfare, as defined in SAM 4121.4.

**Zero-Emission Vehicle:** A vehicle that produces no tailpipe emissions or other pollutants during operation. Battery Electric Vehicles and Fuel Cell Vehicles are considered pure ZEVs, whereas plug-in hybrid electric vehicles are regarded as transitional ZEVs.

Policy

In support of the state's sustainability initiatives, such as Executive Order N-79-20 and the ZEV Pledge for the Public Fleets, state agencies (agencies) shall continue to incorporate more Zero-Emission Vehicles (ZEVs) in their fleets.

In alignment with the state's goal of achieving net-zero greenhouse gas emissions from state agency operations by 2035, as outlined in Health and Safety Code section 38562.4, agencies must ensure that beginning Fiscal Year 2026/27, at least 60 percent of their Light-Duty (LD) fleet acquisitions are ZEVs. This requirement shall increase by 10 percent annually until it reaches 100 percent by fiscal year 2030-31.

The table below outlines annual requirements.

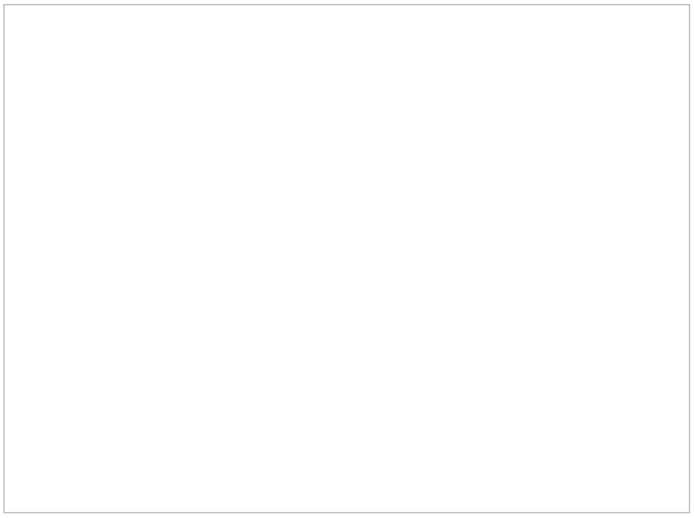


Table content available in source manual.

*Purchasing requirement for FY 25-26 remains at 50 percent.

Each ZEV acquired by a state agency earns ZEV credits that count toward the agency's purchasing requirement. For details on ZEV credit ratios by ZEV type, refer to the SAM 4121.3.

**Exemptions:**

PSSP Assets:

Under EO B-16-12 and SAM 4121.4, vehicles with special performance requirements necessary for public safety and welfare (PSSP vehicles) may qualify for exemption from this mandate. To request a PSSP exemption, agencies must submit an accurate and complete OFAM 163 – PSSP Exemption Request form along with their Fleet Acquisition Plans (FAPs).

**Field Operation Assets – Beginning fiscal year 2026-27:**

Assets assigned to field employees may be exempt if they meet one of the following criteria:

1. The vehicle is used as a cooling station in compliance with California Occupational Safety and Health Administration (Cal/OSHA) Title 8, Section 3395.
2. The vehicle functions as a mobile office, and the field employee is assigned to or frequently travels to areas with limited or no access to charging stations.
3. The vehicle must idle or power auxiliary equipment to perform job duties, and a ZEV's battery capacity is insufficient to meet this need.
4. The vehicle is assigned to an employee required by their duty statement to be on call 24/7 for rapid deployment as needed.

To request a field operation exemption, agencies must submit a detailed justification that clearly demonstrates how the asset meets the criteria referenced above. This justification must include an evaluation of ZEVs available on the state vehicle contract and explain why none can meet the agency's operational needs. Agencies are required to include supporting documentation, such as telematics reports, trip logs, area maps, classification duty statements, and vehicle specification charts.

Responsibilities **OFAM:**

1. Review agency FAPs to ensure they meet the annual ZEV purchasing requirement.
2. Monitor progress of the state fleet ZEV adoption to ensure that the state is moving towards its sustainability goals.

**Agency:**

1. Ensure FAPs comply with this policy. Asset acquisition requests that do not comply with policy requirements will not be approved.

Resources

**Fleet policy questions:**
FleetPolicy@dgs.ca.gov
**FAP questions:**
FAMSSupport@dgs.ca.gov

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## ZEV AND HYBRID FIRST PURCHASING MANDATE - 4121.1

Legal Authority

Health and Safety Code section 38562.4

Definitions

**Battery Electric Vehicle:**
A vehicle powered exclusively by electricity through a battery.

**Bi/Flex-Fuel Vehicle:**
A vehicle equipped with an internal combustion engine capable of running on two different fuels.

**Field Employee:**
Defined in SAM 4121.

**Fleet Acquisition Plan:**
Defined in SAM 4120.

**Fuel Cell Vehicle:**
A type of zero-emission vehicle that uses hydrogen gas in a fuel cell to generate electricity. The emission byproduct is water vapor.

**Heavy-Duty:**
A vehicle or mobile equipment with a Gross Vehicle Weight Rating (GVWR) of 16,001 pounds or greater.

**Hybrid:**
A vehicle powered by both an internal combustion engine (ICE) and an electric motor. The battery is charged through regenerative braking, and the engine cannot be plugged in to charge the battery.

Policy

State agencies (Agencies) are required to prioritize the purchase of Zero-Emission Vehicles (ZEVs) and Hybrids over internal combustion engine (ICE) vehicles in all applicable vehicle categories where ZEV and Hybrid options are available through the state vehicle contract, and where it is programmatically feasible.

This ZEV and Hybrid first purchasing requirement is in addition to the annual Light-Duty ZEV purchasing requirements outlined in SAM 4121. Vehicles exempt from the SAM 4121 are not subject to this policy.

Agencies submitting a Fleet Acquisition Plan (FAP) to the Department of General Services, Office of Fleet and Asset Management (OFAM) for approval of new or replacement vehicles, as required by SAM 4120, must follow the vehicle selection priority guidelines outlined below.

**Priority 1:** Pure ZEVs, including battery electric vehicles (BEVs) and fuel cell vehicles (FCVs)

**Priority 2:** Plug-in hybrid electric vehicle (PHEV)

**Priority 3:** Hybrid

**Priority 4:** ICE vehicles, including bi-fuel and flex-fuel vehicles

Agencies must select the highest-priority vehicle available on the state vehicle contract unless OFAM approves a ZEV and Hybrid Priority Level Exemption.

**Exemptions**

Agencies seeking a priority level exemption must submit a formal exemption request to OFAM as part of their FAPs. Requests must follow the procedures and justification requirements outlined in the ZEV and Hybrid Priority Level Exemption Criteria published on the OFAM website. Future updates to the exemption criteria will be communicated through DGS Management Memos.

Responsibilities **OFAM**

1. Approve or deny ZEV and Hybrid First Purchasing Mandate Exemption requests in accordance with this policy
2. Monitor the progress of ZEV adoption across the state fleet to ensure alignment with statewide sustainability goals

**Agency**

1. Prioritize the acquisition of the highest priority vehicle available on the state vehicle contract.
2. Submit exemption requests with all required narrative justifications and supporting data for each asset requested to be exempt from the ZEV and Hybrid First Purchasing Mandate

Resources

**Subscribe to Management Memos:**
https://public.govdelivery.com/accounts/CADGS/subscriber/topics?qsp=CADGS_9
**FAP Submissions or Questions:**
FAMSSupport@dgs.ca.gov
**Fleet Policy Questions:**
FleetPolicy@dgs.ca.gov

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## 50 PERCENT PURE ZEV PURCHASING EXEMPTION - 4121.2

Beginning in FY 16/17, agencies that have integrated Zero Emission Vehicle (ZEV) compatible telematics solutions into 100 percent of their ZEV fleet and commit to providing DGS with monthly reporting demonstrating proper charging/fueling of these ZEVs shall be exempt from the 50 percent pure ZEV purchasing requirement.

Charging/fueling information captured by the telematics solution shall be uploaded monthly, in accordance with Executive Order (EO) B-2-11 and Public Resource Code Section 25722.5, into the Fleet Asset Management System (FAMS). The Department of General Services (DGS), Office of Fleet and Asset Management (OFAM) will monitor charging/fueling data to ensure proper use of ZEV assets.

ZEVs include plug-in electric vehicle such as Battery Electric Vehicles (BEV) and plug-in hybrid electric vehicles (PHEV) as well as Fuel Cell Vehicles (FCV). An ZEV capable vehicle telematics solution must be able to accurately report electricity, petroleum (as applicable), and hydrogen fuel usage, as well as other vehicle reporting data such as odometer information and days used on a monthly basis.

A telematics solution is a system that is installed in a vehicle that records and transmits information about the vehicle such as the current odometer, maintenance needs, and fuel consumption.

## ZEV CREDITS AND CREDIT RATIOS - 4121.3

**Zero Emission Vehicle (ZEV) Credits**

ZEV credits earned and retained prior to July 1, 2017, are treated as State Agency ZEV Credits. State Agency ZEV Credits, which were earned as a result of purchasing more ZEVs than was required for a given fiscal year, may be used by the owning agency in subsequent years to meet applicable yearly mandatory ZEV acquisition requirements. Effective July 1, 2017 agencies will no longer acquire State Agency ZEV Credits for purchases that exceed the amount required for a given fiscal year; after July 1, 2017, all excess ZEV credits achieved will become statewide ZEV credits (see next section: Statewide ZEV Credits).

Please note, state agencies that have not received an exemption to the 50 percent Pure ZEV requirement through the installation of telematics on 100 percent of their ZEVs, as indicated in section 4121.2, may not use credits acquired from the purchase of plug-in hybrid vehicles (PHEV) credits to satisfy the 50 percent requirement.

**Statewide ZEV Credits**

As of July 1, 2017, any excess ZEV credits earned as the result of purchasing more ZEVs than was required in a given fiscal year will be treated as Statewide ZEV Credits. Statewide ZEV Credits will be tracked by the Department of General Services (DGS), Office of Fleet and Asset Management (OFAM). Statewide ZEV Credits will be used, if available, at the end of a given fiscal year to offset any statewide deficiency resulting from Operational Need Exemption (see next section: Operational Need Exemption) in meeting the state fleet's overall ZEV purchasing requirements. Statewide ZEV credits may be used as either Pure ZEV or PHEV credits, regardless of which ZEV type was purchased to generate the original credit.

**Operational Need Exemption**

State agencies that meet applicable eligibility criteria (see next section: Operational Need Exemption Eligibility Criteria) may request an Operational Need Exemption from a given fiscal year's ZEV purchasing requirements. To request an Operational Need Exemption, state agencies shall submit their request on an OFAM-190 form along with their Fleet Acquisition Plan (FAP). State agencies requesting an Operational Need Exemption that are not required to submit a FAP, due to having earned accreditation for Level Three fleet acquisition delegation, may submit a completed OFAM-190 form without a FAP once they have determined their annual light-duty purchases and ZEV purchasing requirements for a given fiscal year.

**Operational Need Exemption Eligibility Criteria**

To qualify for an Operational Need Exemption, state agencies must meet the following eligibility criteria:

1. The requesting state agency has sufficiently demonstrated that they are unable to purchase the requisite number of ZEVs to meet that fiscal year's applicable purchasing threshold. DGS shall make the final determination that a state agency has sufficiently demonstrated that they are unable to purchase the requisite number of ZEVs to meet that fiscal year's applicable purchasing thresholds. To make that determination, DGS will primarily use the following criteria:
    a. A full light duty fleet composition analysis has been conducted by DGS and the requesting agency, which demonstrates that all opportunities for replacement of eligible vehicles that could be converted to ZEVs, have been exhausted.
    b. The requesting state agency has certified on the OFAM-190 form that there are no opportunities for vehicle replacement downgrades or re-directions that could increase their ability to comply with the annual ZEV purchasing threshold.
    c. The requesting state agency shall have exhausted all of their applicable State Agency ZEV credits.
2. The following criteria will not be used in determining a state agency's eligibility:
    a. Lack of sufficient charging infrastructure
    b. Cost to procure the ZEVs

**ZEV Credit Ratios**

**Light Duty (LD) and Heavy Duty (HD) ZEV and PHEV Ratio Table**

Table content available in source manual.

**Medium Duty (MD) and Heavy Duty (HD) ZEV and PHEV Ratio Table**
Table content available in source manual.

**Note**

1. For example, a 1:3 ratio means each corresponding Class 4-8 HD ZEV is equivalent to 3 LD ZEVs.
2. Medium Duty includes Class 2B-3 Gross Vehicle Weight Rating (GVWR) from 8,501 to 14,000 lbs.
3. Heavy Duty includes Class 4-8, GVWR greater than 14,000 lbs.

## EO B-16-12 PUBLIC SAFETY SPECIAL PERFORMANCE EXEMPTION - 4121.4

EO B-16-12 specifies that only public safety vehicles with special performance requirements are exempted from a state agency's annual zero emission vehicle (ZEV) purchasing requirements. Governor Brown's 2016 ZEV Action Plan requires the Department of General Services (DGS) to evaluate and provide further guidance to agencies as to the appropriate circumstances under which the public safety exemption should be invoked so as to ensure that ZEVs are integrated in to public safety mobile assets wherever feasible.
Accordingly, when evaluating the invocation of this exemption for a specific light-duty vehicle within its fleet, a state agency must be able to demonstrate that:

1. The vehicle is an authorized emergency vehicle pursuant to California Vehicle Code §165; and,
2. The vehicle, pursuant to California Vehicle Code §21055, may be
    a. driven in response to an emergency call or while engaged in rescue operations, or
    b. driven in immediate pursuit of an actual or suspected violator of the law,
    c. driven in response to, but not returning from, a fire alarm, or
    d. operated from one place to another as rendered desirable or necessary by reason of an emergency call and operated to the scene of the emergency, or
    e. operated from one fire station to another or to some other location by reason of the emergency call; and,
3. The vehicle must be able to reach the anticipated emergency location within 30 minutes to no more than 1 hour.
4. Where emergency response is not the primary purpose of a vehicle, a state agency must be able to demonstrate that the specific vehicle may be used as part of an established mutual aid agreement that would necessitate an emergency response as outlined above.

Agencies shall submit a public safety special performance exemption justification either through the EO B-16-12 Public Safety Special Performance Exemption Request form located on the DGS website or include the agency justification in the Fleet Acquisition Plan Spreadsheet. Agencies are expected to evaluate their entire light-duty fleet for every opportunity to incorporate ZEVs over traditional vehicles. (An electronic copy of the *EO B-16-12 Public Safety Special Performance Exemption Request Form* can be found at the DGS website located at Office of Fleet and Asset Management Web Site)

## ZEV PURCHASE ORDERS & ABBREVIATED ZEV ACQUISITION PROCESS - 4121.5

**ZEV Purchase Orders**
To ensure approved ZEVs are purchased and agencies comply with applicable annual ZEV purchasing requirements, purchase orders for ZEVs must be issued within the same fiscal year or three months after receiving a FAP approval, whichever is later.
**Abbreviated ZEV Acquisition Process**
To expedite the purchase of ZEVs OFAM has established an abbreviated FAP process for ZEV requests that can be submitted separate from an agency's full FAP. To use the expedited ZEV process agencies will need to submit a completed *Fleet Acquisition Plan Spreadsheet* listing all the ZEVs being requested to be purchased. In addition, agencies will need to provide a completed and signed *Fleet Acquisition Certification* for the ZEV vehicles. Expedited ZEV requests shall include the same level of justification for additional vehicles and meet the disposition criteria for vehicle replacements. ZEV requests processed under this method will be approved by the Chief of OFAM. ZEV purchases approved through this process will be reconciled with the agency's full FAP to ensure overall compliance.

## ZEV INFRASTRUCTURE PLANNING AND READINESS - 4121.6

A. When submitting a Fleet Acquisition Plan (FAP) to the Department of General Services (DGS), Office of Fleet and Asset Management (OFAM), state agencies must be able to demonstrate that they have appropriately planned for, and currently have, zero emission vehicle (ZEV) charging infrastructure necessary to support their existing and requested ZEV's in order to receive approval.

Until June 30, 2021, to demonstrate sufficient charging infrastructure, agencies must submit answers to the following applicable questions with their FAP. Please see the Fleet Acquisition Plan Narrative form for more details.

1. What is the address of the location where this vehicle will be domiciled at (please provide this address on the FAP spreadsheet in the column titled "ZEV Domicile Address")?
2. How many electric vehicle (EV) chargers (broken down by charger type) are currently installed at the vehicle's anticipated domicile location?
3. Are the EV chargers single or dual capacity?
4. Does the facility utilize a charging rotation schedule?
5. Are there any other electric charging outlets that could be, or are being, used for EV charging?
6. Are any EV charging stations being currently installed and, if so, when is the anticipated completion date of the installation?
7. How many plug-in electric vehicles are currently domiciled at the anticipated location?
8. For requested Fuel Cell Vehicles, where is the closest Hydrogen Fueling Station?

B.

1. Starting July 1, 2021, to ensure proper ZEV infrastructure planning is taking place and to demonstrate that sufficient EV charging infrastructure exists, agencies shall submit a DGS OS-1 form with their FAP, which has been signed off by DGS Office of Sustainability (OS), in lieu of the answers to the questions above. To complete the DGS OS-1, state agencies must work with and have assessments conducted by OS for each site where fleet assets on their intended FAP will be domiciled.
    1. To initiate the OS review and assessment process, agencies shall complete Sections 1, 2, and 3 of the DGS OS-1 and submit the form to OSCleanTransportation@dgs.ca.gov.
    2. Agencies must submit the DGS OS-1 to OS at least six months prior to the planned submittal date of the FAP to OFAM to ensure assessments are completed and infrastructure installations have started prior to approval of the FAP.
    3. Once the assessments have been completed and OS has signed off on the DGS OS-1, agencies shall submit that form with their subsequent FAP to OFAM.
    4. In the FAP review process, OFAM will review and validate the responses provided on the DGS OS-1 to ensure there is appropriate charging infrastructure to support agency's existing and requested ZEVs. MARCH 2020
2. State agencies requesting an exemption to the ZEV and Hybrid-Electric Alternative Fuel Vehicle First Purchasing Mandates of SAM Sections 4121, 4121.1, and 4121.9, due to the inability to install EV charging infrastructure at the vehicle's domicile site, must submit a DGS OS-1, on which OS has identified the site as not feasible for EV charging infrastructure. Additionally, state agencies must certify on their OFAM-161 B (Fleet Acquisition Certification) that there is no publicly available infrastructure in the area that could be accessed to support the vehicle(s) requested for exemption.

## SEDAN PURCHASING RESTRICTIONS - 4121.7

**A. Restriction on Purchases of Internal Combustion Engine Sedans**

State agencies are prohibited from purchasing sedans powered solely by an internal combustion engine utilizing fossil fuels, as well as sedans powered by flex-fuel or bi-fuel engines utilizing petroleum-based fuels and other alternative fuels, such as ethanol. This prohibition does not include sedans powered by a hybrid electric-powered engine.

To receive an exemption to this policy, state agencies must meet the criteria outlined in Subsection B.

**B. Public Safety Special Performance Exemption**

State agencies that can sufficiently demonstrate the need for one or more vehicles with special performance requirements necessary for the protection of public safety and welfare shall not be subject to the restriction on purchases of internal combustion engine sedans outlined in Subsection A. When invoking the Public Safety Special Performance (PSSP) exemption, state agencies must submit sufficient justification with the agency's fleet acquisition plan that demonstrates:

1. the sedan qualifies for the PSSP exemption, per State Administrative Manual Section 4121.4; and
2. the sedan being requested is either pursuit-rated or has non-exempt license plates and is used for undercover purposes.

## VEHICLE MANUFACTURER PURCHASING RESTRICTIONS - 4121.8

**A. California Air Resources Board Aligned Vehicle Manufacturer Purchasing Mandate**

Beginning January 1, 2020, state agencies are required to purchase vehicles from Original Equipment Manufacturers (OEMs) that recognize California's authority to set vehicle emission standards under section 209 of the Clean Air Act, and have aligned with the California Air Resources Board (CARB) in their commitment to reducing their fleets' emissions, pursuant to the policies set forth in this section. A current list of CARB-aligned OEMs can be found on the Department of General Services (DGS), Office of Fleet and Asset Management (OFAM) website (https://www.dgs.ca.gov/OFAM/Resources/Page-Content/Office-of-Fleet-and-Asset-Management-Resources-List-Folder/Vehicle-Manufacturer-Purchasing-Restrictions).

Pursuant to SAM Section 4120, state agencies are required to submit a fleet acquisition plan (FAP) to DGS when seeking to add or replace vehicles within their fleets. When submitting a FAP to DGS, state agencies shall select vehicles from DGS-issued state vehicle contracts, in designated vehicle categories subject to this policy, based on the following priority structure:

Priority Level 1: Vehicles from CARB-aligned OEMs.

Priority Level 2: Vehicles from non-CARB-aligned OEMs.

Designated vehicle categories subject to this policy are listed on the DGS OFAM website (https://www.dgs.ca.gov/OFAM/Resources/Page-Content/Office-of-Fleet-and-Asset-Management-Resources-List-Folder/Vehicle-Manufacturer-Purchasing-Restrictions). In vehicle categories where there is no available Priority Level 1 vehicle, state agencies must meet the exemption criteria outlined in Subsection B to purchase a Priority Level 2 vehicle.

State agencies requesting to purchase a Priority Level 2 vehicle, where there is a Priority Level 1 vehicle available in the same vehicle category, must be able to sufficiently demonstrate why their programmatic transportation requirements could not be satisfied with the available Priority Level 1 vehicle. To be approved for exemption from Priority Level 1, the purchase request must be fully justified in accordance with criteria outlined in Subsection B.

**B. CARB-Aligned OEM Vehicle Priority Level Exemptions**

Agencies requesting an exemption from procuring a CARB-aligned OEM Level 1 vehicle must submit a justification for each non-CARB-aligned OEM Level 2 vehicle being requested with the agency's FAP. Exemptions will only be considered and approved under limited circumstances and will require final approval by the director of the Department of General Services, subject to review by the secretary of the California Government Operations Agency. For an exemption to be approved, state agencies must provide justification that sufficiently demonstrates:

1. the acquisition of a Priority Level 1 vehicle would have a severe and extended impact to the agency's ability to execute its programmatic responsibilities; and
2. the requested acquisition is necessary to protect the health, safety, or security of the public or is necessary to provide critical services and functions; and
3. the requested acquisition cannot be supported with an existing fleet asset; and
4. the requested acquisition is urgently required to ensure the state's ability to execute its programmatic responsibilities and cannot be postponed to subsequent years.

**C. Public Safety Special Performance Exemption**
State agencies that can sufficiently demonstrate the need for one or more vehicles with special performance requirements necessary for the protection of public safety and welfare shall not be subject to the CARB-Aligned Vehicle Manufacturer Purchasing Mandate outlined in Subsection A. When invoking the Public Safety Special Performance (PSSP) exemption, state agencies must submit sufficient justification with the agency's FAP that demonstrates:

1. the requested acquisition(s) is necessary to protect the health, safety, or security of the public or is necessary to provide critical services and functions; and
2. the requested acquisition(s) meets the PSSP criteria outlined in SAM Section 4121.4.

**Note**: This purchasing policy shall take precedence over all other non-statutorily mandated fleet purchasing policies.
**Note**: This purchasing policy shall take precedence over all other non-statutorily mandated fleet purchasing policies.

## TELEMATICS - 4122

**Legal Authority**
Public Resources Code section 25722.5
Executive Order B-2-11

**Definitions**
For the purposes of this policy, the following definitions apply:

**Fleet Asset:**
State vehicles and mobile equipment owned and operated by state agencies. Specific definitions for asset types can be found in SAM 4125.

**Light-Duty (LD) Off-Road Fleet Asset**:
A motorized, self-propelled vehicle or equipment designed exclusively for off-highway use on unpaved or private lands, not registered for public roads. These include motorcycles, ATVs, snowmobiles, dune buggies, trail bikes, personal watercraft (e.g., jet skis), and motorized bikes capable of over 25 mph.

**In-service Date:**
In-service date is the date the agency begins using the asset.

**Installed:**
A telematics device is physically installed in a vehicle.

**Operational:**
A telematics device is turned on and transmits data to the telematics services software operating platform.

**Telematics Application Programming Interface (API):**
APIs are mechanisms that enable two software components to communicate with each other using a set of definitions and protocols. For this policy, the telematics API means the communication between the agencies' telematics database and the DGS fleet asset management system.

**Telematics Services:**
Telematics Services consist of both hardware and software solutions that gather and store geographic and onboard diagnostic information, such as current odometer, maintenance needs, and fuel consumption from vehicles and mobile equipment and transmit that information to a centralized software platform.

**Telematics Services Software Operating Platform:**
A telematics services software operating platform is a data management application provided by the state's contracted telematics service provider.

## Policy

State agencies (Agencies) must establish telematics policies and have telematics services installed and made operational on state-owned fleet assets (assets). These policies should ensure that agencies utilize telematics to promote employee safety and reduce fleet operational costs. The policies shall, at minimum, address the following areas:

1. Department- and program-level oversight roles and responsibilities.
2. Driver responsibilities.
3. Safe vehicle operation, to include:
    a. Excessive speeding.
    b. Seat belt usage.
4. Excessive Idling Reduction.

Telematics services must be purchased using the state's mandatory telematics service contract and operational for the asset's lifecycle unless exempted by the Department of General Services (DGS), Office of Fleet and Asset Management (OFAM).
Agencies must enroll in the telematics API and upload the Telematics Certification Report in the Fleet Asset Management System (FAMS) Portal to meet the state's fleet reporting requirements. The API collects the asset's utilization and fuel consumption data and reports the following data points in the FAMS Portal:

1. Number of Days Used
2. Odometer or Hour Meter Readings
3. Fuel Consumption (liquid fuel and electricity)

Additionally, agencies are required to program the telematics services' software operating platform to produce electric miles driven reports for plug-in hybrid electric vehicles in their fleets, which shall be made available to OFAM biannually (on

January 1st and July 1st) or upon request. OFAM will provide these reports to the California Department of Finance on an annual basis or upon request.
All new assets must be installed with a telematics device within 30 days of the in-service date and reported to the FAMS Portal.

**Telematics Installation Exemption Criteria**

The following assets are exempt from the telematics installation requirement and therefore do not require agencies to submit an exemption request:

1. Motorcycles
2. Light-duty (LD) off-road fleet assets

Non-self-propelled assets are not required to be reported in the Fleet Asset Management System (FAMS). For a full list, please refer to SAM 4125.
Assets that meet one of the following criteria may be eligible for an exemption based on OFAM's evaluation. Exemption requests must be submitted to OFAM at FleetPolicy@dgs.ca.gov.

A. Standard Exemption

The asset is non-self-propelled or not required to be reported into the FAMS Portal. The asset is not capable of having telematics installed or is unable to maintain telematics in an operational status, as determined by OFAM. The asset is categorized as a motorcycle. The asset does not require usage reporting to OFAM.

B. Undercover Vehicle Exemption

Assets that have non-exempt license plates and are used for undercover purposes may be eligible for exemption if the collection and transmission of data associated with this asset's use may endanger the safety of the asset's operator or the integrity of the undercover operation. Agencies requesting an undercover vehicle exemption must submit a per-asset-based detailed narrative justification with supporting data substantiating how exactly the collection and transmission of data may endanger the safety of the asset's operator or the integrity of the undercover operations.

C. Surplus Vehicle Exemption

Assets with an approved STD 152 Property Survey Report may be exempted from the telematics installation requirement. Agencies requesting a surplus vehicle exemption shall provide OFAM with a list of all assets that meet this criterion and their STD 152 approval date. All assets on the list shall exit the agency's fleet or have had telematics services installed within 12 months from the STD 152 approval date.

D. Cost-Effectiveness Exemption

Under very limited circumstances, a state agency may receive an exemption from the telematics requirement where the agency can show that the installation and use of telematics services on the vehicle would not provide any meaningful value to the department. Agencies must submit a comprehensive written justification, which must be accompanied by an analysis using quantifiable data, that clearly demonstrates that telematics services would not add value to the department. The analysis conducted must, at minimum, take into consideration the following criteria:
Potential Costs Savings of Telematics Services:

1. Hard Costs:
    a. Fuel Reduction
    b. Vehicle Maintenance Cost Reductions
    c. SMOG Check Automation Vehicle
    d. Replacement Avoidance
    e. Stolen Vehicle Recovery
    f. Vehicle Misuse Avoidance
2. Soft Costs:
    a. Data Gathering Efficiencies (staff time)
    b. Operational Efficiencies
    c. Emergency Response Efficiencies

Designation of a vehicle as campus-based alone is not a sufficient justification for submitting an exemption.

## Responsibilities

**OFAM:**

1. Review exemption requests and approve or decline them based on the exemption criteria outlined in this policy.
2. Perform annual compliance reviews on agencies.
3. Communicate any noncompliance to agencies and request corrective action.

**Agency:**

1. Ensure owned assets comply with the requirements outlined in this policy.
2. When requesting an exemption, complete and submit an OFAM 10 - Telematics Exemption Request to DGS OFAM via email to FleetPolicy@dgs.ca.gov for review and approval.

## Resources

- OFAM Policy Development and Compliance Unit
- OFAM 10 - Telematics Exemption Request Form
- State Telematics Contract
- Additional Information Off-Highway Vehicles

Tracked Changes Version

### VEHICLE INSPECTIONS - 4123

All vehicles shall be inspected for acceptance at the delivering dealer's place of business prior to delivery to the purchasing State agency. See SAM Section 4112. This inspection determines that all specifications are met and that the dealer has performed properly the pre-delivery inspection and servicing. The DGS will provide the services of Inspectors of Automotive Equipment to perform the acceptance inspection prior to delivery for all departments in the Inspection Services Program. The owning agency, on receipt of vehicle, should check for any damage incurred in transit from dealer to point of delivery. It is the owning agency's responsibility to license the vehicles and put them in service.

## DONATIONS AND GIFT OF FLEET ASSETS - 4124

Pursuant to Government Code Section 11005 all gifts or dedication of personal property shall be approved by the Director of the Department of Finance (Finance). OFAM request that Finance approval be included with a department FAP that includes donated assets. However, in the event that Finance approval is not obtained prior to submittal of the FAP, OFAM will process the request and recommend a conditional approval until the department is able to obtain Finance approval. OFAM will also notify Finance of the donated assets and conditional approval. Departments shall submit the Finance approval to OFAM once approved.

## STATE FLEET ASSET OVERSIGHT - 4125

### OVERVIEW

Pursuant to Executive Order B-2-11, state agencies are required to update their fleet asset information into Department of General Services Office of Fleet and Asset Management (OFAM)'s Fleet Asset Management System (FAMS) on a monthly basis, including fuel and utilization data. This policy applies to all fleet assets (owned or rented) that are in the agency's control for more than 30 consecutive calendar days or more than four (4) consecutive work weeks (excluding weekends and holidays). State agencies are required to seek OFAM approval prior to acquiring a fleet asset. See SAM section 4120 Acquisition of Vehicles for state fleet asset acquisition policy in accordance with Government Code section 13332.09.

### DEFINITION OF FLEET ASSETS

OFAM defines a fleet asset as: mobile equipment that is self-propelled and/or registered by the Department of Motor Vehicles with certain exceptions (see chart below).

Table content available in source manual.

Table content available in source manual.

1 Authority to acquire those asset types identified as "delegated" without OFAM oversight/approval is provisional.
2 See Required FAMS Fields Table.
3 Excludes departments with OFAM approval to conduct self-inspections.
4 Outboard boat motors are not their own fleet asset, and their purchase or replacement is treated as a repair or modification to a motorized boat.
5 Including but not limited to: motorcycles, ATVs, quad-runners, snowmobiles, etc.
6 Pertains to the small trailers only, and not the equipment mounted on trailers, e.g.: generators, welders, sings, message boards, kettle pots, outhouses, etc. Assets carried on trailers such as: motorcycles, snowmobiles, ATVs, etc., are considered fleet assets and are referenced separately.
7 The California Vehicle Code §26302, requires trailers having a gross weight of 3,000 lbs. or more be equipped with brakes. A mobile home or mobile office that is not permanently parked is considered a trailer.

## REPLACEMENT SCHEDULE CRITERIA - 4126

To ensure that the state maximizes its resources and that state-owned fleet vehicle assets (fleet assets) are replaced at the most economical mileage and age thresholds, it is recommended that state agencies adhere to the following replacement criteria for fleet assets. Once a fleet asset has met the vehicle age or vehicle mileage criteria listed below, it will be at a state agency's discretion to replace the fleet asset – though vehicle replacement at or near the thresholds is highly advised. These replacement standards are based upon optimum replacement threshold recommendations developed in a 2016 Vehicle Replacement Methodology report. Vehicle condition may also effect replacement.

Age and Mileage

Fleet assets that fall within the listed vehicle categories below and meet the applicable age *or* mileage threshold, whichever comes first, are eligible for replacement.

Table content available in source manual.

Vehicle Condition

A fleet asset may be disposed of or replaced when it is determined that due to the asset's condition it would be cost-effective to do so, regardless of age or mileage. To determine whether a fleet asset should be disposed of or can be safely and economically continued in service, an evaluation must be conducted by an Inspector of Automotive Equipment (IAE). If it is determined by the IAE that a fleet asset should be disposed of or replaced, an OFA-6: Inspection Survey Report form shall be provided to the Department of General Services', Office of Fleet and Asset Management.

The decision whether to retain, reutilize, or dispose of any fleet asset not meeting the minimum replacement criteria shall be based on an inspection of the following factors:

- Current mechanical condition;
- Previous maintenance and repair record;
- Extent of needed repairs and availability of parts and life expectancy of vehicle after repair;
- Current sale value;
- Cost and availability of replacement unit and accessories;
- Owning agency's ability to replace unit.

All fleet assets being disposed of require a Property Survey Report STD. 152.

## STATEWIDE TRAVEL PROGRAM - 4117

The Statewide Travel Program (STP) administers all travel contracts for airfare, commercial car rentals, travel management services (travel agency), and travel payment services. Access to the aforementioned contracts is only available through STP.

Travel contracts and services are for official business use only and may not be used for any personal (non-official business) arrangements or reservations. Any personal use could lead to civil penalties under Government Code section 8314(c).

State agencies must make all official business travel arrangements (airfare, hotel, commercial car rental and rail) through STP, with the exception of short-term rentals. Short-term rentals are defined as residential property that is rented to a visitor for fewer than 30 days through a centralized online platform whereby the rental is advertised and payments for the rental are securely processed through the service's proprietary centralized online platform (such as Airbnb.com).

Comprehensive travel services are offered via the state's authorized online self-booking tool, which is the primary means for booking travel, and/or call-in service through the state's contracted travel agency. Travelers are required to include a copy of their STP travel itinerary when submitting a Travel Expense Claim (TEC), STD. 262, or through the state's online travel reimbursement system.

When determining the mode of transportation, travelers shall use the method of travel that is in the best interest of the state, considering both direct expense and the employee's time, including but not limited to taxi, transportation network company (such as Uber or Lyft), rail, bus, air, state fleet vehicle, commercial rental vehicle or privately-owned vehicle.

The STP website may be accessed at www.dgs.ca.gov/OFAM/Travel. STP can be contacted by email at StatewideTravelProgram@dgs.ca.gov or by phone at 916-376-3974.

## AIRLINES - 4117.1

Legal Authority

Government Code section 8314(c)

Definitions

None.

Policy

State employees on official business travel are required to make airline travel arrangements through the Department of General Services (DGS), Statewide Travel Program (STP). Reservations booked outside of STP will not receive the state's contracted discounted fares and are a violation of statewide policy. Use of STP for personal flight reservations is prohibited. Any personal use could lead to civil penalties under Government Code section 8314(c).

Responsibilities **Employee:**

**A. Use of Contracted Air Carriers**

Must use the state's contracted air carrier(s) unless seats or flights are not available in an approved fare class to accomplish the purpose of the travel. Justification for use of any off contract is required; reason code must be provided during telephonic reservation request or via the online booking tool.

**B. Non-Refundable Airfare Requirements**

Shall book airfares that are non-refundable. Justification for use of fully refundable airfare is required; reason code must be provided during telephonic reservation request or via the online booking tool.

**C. Advance Airfare Booking Requirements**

Shall reserve their domestic airfare(s) at least seven days prior to their anticipated travel date(s), where feasible, and shall reserve their international airfare(s) at least 30 days prior to their anticipated travel date(s). Justification for booking airfare outside of the advance airfare booking requirements is required; reason code must be provided during telephonic reservation request or via the online booking tool.

**D. International Airfare**

Shall choose the most economical airfare that meets their business needs when traveling internationally.

Due to the complex nature of international travel, employees are encouraged to make their reservations via telephonic reservation with the state's contracted travel management services vendor, in lieu of self-booking airfare through the state's online booking tool. This will help to ensure that the employees are presented with the most economical options (airfare, hotel, car, etc.) that meet the employees' business needs.

**E. Unused Ticket Credits**

Must use any accrued unused ticket credits for their next business flight.

**State Agencies:**

Monitor use of airfares to ensure employees are complying with the airfare purchasing requirements outlined above.

**A. Unused Ticket Credits**

Work with employees to ensure any applicable ticket credits are used for a traveler's next business trip.

Prior to an employee's separation or transfer to another state agency, complete the following:

- Request an unused ticket report from the state's contracted travel agency to ensure there are no outstanding ticket credits in an employee's account that are the property of the state.
- Request options for the recoupment of funds from the airline by contacting the state's contracted travel agency.
- Offer employee the option to purchase any outstanding ticket credits at the discretion of the employee's agency. (Employees opting to purchase unused ticket credits will save the employee's state agency the cost of using the services of the issuing airline and paying the associated fees.)

**B. Compliance Reporting**

When applicable, non-compliant agencies may be required to submit a corrective action plan to DGS STP within 60 days of the notice, detailing how they plan to become compliant with the policies outlined in this section.

**Statewide Travel Program:**

**A. Compliance Reporting**

1. Provide each state agency's Deputy Director of Administration (or equivalent) with an annual exception report identifying the following:
   - Airfare reserved
   - Associated excess airfare costs incurred
   - Corresponding reason code justifications for airfare bookings that do not conform to the travel policies outlined above.
2. Notify state agencies of noncompliance with travel policies outlined above (for using non-contracted air carriers, high levels of fully refundable airfares and/or for making reservations that do not adhere to the advance booking requirements).
3. Review state agency's corrective action plan.

Resources

Information on the state's contracted air carriers, and other air travel resources, can be found on the Statewide Travel Airfare Resources page.

## COMMERCIAL CAR RENTALS - 4117.2

**Legal Authority**

Government Code section 8314(c) – (Violation)

Definitions

**Internal Combustion Engine**
Vehicles powered by gasoline or diesel fuel.

**Large/Oversize Vehicle**
Vehicles classified to be larger than intermediate sized vehicles.

**Long-Term Rental**
Vehicles rented for 30 consecutive calendar days, or more than four (4) consecutive work weeks are considered a long-term rental.

**Zero Emission Vehicle**
Vehicles powered by electric batteries.

Policy

State employees on official business are required to make commercial car rental reservations through the Statewide Travel Program (STP). Reservations outside of STP will not receive the state's contracted discounted rates and are a violation of SAM Section 4117. **Use of the STP for personal use is prohibited.** Any personal use could lead to civil penalties. (Gov. Code section 8314(c)).

Compact and intermediate are the required vehicle classes. All oversized vehicle rental requests must be approved in advance of travel dates.

Agencies/departments must obtain approval from the Office of Fleet and Asset Management (OFAM) for long-term commercial car rentals. Commercial car rental vehicles rented for 30 consecutive calendar days or more than (4) consecutive work weeks (excluding weekends and holidays) are considered a long-term rental. Circumventing the long-term rental approval process by re-renting week to week or with a short break after 30 consecutive days without seeking OFAM approval is prohibited.

Responsibilities

**Employees:**

A. Rental Options

The state's commercial car rental contract includes both Zero Emission Vehicles (ZEV) and Internal Combustion Engine (ICE) vehicles as rental options. State employees are encouraged to rent ZEVs where available and feasible.

B. Large/Oversize Vehicle Rentals

When renting an ICE vehicle, state employees shall complete the Short-Term Vehicle Justification DGS OFAM 100 and submit to the department travel/accounting office/unit before making the rental reservation.

C. Long-Term Vehicle Rental Requirements

Obtain approval by the OFAM Fleet and Asset Management Unit (FAMS) for long-term commercial car rentals. Requests for approval to enter into a long-term commercial car rental agreement should be sent to DGSTLTL@dgs.ca.gov prior to renting the vehicle.

**Fleet and Asset Management Unit:**

Review and approve long-term rentals.

Resources

- STP Commercial Car Rental Contract
- STP Car Rental Resources Webpage

## LODGING - 4117.3

**Legal Authority**

Government Code section 4475
Government Code section 8314(c) – (Violation)

**Definitions**

**Short-Term Rental**
Residential property that is rented to a visitor for fewer than thirty (30) days through a centralized online platform whereby the rental is advertised and payments for rental are securely processed.

**Policy**

State employees on official business are required to make lodging reservations through the Statewide Travel Program (STP), with the exception of short-term rentals. Reservations outside of STP will not receive the state's contracted discounted rates and are a violation of SAM Section 4117. **Use of the STP for personal use is prohibited.** Any personal use could lead to civil penalties. Gov. Code section 8314(c).

Lodging reservations should be made with "Most Preferred" or "Preferred" designations in the online booking tool and/or during a telephonic reservation request, provided that the lodging expenses are in accordance with policies published by the California Department of Human Resources (CalHR).

In the event a "Most Preferred" or "Preferred" designated hotel is not available, state employees shall reserve lodging in accordance with state policy and published lodging maximum rates.

**Responsibilities**

**Employees:**

Traveling employees should continue to make reasonable efforts to secure lodging that is in the best interest of the state.

**Fleet and Asset Management Unit:**

Review and approve "Most Preferred" and "Preferred" designated hotels via STP's contracted travel agency.

**Resources**

- STP Lodging Resources Webpage
- CalHR Human Resources Manual Section 2203

## TRAVEL AGENCIES - 4117.4

State employees conducting official business may only use the Statewide Travel Program's (STP) contracted travel agency for travel reservations. For specific information about STP's contracted travel agency, please refer to the STP Travel Management Services Resource page.

**Use of the contracted travel agency for personal reservations is prohibited.** Any personal use could lead to civil penalties under Government Code section 8314(c).

## TRAVEL PAYMENT SERVICES AND VIRTUAL PAYMENTS - 4117.5

The Statewide Travel Program (STP) administers the contract to provide Travel Payment Services (TPS) and associated account and reconciliation reports. State agencies are required to pay for employee travel using the TPS. This contract also includes common carrier insurance when bookings are made using the TPS via STP's authorized online self-booking tool and/or contracted travel agency.

STP also administers travel-related virtual payment services for state agencies. Virtual payment services are unavailable unless the booking is made within STP's authorized online self-booking tool, or by calling the state's contracted travel agency. State agencies are required to offer employees the ability to use virtual payment services. For specific information about STP's contracted TPS, please refer to the STP Travel Payment Services Resource page.

**Use of TPS or virtual payment services for personal travel reservations is prohibited.** Any personal use could lead to civil penalties under Government Code section 8314(c).

### PAYMENT PROCESS FOR MEETING, CONFERENCE, AND EVENT RELATED EXPENSES - 4117.6

Payment for all state-conducted meetings, conferences, events, seminars, workshops, off-sites, presentations, training, examination locations, forums, public hearings, trade shows, and job fairs when conducted at a lodging or event establishment shall be made utilizing the state's contracted Travel Payment Services (TPS) Meeting Account (MTG).

For all meeting and event contracts between the state of California and a lodging and/or meeting industry vendor, the contract must include the TPS MTG as the method of payment. For specific information about STP's contracted TPS MTG process, please refer to the STP Travel Payment Services Resource page.

Meeting and event expenses include but are not limited to:

- Meeting space for hotel, conference, and convention centers
- Hotel room blocks
- Exhibit space
- Hotel business services (faxing, photocopying)
- Audio visual and telecommunications rentals and services
- Ground transportation and public transportation

## Chapter - 4500

Sections for Chapter 4500

| Section | Subchapter |
|---|---|
| PROGRAM SUMMARY, RESOURCES, AND CONTACTS | 4500 |
| STATUTORY AUTHORITY | 4501 |
| OFFICE OF PUBLIC SAFETY COMMUNICATIONS SERVICES | 4503 |
| TERMS AND DEFINITIONS | 4505 |
| AGENCY MANAGEMENT RESPONSIBILITIES | 4510 |
| FEASIBILITY STUDY REPORTS | 4511 |
| PUBLIC SAFETY COMMUNICATIONS PLANNING | 4515 |
| EMERGENCY ASSUMPTION OF CONTROL | 4520 |
| PERFORMANCE OF SERVICES | 4525 |
| PUBLIC SAFETY COMMUNICATIONS SERVICES | 4530 |
| FACILITIES MANAGEMENT | 4535 |
| TELECOMMUNICATIONS DIVISION SERVICES | 4540 |
| DELEGATION | 4545 |
| STATE TELEPHONE DIRECTORY | 4550 |
| BILLING FOR SERVICES | 4555 |

### PROGRAM SUMMARY, RESOURCES, AND CONTACTS - 4500

This chapter provides major policy for the state's Public Safety communications systems and services. The program includes, but is not limited to, design, engineering, acquisition, installation, maintenance, and operation of the state's Public Safety communications systems and facilities; establishing policies, standards, practices, and procedures for managing public safety communications systems and services; and developing strategic and tactical policies and plans for statewide Public Safety communications.

This program ensures that statewide public safety communications management is timely and efficient. It also ensures that the specialized communications needs of public safety are met. This is accomplished through policies that maximize the state's resources and direct the consolidation and joint use of communications systems and services where it makes economic, programmatic, and technical sense to do so.

Directives, procedures, and service information for complying with this policy are contained in the Public Safety Communications Services Guide (PSCSG). The PSCSG is available from the Department of General Services, Office of Public Safety Communications Services, located at 601 Sequoia Pacific Boulevard, Sacramento, CA 95814, or on the Web Site at https://www.caloes.ca.gov/cal-oes-divisions/public-safety-communications.

See SAM Section 0030 for contact names and telephone numbers

### STATUTORY AUTHORITY - 4501

Government Code Sections 15252 through 15253 authorizes Office of Emergency Services (OES) to improve and coordinate the use of radio and other communications facilities owned and operated by the state, and to coordinate and cooperate with cities, counties, and other political subdivisions thereof, in order to eliminate duplications and interferences, to bring about economies which could not otherwise be obtained

Government Code Section 15275 authorizes OES to:

a. Provide adequate representation of local and state governmental bodies and agencies before the Federal Communications Commission in matters affecting the state and its cities, counties, and other public agencies regarding public safety communications issues.
b. Provide, upon request, adequate advice to state and local agencies in the state concerning existing or proposed public safety communications facilities between any and all of the following: cities, counties, other political subdivisions of the state, state departments, agencies, boards, and commissions, and departments, agencies, boards, and commissions of other states and federal agencies.
c. Recommend to the appropriate state and local agencies rules, regulations, procedures, and methods of operation that it deems necessary to effectuate the most efficient and economical use of publicly owned and operated public safety communications facilities within this state.
d. Provide, upon request, information and data concerning the public safety communications facilities which are owned and operated by public agencies in connection with official business of public safety services including information required to be submitted to California Department of Technology pursuant to California Emergency Services Act, Government Code 8592.35.
e. Carry out the policy of this section.

Government Code Section 15277 establishes within OES, a Public Safety Communications Division (division) whose duties shall include, but not be limited to, all of the following:

a. Assessing the overall long-range public safety communications needs and requirements of the state considering emergency operations, performance, cost, state-of-the-art technology, multiuser availability, security, reliability, and such other factors deemed to be important to state needs and requirements.
b. Developing strategic and tactical policies and plans for public safety communications with consideration for the systems and requirements of the state and all public agencies in the state, and preparing an annual strategic communications plan that includes the feasibility of interfaces with federal and other state telecommunications networks and services.
c. Recommending industry standards for public safety communications systems to assure multiuser availability and compatibility.
d. Providing advice and assistance in the selection of communications equipment to ensure that the public safety communications needs of state agencies are met and that procurements are compatible throughout state agencies and are consistent with the state's strategic and tactical plans for public safety communications.
e. Providing management oversight of statewide public safety communications systems developments.
f. Providing for coordination of, and comment on, plans, policies, and operational requirements from departments that utilize public safety communications in support of their principal function, such as the Office of Emergency Services, National Guard, health and safety agencies, and others with primary public safety communications programs.
g. Monitoring and participating on behalf of the state in the proceedings of federal and state regulatory agencies and in congressional and state legislative deliberations that have an impact on state government public safety communications activities.
h. Developing plans regarding teleconferencing as an alternative to state travel during emergency situations.
i. Ensuring that all radio transmitting devices owned or operated by state agencies and departments are licensed, installed, and maintained in accordance with the requirements of federal law. A request for a federally required license for a state-owned radio transmitting device shall be sought only in the name of the “State of California.”
j. Acquiring, installing, equipping, maintaining, and operating new or existing public safety communications systems and facilities for public safety agencies. To accomplish that purpose, the division is authorized to enter into contracts, obtain licenses, acquire property, install necessary equipment and facilities, and do other necessary acts to provide adequate and efficient public safety communications systems. Any systems established shall be available to all public agencies in the state on terms that may be agreed upon by the public agency and the division.
k. Acquiring, installing, equipping, maintaining, and operating all new or replacement microwave communications systems operated by the state, except microwave equipment used exclusively for traffic signal and signing control, traffic metering, and roadway surveillance systems. To accomplish that purpose, the division is authorized to enter into contracts, obtain licenses, acquire property, install necessary equipment and facilities, and do other necessary acts to provide adequate and efficient microwave communications systems. Any system established shall be available to all public safety agencies in the state on terms that may be agreed upon by the public agency and the division.

## OFFICE OF PUBLIC SAFETY COMMUNICATIONS SERVICES - 4503

The Office of Public Safety Communications Services (OPSCS) provides a number of services designed to support public safety agency requirements for systems and services in a cost-effective manner to the state as a whole. Specific information on the services, their availability, rates, and ordering procedures are found in the PSCSG.

## TERMS AND DEFINITIONS - 4505

**Consolidated Services.** Refers to Public safety communications systems and services provided either directly or via contract by DGS designed to serve multiple agencies within a geographic area. Services include communications engineering design, project management, installation, maintenance, and operations. Specific systems offered by the Office include the Public Safety Microwave network as well as the California Multi Agency Radio System (CMARS)

**Systems and Services.** Refers to a compilation of communications equipment, staff, or contracts configured to provide end-to-end communications for Public Safety agencies.

**Communications.** Refers to the transmission of information by electronic means. This includes telephone, data, radio, microwave, lightwave, video, facsimile, and other forms of electronic transmission.

**Public Safety Agencies.** Refers to state agencies whose responsibilities include the safety and protection of life and property within California. That includes agencies connected with official business of law enforcement services, fire services, natural resources services, agricultural services, highway maintenance, transportation, critical infrastructure, and those that are in control of the state or of cities, counties, and other political subdivisions during an emergency, such as the Office of Emergency Services, National Guard, health and safety agencies, and others with primary public safety programs.

## AGENCY MANAGEMENT RESPONSIBILITIES - 4510

State Public Safety agencies are responsible for the effective use and management of communications in accordance with the policies, directives, and procedures established in SAM and the PSCSG.
Heads of state agencies and institutions should:

a. Ensure that systems and services are efficiently used to support Public Safety agency programs.
b. Assess and plan for agency Public Safety communications needs and communicate those needs to the Office of Public Safety Communications Services (OPSCS).
c. Ensure that projects that require OPSCS involvement are made known during the earliest planning stages.
d. Work with OPSCS to make sure that projects have sufficient funding.
e. Establish policies and controls within the agency related to agency use of Public Safety communications.
f. Establish a Public Safety communications management function within the agency that is responsible for
g. representing the organization in Public Safety communications matters. Provide OPSC with the name of the person designated as the primary contact for the agency.

Specific directives, procedures, and recommended policies are found in the PSCSG.

## FEASIBILITY STUDY REPORTS - 4511

As required by SAM, a feasibility study may be required prior to the encumbrance or expenditure of funds on defined information technology projects. If an information technology project also incorporates public safety communications services or equipment, a copy of the FSR should be sent to OPSCS at the same time as the original is submitted for approval per SAM.
Details on submitting copies of the FSR to OPSCS can be found in the PSCSG.

## PUBLIC SAFETY COMMUNICATIONS PLANNING - 4515

Effective communication is essential to the conduct of state government's public safety activities. Government Code Section 15277 requires OPSCS to develop strategic and tactical plans for systems and services considering the requirements of state agencies, counties, and other local jurisdictions. For OPSCS to plan effectively, it must rely on input from public safety agencies.
Therefore, each public safety agency that uses or plans to use communications systems or services shall submit an up-to-date plan to OPSCS. The plan should describe the public safety agency's needs for new or modified communications programs, projects, equipment, or services.
Procedures for developing and filing Public Safety Communications Plans are found in the PSCSG.

## EMERGENCY ASSUMPTION OF CONTROL - 4520

When there is a state emergency, the Governor may direct the Office of Emergency Services to take control of some or all of the state's communications services. When this occurs, OPSCS shall respond directly to the Office of Emergency Services and may not be able to provide routine services.

## PERFORMANCE OF SERVICES - 4525

The engineering, installation or modification, and maintenance of state-owned or state- leased public safety communications systems are accomplished through OPSCS.
All state microwave equipment must be budgeted, purchased, owned, maintained, and managed by OPSCS. The only exception is where microwave is to be used exclusively for traffic signal and signing control, traffic metering, or roadway surveillance.

## PUBLIC SAFETY COMMUNICATIONS SERVICES - 4530

Public Safety agencies are required to utilize services and contracts provided by the OPSCS to obtain all forms of public safety communications, including voice, video, radio, and data services.

**Use of Consolidated Services**

Communications is an essential element to the successful delivery of public safety services within state government. The state's public safety communications infrastructure should be leveraged to streamline processes, enhance interagency and intergovernmental coordination, and rapidly deliver quality services to the people of California.
Enabling communications technology is expensive and requires highly skilled, trained staff to manage and operate. The ability to spread the costs for the purchase, operation, and maintenance of this technology over a large base of users allows the state to develop, provide, and expand services at the lowest overall costs to the state.
Economies of scale allow the state to:

1. Leverage its purchasing power as a single entity.

2. Maximize the use of its infrastructure.

3. Reduce redundant and duplicative networks.

4. Reduce staff requirements by centralizing highly skilled resources for all public safety agencies to access.

Considering the above philosophy, OPSCS develops, implements, and manages a variety of statewide telecommunications services that are designed to accommodate multiple state agency users. Public Safety agencies shall consider utilizing consolidated services whenever and wherever available.
Refer to the PSCSG for information on consolidated services, availability, rates, and ordering procedures.

**Radio Installation, Modifications, and Maintenance**

any installation, modification, or maintenance, including the programming of radio frequencies of radio and microwave transmitting equipment licensed to the state, must be done by, or with the technical approval of, DGS.

**Radio Transmitter Licensing**

The Federal Communications Commission (FCC) must license all radio transmitting devices before being put into service. The OPSCS performs all processes required to obtain the licenses for all public safety radio equipment owned or operated by the state. This includes the frequency coordination with other users required before application can be made to FCC

**Purchase of Radio and Electronics Equipment**

The purchase of public safety radio and related electronic equipment requires OPSCS technical review and approval.

**Availability of Services to Public Agencies**

All communications services provided to state public safety agencies shall also be available to any public agency operating within the state on terms that may be agreed upon by the agency and DGS

### FACILITIES MANAGEMENT - 4535

The OPSCS is responsible for developing uniform cable and wire distribution standards for public safety communications, controlling access to DGS operated communications equipment rooms, managing radio vault occupancy, and acquiring sites for public safety communications. Specific guidelines and procedures are found in the PSCSG.

### TELECOMMUNICATIONS DIVISION SERVICES - 4540

(Renumbered from 4520 and Revised 9/96)

The TD provides a number of services designed to support agency requirements for systems and services in a cost-effective manner to the state as a whole. Specific information on the services, their availability, rates, and ordering procedures are found in STMM.

### DELEGATION - 4545

(Renumbered from 4520 and Revised 9/96)

Agencies may request delegated project approval authority. Delegation parameters and procedures for filing delegation requests are found in STMM.

### STATE TELEPHONE DIRECTORY - 4550

(Renumbered from 4520 and Revised 9/96)

State Telephone Directory

The TD publishes a State Telephone Directory. State agencies are responsible for timely submission of information for inclusion in the directory. Procedures for maintaining agency information in the directory and ordering procedures are found in STMM.

Public Directory Listings

See STMM for guidelines for listing state numbers in public telephone directories.

### BILLING FOR SERVICES - 4555

The TD bills clients for use of TD services on a “fee-for-service” basis. Agencies are responsible for paying bills rendered for their use of TD services. Specific billing directives and procedures are found in STMM.

## Chapter - 4600

Sections for Chapter 4600

| Section | Subchapter |
|---|---|
| OFFICE OF TECHNOLOGY SERVICES TELECOMMUNICATIONS AND NETWORK AUTHORITY | 4600 |
| DEFINITIONS | 4600.1 |
| SERVICES CONTAINING TELECOMMUNICATIONS COMPONENTS | 4601 |
| CALNET CONTRACTS MANDATORY USE POLICY | 4602 |
| GENERAL TELECOMMUNICATIONS DELEGATION | 4603 |
| CALNET CONTRACT SERVICES DELEGATION | 4604 |
| CALNET EXEMPTION | 4605 |
| NON-CALNET SERVICES | 4606 |

### OFFICE OF TECHNOLOGY SERVICES TELECOMMUNICATIONS AND NETWORK AUTHORITY - 4600

The California Department of Technology’s (CDT), Office of Technology Services (OTech) has the statutory authority for the state’s Business Telecommunications Systems and Services strategy and policy as authorized in California Government Code (GC) sections 11531-11548. Pursuant to GC section 11541, OTech shall develop and describe statewide policy on the use of Business Telecommunications Systems and Services by state agencies. OTech shall develop strategic and tactical plans, may enter into contracts, obtain licenses, acquire personal property, install necessary equipment and facilities, and do other acts that will provide adequate and efficient telecommunications services.

OTech utilizes the California Network and Telecommunications (CALNET) Program to implement GC section 11541 statutory requirements. The CALNET Program provides state and local government entities Business Telecommunications Systems and Services as defined in GC section 11532. In addition, the CALNET Program provides a communications network that is currently managed through the CALNET Contracts.

The CALNET Network Infrastructure are Wide Area Networks (WANs) that distribute end-to-end voice, data, and video services through contracted services. They are privately owned, operated, and maintained by CALNET Contractors under OTech’s oversight. The CALNET services are comprehensive and designed to meet the majority of the State’s Business Telecommunications Systems and Services requirements. Individual customers directly purchase services through the CALNET Contracts.

The CALNET Contracts are easy to use by both state and local government entities because they are already competitively bid, thereby saving entities from conducting their own solicitations.

**State Vision**

- The state envisions a consolidated, flexible, responsive, secure, survivable, efficient, and cost-effective telecommunications infrastructure that provides seamless end-to-end interoperability for voice, data, and video services, whether separately or as part of a converged service.
- Owning and operating WANs are not the primary responsibility of the state; therefore, the state's Business Telecommunications Systems and Services will continue to be procured from private contractor(s) under the oversight of OTech.
- Where feasible, multiple contractors provide increased diversity and competition that lead to lower prices, more customer choices, and the capability to obtain and rapidly deploy new technologies.

Except as set forth in SAM chapter 4602, all Executive Branch Entities are required to utilize the CALNET Contracts. In addition, all other state and local government entities are highly encouraged to utilize the CALNET Contracts because it provides ease of procurement, economic benefits, and interoperability for voice and data services.
The State Telecommunications Management Manual (STMM) provides detailed policy, instructions, and procedures regarding the use and implementation of Business Telecommunications Systems and Services and can be accessed on the CALNET Program website.

## DEFINITIONS - 4600.1

**Business Telecommunications Systems and Services** – Includes, but is not limited to, wireless or wired systems for transport of voice, video, and data communications, network systems, requisite facilities, equipment, system controls, simulation, electronic commerce, and all related interactions between people and machines. Public safety communications are excluded from this definition (Government Code section 11532(c)).
**CALNET Contracts** – All California Department of Technology (CDT) Business Telecommunications Systems and Services contracts offered statewide directly from the CALNET Program or under the oversight of the CALNET Program, including but not limited to statewide business telecommunications contracts procured and administered by Statewide Technology Procurement (STP). CALNET Contracts shall include any business telecommunications services, telecommunications equipment, services that bundle, include, or contain a telecommunications component made available statewide.

**CALNET Contract Service Delegation** – An approval issued by Office of Technology Services (OTech) which allows Non-Exempt State Entities to purchase specifically designated services from the CALNET Contracts. Refer to State Administrative Manual Chapter 4604 for details.

**CALNET Exemption** – An approval issued by OTech which allows Non-Exempt State Entities to purchase Required Service(s) from a source other than the CALNET Contracts. Refer to State Administrative Manual Chapter 4605 for details.

**CALNET Network Infrastructure** – Wide Area Networks (WANs) that distribute end-to-end voice, data, and video services through contracted services. Currently, they are privately owned, operated, and maintained by CALNET Contractors under OTech's oversight. Refer to State Administrative Manual Chapter 4600 for details.

**California Network and Telecommunications (CALNET) Program** – Manages and implements the statutory requirements for Business Telecommunications Systems and Services through governance, policy and the development of the CALNET Contracts which provides the CALNET Network Infrastructure and Business Telecommunications Systems and Services. Refer to State Administrative Manual Chapter 4600 for details.

**Contact Center Services** – The infrastructure, software, tools, and technical professional support services required to design, configure, manage, and maintain customer interaction capabilities across voice and digital communication channels. These services facilitate the routing, monitoring, analytics, and integration of customer interactions but expressly exclude the provision of non-IT personnel services such as human agents or staff augmentation for directly handling customer interactions that are subject to California Public Contract Code (PCC) sections 10335-10381.

**Discretionary Services** – Those Business Telecommunications Systems and Services that are optional to purchase from the CALNET Contracts by any contract user. Refer to State Administrative Manual Chapter 4602 CALNET Statewide Contracts for details.

**Eligible Non-State Entities** – Government entities including but not limited to local government entities, 100% tax supported governmental entities, governmental entities with a joint powers agreement, and federally recognized Indian tribes described in Public Contract Code section 10298. Refer to State Administrative Manual Chapter 4602 for details.

**Entity** – Any state or non-state government agency, department, office, board, commission, district, or similar entity unless otherwise indicated.

**Exempt State Entities** – Departments, agencies, boards, commissions, colleges and universities, entities headed by constitutional officers or independently established entities described in Government Code section 11000 which are outside the control of the executive branch. Refer to State Administrative Manual Chapter 4602 for details.

**General Telecommunications Delegation** – An approval issued by OTech which must be obtained prior to engaging in any telecommunications projects or acquisitions when services are not available on the CALNET Contracts or a CALNET Exemption has been approved. Refer to State Administrative Manual Chapter 4603 for details.

**Non-CALNET Services** – Telecommunications products or services unavailable through the CALNET Contracts which are obtained through other procurement vehicles upon OTech approval. Refer to State Administrative Manual Chapter 4606 for details.

**Non-Exempt State Entities** – Those state entities within the executive branch that are under the direct authority of the Governor as described in GC section 11546.1(e). Refer to State Administrative Manual Chapter 4602 for details.

**Required Services** – Business Telecommunications Systems and Services technologies/types/categories mandated for Non-Exempt State Entities. These services are specifically identified as Required Services in the CALNET Contract service catalogs and/or statewide contract user instructions. Refer to State Administrative Manual Chapter 4602 for details.

**State Telecommunications Management Manual** – The State Telecommunications Management Manual (STMM) provides state telecommunications policies and procedures based on Government Code (GC) Sections 11534-11548 and is maintained by the Office of Technology Services CALNET Program.

**Telecommunications** – The transmission of information by various types of technologies over wire, radio, optical, microwave, or other electromagnetic system and includes but not limited to: Voice Services, Contact Center Services, Data Network Services, Cellular Services, Satellite Services, Telemetric Services, and other Telecommunications Goods and Services. Refer to State Administrative Manual Section 4601 for details.

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## SERVICES CONTAINING TELECOMMUNICATIONS COMPONENTS - 4601

Executive branch Non-Exempt State Entities must obtain the Office of Technology Services (OTech)/CALNET Program approval before procuring any Non-CALNET Service that bundles, includes, or contains a telecommunications component.
Entities are required to utilize the CALNET Program's General Telecommunications Delegation process to obtain approval. Entities must obtain OTech approval prior to the inception of any project or procurement effort.
All General Telecommunications Delegations are subject to a limited term.
Telecommunications is the transmission of information by various types of technologies over wire, radio, optical, microwave, or other electromagnetic system and includes but not limited to:

- Voice Services
- Contact Center Services
- Data Network Services
- Cellular Services
- Satellite Services
- Telemetric Services
- Other Telecommunications Goods and Services

For the General Telecommunications Delegation process, refer to the State Telecommunications Management Manual (STMM) General Telecommunications Delegation chapter on the CALNET Program website.
**REFERENCES**
SAM 4603 General Telecommunications Delegation

## CALNET CONTRACTS MANDATORY USE POLICY - 4602

The following defines the general policy and provides clarifying information for usage of the CALNET Contracts.
Non-Exempt State Entities, Exempt State Entities, and Eligible Non-State Entities:
Non-Exempt State Entities:

- Are those under the jurisdiction of the Executive Branch of California state government.
- Are mandated to utilize the CALNET Contract's Required Services to obtain Business Telecommunications Systems and Services, as described below, unless an exemption is granted as referenced in SAM 4605 Exemption.
- Must obtain permission from Office of Technology Services (OTech) to implement any telecommunications solutions not provided by CALNET Contracts. Refer to SAM 4603 General Telecommunications Delegation and State Telecommunications Management Manual, General Telecommunications Delegation chapter.

Exempt State Entities:

- Are departments, agencies, boards, commissions, colleges and universities, entities headed by constitutional officers or independently established entities outside the control of the Executive Branch.
- Are not mandated to utilize the CALNET Contract's Required Services to obtain Business Telecommunications Systems and Services.
- May utilize the CALNET Contracts as needed. However, Exempt State Entities may otherwise be subject to other California Department of Technology (CDT) oversight and policies.

Eligible Non-State Entities:

- Are government entities including but not limited to local government entities, 100% tax supported governmental entities, governmental entities with a joint power's agreement, and federally recognized Indian tribes.
- May procure Business Telecommunications Systems and Services from the CALNET Contracts.
- Must execute a Non-State Entity Service Policy and Agreement (NESPA) and an Authorization to Order (ATO) agreement to use the CALNET Contracts. Eligible Non-State Entities with a NESPA and an ATO agreement are not subject to any Required or Discretionary procurement restrictions imposed by the State.

Required and Discretionary Services

- **Required Services** are Business Telecommunications Systems and Services technologies/types/categories mandated for Non-Exempt State Entities. These services are specifically identified as Required Services in the CALNET service catalogs and/or statewide contract user instructions. Certain Required Services may need Non-Exempt State Entities to obtain a CALNET Contract Services Delegation from OTech. See SAM Chapter 4604 CALNET Contract Services Delegation.

Non-Exempt State Entities, under limited circumstances, may obtain a CALNET Exemption and a General Telecommunications Delegation to purchase alternative solutions outside of the CALNET Contracts when Required Services are not suitable for their business needs. See SAM Chapter 4603 General Telecommunications Delegation and SAM Chapter 4605 CALNET Exemption.

- **Discretionary Services** are those Business Telecommunications Systems and Services that are optional to purchase from the CALNET Contracts by any contract user.

For additional information on Required and Discretionary Services, please refer to the State Telecommunications Management Manual (STMM) CALNET Required and Discretionary Services chapter.
For additional information on ordering, please refer to the STMM Ordering CALNET Services chapter.

## GENERAL TELECOMMUNICATIONS DELEGATION - 4603

General Telecommunications Delegations apply only to Non-Exempt State Entities.
Non-Exempt State Entities must obtain a General Telecommunications Delegation prior to engaging in any projects or acquisitions for Business Telecommunications Systems and Services not offered on the CALNET Contracts. Exempt State Entities or Eligible Non-State Entities are not required to obtain General Telecommunications Delegations.
Non-Exempt State Entities must obtain a General Telecommunications Delegation for telecommunications projects or acquisitions when:

1. Services are not available on the CALNET Contracts; or,
2. A CALNET Exemption has been approved per SAM Chapter 4605.

The General Telecommunications Delegation request must be submitted to the Office of Technology Services (OTech) for approval. The General Telecommunications Delegation request must apply to a specific telecommunications project or acquisition and include pertinent information on the proposed services.
OTech's review of the General Telecommunications Delegation request will ensure the alternative solution meets CALNET Program standards for service offerings and aligns with the state's strategic direction. The review will consider:

- Strategic and emerging goals of the State;
- Security;
- E911 or other safety requirements;
- Operational reliability, service level agreement requirements and technology refresh;
- Total cost of ownership from a statewide perspective; and,
- Risk mitigation for emerging or complex technologies.

All General Telecommunications Delegations are granted for a limited term to be established by OTech at the time of approval.
OTech may grant a General Telecommunications Delegation to a Non-Exempt State Entity for one or more of the following activities for specific telecommunications projects or acquisitions:

- Project planning
- Design and development
- Procurement and/or contracting
- Project oversight
- Installation
- Operation and maintenance

For the General Telecommunications Delegation process, refer to the State Telecommunications Management Manual (STMM) General Telecommunications Delegation chapter on the CALNET Program website.

## CALNET CONTRACT SERVICES DELEGATION - 4604

CALNET Contract Services Delegations apply only to Non-Exempt State Entities.
Non-Exempt State Entities must obtain a CALNET Contract Services Delegation to purchase and implement specific designated services from the CALNET Contracts. Designated services are identified in the CALNET service catalogs.
All CALNET Contract Services Delegations are granted for a limited term based on the term of the CALNET Contracts and may be subject to conditions or stipulations.
Office of Technology Services (OTech) reserves the right to continue oversight of activities of Non-Exempt State Entities related to the implementation of services that have been delegated.
A CALNET Contract Services Delegation may be granted for one or more of the following activities for specific telecommunications projects or acquisitions:

- Project planning
- Design and development
- Project oversight
- Installation
- Operation and maintenance.

For the CALNET Contract Services Delegation process, refer to the State Telecommunications Management Manual (STMM) Contract Services Delegation chapter on the CALNET Program website.

## CALNET EXEMPTION - 4605

CALNET Exemption requests apply only to Non-Exempt State Entities.
Non-Exempt State Entities, with a compelling business reason to use alternative providers to purchase a Required Service outside the CALNET Contracts, must submit a CALNET Exemption request to Office of Technology Services (OTech) for evaluation and approval prior to purchasing services elsewhere.
A CALNET Exemption request must apply to a specific telecommunications project or acquisition and must provide pertinent, specific information on the proposed services. The request must provide an explanation of why services from the CALNET Contract(s) would not meet the designated need and the ramifications if the need is not met.
All CALNET Exemptions will require a General Telecommunications Delegation. All CALNET Exemptions are granted for a limited term to be established by OTech at the time of approval. See SAM Chapter 4603 General Telecommunications Delegation.
For the CALNET Exemption process refer to the State Telecommunications Management Manual (STMM) CALNET Exemption chapter on the CALNET Program website.

### NON-CALNET SERVICES - 4606

The following defines the general policy and provides clarifying information for Non-CALNET Services.
There may be situations in which CALNET Contracts will not meet the state entity's business needs or requirements, or a particular telecommunications product or service is unavailable through the CALNET Contracts. In those cases, alternative Business Telecommunications Systems and Services may be obtained through other procurement vehicles under one or more of the following conditions:

a. Exempt State Entities may purchase all Business Telecommunications Systems and Services outside of the CALNET Contracts;

b. Non-Exempt State Entities may purchase CALNET Contract Discretionary Services outside of the CALNET Contracts;

c. Non-Exempt State Entities may purchase specific CALNET Contract Required Services outside of the CALNET Contracts if a CALNET Exemption and a General Telecommunications Delegation request is approved by Office of Technology Services (OTech);

d. Non-Exempt State Entities may purchase non-CALNET services if;
   i. No suitable service is available on a CALNET Contract;
   ii. The entity has obtained a General Telecommunications Delegation from OTech; and,

e. Non-Exempt State Entities must obtain a General Telecommunications Delegation to continue using a specific service that has been discontinued and is no longer available on the CALNET Contract(s).

Non-CALNET Contracts held by Non-Exempt State Entities for Business Telecommunications Systems and Services that are available from the CALNET Contracts, should be terminated as soon as contractually feasible, and those services migrated to the CALNET Contracts. Extension or renewal of these contracts is on an exception basis only and Non-Exempt State Entities must obtain a new CALNET Exemption approval by the OTech prior to taking action to extend or re-bid.

## Chapter - 4700

Sections for Chapter 4700

| Section | Subchapter |
|---|---|
| PROGRAM SUMMARY | 4700 |
| STATUTORY AUTHORITY | 4702 |
| CONTACTS AND RESOURCES | 4705 |

### PROGRAM SUMMARY - 4700

The Department of Human Resources (CalHR) is responsible for establishing policy and guidelines for the administration of the State Merit Award Program. The Merit Award Program was established in 1950, to recognize employee contributions to State government.
The Merit Award Program is responsible for the administration of the Employee Suggestion Program. This program rewards State employees for their innovative ideas which result in a direct benefit to the State's operations. Suggestions are categorized into three types: improved procedure, improved safety, and cost savings.
The Merit Award Program is responsible for the administration of the Superior Accomplishment and the Sustained Superior Accomplishment Awards. These awards are for an exceptional contribution to State government.
The Merit Award Program is responsible for the administration of the Governor's State Employee Medal of Valor Award Program. The Medal of Valor is the highest honor that the State bestows to its employees.
The Merit Award Program also administers the 25-Year Service and Retirement Awards recognizing State employees who have completed 25 years of State service, and retiring employees who have completed 25-years or more of State service.

### STATUTORY AUTHORITY - 4702

The Merit Award Program is authorized by Government Code Sections 19815.4 (d), 19823, and 19849.9. The law grants CalHR the authority to adopt rules and regulations governing the conduct of the Program. See CalHR Regulations, Article 4, Sections 599.655–599.664.

### CONTACTS AND RESOURCES - 4705

The Merit Award Program may be contacted at (916) 322-1360. The mailing address for the Merit Award Program is 1515 "S" Street, North Building, Suite 400, Sacramento, California 95811-7258.
The Merit Award Program website may be accessed at: CAL HR Merit Award Program
CalHR's website may be accessed at: CAL HR Home Page

## Chapter - 4800

Sections for Chapter 4800

| Section | Subchapter |
|---|---|
| STATE INFORMATION MANAGEMENT PRINCIPLES | 4800 |
| ACCESS TO INFORMATION BY THE OFFICE OF THE LEGISLATIVE ANALYST | 4804 |
| ACCESS TO INFORMATION BY THE CALIFORNIA STATE AUDITOR | 4806 |

| | |
|---|---|
| STATUTORY PROVISIONS AND APPLICATION STATUTORY PROVISIONS | 4810 |
| AGENCY INFORMATION OFFICER AND STATE ENTITY CHIEF INFORMATION OFFICER RESPONSIBILITIES | 4815 |
| STATUTORY PROVISIONS AND APPLICATION/GENERAL | 4819 |
| DEFINITIONS | 4819.2 |
| STATE INFORMATION MANAGEMENT AUTHORITY AND RESPONSIBILITY | 4819.3 |
| BASIC POLICY | 4819.31 |
| EXCLUSIONS | 4819.32 |
| PROJECT APPROVAL AUTHORITY | 4819.34 |
| PROJECT APPROVAL LIFECYCLE | 4819.35 |
| PROJECT REPORTING/OVERSIGHT | 4819.36 |
| PROJECT DELEGATION CRITERIA | 4819.37 |
| REPORTING EXEMPTION REQUEST | 4819.38 |
| PROJECT COST DELEGATION | 4819.39 |
| EXPENDITURES FOR ONGOING INFORMATION TECHNOLOGY ACTIVITIES | 4819.40 |
| CERTIFICATION OF COMPLIANCE WITH IT POLICIES | 4819.41 |
| BUDGET CHANGE PROPOSALS | 4819.42 |
| (Section Reserved 09-29-2023 - Critical Services) | 4828 |
| (Section Reserved 09-29-2023) | 4828.1 |
| (Section Reserved 09-29-2023) | 4828.2 |
| (Section Reserved 09-29-2023 - Assessment) | 4828.3 |
| (Section Reserved 09-29-2023 - Remediation) | 4828.4 |
| (Section Reserved 09-29-2023 - Modernization ) | 4828.5 |
| INFORMATION TECHNOLOGY ACCESSIBILITY POLICY | 4833 |
| EXCEPTIONS TO ACCESSIBILITY | 4833.1 |
| WEBSITE ACCESSIBILITY CERTIFICATION | 4833.2 |
| INFORMATION TECHNOLOGY INFRASTRUCTURE POLICY | 4834 |
| CALIFORNIA SOFTWARE MANAGEMENT POLICY | 4846 |
| SOFTWARE MANAGEMENT PLAN | 4846.1 |
| SOFTWARE MANAGEMENT POLICY REPORTING REQUIREMENTS | 4846.2 |
| STATUTORY REFERENCES | 4851 |
| INFORMATION TECHNOLOGY TRAINING AND EMPLOYEE DEVELOPMENT | 4854 |

## STATE INFORMATION MANAGEMENT PRINCIPLES - 4800

The California Department of Technology (Department of Technology) has broad responsibility and authority to guide the application of information technology (IT) in California State Government. The Department of Technology's areas of responsibility include policy making, interagency coordination, IT budget and procurement review, technical assistance, and advocacy. In view of the scope of these activities and their potential impact on state government, the Department of Technology has articulated the fundamental principles, policies, and procedures to govern the use of IT in Sections 4800 through 5180 of the State Administrative Manual (SAM).

**Note that any and all project approvals or conditions made by the Department of Technology's predecessor organizations, the California Technology Agency (CTA) prior to July 1, 2013, the Office of the State Chief Information Officer (OCIO) prior to January 1, 2011, or the Department of Finance (Finance) prior to January 1, 2008; remain in effect unless otherwise notified. Priority of Information Technology.**

Information technology (IT) is an indispensable tool of modern government. Accordingly, each Agency/state entity is expected to seek opportunities to use this technology to increase the quality of the services it provides and reduce the overall cost of government.

**Authority and Responsibility.**

Each Agency/state entity director should be knowledgeable about the information requirements and information management practices of the Agency/state entity and should provide active leadership in the exploration of new opportunities to use IT. Each Agency/state entity should establish clear lines of authority and responsibility for information management.

**Management of Information.**

Each Agency/state entity shall establish and maintain an information management function consistent with its own operational needs and organizational structure. This function shall serve to ensure the Agency/state entity's ability to identify the information it collects, maintain the integrity and security of the information, and provide for appropriate access to the information.

**Management Methods.**

Each Agency/state entity shall employ proven management methodologies to guide and control the planning, acquisition, development, operation, maintenance, and evaluation of information management applications. Pilot projects and/or independent oversight shall be required for larger, more complex applications.

**Basis for Decisions.**

Decisions regarding the application of IT shall be based on analysis of overall costs and benefits to the people of California over the life of the application. Each Agency/state entity shall plan far enough into the future to ensure that adequate time is available for analysis of alternatives, for obtaining necessary management approvals, and for the administration of procurements. Agencies/state entities shall determine the impact of their decisions across Agency/state entity lines and give priority to alternatives that provide the greatest benefit from a statewide perspective.

**Record of Decisions.**

Each Agency/state entity shall maintain records of management decisions concerning the use of IT. These records must be sufficiently detailed to satisfy the requirements of oversight agencies as well as internal management. The records must address such topics as:

1. Identification of IT needs;
2. Setting of priorities for applications of IT;
3. Evaluation of application alternatives;
4. Project management and control;
5. Contingency planning and risk management; and,
6. Operational controls and maintenance provisions.

**Agency/State Entity Personnel.**

Agency/state entity managerial, technical and user personnel should possess the knowledge and skills necessary to use IT to the best advantage for the state. Each Agency/state entity should regularly assess the IT skills and knowledge of its personnel in relation to job requirements, identify and document training needs, and provide suitable training within the limits of available resources.

**Compatibility.**

In selecting or developing applications of IT, each Agency/state entity shall consider the benefits and costs of maintaining compatibility with other planned and existing applications within the Agency/state entity and in other Agencies/state entities. Such consideration of compatibility shall include computer languages, applications and system software, computer hardware and telecommunications equipment, data formats, and the specific knowledge and skills required of state personnel.

**Procurement.**

In acquiring equipment, software, and services involving IT, Agencies/state entities shall seek maximum economic advantage to the state. Procurements shall normally be competitive, in conformance with the applicable sections of the Public Contract Code and SAM. Agencies/state entities shall use master contracts whenever the functional requirements for which the contract was awarded are substantially the same as the Agency/state entity's requirements.

**Cost Allocation.**

Each Agency/state entity shall adopt policies and establish procedures for assignment of costs associated with IT by program or operational unit within the Agency/state entity, as well as for the assignment and recovery of the costs of services provided to other Agencies/state entities, private individuals, and organizations.

**Risk Management.**

Each Agency/state entity shall adopt and maintain a risk management program for the purpose of identifying and avoiding or minimizing threats to the security of information it maintains and the operational integrity of its information systems, telecommunications systems, and data bases

**Documentation.**

Applications of IT shall be fully documented with respect to the needs of (1) non- technical users; (2) technical personnel; (3) Agency/state entity measurement; and (4) outside auditors. The adequacy of documentation shall be an evaluation criterion in all procurements involving IT (equipment, software, services and telecommunications facilities). Project plans shall include specific provision for the creation of suitable documentation.

**Provision for Emergencies.**

In planning for the use of automated information systems and telecommunications facilities, Agencies/state entities shall develop policies and procedures to be followed in times of emergency; when systems are preempted to preserve the public health, welfare or safety; and when other events occur which prevent reliance on automated systems for extended periods of time.

**Individual Rights.**

Information management policies and procedures shall be consistent with the California Constitution, the Public Records Act, the Information Practices Act, and other applicable laws. Each Agency/state entity shall safeguard the right to privacy of individuals who are the subjects of the records it maintains.

**Ethics.**

In the conduct of their operations and in the accomplishment of the policies stated above, Agencies/state entities and their employees shall employ IT in a legal and ethical manner consistent with government statues, rules and regulations. IT shall not be used for purposes that are unrelated to the Agency/state entity's mission or that violate state or federal law. Contract provisions, including software licensing agreements, shall be strictly followed.

## ACCESS TO INFORMATION BY THE OFFICE OF THE LEGISLATIVE ANALYST - 4804

Section 11534 (f) of the Government Code requires that procedures be published in SAM to allow the Legislative Analyst to use data in, or products of, state data processing information systems to analyze programs and budgets.

In order to enable the Legislature to determine the fiscal or program effects of changes (1) proposed by the Administration or (2) considered by the Legislature, any Agency/state entity operating an automated information system shall, upon receiving a written request, allow the Legislative Analyst reasonable access to any relevant data contained in the system's master files, transaction files, history files and/or other appropriate automated files.

However, such access shall not be provided to information: (1) specifically prohibited by Federal law or (2) relating to proposed administrative actions (such as Budget Change Proposals submitted by individual Agencies/state entities) not yet approved by the Administration.

It is the responsibility of the Agency/state entity to which the information pertains to ensure that any data made available under these provisions are as accurate and up-to- date as is consistent with the Agency/state entity's normal use of data.

The Legislative Analyst must agree that any confidential information obtained under these provisions shall remain confidential.

## ACCESS TO INFORMATION BY THE CALIFORNIA STATE AUDITOR - 4806

Section 11534 (f) of the Government Code requires that procedures be published in SAM to allow the Auditor General in the conduct of his/her audit to use data in, or products of, state data processing information systems. Section 8545.2 of the Government Code provides that the Auditor General shall have access to, and authority to examine, records of any Agency/state entity. Section 8543.1 of the Government Code provides that the Auditor General shall examine and report annually upon the financial statements of the state and make special audits and investigations, including performance audits, of any Agency/state entity.

In order for the Auditor General to conduct these audits in an expeditious manner, any Agency/state entity operating a statewide information system shall, upon receiving a written request, allow the Auditor General "read only" access to any relevant data contained in the system's master files, transaction files, history files and/or other appropriate automated files.

The Agency/state entity operating the information system is authorized to require the Auditor General to reimburse it for any additional costs incurred as a direct result of the Auditor General's acquisition of data from the system.

It is the Auditor General's responsibility to check with the individual Agencies/state entities to which the information pertains to ensure that any data acquired under these provisions are accurate and up-to-date.

Any confidential information obtained by the Auditor General under these provisions shall remain confidential.

## STATUTORY PROVISIONS AND APPLICATION STATUTORY PROVISIONS - 4810

The following provisions apply to all Agencies/state entities. State entities include every state office, officer, department, division, bureau, board, and commission, including Constitutional Officers. State entities do not include the University of California, California State University, the State Compensation Insurance Fund, the Legislature, or the Legislative Data Center in the Legislative Counsel Bureau.

California Department of Technology**:**

Pursuant to Government Code Sections 11545 and 11546, the Director of the California Department of Technology is charged with the duty to advise the Governor on the strategic management and direction of the state's information technology (IT) resources. In addition to this advisory role, the Department of Technology is responsible for: establishing, maintaining, and enforcing the State's IT strategic plans, policies, standards, procedures, and enterprise architecture; approval and oversight of IT projects; approval and oversight of IT procurements for reportable projects where the procurement has not been delegated by DGS to the department ; consulting with Agencies/state entities during initial project planning; and suspending, reinstating, or terminating IT projects.

Department of Finance**:**

Pursuant to Government Code Section 11547, the Department of Finance shall perform fiscal oversight of the state's IT projects. The oversight shall consist of a determination of the availability of project funding from appropriate sources and project consistency with state fiscal policy.

## AGENCY INFORMATION OFFICER AND STATE ENTITY CHIEF INFORMATION OFFICER RESPONSIBILITIES - 4815

Within the authority of Government Code (GC) Section 11545 and 11546, the Director of the California Department of Technology (CDT) shall be responsible for providing technology direction to Agency Chief Information Officers (AIOs) and state entity Chief Information Officers (CIOs) to:

1. Integrate statewide technology initiatives,
2. Ensure Agencies/state entities are in compliance with IT and securitypolicies and standards, and
3. Promote the alignment and effective management of ITresources.

### Agency Information Officers

All Agency Information Officers (AIOs) are responsible for overseeing the management of IT assets, projects, data systems, infrastructure, services and telecommunications through the oversight and management of Agency-affiliated State Entity CIOs. Each AIO is responsible for developing an Agency Enterprise Architecture to rationalize, standardize and consolidate IT infrastructure, data, and procedures for all state entities within their Agency. Additionally, AIOs have been delegated CDT approval authority for Project Approval Lifecycle Stage 1 Business Analyses prepared by Agency- affiliated State Entities.

Specific responsibilities for the AIOs are published in the State Administrative Manual (SAM), Technology Letters (TLs), and the Statewide Information Management Manual (SIMM). Each AIO must be compliant with the responsibilities as described in SAM, SIMM, and TLs.

### Chief Information Officers

State entity CIOs are directly responsible for all IT activities within the state entity. CIOs are responsible for all IT systems, assets, projects, purchases, and contracts and will ensure state entity conformity with the Agency Enterprise Architecture. State entity CIOs are also responsible for:

- Portfolio management of the state entity's technology initiatives.
- Operational oversight of IT functions, IT personnel and operations including:
  - Web application development;
  - Application and database management;
  - Security administration;
  - Telecommunications;

- Project planning, consulting, and management; and
- Help desk and customer service management.

AIOs and CIOs must be in compliance with state IT policies and procedures as described in SAM, SIMM and Technology Letters.

**Non-Affiliated Chief InformationOfficers**

With the exception of the responsibilities related to the oversight of Agency-affiliated state entity CIOs, non-affiliated Agency/state entity CIOs have the same responsibilities as AIOs. In addition, non-affiliated Agency/state entity CIOs also have the same responsibilities as Agency-affiliated state entity CIOs.

**Reporting**

AIOs and CIOs are accountable to the Director of the Department of Technology with respect to technology direction, including, but not limited to, IT policy, planning and management.

All state employees in IT classifications, and all other state employees or contractors performing IT activities and/or functions must be in a direct reporting relationship to the appropriate AIO or CIO.

Consistent with the federated governance model, the Department of Technology will work with the Agencies/state entities to implement this operating model in a way that aligns with their businessoperations.

## STATUTORY PROVISIONS AND APPLICATION/GENERAL - 4819

The State Administrative Manual (SAM) Section 4819 provides definitions and summarizes the compliance requirements for the administration of information technology (IT) in state government. Additional detail regarding specific requirements, policies or procedures is provided throughout SAM Sections 4800– 5953, SAM Sections 6700 – 6780, and the Statewide Information Management Manual (SIMM).

## DEFINITIONS - 4819.2

The following definitions of administrative and technical terms are provided to assist Agencies/state entities in their application of information technology (IT) policy.

The primary source for technical definitions is the Information Processing Systems Technical Report, American National Dictionary for Information Processing Systems, developed by the American National Standards Committee, X3 Information Processing Systems. In some cases, the definitions have been modified to meet state needs.

**Accessibility/Accessible**: Individuals with disabilities are able to acquire the same information, engage in the same activities, perform the same functions, and access the same content and services as individuals without disabilities, with similar ease.

**Agency:** This term refers to one of the state's umbrella Agencies. Umbrella Agencies include the Natural Resources Agency, California Environmental Protection Agency, Government Operations Agency, Business Consumer Services and Housing Agency, California Department of Corrections and Rehabilitation, California State Transportation Agency, Labor Agency and the California Health and Human Services Agency.

**Agency-affiliated State Entities:** This term refers to State entities that are governed by one of the state's umbrella Agencies. See definition of Agency.

**Agency Information Management Strategy:** An Agency's/state entity's information management strategy is the Agency's/state entity's comprehensive plan for using IT to address its business needs, e.g., to successfully carry out its programmatic mission. Ideally, the Agency's/state entity's information management strategy represents one aspect of a well-defined, overall Agency/state entity business strategy and is therefore closely aligned to its business strategy. If the Agency/state entity has not established a business strategy, Agency/state entity staff that are responsible for the Agency/state entity information management strategy must make assumptions based on their knowledge of the Agency's/state entity's overall mission, its program resources and priorities, and the changing nature of its environment.

**Algorithm:** A clearly specified mathematical process for computation; a set of rules that, if followed, will give a prescribed result.

**Ancillary Solicitation:** An acquisition that may be necessary to achieve and/or support the primary procurement activities and objectives of an IT project. An IT project may be supported by many Ancillary Solicitations.

**Artificial Intelligence (AI)**: An engineered or machine-based system that varies in its level of autonomy and that can, for explicit or implicit objectives, infer from the input it receives how to generate outputs that can influence physical or virtual environments.

**Assistive Technology**: Any item, piece of equipment, software, or system that is designed to increase, maintain, or improve the functional capabilities of individuals with disabilities.

**Automated Decision System**: A computational process derived from machine learning, statistical modeling, data analytics, or artificial intelligence that issues simplified output, including a score, classification, or recommendation, that is used to assist or replace human discretionary decision making and materially impacts natural persons.

**Automation:** Automation is the use of technology to perform tasks where human input is minimized.

**Business Strategy:** An Agency's/state entity's business strategy is its overall plan for accomplishing its mission in a changing environment with the resources it can reasonably expect to be available. Such a strategy typically addresses the Agency's/state entity's statutory mission and historical role, the expectations of its key stakeholders (individuals and organizations that affect the Agency/state entity or that the Agency/state entity affects), the factors that are critical to its success as an organization, the Agency's/state entity's internal strengths and weaknesses, and the political, social, economic, and technological forces in its environment that support or constrain its programs. Business strategies articulate the key issues that must be successfully addressed by the Agency/state entity and identify the priorities and required resources for proposed actions. A strategy may have a timeframe that is as short as a few months. However, most Agency/state entity business strategies present a three- to five-year perspective, with some Agencies/state entities finding it useful to extend their strategic vision as much as ten to 20 years into the future. Strategic planning is not a one-time effort; it is a fundamental, continuing management process that allows the Agency/state entity to respond in an effective manner to a changing environment.

**California Project Management Framework:** The California Project Management Framework (CA-PMF) is a collection of project management best practices and scalable resources, tools, and templates to be used by project management practitioners to effectively plan and manage projects. The CA-PMF is based on the Project Management Body of Knowledge (PMBOK® Guide), as well as project management lessons learned in the State of California.

**Chatbot:** Computer programs that simulate and process human conversation, either written or spoken, to allow humans to interact with digital devices as if they were communicating with a real person.

**Cloud Computing:** A model for enabling ubiquitous, convenient, on-demand network access to a shared pool of configurable computing resources (e.g., networks, servers, storage, applications, and services) that can be rapidly provisioned and released

with minimal management effort or service provider interaction**.** This cloud model is composed of five essential characteristics, three service models, and four deployment models.

- Essential Services: On-demand self-service, Broad network access, Resource pooling, Rapid elasticity, Measured service
- Service Models: SaaS, PaaS, IaaS
- Deployment Models: Private Cloud, Community Cloud, Public Cloud, Hybrid Cloud

**Commercial Off-the-Shelf (COTS):** A computer hardware or software product that is ready-made for specific uses and available for sale to the general public. COTS products are designed to be installed without requiring custom development. For example, Microsoft Office is a COTS product that is a packaged software solution for businesses and individuals. The set of rules for COTS is defined by the Federal Acquisition Regulation (FAR).

**Computer Accessibility:** In human-computer interaction, computer accessibility (also known as accessible computing) refers to the accessibility of a computer system to all people, regardless of ability.

**Confidential Information:** Information maintained by Agencies/state entities that is exempt from disclosure under the provisions of the California Public Records Act (Government Code sections 7920.000-7931.000) or other applicable state or federal laws. See SAM Section 5320.4.

**Consequential Decisions:** A decision or judgment that has a legal, material, or similarly significant effect on an individual's life relating to the impact of, access to, or the cost, terms, or availability of, any of the following:

(1) Employment, workers management, or self-employment.
(2) Education and vocational training.
(3) Housing or lodging.
(4) Essential utilities.
(5) Family planning and child protective services.
(6) Health care or health insurance.
(7) Financial services.
(8) The criminal justice system.
(9) Legal services.
(10) Voting.
(11) Access to benefits or services or assignment of penalties.

**Continuing Costs:** Costs associated with the operation and maintenance of an IT system or application after development and implementation of the system.

**Critical Application:** An application that is so important to the state that the loss or unavailability of the application is unacceptable. With a critical application, even short- term unavailability of the information provided by the application would have a significant negative impact on the health and safety of the public or state workers, including the fiscal or legal integrity of state operations, or on the continuation of essential Agency/state entity programs.

**Data:** A representation of facts, concepts, or instructions in a formalized manner suitable for communication, interpretation, or processing by humans or by automated means.

**Data Processing:** The systematic performance of operations upon data, e.g., handling, merging, sorting, computing. Synonymous with information processing.

**Data Processing System:** A system, including computer systems and associated IT personnel, that performs input, processes storage, output, and control functions to accomplish a sequence of operations on data.

**Data/Information Storage:** The retaining of data/information on any of a variety of mediums (i.e., magnetic disk, optical disk, or magnetic tape) from which the data can be retrieved.

**Data Transmission:** The conveying of data from one functional unit to one or more additional functional units through the transmission of signals by wire, radio, light beam, or any other electromagnetic means. (Voice or video transmissions are not considered data transmission for the purposes of state policy.)

**Project Cost Delegation:** See SAM Section 4819.39.

**Development:** Activities or costs associated with the analysis, design, programming, staff training, data conversion, acquisition, and implementation of new IT applications.

**Department of General Services (DGS) Delegated Purchasing Authority:** Through Statutory Authority, DGS may grant delegated purchasing authority to Agencies/state entities to procure non-information technology goods and information technology goods and services with a total cost equal to or less than the delegated purchasing authority amount under each category, as defined within the State Contracting Manual (SCM), Volume 2, Chapter 1.

**Domain Name Service:** A series of computer databases that resolve or link Internet Protocol (IP) addresses with an alphanumeric domain name. Domain names are divided into hierarchical fields separated by a period. The field to the farthest right is the top-level (or first-level) domain, in "ca.gov" for example, "gov" is the top-level domain. In the same example, "ca" is the second-level within the domain, and the field to the left of the second-level domain is the third-level domain (e.g., cdt.ca.gov). Names that fall to the right of the domain following a "/" are subdirectories of the domain (e.g., ca.gov/services).

**Electronic and Information Technology (EIT or E&IT):** Includes IT and any equipment or interconnected system or subsystem of equipment that is used in the creation, conversion, or duplication of data or information. The term electronic and IT includes, but is not limited to, telecommunications products (such as telephones, cell phones, smart phones, and radio receivers), information kiosks and transaction machines, World Wide Web sites, multimedia, and office equipment such as copiers and fax machines.

**Emergency:** "A sudden, unexpected occurrence that poses a clear and imminent danger, requiring immediate action to prevent or mitigate the loss or impairment of life, health, property, or essential public services." SAM Section 6560 specifies that when the Governor declares an emergency, expenditures cannot exceed $25,000, unless approved by the Department of Finance.

**Generative Artificial Intelligence (GenAI)**: An artificial intelligence that can generate derived synthetic content, such as text, images, video, and audio, that emulates the structure and characteristics of the artificial intelligence's training data.

**Hardware:** See Information Technology equipment.

**Hybrid Cloud:** The cloud infrastructure is a composition of two or more distinct cloud infrastructures (private, community, or public) that remain unique entities, but are bound together by standardized or proprietary technology that enables data and application portability (e.g., cloud bursting for load balancing between clouds).

**Information Processing:** The systematic performance of operations upon data, e.g., handling, merging, sorting, computing. Synonymous with data processing.

**Information Technology:** Information technology (IT) means all computerized and auxiliary automated information handling, including systems design and analysis, conversion of data, computer programming, information storage and retrieval, voice, video, data communications, microwave, light ware, routers, network equipment, requisite systems controls, and simulation.

**Information Technology Activities:** Any activity listed below, or any combination of these activities for a single IT project, is to be considered an "IT activity."

1. IT facility preparation, operation and maintenance.
2. Information management planning.
3. Feasibility determination, development and implementation of application systems or programs, or changes to application systems or programs to meet new or modified needs, or maintenance, including: Project Approval Lifecycle Stage/Gate deliverable preparation, systems analysis, systems design, purchase and installation of software, programming, conversion of data or programs, documentation of systems and procedures, and project appraisal or assessment.
4. Operation of application systems or programs including handling, assembling, or editing of input-output data or media where IT equipment or IT personnel are used.
5. Information Technology Procurement.
6. Installation, operation, and maintenance of data processing equipment, IT equipment, goods and services, and software.
7. Other installation management activities include: performance measurement, system tuning, and capacity management.
8. Preparation and administration of requests for proposals or bid solicitations for contracts for any of the above activities.
9. Preparation of contracts, interagency agreements, and purchase estimates for any of the above activities.
10. Employment of personnel in support of, or directly related to, any of the above activities, including administration, technical services, clerical services, travel, training, and preparation of periodic and special reports.
11. Control functions directly related to any of the above activities.

**IT Equipment:** Information Technology devices used in the processing of data electronically. The following are examples of IT equipment:

1. Mainframes and all related features and peripheral units, including processor storage, console devices, channel devices, etc.;
2. Minicomputers, midrange computers, personal computers, laptop, tablets, smart phones and all peripheral units associated with such computers;
3. Special purpose systems including word processing, Optical Character Recognition (OCR), bar code readers/scanners, and photo composition;
4. Communication devices used for transmission of data such as modems, data sets, multiplexors, concentrators, routers, switches, local area networks, private branch exchanges, network control equipment, and microwave or satellite communications systems; and
5. Input-output (peripheral) units (off-line or on-line) including display screens, optical character readers, magnetic tape units, mass storage devices, printers, video display units, data entry devices, plotters, scanners, or any device used as a terminal to a computer and control units for these devices.

**Information Technology Expenditure:** The expenditure of funds regardless of source by any Agency/state entity for IT activities, equipment, facilities, personnel, services, supplies and the automated processing of information.

**Information Technology Infrastructure:** An Agency's/state entity's IT infrastructure is the base or foundation for the delivery of information to support the Agency's/state entity's programs and management. The infrastructure contains elements upon which an Agency's/state entity's IT activities are dependent. An Agency/state entity must therefore define, implement, and manage these infrastructure elements to employ IT successfully.

The desirable characteristics of this infrastructure are efficient support for the exchange of information within the Agency/state entity, and between the Agency/state entity and other organizations; reliable availability of information processing capabilities whenever and wherever they are needed; preservation of the integrity and confidentiality of information maintained by the Agency/state entity; sufficient flexibility to allow the timely and efficient addition of new information management capabilities and modifications of established capabilities; and consistency with a coherent set of technical and managerial standards for the employment of IT.

Typical elements in an IT infrastructure include:

**Application Systems**: The applications that an Agency/state entity purchases and/or develops to achieve personal productivity and program support benefits.

**Architecture**: The guidelines or blueprints an Agency/state entity follows in designing, acquiring, and implementing IT solutions. Organizationally approved definitions, specifications, and standards are the primary components in an Agency's/state entity's IT architecture.

**Communications**: Local area and wide area network components, including linkages with other organizations.

**Equipment**: An Agency's/state entity's hardware platforms and components ranging from individual personal computers to mainframes and associated peripherals.

**Facilities**: The electrical, ventilation, fire suppression, physical security, wiring, and other components required to support an Agency's/state entity's IT capability, including the physical structure itself.

**Funding**: Current and projected funding for IT planning, acquisition, development, and operations activities.

**Partnerships**: Relationships with other public and private sector organizations that support and enable the Agency's/state entity's pursuit and use of IT.

**People**: An Agency's/state entity's technical staff, user community groups, and executive steering and oversight committees that are charged with IT planning, approval, development, management, operations, and security responsibilities.

**Plans**: Detailed designs or methods for aligning IT activities with Agency/state entity business strategies and accomplishing business objectives. Typical Agency/state entity IT plans include strategic, risk management, and operational recovery.

**Policies**: The rules, conventions, and protocols adopted by the Agency/state entity to govern the pursuit and use of IT.

**Processes and Procedures**: The defined steps for planning, approving, acquiring, developing, operating, maintaining, enhancing, and using IT within the Agency/state entity.

**Service Definitions**: The types of services provided, accepted service levels, and service delivery time frames established for an Agency's/state entity's IT support organization.

**Software**: The set of operating system, utility, communications, user interface, and management programs that enable users to operate and control computers and develop application systems.

The infrastructure includes elements owned by the Agency/state entity and available under contract or through interagency agreement. For Agencies/state entities that employ the services of a consolidated data center, for example, the required

data center resources are considered part of the Agency's/state entity's infrastructure.

**Reengineering the Business Process**: The search for and implementation of radical changes in business processes that result in dramatic efficiencies, reductions in turnaround time, improvements in quality, or improvements in customer service.

**Strategic Planning Process for Information Technology**: The process of aligning Agency/state entity plans for, and uses of, IT with the Agency's/state entity's business strategies.

**Information Technology Procurement:** Any process to obtain IT goods/services through competitive, non-competitive, purchase or lease, for the benefit of the State. Sometimes referred to as contracting, purchase or acquisition.

**Information Technology Project:** A unique endeavor involving activities required to plan, design, develop, implement, operate and maintain an Information Technology (IT) solution that meets a specific and measurable policy or programmatic objective. IT projects include the entire systems development lifecycle from project initiation through the normalized operational cycle. IT activities related to the refresh of non- data center hardware required to operate an IT project shall not be considered an IT project. See SAM Section 4819.37 for Project Delegation Criteria.

**Information Technology Project Oversight Framework:** Minimum requirements for IT project management, risk management, and IT project oversight activities for Agencies/ state entities. Description of control agency project reporting requirements and processes for assessing Agency/state entity project management and oversight activities. See SIMM Section 45.

**Information Technology Personnel:** All state personnel employed in IT or telecommunications classifications as defined by the Department of Human Resources or by the Trustees of the California State University and Colleges, and all personnel of other classifications in Agencies/state entities who perform IT activities for at least 50 percent of their time. Users of personal computers and office automation are not included in this category unless they are in IT classifications or spend at least 50 percent of their time performing IT activities.

**Information Technology Supplies:** All consumable items and necessities (excluding equipment defined as IT equipment) to support information technology activities and IT personnel, including:

1. Documents (such as standards and procedures manuals, vendor-supplied systems documentation, and educational or training manuals);
2. Equipment supplies (such as printer cartridges and magnetic tape); and
3. Furniture (such as terminal tables and printer stands).

**Infrastructure as a Service (IaaS):** The capability provided to the consumer is to provision processing, storage, networks, and other fundamental computing resources where the consumer is able to deploy and run arbitrary software, which can include operating systems and applications. The consumer does not manage or control the underlying cloud infrastructure but has control over operating systems; storage, deployed applications, and possibly limited control of select networking components (e.g., host firewalls).

**Input-Output Unit/Device:** A unit or device in an IT system by in which data may be entered into the system, received from the system, or both.

**Large Language Model**: A specialized type of artificial intelligence (AI) that has been trained on vast amounts of text to understand existing content and generate original content.

**Life Cycle:** The anticipated length of time that the IT system or application can be expected to be efficient, cost-effective and continue to meet the Agency's/state entity's programmatic requirements. Synonymous with operational life.

**Machine Learning**: A set of techniques that can be used to train AI algorithms to improve performance at a task based on data.

**Maintenance:** Activities or costs associated with the ongoing upkeep of operational applications of IT. Maintenance includes correcting flaws, optimizing existing systems or applications, responding to minor changes in specified user requirements, renewal of equipment maintenance agreements, software or hardware upgrade or refresh to maintain the health of the systems, and meeting normal workload increases using substantially the same applications, facilities, IT personnel, supplies and software.

**Metadata:** Information describing the characteristics of data including data structure and descriptive information.

**Microservice Architecture:** An approach to software development where an application is built as a collection of small, independent services. Each service focuses on a specific function and can be developed, deployed, and scaled independently. They communicate through Application Programming Interface (API), and the architecture promotes decentralization, loose coupling, independent scaling, and technology diversity. It enables fault isolation, resilience, and continuous deployment. Microservice architectures offer benefits such as scalability, flexibility, and faster development, but also introduce complexities. Overall, they provide a modular and agile approach to building and evolving applications.

**Mobile Web:** Mobile web refers to access to the Internet or Web applications using a mobile device, such as a smart phone connected to a wireless network.

**Multi-Cloud:** Multi-Cloud refers to an approach in cloud computing where an organization or individual utilizes the services and resources of multiple cloud service providers simultaneously. It involves distributing workloads, applications, and data across different cloud platforms, instead of relying on a single cloud provider.

**Natural Language Processing:** Takes communications by humans and transforms the information into something more suitable for computer use and analysis.

**Network Equipment:** Equipment facilitating the use of a computer network. This includes routers, switches, hubs, gateways, access points, network bridges, modems, firewalls, and other related hardware and software.

**Non-affiliated State Entities:** This term refers to State entities that are not governed by an Agency. See definition of Agency.

**Non-Delegated Project:** An IT Project that meets one or more of the criteria listed in SAM Section 4819.37. Non-Delegated Projects must be formally approved by the Department of Technology through the Project Approval Lifecycle. Agency/state entity directors are delegated approval authority for IT Projects that do not meet any of the criteria listed in SAM Section 4819.37.

**One-Time Costs:** Costs associated with the analysis, design, programming, verification and validation services, staff training, data conversion, acquisition, and implementation of new IT applications. See SIMM Section 19F (Financial Analysis Worksheets).

**Open Data:** Data that can be freely accessed, used, modified, and shared by anyone for any purpose (http://opendefinition.org/). For Data.ca.gov, open data is regularly updated and comes from an authoritative source.

**Open-Source Software:** Software that includes distribution terms that comply with the following criteria provided by the Open-Source Initiative. The open source definition used here is from the Open Source Initiative and is licensed under a Creative Commons Attribution 2.5 License (http://creativecommons.org/licenses/by/2.5/)

1. Free Redistribution: The software can be given as part of a package with other applications;
2. Source Code: The code must either be distributed with the software or easily accessible;
3. Derived Works: The code can be altered and distributed by the new author under the same license conditions as the product on which it is based;
4. Integrity of the author's source code: Derived works must not interfere with the original author's intent or work;

5. No discrimination against persons or groups;
6. No discrimination against fields of endeavor: Distributed software cannot be restricted in who can use it based on their intent;
7. Distribution of license: The rights of the program must apply to all to whom the program is re-distributed without need for an additional license;
8. License must not be specific to a product; Meaning that an operating system product cannot be restricted to be free only if used with another specific product;
9. License must not contaminate other software; and
10. License must be technology-neutral.

**Operational Life:** See Life Cycle.

**Operations:** Activities or costs associated with the continued use of applications of IT. Operations includes IT personnel associated with computer operations, including network operations, job control, scheduling, key entry, and the costs of computer time or other resources for processing.

**Peripheral Unit/Device:** With respect to a particular processing unit or device, any equipment that can communicate directly with that unit or device.

**Platform as a Service (PaaS):** The capability provided to the consumer is to deploy onto the cloud infrastructure consumer-created or acquired applications created using programming languages and tools supported by the provider. The consumer does not manage or control the underlying cloud infrastructure that includes network, servers, operating systems, or storage but has control over the deployed applications and possibly application-hosting environment configurations.

**Power Management:** A feature of some electrical appliances, especially copiers, computers and computer peripherals such as monitors and printers, which turns off the power or switches the system to a low-power state when in active.

**Previously Approved Effort/Project:** An IT activity or project previously approved by the California Department of Technology or the Agency's/state entity's executive officer in accordance with SAM Section 4819.3. Qualification of an activity as a previously approved effort requires an approved Stage 4 Project Readiness and Approval AND an approved Post-Implementation Evaluation Report (PIER). Applicable activities include meeting modified needs, improving the effectiveness of the activity, program or system maintenance, or extension of existing services to new or additional users performing essentially the same functions as those that the project was designed to support. A previously approved effort/project must use substantially the same equipment, facilities, technical personnel, supplies and software to meet substantially the same requirements or to meet normal workload increases. (Note: "Substantially the same equipment" does not include the addition, upgrade or replacement of a central processing unit.)

**Primary Solicitation:** The acquisition that will procure and obtain the main IT Goods and/or Services for an IT project solution. An IT Project may only have one Primary Solicitation but may be supported by many Ancillary Solicitations.

**Private Cloud:** The cloud infrastructure is provisioned for exclusive use by a single organization comprising multiple consumers (e.g., business units). It may be owned, managed, and operated by the organization, a third party, or some combination of them, and it may exist on or off premises.

**Procurement Oversight:** An independent review and analysis to determine if the procurement methodology is sound and feasible. Procurement Oversight includes coaching, guidance and direction in all aspects of IT procurement. Oversight activities may include procurement planning, assistance in developing deliverables, review and approval of procurement documents and the execution and award of contracts.

**Program:** A sequence of instructions suitable for processing. See Information Processing or Data Processing.

**Programming:** The designing, writing, testing, debugging, and documentation of programs.

**Project:** See Information Technology Project.

**Project Approval Lifecycle (PAL):** The policy, procedures and templates that make up the State of California's process for gaining approval of IT projects. The Project Approval Lifecycle is divided into four stages that are separated by gates. Each stage consists of a set of prescribed, cross-functional, and parallel activities to develop deliverables used as the inputs for the next gate. The gates provide a series of "go/no go" decision points that request only the necessary and known information needed to make sound decisions for that particular point in time. The four stages, which document the business analysis, alternatives analysis, solution development and project readiness analysis, must be approved by the Department of Technology prior to the encumbrance or expenditure of funds, including the use of staff resources, on any IT project beyond the Project Approval Lifecycle.

**Project End Date:** The proposed project end date should reflect the conclusion of project activities: The last date that proposed project activities are estimated to be completed. This should exclude any activities related to the Post Implementation Evaluation Report (PIER).

**Project Oversight:** An *independent* review and analysis to determine if the project is on track to be completed within the estimated schedule and cost and will provide the functionality required by the sponsoring business entity. Project oversight identifies and quantifies any issues and risks affecting these project components.

**Project Planning Start Date:** The project planning start date is the date an Agency/state entity begins a Stage 2 Alternatives Analysis. The planning phase of an IT project proposal begins with the Stage 2 Alternatives Analysis and ends at the conclusion of Stage 4 Project Readiness and Approval (Gate 4).

**Project Planning End Date:** The project planning end date should reflect the conclusion of project planning activities: The last date that project planning activities are estimated to be completed at the conclusion of Stage 4 Project Readiness and Approval (Gate 4).

**Project Start Date:** The project start date is the date an IT project proposal is approved and funded. For most projects dependent on a funding request, this date will be July 1st of the year the project funding is approved. For projects without this dependency, the project start date is the project approval date (Gate 4 approval).

**Proprietary Software:** Computer programs that are the legal property of one party, the use of which is made available to a second or more parties, usually under contract or licensing agreement.

**Public Cloud:** The public cloud infrastructure is provisioned for open use by the general public. It may be owned, managed, and operated by a business, academic, or government organization, or some combination of them. It exists on the premises of the cloud provider.

**Public Facing Applications:** Applications available to the broadest base of potential users as well as designed and delivered with the intent of access by all individuals or organizations over the public internet.

**Public Information:** Any information prepared, owned, used or retained by an Agency/state entity and not specifically exempted from the disclosure requirements of the California Public Records Act (Government Code sections 7920.000-7931.000) or other

applicable state or federal laws.

**Sensitive Information:** Information maintained by Agencies/state entities that require special precautions to protect it from unauthorized modification or deletion. See SAM Section 5320.4. Sensitive information may be either public or confidential (as defined above).

**Server Room:** Any space that houses computer operations. Such computer operations could utilize mainframes, servers, or any computer resource functioning as a server.

**Shutdown:** Turning off the power in a controlled manner.

**Software:** Programs, procedures, rules, and any associated documentation pertaining to the operation of a system (contrast with hardware).

**Software as a Service (SaaS):** The capability provided to the consumer is to use the provider's applications running on a cloud infrastructure. The applications are accessible from various client devices through a thin client interface such as a web browser (e.g., web-based email). The consumer does not manage or control the underlying cloud infrastructure including network, servers, operating systems, storage, or even individual application capabilities, with the possible exception of limited user- specific application configuration settings.

**Staff Augmentation Procurement:** The acquisition of contracted services to address state staff resource constraints or skill gaps for IT project activities.

**Staff Redirection:** The redirection of existing Agency/state entity staff resources to support IT project activities or backfill behind existing staff redirected to support IT project activities. Contracted services are not considered Staff Redirection.

**Stage/Gate Deliverables:** The formal deliverable documents that support the Project Approval Lifecycle. Stage/Gate deliverables are the Stage 1 – Business Analysis, Stage 2 – Alternatives Analysis, Stage 3 – Solution Development and Stage 4 – Project Readiness and Approval. Formal project approval occurs upon approval of the Stage 4 Project Readiness and Approval.

**State Entity:** Includes every state office, officer, department, division, bureau, board, and commission, including Constitutional Officers. "State entity" does not include the University of California, California State University, the State Compensation Insurance Fund, the Legislature, or the Legislative Data Center in the Legislative Counsel Bureau.

**Statewide Information Management Manual (SIMM):** The Statewide Information Management Manual (SIMM) as structured by the Department of Technology that contains standards, procedures, instructions and guidelines, as well as samples, models, forms and communication documents that Agencies/state entities must use, or will find helpful to use, in complying with established state policy relating to IT. For clarity, references in SIMM to "Department of Finance" that are not related to budget documents, such as Budget Change Proposals or Finance Letters, should be read as references to the "California Department of Technology."

**State Telecommunications Management Manual (STMM):** The State Telecommunications Management Manual (STMM), as structured by the Department of Technology, contains state telecommunications policies and procedures based on SAM 4500-4555 and Government Code Section 11534-11543. The STMM is continually updated to reflect current telecommunications policies and practices, and links to helpful outside resources are included throughout the STMM.

**System Standby:** A low-power mode for electronic devices such as computers, televisions, and remote-controlled devices (aka "sleep mode"). These modes save significant electrical consumption compared to leaving a device fully on and idle but allow the user to avoid having to reset programming codes or wait for a machine to reboot.

**Technology Letter:** Letters issued by the Department of Technology conveying official communications regarding state IT, announcing new or changes to existing IT policies and procedures, or announcing new or changes to existing state IT services or standards.

**Technology Modernization:** Actions an organization takes to move away from an outdated and/or unsupported technology or process, to adopt, adapt, or upgrade its technology to current industry best practices and/or standards to allow stable, scalable, and resilient support of the business needs.

**Technology Remediation:** The act of correcting an error, or mitigating a threat, vulnerability or identified gap, or responding to unexpected events, or preventing negative outcomes after an assessment of existing technology and/or the business process.

**Technology Stabilization:** Actions an organization takes to sustain and/or improve the reliability and availability of its current technology to efficiently support its current business needs.

**Telecommunications:** Includes voice and data communications, the transmission or reception of signals, writing, sounds, or intelligence of any nature by wire, radio, light beam, or any other electromagnetic means.

**Tenant Managed Services:** Centralized Tier III-equivalent data center space providing participating state Agencies/state entities the ability to operate their own environment with a degree of independence in the overall management of their server infrastructure. Additionally, Agencies/state entities can plan utilization of the Tenant Managed Services (TMS) as a disaster recovery site.

**Tier III-Equivalent Data Center:** Data Center facility consisting of multiple active power and cooling distribution paths; however, only one path is active. The facility has redundant components and is concurrently maintainable providing 99.982% availability.

**Total Planning Cost:** The total planning cost is the sum of all costs associated with the planning activities conducted in Stage 2 Alternatives Analysis through Stage 4 Project Readiness and Approval.

**Total Project Cost:** The total project cost is the sum of ALL costs associated with the project planning phases (Stage 2 through Stage 4) and the project execution phase (design, development, and implementation), plus one full year of maintenance and operations costs.

**Validation:** The process of evaluating software during or at the end of the development process to determine whether it satisfies specified requirements. [IEEE-STD-610]

**Verification:** The process of evaluating software to determine whether the products of a given development phase satisfy the conditions imposed at the start of that phase. [IEEE-STD-610]

**Virtualization:** A framework or methodology of dividing the resources of a computer into multiple execution environments, by applying one or more concepts or technologies such as hardware and software partitioning, time-sharing, partial or complete machine simulation, emulation, quality of service, and many others.

**Workgroup Collaboration Platform**: Cloud-based collaboration tool that integrates features such as chat, conferencing, calendaring, notes, and attachments organized by topics and accessible through a specific URL or invitation. Within the platform, members can create channels or topics of conversation and collaborate through a shared workspace.

**Workload Increase:** Employing substantially the same resources (equipment, facilities, IT personnel, supplies, software) to process a greater volume of the same or similar information. The results of the processing are the same or similar outputs distributed to comparable users.

**Zero Trust Architecture (ZTA):** Zero Trust Architecture (ZTA) is a security trust model that assumes that no entity should be inherently trusted, whether internal or external. It requires strict verification and authentication for users, devices, and applications seeking access to resources. The core principles of ZTA include least privilege access, micro-segmentation, network segmentation, continuous monitoring and analytics, and security automation and orchestration. By implementing these principles, ZTA aims to enhance security, minimize the impact of breaches, and protect sensitive data by consistently verifying and validating entities before granting access.

## STATE INFORMATION MANAGEMENT AUTHORITY AND RESPONSIBILITY - 4819.3

Pursuant to Government Code Sections 11545 and 11546, the Director of the California Department of Technology is charged with the duty to advise the Governor on the strategic management and direction of the State's IT resources. In addition to this advisory role, the Department of Technology is responsible for: establishing, maintaining, and enforcing the state's IT strategic plans, policies, standards procedures, and enterprise architecture; approval and oversight of IT projects; acquisition of reportable IT projects over the DGS Delegated Purchasing Authority; consulting with Agencies/state entities during initial project planning; and suspending, reinstating, or terminating IT projects.

## BASIC POLICY - 4819.31

Pursuant to Government Code Sections 11545 and 11546, the Director of the California Department of Technology is charged with the duty to advise the Governor on the strategic management and direction of the State's IT resources. In addition to this advisory role, the Department of Technology is responsible for: establishing, maintaining, and enforcing the state's IT strategic plans, policies, standards procedures, and enterprise architecture; approval and oversight of IT projects; acquisition of reportable IT projects over the DGS Delegated Purchasing Authority; consulting with Agencies/state entities during initial project planning; and suspending, reinstating, or terminating IT projects.
Each Agency/state entity is required to:

1. Establish and maintain a Technology Recovery Plan, so that it will be able to protect its information assets in the event of a disaster or serious disruption to its operations, and submit the plan or its update to the California Information Security Office (CISO) as outlined in the Technology Recovery Plan Reporting Schedule (SIMM Section 05B). See SAM Section 5325.1.
2. Establish an ongoing information management strategic planning process to support the accomplishment of its overall business strategy (e.g., its strategy to carry out its programmatic mission) and submit its strategic plan to the Department of Technology for approval. See SAM Section 4900.2.
3. Adopt standards for an Agency/state entity IT infrastructure consistent with SAM Section 4989.1.
4. Prepare Stage 1 Business Analysis (SIMM 19A) for all Information Technology Projects and submit to the Department of Technology for long term planning of the state's strategic IT investments. See SAM Section 4904.
5. Use the California Project Management Framework (CA-PMF) as described in SAM Section 4910 for managing all IT projects. Agencies/state entities may
   use other comprehensive PMBOK® Guide-based frameworks if the framework encompasses project management practices, processes, and deliverables that meet the minimum level of planning included in theCA-PMF.
6. Implement their Enterprise Architecture in accordance with the guidelines and instructions included in SIMM Section 58.
7. Conduct a study for each proposed IT project (development or acquisition) and obtain approval through the Project Approval Lifecycle from the Department of Technology or from the Agency/state entity director (if approval authority has been delegated). See SAM Sections 4819.34-4819.35.
8. Submit, upon request from the Department of Technology, all IT Reportable Procurements (as defined in SAM Section 4819.2) to the Department of Technology for review prior to release to the public.
9. Obtain approval of all IT Acquisitions related to Reportable Projects that exceed the Agency/state entity's DGS Delegated Purchasing Authority (as defined in SAM Section 4819.2), from the Department of Technology's Statewide Technology Procurement Division (STPD) prior to release to the public. These IT Acquisitions shall be included with the PAL Stage 3 Solution Development prepared in accordance with SIMM Section 19C. The instructions and time frame for submitting IT Acquisitions to the Department of Technology for review is specified in SIMM Section 05A.
10. Manage IT projects following the established IT Project Oversight Framework (SIMM Section 45) minimum requirements, to ensure that projects are completed on-time, within budget, and that they accomplish the objectives defined in their Stage 1 Business Analysis.
11. Protect the integrity of its information management capabilities and databases and ensure the security and confidentiality of information it maintains.
12. Establish an acquisition planning process for IT project acquisition of IT goods and services as determined by the Department of Technology.
13. Agencies/state entities shall implement power management practices on all desktop and laptop computing devices, thin client devices, printers copiers, scanners, and monitors. During hours of normal operation, devices which are not in use for 30 minutes shall automatically go into an energy-saving mode. Devices shall be shut down at the end of the normal business day.
    In addition, Agencies/state entities shall fully implement power management software for desktop and laptop devices by December 31, 2010, or six months after the 2010-11 Budget has been enacted, whichever is later. Agencies/state entities shall also implement standby and shutdown practices for all devices within the scope of this policy beginning December 31, 2010.
    Exemptions must be approved in writing by the Agency Information Officer (AIO) or the state entity's Chief Information Officer (CIO). Exemptions are limited to:
    - Devices which must remain in active mode to meet state operational needs. An example of a valid exemption would be a desktop computer and monitor utilized to manage batch programs 24 hours per day, seven days per week.
    - Facilities with electrical service bundled-in with facility lease contracts where Agencies/state entities would not likely receive offsetting benefits from acquired power management software. In this instance, compliance can be achieved through the use of standard operating systems functionality (e.g., Windows).

If an Agency/state entity fails to meet these requirements, the Agency/state entity will be required to obtain Department of Technology approval before expending any resources on IT projects.
The project approval process is described in SAM Section 4819.34

## EXCLUSIONS - 4819.32

For purposes of IT Project Submittal and Approval, the following are excluded from State Administrative Manual (SAM) Section 4819.34, which defines state project approval authority and responsibility for IT projects:

1. IT activities directly associated with single-function process-control systems (such as those applied in the controlling of water gates, traffic signals, or environmental systems for buildings), analog data collection devices, or telemetry systems are excluded from SAM Section 4819.34. Process Control, for the purposes of the exclusions from the Department of Technology project approval and oversight, includes automated processing systems that monitors and controls the operation of a single function system, and that can perform that control in isolation from other systems. Examples may include all components necessary to monitor and control the traffic lights at an intersection, the position of water restriction and diversion components in a water supply and distribution system, or to adjust the behavior of a motorized conveyer in response to changes in load and demand.
   Sensors, telemetry devices, alarm and physical entry controls (such as, facility access cards and badge readers) , functional components such as motors or traffic lights, electronic control processors,and the network system that connects those devices into a single-function process control system meet the process control system exclusion.
   Process control should not be interpreted to include information processing and network systems in which data is gathered, stored, transmitted, processed, analyzed, displayed, printed or reported for purposes other than the direct, automatic monitoring and controlling of a single function system, or for the manual review of the performance and activities of that single system.
   Any component that may be added to any process control system, such as additional sensors, processing capacity or network communications capability, that is necessary for use in conjunction with a current or planned IT system must be included in all Project Approval Lifecycle Stage/Gate deliverables, plans, proposals and budget estimates for the IT system.
2. Projects, activities, or acquisition of telecommunications equipment used exclusively for voice communications. Any project where approval and initiation is within the jurisdiction of the Public Safety Communications Office, per California Government Code Section 15275-15277, such as public safety telecommunications including microwave, satellite, 911, telematics, and radio/rf.
3. Installations of Voice Over Internet Protocol (VOIP) phone systems that arestand alone and do not interface with other systems on the network.
4. Acquisition of printers, scanners, and copiers. If any of these components are part of a planned IT system they must be included in all Project Approval Lifecycle Stage/Gate deliverables, plans, proposals and budget estimates for the IT system.

SAM Section 4819.32 is not an exclusion from SAM Section 4819.3, State Information Management Authority and Responsibility, which applies to all Agencies/state entities.
Questions regarding exclusions should be directed to your Department of Technology, IT Project Oversight Division (ITPOD) Manager

## PROJECT APPROVAL AUTHORITY - 4819.34

Authority for approval of information technology (IT) projects lies with the Department of Technology, but it is the intention of the State's Chief Information Officer to delegate approval authority to Agency/state entity directors to the maximum extent practicable.
When an Agency's/state entity's proposed expenditures on IT are consistent with established policies and when the Agency/state entity has consistently adhered to those policies and successfully implemented IT projects, the Department of Technology will consider delegating authority for the approval of resources to Agency/state entity directors, as defined below.

The Department of Technology will establish an Agency/state entity-specific cost delegation level, i.e., the project cost level above which the Agency/state entity must obtain project approval from the Department of Technology (see SAM Section 4819.37) before the Agency/state entity is authorized to initiate the project.

The Department of Technology's delegations fall into one of four general groups:

**Group 1 – Desktop and Mobile Computing Delegations**: Agencies/state entities that have established and currently maintain an acceptable Technology Recovery Plan and plan for the appropriate application of desktop and mobile computing will be delegated authority for the acquisition of equipment and software to support their desktop and mobile computing activities. See SAM Section 4989.2.

**Group 2 – Commercial-off-the-Shelf (COTS) Software and Cloud Software-as-a- Service (SaaS) Delegations**: Agencies/state entities are delegated the authority for the approval and acquisition of COTS software and Cloud SaaS solutions which are classified as Delegated (see SAM Section 4819.37 for a list of Project Delegation Criteria). The acquisition must meet **"ALL"** of the following conditions:

- Software licenses and consulting services will be acquired through a leveraged purchasing agreement managed by the Department of General Services (e.g. CMAS or MSA) or through one of the Department of Technology's Data Center Service Offerings.
- Does not require installation of new hardware on premises at the Agency/state entity or its designated data center.
- Solution is single purpose use, not mission critical, and used for internal purposes only.
- Does not exchange confidential or sensitive data with other systems.

Pursuant to the Cloud Computing policy (SAM Section 4983), Agencies/state entities must utilize Cloud SaaS services provided by the CDT whenever feasible. Additionally, COTS software services provided by CDT must be utilized whenever feasible. Agency/state entities must notify the Department of Technology of all COTS and SaaS acquisitions prior to project initiation as defined in Statewide Information Management Manual (SIMM) Section 22.

**Group 3 – Agency/state entity Delegated Projects:** Approval authority for projects which are delegated to the Agency/state entity director. Agencies/state entities undertaking delegated projects are expected to employ appropriate project review, approval, and reporting procedures as specified in SAM Sections 4819.35 and 4819.36. See SAM Sections 4819.37 and 4819.39 for a list of project reporting criteria and a definition of project cost delegation.

**Group 4 – Requested Delegation for Non-Delegated Projects:** An Agency/state entity with an acceptable Technology Recovery Plan and an Agency Information Management Strategy that has been approved by the Department of Technology may submit a Project Delegation Request (see SAM Section 4819.38) to the Department of Technology for

new projects prior to the encumbrance or expenditure of funds, including the use of staff resources, on the project beyond the Stage 1 Business Analysis. The Department of Technology will review the form and notify the Agency/state entity whether it has been delegated project approval authority for the proposed project. If delegation is not granted, the Agency/state entity must submit a Stage 2 Alternatives Analysis to the Department of Technology for approval.

1. Among the factors considered by the Department of Technology in determining whether to grant delegated project approval authority:
    a. The apparent adequacy of the Agency's/state entity's planning process;
    b. The cost, scope, and complexity of the IT project;
    c. The size and composition of project staff;
    d. The Agency/state entity executive staff's project management experience;
    e. The level of complexity and completeness of prior Project Approval Lifecycle documentation prepared by the Agency/state entity;
    f. The number and complexity of previous IT projects attempted by the Agency/state entity;
    g. The demonstrated ability of Agency/state entity project management staff to successfully monitor, control, and report progress during a complex undertaking; and
    h. The Agency's/state entity's past success in applying IT to attain goals on time and within budget and to realize expected objectives.

2. Delegation of project approval authority will NOT normally be given for projects which:
    a. Have significant statewide, interdepartmental, or intergovernmental impact;
    b. Involve the establishment or use of nonstandard or extensive communication facilities;
    c. Propose software or equipment acquisition expenditures that are large in relation to the Agency's/state entity's IT budget;
    d. Have the potential for involving new or unfamiliar technology;
    e. Produce revenue for the State, such as licensing fees, tax collection, etc.;
    f. Have a high potential risk associated with the security and confidentiality of the information being processed;
    g. Involve IT acquisitions that exceed the Agency's/state entity's Department of General Services Delegated Purchasing Authority (as defined in SAM Section 4819.2) or
    h. Depend upon decisions to be made during the development or enactment of the Governor's Budget, such as approval of a Budget Change Proposal or Budget Revision.

3. Splitting a project into smaller projects to avoid either fiscal or procedural controls is prohibited.
4. Agencies/state entities undertaking delegated projects are expected to employ appropriate project review, approval, and reporting procedures as specified in SAM Sections 4819.35 (Project Approval Lifecycle) and 4819.36 (Project Reporting/Oversight) below.
5. All IT projects are subject to audit. Documentation supporting project decisions must be kept by the Agency/state entity for a minimum of two years following approval of the Post-Implementation Evaluation Report (PIER). See SAM Sections 4947-4947.2.
6. The Department of Technology, at its discretion, may rescind previously delegated approval authority for individual projects or for all IT activities in progress or proposed by an Agency/state entity. The Department of Technology may require that project planning, design, or implementation be halted or redirected.

   The decision to rescind delegation will typically be based on review (audit) of the Agency's/state entity's information management practices: review of a specific project; redefinition of the project; significant increases in project cost projections; major cost overruns; specific control language placed on expenditures through legislation (i.e., the Budget Act); identification of significant unresolved technical issues; or a change in the direction of state policy.

## PROJECT APPROVAL LIFECYCLE - 4819.35

1. The mechanism for approving IT projects is the Project Approval Lifecycle (PAL). The PAL ensures projects are undertaken with a strong business case, clear business objectives, accurate costs, and realistic schedules.
2. PAL Stage/Gate deliverables, prepared in accordance with SAM Section 4922 through 4927, and must be approved for every IT project prior to the encumbrance or expenditure of funds on the project, including the use of staff resources, beyond project approval. Agencies/state entities are required to follow the SIMM Section 19 instructions for preparing and submitting the PAL Stage/Gate deliverables.
3. If, during project development or implementation, the Agency/state entity finds that program requirements cannot be adequately satisfied by the course of action described in the approved Stage 4 Project Readiness and Approval and that an alternative course of action is more appropriate, a Special Project Report (SPR) (SAM Sections 4945-4945.2 and SIMM Section 30) shall be prepared. No encumbrance or expenditure of funds, including the use of staff resources, shall be made to implement such change or alternative course of action until approval has been received from the Department of Technology, or from the Agency/state entity director if the Department of Technology has delegated approval of the project to the director and the project remains within the limitations of the Agency/state entity's delegated authority. SPRs that must be submitted to the Department of Technology must be transmitted within 30 days after recognition of the situation that necessitates preparation of the SPR.
   Agencies are required to follow the SIMM Section 30 instructions for preparing and submitting the SPR.
   In the event an SPR approved by the Department of Technology results in a procurement that exceeds the Department of General Services Delegated Purchasing Authority, the procurement will be subject to the Department of Technology/Statewide Technology Procurement Division (STPD) approval.
4. Projects subject to approval by the Department of Technology (non-delegated projects) require submission of PAL Stage/Gate deliverables (beginning at the Stage 2 Alternatives Analysis through the Stage 4 Project Readiness and Approval) to the Office of the Legislative Analyst. See SIMM Section 19.
5. The Department of Technology will review the procurement planning information in the Stage 2 Alternatives Analysis, as applicable, to evaluate the proposed IT procurement strategy.

6. Projects whose approval has been delegated to the Agency/state entity's director normally require all PAL Stage/Gate deliverables to be prepared in accordance with SAM Section 4928 and approved by the Agency/state entity director (SAM Sections 4921 and 4927). A copy of the analysis, and a signed document indicating approval by the Agency/state entity director, must be on file in the Agency/state entity.
7. The Department of Technology may decide to review specifications in procurement documents before they are advertised to ensure that the specifications are consistent with the solution requirements and proposed architecture in the PAL Stage/Gate deliverables or SPR for the projects. See SAM Section 5211.

## PROJECT REPORTING/OVERSIGHT - 4819.36

1. **Projects Approved by the Department of Technology**–Project reporting documentation submitted to the Department of Technology usually will require:
    a. Submission of a Special Project Report (SPR) (SAM Sections 4945-4945.2) to the Department of Technology and the Office of the Legislative Analyst, if:
        1. The total IT project costs deviate or are anticipated to deviate by ten percent (higher or lower) or more, or by more than a specifically designated amount as determined by the Department of Technology, from the last approved estimated IT project budget (to be measured against the combined total of each fiscal year's One- time Project Costs Plus Continuing ProjectCosts);
        2. The last approved overall project development schedule falls behind or is anticipated to fall behind by ten percent or more;
        3. The total program benefits deviate or are anticipated to deviate by ten percent (higher or lower) or more from the last approved estimated total program benefits (to be measured against the combined total of each fiscal year's Cost Savings and Cost Avoidances);
        4. A major change occurs in project requirements or methodology;
        5. Any conditions occur that require reporting to the Department of Technology as previously imposed by the Department of Technology; or
        6. A significant change in state policy draws into question the assumptions underlying the project.
    b. Development of an Independent Project Oversight Report (IPOR), (see SIMM Section 45), on a monthly basis for projects classified by the Department of Technology as medium or high criticality. The Department of Technology may modify the IPOR reporting frequency based on project performance.
    c. Submission of a Project Status Report (PSR), (see SIMM Section 45) on a monthly basis for projects classified by the Department of Technology as medium or high criticality and quarterly for low criticality projects unless the Department of Technology has specified a more frequent reporting period. Please see SIMM Section 05A for the PSR submittal schedule.
    d. Submission of a baselined and current Microsoft Project schedule with the submission of each PSR.
    e. Submission of a Post-Implementation Evaluation Report (PIER) (SAM Sections 4947-4947.2) to the Department of Technology and the Office of the Legislative Analyst at the conclusion of the project.
    f. The Department of Technology **MAY** require submission of periodic project reports (SAM Section 4944) to the Department of Technology and the Office of the Legislative Analyst.

    The Department of Technology may require Agencies/state entities to submit an SPR under other circumstances, such as the Agency/state entity's failure to meet a critical milestone or a significant increase in the project's cost in any fiscal year relative to the costs that were forecast when the project was approved by the Department of Technology. Additionally, the Department of Technology may require periodic reviews to be conducted at any point during the project.
2. **Projects Approved by the Agency/state entity Director**–Projects for which reporting was delegated to the Agency/state director require at a minimum:
    a. Appropriate project oversight and project reporting to the Agency/state entity director in lieu of the Department of Technology, and maintenance of documentation in support of Agency/state entity decisions on the project. Documentation should be sufficient to meet the needs of outside auditors and to prepare the PIER. Project oversight activities must comply with the IT Project Oversight Framework (see SIMM Section 45).
    b. Approval of a PIER (SAM Sections 4947-4947.2) by the Agency/state entity director at the conclusion of the project.
    c. Submission of an SPR (SAM Sections 4945-4945.2) to the Department of Technology and the Office of the Legislative Analyst if:
        1. Any criteria listed in SAM Section 4819.37, other than the project's cost exceeding the level the Department of Technology may have delegated to the Agency/state entity, arise during the development or implementation of the project;
        2. A significant change in state policy draws into question the assumptions underlying the project; or
        3. The project costs exceed or are estimated to exceed the cost level the Department of Technology may have delegated to the Agency/state entity AND one or more of the following conditions are true:
            1. The total IT project costs deviate or are anticipated to deviate by ten percent (higher or lower) or more from the estimated IT project budget (to be measured against the combined total of each fiscal year's One- time Costs plus Continuing Costs);
            2. The overall project development schedule falls behind or is anticipated to fall behind by ten percent or more;
            3. The total program benefits deviate or are anticipated to deviate by ten percent (higher or lower) or more from the estimated total program benefits (*to be measured against the combined total of each fiscal year's Cost Savings and Cost Avoidances*); or
            4. A major change occurs in project requirements or methodology.

Based on the Department of Technology's review of the Agency Information Management Strategy (see SAM Sections 4900-4900.6) and its assessment of the Agency/state entity's project management capabilities, the Department of Technology **MAY** require one or more of the following additional project reporting/oversight responsibilities for projects subject to oversight by the Agency/state entity director:

1. Submission of the PAL Stage/Gate deliverables and/or approval document(s), signed by the Agency/state entity director, to the Department of Technology and the Office of the Legislative Analyst.
2. Submission to the Department of Technology of a detailed project schedule showing key milestones during the life of the project;

3. Submission of periodic project reports (SAM Section 4944) or SPRs (SAM Sections 4945-4945.2) to the Department of Technology and the Office of the Legislative Analyst; or
4. Submission of a PIER (SAM Sections 4947-4947.2) to the Department of Technology and the Office of the Legislative Analyst at the conclusion of the project.

**Responsibilities and Tasks**
**California Department of Technology**

1. The Department of Technology is responsible for developing and maintaining the state-level IT Project Oversight Framework (see SIMM Section 45), which provides the minimum requirements for IT project management, risk management, project oversight, and project reporting activities at the Agency/state entity and control agency levels.
2. The Department of Technology is responsible for assessing Agency/state entity IT project management and oversight activities to ensure compliance with state-level IT policies and standards. The Department of Technology will assess IT projects to determine the degree to which projects are progressing, in accordance with the planned cost, schedule, and scope as compared to the approved project plan.
3. The Department of Technology will recommend and pursue prescriptive measures and corrective actions to minimize risk to the state and help ensure that IT projects achieve expected outcomes in accordance with the approved project plan.

**Agencies/state entities**

1. Agencies/state entities are responsible for developing IT strategic plans that are aligned with their business plans and ensuring that IT plans are updated as their business needs and requirements change.
2. Agencies/state entities have ultimate responsibility and accountability for the successful implementation of their IT initiatives and must implement processes and procedures to facilitate success, including appropriate project management, project delivery, and quality assurance processes and methodologies.
3. Agencies/state entities are responsible for establishing the required project management and oversight activities and functions defined in the IT Project Oversight Framework (see SIMM Section 45). Each Agency/state entity must update its project management and oversight practices to reflect changes in state policy, processes, and the IT Project Oversight Framework.
4. Agencies/state entities are responsible for ensuring that projects consistently follow state-level IT oversight policies and requirements, legislative mandates, and applicable laws.
5. Agencies/state entities are responsible for providing project status information sufficient to allow the Department of Technology to meet its oversight reporting and full disclosure responsibilities.

## PROJECT DELEGATION CRITERIA - 4819.37

Pursuant to Government Code Section 11545(a), authority for the approval of Information Technology (IT) Projects resides with the California Department of Technology (CDT), but it is the intention of the State's Chief Information Officer to delegate approval authority to Agencies/state entities to the maximum extent practicable. IT Projects must be approved or delegated before an Agency/state entity can encumber or expend funds on, or dedicate staff resources to, the IT Project. The following categories identify the criteria for project delegation:

A. **Delegated IT Projects**: Pursuant to Government Code Section 11546(b), the CDT will delegate approval authority for IT Projects to Agencies/state entities based on an assessment of the Agency's/state entity's project management, project oversight, and project performance. If an Agency/state entity is assessed to be capable in those respects and the IT project does not meet one or more of the criteria identified in paragraph (B), the IT project will be delegated to the Agency/state entity and the Agency/state entity will have approval authority pursuant to SAM Section 4819.34. Those projects are referred to as "Delegated IT Projects."

B. **Non-Delegated IT Projects**: Notwithstanding paragraph (A), IT Projects are considered Non-Delegated if one or more of the following criteria applies:
    1. Initiation of the IT Project depends upon decisions to be made during the development or enactment of the Governor's Budget, such as approval of a Budget Change Proposal or Budget Revision to increase the Agency's/state entity's existing IT activities related to the IT Project;
    2. The IT Project involves a new system development or acquisition that is specifically required by legislative mandate or is subject to special legislative review, as specified in budget control language or other legislation;
    3. The IT Project has an anticipated cost that exceeds the Agency's/state entity's project cost delegation assigned by the CDT and does not meet the criteria of a desktop and mobile computing commodity expenditure (see SAM Section 4989 – 4989.3);
    4. CDT and/or the Agency's/state entity's Agency Information Officer (AIO) has determined that the IT project has criticality/risk factors that warrant continued approval and oversight authority by CDT.

IT Projects that meet one or more of these criteria are referred to as "Non-Delegated IT Projects." However, at any time throughout the Project Approval Lifecycle (PAL), CDT may further delegate "Non-Delegated IT Projects" back to an Agency/state entity based on the risk assessment and evaluation of PAL.

Non-Delegated IT Projects may be delegated back to an Agency/state entity upon the approval of a Project Approval Lifecycle - Project Delegation Request (PAL-PDR) (see SAM Section 4819.38), with the subsequent approval of PAL Stage/Gate deliverables by the Agency/state entity Director. An Agency/state entity must have a Technology Recovery Plan and an Agency Information Management Strategy that has been approved by the Department of Technology in order to submit a PAL-PDR.

## REPORTING EXEMPTION REQUEST - 4819.38

SIMM Section 19E provides instructions for completing the Project Approval Lifecycle - Project Delegation Request (PAL-PDR). Agencies/state entities are required to follow the SIMM instructions for preparing and submitting the PAL-PDR.

## PROJECT COST DELEGATION - 4819.39

The California Department of Technology (Department of Technology) assigns each Agency/state entity a minimum total Project Cost Delegation for reporting purposes. See Statewide Information Management Manual (SIMM) Section 15. The Department of Technology delegates to the Agency/state entity the approval authority for any IT proposal with an estimated total development cost equal to or less than the Agency's/state entity's assigned Project Cost Delegation, provided the proposal does not meet any other Department of Technology established reporting criteria defined in SAM Section 4819.37.

The total development cost is synonymous with one-time cost and is defined as all estimated or projected costs associated with the project planning, analysis, design, programming, verification and validation services, staff training, data conversion, acquisition, and implementation of an IT investment. Excluded from development costs are estimated costs of continued operations and maintenance.

## EXPENDITURES FOR ONGOING INFORMATION TECHNOLOGY ACTIVITIES - 4819.40

Expenditures in support of an ongoing IT activity will normally not require Department of Technology approval provided that:

The activity meets the definition of previously approved project/effort as defined in SAM Section 4819.2:

*Applicable activities include meeting modified needs, improving the effectiveness of the activity, program or system maintenance, or extension of existing services to new or additional users performing essentially the same functions as those that the project was designated to support. A previously approved effort/project must use substantially the same equipment, facilities, technical personnel, supplies and software to meet substantially the same requirements or to meet normal workload increases.*

Qualification of an IT activity as a previously approved effort requires an approved FSR or PAL Stage 4 Project Readiness and Approval AND an approved Post Notes:

1. "Substantially the same equipment" does not include the addition, upgrade or replacement of a Mainframe.
2. Minor changes in functionality and/or equipment will normally meet the definition of previously approved effort/project. Significant changes in functionality and/or equipment that require budget actions do not meet the definition of previously approved effort/project.

Example: The Department of Justice maintains a system to enable the ownership registration of handguns. New legislation requires the addition of rifle registration to the system. This added functionality would not require Department of Technology approval.

Expenditures in support of activities not meeting the above criteria are considered to be new projects, not ongoing IT activities.

## CERTIFICATION OF COMPLIANCE WITH IT POLICIES - 4819.41

A signed certification of compliance with state IT policies is required for all IT acquisitions of hardware, software, services, and IT Interagency agreements.

A certification is not required for:

a. Acquisitions less than $5,000;
b. Projects, activities, or acquisition of telecommunications equipment used exclusively for voice communications;
c. Projects, activities, or acquisitions of Voice over Internet Protocol (VoIP) phone systems that are stand alone and do not interface with other systems on the network.

Agencies/state entities are required to complete the certification form provided in Statewide Information Management Manual (SIMM) Section 71B and adhere to the preparation instructions provided in SIMM Section 71A. This includes obtaining the required signatures prior to commencing work on an acquisition. The certification must be completed by the Agency/state entity that will directly utilize the procured goods or services. Certifications completed by Agency affiliated state entities must be approved by their governing Agency if the total cost of the IT acquisition exceeds the Agency's/state entity's assigned Department of Technology Project Cost Delegation (as identified in SIMM Section 15) or $1 million, whichever is lower. When an acquisition requires the approval of either the California Department of Technology (CDT) or the Department of General Services (DGS) the original signed certification must be submitted with the applicable transmittal document for each IT acquisition transaction (including requests to approve Non-Competitively Bid Justifications and Limited to Brand or Trade Name Statement). For audit and review purposes, a copy of the signed certification must be retained in the Agency's/state entity's procurement file. When an acquisition is conducted under purchasing authority granted by the DGS, the original signed certification must be retained in the procurement file.

## BUDGET CHANGE PROPOSALS - 4819.42

Budget Change Proposals (BCP) containing specified information technology (IT) components are reviewed by Department of Technology staff and an evaluation is provided to the Department of Finance Program Budget Manager responsible for review of the Agency/state entity's budget.

BCPs which request funding for IT projects must be consistent with the Agency/state entity's Agency Information Management Strategy (see SAM Sections 4900.3-4900.5) and the Conceptually Approved IT Project Proposals Report (see SAM Section 4904). The BCP must be supported by approved Project Approval Lifecycle Stage/Gate deliverables (SAM Section 4928), or Special Project Report (SPR) (SAM Sections 4945- 4945.2) prior to approval of the funding request. In exceptional circumstances, with Department of Technology approval, the funding request may be supported by an approved PAL Reporting Exemption Request.

Project Approval Lifecycle Stage/Gate deliverables and SPRs must be submitted in the format and within the time frames specified in SAM, SIMM, and Technology Letters issued by the Department of Technology. BCPs must be submitted in the format and within the timeframes specified in annual budget letters issued by Department of Finance. Incomplete or "placeholder" Stage/Gate deliverables or SPRs submitted for consideration with an associated BCP may be returned to the Agency/state entity without consideration.

## (Section Reserved 09-29-2023 - Critical Services) - 4828

## (Section Reserved 09-29-2023) - 4828.1

## (Section Reserved 09-29-2023) - 4828.2

## (Section Reserved 09-29-2023 - Assessment) - 4828.3

## (Section Reserved 09-29-2023 - Remediation) - 4828.4

## (Section Reserved 09-29-2023 - Modernization ) - 4828.5

## INFORMATION TECHNOLOGY ACCESSIBILITY POLICY - 4833

Services and information provided by state agencies/entities must be accessible to users with all abilities. This includes:

- Digital services
- Electronic and information technology (EIT)
- Public websites
- Internal websites
- Information technology (IT) systems

Under existing federal and state laws and policies, state entities, as well as any contractors or vendors working for them, are responsible for ensuring:

- Their public website(s) are accessible to the public.
- Their internal EIT systems are accessible to everyone who needs them, including users with disabilities.

This policy applies to all new, updated, and existing EIT.
The following codes govern our accessibility requirements:

- California Government Code Section 7405.
- Section 508 of the Rehabilitation Act of 1973 (29. U.S.C. Sec. 794d).
- Code of Federal Regulations (Part 1194 of Title 36)

Certain exceptions to accessibility standards may apply if meeting these standards would cause an undue burden. For more information on these exceptions, refer to the State Administrative Manual (SAM) 4833.1, "Exceptions to Accessibility."

## EXCEPTIONS TO ACCESSIBILITY - 4833.1

The following exceptions are allowed for compliance with this policy:

1. National Security Systems:
   - Information technology (IT) projects for a “national security system” (FAR 39.204 Exception a(1) and 36 CFR 1194.3(a)).

2. Incidental IT Acquisition:
   - IT “acquired by a contractor incidental to a contract” (FAR 39.204(a)(2) and 36 CFR 1194.3(b)).

3. Back Office Exception:
   - IT projects “located in spaces frequented only by service personnel for maintenance, repair, or occasional monitoring of equipment (FAR 39.204(a)(3) and 36 CFR 1194.3(f)).”

4. Undue Burden:
   - Compliance that presents“a significant difficulty or expense,” based on the resources available to the program or component for which the product is being procured.

5. No Commercial Solution Available:
   - If no commercial solution is available to meet accessibility requirements.

6. Fundamental Alteration:
   - If meeting accessibility requirements fundamentally alters the nature of the product or its components.

Visit SIMM Section 25, IT Accessibility Resource Guide, for more information.

## WEBSITE ACCESSIBILITY CERTIFICATION - 4833.2

Before July 1, 2019 and biennially thereafter, each Agency/state entity shall post on the home page of the Agency/state entity’s internet website a signed certification from the Agency/state entity’s Director and Chief Information Officer certifying that they have determined that the Agency/state entity’s internet website is in compliance with Government Code Sections 7405 and 11135, and the Web Content Accessibility Guidelines 2.0, or a subsequent version, published by the Web Accessibility Initiative of the World Wide Web Consortium at a minimum Level AA success criteria.
The California Department of Technology (CDT) has adopted the Department of Rehabilitation’s Accessibility toolkit to serve as the standard form that each Agency/state entity’s Chief Information Officer shall use to determine whether the Agency/state entity’s internet website is in compliance with the accessibility standards specified above.
To meet the certification requirements of this policy, each Agency/state entity may use the optional Website Accessibility Certification form in SIMM Section 25B or develop an Agency/state entity specific form that satisfies the statutory requirements.

## INFORMATION TECHNOLOGY INFRASTRUCTURE POLICY - 4834

Agencies/state entities’ information technology infrastructures must enable information sharing across traditional barriers, enhance California's ability to deliver effective and timely services, promote interoperability, support departments and

Agencies/state entities in their efforts to improve government functions, and promote migration to enterprise solutions with reduced complexity and support costs.

## CALIFORNIA SOFTWARE MANAGEMENT POLICY - 4846

Each Agency/state entity shall establish and maintain appropriate computer software management practices and ensure that computer software they use and/or have purchased with state funds is legally procured and is used in compliance with licenses, contract terms, and applicable copyright laws. Each Agency/state entity shall develop and implement policies and procedures to ensure that all staff understand and adhere to proper software management policies.

## SOFTWARE MANAGEMENT PLAN - 4846.1

To prevent software piracy and promote good software management practices, each Agency/state entity must maintain a software management program. Each Agency/state entity must document this effort through a software management plan. See SIMM Section 120 for guidelines on the development and maintenance of this plan.

## SOFTWARE MANAGEMENT POLICY REPORTING REQUIREMENTS - 4846.2

Beginning January 31, 2004, and ongoing, each Agency/state entity shall retain internally for three years, by the Agency Information Officer, an annual certification along with the summary of updated inventories conducted by the Agency/state entity as part of its ongoing software management practices. This certification must also identify the individual responsible for ensuring Agency/state entity compliance with the California Software Management Policy, SAM Section 4846. In support of this certification, each Agency/state entity must maintain a detailed inventory report that must be made available upon request to the Department of Technology and/or the Department of General Services. See SIMM Sections 80 and 120 for this and any other reporting requirements.

## STATUTORY REFERENCES - 4851

Chapter 834, Statutes of 2006 (SB 834) created the Office of the State Chief Information Officer (OCIO), and its responsibilities were expanded via Chapter 183, Statutes of 2007 (SB 90) as described in Government Code Sections 11545 and 11546.
Chapter 404, Statutes of 2010 (AB 2408), renamed the OCIO the California Technology Agency (Technology Agency) and transferred the responsibilities of the OCIO to the Technology Agency.
Chapter 352, Statutes of 2013 (AB 1317) abolished the California Technology Agency and transferred its responsibilities and authority to the California Department of Technology (Department of Technology) within the newly-created Government Operations Agency. (GRP 2, 2012)

## INFORMATION TECHNOLOGY TRAINING AND EMPLOYEE DEVELOPMENT - 4854

**Purpose:**

The California Department of Technology (CDT) recognizes that training and employee development is primarily a responsibility of management. The purpose of the policy is to ensure the effective training and development of Information Technology (IT) employees within the state. The policy works in congruence with Government Code (GC) section 11545(b)(5) and seeks to improve organizational maturity and capacity in the effective management of the IT workforce at the state entity level by defining the roles and responsibilities of the training coordinator. This policy also aims to ensure that employees possess the necessary skills and knowledge to perform their IT-related responsibilities efficiently and securely. The following policy has been created to facilitate these best practices and key objectives.

**Policy:**

The identification of needs, establishment of priorities, and implementation of training reside at the discretion of each state entity. Each State entity should appoint a training coordinator to assist line management in taking inventory of employee skills, training needs, and professional development and coordinate training efforts with other state entities. The training coordinator shall ensure that the state entity's IT training shall meet the objectives below.

**Training Needs Assessment:**

Identification of learning and development needs is necessary to ensure each employee is equipped with the right skills and knowledge to perform the job efficiently and to their highest ability. Creating a thorough assessment of the IT employee training needs will be conducted within each state entity. The assessment will consider the current skill levels, job responsibilities, and any emerging technologies relevant to the organization.

**Annual Training Plans:**

The training plan should be linked to California's Statewide Strategic Plan and the state entities' goals and objectives. The annual training plan must include the type of training, training objective, training delivery, budget, sources of training, and training priority.

**Types of Training:**

The type of training should be identified as part of the training plan development. Examples include:

1. Instructor-led training
2. eLearning
3. Technical training
4. Mandatory training
5. Professional development
6. Simulation employee training
7. Hands-on training

8. Coaching or mentoring
9. Lectures
10. Group discussion and activities
11. Role-playing
12. Management-specific activities
13. Case studies or other required reading

**Training Objectives:**

The training objectives and goals include specific, measurable, achievable, relevant, and time-bound statements that define what employees are expected to achieve by the end of a training program.

**Training Delivery:**

The training delivery method and process is used to provide instructional content, knowledge, or skills to employees during a training program. It encompasses the strategies and techniques employed to transfer information effectively from instructors to participants. Examples include:

1. Classroom training
2. Online or e-learning
3. Workshops or seminars
4. On-the-job training
5. Self-paced learning
6. On-demand learning
7. Peer learning

**Source of Training:**

Both formal and informal training contribute to learning and professional development. State entities must work closely with CDT to identify those skill areas where they anticipate the need to contract for technical training with outside vendors. Technical training examples include:

1. External outsourced state training
2. External vendor training contract
3. Internal State entity training

As such, state entities should assess their training needs and utilize IT training offered by CDT before considering similar training from other sources. This includes contacting CDT and leveraging their equivalent IT training, including leadership academies and specialized bootcamps, before procuring training from outside vendors.

**Training Budget:**

Establishing a training budget is essential for state entities to effectively plan, implement, and manage training initiatives. It ensures employees remain up to date and current on IT technologies and processes, improves return on investment, resource allocation, compliance, and certifications.

**Training Priorities:**

It is recommended that priority be given to the development of those skills necessary in the effective performance of each person's current position. After essential needs are met, career-related training needs may be addressed. We also stress the importance of certification and formal education offerings, which could include paying for certification examinations. This helps with retention, morale and is a proven incentive for staff to remain with a state entity. It's important to remember that IT exists to meet the needs of business and priorities need to be based on that concept.

**Training Records:**

The organization will maintain accurate records of employee IT training completion. These records will include the date of training, type of training, and the names of employees who have completed the training.

**Evaluation and Feedback:**

Training will routinely be evaluated to determine if the training is effective and how it can be improved. Feedback will be evaluated and provided to those offering the training for refinement and improvement.

**Training Effectiveness:**

The state entity will periodically assess the effectiveness of IT training programs to ensure they meet the intended objectives.

**Exemptions:**

If an organization that is planning to utilize IT training services that are similar to CDT training offerings and determines that the use of a CDT provided training solution is not feasible, they shall submit a Service Request for a Training Exemption for CDT approval before proceeding with the acquisition.

**Exemption Process:**

- Submit a Training Exemption Service Request.
- Identify and explain the need for the exemption.
- Obtain the State entity's CIO and/or AIO approval of the Training Exemption Request.
- Work with CDT to consider alternative solutions.
- Maintain a central file of granted CDT Training Policy Exemptions and their related acquisition documents. This file must be made available to CDT upon request for audit purposes.
- Comply with the Training Exemption Response and all related policies, standards, and guidelines.

**Exceptions:**

This policy does not apply to on-the-job training, state entity in-house training when a vendor is not used, specialized computer-based training modules obtained as part of a hardware or software contract, cooperative training programs developed with other state entities when a vendor is not used, and/or eLearning online subscription-based training.

**Frequently Asked Questions:**

Please refer to our FAQ page for more information.

## Chapter - 4900

Sections for Chapter 4900

| Section | Subchapter |
|---|---|
| PURPOSE | 4900 |
| DEFINITIONS | 4900.1 |
| BASIC POLICIES | 4900.2 |
| AGENCY INFORMATION MANAGEMENT STRATEGY DOCUMENTATION | 4900.3 |
| AGENCY INFORMATION MANAGEMENT STRATEGY REPORTING REQUIREMENTS | 4900.5 |
| EXHIBITS AND SUPPORTING DOCUMENTS | 4903 |
| INFORMATION MANAGEMENT ORGANIZATION | 4903.1 |
| INFORMATION MANAGEMENT COSTS | 4903.2 |
| CONCEPTUALLY APPROVED IT PROJECT PROPOSALS REPORT | 4904 |
| ENTERPRISE ARCHITECTURE | 4906 |
| PROJECT MANAGEMENT | 4910 |
| PROJECT MANAGER QUALIFICATIONS | 4910.1 |
| CALIFORNIA PROJECT MANAGEMENT FRAMEWORK (CA-PMF) | 4910.2 |
| PROJECT APPROVAL LIFECYCLE PURPOSE | 4920 |
| PROJECT APPROVAL LIFECYCLE BASIC POLICY | 4921 |
| PROJECT APPROVAL LIFECYCLE SCOPE | 4922 |
| PROJECT APPROVAL LIFECYCLE PARTICIPATION | 4923 |
| PROJECT APPROVAL LIFECYCLE DOCUMENTATION | 4924 |
| CONSISTENCY WITH AGENCY INFORMATION MANAGEMENT STRATEGY AND CONCEPTUALLY APPROVED IT PROJECT PROPOSALS REPORT | 4925 |
| PROJECT APPROVAL LIFECYCLE PROCESS | 4927 |
| PROJECT APPROVAL LIFECYCLE STAGE/GATE DELIVERABLES | 4928 |
| PROJECT SUMMARY PACKAGE | 4930 |
| IT PROJECT OVERSIGHT | 4940 |
| INDEPENDENT PROJECT OVERSIGHT REPORTS | 4940.1 |
| CORRECTIVE ACTION PLAN | 4940.2 |

| | |
|---|---|
| INDEPENDENT VERIFICATION AND VALIDATION | 4940.3 |
| COMPLIANCE REVIEW | 4942 |
| AUDIT OF INFORMATION TECHNOLOGY PROJECTS | 4943 |
| SPECIAL PROJECT REPORT - GENERAL REPORTING REQUIREMENTS | 4945 |
| SPECIAL PROJECT REPORT-CONTENT AND FORMAT | 4945.2 |
| MAINTENANCE AND OPERATIONS PLAN POLICY | 4946 |
| POST-IMPLEMENTATION EVALUATION REPORT | 4947 |
| POST-IMPLEMENTATION EVALUATION REPORT-CONTENT AND FORMAT | 4947.2 |
| INTRODUCTION | 4981 |
| TECHNOLOGY CONSIDERATIONS | 4981.1 |
| INTRODUCTION | 4982 |
| DATA CENTER CONSOLIDATION AND DETERMINATION OF AGENCY-DATA CENTER ASSIGNMENTS | 4982.1 |
| POLICIES FOR DATA CENTER MANAGEMENT | 4982.2 |
| CLOUD COMPUTING INTRODUCTION | 4983 |
| CLOUD COMPUTING POLICY | 4983.1 |
| OPEN SOURCE AND CODE REUSE POLICY INTRODUCTION | 4984 |
| OPEN SOURCE AND CODE REUSE POLICY REQUIREMENTS | 4984.1 |
| OPEN SOURCE AND CODE REUSE EXCEPTIONS | 4984.2 |
| INTRODUCTION | 4985 |
| INTERNET POLICY | 4985.1 |
| INTERNET ACCESS REQUIREMENTS | 4985.2 |
| CLOUD AND INTERNET ACCESS METHODS | 4985.3 |
| ARTIFICIAL INTELLIGENCE INTRODUCTION | 4986 |
| GENERATIVE ARTIFICIAL INTELLIGENCE (GenAI) POLICY INTRODUCTION | 4986.1 |
| DEFINITIONS FOR GenAI | 4986.2 |
| GenAI USE IDENTIFICATION AND HIGH-RISK INVENTORY | 4986.3 |
| GenAI TRAINING DATA AND TRANSPARENCY | 4986.4 |
| GenAI HOSTING | 4986.5 |
| GenAI PROOF OF CONCEPT (POC) AND MINIMUM VIABLE PRODUCT (MVP) | 4986.6 |
| IT PROJECTS UTILIZING GenAI PLANNING AND APPROVAL | 4986.7 |
| IT PROJECTS UTILIZING GenAI PROJECT | 4986.8 |
| GenAI PROCUREMENT | 4986.9 |
| PRIVACY FOR GenAI | 4986.10 |
| SECURITY FOR GenAI | 4986.11 |
| ACCEPTABLE USE OF GenAI | 4986.12 |
| GenAI WORKFORCE TRAINING | 4986.13 |
| DESKTOP AND MOBILE COMPUTING POLICY | 4989 |
| DEFINITION OF DESKTOP AND MOBILE COMPUTING | 4989.1 |
| DEFINITION OF DESKTOP AND MOBILE COMPUTING | 4989.2 |
| AGENCY/STATE ENTITY ROLES AND RESPONSIBILITIES | 4989.3 |

| | |
|---|---|
| POLICY COMPLIANCE | 4989.8 |

## PURPOSE - 4900

Strategic planning is essential to the successful adoption of IT in state government. An Agency/state entity information management strategy provides a means of coordinating systems development throughout the Agency/state entity over the long term. It enables the Agency/state entity to build systems within a common infrastructure and recognizes that no investment in systems should be made without proper planning. Inherent in the concept of information strategy is the commitment to develop business systems that are based on the real business priorities of the Agency/state entity.

The purposes of the planning requirements in this section are to ensure that:

1. Agency/state entity plans for and uses of IT are closely aligned with Agency/state entity business strategies;
2. Each Agency/state entity identifies opportunities to improve program operations through strategic uses of IT; and
3. Each Agency/state entity establishes and maintains an IT infrastructure that supports the accomplishment of Agency/state entity business strategies, is responsive to Agency/state entity information requirements, and provides a coherent architecture for Agency/state entity information systems.

## DEFINITIONS - 4900.1

**Agency Information Management Strategy**. An agency's information management strategy is the agency's comprehensive plan for using information technology to address its business needs, i.e., to successfully carry out its programmatic mission. Ideally, the agency's information management strategy represents one aspect of a well- defined overall agency business strategy and is therefore closely aligned to its business strategy. If the agency has not established a business strategy, agency staff who are responsible for the agency information management strategy must make assumptions based on their knowledge of the agency's overall mission, its program resources and priorities, and the changing nature of its environment.

**Business Strategy**. An agency's business strategy is its overall plan for accomplishing its mission in a changing environment with the resources it can reasonably expect to be available. Such a strategy typically addresses the agency's statutory mission and historical role, the expectations of its key stakeholders (individuals and organizations that affect the agency or that the agency affects), the factors that are critical to its success as an organization, the agency's internal strengths and weaknesses, and the political, social, economic, and technological forces in its environment that support or constrain its programs. Business strategies articulate the key issues that must be successfully addressed by the agency and identify the priorities and required resources for proposed actions. A strategy may have a time frame that is as short as a few months, if there is a limited window of opportunity for significant change. However, most agency business strategies present a three- to five-year perspective, with some agencies finding it useful to extend their strategic vision as much as ten to twenty years into the future. Strategic planning is not a one-time effort; it is a fundamental, continuing management process that allows the agency to respond in an effective manner to a changing environment.

**Information Technology Infrastructure**. An agency's information technology infrastructure is the base or foundation for the delivery of information to support the agency's programs and management. The infrastructure contains elements upon which an agency's information technology activities are dependent. An agency must therefore define, implement, and manage these infrastructure elements to successfully employ information technology.

The desirable characteristics of this infrastructure are efficient support for the exchange of information within the agency and between the agency and other organizations; reliable availability of information processing capabilities whenever and wherever they are needed; preservation of the integrity and confidentiality of information maintained by the agency; sufficient flexibility to allow the timely and efficient addition of new information management capabilities and modifications of established capabilities; and consistency with a coherent set of technical and managerial standards for the employment of information technology. Typical elements in an information technology infrastructure include:

**Application Systems**. The applications that an agency purchases and/or develops to achieve personal productivity and program support benefits.

**Architecture**. The guidelines or blueprints that an agency follows in designing, acquiring, and implementing information technology solutions. Organizationally approved definitions, specifications, and standards are the primary components in an agency's information technology architecture.

**Communications**. Local area and wide area network components, including linkages with other organizations.

**Equipment**. An agency's hardware platforms and components ranging from individual personal computers to mainframes and associated peripherals.

**Facilities**. The electrical, ventilation, fire suppression, physical security, wiring, and other components required to support an agency's information technology capability, including the physical structure itself.

**Funding**. Current and projected funding for information technology planning, acquisition, development, and operations activities.

**Partnerships**. Relationships with other public and private sector organizations that support and enable the agency's pursuit and use of information technology.

**People**. An agency's technical staff, user community groups, and executive steering and oversight committees that are charged with information technology planning, approval, development, management, operations, and security responsibilities.

**Plans**. Detailed designs or methods for aligning information technology activities with agency business strategies and accomplishing business objectives. Typical agency information technology plans include strategic, risk management, and operational recovery.

**Policies**. The rules, conventions, and protocols adopted by the agency to govern the pursuit and use of information technology.

**Processes and Procedures**. The defined steps for planning, approving, acquiring, developing, operating, maintaining, enhancing, and using information technology within the agency.

**Service Definitions**. The types of services provided, accepted service levels, and service delivery time frames established for an agency's information technology support organization.

**Software**. The set of operating system, utility, communications, user interface, and management programs that enable users to operate and control computers and develop application systems.

The infrastructure includes elements owned by the agency and available under contract or through interagency agreement. For agencies that employ the services of a consolidated data center, for example, the required data center resources are considered part of the agency's infrastructure.

**Reengineering the Business Process**. The search for, and implementation of, radical changes in business processes that result in dramatic efficiencies, reductions in turnaround time, improvements in quality, or improvements in customer service.
**Strategic Planning Process for Information Technology**. The process of aligning agency plans for, and uses of, information technology with the agency's business strategies.

## BASIC POLICIES - 4900.2

Each Agency/state entity must establish an ongoing strategic planning process for IT and submit its strategic plan to the California Department of Technology for approval. The strategic planning process established by an Agency/state entity should be consistent with its needs, resources, uses of IT, and management style. However, the strategic planning process should:

1. Be consistent with the current statewide strategic direction for IT, with relevant statewide policies contained in the State Administrative Manual, Statewide Information Management Manual and current management memos, and with Agency/state entity policies for the management of information and IT;
2. Include active participation of Agency/state entity executive and program management;
3. Align Agency/state entity strategies for IT with Agency/state entity business strategies;
4. Identify emerging threats and opportunities in the Agency/state entity's environment that have a potential impact on the Agency/state entity's information management and its use of IT;
5. Assess the strengths and weaknesses of the Agency/state entity in terms of its IT infrastructure and information management capabilities;
6. Assess the potential of new information technologies to enable new business strategies and further the accomplishment of established strategies;
7. Provide for the creation and maintenance of an Agency/state entity IT infrastructure that will support Agency/state entity information requirements and business strategies; and
8. Establish goals and priorities for the acquisition of new information management capabilities.

Each Agency/state entity may determine the format and content of the documentation of its strategic plan for IT. The documentation must satisfy Agency/state entity management requirements and be sufficiently detailed to provide the Department of Technology with a clear understanding of the Agency/state entity's information management strategy. Agency Information Management Strategy (AIMS) documentation guidelines can be found in SIMM Section 110.
It is the responsibility of the Agency/state entity to ensure that the information available to the Department of Technology represents its current strategy. The Department of Technology will base its decisions regarding the approval of an Agency/state entity's IT activities and support for its budget augmentations in part upon its understanding of the Agency's Information Management Strategy (AIMS) and the relationship between the AIMS and the Agency/state entity's overall business strategy. In general, activities and proposals that are not supported by an AIMS that meets the basic requirements of this section or that are inconsistent with an Agency/state entity's established strategy will not be approved or supported by the Department of Technology. Any Agency/state entity that does not have an approved AIMS will have all IT project delegation rescinded, including delegation for expenditures under the Desktop and Mobile Computing Policy (SAM Section 4989.)
The Agency/state entity must submit documentation of its information management strategy to the Department of Technology at the time it completes its initial strategic planning effort and, thereafter, whenever there is a significant change in strategy. SAM Section 4900.3 provides guidelines for the AIMS documentation that must be submitted to the Department of Technology. Additionally, the Agency/state entity must annually certify that the AIMS approved by the Department of Technology represent its current strategy. See SAM Section 4900.5 and SIMM Section 60.
Note that approval of an Agency/state entity's AIMS does not imply approval of specific projects, nor does it guarantee funding for the plan or specific projects an Agency/state entity may initiate under the plan. Project funding must be addressed through the budget process, where final determination will be based on statewide as well as Agency/state entity priorities.

## AGENCY INFORMATION MANAGEMENT STRATEGY DOCUMENTATION - 4900.3

Each Agency/state entity is expected to tailor the documentation of its information management strategy to its own needs and to provide the Department of Technology with sufficient information for the Department of Technology to understand that strategy in light of the Agency/state entity's overall business strategy. AIMS documentation guidelines can be found in SIMM Sections 60 and 110.
Agencies/state entities are requested to address at least the following in their submittal to the Department of Technology:
**Changes in Mission and Programs**. A summary of expected changes in the Agency/state entity's mission and programs that will require changes to the Agency/state entity's information management capabilities.
**Agency Business Strategy**. A summary of the Agency/state entity's business strategy for the period covered by the information management strategy.
**Information Technology Vision**. A summary of the Agency/state entity's values and principles that articulate the conceptual basis or foundation for the Agency/state entity's chosen IT infrastructure.
**Impact on Information Management**. An assessment of the impact of the Agency/state entity's business strategy upon its information management practices.
**New Information Technologies**. A statement of how new information technologies will be employed in the business strategy.
**Current Information Technology Infrastructure**. A description of key elements in the Agency/state entity's current IT infrastructure: standards, hardware, software, communications, personnel, partnerships, and application systems.
**Planned Information Technology Infrastructure**. A description of how that infrastructure will be developed or leveraged to meet future information requirements.
**Information Management Priorities, Objectives, and Resources**. A statement of the Agency/state entity's priorities, objectives, and resources for achieving the development or acquisition of new information management capabilities.
**Activities to Reengineer Agency/state entity Business Processes**. A description of changes the Agency/state entity has made, or is making, to restructure its business operations in an effort to achieve dramatic improvements in critical measures of performance, such as efficiency, turnaround time, customer satisfaction, and quality.
An Agency/state entity may prepare a separate summary of its information management strategy for submission to the Department of Technology or it may choose to provide the Department of Technology with copies of its internal documents. The Department of Technology may request additional information to clarify its understanding of an Agency/state entity's strategy. Agencies/state entities are encouraged to submit informational copies of their business strategies with their information management strategies and to provide oral briefings to the Department of Technology in conjunction with submitting their strategies.

## AGENCY INFORMATION MANAGEMENT STRATEGY REPORTING REQUIREMENTS - 4900.5

The AIMS must be submitted to the Department of Technology at the time the Agency/state entity completes its initial strategic planning effort. A revised AIMS must be submitted to the Department of Technology for approval whenever there is a significant change in the Agency/state entity's strategy. Additionally, to assist the Department of Technology in reviewing an Agency/state entity's IT Budget Change Proposals (see SAM Section 4819.42), the Agency/state entity annually must certify, by August of each year, or as instructed by the Department of Technology, that the AIMS approved by the Department of Technology represents its current strategy. SIMM Section 60 provides a template for the AIMS transmittal letter, which must be signed by the Agency/state entity director or chief deputy director, for this annual certification.

## EXHIBITS AND SUPPORTING DOCUMENTS - 4903

The documents required in SAM Sections 4903.1-4903.4 supplement the information in the Agency/state entity AIMS by providing details about the organization or information management within the Agency/state entity and the resources available to the Agency/state entity.

## INFORMATION MANAGEMENT ORGANIZATION - 4903.1

By June of each year, or as instructed by the Department of Technology in SIMM 05A, each Agency/state entity must submit to the Department of Technology organization charts showing:

1. The relationship between the organizational unit or units responsible for information management functions (including telecommunications) and other units within the Agency/state entity; and
2. The internal organization of the unit or units responsible for information management functions, including telecommunications.
3. The internal organization chart must include the total number of positions, categorized by classification.

## INFORMATION MANAGEMENT COSTS - 4903.2

By February 1 of each year, or as instructed by the Department of Technology in SIMM 05A, each Agency/state entity is required to summarize its actual and projected information technology costs, telecommunications costs and information security costs (including the expenditure of federal grant funds for information security purposes), including, but not limited to, personnel, for the immediately preceding fiscal year and current fiscal year, showing current expenses and projected expenses for the current fiscal year.
The format and instructions for submittal required by the Department of Technology are specified in SIMM Section 55.

## CONCEPTUALLY APPROVED IT PROJECT PROPOSALS REPORT - 4904

To forge the necessary integration of the business and Information Technology (IT) functions in California state government, the California Department of Technology (Department of Technology) publishes a Conceptually Approved IT Project Proposals Report each quarter. The Report will be based on the approved Stage 1 Business Analyses from Agencies/state entities1. This information represents the Executive Branch's plan for IT investments in support of the California IT Strategic Plan. The information in the Conceptually Approved IT Project Proposals Report is used to:

- Ensure that IT investments drive program efficiency and effectiveness and improve the quality of government services for Californians.
- Facilitate improvements in internal business processes and financial management through IT investments.
- Link IT investments to Agency/state entity priorities and business direction.
- Promote the alignment of IT investments with the Agency/state entity's enterprise architecture (Technology, Standards, and Infrastructure).
- Enhance and promote enterprise data sharing through IT investments.
- Facilitate consideration and conceptual approval to pursue selected IT investments.

See SIMM Section 19A for Project Approval Lifecycle Stage/Gate deliverable Preparation Instructions.
1 State entity: Includes every state office, officer, department, division, bureau, board, and commission, including Constitutional Officers. "State entity" does not include the University of California, California State University, the State Compensation Insurance Fund, the Legislature, or the Legislative Data Center in the Legislative Counsel Bureau.

## ENTERPRISE ARCHITECTURE - 4906

The statewide Enterprise Architecture (EA) is developed in a cooperative, managed, and coordinated effort facilitated by the California Department of Technology. The California Enterprise Architecture Framework (CEAF), and the National Institute of Standards and Technology (NIST), Special Publication (SP) 800-207 Zero Trust Architecture and the Cybersecurity and Infrastructure Security Agency (CISA) Zero Trust Maturity Model are adopted as the state's standards to develop and maintain the statewide EA.

Accordingly, Agencies/state entities shall implement EA in accordance with CEAF. In addition, Agencies/state entities shall, to the extent practical, utilize the EA Practices included in CEAF.

## PROJECT MANAGEMENT - 4910

"Project management is the application of knowledge, skills, tools, and techniques to project activities to meet the project requirements. Project Management develops and implements plans to achieve a specific scope that is driven by the objectives of the program or portfolio it is subjected to and, ultimately, to organizational strategies." (PMBOK 5th Edition®). The purpose of project management is to ensure that the delivered product, service or result meets the customer's requirements and is delivered on time and within budget. A project management methodology improves the quality of project planning, communication, control of the execution and closure processes, and thus the deliverables. As the project progresses, and as challenges or changes emerge, the Project Manager must understand and balance the project's scope, schedule, cost, and quality objectives.

## PROJECT MANAGER QUALIFICATIONS - 4910.1

Agencies/state entities must assign Project Managers with the qualifications and skills commensurate with the complexity of the IT project they are managing. Assigning a skilled Project Manager is of critical importance to the success of IT projects. Project Management qualification requirements may be met through formal training, certification in industry stated project management, or previous experience. The following Project Manager qualification requirements are based on the project's Complexity Rating and assessed by the Department of Technology IT Project Oversight Division through the Project Approval Lifecycle:

**Low Complexity Projects –** The Project Manager should have some training in project management methodology and project management tools. In addition, the Project Manager should have demonstrated leadership, organization, critical thinking, and interpersonal skills.

**Medium Complexity Projects** – In addition to the requirements identified for low complexity projects, the Project Manager should have substantial project management training and experience leading several low complexity project efforts through all phases of the project lifecycle requiring the effective management of people and technology. The Project Manager should have proficiency in leadership, organization, critical thinking, stakeholder management, and Information Technology. Medium complexity projects typically incorporate more than one technology type or functional group, and the Project Manager needs to be able to manage several different functional groups with different needs.

**High Complexity Projects –** The Project Manager should possess advanced project management certifications and should have been directly responsible for all knowledge areas across all process groups for high-profile medium complexity project engagements and be well recognized for their efforts. The project manager must also have knowledge of various approaches to system development/replacement, procurement, contract management, personnel management, supplier management, stakeholder management, operation support, and Organizational Change Management. A project manager at this level must be able to understand the technology being used but not necessarily be an expert in it. Project managers will be spending most of their time working the planning and controlling aspects of the project as well as dealing with the "political" issues. Delegation, time management, and interpersonal skills are keys to success. Large complexity projects are those that are Agency/state entity-wide or extend beyond the Agency/state entity itself. The person must have the unwavering confidence of Agency/state entity management and be considered an acceptable and respected representative for the Agency/state entity.

The AIO or the Department CIO, as appropriate, is responsible for ensuring that project managers possess the appropriate qualification before their assignment to an IT project. The Department of Technology may require, at any time, the Agency/state entity to provide evidence of the Project Manager's certification, training or previous project management experience.

## CALIFORNIA PROJECT MANAGEMENT FRAMEWORK (CA-PMF) - 4910.2

The California Project Management Framework (CA-PMF) has been designed as an adaptable resource that provides California public sector organizations with an approach to project management that lays the foundation for project success. The CA- PMF offers guidance and insight on project management methods and approach through the use of scalable resources, tools, and templates. The CA-PMF is intended as a practical and useful guide to lead a Project Manager and project team through the project management lifecycle for projects of all sizes so that they achieve expected outcomes. The framework supports project management practices that conform to industry standards as defined by the Project Management Institute (PMI) and adapted to the context of California State government.

The CA-PMF includes all major project processes and activities, from initial project definition to closing the project. With project management described as a series of activities undertaken by the project team, the Project Manager is equipped with the tools necessary to consider the needs of the project and how its organization can be structured and managed to deliver the intended result. The CA-PMF aligns with policy, identifies the connections to the project oversight and project approval processes, and directs practitioners to the appropriate resources for further information on those processes.

## PROJECT APPROVAL LIFECYCLE PURPOSE - 4920

The Project Approval Lifecycle (PAL) represents an opportunity for Agency/state entity's management to assess the full implications of a proposed IT project. The PAL is also the means of linking a specific IT project to the Agency/state entity's strategic business plans and IT plans, and to ensure that the proposed project makes the best use of the Agency/state entity's IT infrastructure. The PAL is divided into four stages, separated by gates (business analysis, alternatives analysis, procurement analysis and solution analysis). Each stage consists of a set of prescribed, cross-functional, and parallel activities to develop deliverables used as the inputs for the next stage. The gates provide a series of "go/no go" decision points that request only the necessary and known information needed to make sound decisions for that particular point in time. As additional information is collected and refined through the lifecycle, the cost estimates, schedules, and business objectives will be progressively updated and evaluated to determine if the project is still practical and if the investment should continue to move forward towards project approval. The model also integrates procurement into the project approval lifecycle, providing better estimates regarding a project's budget and schedule. The purpose of the PAL is to accomplish the following:

1. Better business outcomes for the State through successful IT projects.
2. Result in more successful projects and fewer Special Project Reports.
3. Improve efficiencies through effective project planning and analysis to meet State business needs, while also ensuring compliance with State IT policies.
4. Introduce scalability to the project approval process based on business and/or technical complexity.
5. Ensure each decision point requires only the necessary and appropriate level of information needed to make a sound decision, estimate, or product for that particular stage.
6. Determine whether there is a substantiation for a proposed project, i.e., whether the expenditure of public resources on the project is justified based on the following:
    a. Responsiveness to a clearly-defined, program-related problem or opportunity;
    b. Selection of the best of the possible alternative;
    c. Agency/state entity's technical and program capabilities; and
    d. Financial and/or non-financial benefits over the life of the solution that exceed development and operations costs. Project benefits typically include reduced program costs, avoidance of future program cost increases, increased program revenues, or provision of program services that can be provided most effectively through the use of IT.
7. Provide a means for achieving agreement between Agency/state entity's executive management, program management, and project management regarding:
    a. The scope, benefits, schedule, and costs of a proposed project;

b. Management responsibilities over the course of the project; and
c. Opportunities to collaborate with the Department of Technology.
8. Provide executive branch control agencies and the Legislature with sufficient information to assess the merits of the proposed project and determine the nature and extent of project oversight requirements.
9. To the extent feasible, ensure each step and work product in the lifecycle is useful input into subsequent steps.
10. Ensure that a “no” or a “go back and re-think” decision is communicated as early as possible if the level of detail provided is inadequate.

## PROJECT APPROVAL LIFECYCLE BASIC POLICY - 4921

Project Approval Lifecycle (PAL) Stage/Gate deliverables must be reviewed and approved in accordance with the general requirements of SAM Sections 4819.3- 4819.42 (State Information Management Authority and Responsibility), as well as the specific requirements of Sections 4927-4928. See SIMM Section 19 for PAL Stage/Gate deliverable Preparation Instructions.

## PROJECT APPROVAL LIFECYCLE SCOPE - 4922

The scope of the Project Approval Lifecycle (PAL) Stage/Gate deliverables must be commensurate with the nature, complexity, risk, and expected cost of the proposed use of IT.
The deliverables must provide sufficient information to assure the Agency/state entity’s program management that the proposed response meets program requirements. The deliverables must also provide sufficient information to allow Agency/state entity executive management to make a sound decision as to the merits of the proposed project as an investment of public resources.

## PROJECT APPROVAL LIFECYCLE PARTICIPATION - 4923

The analysis performed in support of Project Approval Lifecycle Stage /Gate deliverables must be based on an understanding of the needs, priorities, and capabilities of: (1) the users of the information that is to be provided; and (2) the Agency/state entity’s unit or program that will have operational responsibility for the IT application. Representatives of program management and staff must be the business owners and drive the deliverable development process. Refer to SIMM Section 19.

## PROJECT APPROVAL LIFECYCLE DOCUMENTATION - 4924

The SAM Section 4928 and instructions and guidelines published by the California Department of Technology (see SIMM Section 19) specify the content of the Project Approval Lifecycle (PAL) Stage/Gate deliverables which must provide the results of the analysis performed. In addition to the PAL Stage/Gate deliverables, the Agency/state entity must maintain sufficient supporting documentation to ensure that project participants, Agency/state entity management, and control agency personnel can resolve any questions that arise with respect to the intent, justification, nature, and scope of the project.

## CONSISTENCY WITH AGENCY INFORMATION MANAGEMENT STRATEGY AND CONCEPTUALLY APPROVED IT PROJECT PROPOSALS REPORT - 4925

Each proposed project must be consistent with the Agency/state entity’s overall strategy for the use of IT, as expressed in its current Agency Information Management Strategy (see SAM Sections 4900.2, 4900.3 and 4900.5.) and Conceptually Approved IT Project Proposals Report (see SAM Section 4904).

## PROJECT APPROVAL LIFECYCLE PROCESS - 4927

Each Agency/state entity must follow a systematic, analytical process for evaluating and documenting the analysis of proposed IT projects, as defined in SAM Section 4819.2.
This process includes:

1. Developing an understanding of a problem (or opportunity) in terms of its effect on the Agency/state entity’s mission and programs;
2. Developing an understanding of the organizational, managerial, and technical environment within which a response to the problem or opportunity will be implemented;
3. Establishing programmatic and administrative objectives against which possible responses will be evaluated;
4. Preparing concise solution requirements of an acceptable response;
5. Identifying and evaluating possible alternative responses with respect to the established objectives;
6. Preparing an financial analysis for each alternative that meets the established objectives and solution requirements;
7. Selecting the alternative that is the best response to the problem or opportunity;
8. Developing a solicitation package that will result in the selection of qualified vendors;
9. Developing a contract by which the state and the vendor can effectively leverage to achieve project objectives and outcomes;
10. Preparing a management plan for implementation of the proposed response;
11. Capturing and documenting the results of the study in the form of analytical and comparable data in the Project Approval Lifecycle Stage/Gate deliverables, as specified in SAM Section 4928;
12. Validating the maturity and readiness of the Agency/state entity to undertake critical project activities (e.g., testing, release management, organizational change management, business process reengineering);
13. Reinforcing the commitment of stakeholders, state staff, and contractor/vendor resources prior to project design, development and implementation; and
14. Establishing accurate and realistic baselines to measure project health and success.

## PROJECT APPROVAL LIFECYCLE STAGE/GATE DELIVERABLES - 4928

The Project Approval Lifecycle (PAL) Stage/Gate deliverables, here and after referred to as “deliverables”, must provide an accurate summary of the results of each Stage/Gate analysis. The deliverables must provide a complete summary of the results of the analysis and establish the business case for investment of state resources in a proposed project by setting out the reasons for undertaking the project and analyzing its costs and benefits. The PAL Stage/Gate model includes the following deliverables:

**Stage 1 Business Analysis**: Provides a basis for project management, program management, executive management, and state-level control agencies to understand and agree on business problems or opportunities, and the objectives to address them. In order to evaluate a Stage 1 Business Analysis, the Department of Technology must fully understand the business justification. Therefore, each proposal must describe in detail the business driver(s), statutes or legislation, program background and context, business problems or opportunities, strategic business alignment, organizational readiness, and business and stakeholder impact. Additionally, the Stage 1 Business Analyses are used to generate the

quarterly Conceptually Approved IT Project Proposals Report which represents the Executive Branch's plan for IT investments in support of the California IT Strategic Plan.

**Stage 2 Alternatives Analysis**: Provides a basis for how the proposal's business objectives will be achieved, the evaluation of multiple alternative solutions, determines which alternative will yield the highest probability of meeting the business objectives, and to develop an acquisition strategy/plan for procuring services. In order to evaluate a Stage 2 Alternatives Analysis, the Department of Technology must fully understand how the selected alternative will best achieve the proposed project's business objectives. Each proposal must provide sufficient detail to describe the baseline processes, mid-level solution requirements, alternative solutions, recommended solution, procurement strategy and staffing considerations. This deliverable must also include a financial analysis of the life cycle costs, benefits and source of funding of the proposed project and the costs and benefits of the current method of operation during the life cycle of the project.

**Stage 3 Solution Development**: Provides a basis for how the project will mature mid-level solution requirements into clearly defined and detailed solution requirements, develop solicitations to acquire solutions that best meet business objectives and yield the highest probability of success. In order to evaluate a Stage 3 Solution Development, the Department of Technology must fully understand the procurement methodology, approach and selection criteria to obtain a value effective solution. Each proposal must provide sufficient detail to describe the procurement profile, solution requirements, evaluation criteria, cost and payment model, negotiation strategy, statement of work, and staffing plan.

**Stage 4 Project Readiness and Approval**: Provides a basis for how the intended awardee will contribute towards the successful achievement of the project's business objectives and yield the highest probability of success, ensure the Agency/state entity's readiness to execute the project and establish realistic schedule and cost baselines. In order to evaluate a Stage 4 Project Readiness and Approval, each proposal must provide sufficient detail to describe the solicitation results, contract management strategy, organizational/project readiness and project baselines (scope, schedule, cost and resources). This deliverable must also include an updated financial analysis which will support the final approval of project funding requests.

PAL Stage/Gate deliverables must be submitted to the California Department of Technology (Department of Technology), and to the Office of the Legislative Analyst, and to the Department of Finance's Information Technology Consulting Unit. Deliverables must be submitted in a format specified by the Department of Technology and signed by the Agency/state entity director or his/her designee. The Department of Technology publishes detailed instructions and guidelines for Agency/state entity use in preparing deliverables. A copy of the instructions, guidelines, and required forms is available in SIMM Section 19. The instructions and guidelines specify the MINIMUM amount of information necessary for the Department of Technology's approval. The Agency/state entity must maintain sufficient documentation of each analysis to ensure that project participants, Agency/state entity management, and control agency personnel can resolve any questions about the intent, justification, nature, and scope of the project.

## PROJECT SUMMARY PACKAGE - 4930

A Project Summary Package must be prepared and included in each Feasibility Study Report and Special Project Report. In addition, the Project Summary Package may be used to document the feasibility study for projects with a total development cost equal to or less than ten percent of the Agency/state entity's cost delegation threshold. See SAM Section 4819.39.

See SIMM Section 20 and/or 30 for instructions for completing the Project Summary Package.

## IT PROJECT OVERSIGHT - 4940

Department of Technology project oversight is required for all Reportable Information Technology (IT) projects, unless otherwise exempted by the Department of Technology. IT Project Oversight is required to begin on the proposed project start date as identified in the Stage 4 approval letter and must continue through the duration of the project unless other direction is issued by the Department of Technology. Agency/state entity management must comply with IT Project Oversight Framework (see SIMM Section 45) throughout all project phases to ensure the appropriate level of independent project oversight, project management practices and project risk assessments. Compliance with the IT Project Oversight Framework may be required to begin as early as the Stage 3 Solution Development, as a condition of Stage 2 Alternatives Analysis approval.

The Department of Technology will conduct Agency/state entity, IT project management and oversight assessments designed to provide Agency/state entity management and the Department of Technology information on the progress of a project, including compliance with the minimum requirements for IT project management, project risk management, project oversight and project reporting activities at the Agency/state entity and control agency levels as outlined in the IT Project Oversight Framework (see SIMM Section 45). The Department of Technology will schedule assessments based on an established criteria.

The fundamental requirements for project oversight and evaluation are specified in SAM Sections 4819.31-4819.42. All projects, including projects delegated by the California Department of Technology to the Agency/state entity director, are subject to these review, reporting and evaluation requirements including the requirements of SAM Section 4940. Projects that have been delegated to the Agency/state entity director in accordance with SAM Section 4819.36 require appropriate project reporting by the project manager to the Agency/state entity director. Project oversight services contracted by Agency/state entities or the Department of Technology must comply with the IT Project Oversight Framework (see SIMM Section 45) and the requirements outlined in SAM Section 4910. The Department of Technology may conduct assessments to ensure compliance with minimum requirements.

## INDEPENDENT PROJECT OVERSIGHT REPORTS - 4940.1

Independent Project Oversight Reports (IPORs) are used to detail a project's progress against the project objectives, scope, schedule, and cost defined in approved Project Approval Lifecycle documents. IPORs must be completed by the Department of Technology IPO Manager, who shall identify and quantify any issues and risks affecting project objectives. IPORs are required to be developed regularly based on project criticality (see SIMM Section 45).

## CORRECTIVE ACTION PLAN - 4940.2

Based on the Independent Project Oversight Report (IPOR) findings, the California Department of Technology (Department of Technology) may require Agency/state entities to develop a Corrective Action Plan (CAP) for the purpose of altering the course of a task or project that may have significantly deviated from the pre-specified direction originally intended. The CAP must be well-documented and, upon approval by the Department of Technology, be executed to get the project back on track to better align with the goals, expectations, and ultimate results laid out in the Project Approval Lifecycle and/or project management plan.

The Department of Technology will actively monitor the progress of the planned remediation actions outlined in the approved CAP and document the independent assessment in the IPOR. If the Department of Technology determines that the Agency/state entity is not effectively implementing the actions outlined in the CAP, the Department of Technology may take action to further escalate any lack of progress and adherence to the CAP. If those escalation efforts fail to correct significant problems related to specified issues or risks, the Department of Technology will continue escalation activities up to and including IT project suspension or termination.

## INDEPENDENT VERIFICATION AND VALIDATION - 4940.3

Independent Verification and Validation (IV&V) is the process for ensuring that a product, service, or system meets requirements and specifications and that it fulfills its intended purpose. Within IV&V, the term verification refers to the process of evaluating software to determine whether the products of a given development phase satisfy the conditions imposed at the start of that phase. [IEEE-STD-610]. The term validation refers to the process of evaluating software during or at the end of the development process to determine whether it satisfies specified requirements. [IEEE-STD-610]. IEEE–STD-1012 industry standards will be used to guide the IV&V activities.

When contracting for IV&V services, Agencies/state entities must use the standard Statement of Work (SOW) template (see SIMM Section 45A). Any changes to the standard SOW template requires approval by the California Department of Technology.

The following IV&V requirements apply to all reportable projects, based on the project criticality rating assigned by the Department of Technology:

- IV&V services are required for all reportable projects classified as medium or high criticality and must begin on or before the proposed project start date as identified in the Stage 4 approval letter issued by the Department of Technology and must continue through the duration of the project unless other direction is provided by the Department of Technology.
- IV&V services may be required for projects classified as low criticality at the discretion of the Agency Chief Information Officer (AIO) or the Department of Technology.
- IV&V services may be required during the Project Approval Lifecycle, as directed by the Department of Technology.
- To ensure independence, IV&V services for Agency-affiliated State Entity projects must report to the respective AIO.
- A single vendor may not provide both IV&V and Independent Project Oversight services for the same project.

## COMPLIANCE REVIEW - 4942

Specific projects or Agencies/state entities as a whole may be subject to compliance reviews conducted by the California Department of Technology (Department of Technology). The purposes of a compliance review are to verify Agency/state entity adherence to statewide IT policies as well as approved Agency/state entity policies, and to determine Agency/state entity fulfillment of approved plans. The Department of Technology will review project reporting documentation in conjunction with its compliance review and oversight responsibilities.

The Department of Technology may impose sanctions, such as a reduction or elimination of an Agency's/state entity's project cost delegation for reporting and approval of IT projects by the Department of Technology, or other sanctions deemed appropriate by the Department of Technology upon finding that an Agency/state entity is consistently and/or willfully out of compliance with state policies.

## AUDIT OF INFORMATION TECHNOLOGY PROJECTS - 4943

All information technology (IT) projects are subject to audit, with project reporting and evaluation documents an essential aspect of the audit trail. Documentation supporting project decisions must be kept by the Agency/state entity for a minimum of two years following approval of the post-implementation assessment.

Some projects may be subject to ongoing review by the Department of Finance's Office of State Audits and Evaluations (OSAE). OSAE may review the Project Approval Lifecycle Stage/Gate deliverables of projects approved by the California Department of Technology (Department of Technology) and the Reporting Exemption Requests of projects delegated to agencies by the Department of Technology. OSAE will select projects for ongoing review based on their risk, cost, and materiality.

For projects selected for ongoing review, OSAE will develop and submit to Agency/state entity management periodic status reports and the project Post-Implementation Evaluation Report (PIER) required under SAM Section 4947. Agencies/state entities are required to submit final versions of the periodic status reports and the project PIER to the Department of Technology within five working days after they are received from OSAE.

If OSAE determines that the project should be audited, the Agency/state entity must enter into an interagency agreement with OSAE for that purpose. Since the cost that the Agency/state entity otherwise would have incurred in monitoring the project and producing progress reports and the PIER will no longer be borne by the Agency/state entity, these costs should not be included in the project budget. However, the Agency/state entity should ensure that the project budget includes an amount sufficient to cover the costs of the interagency agreement with OSAE.

## SPECIAL PROJECT REPORT - GENERAL REPORTING REQUIREMENTS - 4945

Preparation of an Special Project Report (SPR) is required whenever a project substantially deviates from the costs, benefits or schedules documented in the approved Stage 4 Project Readiness and Approval, when a major revision occurs in project requirements or methodology, when criteria listed in SAM Section 4819.37, other than the project's cost exceeding the level the California Department of Technology (Department of Technology) may have delegated to the Agency/state entity, arise during the development or implementation of the project, or when a significant change in state policy draws into question the assumptions underlying the project. For delegated IT projects the SPR must be approved by the Agency/state entity director, for non-delegated IT projects it must be approved by the Department of Technology. No encumbrance or expenditure of funds shall be made to implement an alternative course of action until approval has been received from the Department of Technology or the Agency/state entity director, as appropriate. SAM Section 4819.36 lists specific conditions that require submission of an SPR to the Department of Technology.

If an SPR for a delegated project must be submitted to the Department of Technology, the Agency/state entity must attach to the SPR a copy of the approved Feasibility Study Report or all approved Project Approval Lifecycle Stage/Gate deliverables and the Transmittal signed by the Agency/state entity director or his/her designee.

The SPRs which must be submitted to the Department of Technology should be transmitted within 30 days after recognition of a substantial deviation. The SPR must be submitted to the Department of Technology and the Office of the Legislative Analyst.

SPRs must be submitted in a format specified by the Department of Technology and signed by the Agency/state entity director or the director's designee. See SIMM Section 30 for SPR Preparation Instructions.

## SPECIAL PROJECT REPORT-CONTENT AND FORMAT - 4945.2

The Special Project Report (SPR) must provide sufficient information for Agency/state entity management, executive branch control agencies, and the Legislature to assess the merits of the proposed project change and determine the nature and extent of future project oversight requirements. If an SPR lacks sufficient information for these purposes, the California Department of Technology (Department of Technology) will request that the Agency/state entity provide additional information.

Information provided in the SPR must be commensurate with the level of deviation of costs, benefits, timelines, or project requirements from those of the approved FSR, Stage 4 Project Readiness and Approval or last approved SPR.

The SPRs must be submitted in a format specified by the Department of Technology and signed by the Agency/state entity director or his/her designee. The MINIMUM content for an SPR is project status, an explanation of the reason for the project deviation, a revised project management schedule, and financial summary information. The Department of Technology publishes instructions and guidelines for Agency/state entity's use in preparing SPRs. See SIMM Section 30 for SPR Preparation Instructions.

## MAINTENANCE AND OPERATIONS PLAN POLICY - 4946

The Maintenance and Operations (M&O) Plan provides an orderly, cost effective and planned process for ongoing routine M&O activities of implemented IT systems.

The California Department of Technology (Department of Technology) may request Agencies/state entities to submit an M&O Plan for IT projects. Agencies/state entities requested to submit an M&O Plan must have the plan approved by the Department of Technology before commencing M&O activities. Once an M&O Plan is approved, Agencies/state entities must provide the Department of Technology annual updates. The Department of Technology can suspend or withdraw its approval of the M&O Plan to respond to changing circumstances.

See SIMM Section 160 Maintenance and Operations Plan Guidelines.

## POST-IMPLEMENTATION EVALUATION REPORT - 4947

A post-implementation evaluation report (PIER) must be prepared by the Agency/state entity following the completion of each IT project, unless the Agency/state entity has entered into an interagency agreement with the Department of Finance's Office of State Audits and Evaluations (OSAE) under SAM Section 4943. The PIER shall:

1. Measure the benefits and costs of a newly-implemented IT application or system against the most recently approved project objectives; and
2. Document projected operations and maintenance costs over the life of the application or system.

For delegated IT projects the PIER must be approved by the Agency/state entity director, for non-delegated IT projects it must be approved by the Department of Technology. No project is considered complete until the PIER has been approved by the Department of Technology or by the Agency/state entity director, as appropriate. Approval of a PIER by the Department of Technology or the Agency/state entity director, as appropriate, terminates the project reporting requirements. See SAM 4819.37 for project delegation criteria.

If OSAE selects the project for review under SAM Section 4943, OSAE will conduct the post-implementation assessment and submit the PIER to Agency/state entity management. The Agency/state entity is required to submit the PIER to the Department of Technology within five working days after it is received from OSAE.

The post-implementation assessment must be conducted after the new IT capability has been operational for a sufficient period of time for its benefits and costs to be accurately assessed. Initial operational problems must have been resolved and sufficient experience and data must have been accumulated to determine whether the project met the proposed objectives, was completed within the anticipated time and budgetary constraints, and achieved the proposed benefits. The optimum time after implementation to conduct the assessment depends upon the nature of the project. Six months to one year after implementation is typical. The assessment MUST be completed within 18 months of project completion. Agencies/state entities are required to follow the instructions for preparing and submitting the PIER and Transmittal Letters, see SIMM Section 50.

## POST-IMPLEMENTATION EVALUATION REPORT-CONTENT AND FORMAT - 4947.2

The Post Implementation Evaluation Reports (PIERs) must be submitted in a format specified by the California Department of Technology (Department of Technology) and signed by the Agency/state entity director or his/her designee, see SIMM Section 50. The level of detail included in the PIER must be commensurate with the scope and complexity of the project and its anticipated benefits. The narrative portion of the PIER for a minor project can be as brief as one or two pages. However, it must provide sufficient information for Agency/state entity management, executive branch control agencies, and the Legislature to assess the success of the project. In particular, the PIER must contain a comparison of the timelines, costs and benefits forecast by the approved FSR or Project Approval Lifecycle Stage/Gate deliverables with the actual timelines, costs and benefits of the project. If the project was a limited success or involved significant differences between expectations and results, the Agency/state entity must present the actions it intends to take to improve the outcome. If the project was a failure and the problem or opportunity that led to the project still exists, the Agency/state entity must present the actions it intends to take to address that problem or opportunity.

## INTRODUCTION - 4981

No single combination of information technology (IT) and management philosophy can be identified as being universally suitable for state government, nor can pre-determined rules be established to allow the routine assignment of a new application to the particular combination of technology and management practice which will be most appropriate. Each decision regarding a choice of IT and management structure must be made on a case-by-case basis, considering the particular circumstances of the application and the particular technological and managerial options available.

## TECHNOLOGY CONSIDERATIONS - 4981.1

The decision to select a particular technological approach must take into account the full range of significant factors which will influence the success of the application during its operational life. These significant factors include:

1. **Statutes, Regulations and Policies**-This factor consists of applicable statutes, regulations and policies which could impact a decision to use IT.

2. **Agency/state entity Management**-This factor includes assessment of the Agency/state entity's prior experience with IT and the managerial resources it can bring to bear on the use and control of the technology, i.e., whether the Agency/state entity has an appropriate management infrastructure and Agency/state entity personnel possess the necessary qualifications.

3. **Cost**-Applications of IT must be reviewed in terms of their cost justification. Such review must take into account the potential impact of the application on the overall economy of state operations. Assessment of the costs associated with each technological alternative must cover a sufficient time span to allow for reasonable amortization of start-up costs as well as realization of cost savings and cost avoidance potentials.

4. **Nature of the Application**-This factor encompasses (1) the extent to which the application is critical to the accomplishment of the Agency/state entity's mission, goals and objectives, (2) the degree of centralization or decentralization required for this activity, (3) the data communication requirements associated with the activity, (4) the characteristics of the data to be collected and processed, i.e., source, volume, volatility, distribution, and security or confidentiality, (5) the urgency of the application, and (6) backup requirements for personnel, software, data and hardware.

5. **Hardware Considerations**-This factor includes review of the alternative hardware configuration options capable of effecting the successful implementation of a given IT activity. Consideration must be given to (1) compatibility with existing hardware, including telecommunications equipment, (2) physical plant requirements necessary for proper operation of the equipment, (3) hardware maintenance, (4) the knowledge and skills required of state personnel, (5) backup processing capability, and (6) the existing capacity, immediate required capacity and future capacity.

6. **Software Considerations**-This factor includes a review of the software options available to achieve successful implementation of a given IT activity. Consideration must be given to (1) the compatibility of computer languages with existing and planned activities, (2) maintenance of the proposed software, e.g. vendor-supplied, (3) the urgency of the application, (4) the knowledge and skills required of state personnel, (5) the availability of complete documentation, and (6) the availability of necessary security features.

7. **Interagency Considerations**-This factor includes analyzing the Agency/state entity's interfaces with other Agencies/state entities, or federal or local government. Consideration must be given to compatibility of communications and sharing of data.

## INTRODUCTION - 4982

Government Code Section 11534 and 11790 define two consolidated data centers in state government: 1) the Hawkins Data Center in the Department of Justice, and 2) the Office of Technology Services in the California Department of Technology. Other data processing centers are considered single-Agency/state entity, dedicated-use data processing centers rather than consolidated data processing centers. All data centers shall adhere to the following center policies.

## DATA CENTER CONSOLIDATION AND DETERMINATION OF AGENCY-DATA CENTER ASSIGNMENTS - 4982.1

It is the state's policy to transition out of non-Tier III data centers and server rooms and to end upgrades during the transition, unless there is an emergency. The following policy shall be used to determine an Agency/state entity's Tier III-equivalent facility assignment for services, and to ensure consolidation activities proceed timely:

1. The Hawkins Data Center shall serve as the Tier III-equivalent for the Department of Justice. Agencies/state entities assigned to other state- designated Tier III-equivalent facilities whose official business requires access to the data contained in the California Criminal Justice Information System's (CJIS) data repositories, including those Agencies/state entities utilizing the California Law Enforcement Telecommunications System (CLETS), shall access CJIS serviced data repositories and CLETS through the Hawkins Data Center.
2. The Department of Water Resources Data Center serves as the Tier III- equivalent facility for the Natural Resources Agency and its associated Agencies/state entities.
3. The Franchise Tax Board (FTB) Data Center serves as the Tier III-equivalent data center for the FTB.
4. The following Office of Technology Services (OTech) facilities shall serve as the Tier III-equivalent Data Centers for all other Agencies/state entities in the state:
    a. The OTech Gold Camp Data Center serves as the production data centerfor the Executive Branch. In addition, the Gold Camp Data Center manages services and provides disaster recovery services to all state agencies not identified in 1, 2, and 3 above.
    b. The Federal Data Center (FDC) located at the OTech Gold Camp facility serves as a physically partitioned-off Data Center shared by agencies.
    c. The OTech Vacaville Data Center serves as a disaster recovery site with a secondary role as a production data center.
    d. Any other Tier III-equivalent facility designated by the Department of Technology.
5. To facilitate timely completion of consolidation activities:
    a. The OTech Customer Owned Equipment Managed Services (COEMS) is discontinued. COEMS customers will transition to one of the state's Tier III- equivalent facilities previously referenced.
    b. Agency/state entity server rooms will be closed.
    c. File and print services in the greater Sacramento area will be consolidated.
    d. New applications, server refreshes, storage replacements, and new virtualization clusters shall be located at a state Tier III-equivalent facility.
    e. Agencies/state entities shall review all IT projects that are in progress in order to plan transition of servers and storage to a state Tier III-equivalent facility.

f. The Computer Room Construction policy and requirements established in Technology Letter 12-05 remain in effect.
g. Facility upgrades for server rooms designated for shutdown will be limited to emergencies. Agencies/state entities shall utilize the approval procedures described in Technology Letter 12-05.

6. Agencies shall use the Data Center Consolidation Survey and Assessment (S&A) included in SIMM Section 67, and will be reporting to the Department of Technology, Information Technology Project Oversight Division (ITPOD) in accordance with the timeframes and submittal instructions included in SIMM Section 05A.

## POLICIES FOR DATA CENTER MANAGEMENT - 4982.2

**Data Center Mission**–Each data center shall have a statement of mission which states the data center's objectives and outlines the services provided by the center.
**Data Center User Interaction**–

1. Each data center shall have a functional responsibility to provide liaison with the users of the center. This shall include establishing and maintaining user groups and forums appropriate to the requirements of the users and the mission of the center.
2. Each data center shall make readily available a data center user guide which shall contain detailed and up-to-date descriptions of and instructions for the use of the various services offered by the center. This guide should describe the operational management processes required by user Agencies/state entities to avail themselves of data center services including resources scheduling, problem management, system backup and recovery procedures and data communications network management.

**Data Center Financial Management**–See SAM Section 6780 for the financial management policy applicable to the Office of Technology Services.
**Exchange of Data Between Data Centers**–The exchange or transfer of data between data centers by intercoupling or telecommunications shall be made only with the approval of the Department of Technology. Requests for approval to exchange or transfer data between data centers must contain programmatic justification and describe how the exchange or transfer will be accomplished. The request must also clearly describe what safeguards will be established to provide data confidentiality and security in compliance with SAM Sections 5300-5399, State Information Security Policy.
This section does not prohibit the transmission of data from the Department of Motor Vehicles to the Hawkins Data Center in order to obtain vehicle registration and driver license data for criminal justice purposes, or the transmission of data between centers in the same Agency/state entity.

## CLOUD COMPUTING INTRODUCTION - 4983

Cloud Computing is an effective method for the secure, agile, and reliable delivery of government services in the State of California when implemented in compliance with state and federal standards. Cloud computing enables business programs to enhance service delivery while ensuring the underlying technologies are transparent, ubiquitous, and interchangeable. The use of cloud computing creates a shared responsibility between the state entity and the Cloud Service Provider. The State's Cloud Computing Policy is intended to facilitate the adoption of Cloud Smart practices in which Agencies/state entities will realize the benefits of cloud computing, including scalability, cost efficiency, reliability, resilience, innovation, and sustainability while developing a skilled workforce.

## CLOUD COMPUTING POLICY - 4983.1

**Purpose**:

The Cloud Computing Policy outlines the guidelines and procedures for the appropriate and secure use of cloud computing systems and resources within the State of California. It applies to all Agencies/state entities employees, contractors, and authorized users who access, use, or manage cloud services on behalf of their organization. The policy aims to ensure the confidentiality, integrity, and availability of State data and resources in the cloud environment.

**Scope:**

As part of the Cloud Computing policy, each Agency/state entity shall:

I. Identify and define the cloud computing technical and security requirements for all IT modernization, enhancement, and workload migration efforts.

II. Identify a cloud service model, e.g., Software as a Service (SaaS), Infrastructure as a Service (IaaS), or Platform as a Service (PaaS) whenever a feasible and cost-effective solution is available.

III. The use of cloud services must be consistent with the factors described in SAM 4981.1 Technical Considerations. In addition, the following shall be considered:
   a. Data classification (e.g., public, private, internal, confidential, restricted) of information assets
   b. Host location (e.g., on-premises, off-premises, hybrid, or multi-cloud)
   c. Target architecture
   d. Security, monitoring, and recovery
   e. Exit strategy
   f. Personnel resources
   g. Total Cost of Ownership (TCO)
   h. Procurement
   i. Cloud Readiness

IV. INFRASTRUCTURE AS A SERVICE (IAAS) AND PLATFORM AS A SERVICE (PAAS)

a. Must consider IaaS and PaaS as an alternative solution for new, expansion, or refresh initiatives.

b. If IaaS or PaaS solutions are not available through the California Department of Technology (CDT), CDT will partner with the Department of General Services (DGS) to determine the best procurement method.

V. SOFTWARE AS A SERVICE (SAAS)

a. Use SaaS solution(s) provided through CDT state service offerings (including email*) or through DGS' Software Licensing Program (SLP), when implementing commercial and/or government SaaS cloud computing solutions.
**Per Government Code Section 11546.3, all Agencies/state entities within the executive branch that are under the direct authority of the Governor must consolidate to the state's shared e-mail solution.*

b. If required SaaS solutions are not provided through CDT, Agencies/state entities may acquire other commercial and/or government SaaS solutions through DGS.

VI. DATA CLASSIFICATION & INFORMATION ASSETS

a. Conduct categorization and classification of information assets following the Federal Information Processing Standards (FIPS) Publication 199, as required by the State Administration Manual (SAM) 5305.5 Information Asset Management policy.

b. Based on data classification pursuant to SAM 5305.5, ensure compliance with relevant security provisions including, but not limited to those in the California Information Practices Act (Civil Code Section 1798 et seq,), Confidentiality of Medical Information Act (Civil Code Sections 56 through 56.07), Internal Revenue Service (IRS) Publication 1075, Social Security Administration (SSA) Electronic Information Exchange Security Requirements, Payment Card Industry Data Security Standard (PCI DSS) including the PCI DSS Cloud Computing Guidelines, Health Insurance Portability and Accountability Act (HIPAA) Security Rule, Health Information Technology for Economic and Clinical Health (HITECH) Act, and Criminal Justice Information Services (CJIS) Security Policy.

VII. ARCHITECTURE

a. Cloud solution architecture and design documentation must be provided to CDT at the network, system, infrastructure, application, interface, and data layers.

b. Cloud computing architecture illustration examples can be found in the SIMM 141 California Cloud Services Assessment Guide.

VIII. SECURITY

a. Reference SIMM 140 Cloud Security Guide to verify security controls and continuous security requirements.

b. Ensure compliance with a System Security Plan per the National Institute of Standards and Technology (NIST) Special Publication (SP) 800-171. Additionally, a condensed Cloud System Security Plan (CSSP) template is available on CDT's Security Operations Center (SOC) website to aid entities with documenting their system security posture.

c. Ensure compliance with the security provisions of the SAM (Chapters 5100 and 5300) and the SIMM (Sections 5300-A, 5305-A, 5310-A and B, 5315-B, 5325-A and B, 5330-A, B, and C, 5340-A, B and C, 5360-B).

d. Ensure that the commercial and/or government cloud service provider's Standards for Attestation Engagements (SSAE) No.18 Service Organization Control (SOC) 2 Type II report along with the cloud service provider's plan to correct any negative findings is available to the Agency/state entity. Other equivalent attestation such as FedRAMP and/or StateRAMP may also be used for attestation SIMM (Section 5325).

e. Ensure that all confidential, sensitive or personal information is encrypted in accordance with SAM 5350.1 and SIMM 5305-A, and at the necessary level of encryption for the data classification pursuant to SAM 5305.5.

f. Ensure cloud service agreements include the state contracting provisions and specific to the type of service being procured, and all written agreements with cloud service providers address SAM 5305.8 provisions for agreements with state and non-state entities.

g. Ensure that the physical location of the data center, where the data is stored, is within the Continental United States or Hawaii, and remote access to data from work sites outside the Continental United States and Hawaii is prohibited unless approved in advance by the State Chief Information Security Officer, with a risk assessment completed and with risk acceptance with documented mitigation measures approved by the data owner.

h. Maintain an effective incident response and mitigation capability for security and privacy incidents in accordance with SAM 5340. Report suspected and actual security incidents in accordance with the criteria and procedures set forth in SIMM 5340-A and other applicable laws and regulations.

i. Ensure Zero Trust Architecture (ZTA) is in place following the Cybersecurity and Infrastructure Security Agency (CISA) CISA ZTA Maturity Model (April 2023) at the "Initial" baseline for Identities, Devices, Network, Applications/Workloads, and Data. ZTA is following the NIST Special Publication (SP) 800-207.

j. Any ZTA gaps must be documented, and remediation progress tracked in the entity's SIMM 5305-C, Risk Register and Plan of Action and Milestones (RRPOAM) quarterly submission.

k. Enrollment in CDT's Security Operations Center (SOC) monitoring services for all IaaS and PaaS cloud services is required unless the entity has an approved CDT SOC exemption.

l. Develop a Business Impact Assessment, Recovery Point Objectives (RPO), and Recovery Time Objectives (RTO) documentation for the hosted system and in support of Technology Recovery Plan (TRP) development required by SAM 5325.1.

m. Document the system security controls via the California Compliance and Security Incident Reporting System (Cal-CSIRS) risk assessment module.

IX. EXIT STRATEGY

a. Identify an exit strategy for IT solutions that utilizes a commercial and/or government cloud service.

b. The exit strategy must include the Agency's/state entity's ability to export data in pre-defined formats and maintain, when needed, a current backup of the data in the Agency/state entity's designated Tier III- equivalent data center facility.

c. Designated data center facilities must be unrelated to the cloud provider; data center assignments are described in SAM 4982.1 Data Center Consolidation and Determination of Agency-Data Center Assignments.

X. IT PERSONNEL/WORKFORCE

a. Identify internal state personnel who will implement, configure, and maintain the cloud software and/or environments.

b. Determine if staff training is needed.

c. Determine if contract personnel will be needed to augment state staff. Utilize the Government Code (GC) 19130 Personal Services request process if required.

XI. TOTAL COST OF OWNERSHIP (TCO)

a. The total cost of ownership should include, but not limited to infrastructure costs, data transfer costs, licensing costs, operational costs, support costs, downtime costs, data storage costs, data processing costs, security costs, migration costs, training costs, compliance costs, optimization costs, project costs, and oversight costs.

XII. PROCUREMENT

a. Utilize existing CDT IaaS and PaaS services provided through the California Department of Technology (CDT)

b. Utilize existing CDT services or partner with CDT/DGS to determine the best procurement method.

c. Use commercially available SaaS services provided through CDT for office productivity tools including the state shared email solution.

d. Agencies/state entities requesting use of other commercially available SaaS solutions must procure through the Department of General Services.

e. Departments must ensure compliance with the State Contracting Manual when procuring additional products and services available in cloud online Marketplaces. When possible, additional products and services should be procured through department procurement offices to ensure purchasing regulations and requirements are met. Negotiated contract pricing is not applicable to Marketplace products and services.

XIII. DELEGATED AUTHORITY/EXEMPTION

a. Agencies/state entities who consistently demonstrate cloud readiness, may request delegated authority from CDT.

b. If it is determined the use of a CDT managed or approved cloud service offering is not feasible, a cloud computing exemption must be obtained. The Cloud Computing Exemption request is defined in SIMM 18B.

XIV. CLOUD READINESS

a. Reference SIMM 141 Cloud Computing Readiness Assessment Guide.

b. Consult with CDT Cloud Services.

XV. SUBMITTING A CLOUD SERVICE REQUEST

a. Cloud Requests are submitted to CDT's IT Service Portal.

## OPEN SOURCE AND CODE REUSE POLICY INTRODUCTION - 4984

**Legal Authority**
Government Code 11545 and 11546
Definitions
Reference SAM 4819.2
Policy
The California Department of Technology (CDT) is committed to improving the way state entities buy, build, and deliver information technology (IT) and software solutions to better support cost efficiency, effectiveness, and public experience with government programs. Enhanced reuse of custom-developed code across state government can have significant benefits for taxpayers and state entities, including decreasing the cost of application development and maintenance, increasing code quality and security, and promoting collaboration among the developer community.

To maintain previous investment(s) in IT software, state entities shall make code developed by the State of California broadly available for reuse across state government in a consistent manner. This policy is intended to avoid duplicative custom software investments and promote innovation and collaboration across state government while adequately addressing relevant statutory and policy requirements associated with State IT systems, including information security and risk management, privacy, legal issues, and other applicable requirements. The requirements outlined in this section apply to source code that is developed by the State of California, subject to the limited exceptions outlined in SAM Section 4819.2.

## OPEN SOURCE AND CODE REUSE POLICY REQUIREMENTS - 4984.1

**Legal Authority**
Government Code 11545 and 11546
Definitions
Reference SAM 4819.2
Policy
Nothing in SAM Section 4984 shall be construed to require state entities to make custom developed-code available as Open Source, if, on the facts of the particular case, disclosure of that code would reveal vulnerabilities to, or otherwise increase the potential for an attack on, information technology assets of a state entity.

The exceptions provided below may be applied, in specific instances, to exempt a state entity from sharing custom-developed code with other state entities. Any exceptions used must be approved and documented in the enterprise code inventory by the state entity's Chief Information Officer (CIO) for the purposes of ensuring effective oversight and management of information technology resources.

Applicable exceptions are as follows:

1. The sharing of the existing or new source code is restricted by law or regulation, including—but not limited to—patent or intellectual property law, the Export Asset Regulations, the International Traffic in Arms Regulation, and the Federal laws and regulations governing classified information.
2. The sharing of the source code would create an identifiable risk to the detriment of national security, confidentiality of Government information, or individual privacy.
3. The sharing of the source code would create an identifiable risk to the stability, security, or integrity of the state entity's systems or personnel.

The sharing of the source code would create an identifiable risk to the state entity's mission, programs, or operations.

## OPEN SOURCE AND CODE REUSE EXCEPTIONS - 4984.2

**Legal Authority**
Government Code 11545 and 11546
Definitions
Reference SAM 4819.2
Policy
As part of the Open Source and Code Reuse policy, each state entity shall:

1. Evaluate, as part of the Project Approval Lifecycle alternatives analysis, existing state software solutions for all reportable and non-reportable IT projects. Alternatives analysis shall give preference to the use of existing state software solutions.
2. If alternatives analysis concludes that existing state software solutions cannot efficiently and effectively meet the needs of the state entity, the state entity must explore whether its requirements can be satisfied with an appropriate commercial off the shelf (COTS) software solution or open-source solution.
3. Make sure that custom-developed code, documentation, and other associated materials are compliant with application development best practices, IT security, and code quality standards.
4. Create and maintain a centralized enterprise code inventory that includes all new State of California custom-developed software applications, utilities and related information and make this information available to all state entities on an ongoing basis. See code.ca.gov, the California Department of Technology's open-source code portal, for additional information.
5. Make custom-developed code broadly available for reuse across state government and make their code inventories discoverable through code.ca.gov, pursuant to the limited exceptions outlined in SAM Section 4984.2.
6. Maintain and frequently update all custom-developed code available in the code repository to ensure code integrity, quality, and security.
7. Whenever possible, secure the rights necessary to make code, developed by the State of California available to the public as Open Source Software (OSS), pursuant to the limited exceptions outlined in SAM Section 4984.2. Each state entity's Chief Information Officer (CIO), with consultation from the state entity's Information Security Officer (ISO), is responsible for determining if the state entity's custom-developed code will be shared with the public as OSS and controlling public access through the Department of Technology's code repository. State entities must attribute Copyleft licenses (e.g. GPL v.3) to all custom-developed code made OSS to prohibit the creation of proprietary derivative software.

Understand that, as a consumer of shared code, the entity that consumes open-sourced code is solely responsible for use and associated risks of the shared code.

## INTRODUCTION - 4985

Purpose of this policy is to ensure access to state assets including telecommunications system and services are safe, secure, and cost effective as defined in Government Code (GC) 11541 and GC 11549.3.

Pursuant to GC 11541 (d), California Department of Technology, Office of Technology Services has authority and responsibility of developing and implementing business telecommunications systems and services.

For purposes of this section, business telecommunications systems and services are defined in GC Section 11532(c).

## INTERNET POLICY - 4985.1

Agencies/state entities must use CDT for Internet access, and their Internet destined traffic must traverse through CDT managed devices for the purpose of providing continuous monitoring and protection for the state's critical IT infrastructure assets. Agencies/state entities must adhere to all the following:

- State Internet access requirements articulated in SAM 4985.2
- CDT cloud and Internet access methods articulated in SAM 4985.3
- SAM Chapter 5300 Security and Privacy control requirements and referenced standards

## INTERNET ACCESS REQUIREMENTS - 4985.2

As part of the Internet Access Policy, agencies/state entities shall ensure the following requirements are met:

1. Internet Access

To ensure the minimum baseline security safeguards are in place, agencies/state entities must use California Government Enterprise Network (CGEN) supplied services where direct access to the Internet or cloud service is possible.

2. Use of Cloud Services
   Applications or services using cloud services will use CGEN as the transport between the cloud provider and departmental supported locations. Communications between cloud services and system components located at California Department of Technology (CDT) facilities will use CGEN as the transport network.
3. Public access to Cloud Services

   Public hosted services located in Cloud Service Provider environments may be accessed directly from Internet services provided outside of CGEN if the following requirements are met:

   - The information being accessed is not confidential or sensitive
   - The security logs are provided directly to the CDT Security Operations Center through a direct interface
   - The cloud environment being accessed is in compliance with all the following policies and standards:
     - Cloud Computing Policy, SAM Sections 4983-4983.1
     - Cloud Security Standard, SIMM 5315-B and Cloud Security Guide, SIMM 140

## CLOUD AND INTERNET ACCESS METHODS - 4985.3

As part of the Internet Access Policy, agencies/state entities shall use the following cloud and internet access methods:

1. Internet Access:
   Agencies/state entities shall use CDT managed Internet access services to connect to the Internet. Agencies/state entities are not permitted to use other Internet Service Providers (ISP) to connect directly to the Internet.
2. CDT provides two secure methods of accessing the Internet:

   I. Four CDT managed Internet connections, using three different Internet Service Providers (ISP), geographically dispersed within and outside the State, that are accessed using CGEN.

   II. The CDT SD-WAN Service, required for the use of Internet circuits used as a cost-effective solution for branch offices tunneling traffic via the CDT Cloud Exchange to access Internet applications/services.

      i. CDT may allow the direct offloading through a CDT SD-WAN edge device to Internet-based services if the services are within the list approved and maintained by the Office of Information Security (OIS). The approved list contains specific Internet destinations where the session is initiated within a branch office and the destination application/service has been determined to be trusted. The approved list is in the SD-WAN Service Catalog at cdt.ca.gov

      ii. Use the CDT provided Cloud Provider Interconnect (CPI) or equivalent CDT services to obtain a direct path to the Internet or cloud services. Entities are not permitted to use other providers to connect directly to Cloud Service Providers (CSP), except as defined in State Administrative Manual (SAM) Section 4985.2 (c).

      iii. Traffic must be inspected by CDT or CDT approved cloud inspection point.

   - Agencies/state entities who have a compelling business need to use an alternative solution may submit an exemption request to CDT for approval. The exemption must be approved by CDT prior to purchasing non-CDT Internet Access Services. The Internet Access Policy exemption process is defined on the CGEN Exemption Request webpage at cdt.ca.gov.

## ARTIFICIAL INTELLIGENCE INTRODUCTION - 4986

Artificial Intelligence (AI) is the development of algorithms and systems that enable machines to perform tasks that typically require human intelligence. It encompasses a broad range of applications and processing, from machine learning, deep learning, automated decision making, generative AI, and natural language processing. As technology advances, AI continues to play a transformative role in shaping how we interact with computers and machines, paving the way for innovative solutions across various industries.

The State's AI policy is intended to create practices that benefit state departments including operational efficiencies, reliability, cost savings, innovation, and sustainability.

The State Administration Manual (SAM) Section 4986 will be used to provide state entities with standards and policies related to the planning, implementation, and use of AI tools and technologies.

Definitions can be found under SAM 4819.2.

Additional resources can be found on the Artificial Intelligence Community website.

## GENERATIVE ARTIFICIAL INTELLIGENCE (GenAI) POLICY INTRODUCTION - 4986.1

Purpose:
The Generative Artificial Intelligence (GenAI) Policy outlines the requirements for the responsible and secure use of GenAI within the State of California to minimize and mitigate the risks related to use of GenAI. The GenAI Policy aims to ensure efficiency, effectiveness, accessibility, confidentiality, integrity, security and privacy of State data. This Policy applies to all GenAI procured or developed by a state entity.
**Scope:**

Except as otherwise indicated in the specific chapter, the GenAI Policy applies to all State Entities, employees, contractors, and authorized users who access, use, or manage GenAI within the State.

**References:**

Executive Order (EO): N-12-23
Government Code (GC): 11000, 11545, 11546, 11546.1(e), 11546.7, 11549.63, 11549.63(g), 11549.64, 11549.65, 11549.65(c), 11549.66
State Administrative Manual (SAM): 4819.2, 4819.35, 4940, 4983.1, 4986.1, 4986.2, 4986.3, 4986.4, 4986.5, 4986.6, 4986.7, 4986.8, 4986.9, 4986.10, 4986.11, 4986.12, 4986.13, 5210, 5335
State Contracting Manual (SCM): SCM, Purchasing Authority Standards, 100.3
State Information Management Manual (SIMM): 19H, 22, 45, 50, 71A, 71B, 140, 141, 5305-F, 5310-C, 5325-A, 5325-B, 5335-A, 5340-A, 5340-C, 5345-A
California Civil Code: 1798.29, 1798.3
National Institute of Standards and Technology (NIST): Artificial Intelligence (AI) Risk Management Framework (RMF); 800-53

## DEFINITIONS FOR GenAI - 4986.2

1. CDT: California Department of Technology.

2. Executive Branch State Entity: State departments, agencies, boards, and commissions that are under the direct authority of the Governor as described in Government Code § 11546.1(e).

3. Material Impact/Materially Impacts: A significant, substantial effect, whether financial or operational, that is so important that it would reasonably influence a decision-making process.
    a. Work conducted utilizing GenAI materially impacts the functionality of a System when such work could have a significant, substantial effect on the System's data integrity, availability, confidentiality, or security, and failure to perform such work in accordance with the terms and conditions of the contract could potentially cause major disruptions to State business operations resulting in financial, reputational, or other damage to the State. Example: Using GenAI to write source code; using GenAI to perform acceptance testing.
    b. Work conducted utilizing GenAI materially impacts risk to the State when such work could have a significant, substantial effect on the State's operations, finances, security, or reputation, and failure to perform such work in accordance with the terms and conditions of the contract would constitute a high likelihood or impact of financial, reputation, or other damage to the State. Example: Using GenAI to examine Non-Public Data; using GenAI to assist in making decisions that affect public health, safety, or welfare.
    c. Work conducted utilizing GenAI materially impacts contract performance when failure to perform such work in accordance with the terms and conditions of the contract would constitute a material breach of contract. Example: Using GenAI to draft reports or other deliverables without human review.

4. Minimum Viable Products (or MVP): An IT solution that only includes minimum capabilities that is used to validate customer needs and demands prior to developing a more fully featured solution.

5. Proof of Concept (or POC): An effort that tests the functionality of a technology or solution.

6. SAM: State Administrative Manual.

7. SCM: State Contracting Manual.

8. SIMM: State Information Management Manual.

9. State Entity: Executive Branch State Entities as well as any departments, agencies, boards, commissions, colleges and universities, entities headed by constitutional officers or independently established entities described in Government Code § 11000 which are outside the control of the Executive Branch.

10. For all other defined terms used in the GenAI Policy, please see SAM § 4819.2.

**References:**

GC 11546.1(e); GC 11000; SAM 4819.2

## GenAI USE IDENTIFICATION AND HIGH-RISK INVENTORY - 4986.3

**Scope:**

This Chapter of the GenAI Policy applies to all Executive Branch State Entities.

**Policy:**

Pursuant to this GenAI Policy, the senior management personnel of each Executive Branch State Entity must identify, track, and maintain an inventory of GenAI uses as set forth below.

A. Identify and define the GenAI business need(s), use, risk, and impact through measured analysis of data, systems, environments, projects, privacy, security, and training.

B. Maintain an inventory of high-risk uses of GenAI.

C. Submit the GenAI high-risk system inventory based on the SIMM 5305-F GenAI Risk Assessment criticality to CDT upon request.

**References:**
EO N-12-23

## GenAI TRAINING DATA AND TRANSPARENCY - 4986.4

**Scope:**
This Chapter of the GenAI Policy applies to all State Entities.
**Policy:**
Pursuant to this GenAI Policy, each State Entity must be transparent with respect to the data used to train a GenAI system or service developed by the State Entity as set forth below.

A. On or before January 1, 2026, a State Entity shall post on its internet website documentation regarding the data used to train its GenAI system or service if all the following apply:
   1. On or after January 1, 2022, a State Entity developed GenAI system or a service, or made a substantial modification to GenAI system or service it had released; and
   2. That GenAI system or service is made available to Californians for use, regardless of whether the terms of that use include compensation.

B. The documentation posted by the State Entity must include a high-level summary of the datasets used in the development of the GenAI system or service and include the specific information set forth in Civil Code § 3111.

C. After the initial reporting, the State Entity shall update the documentation on its internet website on an annual basis.

**References:**
GC 11546.7; Civil Code 3111

## GenAI HOSTING - 4986.5

**Scope:**
This Chapter of the GenAI Policy applies to all Executive Branch State Entities
**Policy:**

A. An Executive Branch State Entity considering a new, expansion, or refresh of GenAI must comply with the SAM 4983.1 Cloud Computing Policy, including but not limited to:
   1. Complete the SIMM 140 Cloud Security Guide.
   2. Complete the California Cloud Services Assessment Guide, SIMM 141.
   3. Acquire all Infrastructure as a Service (IaaS) and Platform as a Service (PaaS) solutions and services through the CDT.
   4. Complete a Commercial Off the Shelf (COTS)/SaaS Acquisition Information Form, SIMM 22.
   5. Utilize Software as a Service (SaaS) provided through the CDT state service offerings or through the Department of General Services (DGS) Software Licensing Program (SLP) when implementing GenAI SaaS.

B. An Executive Branch State Entity shall host all software applications at a CDT approved data center.

**References:**
SAM 4983.1; SIMM 22; SIMM 140; SIMM 141; GC 11546

## GenAI PROOF OF CONCEPT (POC) AND MINIMUM VIABLE PRODUCT (MVP) - 4986.6

### Scope:

This Chapter of the GenAI Policy applies to all Executive Branch State Entities.
Policy:

A. All GenAI POCs shall be hosted in a CDT approved “sandbox” environment.
   1. POC testing shall not be performed in a production environment.

B. All GenAI MVP shall be hosted in a CDT approved production environment.
   1. All MVPs testing must be performed in a test environment.

C. As part of the POC and MVP, an Executive Branch State Entity must:
   1. Test the feasibility of GenAI to determine if it aligns with the specific needs and objectives of the use case.
   2. Validate the performance, accuracy, and relevance of GenAI by assessing its ability to produce outputs that meet the desired quality and application standards.
   3. Implement risk mitigation strategies to address potential challenges, such as model bias, hallucination, bad actors, equity, and data quality issues, by identifying and addressing these risks during the POC phase.
   4. Limit the data used for testing public data for any POC and ensure that testing for both POCs and MVPs includes any necessary data pre- processing of State-provided data. Data pre-processing should ensure the data is adequately prepared for use with the GenAI solution including scanning for sensitive or classified information (e.g., Personally Identifiable Information (PII), Personal Health Information (PHI), and Federal Tax Information (FTI)). Appropriate measures must be implemented to identify and block such sensitive data.

D. Any GenAI POC that goes into production must be hosted in a CDT approved data center.

References:
EO N-12-23;SAM 4983.1;SIMM 140;SIMM 141

## IT PROJECTS UTILIZING GenAI PLANNING AND APPROVAL - 4986.7

**Scope:**
This Chapter of the GenAI Policy applies to all Executive Branch State Entities.
**Policy:**
An Executive Branch State Entity must comply with the following prior to procuring and/or developing an IT project utilizing GenAI.

1. Complete SIMM 5305-F Generative Artificial Intelligence Risk Assessment and SIMM 5310-C Privacy Threshold Assessment and Privacy Impact Assessment as detailed in SAM 4986.9 GenAI Procurement.
2. Comply with SIMM 19H Project Delivery Lifecycle (PDL) for IT projects utilizing GenAI. For clarity, for non-GenAI, an Executive Branch State Entity must complete SIMM 19A-G Project Approval Lifecycle (PAL) policies and comply with the PAL process outlined in SAM 4819.35.

**References:**
GC 11545; GC 11546; SAM 4819.35; SAM 4986.9; SAM 5210; SIMM 19A-G; SIMM 19H; SIMM 5305-F; SIMM 5310-C

## IT PROJECTS UTILIZING GenAI PROJECT - 4986.8

Scope:
This Chapter of the GenAI Policy applies to all Executive Branch State Entities.
**Policy:**

A. An Executive Branch State Entity that is approved to proceed with an IT project utilizing GenAI must comply with the applicable parts of SIMM 19H Project Delivery Lifecycle (PDL) for IT projects utilizing GenAI and follow SIMM 45 IT Project Oversight Framework as directed by CDT.

**References:**
GC 11545, GC 11546, SAM 4819.35; SAM 4940; SIMM 19H; SIMM 45, SIMM 50

## GenAI PROCUREMENT - 4986.9

**Scope:**
This Chapter of the GenAI Policy applies to all State Entities except as specifically exempted by statute or policy.
A. **Policy:** GenAI Procurement

1. A State Entity shall consider procurement and enterprise use opportunities in which GenAI can improve efficiency, effectiveness, accessibility, and equity of government operations pursuant to CDT's procurement policy.
2. A State Entity must comply with the State Contracting Manual (SCM), Volume 2, Chapter 23, GenAI Procurement Policy and Procedure, when procuring GenAI, as applicable, including but not limited to the mandatory GenAI procurement training.
3. A State Entity must include the following GenAI disclosure notification language in all solicitations and contracts for IT and telecommunication goods and services.

   "Contractor must notify the State in writing if it: (1) intends to provide GenAI as a deliverable to the State; or (2), intends to utilize GenAI, including GenAI from third parties, to complete all or a portion of any deliverable that materially impacts: (i) functionality of a State system, (ii) risk to the State, or (iii) Contract performance. For avoidance of doubt, the term "materially impacts" as used in this section shall have the same meaning set forth in the State Administrative Manual (SAM) § 4986.2 Definitions for GenAI."

4. A State Entity must complete a Certification of Compliance with IT Policies, SIMM 71B.
5. For all IT, non-IT, and Telecommunication procurements, a State Entity must, prior to award, complete a SIMM 5305-F Generative Artificial Intelligence Risk Assessment to determine if the GenAI risk is low, moderate, or high. The State Entity shall submit the completed 5305-F to CDT for all risk levels.
   a. If a State Entity's SIMM 5305-F assessment indicates a moderate or high-risk GenAI, the State Entity shall seek consultation with CDT prior to the award.
   b. If a State Entity's SIMM 5305-F assessment indicates a low-risk GenAI, the State Entity may continue with procurement. For low-risk, CDT may require the State Entity to seek consultation.
   c. The following list of low-risk GenAI uses are exempt from the 5305-F risk assessment requirement:
      1. Mandatory California Prison Industry Authority (CALPIA) purchases of goods and services (See SCM Vol. 2, Chapter 5, Section 502).
      2. Mandatory services provided by Office of State Publishing (OSP).
      3. Mandatory services provided by CDT.
      4. Purchases from DGS Surplus Property.
      5. Real Property Transactions (e.g. leases, easements, rental agreements, licenses, amendments, etc.).
      6. Interagency agreements between CA state departments that do not include third party contracts.
      7. Commodity types that do not include a technology or service component. Examples include:
         a. Office, medical, and cleaning supplies (staplers, pens, masks, mops, etc.)

b. Office furniture (chairs, desks, etc.)
c. Non-IT hardware (hammer, nails, buckets, etc.)

8. Cloud computing software licenses or subscriptions limited to access of online content including news, training, digital publications, etc.
9. Any other GenAI use determined by CDT to be low risk.

6. For all GenAI procurements, a State Entity must complete a SIMM 5310-C Privacy Threshold Assessment and Privacy Impact Assessment and provide it to CDT for review upon request.
7. A State Entity must have a multidisciplinary governance team to continuously oversee and monitor for new, ongoing, and changing security, privacy, and operational risks throughout the lifecycle of the GenAI use.

B. Contract Security Provisions

For moderate and high risk GenAI use, a State Entity must evaluate vendors and suppliers who provide GenAI for compliance with the SAM 5300, SIMM 5300 and the National Institute of Standards and Technology (NIST) Artificial Intelligence (AI) Risk Management Framework (RMF) and NIST 800-53. Security and Privacy Controls for Information Systems and Organizations for system controls and principles, including security, transparency, and ethical use of data, including but not limited to:

1. Verifying adherence to state policies, privacy laws, and bias mitigation practices.
2. Mandating incident reporting, logs, and cooperation in case of system failures or breaches.
3. Ensuring that vendors and suppliers have robust measures to protect confidential, proprietary, and sensitive data, including encryption, access controls, and compliance with data privacy regulations associated with the state entity's industry.
4. Ensuring that vendors and suppliers provide documentation on the development, training, and operation of their GenAI systems, including details on the origin of datasets, algorithms, and any pre-trained models used.

**References:**

GC 11549.65(c); Purchasing Authority Standards 100.3; SCM Chapter 23; SIMM 19H; SIMM 71A; SIMM 71B; SIMM 5305-F; SIMM 5310-C

## PRIVACY FOR GenAI - 4986.10

**Scope:**

This Chapter of the GenAI Policy applies to all State Entities.

**Policy:**

A. Privacy and Security

1. A State Entity using or procuring GenAI must protect the privacy and security of data in accordance with state and federal laws and policies.
2. A State Entity must implement measures to prevent unauthorized access, use, or sharing of confidential, proprietary, and sensitive state data used by GenAI.

A. Privacy Disclosures

For the transparency of the use of GenAI, irrespective of data classification, all GenAI which involves state data, or provides public service are required to notify consumers that they are interacting with GenAI as described below.

1. All content created or substantially altered by GenAI must have a specified disclosure that the content is generated or substantially altered using GenAI.
2. A State Entity that provides content to a person for government services that was created or substantially altered by GenAI must ensure those communications include:
    i. A disclaimer before the use or consumption of GenAI indicating that the communication type outlined in the Government Code § 11549.66 was generated by GenAI.
        A. A disclaimer example: "This (image/audio/video/text/other form of data) has been generated, in whole or in part, using artificial intelligence."
    ii. A description of how the person may contact an employee of the state entity with appropriate contact information.
3. A provision to opt-out of communicating with GenAI and speak to a real person.
4. A State Entity ingesting data to train GenAI models from external sources, including customers and other systems (including GenAI), must disclose any data that is collected, processed, or shared with trusted partners to the data subject.

References:

Civil Code 1798.29; 1798.3; GC 11549.66

## SECURITY FOR GenAI - 4986.11

**Scope:**

This Chapter of the GenAI Policy applies to all State Entities.

**Policy:**

A. Security Incident Reporting

1. Violations or incidents involving the use, disclosure, or breach of GenAI and state data must be addressed through a clearly defined reporting and escalation process. This process should be integrated into the State Entity's Incident Response Plan and Playbook, ensuring compliance with the standards outlined in SIMM 5340-A Incident Reporting and Response Instructions and SIMM 5340-C Requirements to Respond to Incidents Involving a Breach of Personal Information.
2. A State Entity must promptly report all suspected or confirmed violations and incidents to oversight agencies.
    a. New identified threats and Tactics, Techniques, and Procedures (TTPs) must be reported to oversight agencies.

B. Security Frameworks

1. A State Entity should leverage the NIST AI Risk Management Framework (AI RMF) to identify, assess, and mitigate risks associated with GenAI, ensuring their development and use align with principles of reliability, fairness, and accountability.
2. A State Entity must document potential risks associated with GenAI throughout their lifecycle, including technical, operational, privacy, legal, ethical, and societal risks in their risk register.
3. A State Entity must ensure that all GenAI adheres to NIST 800-53 Security and Privacy Controls for Information Systems and Organizations to help ensure SIMM and SAM policies are met at a minimum baseline.

C. Security Compliance

1. A State Entity must inventory and document all GenAI systems in a Business Impact Analysis and System Security Plan (SSP) that is submitted with the State Entity's Technology Recovery Plan as outlined in SIMM 5325-A Technology Recovery Plan Instructions and SIMM 5325-B Technology Recovery Program Certification.
    a. All data for GenAI must be classified and documented in their SSPs if applicable.
2. All GenAI (procured or developed by a State Entity) must have an associated SIMM 5305-F Generative Artificial Intelligence Risk Assessment and SIMM 5310-C Privacy Threshold Assessment and Privacy Impact Assessment, unless specifically exempted, as detailed in SAM 4986.9, GenAI Procurement.
3. All GenAI systems must align with SAM 5335 Information Security Monitoring Policy for real time continuous monitoring. Work tools with, GenAI features, are also to align and be monitored in accordance with SAM 5335 when available.
4. A State Entity must continuously oversee and monitor new, ongoing, and changing security, privacy, and operational risks for any GenAI use.
    a. State entity must implement controls and safeguards to mitigate identified risks outlined in SIMM 5345-A Vulnerability Management Standard and ensure compliance with applicable laws, regulations, and ethical standards.
5. A State Entity must approach all GenAI from a Zero Trust Architecture perspective.

References:
SAM 4986.9; SAM 5335; SIMM 5305-F; SIMM 5310-C; SIMM 5325-A; SIMM 5325-B; SIMM 5335-A; SIMM 5340-A; SIMM 5340-C; SIMM 5345-A

## ACCEPTABLE USE OF GenAI - 4986.12

**Scope:**
This Chapter of the GenAI Policy applies to all Executive Branch State Entities.
**Policy:**

A. An Executive Branch State Entity is responsible for educating and ensuring all users comply with its Acceptable Use Policy and data sharing agreements.

    1. GenAI must not be used for, or to create or generate:
        a. Illicit content.
        b. Content that is politically regulated, unlawful material, or information that lacks broad factual verification or consensus.
        c. Spoofs or fraud, including deepfake, impersonation, misinformation, phishing, or social engineering to harm individuals.
        d. Content that may interfere with the principles of Diversity, Equity, Inclusion, and Accessibility (DEIA) of individuals.
    2. All GenAI output used for decision making must be supplemented with human verification to ensure accuracy and factuality.
    3. All GenAI input and output data must be reviewed to ensure compliance with principles of DEIA and to prevent biases, misuse, and misinformation.

B. An Executive Branch State Entity's Acceptable Use Policy must outline: (1) the risks associated with GenAI, (2) how to use GenAI safely and (3) additional GenAI requirements set forth below.

    1. Users only use state approved or provided accounts on state approved or provided equipment for state work.
    2. Users are prohibited from entering confidential, sensitive or personal information, as defined in Civil Code Sections 1798.3 and 1798.29, into GenAI systems that have not been issued, authorized, or approved by their organization.
    3. Users may employ GenAI to enhance the efficiency and effectiveness of public services.
    4. Users must review and verify GenAI output for relevance before use to ensure it aligns with its intended purpose and to mitigate risks such as hallucinations, misinformation and bias.
    5. Users must not infringe on any copyright or intellectual property laws and must comply with open-source licenses as applicable.
    6. Users must use the "opt-out" option on data collection and model training features that these GenAI might offer if available. (e.g. ChatGPT).
    7. Users waive all rights of ownership to GenAI outputs that are created on behalf of California and used for public related services to California.
    8. Users must not use state email or other state identifying information to register unsupported tools.
    9. Users must not label content created from GenAI as their own.
    10. Users must report the unauthorized use or disclosure of confidential, proprietary, and sensitive state data in GenAI to the Executive Branch State Entity's Information Security Officer (ISO).

**References:**
EO N-12-23; GC 11546.7; GC 11549.63; GC 11549.64; GC 11549.65; GC 11549.66; SIMM 5305-F

Track Changes Version

## GenAI WORKFORCE TRAINING - 4986.13

Scope:
This Chapter of the GenAI Policy applies to Executive Branch State Entities.
**Policy:**

A. Each Executive Branch State Entity must ensure that its personnel complete the necessary GenAI training to perform their duties and responsibilities. This includes understanding the potential risks and benefits of GenAI and how to use them responsibly.

1. State Entities must require employees to complete any mandatory training required for GenAI use.
2. State Entities should also consider the following:
    a. Require all employees to attend foundational GenAI training before deploying GenAI tools.
    b. Require Managers and Supervisors to attend foundational GenAI training and specialized roles training relevant to their area of responsibility.
    c. Require purchasing officials to attend procurement training to understand GenAI purchases, associated risks, and the purchasing process.
    d. Require Project Managers to attend training in the Project Delivery Lifecycle (PDL) for IT projects using GenAI.
    e. Require technology and information security employees to attend advanced GenAI technical training focused on security, data analytics, engineering and development.

References**:**

EO N-12-23; GC 11549.63 (g); SCM Volume 2, SIMM 19H

## DESKTOP AND MOBILE COMPUTING POLICY - 4989

The California Department of Technology (Department of Technology) delegates authority to acquire desktop and mobile computing commodities to Agencies/state entities that have submitted acceptable Technology Recovery Plans or Technology Recovery Plan certifications, maintain compliance with all applicable state IT security provisions as defined in SAM Sections 5300-5399, and have appropriate plans for the use of desktop and mobile computing commodities.
Under the Desktop and Mobile Computing Policy, Agencies/state entities are delegated the authority to acquire desktop and mobile computing commodities to support increased staffing, as well as the ongoing replacement of obsolete or nonfunctioning desktop and mobile computing commodities. All acquisitions related to desktop and mobile computing must be consistent with the Agency/state entity's overall strategy for the use of information technology, as expressed in its current Agency Information Management Strategy (AIMS) (See SAM Sections 4900.2 - 4900.6). Agencies/state entities must ensure that the use of mobile computing devices will cost-effectively meet a significant business need and increase the efficiency of the Agency/state entity.
Many desktop and mobile computing commodities are targeted to consumers rather than business users. While these consumer-based commodities are effective as consumer devices, they may not be well-suited for many business uses. To ensure commodities support business productivity and enterprise capabilities, Agency/state entities must understand their security and architecture requirements and acquire the right tools to meet those requirements. Desktop and mobile computing configurations must make use of proven, "off-the-shelf" hardware and software and must support business productivity and enterprise capabilities such as:

- Enterprise Productivity (MS Office)
- Access to Corporate Servers (File/Print, Active Directory, etc.)
- Enterprise Class Applications (Geographic Information Systems, Enterprise Resource Planning, etc.)
- Enterprise Security (VPN, Active Directory Authentication, Multifactor Authentication, etc.)

The acquisition of new mobile computing devices for existing staff should replace existing desktop computers or mobile computing devices, not be purchased in addition to a desktop computer (for example a new laptop should replace a desktop computer). Additionally, the acquisition of new mobile phones should replace desk phones when practical. Replacement of desktop and mobile computing commodities acquired as part of a previously approved IT project, as defined in SAM Section 4819.2, may be included in this policy as such commodities are incorporated into and are no longer distinguishable from the Agency/state entity's IT infrastructure.

## DEFINITION OF DESKTOP AND MOBILE COMPUTING - 4989.1

**Communication** – For the purpose of interpreting this policy, communication is the requesting, sending, transmitting, or receiving of electronic data via cable, telephone wire, wireless, or other communication facility.
**Desktop and Mobile Computer Software** – Commercially licensed software necessary for the operation, use, and/or security of desktop and mobile computers.
**Desktop and Mobile Computer Supplies** – Consumable commodities used for data storage, printing, and/or other IT supplies as defined in SAM Section 4819.2.
**Desktop and Mobile Computing** – For the purposes of this policy, desktop and mobile computing is the use of desktop and mobile computing commodities in support of state Agency/state entity business operations.
**Desktop and Mobile Computing Commodities** – Hardware and software commonly required for most state employees to perform daily business transactions such as desktop computers, mobile computers (e.g., personal digital assistants, laptop computers), mobile phones (e.g. cell phones, smartphones), desktop and mobile computer software, servers, server software, peripheral devices (e.g., printers), supplies, and Local Area Network infrastructure.
**Desktop and Mobile Computing Servers** – Computer servers necessary for the operation, use, and/or security of desktop and mobile computers.
**Desktop and Mobile Server Software** – Commercially licensed server software necessary for the operation, use, and/or security of desktop and mobile computers.
**Desktop Computers** – Computing devices, generally designed to remain in a fixed location, that can connect by cable, telephone wire, wireless transmission, or via any Internet connection to an Agency/state entity's IT infrastructure and/or data systems.
**Information Technology Asset Management** – The effective tracking and managing of IT assets for an Agency/state entity's program and enterprise IT infrastructure and production systems, including the ability to identify and classify Agency/state entity-

owned hardware and software, telecommunications, maintenance costs and expenditures, support requirements (e.g., state staff, vendor support), and the ongoing refresh activities necessary to maintain the Agency/state entity's IT assets.

**Information Technology Infrastructure** – An Agency/state entity's platform for the delivery of information to support Agency/state entity programs and management. Included in the infrastructure are equipment, software, communications, rules, and vision.

**Local Area Network (LAN)** – Two or more desktop or mobile computers at the same site connected by cable, telephone wire, wireless or other communication facility providing the ability to communicate or to access shared data storage, printers, or other desktop and mobile computing commodities.

**Mobile Computers** – Portable-computing devices that can connect by cable, telephone wire, wireless transmission, or via any Internet connection to an Agency/state entity's IT infrastructure and/or data systems. The following devices are considered mobile computers:

**Laptop/Notebook** – A portable Personal Computer (PC) with a clamshell form factor that combines many desktop computer external components into a single device, such as display, speakers, keyboard, and pointing devices. These devices typically run standard PC operating systems. Laptop/Notebook category includes several variations and form factors which include the following:

**-Clamshell -** traditional laptop/notebook form factor. All the same attributes/components of a PC, but with the keyboard and monitor attached, and of a size that enables for mobile use.

**-Ultrabook -** laptops that are thinner with longer battery life and touchscreen, wireless display. The Ultrabook category includes 2-in-1 devices that have the ability to convert their look and feel from a traditional clamshell laptop to a tablet/slate. The conversion can be accomplished by detaching, sliding, folding, twisting, etc.

**Tablet/Slate**– A one-piece mobile computer usually equipped with a touchscreen and an on-screen, hide-able virtual keyboard. Touch is the primary user interface for a tablet/slate device. These devices are typically larger than smartphones and generally have larger screen size and greater computing capabilities. Tablet/Slate devices often have device-specific operating systems such as Apple IOS, Android, or Windows RT.

**Remote Access** – The connection of an information asset from an off-site location to an information asset on state IT infrastructure.

**Mobile Phone** – A device that can make and receive telephone calls over a cellular network. Mobile phones include smartphone devices which are computing devices that provide advanced computing capability and connectivity, and run a complete operating system and platform for application developers and users to install and run more advanced applications.

**Wide Area Network (WAN)** – Two or more physical locations connected by cable, wire, or other wireless transmission, providing the ability to communicate between locations and/or Internet connectivity.

## DEFINITION OF DESKTOP AND MOBILE COMPUTING - 4989.2

**The following activities require prior approval from the Department of Technology and are excluded from the delegation authority to acquire desktop and mobile computing commodities. These activities must be treated in accordance with SAM Sections** 4819.3 through 4819.42**.**

**IT Projects** – As defined in SAM Section 4819.2, beyond the acquisition, installation, and operation of **Desktop and Mobile Computing Policy** commodities as defined in this policy. The acquisition of desktop and mobile computing commodities required for an IT project, whether reportable or delegated, must be included within the project scope and acquired under the approved project's authority. Use of this policy to circumvent IT project reporting requirements or to make an otherwise reportable project fall within delegated thresholds is expressly prohibited.

**Budget Actions** – Any acquisition, maintenance, or support of desktop and mobile computing commodities which requires a Budget Change Proposal, a Budget Revision, or other budget action is not covered by the Desktop and Mobile Computing Policy. However, this policy may be used to acquire the standard complement of desktop and mobile computing commodities as approved by the Department of Finance for new positions.

**Specialized or Single-Purpose Systems** – Acquiring any specialized, single-purpose, non-modifiable system, such as computer-aided design systems, desktop publishing systems, programmer workbench systems, or artificial intelligence systems is excluded from the policy. However, software-based applications used on a general-purpose personal computer may be covered by the policy. For example, desktop publishing employing word processing, graphics, and page layout software packages on a general- purpose personal computer falls within this policy; desktop publishing employing a specialized computer system that has been developed and marketed for the sole purpose of doing desktop publishing does not. A specialized, single-purpose system that allows some connectivity to an Agency/state entity's existing systems, such as electronic mail, is still considered a specialized or single-purpose system for the purposes of this policy.

**Infrastructure or Platform Migration** – Acquisitions associated with or mandated by a change in an Agency/state entity's standard technical architecture for servers, desktops and/or mobile computing platforms are excluded from the policy. Migrating to a newer version within the existing standard's product family is not considered an infrastructure or platform migration.

**Wide Area Networks (WAN)** – The acquisition, maintenance, or support of desktop and mobile computing commodities specifically to install or operate a WAN are excluded from the policy. These activities for WANs are considered IT projects, or components of IT projects, for the purposes of this policy. However, upgrading the capacity of a previously approved WAN project may fall within the definition of a previously approved project. (See SAM Section 4819.2: "Previously Approved Effort/Project".)

While the acquisition of desktop and mobile computing commodities specifically for or required by the above-mentioned activities is specifically prohibited under this policy, existing desktop and mobile computing commodities purchased under this policy may be used for some of these purposes. For example, existing desktop computers purchased under this policy may be used in the development of a reportable IT project. Whenever an Agency/state entity is uncertain as to whether a proposed use of desktop and mobile computing commodities falls within the scope of this policy, it should seek a determination from the California Department of Technology.

## AGENCY/STATE ENTITY ROLES AND RESPONSIBILITIES - 4989.3

**Management.** Day-to-day management responsibility for desktop and mobile computing configurations resides with the manager who has supervisory responsibility for the individual or individuals who use the products. The manager must ensure that the acquisition and use of desktop and mobile computing commodities support the accomplishment of Agency/state entity objectives and that the individual or individuals who will be using the products are trained in their use.

Each Agency/state entity must have a plan for the appropriate application of desktop and mobile computing. Each Agency/state entity must ensure that its plans are consistent with the Agency/state entity's information management standards, policies, and procedures and its IT infrastructure. Agency/state entity plans for implementing desktop and mobile computing must not preclude

the implementation of other Agency/state entity's applications on the same configuration. Agencies/state entities are responsible for establishing desktop and mobile computing standard configurations, ensuring each acquisition made under this policy is consistent with those standards, and accurately tracking the costs associated with such acquisitions. In addition, Agencies/state entities are responsible for the creation and maintenance of IT assets inventories for commodities purchased under this policy.

Agency/state entity's management has a responsibility to establish standards of technical assistance in support of Local Area Network activities such as installation, configuration, problem-determination, maintenance, backup, recovery, and required activities beyond those normally associated with stand-alone desktop or mobile computers. Agencies/state entities are expected to maintain internal processes to ensure that any IT commodities acquired under the authority of this policy are compliant with all applicable hardware, software, and security standards for the Agency/state entity.

Agency/state entity management is responsible for taking appropriate action in the event of employee misuse of desktop and mobile computing technology or employee failure to comply with State and Agency/state entity policy governing the use of desktop and mobile computing.

**Security.** Desktop and mobile computing environments owned by Agencies/state entities involve the risk of property loss, threats to privacy, and threats to the integrity of state operations. Accordingly, Agencies/state entities must be in compliance with all applicable provisions of the SAM and must implement appropriate safeguards to secure the Agency/state entity's desktop and mobile computing infrastructure. Use of personally owned smartphones is restricted to devices that are compatible with the CA.Mail or the California Email Service, and are consistent with the Statewide Enterprise Architecture.

Current Agency/state entity Technology Recovery Plans or acceptable Technology Recovery Plan certifications must be on file at the Department of Technology. Agencies/state entities that do not demonstrate effective compliance with the State's IT security policy and Business Continuity policy are not authorized to make any expenditures for desktop or mobile computing commodities until the Agency/state entity has complied. See SAM Sections 5300-5399.

**Desktop and Mobile Computing Coordinator.** In order to ensure ongoing IT asset management practices are followed, Agencies/state entities employing desktop and mobile computing should designate a unit or individual employee of the Agency/state entity as the Agency/state entity's Desktop and Mobile Computing Coordinator or equivalent function. The coordinator must be knowledgeable about (a) desktop and mobile computing configurations; (b) state-level and Agency/state entity policies for the use of desktop and mobile computing commodities; and (c) the relationship between desktop and mobile computing and other uses of IT within the Agency/state entity.

The responsibilities of the coordinator should include:

1. Maintaining current specifications for the Agency/state entity's desktop and mobile computing commodity standards;
2. Assisting in the completion and review of any Desktop and Mobile Computing (DMCP) documents if required by the Agency/state entity's policies and procedures;
3. Coordinating the acquisition of desktop and mobile computing commodities;
4. Informing desktop and mobile computing users of available training and technical support capabilities; and
5. Maintaining continuing liaison with Agency/state entity IT management to ensure that: (a) proposed desktop and mobile computing applications are consistent with the Agency/state entity's established information management strategy and IT infrastructure, (b) the use of desktop and mobile computing devices is clearly demonstrated and the devices will cost-effectively meet a significant business need and increase the efficiency of the state entity, and (c) desktop and mobile computing configurations can support the implementation of other Agency/state entity applications.

### POLICY COMPLIANCE - 4989.8

If the Department of Technology determines that an Agency/state entity's procedures or practices are not consistent with the Desktop and Mobile Computing Policy or with the Agency/state entity's own approved policy, delegation of approval authority will be rescinded and the Agency/state entity will be deemed not to have an approved Desktop and Mobile Computing Policy until such time as it can assure the Department of Technology of compliance with an approved policy.

## Chapter - 5000

Sections for Chapter 5000

| Section | Subchapter |
|---|---|
| EQUIPMENT ACQUISITION, MAINTENANCE AND DISPOSITION | 5001 |
| POLICY | 5010 |

### EQUIPMENT ACQUISITION, MAINTENANCE AND DISPOSITION - 5001

Information technology equipment that is state-owned will be used as long as its use meets the operational requirements of the user and as long as relative costs versus benefits are favorable. Such equipment will be used, where appropriate and where benefits exceed costs, to replace installed equipment that is on rent or short-term lease anywhere in state government.

The relative merits of all methods of acquisition and maintenance of IT equipment shall be continuously evaluated to assure maximum economic advantages to the state. When selecting equipment, agencies will consider the requirements of interfacing to present systems. Conversion costs must be considered as well as the costs associated with exchanging information among machines. Standard commercially available general purpose IT equipment will be acquired in preference to specially designed and/or special purpose equipment, unless unusual circumstances warrant otherwise.

Duplicate or excess IT equipment will not be acquired as insurance against machine failure or as standby equipment, except in the case of legally required or otherwise necessary full-time or absolute service functions.

The disposition of IT equipment which is excessive to an agency's requirements will be in accordance with the most economical and practical manner for the state as a whole.

### POLICY - 5010

A uniform method for recording data relating to the repair or maintenance of data processing equipment, software, and facilities must be established to prevent degradation in customer and vendor support and excessive maintenance costs. Capturing this data at the time of the incident and ensuring its review by appropriate levels of management is necessary to effectively manage and control the maintenance function.

State agencies should develop a maintenance form which includes essential data pertaining to incidents of repair or maintenance. This essential data required in resolving disputes between the vendor and the state in respect to vendor performance includes:

1. The time at which the vendor maintenance contact was notified by the state;
2. The time at which the vendor maintenance personnel arrived to repair the malfunction;
3. The time at which the component and system were returned to service;
4. A description of the malfunction or incident; and,
5. Signature of the vendor and a representative of the state.

A maintenance form should be prepared whenever a system or any component of a system is inoperative because of the need for equipment, software or facilities repair or maintenance. The form is initiated at the time of the incident and remains open until the problem has been corrected and the component has been returned to service. Copies of completed forms must be maintained by the agency as long as the component is in service or there is a possibility of contractual claims.

# Chapter - 5100

Sections for Chapter 5100


| Section | Subchapter |
|---|---|
| TECHNOLOGY STANDARDS | 5100 |
| COMPUTER PROGRAMMING LANGUAGES | 5101 |
| OPEN DATA POLICY INTRODUCTION | 5160 |
| OPEN DATA POLICY REQUIREMENTS | 5160.1 |
| OPEN DATA EXCEPTIONS | 5160.2 |
| WORKGROUP COLLABORATION PLATFORM POLICY | 5170 |
| OPERATING SOFTWARE, UTILITIES AND PROGRAMMING AIDS | 5175.1 |
| APPLICATION PACKAGES | 5175.2 |
| COMPLIANCE WITH UNITED STATES POSTAL SERVICE, OPTICAL CHARACTER RECOGNITION GUIDELINES | 5179 |
| UNITED STATES POSTAL SERVICE ZIP+4 GUIDELINES | 5180 |
| WEBSITE STANDARDS INTRODUCTION | 5190 |
| WEBSITE STANDARDS | 5190.1 |
| CALIFORNIA STATE WEBSITE TEMPLATE | 5190.2 |
| INTERNET DOMAIN NAME POLICY | 5195 |
| INTERNET DOMAIN NAME REQUIREMENTS | 5195.1 |
| INTERNET DOMAIN NAME ANNUAL CERTIFICATION | 5195.2 |


## TECHNOLOGY STANDARDS - 5100

The Department of Technology embraces the American National Standards Institute (ANSI) management information standards, the National Institute of Standards and Technology (NIST) standards, and the Federal Information Processing Standards (FIPS). The ANSI standards are national consensus standards which provide guidance on a variety of issues central to the public and industrial sectors. The NIST standards are developed to promote U.S. innovation and industrial competitiveness by advancing measurement science, standards, and technology to enhance economic security and improve our quality of life. The FIPS standards are adopted and promulgated by NIST under the provision of Public Law 89–306 (Brooks Act) and Part 6 of Title 15, Code of Federal Regulations, and serve to improve the utilization and management of computers and automated data processing in the Federal Government.

Agencies/state entities must use the ANSI, NIST and FIPS standards in their information management planning and operations. Adopting these standards will facilitate the inter-organizational sharing and exchanging of equipment, data, software, and personnel. Use of these standards will also facilitate communication (1) among Agencies/state entities; (2) between the state and its IT vendors; and (3) between the state and its IT information providers/recipients.

## COMPUTER PROGRAMMING LANGUAGES - 5101

The Department of Technology encourages the use of vendor supplied packages versus in-house development whenever vendor supplied packages can be demonstrated to be the most cost beneficial solution to IT project problems or opportunities.

## OPEN DATA POLICY INTRODUCTION - 5160

The Public Records Act, Government Code (GC) Sections 6250- 6270, provides public access to information that is collected and maintained by state and local entities, mindful of the right of individuals to privacy. The State of California is committed to

unlocking the value of government data to propel innovation, improve the delivery of public services and empower the people of California while protecting privacy. Information is a valuable resource and a strategic asset to State Government, its partners, and the public. Managing government information as an asset will increase operational efficiencies, enhance performance planning, improve services, support mission needs, inform policy decisions, safeguard personal information, and increase public access to valuable government information. Open data helps ensure that all public datasets are discoverable and fuels entrepreneurship, economic development and scientific discovery. To ensure that State Government is taking full advantage of its information resources, Agencies/state entities shall manage their data as an asset from the start and, wherever possible, release it to the public in a way that makes it open, discoverable and usable.

## OPEN DATA POLICY REQUIREMENTS - 5160.1

Effective July 1st, 2019, as part of the Open Data policy, each Agency/state entity shall:

1. Build or modernize Information Technology (IT) solutions in a way that maximizes interoperability and information accessibility. Although this policy does not require Agency/state entities to modernize existing IT solutions, it does require data considerations identified in this section be applied when a state entity undertakes a modernization effort that substantially modifies an existing IT solution.
    a. Exercise forethought when architecting, building, or substantially modifying an IT system to facilitate data distribution to the public, where appropriate.
    b. Use machine-readable and open formats for information as it is collected or created. Where applicable, machine-readable and open formats must be used in conjunction with electronic or paper-based information collection efforts.
    c. Prioritize the use of open formats that are non-proprietary, publicly available, and that place no restrictions upon their use.
    d. Apply open licenses, such as Creative Commons Zero (CC0), to information as it is collected or created so that if data are made public there are no restrictions on copying, publishing, distributing, transmitting, and adapting.
    e. Systems must be scalable, flexible, and facilitate extraction of data in multiple formats and for a range of uses as internal and external needs change, including potential uses not accounted for in the original design (e.g. leveraging standards and industry best practices for information sharing, separation of data from the application layer to maximize data reuse opportunities.)
2. Whenever feasible, make data broadly available to the public through the Agency/state entity's open data site or portal, pursuant to the limited exceptions outlined in SAM Section 5160.2.
3. Describe information using standard metadata as the data is collected or created.
    a. Open Data shall include Project Open Data Catalog Vocabulary (DCAT) standards modified for California, see Open Data Handbook for specifications and formats.
    b. Agencies/state entities may expand upon metadata and data dictionaries based on standards, specifications, or formats developed within different communities (e.g., financial, health, geospatial, law enforcement). Groups that develop and promulgate these metadata specifications must review them for compliance with DCAT specifications and formats
    c. Metadata and data dictionaries shall be in a machine-readable format to provide users the ability to export when needed.
4. Adopt effective governance and data asset portfolio management approaches, including data management and release practices to ensure consistency.
    a. Create and maintain an Agency/state entity enterprise data inventory, see Open Data Handbook for inventory specifications and formats.
    b. The inventory shall indicate, as appropriate, if the Agency/state entity has determined that the individual datasets may be made publicly available (i.e., release is permitted by law, subject to all privacy, confidentiality, security, Agency/state entity has ownership of data, and other valid requirements) and whether they are currently available to the public.
    c. The inventory shall list any datasets that can be made publicly available at the Agency/state entity's open data site or portal in a format that enables automatic aggregation by Data.ca.gov and other services (known as "harvestable files"), to the extent practicable. See Open Data Handbook for best practices, tools, and schema to implement the public data listing and harvestable files.
    d. Public data listing should include, to the extent permitted by law and existing terms and conditions, datasets that were produced as a result of legislative mandates, state grants, contracts, and cooperative agreements (excluding any data submitted primarily for the purpose of contract monitoring and administration), and, where feasible, be accompanied by standard citation information, preferably in the form of a persistent identifier.
    e. Assign a Data Coordinator to coordinate and maintain Agency/state entity's public data. The Data Coordinator's contact information must be identified in the enterprise data inventory.
5. Prioritize the collection of data sets.
    a. Agencies/state entities shall identify and engage stakeholders as part of the intake process.
    b. Create a process to engage with customers to solicit help in identifying data sets of value to the public, in prioritizing the release of public datasets and determining the most usable and appropriate formats for release. Agencies/state entities should make public data available in multiple file formats according to their customer needs (e.g. high-volume datasets of interest to developers should be released using bulk downloads as well as Application Programming Interfaces (APIs)).
6. Ensure that privacy and confidentiality are fully protected, and that data is properly secured.
    a. Leverage an internal data governance process to determine if information collected or created can be made publicly available or is subject to restrictions (e.g. privacy, confidentiality, security, trade secret, contractual). See Open Data Handbook for additional information.
    b. If the Agency/state entity determines that information should not be made publicly available on one of these grounds, the Agency/state entity must document this determination through its internal data governance process.
    c. Consider security-related restrictions including National Institute of Standards and Technology (NIST) Federal Information Processing Standard (FIPS) Publication 199 "Standards for Security Categorization of Federal Information and Information Systems," which includes guidance and definitions for confidentiality, integrity, and availability.
    d. Collect or create only that information necessary for the proper performance and evaluation of Agency/state entity functions and which has practical utility. Limit the collection or creation of information which identifies individuals to that which is legally authorized and necessary for the proper performance of Agency/state entity functions.
    e. Limit the sharing of information that identifies individuals or contains proprietary information to that which is legally authorized and impose appropriate conditions on use where a continuing obligation to ensure the confidentiality of the information exists. Data sharing agreements must be created to exchange information across Agencies/state entities

and with research institutions in compliance with the State's information security and privacy policy and standards, see SAM Section 5300 and Statewide Information Management Manual (SIMM) Section 5305-A.

f. Ensure that information is protected commensurate with the risk and magnitude of the harm that would result from the loss, misuse, or unauthorized access to or modification of such information. Agencies/state entities shall consider the standard for information classification detailed in SIMM Section 5305-A and other publicly available information when determining whether information should be considered Personally Identifiable Information.

## OPEN DATA EXCEPTIONS - 5160.2

The Information Practices Act (IPA) of 1977 (Civil Code Section 1798, et seq.) provides measures to assure fair treatment of individuals who are the subject of state entity records, providing specific requirements for the collection, use, maintenance and dissemination of information relating to individuals. Nothing in SAM Section 5160 shall be construed to require Agencies/state entities to make data available to the public, if, on the facts of the particular case, disclosure of that data would increase the potential to harm an Agency/state entity or the public. The exceptions provided below may be applied, in specific instances, to exempt an Agency/state entity from sharing data with the public.

Any exceptions used must be approved through the Agency/state entity's internal data governance process and documented in the enterprise data inventory for the purposes of ensuring effective oversight and management of information assets.

Applicable exceptions are as follows:

1. The sharing of the data is restricted by statute, practice or legal precedent, including— but not limited to—patent or intellectual property law, the Export Asset Regulations, the International Traffic in Arms Regulation, and the Federal laws and regulations governing classified information;
2. The sharing of the data would create an identifiable risk to the detriment of national security, confidentiality of Government information, or individual privacy;
3. The sharing of the data would create an identifiable risk to the stability, security, or integrity of the Agency/state entity's systems or personnel;
4. The sharing of data would create an identifiable risk to the Agency/state entity's mission, programs, or operations.

## WORKGROUP COLLABORATION PLATFORM POLICY - 5170

The increased utilization of collaborative tools that emphasize and enable teamwork continues to improve the way government communicates and collaborates. Unified communications platforms promote capabilities that allow remote collaboration. These platforms combine features such as chat, conferencing, calendaring, notes, and attachments into a single enterprise platform enabling the rapid provisioning of shared workspaces and facilitating distribution of topic based information.

Each agency/state entity shall develop and implement internal policies and procedures to ensure proper use of Workgroup Collaboration Platforms, as defined in SAM Section 4819.2. These policies and procedures must comply with SAM Sections 4846 and 5300, which provide that all computer software purchased with state funds is procured in accordance with state law and used in compliance with licenses, contract terms and applicable copyright laws. In addition, management should ensure all staff understand and adhere to proper software management policies which address, at a minimum, the following key areas: acceptable use, public records act considerations, key roles and responsibilities, security/privacy, workspaces and records retention and management of Workgroup Collaboration Platforms. Statewide Information Management Manual (SIMM) Section 130 provides guidelines to assist agencies/state entities in developing policies and procedures for the proper use of Workgroup Collaboration Platforms.

## OPERATING SOFTWARE, UTILITIES AND PROGRAMMING AIDS - 5175.1

It is state policy that standard, unmodified, vendor-supplied-and-maintained software aids be used in lieu of developing unique programs. The objective is to minimize and control the development of specialized programs that allocate, schedule and control the CPU, memory, peripherals, communication, data storage and retrieval.

## APPLICATION PACKAGES - 5175.2

It is the state policy that all feasibility studies will address the availability, usability, maintainability and cost effectiveness of prewritten and tested application programs in lieu of developing major programs in-house. The objective is to minimize the development time and costs of major application programs when such programs are available from other sources.

## COMPLIANCE WITH UNITED STATES POSTAL SERVICE, OPTICAL CHARACTER RECOGNITION GUIDELINES - 5179

The United States Postal Service (USPS) has adopted guidelines to allow for optical character recognition of alphanumeric data contained in mailing addresses.

Government agencies are strongly encouraged to follow these guidelines as a means of ensuring more efficient and accurate mail processing; more consistent mail delivery; and more stable postal operating costs.

To the extent that it is determined to be cost-effective, agencies must follow the USPS Optical Character Recognition (OCR) guidelines in the design and operation of automated information systems that include preparation of mailing addresses.

The OCR guidelines apply to letter mail within the following dimensions;

1. Height at least 3–1/2" and no more than 6–1/8";
2. Length at least 5" and no more than 11–1/2";
3. Thickness at least 0.007" and no more than 0.25"; and,
4. Aspect ratio (length divided by height) of from 1.3 to 2.5.

The details of the guidelines are set forth in the USPS publication, "A Guide to Business Mail Preparation" (Publication 25), which is available without charge. Agencies should contact their USPS Commercial Account Representative to obtain the current edition.

## UNITED STATES POSTAL SERVICE ZIP+4 GUIDELINES - 5180

The USPS offers a reduced postage rate to organizations for first-class mailings that use the 9-digit zip code (ZIP +4) in the mailing address. Both unsorted and sorted mailings are eligible for the reduced rate.

To the extent that it is cost-effective (taking into account the potential postage discount), agencies must provide for ZIP + 4 address coding and sorting of printed addresses in ZIP + 4 order in the design and operation of automated information systems that include preparation of mailing addresses.
There are two preliminary requirements for eligibility for the ZIP + 4 discount;

1. "Machinability," which includes quality of paper stock and adherence to the USPS standards for envelope size; and,
2. Optical Character Recognition (OCR) readability, which consists of adherence to the USPS OCR mailing guidelines.

Detailed specifications for these and other ZIP + 4 requirements are available from the USPS Commercial Account Representative assigned to each agency. Additional information is also contained in Section 324 of the USPS Domestic Mail Manual.

## WEBSITE STANDARDS INTRODUCTION - 5190

Websites are an essential tool for government to interact with the public and deliver information and services to the people of California. The Website Standards policy is designed to strengthen the security, usability, accessibility and quality of State of California websites through standardization and adoption of best practices. This policy will foster a consistent look and feel and a common navigational framework across government, helping users recognize they are accessing official State of California information. This policy also encourages Agencies/state entities to design and develop websites that are accessible to people with disabilities and promotes the adoption of usability principles that adhere to California's usability standards for website development.

## WEBSITE STANDARDS - 5190.1

As part of the Website Standards Policy, Agencies/state entities must incorporate the mandatory website elements identified in this section for all public-facing websites within the CA.GOV domain. These elements include the following requirements: design, accessibility, domain, profile, usability, security, and analytics. See webstandards.ca.gov for standard and web template resources.

**Mandatory Website Elements:**

1. **Design**: Websites shall include a strong brand presence for the State of California and the Agency/state entity. The use of consistent design elements will help promote a standard look-and-feel while also improving the overall user experience.
    a. **Header** – The header provides a consistent, seamless look-and-feel to the State's web presence. Key elements of the header shall include:
        i. State Branding – The CA.GOV logo shall be placed in the top left corner of the header area inside a horizontal band that is at least 40 pixels high. The CA.GOV logo must be at least 34 pixels high and contain a hyperlink to the CA.GOV web portal. A hypertext only link is not permitted in place of the hyperlinked graphic logo image.
        ii. Agency/state entity Branding – An Agency/state entity logo must be used for identification. The logo must be clear and contain legible text. When an Agency/state entity logo is not available, the state seal should be used in its place followed by the Agency/state entity title.
        iii. Navigation – Provide a direct link to the most utilized landing pages or services within the website. Ensure link names are clear and concise and accurately represent the destination content. Ensure that the primary and secondary navigational elements are consistent and provides navigation on all webpages throughout the website.
        iv. Search – A search button or hyperlink must be present inside the main navigation or header area.
    b. **Footer** – The footer must appear at the bottom of all Agency/state entity web pages. Key elements of the footer shall include:
        i. Link to Agency/state entity's Privacy Policy specific to the published website.
        ii. Link to Agency/state entity's Conditions of Use specific to the published website.

            Contact information or link to contact information. Contact information must identify the name of the Agency/state entity that owns the website so there is no question as to which Agency/state entity the user may contact.
        iii. Online Voter Registration hyperlink to the California Secretary of State's Online Voter Registration webpage.
        iv. Link to user visible sitemap which presents a systematic hierarchical view of the website. The sitemaps shall be made available to users and search engine crawlers. A user visible sitemap, which presents a systematic hierarchical view of the website, shall be linked in the footer section. A user visible sitemap does not need to contain every page on the website if there are a large number of resources, especially application generated dynamic pages. A system or XML sitemap shall be available and placed into the root folder of the website and should include all of the available links. Sitemaps shall regularly be updated when new pages are published. It is recommended that XML sitemaps be submitted to all major search engines.
        v. Link to Website Accessibility Certification, see SAM Section 4833.2.
    c. **Content Area** – The content area in the Agency/state entity's homepage provides a space for Agencies/state entities to include program specific content using a variety of elements and layouts. Key elements of the content area shall include:
        i. Agency/state entity's essential programs or digital service offerings targeting California residents, visitors, businesses, and government entities. Digital services include the delivery of digital information (e.g., data or content) and transactional services (e.g., online forms, benefits applications) across a variety of platforms, devices, and delivery mechanisms (e.g., websites, mobile applications, and social media).
        ii. Link to current Governor's website.

2. **Accessibility:** Per SAM Section 4833, all Agencies/entities are responsible for ensuring their public websites are accessible to people with disabilities. Key elements of web accessibility shall include:
    a. **IT Accessibility Guidelines** - All Agency/State entity websites must comply with web accessibility guidelines defined in SIMM Section 25 IT Accessibility Resource Guide.
    b. **Accessibility Page** – All Agency/state entity websites must include information regarding accessibility features and resources pertinent to the Agency/state entity website. See webstandards.ca.gov for sample information.
3. **CA.GOV Domain**: Per SAM Section 5195, web domains occupying the CA.GOV domain zone must comply with domain name requirements, see SIMM Section 40A for additional information on naming conventions and protocols. Key elements of domain name policy compliance shall include:
    a. **Domain Name Certification** - All entities that use the CA.GOV web domain are required to annually certify compliance with state and federal policy and guidelines and confirm that domain contact information is current through the CDT Domain Name Request System.
    b. **Agency/state Entity Profile** - All Agencies/state entities that use the CA.GOV domain are required to annually verify the accuracy of their Agency/state entity profile through the CDT State Entity Profile Application. See WebStandards.ca.gov for additional information**.**
4. **Usability**: All public facing websites and digital services should be designed around user needs with data-driven analysis influencing management and development decisions. Agencies/state entities should use qualitative and quantitative data to determine user goals, needs, and behaviors, and continually test websites and digital services to ensure that user needs are addressed. Key elements of usability and user feedback shall include:
    a. **Responsive Design** - Ensure public websites and digital services are readily available to users on various devices and platforms. Websites must leverage responsive and adaptive capabilities that allow users of mobile devices, of varying sizes, equivalent access to government information and services available to desktop devices.
    b. **User Feedback** – Leverage user feedback and analytics to prioritize the modernization and optimization of legacy websites and digital services that are most frequently accessed by users**.**
    c. **Usability Principles** - Leverage State web usability principles and standards featured at WebStandards.ca.gov and Federal principles featured at usability.gov.
5. **Security**: Agencies/state entities must protect user privacy, data integrity and sensitive information. Key elements of website security shall include:
6. **Transport Layer Security** - Websites shall, at minimum, use Transport Layer Security (TLS) certificates (formerly referred to as Secure Socket Layer (SSL) certificates) that adhere to a minimum Secure Hash Algorithm (SHA) 2 and 2048-bit key encryption. At minimum the full Agency/state entity name shall be provided as the "unit" for TLS certificate purposes. The contact person(s) named in a TLS certificate must be consistent with the contact(s) registered for the domain. Agency/state entities shall verify contacts are consistent as part of the annual Domain Name Certification process, see SAM Section 5195.
    a. **Extended Validation** - Websites that process, store or transmit financial transactions and/or Personal Information, as defined by Civil Code Section 1798.3, shall use an Extended Validation (EV) TLS certificate.
7. **Analytics**: Agencies/state entities must participate in statewide analytics by deploying the statewide analytics tracking code on all public-facing websites. Participation in statewide analytics does not preclude Agency/state entities from using other analytics programs. The statewide analytics tracking code is available at WebStandards.ca.gov.

**Optional Website Elements:**

Agencies/state entities are encouraged, but not required, to include the following elements in the content area of their websites:

1. Governor's picture/graphical banner near the top of the content area.
2. Agency Secretary and/or State Entity Director's picture/banner (or equivalent).
3. Essential Services highlighting key information of importance to the Agency/state entity.
4. Tribal Liaison contact information on the contact page.
5. Small Business & Disabled Veteran Business Enterprise (DVBE) Advocate Information on the contact page if applicable.

## CALIFORNIA STATE WEBSITE TEMPLATE - 5190.2

Agencies/state entities are strongly encouraged to use the latest version of the standard CA.GOV website template to achieve many of the requirements identified in SAM Section 5190.1. The standard template is designed to promote a responsive and standard look and feel to ensure a uniform user experience. The template includes many usability, security and accessibility requirements and is updated regularly to meet evolving industry standards and best practices. Agencies/state entities that utilize the standard CA.GOV website template shall ensure that the latest version of the template is implemented within one year from the date of the latest template release.
The standard CA.GOV website template and instructions related to this policy can be found at WebStandards.ca.gov. This online resource is a toolkit that provides standards, code, functionality, implementation guidelines and best practices for Agencies/state entities to implement the Website Standards policy.

## INTERNET DOMAIN NAME POLICY - 5195

The State of California has been authorized to administer the "ca.gov" Domain Name Service (DNS) Zone by the United States General Services Administration (GSA). As of April 2021, the United States Cybersecurity and Infrastructure Security Agency (CISA) has taken over responsibility of .gov internet domain name management from GSA. Web domains occupying this zone

can only be acquired by an official state entity, county, city, state-recognized tribal government, Joint Powers Authority, or independent local district within the State of California. The Government Operations Agency (GovOps) has statewide responsibility to oversee the ca.gov domain name program and the California Department of Technology manages the registration, change, and renewal process for ca.gov domains. This policy applies to all second-level and third-level domain names within the ca.gov domain.

### INTERNET DOMAIN NAME REQUIREMENTS - 5195.1

California Department of Technology (CDT) approval is required for any state entity, city, county, and government group that requests to use the ca.gov web domain. Web domains occupying the ca.gov domain zone must comply with all of the following requirements. See SIMM Section 40A for additional information on naming conventions and protocols.

- Domain names must be owned by a California state entity, county, city, state-recognized tribal government, Joint Powers Authority, or independent local district within the State of California.
- Domain names must match the organization's official name.
- Domain names must be consistent with federal policy and guidelines including, but not limited to, 41 Code of Federal Regulations, Part 102-173, the United States Cybersecurity and Infrastructure Security Agency's DotGov Registrar domain policy, and the Federal Interagency Committee on Government Information's Recommendations for Federal Public Websites.
- All websites in the "ca.gov" DNS Zone must contain a direct link. to https://www.ca.gov/ and must provide both general information and details on digital services to be used on https://www.ca.gov/.
- In case of an official organization name change, the previous domain name must be relinquished when requesting a new domain to correspond with the new organization name.
- Domain names must explicitly and unambiguously identify the origin of service.
- Domain names must not be likely to mislead or confuse the general public.
- Each entity shall have only one ca.gov domain (except for approved legacy domain names). If an entity already has one or more domain names, additional domains will not be granted for that entity.
- If multiple entities are involved, identify the lead entity and use a subdirectory or sub-domain within the domain that the lead entity already has, instead of requesting a new domain. Collaborations and interagency agreements exist across all state entities, they do not necessitate or entitle a separate domain.
- Ca.gov must be the primary domain name even if an agency/state entity also operates non-ca.gov domains such as .com, .org, etc., ca.gov. The non-ca.gov domain(s) can redirect to the ca.gov site.
- Domain names for state agencies cannot consist solely of generic terms.
- Existing domain names that do not comply with current policies may not be used as precedent for requesting new non-compliant domains.
- Domain names must not be used for commercial purposes, such as advertising benefiting private individuals or entities.
- Domain names must not be used for political campaign purposes.
- Domain names must not be used to distribute or promote materials whose distribution violates applicable law.
- Domain names must not be used for malicious cyber activity, such as activity that affects the integrity, security, and overall trustworthiness of the ca.gov domain.

In the case of a domain name conflict, CDT will allocate domain name to the most appropriate party, at CDT and/or California Government Operations Agency's (GovOps) discretion. It is not on "first come, first served" basis.

### INTERNET DOMAIN NAME ANNUAL CERTIFICATION - 5195.2

All entities that use the ca.gov web domain are required to annually certify compliance with federal policy and guidelines and confirm that domain contact information is current. Any entity that fails to complete this annual certification requirement risks having their ca.gov domain name removed. See SIMM Section 40A for additional information and instructions regarding the annual certification process.

## Chapter - 5200

Sections for Chapter 5200

| Section | Subchapter |
|---|---|
| INTRODUCTION | 5200 |
| RESPONSIBILITIES AND AUTHORITY | 5200.5 |
| GENERAL PROCUREMENT PROCEDURES: PROCUREMENT OF GOODS AND SERVICES ACQUISITIONS AUTHORITY FOR IT GOODS AND SERVICES RELATED TO IT PROJECTS | 5210 |
| DEPARTMENT OF TECHNOLOGY REVIEW OF PROCUREMENT DOCUMENTS | 5211 |
| UNIFORM STANDARDS | 5230 |
| ACQUISITION PLANNING | 5230.1 |
| ACQUISITION PHASE | 5230.2 |
| POST-AWARD ACTIVITY | 5230.3 |
| PRINCIPLES FOR IT PROCUREMENT | 5230.4 |
| PUBLIC POLICY CONSIDERATION | 5230.5 |
| EXEMPTION | 5230.6 |
| LEVERAGED PROCUREMENT AGREEMENTS | 5291 |

## INTRODUCTION - 5200

This chapter provides policy direction applicable to information technology (IT) procurements pursuant to Public Contract Code section 12100 et seq. IT as defined in SAM Sections 4819 through 4819.42 includes telecommunications goods and services

## RESPONSIBILITIES AND AUTHORITY - 5200.5

The Department of Finance (Finance) is responsible for review and approval of funding related to IT project proposals.
Pursuant to Public Contract Code (PCC) 12100(g), the Department of General Services (DGS) has statutory authority in the determination of IT procurement procedures for the purchase of IT goods and services that are;

1. Not related to IT projects
2. Related to delegated IT projects
3. Related to non-delegated IT projects that the California Department of Technology (Department of Technology) has authorized to be conducted by Agencies/state entities under acquisition authority granted by DGS.

These procedures apply to acquisitions conducted by DGS' Procurement Division (PD) and by Agencies/state entities under acquisition authority granted by DGS.
Pursuant to Public Contract Code section 12104(a), the DGS/PD has published procurement procedures in the State Contracting Manual (SCM). The DGS/PD, Office of Policies, Procedures and Legislation (OPPL), is the entity responsible for the maintenance of the SCM.
Pursuant to Public Contract Code (PCC) 12102.2(e), the DGS has statutory authority, in consultation with the Department of Technology, to delegate IT purchasing authority to those Agencies/state entities demonstrating the capability to make purchases that adhere to state statutes, regulations, policies, and DGS procedures. Procedures for granting purchasing authority to Agencies/state entities are described in the SCM. The DGS will consult with the Department of Technology when granting purchasing authority to a new Agency/state entity and when granting a general increase to IT purchasing authority (i.e. when a state agency moves from one Tier to another Tier). DGS may consult with the Department of Technology for transaction-based requests to increase purchasing authority (i.e. one-time increases in purchasing authority for specific acquisitions).
Pursuant to Public Contract Code (PCC) 12100(c), the Department of Technology has statutory authority in the determination of IT procurement policy for all IT acquisitions.
Pursuant to Public Contract Code (PCC) 12100(d), the Department of Technology has statutory authority in the determination of IT procurement procedures for the purchase of IT goods and services related to IT projects when the acquisitions are conducted by the Department of Technology. The Office Statewide of Project Delivery was established within the Department of Technology to provide oversight, guidance, and direction to Agencies/state entities in all aspects of non-delegated IT project procurements, including maintenance and operation procurements associated with new or previously approved non-delegated IT Projects. Agencies/state entities must obtain required approval as appropriate before an IT procurement cycle commences.

## GENERAL PROCUREMENT PROCEDURES: PROCUREMENT OF GOODS AND SERVICES ACQUISITIONS AUTHORITY FOR IT GOODS AND SERVICES RELATED TO IT PROJECTS - 5210

Pursuant to Public Contract Code (PCC) 12100(b), all contracts for the acquisition of Information Technology (IT) goods and services related to IT projects, as defined in SAM Section 4819.2, shall be made by or under the supervision of the Department of Technology. The Department of Technology will conduct acquisitions on behalf of Agencies/state entities that are related to non-delegated IT projects, unless the Department of Technology authorizes an Agency/state entity to conduct the acquisition under purchasing authority granted by the Department of General Services (DGS).

Pursuant to Public Contract Code (PCC) 12102.2(e)(1), Agencies/state entities shall not conduct an acquisition for IT goods and services related to an IT project under acquisition authority (aka "purchasing authority) granted by DGS unless the Department of Technology has either;

1. Delegated project authority to the Agency/state entity; or
2. Authorized the Agency/state entity to conduct the acquisition.

The Department of Technology may authorize Agencies/state entities to conduct acquisitions related to non-delegated IT projects under the purchasing authority granted by DGS. Written authorization provided by the Department of Technology must be maintained in the Agency/state entity's procurement file. Agencies/state entities must adhere to DGS procurement procedures in the State Contracting Manual (SCM) when conducting acquisitions.

The Department of Technology will consult with DGS prior to delegating IT projects with procurements over the Agency/state entity's DGS Delegated Purchasing Authority.

Pursuant to Public Contract Code (PCC) 12100(g)(2), the DGS Procurement Division (PD) will conduct acquisitions on behalf of Agencies/state entities in accordance with SCM procurement procedures for acquisitions related to delegated IT projects when the acquisition dollar value exceeds purchasing authority granted by DGS (as referenced in each Agency/state entity's purchasing Authority Approval Letter).

## DEPARTMENT OF TECHNOLOGY REVIEW OF PROCUREMENT DOCUMENTS - 5211

The California Department of Technology (Department of Technology) Information Technology Project Oversight Division (ITPOD) may decide to review specifications in procurement documents before they are advertised to ensure that the specifications are consistent with the requirements and specifications identified in the Project Approval Lifecycle Stage/Gate deliverables (see SIMM Section 19) or Special Project Reports (SPR) for the projects. The Department of Technology's decision to review procurement documents will be based on whether it believes a project requires special oversight during the procurement process. Procurement documents that the Department of Technology determines are subject to its oversight under this section may not be released until the Department of Technology has approved their release.

## UNIFORM STANDARDS - 5230

Uniform standards are applicable to acquisitions of IT goods and/or services pursuant to Public Contract Code section 12100 et seq., regardless of dollar amount, type of IT goods/services, and acquisition approach. The following standards shall apply

throughout the IT procurement process:

- Acquisitions shall be conducted in a manner consistent with applicable laws, regulations, policies, and procedures.
- Acquisitions shall be conducted to advance the public policy purpose of the State program that the technology will serve.
- Acquisitions shall be conducted in a professional manner that promotes direct, straightforward, and cooperative communication with the supplier community.
- Contracting opportunities shall be enhanced, whenever possible, for eligible certified small businesses and Disabled Veteran Business Enterprises (DVBEs).
- Acquisitions and projects shall comply with Americans with Disabilities Act (ADA) requirements.
- New systems should be conceived in terms of a solution.
- Regardless of the acquisition approach, the procurement process shall consist of three stages:
  - Acquisition Planning
  - Acquisition Phase
  - Post-award Activity

## ACQUISITION PLANNING - 5230.1

Elements of the Acquisition Planning stage include:

- Defining the program need
- Assessing operational needs
- Selecting the acquisition method
- IT General Provisions (GSPD 401-IT) and Cloud Computing Special Provisions (as applicable)
- Obtaining approvals

1. Defining the Program Need

For all IT acquisitions, these steps shall be followed:

- Define the business need that solutions are to address.
- Determine whether the acquisition is justified.
- Verify that the goods and/or services to be acquired are IT.

Additional issues and requirements for defining the need are discussed in Chapter 1 of SCM Volume 3.

In planning a new IT system procurement the focus should be towards a “solution” approach so that the State may consider and select from a potential array of IT goods and/or services to meet the public policy and business needs of a State program, rather than specifying a particular product design.

2. Assessing Operational Needs

In assessing operational needs, these steps shall be followed:

- Consider fiscal and budgetary issues.
- Assess the timeframe in which the acquisition must be completed and determine the schedule for delivery and/or implementation.
- Assess the impact on physical facilities.
- Consider the risks associated with the procurement and the goods and/or services to be acquired.
- Consider risk protection strategies that will both protect the State and encourage competition.
- Determine whether there are available sources of the goods and/or services to be acquired (including existing State sources and contracts), and whether there is competition in the marketplace.

Additional issues and requirements for defining the need are discussed in Chapter 1 of SCM Volume 3.

3. Selecting the Acquisition Method: See SCM Volume 3 2.B3.0

4. IT General Provisions (GSPD 401-IT)

The State’s IT General Provisions (GSPD-401IT, as applicable) shall be used or incorporated by reference in all competitive solicitations and purchase documents for IT goods and services (written or verbal) valued in excess of $4,999.99 (See SCM Volume 3 Section 4.B8.1). Under certain circumstances, the IT General Provisions associated with Reportable Projects (non-delegated), may be modified to meet project specific needs. These modifications are in addition to the supplemental language that may be added to the Statement of Work modifying certain sections of the IT General Provisions. All such modifications are to be approved by the California Department of Technology Statewide Technology Procurement Division (STPD) and Legal Services Division, before the contract may be considered valid and final.

5. Obtaining Approvals

For many IT acquisitions, it is necessary to obtain approvals before starting the procurement process. These approvals shall be obtained, as applicable, before releasing solicitation or purchase documents:

- Verify the authority to initiate the acquisition and to sign the resulting purchase document.
- Obtain and/or verify necessary approvals or delegated authority from the following Control Agencies: Department of Finance (Finance), California Department of Technology and/or Department of General Services (DGS).
- If the acquisition involves telecommunications goods and/or services, verify necessary authority or approvals from the Office of Technology Services (OTech), Statewide Telecommunications and Network Division (STND).
- If the acquisition is being conducted via the NCB process or requires Control Agency approval, verify there is an approved NCB request and/or Project Approval Lifecycle Stage 3 Solution Development deliverable prior to releasing solicitation or purchase documents.

- If the acquisition is being conducted using a procurement method, verify there is an approved procurement request and/or Project Approval Lifecycle Stage 3 Solution Development deliverable prior to release of the solicitation.

Further details on required approvals are contained in SCM Volume 3 and SIMM 19C.

## ACQUISITION PHASE - 5230.2

The Acquisition Phase is when the acquisition is conducted. Acquisitions shall be conducted in a manner that complies with State policies and meets the State's needs. In conducting acquisitions, the State shall follow these requirements:

- Acquisition documents shall clearly set forth the rules and authority governing the acquisition.
- Competitive solicitation documents shall clearly set forth the:
  - Business and technical requirements
  - Evaluation methodology to be used
  - Applicable protest procedures
  - Contract award procedures
- If the acquisition is for a personal services contract pursuant to Government Code §19130(a), the acquiring department must notify the State Personnel Board pursuant to Government Code §19131 prior to contract execution.
- Protests shall be handled in a manner consistent with law, regulation and policy. Requirements for protests are in Chapter 7 of SCM Volume 3.

Various chapters of SCM Volume 3 spell out requirements and procedures for specific acquisition approaches and methods. See SIMM 19C for additional requirements and procedures for reportable IT projects.

### POST-AWARD ACTIVITY - 5230.3

Post-award Activity includes elements such as contract management, project management, and reporting. Effective contract and project management ensures that the State and its contractors honor their agreements and collaborate with one another in good faith. Following the award of the contract, the acquiring department shall:

- Adhere to the provisions of the contract and comply with statutory requirements, policies and procedures.
- Enforce contractual requirements.
- Follow plans for project management and risk management, if applicable.
- Manage implementation of the goods and/or services in accordance with the level of project oversight directed by the California Department of Technology.
- Fulfill all reporting requirements.
- Prepare and submit all post evaluations for IT services contracts totaling $500,000 or more associated with IT projects in accordance with the governing statutory requirements, policy and procedures.

SCM Volume 3 Additional Post-award Activity information is available in the State Contracting Manual Volume 3.

### PRINCIPLES FOR IT PROCUREMENT - 5230.4

The general principles for IT procurement are as follows:

- The State obtains IT goods and/or services that meet its needs and advance its policy goals, in a timely fashion, within budget, and with the least possible administrative burden.
- Procurements are conducted with integrity and in a manner consistent with the State's requirements and policies, including its commitment to small businesses and Disabled Veteran Business Enterprises (DVBEs).
- The State harnesses its expertise and purchasing power to obtain the best values available in the marketplace.
- The State communicates clearly and consistently from procurement to procurement with interested parties so that they understand its goals.
- The benefits of competition, which include obtaining a broad array of solutions to program and policy challenges, are maximized.
- The State is appropriately protected from risk.

### PUBLIC POLICY CONSIDERATION - 5230.5

Consideration shall be given to each of the following priorities to advance public policy for IT procurements:

- Business need
- Business requirements (mandatory or desirable)
- Functionality
- IT environment

### EXEMPTION - 5230.6

Procurements necessary to meet the requirements of the Hawkins Data Center in the Department of Justice are exempt from the requirements of Section 5230 Uniform Standards.

### LEVERAGED PROCUREMENT AGREEMENTS - 5291

There are instances when many State departments require goods or services to perform essentially the same functions. Individual procurements would require duplicative effort and extend lead times.
(LPAs) combine State departments' requirements for the same items or similar items thus providing standardization and leveraging the State's buying power. LPAs also enable streamlined purchases by removing repetitive, resource intensive, costly and time consuming solicitation processes by departments.
Types of LPAs include Master Agreements, IT Master Agreement (ITMSA), Statewide Contracts, State Price Schedules, Software Licensing Programs (SLP), the California Multiple Award Schedules (CMAS), and Cooperative Agreements. Unless identified as a mandatory contract, the use of LPAs is optional. State departments must have approved purchasing authority for the applicable LPA category in order to place orders against an agreement in that category.

## Chapter - 5300

Sections for Chapter 5300

| Section | Subchapter |
|---|---|
| INTRODUCTION | 5300 |

| | |
|---|---|
| ARRANGEMENT OF CHAPTER | 5300.1 |
| GOVERNING PROVISIONS | 5300.2 |
| APPLICABILITY | 5300.3 |
| DEFINITIONS | 5300.4 |
| MINIMUM SECURITY CONTROLS | 5300.5 |
| INFORMATION SECURITY PROGRAM | 5305 |
| INFORMATION SECURITY PROGRAM MANAGEMENT | 5305.1 |
| POLICY, PROCEDURE AND STANDARDS MANAGEMENT | 5305.2 |
| INFORMATION SECURITY ROLES AND RESPONSIBILITIES | 5305.3 |
| PERSONNEL MANAGEMENT | 5305.4 |
| INFORMATION ASSET MANAGEMENT | 5305.5 |
| RISK MANAGEMENT | 5305.6 |
| RISK ASSESSMENT | 5305.7 |
| PROVISIONS FOR AGREEMENTS WITH STATE AND NON-STATE ENTITIES | 5305.8 |
| INFORMATION SECURITY PROGRAM METRICS | 5305.9 |
| PRIVACY | 5310 |
| STATE ENTITY PRIVACY STATEMENT AND NOTICE ON COLLECTION | 5310.1 |
| LIMITING COLLECTION | 5310.2 |
| LIMITING USE AND DISCLOSURE | 5310.3 |
| INDIVIDUAL ACCESS TO PERSONAL INFORMATION | 5310.4 |
| INFORMATION INTEGRITY | 5310.5 |
| DATA RETENTION AND DESTRUCTION | 5310.6 |
| SECURITY SAFEGUARDS | 5310.7 |
| PRIVACY THRESHOLD AND PRIVACY IMPACT ASSESSMENTS | 5310.8 |
| INFORMATION SECURITY INTEGRATION | 5315 |
| SYSTEM AND SERVICES ACQUISITION | 5315.1 |
| SYSTEM DEVELOPMENT LIFECYCLE (SDLC) | 5315.2 |
| INFORMATION ASSET DOCUMENTATION | 5315.3 |
| SYSTEM DEVELOPER SECURITY TESTING | 5315.4 |
| CONFIGURATION MANAGEMENT | 5315.5 |
| ACTIVATE ONLY ESSENTIAL FUNCTIONALITY | 5315.6 |
| SOFTWARE USAGE RESTRICTIONS | 5315.7 |
| INFORMATION ASSET CONNECTIONS | 5315.8 |
| SECURITY AUTHORIZATION | 5315.9 |
| TRAINING AND AWARENESS FOR INFORMATION SECURITY AND PRIVACY | 5320 |
| SECURITY AND PRIVACY AWARENESS | 5320.1 |
| SECURITY AND PRIVACY TRAINING | 5320.2 |
| SECURITY AND PRIVACY TRAINING RECORDS | 5320.3 |
| PERSONNEL SECURITY | 5320.4 |
| BUSINESS CONTINUITY WITH TECHNOLOGY RECOVERY | 5325 |

| | |
|---|---|
| TECHNOLOGY RECOVERY PLAN | 5325.1 |
| TECHNOLOGY RECOVERY TRAINING | 5325.2 |
| TECHNOLOGY RECOVERY TESTING | 5325.3 |
| ALTERNATE STORAGE AND PROCESSING SITE | 5325.4 |
| TELECOMMUNICATIONS SERVICES | 5325.5 |
| INFORMATION SYSTEM BACKUPS | 5325.6 |
| INFORMATION SECURITY COMPLIANCE | 5330 |
| SECURITY ASSESSMENTS | 5330.1 |
| COMPLIANCE REPORTING | 5330.2 |
| INFORMATION SECURITY MONITORING | 5335 |
| CONTINUOUS MONITORING | 5335.1 |
| AUDITABLE EVENTS | 5335.2 |
| INFORMATION SECURITY INCIDENT MANAGEMENT | 5340 |
| INCIDENT RESPONSE TRAINING | 5340.1 |
| INCIDENT RESPONSE TESTING | 5340.2 |
| INCIDENT HANDLING | 5340.3 |
| INCIDENT REPORTING | 5340.4 |
| VULNERABILITY AND THREAT MANAGEMENT | 5345 |
| OPERATIONAL SECURITY | 5350 |
| ENCRYPTION | 5350.1 |
| ENDPOINT DEFENSE | 5355 |
| MALICIOUS CODE PROTECTION | 5355.1 |
| SECURITY ALERTS, ADVISORIES, AND DIRECTIVES | 5355.2 |
| IDENTITY AND ACCESS MANAGEMENT | 5360 |
| REMOTE ACCESS | 5360.1 |
| WIRELESS ACCESS | 5360.2 |
| PHYSICAL SECURITY | 5365 |
| ACCESS CONTROL FOR OUTPUT DEVICES | 5365.1 |
| MEDIA PROTECTION | 5365.2 |
| MEDIA DISPOSAL | 5365.3 |


## INTRODUCTION - 5300

Information security refers to the protection of information, information systems, equipment, software, and people from a wide spectrum of threats and risks. Implementing appropriate security measures and controls to provide for the confidentiality, integrity, and availability of information, regardless of its form (electronic, optical, oral, print, or other media), is critical to ensure business continuity, and protect information assets against unauthorized access, use, disclosure, disruption, modification, or destruction. Information security is also the means by which privacy of personal information held by state entities is protected.

The state's information assets, including its data processing capabilities, information technology infrastructure and data are an essential public resource. For many state entities, program operations would effectively cease in the absence of key computer systems. In some cases, public health and safety would be immediately jeopardized by the failure or disruption of a system. The non-availability of state information systems and resources can also have a detrimental impact on the state economy and the citizens who rely on state programs. Furthermore, the unauthorized acquisition, access, modification, deletion, or disclosure of information included in state entity files and databases can compromise the integrity of state programs, violate individual right to privacy, and constitute a criminal act.

## ARRANGEMENT OF CHAPTER - 5300.1

This Chapter and its corresponding sections are organized as follows:

**Introduction**: A brief description introducing the section, when necessary.

**Policy**: A clear and unambiguous “Policy” statement which directs state entities at a high level as to required actions and outcomes.
**Governing Provisions**: Identifies any additional overarching laws, regulations or policies governing or related to the specific policy requirement.
**Implementation Controls**: Refers to the standards, instructions, procedures, and forms directing state entities in the “how” to comply with policy set forth in this Chapter.

## GOVERNING PROVISIONS - 5300.2

**Policy:** As set forth in Government Code section 11549.3, state entities shall comply with the information security and privacy policies, standards and procedures issued by the California Information Security Office (CISO). In addition to compliance with the information security and privacy policies, standards, procedures, and filing requirements issued by the CISO, state entities shall ensure compliance with all security and privacy laws, regulations, rules, and standards specific to and governing the administration of their programs. Program administrators shall work with their general counsel, Information Security Officer (ISO), and Privacy Program Officer/Coordinator to identify all security and privacy requirements applicable to their programs and ensure implementation of the requisite controls.

**Governing Provisions:** Government Code section 11549.3 provides the CISO with the responsibility and authority to create, issue, and maintain policies, standards, and procedures; direct each state entity to effectively manage risk; advise and consult with each state entity on security issues; and ensure each state entity is in compliance with the requirements specified in the State Administrative Manual (SAM) Chapter 5300.

Government Code section 11549.3 also provides the CISO with the responsibility to coordinate the activities of state entity ISOs for purposes of integrating statewide security initiatives and ensuring compliance with information security and privacy policies and standards. The CISO is also provided with the authority to conduct, or require to be conducted, independent security assessments or audits of any entity. The cost of such assessments or audits shall be funded by the state entity being assessed or audited.

Many information security and privacy requirements are program specific; thus, the legal and regulatory requirements may vary from one program to another. For example, the laws governing security and privacy for health care programs differ from the laws governing energy programs. The following overarching laws, which affect the categorization, classification, protection, and dissemination of information, are applicable to most state entities:

1. Article 1, Section 1, of the Constitution of the State of California defines pursuing and obtaining privacy as an inalienable right.
2. The Information Practices Act of 1977 (Civil Code section 1798, et seq.) places specific requirements on each state entity in the collection, use, maintenance, and dissemination of information relating to individuals.
3. The California Public Records Act (Government Code sections 7920.000-7931.000) provides for the inspection of public records and authorizes specific exemptions for not disclosing certain records or portions of certain records.
4. The State Records Management Act (Government Code sections 14740-14770) provides for the application of management methods to the creation, utilization, maintenance, retention, preservation, and disposal of state records, including determination of records essential to the continuation of state government in the event of a major disaster. (SAM sections 1601 through 1699 contain administrative regulations in support of the Records Management Act.)
5. The Comprehensive Computer Data Access and Fraud Act (Penal Code section 502) affords protection to individuals, businesses, and governmental entities from tampering, interference, damage, and unauthorized access to computer data and computer systems. It allows for civil action against any person convicted of violating the criminal provisions for compensatory damages.

## APPLICABILITY - 5300.3

**Policy:** SAM Chapter 5300 shall apply to the following:

1. All state entities unless otherwise specifically exempted by law or state policy.
2. All categories of automated and paper information, including, but not limited to, records, files, and databases.
3. Information technology facilities, software, and equipment, including personal computer systems owned or leased by state entities.

For the purposes of this Chapter, the term “state entity” shall denote a State of California agency, department, office, board, bureau, or other distinct governmental organization in the executive branch. Where a requirement, obligation, or responsibility is assigned to a state entity, the state entity head shall accept or delegate that requirement to an individual or individuals fully qualified to effectively ensure compliance with the requirement, and ensure the obligation and responsibility is met. Ultimately, the state entity head shall be responsible for policy compliance.

## DEFINITIONS - 5300.4

**Policy:** Each state entity shall use the information security and privacy definitions issued by the CISO in implementing information security and privacy policy in their daily operations. The definitions are located on the CISO website at Security Technical Definitions

## MINIMUM SECURITY CONTROLS - 5300.5

**Policy:** California has adopted the National Institute of Standards and Technology (NIST) Special Publication (SP) 800-53 as minimum information security control requirements to support implementation and compliance with the Federal Information Processing Standards (FIPS). Each state entity shall use the FIPS and NIST SP 800-53 in the planning, development, implementation, and maintenance of their information security programs. Adoption of these standards will facilitate a more consistent, comparable, and repeatable approach for securing state assets; and, create a foundation from which standardized assessment methods and procedures may be used to measure security program effectiveness.
The CISO has also adopted additional standards and procedures to address more specific requirements or needs unique to California. These additional standards are referenced in the applicable policy section and maintained in the Statewide

Information Management Manual (SIMM). Entities shall ensure their security control selections and tailoring, at a minimum, comply with the State-defined Security Parameters for NIST SP 800-53 (SIMM 5300-A) and the prioritization of their information security program development and implementation align with the Foundational Framework for Information Security (SIMM 5300-B).

**Governing Provisions:** SAM Section 5100 requires state entities to use the American National Standards Institute (ANSI) and the FIPS standards in their information management planning and operations.
**Implementation Controls:** ANSI; FIPS; NIST SP 800-53; SIMM 5300-A and SIMM 5300-B

## INFORMATION SECURITY PROGRAM - 5305

**Policy:** Each state entity is responsible for establishing an information security program. The program shall include planning, oversight, and coordination of its information security program activities to effectively manage risk, provide for the protection of information assets, and prevent illegal activity, fraud, waste, and abuse in the use of information assets.
Each state entity shall:

1. Align the information security program, its activities, and staff with the requirements of this Chapter;
2. Establish a governance body to direct the development of state entity specific information security plans, policies, standards, and other authoritative documents;
3. Oversee the creation, maintenance, and enforcement of established information security policies, standards, procedures, and guidelines;
4. Ensure the state entity's security policies and procedures are fully documented and state entity staff is aware of, has agreed to comply with, and understands the consequences of failure to comply with policies and procedures;
5. Identify and integrate or align information security goals and objectives to the state entity's strategic and tactical plans;
6. Develop and track information security and privacy risk key performance indicators;
7. Develop and disseminate security and privacy metrics and risk information to state entity executives and other managers for decision making purposes; and
8. Coordinate state entity security efforts with local government entities and other branches of government as applicable.

**Implementation Controls:** NIST SP 800-53: Planning (PL); Program Management (PM)

## INFORMATION SECURITY PROGRAM MANAGEMENT - 5305.1

**Policy:** Each state entity must provide for the proper use and protection of its information assets. Accordingly each state entity shall:

1. Develop, implement, and maintain a state entity-wide Information Security Program Plan.
2. Ensure the plan documentation provides the following:
    a. an overview of the requirements for the state entity's information security program;
    b. a description of the state entity's strategy and prioritization approach to information security, privacy, and risk management;
    c. a plan for integrating information security resource needs into the state entity's capital planning and funding request processes; and
    d. a plan of action and milestones (POAM) process for addressing program deficiencies. State entities shall use the standardized POAM reporting instructions and tool (SIMM 5305-B and SIMM 5305-C, respectively).
3. Ensure the plan is approved and disseminated by the state entity head responsible and accountable for risks incurred to the state entity's mission, functions, assets, image and reputation.
4. Identify roles and responsibilities, and assign management responsibilities for information security program management consistent with the roles and responsibilities described in the Information Security Program Management Standard (SIMM 5305-A).

    **Implementation Controls:** NIST SP 800-53: Planning (PL); Program Management (PM); Information Security Program Management Standard (SIMM 5305-A); Plan of Action and Milestones (SIMM 5305-B and SIMM 5305-C)

## POLICY, PROCEDURE AND STANDARDS MANAGEMENT - 5305.2

**Policy:** Each state entity must provide for the protection of its information assets by establishing appropriate administrative, operational and technical policies, standards, and procedures to ensure its operations conform with business requirements, laws, and administrative policies, and personnel maintain a standard of due care to prevent misuse, loss, disruption or compromise of state entity information assets. Each state entity shall adopt, maintain and enforce internal administrative, operational and technical policies, standards and procedures in accordance with SIMM 5305-A to support information security program plan goals and objectives.
**Implementation Controls:** NIST SP 800-53: Planning (PL); Program Management (PM); SIMM 5305-A

## INFORMATION SECURITY ROLES AND RESPONSIBILITIES - 5305.3

**Policy:** Information security is a shared responsibility. All personnel have a role and responsibility in the proper use and protection of state information assets. Each state entity shall ensure information security program roles and responsibilities identified in SIMM 5305-A are acknowledged and understood by all state entity personnel.
**Implementation Controls:** NIST SP 800-53: Planning (PL); Program Management (PM); SIMM 5305-A

## PERSONNEL MANAGEMENT - 5305.4

**Policy:** Each state entity must identify security and privacy roles and responsibilities for all personnel. This will ensure personnel are informed of their roles and responsibilities for using state entity information assets, to reduce the risk of inappropriate use, and a documented process to remove access when changes occur. Personnel practices related to security management must include:

1. Employment history, fingerprinting, and/or criminal background checks on personnel who work with or have access to confidential, personal, or sensitive information or critical applications may be necessary for a particular state entity. Each state entity should consult the California Human Resources Department and the Department of Justice for specific rules and regulations relative to employment history, fingerprinting, or criminal background checks.
2. Initial training of state entity personnel with respect to individual, state entity, and statewide security and privacy responsibilities and policies before being granted access to information assets, and annually thereafter.
3. Signing of acknowledgments of security and privacy responsibility by all personnel.
4. Transfer procedures that ensure access rights and permissions to state entity information assets are reviewed for appropriateness and reauthorized by program management when personnel is transferred within the state entity, so that access to information assets is limited to that which is needed by personnel in the performance of their job-related duties.
5. Termination procedures that ensure state entity information assets are not accessible to separated personnel.

## INFORMATION ASSET MANAGEMENT - 5305.5

**Introduction:** Information Asset Management (IAM) is a collection of knowledge or data that is organized, managed, and valuable. It involves safeguarding sensitive data ensuring that information is readily available to support decision-making, innovation, and operational efficiency.

**Policy:** Each Agency/state entity must understand the value of its information assets and the level of protection those assets require. To this end, each Agency/state entity shall establish and maintain an inventory of all its information assets, including information systems, information system components, and information repositories (both electronic and paper). The inventory shall list all programs and information systems identified as collecting, using, maintaining, or sharing Agency/state entity information. The inventory must include categorization and classification of the information assets by program management and based on the Information Security Program Management Standard (SIMM 5305-A), California Public Records Act (Government Code sections 7920.000-7931.000), Information Practices Act of 1977 (Civil Code Section 1798, et seq.), FIPS Publication 199, and laws governing administration of the Agency/state entity's programs.

The categorization and classification of information assets shall be to determine an asset's needed level of protection. If the information asset's level of protection is not clear, the Agency/state entity is to protect the asset to the categorization level of "Moderate" as defined by FIPS Publication 199. Where the Agency/state entity is the custodian or user of the information asset and not the owner, as in the case of Federal Tax Information, Criminal Justice Information Services information, and so forth the Agency/state entity shall ensure the data owner specifies the level of protection. The Agency/state entity shall adhere to the data owner's classification and level of protection requirements.

Each information asset for which the Agency/state entity has ownership responsibility shall be inventoried and identified to include the following:

1. Description and value of the information asset.
2. Owner of the information asset.
3. Custodians of the information asset.
4. Users of the information asset.
5. Classification of information.
6. FIPS Publication 199 categorization and level of protection (Low, Moderate, or High).
7. Importance of information assets to the execution of the Agency/state entity's mission and program function.
8. Potential consequences and impacts if confidentiality, integrity, and availability of the information asset were compromised.

The Agency/state entity must protect all personal information defined by the California Information Practices Act (Civil Code Sections 1798.3 and 1798.29), and medical information and individually identifiable information defined by the California Medical Information Act (Civil Code Section 56.05) to a minimum FIPS Publication 199 categorization level of "Moderate".

**Implementation Controls: NIST SP 800-53: Planning (PL); Program Management (PM); Information Security Program Management Standard (SIMM 5305-A); and FIPS Publication 199.**

## RISK MANAGEMENT - 5305.6

**Policy:** Each state entity shall create a state entity-wide information security, privacy and risk management strategy which includes a clear expression of risk tolerance for the organization, acceptable risk assessment methodologies, risk mitigation strategies, and a process for consistently evaluating risk across the organization with respect to the state entity's risk tolerance, and approaches for monitoring risk over time.
The state entity's risk management strategy and methodologies shall be consistent with NIST SP 800-30 and NIST SP 800-39, and must include:

1. Risk assessments conducted at the three various levels of the risk management hierarchy, including:
    a. Organizational level;
    b. Mission/Business process level; and
    c. Information asset level.
2. A risk assessment process to identify and assess risks associated with its information assets and define a cost-effective approach to managing such risks; including, but not limited to:
    a. Risk associated with introducing new information processes, systems and technology into the state entity environment;
    b. Accidental and deliberate acts on the part of state entity personnel and outsiders;
    c. Fire, flooding, and electric disturbances; and,
    d. Loss or disruption of data communications capabilities.

**Implementation Controls:** NIST SP 800-53: Planning (PL); Program Management (PM); and SIMM 5305-A

## RISK ASSESSMENT - 5305.7

**Policy:** Each state entity shall conduct an assessment of risk, including the likelihood and magnitude of harm from the unauthorized access, use, disclosure, disruption, modification, or destruction of the information system/asset and the information

it processes, stores, or transmits. Each state entity shall conduct a comprehensive risk assessment once every two years which assesses the state entity's risk management strategy for all three levels and documents the risk assessment results in a risk assessment report.
The risk assessment process must include the following:

1. Assignment of responsibilities for risk assessment, including appropriate participation of executive, technical, and program management.
2. Identification of the state entity information assets that are at risk, with particular emphasis on the applications of information technology that are critical to state entity program operations. Identification of the threats to which the information assets could be exposed.
3. Assessment of the vulnerabilities, e.g., the points where information assets lack sufficient protection from identified threats.
4. Determination of the probable loss or consequences, based upon quantitative and qualitative evaluation, of a realized threat for each vulnerability and estimation of the likelihood of such occurrence.
5. Identification and estimation of the cost of protective measures which would eliminate or reduce the vulnerabilities to an acceptable level.
6. Selection of cost-effective security management measures to be implemented.
7. Preparation of a report, to be submitted to the state entity head and to be kept on file within the state entity, documenting the risk assessment, the proposed security management measures, the resources necessary for security management, and the amount of residual risk to be accepted by the state entity.

**Implementation Controls:** NIST SP 800-53: Risk Assessment (RA)

## PROVISIONS FOR AGREEMENTS WITH STATE AND NON-STATE ENTITIES - 5305.8

**Introduction:** State entities are required to enter into written agreements with state and non-state entities when they engage such entities in the development, use, or maintenance of information systems, products, solutions, or services.

**Policy:** Each state entity shall ensure agreements with state and non-state entities include provisions which protect and minimize risk to the state. Agreements shall include, at a minimum, provisions which cover the following:

1. Appropriate levels of security (confidentiality, integrity and availability) for the data based on data categorization and classification and FIPS Publication 199 protection levels.
2. Standards for transmission and storage of the data, including encryption and destruction, if applicable.
3. Agreements to comply with statewide policies and laws regarding the use and protection of information resources and data, including those set forth in this Chapter.
4. Signed confidentiality statements.
5. Agreements to apply security patches and upgrades, and keep virus software up- to-date on all systems on which data may be used.
6. Agreements to notify the state data owners promptly if a security incident involving the information system or data occurs.
7. Agreements that the data owner shall have the right to participate in the investigation of a security incident involving its data or conduct its own independent investigation, and that data custodian shall cooperate fully in such investigations.
8. Agreements that the data custodian shall be responsible for all costs incurred by the data owner due to security incident resulting from the data custodian's failure to perform or negligent acts of its personnel, and resulting in an unauthorized disclosure, release, access, review, or destruction; or loss, theft or misuse of an information asset. If the contractor experiences a loss or breach of data, the contractor shall immediately report the loss or breach to the data owner. If the data owner determines that notice to the individuals whose data has been lost or breached is appropriate, the contractor will bear any and all costs associated with the notice or any mitigation selected by the data owner. These costs include, but are not limited to, staff time, material costs, postage, media announcements, and other identifiable costs associated with the breach or loss of data.
9. Agreements that the data custodian shall immediately notify and work cooperatively with the data owner to respond timely and correctly to public records act requests.
10. Agreements between the data custodian and data owner to address the appropriate disposition of records held by the data custodian during the term of its agreement with the data owner.

**Implementation Controls:** NIST SP 800-53, System and Services Acquisition (SA), Supply Chain Risk Management (SR)

## INFORMATION SECURITY PROGRAM METRICS - 5305.9

**Introduction:** Performance with respect to security controls must be measured to determine whether the needs of the state entity are being met. Security metrics assist with adjustments to security controls in order to improve effectiveness.

**Policy:** Each state entity shall establish outcome-based metrics to measure the effectiveness and efficiency of the state entity's information security program, and the security controls deployed.
**Implementation Controls:** NIST SP 800-53: System and Services Acquisition (SA); Assessment, Authorization, and Monitoring (CA) ; Contingency Planning (CP)

## PRIVACY - 5310

**Introduction:** Privacy can be understood as the rights of individuals, as defined by law, to control the collection and use of their personal information. This privacy policy is based generally on the Information Practices Act of 1977 (Civil Code section 1798, et seq.). In addition to its general application, the Information Practices Act of 1977 is broad in scope, drawing from the Fair Information Practice Principles (FIPPs), which form the basis for most privacy laws in the United States and around the world. The FIPPs help entities attain public trust and mitigate loss and risk stemming from privacy incidents.
Included among the principles are transparency, notice, and choice. Some state entities are also subject to additional state and federal privacy laws related to particular types of personal information.
**Governing Authority:** The following overarching privacy laws are applicable to state entities:

1. Article 1, Section 1, of the Constitution of the State of California defines pursuing and obtaining privacy as an inalienable right.

2. The Information Practices Act of 1977 (Civil Code section 1798, et seq.) places specific requirements on each state entity in the collection, use, maintenance, and dissemination of information relating to individuals.
3. Government Code Section 11019.9 requires state agencies to enact and to maintain a privacy policy and to designate an employee to be responsible for the policy. The policy must describe the agency's practices for handling personal information, as further required in the Information Practices Act.

**Policy:** State entity heads shall direct the establishment of an entity-specific Privacy Program. The Privacy Program shall ensure, and privacy coordinators shall confirm, that the requirements contained in the California Information Practices Act, this policy and the associated standards are adhered to by the state entity and its personnel.
**Implementation Controls:** NIST SP 800-53: Personally Identifiable Information Processing and Transparency (PT)

## STATE ENTITY PRIVACY STATEMENT AND NOTICE ON COLLECTION - 5310.1

**Policy:** Information asset owners shall be open about state entity information handling practices, including the purposes for which the state entity collects, uses, and discloses personal information of individuals. Each state entity Privacy Program Coordinator shall prepare, publish, and maintain a General Privacy Policy Statement and a Privacy Notice on Collection for each personal information collection in accordance with the Privacy Statement and Notices Standard (SIMM 5310-A).

General Privacy Policy Statement

Each state entity's general privacy policy, as required by Government Code section 11019.9, shall apply to the entire state entity and its subdivisions.

Privacy Notice on Collection

When personal information is collected from an individual on or with any form, the information asset owner shall ensure that notice is provided to the individual at or before the time of collection. The content and presentation of the notice shall comply with requirements outlined in the Privacy Statement and Notices Standard (SIMM 5310-A).
**Implementation Controls:** NIST SP 800-53: Personally Identifiable Information Processing and Transparency (PT), and SIMM 5310-A

## LIMITING COLLECTION - 5310.2

**Policy:** Information asset owners shall collect the least amount of personal information that is required to fulfill the purposes for which it is being collected. Information asset owners shall obtain personal information only through lawful means and shall collect personal information to the greatest extent practicable directly from the individual who is the subject of the information rather than from another source. Information asset owners shall endeavor to collect non-personal information, instead of personal information, if it is able to fulfill the same requirements.
**Implementation Controls:** NIST SP 800-53: Personally Identifiable Information Processing and Transparency (PT)

## LIMITING USE AND DISCLOSURE - 5310.3

**Policy:** Information asset owners, custodians and users shall not disclose, use, or make available personal information collected from individuals for purposes other than those for which it was originally collected, except in the following situations:

1. The disclosure is made to the individual who is the subject of the information;
2. The nature of the disclosure is included in the Privacy Notice on Collection provided at or before the time of collection;
3. The individual who is the subject of the information, subsequent to collection, provides explicit consent to the disclosure or use; or
4. The use or disclosure is explicitly allowed under Civil Code section 1798.24.

Accounting of Disclosures

Information asset owners shall keep an accurate accounting of the date, nature, and purpose of each disclosure of a record made under exception number 4 above. The accounting shall include the date of the disclosure, and the name, title, and business address of the individual or state entity to which the disclosure was made.

Information asset owners shall retain the above referenced accounting for at least three years after the disclosure for which the accounting is made, or until the record is destroyed in accordance with the state entity record retention policy, whichever is shorter.

Information asset owners shall inform any individual or state entity to whom a record containing personal information has been disclosed during the preceding three years of any correction of an error in the record or notation of a dispute about its accuracy.

Use of Information by Third Parties

Information asset owners and users shall apply the requirements of this policy to any third party who handles personal information collected by the state entity, in order to accomplish a state entity function that is consistent with the original purposes for which it was collected. Any such third party and its personnel or agent with access to the personal information shall formally agree to be subject to the state entity's privacy policies and practices in the same manner as an employee of the state entity.

Social Security Numbers

Information asset owners shall minimize the collection and use of Social Security numbers. Information asset owners shall not publicly post or publicly display in any manner an individual's Social Security number or otherwise permit handling of Social Security numbers in any manner inconsistent with the Privacy Individual Access Standard (SIMM 5310-B).

Information asset owners shall not permit Social Security numbers to be either entered into systems as authentication credentials or used as user unique identifiers within systems. This requirement shall apply to all new systems, and major changes or upgrades to existing systems.
**Implementation Controls:** NIST SP 800-53: Personally Identifiable Information Processing and Transparency (PT), and SIMM 5310-B

## INDIVIDUAL ACCESS TO PERSONAL INFORMATION - 5310.4

**Policy:** Each state entity shall ensure individuals are provided with information about their access rights and the procedures for exercising those rights.

Individuals Right to Access

Each state entity Privacy Program Coordinator shall publish procedures for individuals to follow in exercising their rights to access records held by the state entity which contain their personal information. Such rights include the right to inquire and be informed as to whether the state entity maintains a record about the individual and the right to request a correction of or an amendment to

their personal information. Such procedures shall be made available online if the state entity has a website, and shall otherwise comply with the Privacy Individual Access Standard (SIMM 5310-B).

Personal Information in Public Records

Each state entity head shall include in the state entity's procedures for access to public records, a provision requiring the redaction of personal information prior to allowing inspection or releasing records in response to a California Public Records Act request.

Mailing Lists

Upon written request of an individual, an information asset owner maintaining a mailing list shall remove the individual's name and contact information from such list, unless such name and contact information is exclusively used by the state entity to directly contact the individual. Information asset owners shall inform individuals, in the requisite Privacy Notice on Collection forms used to collect personal information, of their right to have their information removed from such mailing lists.

**Implementation Controls:** NIST SP 800-53: Personally Identifiable Information Processing and Transparency (PT), and SIMM 5310-B

## INFORMATION INTEGRITY - 5310.5

**Policy:** Information asset owners shall maintain all records with accuracy, relevance, timeliness, and completeness.

Maintaining Record Integrity

When an information asset owner uses a record to make a determination about an individual or transfers a record to another state or non-state entity, the owner shall correct, update, withhold, or delete any portion of the record that it knows or has reason to believe is inaccurate or out of date.

Maintaining Information Sources

Whenever an information asset owner collects personal information, the owner shall either ensure that the individual is provided a copy of the source document or shall record and maintain the source of the information, unless the source is the individual record subject.

Ownership of Stored Records and State Archived Records

1. Stored Records: When records that contain personal information are transferred to the Department of General Services (DGS) for storage, information asset owners for the state entity transferring the records shall retain all owner responsibilities for the protection of the record as provided in this Chapter. The DGS shall not disclose the record except to the information asset owner or his designee, or in accordance with their instructions which must be in accordance with this policy and relevant laws.
2. State Archives: Information asset owners shall transfer a record pertaining to an identifiable individual to the State Archives only after determining, with concurrence by the state entity head, that the record has sufficient historical or other value to warrant its continued preservation by the California state government. In the event of this transfer, information asset ownership shall be formally transferred to an information asset owner in the State Archives, who shall accept all owner responsibilities contained in the enterprise information security and privacy policies and standards.

**Implementation Controls:** Personally Identifiable Information Processing and Transparency (PT)

## DATA RETENTION AND DESTRUCTION - 5310.6

**Policy:** Information asset owners shall retain and/or destroy records of personal information in accordance with the state entity's record retention and destruction policy and the Privacy Individual Access Standard (SIMM 5310-B). Information asset owners shall take reasonable steps to keep personal information only as long as is necessary to carry out the purposes for which the information was collected.

However, no record of personal information shall be destroyed or otherwise disposed of by any state entity unless:

a. It is determined by the state entity head that the record has no further administrative, legal, or fiscal value;
b. The state entity head has determined that an audit has been performed forany record subject to audit; and
c. The Secretary of State has determined that the record is inappropriate for preservation in the State Archives.

Destruction of Electronically Collected Personal Information

An information asset owner shall, upon request by the record subject, securely discard without reuse or distribution, any personal information collected through a state entity's website.

**Implementation Controls:** Personally Identifiable Information Processing and Transparency (PT), and SIMM 5310-B

## SECURITY SAFEGUARDS - 5310.7

**Policy:** Information asset owners shall apply all applicable statewide and state entity information security laws, policies, standards, and procedures in order to protect personal information under the information asset owner's responsibility.

**Implementation Controls:** Personally Identifiable Information Processing and Transparency (PT)

## PRIVACY THRESHOLD AND PRIVACY IMPACT ASSESSMENTS - 5310.8

**Policy:** Information asset owners shall apply all applicable statewide and state entity information privacy and security laws, policies, standards, and procedures in order to protect personal information under the information asset owner's responsibility. This includes, but is not limited to conducting a Privacy Threshold Assessment (PTA) and if necessary, a Privacy Impact Assessment (PIA) when the collection, use, maintenance, storage, sharing, disclosure or disposal of personal information, as defined by Civil Code section 1798.3, is involved. A PTA and PIA shall be performed upon the development or procurement of new information system, and when proposing changes to an existing system. Information systems in this context may be manual or technology based. State entities shall use SIMM 5310-C or an equivalent tool to meet this requirement.

Governing Provisions: Civil Code Sections 1798.21 and 1798.30

**Implementation Controls:**

NIST SP 800-53 Personally Identifiable Information Processing and Transparency (PT)

SIMM 5310-C

## INFORMATION SECURITY INTEGRATION - 5315

**Policy:** Each state entity is responsible for the integration of information security and privacy within the organization. This includes, but is not limited to, the designing of appropriate security controls in new systems, or systems that are undergoing substantial redesign, including both in-house and outsourced solutions. Each state entity shall ensure its ISO, and where applicable its Privacy Program Coordinator and Technology Recovery Coordinator, are actively engaged with the owners of information, and project, procurement and technical personnel involved with information asset acquisition, development, operations, maintenance and disposal to:

1. Ensure information security is considered throughout the asset lifecycle, from acquisition and development through maintenance and operations, to retirement.
2. Integrate information security design requirements into both manual information handling and information processing functions, and information technology activities, including throughout the system development lifecycle (SDLC);
3. Create system security plans outlining key information security controls to mitigate risks;
4. Create and maintain residual risk documentation consistent with the State Information Management Principles, Record of Decisions (SAM Section 4800);
5. Integrate information security (confidentiality, integrity, and availability) requirements into contracts for outsourced products and services, and any agreements with state and non-state entities;
6. Create, maintain, and enforce information security policies, standards, procedures, and guidelines;
7. Create secure configuration standards for hardware, software, and network devices; and
8. Implement administrative, technical, and physical controls for the protection of information assets as part of the system engineering process.

**Implementation Controls:** NIST SP 800-53: System and Services Acquisition (SA), Supply Chain Risk Management (SR), Email Threat Protection Standard (SIMM 5315-A), NIST SP 800-150: Guide to Cyber Threat Information Sharing

## SYSTEM AND SERVICES ACQUISITION - 5315.1

**Policy:** Each state entity shall determine the information security requirements (confidentiality, integrity, and availability) for its information assets in mission/business process planning; determine, document and allocate the resources required to protect the information assets as part of its capital planning and investment control process; and, establish organizational programming and budgeting documentation.

For all information system acquisitions, the state entity shall identify security functional, strength and assurance requirements; privacy protection requirements; security-related documentation requirements; a description of the information system development and intended operational environments; and acceptance criteria.

Use of alternative technological solutions, such as cloud computing services shall comply with the Technological Alternatives – Cloud Computing Policy (SAM Sections 4983-4983.1), SAM Section 5315.2, and the Cloud Security Standard (SIMM Section 5315-B).

**Implementation Controls:** NIST SP 800-53: System and Services Acquisition (SA); Personally Identifiable Information Processing and Transparency (PT), FIPS, SIMM 5310-C, and SIMM 5315-B

## SYSTEM DEVELOPMENT LIFECYCLE (SDLC) - 5315.2

**Policy:** Each state entity shall manage its information assets using adocumented SDLC methodologythat:

1. Incorporates information security (data confidentiality, integrity and availability) including business impact analysis requirements and considerations.
2. Incorporates information privacy protection requirements and considerations.
3. Incorporates technology recovery requirements and considerations, per SAM Sections 5325-5325.6 and SIMM Section 5325-A and SIMM Section 5325-B.
4. Defines and documents operational information security roles and responsibilities throughout the information asset lifecycle including, but not limited to, adoption of secure coding practices and security and vulnerability testing during test phases.
5. Defines and documents operational information privacy roles and responsibilities throughout the information asset lifecycle.
6. Identifies individuals having information security roles and responsibilities.
7. Identifies individuals having information privacy roles and responsibilities.
8. Identifies individuals and entities having technology recovery roles and responsibilities.
9. Integrates the organizational information security risk management process into the development lifecycle activities.
10. Integrates the Privacy Threshold Assessment (PTA) for all information system projects and proposals, and the Privacy Impact Assessment (PIA) into the system development lifecycle activities when personal information or a privacy risk is involved. PTA and PIA shall be through the use of SIMM 5310-C.
11. Integrates the organizational technology recovery solution that meets the business recovery requirements and the recovery plan within the security risk management process into the development lifecycle activities.

**Implementation Controls:** NIST SP 800-53: System and Services Acquisition (SA); Personally Identifiable Information Processing and Transparency (PT), FIPS 199, SIMM 5310-C

## INFORMATION ASSET DOCUMENTATION - 5315.3

**Policy:** In conjunction with Records Management (SAM Chapter 1600) and Property Accounting (SAM Chapter 8600) requirements, each state entity shall ensure information security documentation is prepared and maintained as part of the overall documentation for all information assets. Documentation shall include a description of the effective use and maintenance of security controls and the state entity's responsibilities in maintaining the security of the information assets. Each state entity shall obtain administrator and user documentation for each information system, and provisions for the protection of documentation from loss, theft, damage, or misuse.

**Implementation Controls:** NIST SP 800-53: System and Services Acquisition (SA); SAM Chapters 1600 and 8600

## SYSTEM DEVELOPER SECURITY TESTING - 5315.4

**Policy:** Each state entity shall require that system developers create and implement a security test and evaluation plan as part of the system design and build. When a contract is required, it shall specify the acceptance criteria for security test and evaluation plans and vulnerability remediation processes.
**Implementation Controls:** NIST SP 800-53: System and Services Acquisition (SA)

## CONFIGURATION MANAGEMENT - 5315.5

**Policy:** Each state entity shall establish a documented process regarding controlled modifications to hardware, firmware, and software to protect the information asset against improper modification before, during, and after system implementation.
**Implementation Controls:** NIST SP 800-53: Configuration Management (CM)

## ACTIVATE ONLY ESSENTIAL FUNCTIONALITY - 5315.6

**Policy:** Each state entity shall configure information assets to provide only essential capabilities and functionality, and shall adhere to the principle of least privilege and restrict the use of unnecessary ports, protocols, and/or services to minimize the state entity's risk.
**Implementation Controls:** NIST SP 800-53: Configuration Management (CM)

## SOFTWARE USAGE RESTRICTIONS - 5315.7

**Policy:** Each state entity shall ensure its Software Management Plan (SAM sections 4846.1 and 4846.2) addresses the following:

1. Use of software and associated documentation in accordance with contract agreements and copyright laws;
2. Enforcement of explicit rules governing the authorized installation of software by users; and
3. Maintaining control over the types of software installed by identifying permitted and prohibited software installations.

**Implementation Controls:** NIST SP 800-53: Configuration Management (CM)

## INFORMATION ASSET CONNECTIONS - 5315.8

**Policy:** Each state entity shall carefully consider the risks that may be introduced when information assets are connected to other systems with different security requirements and security controls, both within the state entity and external to the state entity.
Each state entity shall identify and maintain an inventory of its authorized information system connections with other state entities which establish authorized connections from information assets as defined by their authorization boundary, to other information systems. Each state entity shall document, for each connection, the interface characteristics, security requirements, the nature of the information communicated, and ensure written agreements are established and maintained which include the minimum provisions for agreements with state and non-state entities as outlined in SAM Section 5305.8.
This policy applies to dedicated connections between information assets and does not apply to transitory, user-controlled connections such as email and website browsing.
**Implementation Controls:** NIST SP 800-53: Access Control (AC)

## SECURITY AUTHORIZATION - 5315.9

**Introduction:** The authorizing official(s) provide budgetary oversight for state entity information assets and assume responsibility for the mission/business operations supported by those systems.
**Policy:** Consistent with the State Information Management Principles, Record of Decisions (SAM section 4800), each state entity shall establish a documented security authorization method which tracks official management decisions authorizing the operation of information assets and explicit acceptance of risks based on implementation of agreed-upon information security measures. The state entity head shall assign senior-level executive(s) or manager(s) as the authorizing official(s).

## TRAINING AND AWARENESS FOR INFORMATION SECURITY AND PRIVACY - 5320

**Policy:** Each state entity must establish and maintain an information security and privacy training and awareness program. State entity personnel must possess the knowledge and skills necessary to use information technology to the best advantage for the state. Each state entity must regularly assess the skills and knowledge of its personnel in relation to job requirements, identify and document training and professional development needs, and provide suitable training within the limits of available resources.
The training and awareness program shall ensure:

1. All personnel receive general security and privacy awareness training so that they understand the state entity information security policies, standards, procedures, and practices; and are knowledgeable about the various management, operational, and technical controls required to protect the information assets for which they are responsible.
2. Groups of personnel with special security training needs, such as application developers receive the necessary training.
3. Assessments of personnel awareness, knowledge and skills shall include simulated phishing exercises in compliance with the SIMM 5320-A, Phishing Exercise Standard.
4. Training records are maintained to support corrective action, audit and assessment processes.
5. The program content is maintained and evaluated for effectiveness on an ongoing basis.

State entity heads, Chief Information Officers (CIOs), Information Security Officers (ISOs), management, and information asset owners have key roles in information security training and awareness. The state entity head is responsible for ensuring an effective program is implemented state entity-wide. The scope and content of the awareness program must align with statewide policy, and with any state entity specific security needs and requirements.
**Implementation Controls:** NIST SP 800-53: Awareness and Training (AT), SIMM 5320-A

## SECURITY AND PRIVACY AWARENESS - 5320.1

**Policy:** Each state entity shall provide basic security and privacy awareness training to all information asset users (all personnel, including managers and senior executives) as part of initial training for new users and annually thereafter.
Each state entity shall determine the appropriate content of security awareness training based on statewide requirements, specific state entity requirements, and the information processes and assets to which personnel have access.

## SECURITY AND PRIVACY TRAINING - 5320.2

**Policy:** Each state entity shall determine the appropriate content of security and privacy training based on the assigned roles and responsibilities of individuals and the specific security requirements of the state entity and the information assets to which personnel have access. Privacy training content will ensure personnel understand their responsibility for compliance with the Information Practices Act of 1977 and the penalties for non-compliance.
**Governing Provisions:** Civil Code section 1798
**Implementation Controls:** NIST SP 800-53: Awareness and Training (AT)

## SECURITY AND PRIVACY TRAINING RECORDS - 5320.3

**Policy:** Each state entity shall document and monitor individual information security and privacy training activities including basic security and privacy awareness training and specific information system security training; and retain individual training records to support corrective action, audit and assessment processes. The ISO will be responsible for ensuring that training content is maintained and updated as necessary to address the latest security challenges that may impact users.
**Implementation Controls:** NIST SP 800-53: Awareness and Training (AT)

## PERSONNEL SECURITY - 5320.4

**Policy:** Each state entity shall establish processes and procedures to ensure that individual access to information assets is commensurate with job-related responsibilities, and individuals requiring access to information assets sign appropriate user agreements prior to being granted access.
Access agreements shall include acceptable use provisions, and may also include nondisclosure agreements and conflict-of-interest agreements. If required by law, regulation or policy, each state entity must ensure individuals obtain applicable security clearances.
Personnel transfers or reassignments to other positions within the state entity must be reviewed to prevent accumulation of access and support least access privilege.
Returning and issuing keys, identification cards, and building passes; closing information system accounts and establishing new accounts; and changing information system access authorizations are all examples of personnel security practices related to staff transfer or reassignment.
**Implementation Controls:** NIST SP 800-53: Personnel Security (PS)

## BUSINESS CONTINUITY WITH TECHNOLOGY RECOVERY - 5325

Legal Authority

Government Code section 11549.3

Definitions

See SAM 5300.4

Introduction

Continuity planning establishes procedures to sustain business and mission-essential functions during and after a significant disruption or disaster. A Business Impact Analysis (BIA) is a critical input to effective continuity planning, providing the foundation for contingency strategies and the development of a Technology Recovery Plan (TRP).

The BIA identifies and prioritizes system components by mapping them to the business or mission processes they support, enabling organizations to assess the potential impact if those systems become unavailable. The TRP is an official, detailed plan that supports technology-related continuity, recovery, and restoration objectives defined through the BIA and broader Continuity Planning efforts.

Policy

Each state agency or entity must ensure that individuals with subject matter expertise in business and mission-essential functions lead and actively participate in continuity and technology recovery planning efforts. These individuals must:

1. Conduct an enterprise-wide BIA to support the development of a comprehensive inventory of IT system(s) consistent with SIMM 5325-B categories that enable business and mission essential functions; The BIA should identify key components such as dependencies, recovery, criticality, resource requirements, and recovery time objectives (RTOs), and sequencing priorities; These elements should align with the requirements outlined in SAM 5325.1 and SIMM 5325-A.
2. Develop a Continuity Plan that outlines procedures for how the state agency or entity will maintain essential functions and continue delivering necessary services during a significant disruption or disaster. The Continuity Plan should align with the California Office of Emergency Services (CalOES) State Continuity Planning Objectives, as outlined in Executive Order S-04-06. For guidance or assistance, contact Cal OES Continuity Planning at continuity@caloes.ca.gov.
3. Leverage the BIA and Continuity Plan to develop a TRP that includes detailed recovery procedures and supporting documentation, in accordance with SAM 5325.1 and SIMM 5325-A requirements. The TRP must ensure that critical systems and services can be restored to support business and mission essential functions.
    a. To facilitate recovery and restoration efforts, ensure the following are developed or conducted for critical systems to support TRP activities:

        i. Information system recovery plans are developed and included in the TRP.

        ii. System security plans (SSP), developed in accordance with SAM 5315, SIMM 5325-A, and SIMM 5355-B, are maintained and available for inspection upon request by OIS. Self-assessments of NIST controls for SSPs have been completed and documented in Cal-CSIRS.

        iii. Privacy Threshold Assessment (PTAs) and, where applicable, Privacy Impact Assessments (PIAs), consistent with SAM 5310.8 and SIMM 5310-C requirements, are conducted and available for inspection upon OIS request.

        iv. TRP training is developed and delivered at least annually, consistent with SAM 5325.2, to ensure personnel are prepared to execute recovery procedures.

        v. TRP testing is conducted at least annually, in accordance with SAM 5325.3 and SIMM 5325-A, to validate the effectiveness of recovery strategies and identify areas for improvement.

4. Develop and document procedures to ensure the BIA, Continuity Plan, and TRP with supporting documentation, are maintained and updated annually or when necessary, as significant changes or lessons learned resulting from post-incident analysis, training, testing, or TRP review occur.

**Note:** Continuity Plans must address CalOES' Continuity Planning requirements available at: https://www.caloes.ca.gov/office-of-the-director/operations/planning-preparedness-prevention/planning-preparedness/continuity-planning/

**Implementation Controls:**
NIST SP 800-34; NIST SP 800-53; Contingency Planning (CP) section described in NIST SP 800-53; NIST IR 8286D; NIST CSF 2.0 IDENTIFY (ID), PROTECT (PR), RESPOND (RS), RECOVER (RC); SIMM 5325-A; SIMM 5355-B; SIMM 5310-C; SAM 5300.4; SAM 5305.6; SAM 5305.7; SAM 5305.5, SAM 5310.8, SAM 5315, SAM 5325.1, SAM 5325.2; Executive Order S-04-06

Tracked Changes Version

## TECHNOLOGY RECOVERY PLAN - 5325.1

Legal Authority

Government Code section 11549.3

Definitions

See SAM 5300.4

Introduction

As a sub-set of a state agency or entity's Continuity Plan, the Technology Recovery Plan (TRP) is activated immediately after a significant disruption or disaster and focuses on priority recovery and restoration of systems, services, and data supporting mission and business essential functions identified as part of a Business Impact Analysis (BIA)

Policy

Each state agency or entity must develop a TRP in support of the state agency or entity's BIA, Continuity Plan, and the business need to protect information assets to ensure their availability following a significant disruption or disaster. Each state agency or entity must keep its BIA, Continuity Plan, and TRP documentation up to date and comply with the following requirements, in accordance with SIMM 5330-C Information Security Compliance Reporting Schedule.

1. Each state agency or entity must annually file a copy of the following:
    a. SIMM 5325-B Technology Recovery Program Compliance Certification.
    b. SIMM 5325-A compliant TRP with supporting materials including:
        i. California Office of Emergency Services (CalOES) Continuity Program Assessment Tool (CPAT) Submittal Confirmation Report to confirm Business Continuity Plan submission.
        ii. An enterprise-wide BIA for all business processes and critical infrastructure, supporting systems, and their dependencies to include:
        iii. SIMM 5325-B IT System(s) Inventory category labels and details:
            (1) Critical system labels: state critical, mission critical, public facing, and critical infrastructure control systems.
            (2) Other IT systems: dependencies and/or non-essential systems
2. If the state agency or entity contracts for services, it must work with the provider and document TRP coordination procedures. This includes, but is not limited to, any state or non-state service provider delivering infrastructure, platform, software, storage, or monitoring as a service to another state agency or entity.
3. Each state agency or entity TRP must cover, at a minimum, the sections which are listed and described in SIMM 5325-A, Technology Recovery Plan Instructions. If the TRP does not follow the format in SIMM 5325-A, the Technology Recovery Plan Cross Reference Tool located in SIMM 5325-B, must be completed to indicate where required information is located within the TRP.
4. The TRP must outline a planned approach to managing risks to the state agency or entity's mission, including risk and potential impact to processes and their underpinning technology systems and services. The TRP must be derived from the state agency or entity's BIA and Continuity Plan. Instructions for preparing the TRP are described in SIMM 5325-A.
5. All state agencies or entities must individually meet SAM 5325, Continuity Planning with Technology Recovery, requirements to ensure recovery and restoration of their mission and business essential functions in a timely manner.

**Note:**
CalOES' CPAT and continuity planning requirements are available at: https://www.caloes.ca.gov/office-of-the-director/operations/planning-preparedness-prevention/planning-preparedness/continuity-planning

**Implementation Controls:**
NIST SP 800-34; NIST SP 800-53: Contingency Planning (CP), NIST IR 8286D; NIST CSF 2.0 IDENTIFY (ID), PROTECT (PR), RESPOND (RS), RECOVER (RC); SAM 5325; SIMM 5325-A; SIMM 5325-B; SIMM 5300-C; SAM 5300.4; SIMM 5330-C; Executive Order S-04-06

Tracked Changes Version

## TECHNOLOGY RECOVERY TRAINING - 5325.2

**Policy:** Each state entity shall establish technology recovery training and exercises for personnel involved in technology recovery, to ensure availability of skilled staff. The training exercises shall include a crisis communication plan, event status reporting requirements, and focused role-based training for managers and system administrators.
**Implementation Controls:** NIST SP 800-53: Contingency Planning (CP)

## TECHNOLOGY RECOVERY TESTING - 5325.3

**Policy:** Each state entity shall test the TRP to determine its effectiveness and the state entity's readiness to execute the TRP in the event of a disaster. Each state entity shall initiate corrective actions and improvements to the TRP based upon deficiencies

identified during testing and exercises.
**Implementation Controls:** NIST SP 800-53: Contingency Planning (CP)

## ALTERNATE STORAGE AND PROCESSING SITE - 5325.4

**Policy:** Each state entity shall establish an alternate storage site, including the necessary agreements to permit the storage and recovery of backup information. Each state entity shall ensure that the alternate storage site provides information security safeguards equivalent to that of the primary site.
**Implementation Controls:** NIST SP 800-53: Contingency Planning (CP), Supply Chain Risk Management (SR)

## TELECOMMUNICATIONS SERVICES - 5325.5

**Policy:** Each state entity shall ensure they have alternate telecommunications services including necessary agreements to permit the resumption of information asset operations for essential missions and business functions when the primary telecommunications capabilities are unavailable at either the primary or alternate processing or storage sites.
**Implementation Controls:** NIST SP 800-53: Contingency Planning (CP), Supply Chain Risk Management (SR)

## INFORMATION SYSTEM BACKUPS - 5325.6

**Policy:** Each state entity shall perform regularly scheduled backups of system and user-level information. Backups shall be:

1. Conducted at the operating system, application, and user level;
2. Conducted of information system documentation including security-related documentation;
3. Stored in a protected location; and
4. Securely destroyed upon expiration of retention period.

System-level information includes system-state information, operating system and application software, and software licenses. User-level information includes any information other than system-level information. Mechanisms to protect the integrity of information system backups shall include digital signatures and cryptographic hashes. Information system backups shall reflect the requirements in contingency plans as well as other state entity requirements for backing up information.
**Implementation Controls:** NIST SP 800-53: Contingency Planning (CP)

## INFORMATION SECURITY COMPLIANCE - 5330

**Policy:** Each state entity shall validate compliance with statewide information security policy, standards, and procedures as set forth in this Chapter, and the state entity's internal information security policies to verify that security measures are in place and functioning as intended. Each state entity's validation processes shall include:

1. Ongoing assessments of key security measures and controls in both in-house and outsourced systems;
2. Completion of independent "pre-production" assessments of security controls in new systems or systems that are undergoing substantial redesign;
3. Adherence to the CISO reporting requirements;
4. Coordination of all IT audit and assessment work done by third-party auditors; and
5. Monitoring of third-party auditors' compliance to statewide information security requirements as set forth in this Chapter.

**Implementation Controls:** NIST SP 800-53: Assessment, Authorization, and Monitoring (CA)

## SECURITY ASSESSMENTS - 5330.1

**Policy:** Each state entity shall perform security assessments to determine whether the security controls selected by the state entity are implemented correctly and working as intended to mitigate risk. Security assessments conducted by the state entity shall include, but are not limited to, the following:

1. Legal, policy, standards, and procedure compliance review;
2. Vulnerability scanning; and
3. Penetration testing.

**Implementation Controls:** NIST SP 800-53: Assessment, Authorization, and Monitoring (CA), Supply Chain Risk Management (SR)

## COMPLIANCE REPORTING - 5330.2

**Policy:** Each state entity shall comply with the following reporting requirements:

1. **Designation Letter (SIMM 5330-A)** – Annual submissions are due to the Office of Information Security (OIS) on the last business day of the state entity's scheduled reporting month, as outlined in the Information Security Compliance Reporting Schedule (SIMM 5330-C). The state entity head shall designate the Chief Information Officer (CIO), Information Security Officer (ISO), Technology Recovery Coordinator and Privacy Officer/Coordinator, along with their back-up designees, using SIMM 5330-A. Upon the designation of a new CIO, ISO, Technology Recovery Coordinator, and a Privacy Officer/Coordinator, the state entity must submit an updated SIMM 5330-A to OIS within ten (10) business days.
2. **Information Security and Privacy Program Compliance Certification (SIMM 5330-B)** – Annual submissions are due to OIS on the last business day of the state entity's scheduled reporting month, as outlined in SIMM 5330-C. The state entity head shall certify that the entity is in compliance with state policy governing information security, risk management and privacy program compliance by submitting the SIMM 5330-B.
3. **Technology Recovery Plan (TRP) and Technology Recovery Program Compliance Certification (SIMM 5325-B)** – Each year the state entity head shall submit a copy of its TRP, along with the SIMM 5325-B to OIS by the last business day of the state entity's scheduled reporting month, as outlined in SIMM 5330-C. If the state entity employs the services of a data center, it must also provide the data center with a copy of its TRP or subset of the relevant recovery information from the state entity's TRP.
4. **Incident Report** – Incidents must be immediately reported in accordance with SAM Sections 5340-5340.4 requirements through the California Compliance and Security Incident Reporting System (Cal-CSIRS). The OIS may require, in conjunction with its assessment of the incident, that the state entity provide additional information.

Program deficiencies identified through compliance certification reporting, risk assessments, audits, incidents or oversight reviews also require the submission of a Plan of Action and Milestones Worksheet (POAM) (SIMM 5305-C). State entities shall follow the standardized POAM Instructions (SIMM 5305-B) when completing SIMM 5305-C. Unless otherwise directed, each state entity shall, at a minimum, provide quarterly updates on progress toward completion of the plans.

Quarterly submissions are due on the last business day of the following months; January, April, July and October.

**Implementation Controls:** Designation Letter (SIMM 5330-A); Information Security and Privacy Program Compliance Certification (SIMM 5330-B); Information Security Compliance Reporting Schedule (SIMM 5330-C); Technology Recovery Program Compliance Certification (SIMM 5325-B); SIMM 5340-A - Incident Reporting and Response Instructions; and Plan of Action and Milestones Instructions and Worksheet (SIMM 5305-B and SIMM 5305-C).

## INFORMATION SECURITY MONITORING - 5335

**Policy:** Each state entity is responsible for continuous monitoring of its networks and other information assets for signs of attack, anomalies, and suspicious or inappropriate activities. Each state entity shall ensure: 1. An event logging and monitoring strategy, which provides for audit trails and auditability of events and appropriate segregation and separation of duties; 2. Event logging and log monitoring are performed with sufficient regularity that signs of attack, anomalies, and suspicious or inappropriate activities are identified and acted upon in a timely manner; 3. Sensors, agents, and security monitoring software are placed at strategic locations throughout the network; 4. Situational awareness information from security monitoring and event correlation tools are monitored to identify events that require investigation and response; 5. Potential security events are reported immediately to the security incident response team; 6. Response to security event notifications from OIS and other third parties comply with the Security Event Notification and Response Protocols, SIMM 5335-A. **Implementation Controls: NIST SP 800-53:** Audit and Accountability (AU); Physical and Environmental Protection (PE); Risk Assessment (RA), Supply Chain Risk Management (SR), SIMM 5335-A.

## CONTINUOUS MONITORING - 5335.1

**Introduction:** Continuous monitoring programs facilitate ongoing awareness of threats, vulnerabilities, and information security to support state entity risk management decisions.

**Policy:** Each state entity shall develop a continuous monitoring strategy and implement a continuous monitoring program.

**Implementation Controls:** NIST SP 800-53: Audit and Accountability (AU); Physical and Environmental Protection (PE); Risk Assessment (RA); Security Assessment and Monitoring (CA); Supply Chain Risk Management (SR)

## AUDITABLE EVENTS - 5335.2

**Introduction:** Audit records can be generated at various levels of abstraction, including at the packet level as information traverses the network. Selecting the right level of abstraction is a critical aspect of an audit capability and can facilitate the identification of root causes to events. Each state entity may determine that information systems must have the capability to log every file access, both successful and unsuccessful, but not activate that capability except for specific circumstances due to the extreme burden on system performance.

**Policy:** Each state entity shall ensure that information systems are capable of being audited and the events necessary to reconstruct transactions and support after-the-fact investigations are maintained. This includes the auditing necessary to cover related events, such as the various steps in distributed, transaction-based processes (e.g., processes that are distributed across multiple organizations) and actions in service- oriented architectures.

**Implementation Controls:** NIST SP 800-53: Audit and Accountability (AU); Physical and Environmental Protection (PE); Risk Assessment (RA)

## INFORMATION SECURITY INCIDENT MANAGEMENT - 5340

**Policy:** Each state entity must promptly investigate incidents involving loss, theft, damage, misuse of information assets, or improper dissemination of information. All state entities are required to report information security incidents consistent with the security reporting requirements in this policy and manage information security incidents to determine the cause, scope, and impact of incidents to stop unwanted activity, limit loss and damage, and prevent recurrence. Additionally, each state entity shall develop, disseminate, and maintain a formal, documented incident response plan that provides for the timely assembly of appropriate staff that is capable of developing a response to, appropriate reporting about, and successful recovery from a variety of incidents.

Each state entity shall develop documented procedures to facilitate the implementation of the incident response plan and associated incident response controls including, but are not limited to:

1. Immediately reporting suspected and actual security incidents in accordance with the criteria and procedures set forth in SIMM 5340-A and other applicable laws and regulations;
2. Managing security incident case assignments and the security investigation process in a timely and effective manner;
3. Managing security incidents involving a breach of personal information in accordance with the criteria and procedures set forth in SIMM 5340-C.
4. Mobilizing emergency and third party investigation and response processes if necessary;
5. Consulting with system owners to help quarantine incidents and limit damage;
6. Consulting with Personnel Management if there is a violation of appropriate use policy; and
7. Communicating with law enforcement when actual or suspected criminal activity is involved.

**Implementation Controls:** NIST SP 800-53: Incident Response (IR); SIMM 5340-A; SIMM 5340-C

## INCIDENT RESPONSE TRAINING - 5340.1

**Policy:** Each state entity shall provide incident response training to information system users consistent with assigned roles and responsibilities.

Incident response training shall be at an appropriate level for the assigned roles and responsibilities of state entity personnel. For example, regular users may only need to know who to call or how to recognize an incident; system administrators may require additional training on how to handle/remediate incidents; and incident responders may need more specific training on chain of custody, forensics, reporting, system recovery, and restoration. Incident response training shall include, at a minimum, user training in the identification and reporting of suspicious activities, both from external and internal sources.

**Implementation Controls:** NIST SP 800-53: Incident Response (IR)

## INCIDENT RESPONSE TESTING - 5340.2

**Introduction:** Incident response testing includes an assessment of the effects on state entity operations (e.g., reduction in mission capabilities), state entity assets, and individuals due to incident response, and involves the use of checklists, walk-through or tabletop exercises, and simulations to prepare personnel and mitigate the impacts of actual incidents.
**Policy:** Each state entity shall exercise or test their incident response capability to determine its effectiveness, document the results and incorporate lessons learned to continually improve the plan.
**Implementation Controls:** NIST SP 800-53: Incident Response (IR)

## INCIDENT HANDLING - 5340.3

**Policy:** Each state entity shall implement incident handling for information security and privacy incidents that includes preparation, detection and analysis, containment, eradication, and recovery. Incident handling shall coordinate with business continuity planning activities (SAM section 5325). Incident handling capability shall include procedures for coordination among many groups within a state entity, for example, mission/business owners, information system owners, authorizing officials, human resources offices, physical and personnel security offices, legal departments, operations, personnel, procurement offices, and executive management.
If during the recovery and lessons learned phase of an incident, the state entity uncovers a deficiency in their program, the state entity shall take action to prevent reoccurrence and report their action plan through the Plan of Action and Milestone (POAM) process. State entities shall use the standardized POAM reporting instructions and tool (SIMM 5305-B and SIMM 5305-C, respectively)
**Implementation Controls:** NIST SP 800-53: Incident Response (IR); Plan of Action and Milestones (SIMM 5305-B and SIMM 5305-C).

## INCIDENT REPORTING - 5340.4

**Policy:** Each state entity shall follow the incident reporting procedures as described in SIMM 5340-A.
**Implementation Controls:** NIST SP 800-53: Incident Response (IR); SIMM 5340-A

## VULNERABILITY AND THREAT MANAGEMENT - 5345

**Introduction:** Threats and vulnerabilities provide the primary inputs to the state entity's risk assessment process.

**Policy:** Each state entity shall continuously identify and remediate vulnerabilities before they can be exploited. Vulnerability and threat management include, but not limited to, the following:

1. Strategic placement of scanning tools to continuously assess all information technology assets;
2. Implementation of appropriate scan schedules, based on asset criticality;
3. Communication of vulnerability information to system owners or other individuals responsible for remediation;
4. Dissemination of timely threat advisories to system owners or other individuals responsible for remediation;
5. Consultation with system owners on mitigation strategies; and
6. Implementation of mitigation measures in accordance with the Vulnerability Management Standard (SIMM 5345-A).

**Implementation Controls:** NIST SP 800-53: Risk Assessment (RA); System and Services Acquisition (SA); System and Communication Protection (SC); Supply Chain Risk Management (SR); Vulnerability Management Standard (SIMM 5345-A)

## OPERATIONAL SECURITY - 5350

**Introduction:** In order to mitigate against successful attacks, each state entity is responsible for separating and controlling access to various systems and networks with different threat levels and sets of users which may operate or interface within their technology environment.

**Policy:** Each state entity shall develop, implement, and document, disseminate, and maintain operational security practices which include, but are not limited to:

1. A network security architecture that:
   a. includes distinct zones to separate internal, external, and DMZ traffic; and
   b. segments internal networks to limit damage, should a security incident occur.
2. Firewall, router, and other perimeter security tools which enforce network security architecture decisions.
3. Periodic review of perimeter security access control rules to identify those that are no longer needed or provide overly broad access.

Each state entity's security architecture shall align with the following security controls and best practices:

1. Application partitioning
2. Denial of service protection
3. Boundary protection
4. Confidentiality of transmitted information or appropriate compensating security controls if protection assurances cannot be guaranteed
5. Cryptographic protections using modules that comply with FIPS-validated cryptography.
6. Zero Trust Architecture for all data, hardware, software, internal systems, and essential third-party software, including for on-premises, cloud, and hybrid environments.

**Implementation Controls:** NIST SP 800-53: System and Information Integrity (SI); System and Communications Protection (SC); Supply Chain Risk Management (SR)

## ENCRYPTION - 5350.1

**Policy:** End-to-end encryption or approved compensating security control(s) shall be used to protect confidential, sensitive, or personal information that is transmitted or accessed outside the secure internal network (e.g., email, remote access, file transfer, Internet/website communication tools) of the state entity, or stored on portable electronic storage media (e.g., USB flash drives, tapes, CDs, DVDs, disks, SD cards, portable hard drives), mobile computing devices (e.g., laptops, netbooks, tablets, and smartphones), and other mobile electronic devices. In rare instances where encryption cannot be implemented, compensating control(s) or alternatives to encryption must be in place. Compensating controls and alternatives to encryption must be reviewed on a case-by-case basis and approved in writing by the state entity ISO, after a thorough risk analysis.
**Implementation Controls:** FIPS 140-3, FIPS 197, NIST SP 800-53: Access Control (AC), and System and Communications Protection Controls (SC)

## ENDPOINT DEFENSE - 5355

**Policy:** Each state entity shall be responsible for protecting information on computers that routinely interact with untrusted devices on the internet or may be prone to loss or theft.
Each state entity shall develop and implement capabilities, methods and techniques to manage processes and tools to:

1. Detect malicious software;
2. Permit only trusted software to run on a device, commonly referred to as white listing;
3. Prevent certain software from running on a device, commonly referred to as blacklisting;
4. Identify unauthorized changes to secure configurations;
5. Encrypt confidential and sensitive data; and
6. Comply with the Endpoint Protection Standard (SIMM 5355-A)

**Implementation Controls: Endpoint Protection Standard (SIMM 5355-A);** NIST SP 800-53: System and Information Integrity (SI)

## MALICIOUS CODE PROTECTION - 5355.1

**Policy:** Each state entity shall employ malicious code protection mechanisms at information asset entry and exit points and at workstations, servers, or mobile computing devices on the network to detect and eradicate malicious code.
Malicious code protection mechanisms may not always detect malicious code; therefore, each state entity shall implement additional safeguards to help ensure that software does not perform functions other than those intended. Examples of additional safeguard include, but are not limited to, secure coding practices, configuration management and control, trusted procurement processes, and monitoring practices.
**Implementation Controls:** NIST SP 800-53: System and Information Integrity (SI); Supply Chain Risk Management (SR)

## SECURITY ALERTS, ADVISORIES, AND DIRECTIVES - 5355.2

**Policy:** Each state entity shall receive information asset security alerts, advisories, and directives from various legitimate external sources and shall act on those to mitigate state entity risk, including generating internal security alerts, advisories, and directives as deemed necessary.
**Implementation Controls:** NIST SP 800-53: System and Information Integrity (SI); Supply Chain Risk Management (SR)

## IDENTITY AND ACCESS MANAGEMENT - 5360

**Policy:** Each state entity shall safeguard access to information assets by managing the identities of users and devices and controlling access to resources and data bases on a need to know basis throughout the identity lifecycle. Each state entity shall establish processes and procedures to ensure:

1. Maintenance of user identities, including both provisioning and de-provisioning;
2. Enforcement of password policies or more advanced multifactor mechanisms to authenticate users and devices;
3. Management of access control rules, limiting access to the minimum necessary to complete defined responsibilities;
4. Separation of duties to avoid functional conflicts;
5. Periodic recertification of access control rules to identify those that are no longer needed or provide overly broad clearance;
6. Use of privileged accounts that can bypass security are restricted and audited;
7. Systems to administer access based on roles are defined and installed; and
8. Encryption keys and system security certificates are effectively generated, exchanged, stored and safeguarded.

**Implementation Controls:** NIST SP 800-53: System and Information Integrity (SI); Access Control (AC)

## REMOTE ACCESS - 5360.1

**Policy:** Each entity shall establish and document allowed methods of remote access to its information systems; establish usage restrictions and implementation guidance for each allowed remote access method; and monitor the information asset for unauthorized remote access. Allowed methods shall comply with the Telework and Remote Access Security Standard (SIMM 5360-A).
**Implementation Controls:** NIST SP 800-53: Access Control (AC); SIMM 5360-A

## WIRELESS ACCESS - 5360.2

**Policy:** Each state entity shall establish appropriate restrictions and implementation instructions for wireless access, and enforce requirements for wireless connections to information systems. Each state entity shall also proactively search for unauthorized wireless connections including scans for unauthorized Wi-Fi access points.
**Implementation Controls:** NIST SP 800-53: Access Control (AC); SIMM 5360-A

## PHYSICAL SECURITY - 5365

**Policy:** Each state entity shall establish and implement physical security and environmental protection controls to safeguard information assets against unauthorized access, use, disclosure, disruption, modification, or destruction. Physical security and environmental controls shall include management and maintenance of:

1. Facility entry controls and badging systems for personnel and visitors;

2. Equipment and media handling/destruction processes;
3. Building emergency procedures;
4. Screening and/or background check processes;
5. Ventilation and temperature control systems; and
6. Fire suppression, water damage prevention, and electrical power fluctuation or failure detection systems.

Each state entity shall issue physical access authorization credentials to state entity personnel and visitors, as appropriate. Personnel with long-term physical access authorization credentials are not considered visitors. Authorization credentials include, but are not limited to, badges, identification cards and smart cards. The strength of authorization credentials necessary, including level of forge-proof badges, smart cards, or identification cards, shall be determined through a risk assessment.
Each state entity shall monitor physical access to information systems to detect and respond to physical security incidents; review physical access logs and, upon occurrence of an incident, coordinate results of reviews and investigations with the state entity incident response capability.
**Implementation Controls:** NIST SP 800-53: Physical and Environmental Protection (PE)

### ACCESS CONTROL FOR OUTPUT DEVICES - 5365.1

**Policy:** Each state entity shall control access to information system output devices, such as printers and facsimile devices, to prevent unauthorized individuals from obtaining the output.
**Implementation Controls:** NIST SP 800-53: Physical and Environmental Protection (PE)

### MEDIA PROTECTION - 5365.2

**Policy:** Each state entity shall safeguard media in digital and/or non-digital form from unauthorized access, use, modification or disposal, inside or outside of the state entity's control areas whether in storage or transport.
**Implementation Controls:** NIST SP 800-53: Media Protection (MP)

### MEDIA DISPOSAL - 5365.3

**Introduction:** Sanitization techniques, including clearing, purging, and destruction, prevent the disclosure of information to unauthorized individuals when such media is reused or released for disposal. Sanitization of non-digital media include, but are not limited to, removing a classified appendix from an otherwise unclassified document, deleting meta data or tags embedded in the document properties that may reveal sources of the document, or redacting selected sections or words from a document.
**Policy:** Each state entity shall sanitize digital and non-digital media prior to disposal or release for reuse, in accordance with applicable standards and policies, including media found in devices such as hard drives, mobile devices, scanners, copiers, and printers.
**Implementation Controls:** NIST SP 800-53: Media Protection (MP)

## Chapter - 5900

Sections for Chapter 5900

| Section | Subchapter |
|---|---|
| PURPOSE | 5901 |
| BASIC POLICY | 5902 |
| AGENCY RESPONSIBILITY | 5903 |
| PURPOSE | 5951 |
| BASIC POLICY | 5952 |
| AGENCY RESPONSIBILITY | 5953 |

### PURPOSE - 5901

Salvage value of state-owned IT equipment (SAM Section 4819.2) and purchase option credits for leased IT equipment are a source of value to the state. Each agency must ensure that such value is received to the extent that doing so is in the best interest of the state.

### BASIC POLICY - 5902

The disposition of surplus IT equipment must be in accordance with the most economical and practical manner for the state as a whole.
Government Code Sections 14674–14675 authorize the Director, Department of General Services, to approve the competitive sale, exchange, or interagency transfer of personal property owned by the state if such action is in the best interest of the state. Each agency must receive approval from the Department of General Services, Office of Surplus Property and Reutilization (OSPR), Interagency Support Division, prior to disposing of surplus IT equipment.

### AGENCY RESPONSIBILITY - 5903

Each agency is responsible for ensuring that any residual value in surplus IT equipment is realized. Each agency must explore the reutilization of surplus IT equipment prior to requesting approval for disposal or attempting to use the equipment as a credit toward the purchase or lease of new equipment.
The agency must submit a completed Property Survey Report (STD. Form 152) to the Department of General Services, Office of Surplus Property and Reutilization (OSPR), at least 30 days prior to the disposal of surplus IT equipment.
Each agency must comply with the state property accounting requirements described in SAM Section 8633 and 8640–8642 when disposing of surplus IT equipment.

### PURPOSE - 5951

The state realizes salvage value from the IT supplies (SAM Section 4819.2) it owns. Each agency must ensure that such value is received to the extent that doing so is in the best interest of the state.

### BASIC POLICY - 5952

The disposition of surplus IT supplies must be in accordance with the most economical and practical manner for the state as a whole.

### AGENCY RESPONSIBILITY - 5953

Each agency is responsible for ensuring that any residual value in surplus IT supplies is realized. Each agency must comply with the state property accounting requirements described in SAM Sections 8633 and 8640–8642 when disposing of surplus IT supplies. The agency must prepare and maintain a Property Survey Report (Standard Form 152) when disposing of surplus IT supplies. The agency must certify that all memory assets have been sanitized.

A diligent effort must be made to secure at least three competitive bids for the supplies. If three bids cannot be obtained, a list or organizations or individuals solicited must be prepared and signed by an authorized representative of the agency. The list and the bids received must be attached to the Property Survey Report.

IT paper goods, e.g., computer printouts, punch cards, and pre-numbered forms, must be disposed of in accordance with SAM Section 1600.

Magnetic media for data processing devices, e.g., magnetic tapes and disk packs, must be disposed of in accordance with the procedures of this section. If sale is not possible, the magnetic media may be disposed of through any organization that will retrieve them without charge to the state.

The handling and disposal of IT supplies containing information classified as confidential or sensitive as defined in SAM Section 5300 must be conducted according to the policies stated in SAM Section 1600 and the procedures established by the agency program having ownership responsibility for such information. Agencies must ensure that all information assets or computing devises with digital memory and storage capacity are completely sanitized prior to disposal. Should DGS find confidential, sensitive or personal information in state-owned surplus personal property, the disposing agency must retrieve the materials immediately, and is responsible for incident notification and filing of any necessary reports related to any security event or incident that occurred (SAM Section 5340 for Agency Information Security Incident Management). (Management Memos #12-01 and Management Memo #12-02).

## Chapter - 6000

Sections for Chapter 6000

| Section | Subchapter |
|---|---|
| INTRODUCTION TO THE BUDGETING CHAPTER | 6000 |
| AVAILABILITY OF BUDGET INSTRUCTIONS AND FORMS | 6005 |
| OVERVIEW OF CALIFORNIA'S STATE BUDGET PROCESS-PREFACE | 6110 |
| BUDGET DEVELOPMENT | 6120 |
| BUDGET ENACTMENT | 6130 |
| ADMINISTRATION | 6140 |
| BUDGET PROCESS | 6150 |
| THE TRADITIONAL BUDGET | 6210 |
| THE PROGRAM BUDGET CONCEPT | 6220 |
| DEVELOPMENT AND ENACTMENT OF THE ANNUAL FINANCIAL PLAN, 6300 THE PROCESS IN BRIEF | 6300 |
| BUDGET POLICY | 6305 |
| AGENCY BRIEFINGS AND GOVERNOR’S REVIEW | 6310 |
| PREPARATION AND SUBMITTAL OF BUDGET INFORMATION | 6315 |
| THE GOVERNOR’S BUDGET - PUBLICATION, DISTRIBUTION, ORDERING, AND PUBLIC SALE | 6320 |
| THE BUDGET BILL | 6325 |
| LEGISLATIVE ANALYST’S ANALYSIS OF THE GOVERNOR’S BUDGET | 6330 |
| BUDGET ACT | 6333 |
| LEGISLATIVE FISCAL COMMITTEE AND FLOOR ACTIONS | 6335 |
| BUDGET COMMITTEE ON CONFERENCE | 6340 |
| THE GOVERNOR'S VETO | 6345 |
| FINAL BUDGET SUMMARY | 6350 |
| THE LIST OF CHANGES TO THE GOVERNOR'S BUDGET, FINAL CHANGE BOOK | 6355 |

| | |
|---|---|
| THE DEPARTMENTAL BUDGET PRESENTATION | 6400 |
| RESPONSIBILITIES AND AUTHORITY OF FUND ADMINISTRATORS AND FUND USERS | 6401 |
| PERSONAL SERVICES | 6403 |
| STAFF BENEFITS | 6412 |
| SCHEDULE 7A - SALARIES AND WAGES (DOCUMENTS FOR PREPARATION) | 6415 |
| SCHEDULE 7A—BUDGET SUPPLEMENT OF AUTHORIZED POSITIONS SALARIES AND WAGES (PROCESSING) | 6418 |
| SCHEDULE 8 TABULATION | 6424 |
| DESCRIPTION OF SCHEDULE 8 TABULATION | 6427 |
| VERIFICATION AND COMPLETION OF SCHEDULE 8 TABULATION | 6429 |
| EXPIRING FILLED POSITIONS | 6436 |
| BLANKET POSITIONS | 6439 |
| PREPARATION OF SCHEDULE 8 SUMMARY | 6448 |
| OPERATING EXPENSES AND EQUIPMENT | 6451 |
| SPACE ACTION REQUESTS CRUISE (FORM 9) | 6453 |
| PREPARATION OF SUPPLEMENTARY SCHEDULE OF 6454 OPERATING EXPENSES AND EQUIPMENT | 6454 |
| BUDGET FOR EQUIPMENT | 6457 |
| SUPPLEMENTARY SCHEDULE OF FEDERAL FUNDS | 6460 |
| REIMBURSEMENTS | 6463 |
| SUPPLEMENTARY SCHEDULE OF REIMBURSEMENTS | 6466 |
| SPECIAL ITEMS OF EXPENSE | 6469 |
| CLAIMS AND TORT LIABILITY BUDGET PROCEDURE | 6472 |
| EXPENDITURES BY CATEGORY | 6475 |
| DETAIL OF APPROPRIATIONS AND ADJUSTMENTS | 6478 |
| FUND CONDITION STATEMENTS | 6481 |
| ADMINISTRATION OF THE OPERATING BUDGET | 6500 |
| LEGAL BASIS FOR BUDGETARY CONTROL | 6503 |
| PERMANENT POSITIONS | 6509 |
| NEW POSITIONS | 6512 |
| LIMITED-TERM POSITIONS | 6515 |
| TEMPORARY HELP OR OVERTIME BLANKETS | 6518 |
| BUDGETARY APPROVAL OF POSITION-RELATED TRANSACTIONS | 6527 |
| REVISION OF PROGRAMS | 6533 |
| REQUEST OF NECESSITY FOR APPROPRIATION AUGMENTATION | 6536 |
| BUDGET REVISION FORM, STD. 26 | 6542 |
| PREPARATION OF BUDGET REVISION, STD. FORM 26 | 6545 |
| INTRASCHEDULE TRANSFERS, SECTION 26.00 OF THE BUDGET ACT | 6548 |
| SECTION 28.00 AND SECTION 28.50 REPORTING | 6551 |
| COMPLETION OF SECTION 28.00 AND SECTION 28.50 APPLICATIONS | 6554 |
| SECTION 28.00 AND SECTION 28.50 APPLICATIONS | 6557 |

| | |
|---|---|
| EMERGENCY SERVICES BY STATE AGENCIES | 6560 |
| INFORMATION TECHNOLOGY EXPENDITURES | 6700 |
| DEFINITIONS | 6710 |
| EXCLUSIONS | 6720 |
| REQUIREMENTS | 6730 |
| EXPENDITURE SUPPORT | 6750 |
| INFORMATION TECHNOLOGY AUDITS | 6760 |
| COST ALLOCATION | 6770 |
| DATA CENTER FINANCIAL MANAGEMENT | 6780 |
| THE LEGISLATURE | 6900 |
| LEGISLATIVE CALENDAR | 6905 |
| LEGISLATION | 6910 |
| BILLS (AB/SB) | 6915 |
| CONSTITUTIONAL AMENDMENTS (ACA/SCA) | 6920 |
| JOINT RESOLUTIONS (AJR/SJR) | 6925 |
| CONCURRENT RESOLUTIONS (ACR/SCR) | 6930 |
| HOUSE AND SENATE RESOLUTIONS (HR/SR) | 6935 |
| RULES COMMITTEE RESOLUTIONS | 6940 |
| THE LEGISLATIVE PROCESS | 6945 |
| DEPARTMENTAL PROPOSED LEGISLATION | 6950 |
| HEARINGS | 6955 |
| BILL ANALYSIS | 6960 |
| ENROLLED BILL REPORT | 6965 |
| STANDARDIZED REGULATORY IMPACT ASSESSMENT FOR MAJOR REGULATIONS | 6600 |
| GENERAL | 6601 |
| DEFINITION | 6602 |
| ECONOMIC IMPACT STATEMENT | 6603 |
| CONTENTS OF FISCAL IMPACT STATEMENT (FIS) | 6604 |
| FISCAL IMPACT ON LOCAL GOVERNMENT | 6605 |
| FUNDING FOR REIMBURSABLE LOCAL COSTS | 6606 |
| COST ESTIMATING METHODOLOGY | 6607 |
| NONREIMBURSABLE LOCAL COSTS | 6608 |
| SAVINGS TO LOCAL GOVERNMENTS | 6609 |
| INCREASES OR REDUCTIONS IN LOCAL REVENUES | 6610 |
| COSTS TO STATE AGENCIES | 6611 |
| SAVINGS TO STATE AGENCIES | 6612 |
| FISCAL IMPACT ON FEDERAL FUNDING OF STATE PROGRAMS | 6613 |
| SIGNATURE REQUIRED FOR FISCAL IMPACT STATEMENT (FIS) | 6614 |
| ESTIMATES WHICH REQUIRE DEPARTMENT OF FINANCE ACTION | 6615 |
| INPUT FROM OTHER GOVERNMENTAL AGENCIES IN THE DEVELOPMENT OF FISCAL ESTIMATES | 6616 |

## INTRODUCTION TO THE BUDGETING CHAPTER - 6000

The budgeting chapter of SAM provides an overview of the state's budget process including a description of the events, actions, and documents related to the state's annual financial plan. It provides illustrative examples and instructions for completion of the forms and schedules that are integral to the preparation, enactment, and administration of the state budget.

Due to the dynamic nature of state budgeting in California, this manual cannot and does not contain a comprehensive set of all the relevant instructions necessary for the development, enactment, and administration of the state budget. Evolving budget policy direction and supplemental instructions are issued by the Department of Finance through Budget Letters, Management Memos, and other methods of communications to supplement this manual.

## AVAILABILITY OF BUDGET INSTRUCTIONS AND FORMS - 6005

The following information is available to departments on the Department of Finance's Website:

1. eBudget: http://www.ebudget.ca.gov/
2. Budget Letters: http://www.dof.ca.gov/budget/Budget_Letters/
3. Historical budget information: http://www.dof.ca.gov/Budget/Historical_Budget_Information/
4. Finance budget forms: http://www.dof.ca.gov/budget/Resources_for_Departments/Budget_Forms/
5. FI$Cal Resources: http://www.dof.ca.gov/Budget/Fiscal_Resources_For_Budget/

Standard state budget forms may be obtained from the Department of General Services website.

Publications prepared by Finance such as the Governor's Budget, Governor's Budget Summary, Salaries and Wages Supplement, Final Budget Summary, Final Change Book, May Revision to the Governor's Budget, Enacted Budget, and answers to "Frequently Asked Budget Questions" may be accessed via http://www.dof.ca.gov/.

## OVERVIEW OF CALIFORNIA'S STATE BUDGET PROCESS-PREFACE - 6110

The budget process for the State of California defies a simple definition. It consists of the development of the Governor's Budget, the Legislature's enactment of a budget, and the executive branch's administration of the budget, including all the ramifications and influences of political interactions, relationships with federal and local governments, public input, natural events, legal issues, the economy, initiatives, and legislation, etc.

Although the size and complexity of California, and the dynamics of the budget process, make it challenging to establish and maintain an orderly and predictable state budget process, an effective state budget process is essential for the important work of many indispensable state government programs to continue. The following sections summarize the major steps and procedures of California's state budget process.

## BUDGET DEVELOPMENT - 6120

The State Constitution, Article IV, Section 12, requires the Governor to submit a budget to the Legislature by January 10 each year. The budget must contain itemized statements for recommended expenditures and estimated revenues. California Constitution requires a balanced budget; therefore, if the proposed level of recommended expenditures for the budget year exceeds available resources, the Governor is required to recommend the sources from which the additional revenues should be provided.

The Director of Finance, as the chief financial advisor to the Governor, directs preparation of the Governor's Budget and its subsequent update in the May Revision. Under the policy direction of the Governor, the Director of Finance issues instructions and guidelines for budget preparation to agencies and departments.

Although California does occasionally use budgeting concepts such as Zero-Based Budgeting, Mission-Based Budgeting, Management by Objectives, and Total Quality Management, the primary method utilized to prepare the budget is incremental budgeting for support budgets and zero-based budgeting for capital outlay appropriations. Incremental budgeting uses current department/program levels of funding as a base amount to be adjusted by budget change proposals (BCPs). BCPs have traditionally been the method for departments to propose changes to their existing budgets. Finance issues specific instructions for preparation of BCPs annually in a Budget Letter, and departments submit BCPs to Finance for review and analysis. Capital outlay budgets do not generally have a base amount. The amount of funding is one-time in nature.

A fundamental goal in the budget development process is to resolve budget issues at the lowest level possible. Departments under an Agency Secretary must clear their proposals through their respective Agency before submitting them to Finance. For non- Agency departments, proposals are presented directly to Finance. Issues which are not resolved between departments and Finance staff are discussed with the Finance Program Budget Manager. Issues still not resolved at this level are potentially discussed further at appeals conducted by the Director of Finance. The most sensitive issues are ultimately presented to the Governor for a decision.

After all decisions are completed, Finance coordinates with the Office of State Publishing for printing of the various publications related to the Governor's Budget. They are also available on Finance's public website at http://www.dof.ca.gov:

Governor's Budget Summary–A summary volume which includes the Governor's goals and objectives for the forthcoming fiscal-year, and the policy perspectives and highlights of the changes in the Governor's Budget.

Governor's Budget–A detailed presentation for each department for the past, current, and budget fiscal-years.

Salaries and Wages Supplement–A detailed presentation of authorized staffing and related salaries.

The Governor annually unveils the budget at a formal press conference. The Governor's State of the State address also typically includes a general presentation of the Administration's budget policies and priorities.

By constitutional requirement, the Governor's Budget must be accompanied by a Budget Bill itemizing recommended expenditures not to exceed estimated revenues which shall be introduced in each house of the Legislature. Proposition 58 (2004) amended the Constitution by requiring the Legislature to send a balanced Budget to the Governor for consideration and the Governor to sign a balanced budget. The Constitution also requires that the Legislature pass a Budget Bill by June 15 (or the legislators' pay will be forfeited during the delay).

## BUDGET ENACTMENT - 6130

The Senate Budget and Fiscal Review Committee and the Assembly Budget Committee are the two primary legislative committees that hear the Budget Bill. See SAM 6945, Legislative Process. They each assign items in the bill to several subcommittees (by major subject areas such as Education or Health and Human Services) which conduct budget hearings. These hearings generally begin in February. The Legislative Analyst is appointed by the Joint Legislative Budget Committee and

is charged with providing a nonpartisan analysis and recommendations for changes to the Governor's budget plan. The Legislative Analyst publishes a number of reports on its website and in hard copy form that include these analyses and recommendations.

In addition to the Legislative Analyst, Finance and departments typically provide testimony at the subcommittee hearings. Input is generally provided by partisan fiscal committee consultants of both the majority and minority parties. Additionally, lobbyists and the public may provide testimony at the hearings.

Finance proposes adjustments to the Governor's Budget through "Finance Letters." Pursuant to Government Code section 13308, Finance is required to give the Legislature all proposed adjustments, other than Capital Outlay and May Revision, to the Governor's Budget by April 1. Capital Outlay adjustments are due by May 1. The traditional May Revision adjustments are due by May 14, and consist of an update of General Fund revenues and changes in proposed expenditures for school funding requirements pursuant to Proposition 98, caseload, enrollment, or population. The Legislature typically waits for the May Revision update before final budget decisions are made on major programs such as Education, Corrections, and Health and Human Services.

Typically, when the subcommittees complete their actions, they report their recommendations to the full committee of their respective houses. Upon adoption of the budget by the full committee, a recommendation is made to the Floor (full house). Upon simple majority vote of the house, the Budget Bill is passed to the other house. A Budget Conference Committee is generally then appointed to work out differences between the Senate and Assembly versions of the bill. Upon completion of action by the Conference Committee and a simple majority vote, this conference version of the budget is then sent to each house for approval.

Sometimes the Conference Committee does not reach final resolution on the budget. This stalemate typically results from non-resolution of a few significant issues. These issues are then resolved by the "Leadership" or "Big 5" (Governor, Speaker of the Assembly, President Pro Tempore, and the minority leaders of both houses).

When the Budget Bill receives a simple majority vote of each house, it is passed on to the Governor. The Constitution allows the Governor to reduce or eliminate an item of appropriation.

The Constitution requires the Legislature to submit a balanced budget to the Governor for consideration, and the Governor to sign a balanced budget. The Constitution also requires the Legislature to pass a Budget Bill by June 15, or forfeit their pay during any delay.

Finance publishes these two particular documents upon enactment of the Budget Act which are available on Finance's website:

- Final Budget Summary – An annotated version of the Budget Act which includes amendments to the Budget Act, and the effect of vetoes on the items and sections of the Budget Act.
- Final Change Book Report – The detail of changes between the January 10 budget proposal and the enacted budget.

Often budget changes proposed by the Governor or the Legislature require changes to existing law in order to implement. To accomplish this, various separate bills (called "trailer bills" because they trail the Budget Bill) are introduced to implement these changes. Pursuant to Government Code section 13308, all proposed statutory changes necessary to implement the Governor's Budget are due to the Legislature by February 1.

## ADMINISTRATION - 6140

The annual Budget Act is the primary source for appropriations that provide legal authority to expend. The Constitution and other legislation also provide expenditure authority.

Departments have the primary responsibility to operate within budgeted levels and to comply with any restrictions or limitations required by law. Further, the general expectation is that state departments comply with the legislative intent. Although the general expectation is to conform to the enacted budget, the Legislature has recognized a need to establish some flexibility to adjust budgets. For example, statute provides a continuous appropriation for allocations by the Director of Finance to meet expenditures resulting from natural disasters for any emergency proclaimed by the Governor. The Legislature has also included provisions in the Budget Act to allow for budget adjustments. Generally, such authority requires Director of Finance's approval; many require a formal notice to the Legislature and a waiting period to provide the opportunity for legislative review and response before final approval. Budget Act provisions to allow adjustments include authorizations for:

1. Changes to federal funding levels
2. Unanticipated costs (shortage of expenditure authority)
3. Changes to reimbursements
4. Intra-item transfers

Finance approves budget changes using Budget Revisions, Executive Orders, and letters. These changes are transmitted to the State Controller's Office, which maintains the statewide appropriation control accounts for accounting.

The Governor has certain powers to adjust expenditures; but these powers do not permit adjustment of appropriations. For example, past Governors have issued executive orders to implement hiring and equipment purchase freezes and to delay capital expenditures. The Governor is also authorized to declare an emergency and may redirect state resources to meet emergency needs, or ask the Legislature to appropriate funds from the Budget Stabilization Account ("rainy day fund").

## BUDGET PROCESS - 6150

Due to the dynamic nature of California's state budget process, no single document provides a comprehensive reflection of the process. The dynamics require changing instructions, descriptions, forms and procedures, law, etc. The SAM provides a general description for some of the major documents that result from the budget process in the following sections:

- Governor's Budget proposal (Budget Development—SAM Section 6120)
- Legislative Analyst's Analyses of the Governor's Budget (SAM Section 6330)

- May Revision (Budget Enactment—SAM Section 6130)
- Budget Act and Final Budget Summary (SAM Sections 6333 and 6350)
- Final Change Book (SAM Section 6355)

Budget Letters provide technical instructions for departmental budget offices. Budget Letters are available online through the following link.
Budget Letters website: http://www.dof.ca.gov/budget/Budget_Letters/
The annual state budget process is illustrated in a flow chart here: **The Annual Budget Process**

## THE TRADITIONAL BUDGET - 6210

Over time, the state budget format has evolved from the traditional format based on department functions to incorporate elements of the program budget concept. Before the adoption of the program budget concept, "traditional" budgets were oriented to show expenditures according to a department's organizational structure. Departments were generally organized by function so the line-item objects in their budgets were directly related to those various departmental functions. The last exclusively traditional budget was in 1969–70.

## THE PROGRAM BUDGET CONCEPT - 6220

The program budget concept and structure, established and implemented by Section 13335 of the Government Code (Chapter 1284, Statutes of 1978), was intended to emphasize the purpose, meaning, and benefits of the various programmatic activities of departments, rather than their functional costs.

**Program**

A program is a group of closely related and interdependent activities. A program should be clearly delineated, have minimum overlap and interaction with other programs, and lend itself to at least partial quantification. It should be end-product or intermediate- product oriented. Programs should involve specific objectives of the department, bringing together all associated costs displayed in the program budget.

**Program Budget**

The program budget is the department's budgetary presentation designed to display its program activities. A program budget defines objectives and relates the proposed level of expenditures to meet those objectives in the given fiscal year. It is not uncommon to find different ways to subdivide programs and program budgets. In the earlier budget presentations, the hierarchical program structure divided programs into elements, elements into components, and components into tasks. However, as presentations began to expand and proliferate to the lower levels of the program structure, a general policy was adopted to limit departmental presentations in the Governor's Budget to no lower than the sub-program or project level.

**Program Descriptions**

All of the department's pertinent program facts are shown in the program description. The complete program description becomes a tool for departmental program managers. It should be kept up-to-date to reflect executive and legislative action. Some parts of the program description may be used in the annual departmental budget.

**3-Year Expenditures and Positions**

The 3-Year Expenditures and Positions display in the Governor's Budget and enacted budget provides a department's expenditures and positions by program. Expenditure and positions information is given for past, current, and budget years.

**Detailed Expenditures by Program**

The Detailed Expenditure by Program section in the Governor's Budget and enacted budget displays a department's detailed funding outlined by program. The department's state operations and local assistance funding is reflected by fund source for each program area.

Expenditures for each program funding source are provided for past, current, and budget year.

**Legal Citations and Authority**

Provides the legal (Constitutional or statutory) or administrative (Executive Order, regulation, SAM, etc.) authority for the program.

**Major Program Changes**

Major Program Changes describe significant program adjustments to the department's program budget compared to the previous fiscal year and the reason for the change.

Major Program Changes may include increases and or decreases of positions, funding, and reason for changes.

## DEVELOPMENT AND ENACTMENT OF THE ANNUAL FINANCIAL PLAN, 6300 THE PROCESS IN BRIEF - 6300

The annual financial plan consists of the Governor's Budget, as amended in the May Revision, to the extent approved as part of the final budget, Budget Bill and other bills with fiscal or program impact as enacted, estimated revenues, and spending authority.

The Governor has complete and final responsibility for "the Governor's Budget" and the "initial Budget Bill." However, preparation of the Governor's Budget and the initial Budget Bill is actually a product of the entire executive branch. Although the constitutional officers and the segments of higher education have a certain level of autonomy, the Governor typically requests their cooperation in seeking, establishing, and implementing the fiscal policies of the Administration. Decisions, small and large, must be made by many persons. While legislative and administrative leaders make crucial decisions on specific questions raised during the budget process, they are largely dependent on information presented to them. It is essential therefore that everyone involved in the preparation of the budget try to create a meaningful, well developed and fully justified plan, and not expect the budget review process of the Administration to accomplish an impossible task for which it is not designed.

Once the Governor has submitted the Governor's Budget and the Budget Bill to the Legislature, the process involves both the Administration and the Legislature. Both houses of the Legislature schedule budget hearings where the Administration defends the Governor's proposals and the Legislature takes actions on those proposals. At May Revision, the Governor updates revenues and expenditures, and proposes a revised plan to the Legislature. Once both houses have adopted a joint budget after resolving differences through Conference Committee or other meetings, a balanced budget bill is sent to the Governor for consideration, which the Governor may sign, veto partially, or veto the entire bill.

## BUDGET POLICY - 6305

The Governor's Budget policy provides guidance for the formulation of the budget. Such guidance may provide specific instructions for expenditure programs (e.g., limiting cost increases or no expansion), growth in positions, and other direction with the goal to balance the budget and other objectives such as to maintain structurally balanced in the future years or to build rainy day funds. The Governor may disseminate budget policy direction through a formal announcement, through the Agency

Secretaries, when applicable, issuance of Executive Orders, or by instructions issued by Finance (e.g., Budget Letters). Budget policy may also be set forth in control sections of the annual Budget Act.

## AGENCY BRIEFINGS AND GOVERNOR'S REVIEW - 6310

Finance staff conduct meetings with Agency and departments under such an Agency to review proposed budgets and Budget Change Proposals. For significant unresolved or sensitive budget issues, recommendations may be prepared for the Governor's decision. In the same manner, Finance conducts meetings with non-Agency departments and prepares recommendations for the Governor's decision.

## PREPARATION AND SUBMITTAL OF BUDGET INFORMATION - 6315

Each department is responsible for the preparation and submission of information related to its own budget to Finance in accordance with direction provided by Finance. Information may be required to be provided in FI$Cal/Hyperion or in other methods. It is suggested that budget officers preparing departmental budget information for submission to Finance discuss with the assigned Finance budget analyst to confirm timing and expectations

Approved budget information in FI$Cal/Hyperion is used to generate detailed and summarized budget information in Finance's published Governor's Budget and Budget Enactment. The detailed and summarized budget information can be found on Finance's web page at www.dof.ca.gov.

## THE GOVERNOR'S BUDGET - PUBLICATION, DISTRIBUTION, ORDERING, AND PUBLIC SALE - 6320

The Governor's Budget is printed in quantities sufficient to fill official distribution requirements and to provide a limited stock for sale to the public or other departments.

The Governor's Budget and Governor's Budget Summary including the summary schedules are available on the Department of Finance Home Page: http://www.dof.ca.gov or http://www.ebudget.ca.gov/

The Office of State Publishing (OSP) determines the quantity to be published based on Finance's estimates to meet distribution requirements

Departments and members of the public may obtain hard copies in the following ways

- The Department of General Services, Office of State Publishing, has been contracted to print/produce the Governor's Budget and the Governor's Budget Summary for Finance. To purchase hard copies of these publications, please contact:

  Department of General Services Legislative Bill Room
  344 North 7th Street
  Sacramento, CA 95811
  (916) 324-0221

- PDF documents of the Governor's Budget and Governor's Budget Summary can be viewed or printed at http://www.ebudget.ca.gov/ from the Printable Budget Documents sections available on each web page.

## THE BUDGET BILL - 6325

The Budget Bill is prepared by the Department of Finance and is submitted to the Legislature in January accompanying the Governor's Budget. The Budget Bill is the Governor's proposal for spending authorizations needed for the subsequent fiscal year. Spending authorizations proposed in the Budget Bill are in addition to spending authority contained in the constitution and other statutes. Each house will begin its legislative budget hearing process with this version of the bill, and make various changes to reflect its actions. The California Constitution requires the Legislature to pass the Budget Bill and send it to the Governor by midnight on June 15 each year for signature. The Budget Bill sent to the Governor must represent a balanced budget, as specified in the Constitution. After signature by the Governor, the Budget Bill becomes the Budget Act.

## LEGISLATIVE ANALYST'S ANALYSIS OF THE GOVERNOR'S BUDGET - 6330

Following release of the annual Governor's Budget and related Budget Bill, the Legislative Analyst's Office prepares an "Analysis of the Governor's Budget", as well as a series of publications covering various programs and departments. These reports provide comprehensive, non-partisan reviews and recommendations on the funding proposed in the Governor's Budget. The reports can be obtained in hard copy directly from the Legislative Analyst's Office and also on their website: www.lao.ca.gov.

## BUDGET ACT - 6333

A Budget Bill is introduced in each house of the Legislature at the time the Governor presents the proposed budget to the Legislature. These bills are amended by the Legislature to reflect changes to the Governor's proposed version. One of the bills is passed by both houses of the Legislature no later than June 15 or the legislators' salary, travel, and living expenses will be forfeited permanently during the late period. Items in the Budget Bill passed by the Legislature may be vetoed or decreased but not increased by the Governor prior to signature. Once signed by the Governor, the Budget Bill becomes the Budget Act.

The veto actions of the Governor are listed near the beginning of the publication. However, the veto actions are not amended into each item/section of the Budget Act. When referring to an item of the Budget Act, check for possible veto actions which may be applicable to the item. See SAM Section 6350 for information regarding the Final Budget Summary.

## LEGISLATIVE FISCAL COMMITTEE AND FLOOR ACTIONS - 6335

See SAM Sections 6130 and 6150 (chart) for descriptions of the budget enactment process regarding subcommittee, committee, and floor actions on Budget Bills.

## BUDGET COMMITTEE ON CONFERENCE - 6340

The Joint Rules provide that when the Senate or Assembly refuses to concur in amendments to a bill made by the other, the Senate and the Assembly will each appoint three members to the Budget Committee on Conference (Committee). However, the Senate or Assembly may deviate from the Joint Rules and appoint more than three members to the Committee. Generally, the appointees for each house will include two members from the majority party and one from the minority party. Meetings of the Committee are held in public.

Passage requires a majority vote of two senators and two assembly members unless there are more members appointed. The Committee shall only consider differences between the versions of the Budget Bill unless rules are waived and an open Conference is declared. The Committee shall not approve any item of expenditure which exceeds that contained in one of the two

versions. If the Committee fails to gain passage, a second Committee on Conference will be selected and the process repeated. No more than three different conference committees may be appointed on any one bill.

## THE GOVERNOR'S VETO - 6345

The Governor may reduce or eliminate one or more items of appropriation while approving other portions of a bill. The Governor will then provide a statement of the items reduced or eliminated with the reasons for his/her action to the house of origin. Items reduced or eliminated may be separately reconsidered and may become law by a two-thirds vote of each house (veto override).

## FINAL BUDGET SUMMARY - 6350

The Department of Finance publishes the Final Budget Summary each year, which is available on Finance's website at www.dof.ca.gov. This is an annotated version of the Budget Act.

The Budget Act does not incorporate additional annotations that are contained in the Final Budget Summary. The additional annotations included in the Final Budget Summary may include technical corrections, revisions made by bills that amend the Budget Act in time to be included in the enacted budget totals, and the effect of the Governor's veto actions on specific items or sections. Annotations reflected in the Final Budget Summary are described on the "Detail of Changes" page at the beginning of the publication.

## THE LIST OF CHANGES TO THE GOVERNOR'S BUDGET, FINAL CHANGE BOOK - 6355

The Final Change Book Report, released after budget enactment, includes all spending authority changes made to proposals contained in the Governor's Budget, as submitted to the California State Legislature by January 10 each year. Changes are presented in three columns that represent different points-in-time during the budget process. The May Revision column presents changes since the Governor's Budget, as proposed in the May Revision. The Conference Committee column typically contains legislative changes to the proposed budget plan, as well as the Legislature's acceptance of the Administration's proposals. The Enacted Budget column includes all changes to the Governor's Budget, including any changes resulting from vetoes by the Governor.

Each change is identified by an item number or control section related to the Budget Act or other authority, and a budget request name and title. Only changes for the newly-enacted fiscal year are displayed (changes to the prior fiscal years are not included). Details include information for the categories and programs changed in the identified department's items of appropriation for state operations, local assistance, capital outlay, and unclassified.

## THE DEPARTMENTAL BUDGET PRESENTATION - 6400

1. Departmental estimates of expenditures and revenue in the Governor's Budget should be based on existing law and policies. No consideration should be given in the budget presentation to proposed program changes in laws and policies except for those approved by the Administration as part of the Governor's Budget.
2. Past Year Presentation of the Governor's Budget
    a. It is important that fund balance, revenues, expenditures, and other data included in the past year's presentation of the Governor's Budget reconciles with similar data published in the State Controller's Budgetary/Legal Basis Annual Report. Therefore, departments must ensure that budget information reconciles with year-end financial reports. In very limited circumstances, there may be differences between the amounts in the Governor's Budget and the year-end financial reports (e.g., pending budget decisions or legislation).
    b. Each department head or designee (one level below department head) must complete a DF-117, Certification of Past and Prior Year Information, when submitting past year budget information to Finance to certify the following:
        - Past/prior year information provided to Finance is accurate and reconciles between budget and accounting information, and
        - Accounting records and information are consistent with information provided to the Controller.

    The certification is required for all funds with past/prior year activity.
3. The following sections of SAM deal with departmental budget presentations. The first section, management of funds, includes the responsibilities of fund administrators and fund users. Following the management of funds are sections dealing with the presentation of personal services, as the reconciliation of the position base to the legislative authorizations typically is an initial task in building the next budget, operating expenses and equipment, supplementary schedules, Expenditures by Category, Details of Appropriations and Adjustments, and Fund Condition Statements

## RESPONSIBILITIES AND AUTHORITY OF FUND ADMINISTRATORS AND FUND USERS - 6401

The Department of Finance designates an administering department for each fund, which is indicated in the description of the fund in the Manual of State Funds (found at: http://www.dof.ca.gov/accounting/manual_of_state_funds/). The administering department is responsible for the overall management of the fund.

This section outlines the responsibilities of a fund administrator for both non-shared and shared funds, and users of shared funds. Responsibilities pertaining to Fund Condition Statements apply to Fund Condition Statements prepared for and published in the Governor's Budget or the Enacted Budget.

Responsibilities of a Fund Administrator that is the sole user of a (non-shared) fund:

1. Verifies the accuracy of departmental accounting records by performing monthly reconciliations with source documents and corresponding appropriation and general ledger accounts maintained by the State Controller's Office (SCO).
2. Calculates prior year adjustments and keeps documentation for such adjustments.
3. Submits Fund Condition Statement to Finance with prior year adjustment, past year revenues, transfers, loans, and past year expenditures, and appropriate backup documents. Departments should work with Finance to determine any special adjustments or reserves.

4. Ensures accuracy and consistency of data between budget documents (e.g., Fund Condition Statement) and year-end financial reports submitted to the SCO.
5. Ensures both sets of documents are prepared with the same method and on the same accounting basis as in the Governor's Budget and Budget Act per Government Code section 12460. No variance should exist. No exceptions, unless approved by Finance or authorized in law.
6. Coordinates with Finance budget analyst who oversees the fund to ensure there are no other statewide changes to be included in the Fund Condition Statement.
7. Tracks and manages changes and ensures a prudent reserve is maintained, working with Finance to determine the level necessary for a prudent reserve.
8. Provides all necessary information on a timely basis when Finance performs its review of the fund's components, including the following:
    - DF-303, Detailed Fund Balance Report (applies to funds with a published Fund Condition Statement).
    - Year-end financial reports or other backup documents related to the fund's prior year adjustments and past year revenues/expenditures.
    - DF-117, Certification of Past and Prior Year Information.

Authority and Responsibilities of a Shared Fund Administrator:

1. Performs all responsibilities as listed above.
2. Possesses authority to request information from user department(s). User departments include departments that collect revenues and/or spend from the fund. The shared fund administrator can request the following information from user departments at any time:
    - DF-303, Detailed Fund Balance Report (applies to funds with a published Fund Condition Statement).
    - Copies of the year-end financial reports or other backup documents related to the fund's prior year adjustments and past year revenues/expenditures.
    - Copies of reconciliations and reports as necessary to allow the shared fund administrator to reconcile departmental account and fund balances to SCO.
    - DF-117, Certification of Past and Prior Year Information.
3. Reviews data from other fund users for reasonableness. Except during the budget development period (when changes are tracked by Finance), tracks and manages changes and ensures a prudent reserve is maintained. Works with Finance to determine the level necessary for a prudent reserve. Once all budget proposals are developed and approved, Finance will share a copy of the Fund Condition Statement with the fund administrator.
4. Based on latest available information, provides a letter of support or opposition to fund users when they ask for a determination of sufficiency of the fund to fund a proposal. Fund users are not to provide details of the proposal, but must obtain a letter of support from fund administrators regarding adequacy of fund balance.
5. Assists Finance when requested in determining the use of the fund for new purposes.

Responsibilities of Shared Fund Users:

1. Verifies the accuracy of departmental accounting records by performing monthly reconciliations with source documents and corresponding appropriation and general ledger accounts maintained by the SCO.
2. Ensures the accuracy and consistency of data between budget documents (e.g., Fund Condition Statement, if applicable) and year-end financial reports submitted to the SCO.
3. Provides all necessary information requested by the fund administrator to manage and reconcile the fund on a timely basis, including the following:
    - DF-303, Detailed Fund Balance Report (applies to funds with a published Fund Condition Statement).
    - Copies of year-end financial reports or other backup documents related to the fund's prior year adjustments and past year revenues/expenditures.
    - Reconciliations and reports necessary to allow the shared fund administrator to reconcile departmental account and fund balances to SCO.
    - DF-117, Certification of Past and Prior Year Information.

Note: Assessments by statewide projects/programs are not considered fund users for purposes of the responsibilities above.

## PERSONAL SERVICES - 6403

A category of expenditure which includes such objects of expenditures as the payment of salaries and wages of state employees and employee benefits, including the state's contribution to the Public Employees' Retirement Fund, insurance premiums for workers' compensation, and the state's share of employees' health insurance. (See also "Object of Expenditure.") (SAM 6506.)

The category of Personal Services includes all payments for personal services except:

(1) those obtained under contract and (2) payments for health and welfare benefits for prevailing rate employees as authorized by Government Code Section 19831. The Personal Services Account/Category code (AC_51XXXXX) contains two types of expenditures: (1) salaries and wages (AC_510XXXX), which includes all direct payments for personal services and (2) staff benefits (AC_515XXXX), except for those services obtained under contract. See Government Code Section 19830 and SAM Section 6412.

Government Code Sections 19130-19135 provide criteria and procedures regarding the state's use of personal service contracts. These provisions basically provide for personal services contracts to achieve savings when specific conditions are met and allows an employee organization that represents state employees to request that the State Personnel Board review the contracts for compliance with the specified standards.

## STAFF BENEFITS - 6412

State contributions to the Public Employees' Retirement Fund, Old Age and Survivor Insurance, State Employees' Health Benefits, Worker's Compensation, and contributions to prefund Other Post-Employment Benefits (retiree healthcare costs, commonly referred to as "OPEB") for state officers and employees will be combined and entered immediately following "Net Totals, Salaries and Wages" in the "Expenditures by Category." The item will be entitled "Staff Benefits" and will show the total contributions by year. Estimates will be prepared in accordance with instructions issued by the Department of Finance such as

Budget Letters. For the past year, the amount of actual contributions may be taken from the appropriate allotment expenditure account.

1. The Public Employees' Retirement component includes all state contributions for state employees covered under the Public Employees' Retirement System (Government Code Sections 20000 through 21703).
2. The Old Age and Survivors' Insurance data include all state contributions for state employees covered under the Federal System (Government Code Sections 22000 through 22603).
3. The State Employees' Health Benefits component includes all state contributions for state employees enrolled under any approved health benefit plan (Government Code Sections 22750 through 22944.5). Costs of payments for health and welfare for nonpermanent, prevailing rate employees as authorized by Government Code Section 19830 will be applied as operating expenses.
4. Workers' Compensation for state officers and employees is budgeted as an item of Staff Benefits.
   State entities that carry Workers' Compensation policies with the State Compensation Insurance Fund will not budget additional funds for Workers' Compensation benefits. They will continue to budget funds for payments of premiums that will be included as a part of Staff Benefits.
   Because of the nature of this type of expense, some agencies may have to rely upon certain subjective factors in computing requirements. Departments should prepare estimates taking into consideration all pertinent factors, particularly those which might result in a difference in cost from that experienced in past years. Accident and injury experience loss rates, changes in working conditions affecting risk exposure, changes in number of employees and salary rates are examples of areas that can fluctuate yearly.
5. Other Post-Employment Benefits includes all state prefunding contributions for state employees covered under the Public Employees' Medical and Hospital Care Act (Government Code Sections 22750 through 22944.5) for postretirement health benefits and the State Employees' Dental Care Act (Government Code Sections 22950 through 22959) for postretirement dental care benefits.

If a department is proposing additional funding for staff benefits, a BCP must be submitted to Finance. Any BCP must meet the guidelines and policy provided by Finance through Budget Letters or other notification process. If no variation is expected, the following method may be used in computing Workers' Compensation Insurance expense:

1. Determine total Workers' Compensation Insurance expenses for departmental employees for each of the past three years. This information is available from the Compensation Insurance Fund.
2. Determine total salaries and wages paid to departmental employees for each of the past three years excluding staff benefits.
3. Divide the total expenses for three years by total salary and wages for three years to determine the ratio of Workers' Compensation Insurance expenses to salaries and wages. Apply this ratio to the total salaries and wages estimated to be required for the budget and current years to determine the amount required.

## SCHEDULE 7A - SALARIES AND WAGES (DOCUMENTS FOR PREPARATION) - 6415

The Uniform State Payroll System records maintained by the State Controller's Office (SCO) are used as the basis for the preparation of the Salaries and Wages (Schedule 7A) publication. Each department served by the Uniform State Payroll System will use SCO's information, as of June 30, to update the Schedule 7A spreadsheets.

Departments not included in the Uniform State Payroll System will update the Schedule 7A using payroll information from their own system.

The Schedule 8 tabulation is prepared from SCO's payroll records of "Established Positions."

Generally, adjustments will be required to bring the payroll-based data to authorized levels in the Schedule 8. If adjustments are required they should be explained fully on the form 33 (STD 33, Supplementary Schedule of Salaries and Wages). Adjustments may be required to bring the department and SCO records into agreement. Differences may arise due to problems with position documentation, timing, or error.

The Schedule 7A spreadsheets are distributed to departments via e-mail by their Finance analyst, usually in late July. Departments should carefully review and complete the Schedule 7A per the instructions provided in the Salaries and Wages Budget Letter. The Schedule 7A will summarize the information presented in detail in the Schedule 8 received from the SCO. The totals for the current and budget years must reconcile to the legislatively authorized positions.

Upon completion, the Schedule 7A spreadsheets are to be submitted to Finance.

## SCHEDULE 7A—BUDGET SUPPLEMENT OF AUTHORIZED POSITIONS SALARIES AND WAGES (PROCESSING) - 6418

The Schedule 7A spreadsheets are distributed to departments via e-mail from their Finance analyst, usually in late July. Departments should carefully review and make all changes per the instructions provided in the Salaries and Wages Spreadsheet Budget Letter.

Only the important, significant programs or sub functions which are necessary to understand the department's organization or operations should be presented. Insignificant sub functions should not be shown separately even though they may have been separately shown on the Schedule 8 tabulation. Changes to the arrangement may be made in the latest salary supplement only after consulting with Finance.

Within each such significant expenditure class or subclass, combine all identical full-time equivalent positions by classification regardless of differences in pay rates or other factors. Part-time or part-salary positions of the same class are combined irrespective of the fraction of time. Position classifications are listed in descending order of the minimum step of the salary range Under the Number of Positions column, show each year's number of positions for each classification or title. Positions should be shown with the net position count, based on establishment or abolishment dates. Temporary help blanket position counts and the dollars associated with them must be displayed on the temporary help line, not the overtime line. Dollar amounts are to be reported to the nearest dollar. All full time equivalent positions approved in the immediate past final budget are to be included. For the past year, positions are counted on an actual basis. Do not make any proposed staff changes in the Schedule 7A spreadsheets. Such changes should be reported in the Changes in Authorized Positions presentation under Workload and Administrative Adjustments in the Governor's Budget. A position counts for temporary help blanket positions (seasonal, temporary help, etc.) is included in totals. For the past year, enter actual full time equivalent positions of employment. For the current and budget years enter the exact number of full time equivalent positions authorized by the Legislature as of the immediate past

enacted budget. The necessary changes in temporary help positions will be reported under Workload and Administrative Adjustments in the Changes in Authorized Positions presentation

The Salary Range column will show, for each classification, the established minimum and maximum rates of the approved monthly salary range as of June 30, past year; or, if appropriate, show the established flat monthly rate (e.g., $1,430-2,138; or $2,101). Flat rate salaries fixed by Constitution or statute are shown on an annual basis.

For each temporary help position (or authorization), show the actual amounts used in the past year in parenthesis. For the current and budget years enter the full time equivalent positions and dollar amounts authorized by the Legislature. Generally, the authorized temporary help amounts do not change from year to year. However, they may be increased to include previously approved general or special salary range changes. If general salary increases are not effective at the start of the current fiscal year, it may not be included in Schedules 7A and 8. All other changes proposed for temporary help positions must first be approved by the Legislature as Workload and Administrative Adjustments before being included in the Salary and Wages Supplement. When the Salary and Wages Supplement is prepared in this fashion, no additional explanation or justification of temporary help positions is required.

If an administratively authorized position has been established and has been paid from temporary help blanket funds, the position will terminate on June 30 of the same fiscal year. However, it may be reestablished upon approval of Finance, provided it is included in the budget submitted to the Legislature as described previously, and provided that this does not result in the establishment of positions previously deleted by the Legislature. See Section 31.00 of the Budget Act.

For a more complete definition and description of temporary help positions, see SAM Section 6518

The Totals, Authorized Positions line shows the count of full time equivalent positions filled and actual amount expended for the past year, the number of full time equivalent positions and amounts approved by the Legislature in the immediate past approved budget for the current and budget years.

## SCHEDULE 8 TABULATION - 6424

In July, the State Controller's Office (SCO) prepares a Schedule 8 report from the position and payroll rosters of all positions existing on June 30 of the immediate past fiscal year which are maintained by that office. The report is then made available via View Direct/Mobius, or FTP if an agency signs up to receive the file.

No transactions effective July 1 or later will be included with the following exceptions:

- A reorganization effective July 1 which has prior approval of SCO and Finance will be included.
- New permanent positions (full time or fractional) to become effective on July 1 (this does not include California State University positions).

## DESCRIPTION OF SCHEDULE 8 TABULATION - 6427

The SCO prepares a schedule of established positions (excluding blanket and other positions having serial numbers in the 900 series) as of June 30 of the past year that are authorized to extend beyond June 30, indicating the following for each budget function, in numerical order of budget function code:

1. Class title.
2. Position number—includes codes for department, reporting unit or function, class, and serial.
3. The name (or "vacant" or "termin") of the employee. An asterisk will appear to the right of the name if the employee has OASDI coverage.
4. Salary rate June 30 of the past year. If vacant, the minimum will be shown. Salary type and range code are also shown.
5. Minimum and maximum salary for the class as of June 30 of the past year.
6. Anniversary date—month and year of next adjustment authorized or estimated (month is shown by a two-digit code and year by a two-digit code, XX/XX). Shown as 99/99 if employee is at maximum pay in their class.
7. For positions paid on a monthly basis, are vacant, or for which the anniversary date is not known, the estimated anniversary date will be shown as 7 (July of the budget year) or 1 (January of the current year) for classes which have a merit or special in- grade salary adjustment, and an asterisk will appear to the right of the date.
8. Appointment fraction if not full time. A four-digit code of which the first two digits are the numerator and the last two the denominator of the fraction. (0102 = 1/2 time; 0104 = 1/4 time; 0304 = 3/4 time; 1112 = 11/12 time, etc.)
9. Position termination date—stated as 06 30 18 for June 30, 2018, or 12 31 18 for December 31, 2018.
10. Positions to the nearest tenth expended for the past year by class within each reporting unit (or budget function). Position expenditures by individual position are not available and will not be required.
11. Positions authorized by position for the current year to the nearest tenth.
12. Positions authorized by position for the budget year to the nearest tenth. (Fractional positions extended at same fraction as authorized for the current year).
13. Amount expended by class for the past year.
14. Estimated expenditures by position for current year.

15. Estimated expenditures by position for budget year.

The SCO tabulation will also include totals of positions and amounts expended by reporting unit (or budget function) within agency and a grand total for each agency code.

## VERIFICATION AND COMPLETION OF SCHEDULE 8 TABULATION - 6429

Each department will proceed as follows, with clear entries made on all copies:

1. Compare the Schedule 8 to department payroll roster. Any differences on the Schedule 8 should be analyzed and corrected. A spot-check should be made of the anniversary dates and extensions. A list of State Controller's Office (SCO) discrepancies or errors should be prepared and attached to each copy of the schedule. For each item on the list, include a cross-reference to the specific document which has not been recorded in SCO records, so that SCO may check original documents before making corrections.
   In the case of a full-time authorized position that is filled on a part-time basis, the SCO's tabulation will carry the position as a part-time position and the amount will be that of a part-time position. This condition will be shown for both current and budget years. The department should make the changes to provide for continuation on a full-time basis, if applicable.
   Differences other than SCO's discrepancies or errors must be corrected through submission of payroll or position documents. The preparation and submission of such documents are a follow-up condition for certification procedures established in accordance with SAM Section 6521.
2. Correct all of the totals to account for the above changes.

For positions marked "vacant" in the tabulation, insert, after the word "vacant," the date the position became vacant.

## EXPIRING FILLED POSITIONS - 6436

The SCO prepares a separate listing titled Report for Schedule 8—Supplementary Tabulation. This listing reflects all authorized appointments that continue beyond June 30 of the past year, but do not have approved positions to continue beyond June 30. The purpose of this listing is to remind the department that these employees should have been separated or placed in an authorized position.

## BLANKET POSITIONS - 6439

The State Controller's Office prepares a separate listing of actual expenditures from blanket positions (temporary, seasonal, and overtime) for the past year. This Blanket Positions Report includes past year expenditures that are posted through June 30 of the past year. These expenditures will need to be reflected in the Schedule 7A. (See also "Temporary Help or Overtime Blankets.") (SAM 6518).

## PREPARATION OF SCHEDULE 8 SUMMARY - 6448

The Schedule 8 consists of two parts, the summary and detailed tabulation. The instructions for the detailed listing are found in SAM sections 6424, 6427, and 6429, while the instructions for preparing the summary are provided below. The Schedule 8 acts as a payroll authorization for the current year, and an encumbrance document for posting to salaries and wages allotments as well as a source of information for Schedule 7A. See SAM section 6521.
The Schedule 8 Summary will be prepared on the Supplementary Schedule of Salaries and Wages form, STD. 33, as follows:

1. Using the total of each budget function from the Schedule 8 tabulation, enter the total number of personnel years for each of the three years (columns 8, 9, and 10), the total estimated expenditures for the current year for established positions in column 11, and total proposed expenditures for the budget year in column 13.
2. The total of column 11 should be used to encumber current year allotments for salaries and wages.
3. Following each function total, an individual and newly authorized position in the Governor's Budget for the current year but not yet established is to be listed with the estimated expenditures for the current year inserted in column 12 and the projected expenditures for the budget year in column 13.
4. Following function totals, insert information regarding blanket position expenditures for the past year (columns 6 and 7), and estimated expenditures for the current year (column 12), and the budget year (column 13). This is not the normal use of columns 6 and 7.
5. At the end of the Schedule 8 Summary, set forth a reconciliation of the total positions shown in column 9, to the current year from printed budget documents as of the latest enacted budget. Differences in the number of positions in any function or program should be explained with reference to the supporting STD. 607, limited-term positions expired, or proposed new positions not yet established.
6. Upon completion of the above, send the original STD. 33 and one copy of the Schedule 8 prepared by the SCO to Finance as part of the agency budget request. A copy of the STD. 33 should be retained by the department.

## OPERATING EXPENSES AND EQUIPMENT - 6451

Each department must prepare supplementary schedules of the various items of operating expense and equipment needed to support the programs of the department. Schedules must be prepared and furnished to Finance per instructions issued in a Budget Letter. The Supplementary Schedule of Operating Expenses and Equipment (DF 300), and the Supplementary Schedule of Equipment, (DF 302), are required from each department. The DF-300 report is available in FI$Cal (Hyperion) to assist departments in preparing this schedule.

## SPACE ACTION REQUESTS CRUISE (FORM 9) - 6453

DGS's Real Estate Leasing and Planning Section uses the Space Action Request (CRUISE Form 9), as part of the Form 10 package when required to obtain Department of Finance (DOF) approval.
NOTE: Departments initially request RESD services via Global CRUISE, which is RESD's online project initiation system. The Global CRUISE system should be used to request services such as:

New or additional space (including swing space), lease extensions, or renewals desired by an agency in **non-institutional** buildings— whether state-owned or state-leased, relocatable buildings, and trailers.

If DOF approval is needed prior to proceeding with a new project, the requesting department with the assistance of the Real Estate Officer, prepares the CRUISE Form 9 and supporting documents for the Form10 package based on the data contained in

the Global CRUISE summary.
DOF's Review Requirements. A request is submitted to RESD via the Global CRUISE system. DGS forwards a copy of the CRUISE Form 9 as part of the Form 10 package to the DOF Capital Outlay Unit for approval if any one of the following conditions exists:

1. Rental costs (excluding one-time costs) as determined by DGS are estimated to exceed $300,000 in any year of the firm term of a lease. Lease **renewals** are exempt from this requirement unless:
   a. A ten percent or greater increase in space is requested; or
   b. The department will propose a budget augmentation to meet rent increases.
2. The department will require a budget augmentation for any year within the firm term of the proposed lease. In this respect, one-time costs, including moving, equipment, furniture, telephones, and data processing related costs, etc. must be considered.
3. The department (or DGS) proposes:
   a. A lease with a purchase option pursuant to Government Code Section 14669 (b);
   b. A lease-purchase (installment purchase) arrangement; note that a lease with a —bargainll purchase option is defined, for the purpose of this section, as a lease-purchase;
   c. A lease which in any other fashion meets the definition of a capitalized lease per the Capital Outlay Section in SAM 8363.
   d. A lease which must be noticed to the Legislature pursuant to Government Code Section 13332.10.
4. The DOF re-reviews any CRUISE Form 9 or which costs significantly exceed the level originally indicated by DGS and concurred with by DOF. Thresholds for re- review are established by memorandum of understanding between DGS and DOF.

Whenever a CRUISE Form 9 is submitted to DOF, it must be accompanied with an Estimate of Occupancy Costs form, STD. 10, prepared by DGS and reflecting DGS' recommended space strategy. The STD. 10 provides a clear synopsis of the reasons for the recommended move or other action; how the action is consistent with approved asset management plans; a schedule of estimated costs for each year of the expected term of the lease and a detailed breakdown of the estimated one-time costs and/or savings associated with the action; and any rent overlaps expected. In addition, an OREDS 4083 Space Planning Data Form must be submitted which provides information on employee classifications for the tenant department, type of space, and specifics on specialized space needs.
For certain requests, DGS also prepares a separate economic analysis for DOF verifying that the selected method of procuring space (lease, lease-purchase, lease with purchase option) is the most cost effective, including a comparison with state construction. The conditions of this analysis (i.e., for which projects, and the content) are set by memorandum of understanding between DGS and DOF.
The DOF's review of CRUISE Form 9s consists of two parts:

1. The Capital Outlay analyst reviews DGS' analysis justifying the method of procuring space and the consistency with approved asset management plans.
2. The appropriate DOF support analyst determines whether the program assumptions for the space request are valid, including any possible future growth requirements.

The DOF Capital Outlay unit coordinates this review. The normal time frame for DOF review is less than 30 days. Questions on the status of any space action request which has been forwarded to DOF should be directed to this unit.
**The DOF's approval of the CRUISE Form 9 does not constitute approval of additional funding for any future rental increase or other costs related to the CRUISE Form 9**. The department may wish to coordinate the timing of space action requests with the budget process to avoid making commitments to new space prior to budgetary approval. Requests for a budget adjustment must be submitted as part of the normal budget preparation process. Requirements are reviewed below.
Coordination of CRUISE Form 9s with Support Budget Change Proposals (BCPs). The BCPs are required for any request to increase support budget funding for new or additional space, rent increases on an existing lease, furniture (such as modular), or costs associated with moving. The BCP must be submitted with a copy of the Form 10 package previously approved by DOF. If a final version of this package is not available because the leasing transaction is still under development, DOF will base its review of the BCP on the department's initial estimate on draft version of the package. However, the department is still required to complete the Form 10 package approval process by having DGS submit a final set of forms: CRUISE Form 9 and Estimate of Occupancy Cost Form 10 and OREDS 4083, with complete data, for approval to DOF. As appropriate, DOF may adjust any prior budget decisions to conform with the final CRUISE Form 9.
It is not necessary to coordinate the BCP process with the CRUISE Form 9 process if the BCP is requesting facility funding as a per - position complement. For example, the department may request five new positions for a program, with a per -position facility component. However, such complements are usually adequate only for marginal adjustments of staff. Therefore, departments are cautioned against using per-position complements if large numbers of staff are being added or specialized space is required. Additional facility funding may not be provided later to correct budget shortfalls.
Coordination of CRUISE Form 9 with Capital Outlay Budget Change Proposals (COBCPs). Informational COBCPs are required for proposals to enter in the budget year into a lease-purchase agreement, lease with purchase option, or any other lease which meets the definition of a capital lease, as described in the ‖capitalized Assets‖ Chapter (Capital Outlay Section) of SAM. The opportunity to enter into such a lease may arise, on an unplanned basis, off-cycle with the budget process. The DOF may waive the formal COBCP requirement in this situation, but the client department and DGS must nonetheless provide the same information as well as the economic analysis referred to above as part of Form 10 approval package.

## PREPARATION OF SUPPLEMENTARY SCHEDULE OF 6454 OPERATING EXPENSES AND EQUIPMENT - 6454

This supplementary schedule (form DF 300) is designed for summarizing the operating expenses and equipment requirements of the department. The DF 300 schedule can be generated from the FI$Cal/Hyperion budget system by running the DF 300 report. Submit the report as generated with other supplementary schedules and approved budget change proposals, per the timeframe specified in Budget Letters. Departments may modify the DF 300 schedule per agreement with your Finance budget analyst.
The DF 300 lists the items of operating expenses in account category code order, and includes operating expenses for equipment. The amounts in the Supplementary Schedule of Equipment (DF 302) will not tie to a particular line on the DF 300 because of the account category code structure.

Expenditures for the past, current, and budget years are shown in three separate columns with totals in the DF 300. These totals must be consistent with the Expenditures by Category in the departmental budget presentation.

## BUDGET FOR EQUIPMENT - 6457

Each department must prepare a Supplementary Schedule of Equipment, DF 302. The schedule should be forwarded with the budget package, per the timeframe and guidelines set forth in the Budget Letters.

For uniformity in budgeting, accounting, and purchasing, the definition of equipment in SAM Section 8602 governs whether equipment/personal property will be budgeted and reported as equipment on DF 302. Some expenditures for equipment may be budgeted as capital outlay if purchased as an initial complement of equipment for the capital outlay project.

Departments should work with their Finance budget analyst if they wish to develop and use internal equipment request forms in preparing the supplemental schedule

## SUPPLEMENTARY SCHEDULE OF FEDERAL FUNDS - 6460

Budget submissions are required to include a Supplementary Schedule of Federal Funds. The total amount on the Supplementary Schedule of Federal Funds must correspond to the amount shown as federal funds in the “Detail of Appropriations and Adjustments” in each department's budget. Federal funds are all monies received directly from an agency of the federal government.

The information will be prepared on Supplementary Schedule of Federal Funds/Reimbursements, DF 301, or such other format approved by the Finance budget analyst. Each grant (project) must be listed separately by departmental program.

Separate listings will be prepared for each character of expenditure.

For each grant, include the following: (1) the title or popular descriptive name as listed in the Catalog of Federal Domestic Assistance; (2) the federal catalog number; and (3) the dollars for the past, current, and budget years. Each page should be numbered for ready reference. Instructions for preparation of DF 301 are included on the second page of the form.

If changes have been made during the budget preparation process before submittal of the Governor's Budget to the Legislature which affects this schedule, a final submission of the affected schedule must be made by the originating department to agree with the printed budget and returned to Finance by the timeframe specified in Budget Letters.

## REIMBURSEMENTS - 6463

A reimbursement is cash or other assets received as repayment for the cost of work or services performed, or for other expenditures made for or on behalf and for the convenience of another governmental unit, fund, or department, or for an individual, firm, or corporation. There should be a positive, direct relationship of the charge to the cost of the particular services performed for an individual or entity before one should consider a receipt to be reimbursement. Reimbursements represent the recovery of expenditure and are shown in the Budget Act as a reduction of the expenditures of an item of appropriation. In FI$Cal (Hyperion), budget galleys, and most other budget documents and reports, expenditure authority and expenditures are displayed using a positive amount in Fund 0995.

Federal funds received directly from the federal government by a state department are federal receipts. The spending of those receipts by the receiving department is reported as federal fund expenditures. When these federal funds are used to pay another department for goods or services, the funds received by the second department are treated as reimbursements for the cost of work or services performed.

## SUPPLEMENTARY SCHEDULE OF REIMBURSEMENTS - 6466

Budget submissions are required to include a Supplementary Schedule of Reimbursements. The information is prepared on the Supplementary Schedule of Federal Funds/Reimbursement, DF 301 or such other format approved by the Finance budget analyst. For a definition of "reimbursement,” see SAM Section 6463. All changes to reimbursements are subject to the provisions of Section 28.00, Section 28.50, or Section 1.50, as appropriate, of the Budget Act. The Schedule must include the following: (1) descriptive title; (2) source of funds (indicate the organization code of the paying state department, if applicable); and (3) the past, current, and budget year expenditures. Each page should be numbered for ready reference. Instructions for preparation of DF 301 are included on the second page of the form.

If changes have been made during the budget preparation process before submittal of the Governor's Budget to the Legislature, which affects this schedule, a final submission of the affected schedule must be made by the originating department to agree with the printed budget and returned to Finance by the timeframe specified in Budget Letters.

## SPECIAL ITEMS OF EXPENSE - 6469

Special items of expense are those non-recurring large expenditures or special purpose expenditures that normally require a separate appropriation or schedule to present a clearer fiscal picture.

This class of expenditure appears in the “Expenditures by Category” display (SAM Section 6475) in the Governor’s Budget and the Enacted Budget and are reported as a single line entry following Operating Expenses and Equipment.

## CLAIMS AND TORT LIABILITY BUDGET PROCEDURE - 6472

Each year, one or more pieces of legislation is pursued which authorizes payment of:

1) government claims approved by the Department of General Services (DGS) when there is no other statutory authority for payment, and 2) judgments and settlements by Department of Justice (DOJ) when there is insufficient expenditure authority.

**DGS Approved Claims**

In this situation, DGS has approved a claim and, with input from the affected department, determined that there is no statutory authority for its payment. Generally, twice a year, DGS sends a list of claims with no statutory authority for payment to the Department of Finance (Finance). Finance analysts work with the affected departments to identify the appropriation to be charged and to certify that the necessary funds are available. These claims are then included in a claims bill and the chaptered bill reduces individual Budget Act items and transfers the authority for payment of claims to DGS.

When statutory authority for payment already exists, legislation is not required and the department may pay DGS approved claims directly without obtaining approval from Finance. The most common reason why a claim may lack statutory authority for payment is because it arose from a stale-dated warrant and the department no longer has expenditure authority for the fiscal year in which the warrant was issued.

Government Code section 905.2(f) authorizes DGS to assess a surcharge in an amount not to exceed 15 percent of the total approved claim. These surcharges are treated as expenditures to the Budget Act items listed in the legislation.

**Judgments and Settlements**

In this situation, a chaptered claims bill authorizes DOJ to pay settlements or judgments directly from specified fund balances because there are insufficient funds available in an individual appropriation. To initiate inclusion of a judgment or settlement in a DOJ claims bill, Finance is required to send a letter to DOJ approving the settlement or judgment claim and certifying that the affected department's appropriation cannot absorb the cost of claim.
If the department has sufficient expenditure authority for payment of the claim, legislation is not required and it may pay the claim directly after obtaining approval from Finance. In accordance with SAM section 8712, Finance approval is required for all claims in excess of $35,000.

Upon request of Finance, DOJ, the Department of Transportation, and DGS shall submit reports to Finance providing actual cost data for the prior fiscal year. Such data is to include the following:

1. Claim payment expenditures by fund.
2. Staff services expenditures by fund.

**Although the state no longer carries general tort liability insurance, several departments and agencies carry specialized insurance policies for specific purposes, e.g., Cal Expo and water project bond programs. The Department of General Services Insurance Office shall maintain, and submit to Finance upon request, for all departments and agencies, actual prior year, estimated current year, and anticipated budget year expenditures for tort liability insurance premiums.**

## EXPENDITURES BY CATEGORY - 6475

The Expenditures by Category statement is prepared for the Governor's Budget and the Enacted Budget, and summarizes salaries and wages, staff benefits, and operating expenses and equipment. Expenditures by Category presentations include state operations and local assistance expenditures.
Operating expenses and equipment are reported as a single line entry. Details are provided in supplementary schedules. See SAM Section 6451.
Special Items of Expense are also reported as a single line entry following operating expenses and equipment. See SAM Section 6469.
Totals, Expenditures, All Funds bottom-line represents the sum of all budgetary expenditures separated by state operations and local assistance.

## DETAIL OF APPROPRIATIONS AND ADJUSTMENTS - 6478

The Detail of Appropriations and Adjustments display shows the source and amount of appropriations available for the department and the disposition of such appropriated funds between expenditures and unexpended balances.
The order, wording, and meaning of the various entries in each display are set forth below.

1. **Budget Act Appropriation.** Amount appropriated or proposed to be appropriated in the annual Budget Act.
2. **Continuous Appropriation. Provides the Legal Citation (such as Government Code section XXXXX).** Amount, actual or estimated, available each year under a permanent constitutional or statutory appropriation which is renewed each year without further legislative action. The amount available may be a specific, recurring sum each year; all or a specified portion of the proceeds of specified revenues which have been dedicated permanently to a certain purpose; or it may be whatever amount is required for the purpose as determined by formula—such as school apportionment. For example: Section 42238, Education Code (School District Apportionments).
3. **Allocations For (Purpose).** Total amounts requested or authorized by Executive Order (EO) from an appropriation, which is subject to allocation by Finance or other authority without further action by the Legislature. A separate entry is made for the total amount from each such appropriation from which an allocation is made or requested.
4. **Augmentations for Contingencies or Emergencies (Purpose).** Augmentations for contingencies or emergencies per Items 9840-001-0001, 9840-001-0494, and 9840-001-0988 of the Budget Act, use the citation "Allocation for contingencies or emergencies."
5. **Transferred From (Plus Entry) and/or Transferred To (Minus Entry).** Amount moved or proposed from one appropriation to another by means of an expenditure transfer. Cites the authority for the transfer. Does not include transfers charged to or credited against expenditures, such as reimbursements or redistribution's of expense by plans of financial adjustment. A short "purpose" phrase may be included to describe the reason for the transfer.
6. **Special Appropriation Chapters.** This applies to an appropriation in financial legislation (other than the Budget Act) for the year of enactment only. Continued availability of such an appropriation in a fiscal year subsequent to the fiscal year of enactment is a carryover and will show under "Prior Year Balances Available".
7. **Proposed Bills Authorizing Augmentations for Contingencies or Emergencies.** This applies to proposed legislation sponsored by a department to provide an appropriation. Departments sponsor their own bills for sensitive issues or when the timing precludes use of the statewide omnibus bill for contingencies or emergencies which is generally passed late in the fiscal year. Uses citation of the chaptered legislation.
8. **Prior Year Balances Available.** This is for continued availability of an appropriation in a fiscal year subsequent to the fiscal year of enactment.
9. **Unexpended Balance, Estimated Savings** – (Minus Entry). Unencumbered amount remaining at the end of the year, after providing for expenditures, and not available for encumbrance thereafter.

## FUND CONDITION STATEMENTS - 6481

The Fund Condition Statement displays the summary of a fund's operations for the past, current, and budget years. This statement is generally prepared for all funds classified as special funds within the Manual of State Funds. Fund Condition Statements are also prepared for other funds which are of special interest to the Legislature or the Administration.
The body of the Fund Condition Statement includes the following information, as applicable, in the order indicated below:

1. Beginning Balance – Past year ending balance from the previous Enacted Budget.
    a. Prior Year Adjustment – Changes to the past year beginning balance, consisting of net total adjustments of expenditures, revenues, and refunds to reverted appropriations for previous years. It may also include minor past year assessments, as determined by the Department of Finance. The prior year adjustment affects only the past year column. The current year and budget year columns must always show zero.
    b. Adjusted Beginning Balance – The sum of the Beginning Balance and the Prior Year Adjustment.

2. Revenues, Transfers, and other Adjustments.
    a. Revenues – Detail is provided by type of revenue.
    b. Transfers and Other Adjustments – Transfer of resources between funds (transfers to and transfers from other funds).
    c. Total, Revenues, Transfers, and Other Adjustments.
3. Total Resources – The sum of the Adjusted Beginning Balance and the Total Revenue, Transfers, and Other Adjustments.
4. Expenditures and Expenditure Adjustments – Spending by department, displayed by character (State Operations, Local Assistance, Capital Outlay, and Unclassified), as applicable.
    a. Expenditures – Spending is typically shown in the Business Unit code of entities that spend from the fund. The expenditures are shown in those departments' Governor's Budget and Enacted Budget displays.
    b. Expenditure Adjustments – Transfers from other funds that are treated as Expenditure Reductions.
5. Total Expenditures and Expenditure Adjustments – Sum of Expenditures and Expenditure Adjustments, if applicable.
6. Fund Balance – May include reserves for various purposes.

    a. Reserve for economic uncertainties.
    b. Other reserves as appropriate – (e.g., unencumbered balance of continuing appropriations).

The Fund Condition Statement printed in the previous Enacted Budget should always be reviewed before preparation of the new Fund Condition Statement. As noted above, the beginning fund balance for the past year must agree with the ending fund balance for the past year as shown in the Fund Condition Statement published in the previous Enacted Budget display.

The department's year-end accounting reports should provide most of the information needed to prepare the past year portion of the Fund Condition Statement. However, when there are acceptable and reconcilable differences between budgeting and accounting treatment of transactions, the budgeting treatment of the transactions is used to prepare the past year Fund Condition Statement. Use the latest and best information in the Statement to facilitate best budget decisions.

## ADMINISTRATION OF THE OPERATING BUDGET - 6500

The system for budget administration and control is provided in the State Constitution, Government Code provisions, and a number of control sections of the Budget Act. The system also adheres to the Attorney General's opinions.

The operating budget is the total of all the expenditure authorizations provided by law. This includes the Budget Act, continuing or continuous authorizations provided by the State Constitution and statutory law, and separately enacted appropriation measures and initiatives.

The Department of Finance provides an Enacted Budget with departmental details on its website after the Budget Bill is signed by the Governor. Each department sets up its initial operating budget accounts based upon its portion of the Enacted Budget and the Budget Act.

In administering each department's operating budget, Finance has established a system of delegation of the approval authority for routine documents to the department head. Only those transactions which do not meet the criteria for delegation must be referred to Finance for budgetary approval.

## LEGAL BASIS FOR BUDGETARY CONTROL - 6503

The following summaries are intended to serve as a guide to the applicable laws affecting budgetary control. Read the law, not the summary, for an accurate and complete understanding.

1. Government Code provisions relating to fiscal year budgets:

Section 13070: Gives the Department of Finance general powers of supervision over all matters concerning the financial and business policies of the state.

Section 13310: States that Finance sets statewide fiscal and accounting policies and procedures, and provides adequate fiscal and accounting training, advice, and consulting services to any state agency that is authorized or required to handle public money or its equivalent.

Section 13320: Every agency and court for which an appropriation has been made is required to submit an operating budget for the fiscal year.

Section 13321: Prescribes that the operating budget documents display allotments of appropriations or other funds by quarter or other period of time and by organization unit. Authorizes Finance to require a state agency or court to set aside a reserve for contingencies or other purposes in an amount as specified by Finance.

Section 13322: Authorizes Finance to amend, alter, or revise any budget until enactment of the Budget.

Section 13324: Fixes liability of persons, both personally and on official bond, who incur expenditures in excess of budget.

Section 13326: Requires every state agency to submit requests for federal funds through Finance, for advanced approval before such requests are submitted to the Federal Government, except as specified in SAM Section 0912. Authorizes Finance to approve, disapprove, modify, or amend any request before it is submitted to the Federal Government.

Section 13335: Requires Finance to develop, issue, and implement consistent and adequate guidelines to be utilized by departments to submit budgets.

Section 13337: Provides that the Governor's Budget shall be prepared in accordance with guidelines and instructions adopted by Finance.

Section 13344: Requires state agencies to prepare and maintain financial and accounting data for inclusion in the Governor's Budget, Budget Act and related documents, and the budgetary-legal basis annual report described in Section 12460, according to the methods directed by the Department of Finance.

Section 19818.12: Position establishment subject to budgetary authorization and availability of funds.

2. Control Sections of the Budget Act:

A number of sections of the Budget Act impose limitations on expenditures, extend periods of availability of appropriations, authorize specific adjustments, authorize exceptions, and require reports to the Legislature. As appropriate, Budget Letters are issued to inform departments of long-standing or new or revised sections.

Departmental budget staff should be familiar with all the sections in the Budget Act. The Budget Act includes an index of the sections and provides a short description of the subject matter.

## PERMANENT POSITIONS - 6509

The budgetary definition of a permanent position is any position authorized by the Legislature for indefinite continuation within a specific classification established by a salary setting authority. They may be full-time, fractional time, or intermittent.

Permanent positions must be certified for continuation at the beginning of each fiscal year.
The continuation of permanent positions is accomplished by reconciling the Schedule 8 with the Final Budget. Permanent positions are equivalent to the Current Year Regular/Ongoing Positions line on the Salaries and Wages (Schedule 7A), which is comprised of the Schedule 8, Supplemental Schedule 8, and any position changes (STD. 607) not included in those reports. See SAM Section 6521
As a matter of clarification, the appointment process is a method of filling positions. A permanent appointment is any appointment which continues for any length of time exceeding the probationary period for that class.

## NEW POSITIONS - 6512

A new position is one which has been newly authorized for establishment in the approved budget. Normally these are presented in the Governor's Budget ("Changes In Authorized Positions" section) as Proposed New Positions.
Proposed new positions (other than in the California State University System) that are likely to be approved by the Legislature should be established as soon as possible if they are to become effective on July 1. The documentation should be submitted to reach the State Controller's Office (SCO) by the June pay period document cut-off date. Departments should prepare the forms STD. 607 and 625 (if necessary) in advance and release those as soon as the legislative intent and the Governor's veto actions are known. The certification in SAM Section 6527 may be used and will be accepted by the SCO. Documents reaching the SCO after the June pay period document cut-off date will not be included in the Schedule 8 Tabulation and the initial galley (Schedule 7A) of the Salaries and Wages Supplement.
New positions with a maximum salary under the Control Section 31.00 threshold approved by the Legislature in the latest Budget Act, can be established on or after July 1 st by submitting a STD. 607 to the State Controller's Office using the certification language in SAM Section 6527. These authorized new positions do not require Department of Finance approval.

## LIMITED-TERM POSITIONS - 6515

A **limited-term position** is any position that has been authorized for a specific length of time. Limited-term positions are footnoted in the Salaries and Wages (Schedule 7A) publication.
As a policy, the Department of Finance does not approve limited-term positions. However, the authority for limited-term appointments is still available pursuant to Government Code Section 19080.3.

## TEMPORARY HELP OR OVERTIME BLANKETS - 6518

**Temporary help blanket positions** are for short-term or intermittent uses when it would be impractical to use permanent positions. Blanket positions are intended to be used for temporary, seasonal, or intermittent workload, whereas permanent positions are normally used for longer-term, more permanent, staffing needs. Any type of blanket position must be paid from the approved budget appropriation authority at the discretion of the department. Blanket authorizations in the approved budget must be reviewed annually or established by the submission or approval of STD. 607 in accordance with the provisions of SAM Section 6527 and Control Section 31.00. Continuing monthly or periodic payments may not be made to any person for an indefinite period (on a permanent basis). Employees, who are employed on a full year basis, whether full-time or part-time, should be paid from an authorized position rather than a blanket authorization. Temporary help blankets may be used for the following purposes.

- **Position overlaps.** This includes filling behind:

1. Employees on temporary or extended leaves of absence, sick leave, military leave, etc.
2. An employee for training purposes. This may be necessary for the continuity of operations when an employee in a key role leaves a department.
3. Payment to a separating employee for unused, accrued leave.

- **Employment of limited duration or intermittent use.** Such usage would include, but not be limited to, the hiring of additional employees for the following uses:

1. Special consultant studies.
2. Student assistants.
3. Special projects or contracts of a limited nature such as compilation of statistical data or purge of files.
4. Seasonal workload such as processing income tax forms, or inspection of produce before shipment.
5. Overtime peak workloads that are anticipated in program and administrative areas.
6. Special uses may be established for blankets to keep track of funds expended for limited purposes such as escapes and emergencies and other differentiations meaningful to the department.

**Overtime blankets** are authorizations used to pay employees for compensable, authorized time worked in excess of the regularly scheduled workweek. At the discretion of the department and in accordance with personnel rules of the salary setting authority, overtime may be used in place of temporary help to meet peak workload requirements where feasible and economically advantageous.
If a temporary help blanket has been established, but an overtime blanket has not, it may be more economical to make minor payments for overtime of short duration from the temporary help blanket than to establish a separate overtime blanket for a relatively small total amount.
Department of Finance approval is required for the establishment of a permanent position from a blanket authorization.

## BUDGETARY APPROVAL OF POSITION-RELATED TRANSACTIONS - 6527

Establishment, amendment, or abolishment of positions, blanket positions, and other position-related transactions are documented by the use of the "Change in Established Positions form," STD. 607.
STD. 607s which meet the following four criteria are exempt from review and approval of Finance, provided budgetary review is not otherwise mandated for that transaction.

1. The position has been: (a) specifically identified in the Governor's Budget and approved by the Legislature and is under the threshold in Control Section 31.00 or (b) approved by the Legislature and identified in the Final Change Book or enacted legislation and is under the threshold in Control Section 31.00.

2. The purposes are consistent with the approved program, legislative intent, and Administration policy. The STD. 607 does not provide for new or expanded programs in this or any subsequent fiscal year nor require supplemental financing.

3. The position transaction is in accordance with a staffing plan for the program or a change to the staffing plan which has been approved by Finance as part of the department proposal approved by the Legislature either before or after enactment by the Legislature. The departmental staffing plan and amendments will be maintained as part of departmental records.

4. All pertinent statutory and administrative regulations, such as those of CalHR, SPB, and SCO have been applied and prior approvals secured, when necessary.

Notwithstanding the general criteria for exemption listed above, budgetary review by Finance is mandated for the types of transactions listed below.

- Administrative establishment of positions not authorized by the Legislature.
- Reclassification to positions with a maximum step per month as specified in Control Section 31.00 of the Budget Act.
- Reclassification to a Career Executive Assignment (CEA) from a non-CEA classification must be within the delegated authority approved by the Department of Human Resources (CalHR) and must be approved by Finance. Departments establishing new CEA positions are required to go through the standard CEA approval process with CalHR.
- Establishment of permanent positions out of the blanket.
- Temporary downgrading of positions with a maximum salary as specified in Control Section 31.00 of the Budget Act.

No STD. 607 executed for the above purposes will be exempt from review by Finance under the provisions of this manual or any special exemptions heretofore granted.

**Departments shall not reclassify positions above statutory thresholds set annually in Control Section 31.00—and cannot make appointments under any circumstances to those positions—before Finance approval has been received**.

Departments entering position changes into the payroll system prior to Finance approval could be subject to audits, loss of delegated authority, reduced appropriation authority, and/or other administrative actions.

All departments should conform to Control Section 31.00 of the latest Budget Act. Position-related transactions that are exempt from Control Section 31.00 of the Budget Act per this this section must place the required certificate on each copy of STD. 607 prepared in accordance with the instructions in this section.

The officer or employee signing on behalf of the department shall use the following certification, which shall appear on all copies of the STD. 607.

> *"I hereby certify that all conditions for exemption set forth in SAM Section 6527 have been complied with and this action is exempt from review by Finance.*

The authority to sign this certification is limited to those officers who have been duly authorized by the department head to execute STD. 607s and whose names and position titles are on record with SCO and maintained in the department records for audit purposes.

The STD. 607s that qualify for this certificate may be forwarded directly to SCO.

All proposed establishment of positions and reclassification of positions with a maximum salary step per month as specified in Control Section 31.00 of the Budget Act require full justification and explanation on the personnel document. Any additional costs are to be absorbed within existing appropriation authority.

Transactions documented under the provisions of this section shall be subject to audit by representatives of Finance, and a copy of such documents shall be retained for this review.

## REVISION OF PROGRAMS - 6533

The annual expenditure program approved by the Legislature may require revision. Each revision must be made separately.

The authority for revising a budget may be provided by existing statute, Budget Act language, and other legislation, and to some extent, by administrative authority.

Departmental budget officers should be thoroughly familiar with the “control sections” in the Budget Act which provide most of the authority for adjusting Budget Act appropriations.

Departments should track bills regularly to determine any impact that financial legislation may have on departmental programs and funding. Adjustments must be estimated and viewed carefully for timely submission of revisions.

## REQUEST OF NECESSITY FOR APPROPRIATION AUGMENTATION - 6536

The appropriations in the Budget Act for the Augmentation for Contingencies or Emergencies (Business Unit 9840) require that funds may be allocated for contingencies or emergencies which, in the judgment of the Director of Finance, constitute cases of actual necessity. As a result, the Director of Finance requires submission of a signed form DF-580 (Unanticipated Cost Funding Request) from the head of each state department or agency when requesting an allocation from an Augmentation for Contingencies or Emergencies item. The form should state why the additional funds are required to meet a case of actual necessity and the nature or cause of such need.

Refer to the provisions of the 9840 items in the annual Budget Act for up-to- date information.

## BUDGET REVISION FORM, STD. 26 - 6542

The STD. 26, generally prepared by the department, is required when any of the following are proposed:

1. Program changes are involved.
2. The changes require additional funds and an Executive Order (EO) cannot be used.
3. Funds are to be transferred in the State Controller's Office records between programs or phases within the same item.
4. It is desired to augment (or reduce) a category or program, with a corresponding increase (or decrease) in an estimated source of funds (reimbursements, etc.).
5. The change requires reduction or increases in the remaining balance of an appropriation.

## PREPARATION OF BUDGET REVISION, STD. FORM 26 - 6545

These instructions apply to changes to a schedule within an item of appropriation.

1. **Separation of Requests**

The STD. 26 is limited to a single item of appropriation.
Each request for revision within an item must be limited to transactions associated with a single proposal. Accordingly, each will be reviewed on its own merits. However, all budget changes within the item dependent upon approval of the proposal should be included in the STD. 26. If space on the form is insufficient, insert totals only and include detail in a supporting schedule.

2. **BR Number**
   Document numbers are assigned by the department in order of submission. A new series is started each fiscal year.
3. **Appropriations–Source of Funds (Top Portion)**
   Under this section, list the appropriation (e.g., Budget Act Item) to be revised followed by prior budget revisions, miscellaneous adjustments, EOs, etc. The beginning appropriation amount must agree with the Final Budget Summary. This section must agree with the appropriation accounts maintained by the SCO. For a current operations budget revision, the format of available funds includes such items as:
   Item No._____, Budget Act of 20__
   EO No._____, Allocation for Contingencies and Emergencies
   EO No._____, Deficiency Authorization
   Transfer (from item_, Budget Act of_____)
   Totals
4. **Appropriations–Amounts Available (Top Portion)**
   This column will carry the dollar amounts available (before giving effect to this revision) of items listed under the Appropriations–Source of Funds column.
5. **Appropriations–Revision Requested (Top Portion)**
   This column reflects the dollar amounts of the proposed revision as listed under the Appropriations–Source of Funds column.
   Show “no change” in this column if the revision does not affect the appropriated amount at the item level (e.g., reimbursement authority).
6. **Source of Funds (Bottom Portion)**
   This section will reflect the distribution of funds when there is an applicable appropriation schedule, by listing the individual programs and any existing or proposed appropriated reimbursement.
7. **Amounts Available (Bottom Portion)**
   This column will carry the distribution of the dollar amounts available, (before giving effect to this revision) for funds to which an appropriation schedule is applicable. All amounts of appropriated reimbursements will be deducted from the Total of Schedule amount to arrive at the Net Appropriations Total which will agree with the total of the balances maintained by SCO.
8. **Revision Requested Column (Bottom Portion)**
   This column will reflect the distribution, by individual programs or categories, of the dollar amounts related to any proposed increase (+) or decrease (-). Any proposed change in appropriated reimbursements will be shown in this column and either added to or deducted from the Total of Schedule amount. To avoid doubt of intended distribution place a dash ( - ) in the column for each program or category line not used.
9. **Revision Approved**
   This column is left blank by the department. It is used by the Finance analyst to indicate amounts approved that are different than revision request column.
10. **Purpose of Revision**
    Present in this section, or in supporting schedules, all of the facts necessary for consideration of the proposal. Complete information will result in more expeditious handling of documents.

    **Number and Distribution of Copies:**
    Four copies of BR, STD.26, are required by the Finance budget staff, one of which is returned after approval. The original is forwarded to SCO whenever the request involves any of the following changes of a Budget Act appropriation:

    a. Transfers between programs or projects scheduled in the Budget Act.
    b. Transfers between projects of a major construction appropriation. Generally, STD. 26 is not used for capital outlay adjustments.
    c. Augmentations or reductions in programs or projects by reason of increases or decreases in reimbursements.
    d. Scheduling the detail of unallocated adjustments.

## INTRASCHEDULE TRANSFERS, SECTION 26.00 OF THE BUDGET ACT - 6548

Section 26.00 authorizes Finance to augment any program, project, or function of an appropriation by transfer from any other program, project, or function scheduled within the same appropriation. However, augmentations by such transfer are limited to specific percentage increases as detailed in the control section. Departmental fiscal staff should be familiar with all the provisions of this section.

Each department requesting a transfer using Section 26.00 must submit a separate STD. 26 for each proposed transfer. The revision should contain no other transaction and clearly state the need and purpose for the transfer.

Any transfer in excess of $200,000, or in excess of the limitations provided in the control section, may be authorized not sooner than 30 days after notification in writing of the necessity for the request is provided to the Joint Legislative Budget Committee and to the Chair of each of the legislative committees and appropriate subcommittees.

## SECTION 28.00 AND SECTION 28.50 REPORTING - 6551

Departmental fiscal staff should be familiar with all the provisions of Section 28.00 and Section 28.50. Section 28.00 (federal and other non-state funds) and Section 28.50 (reimbursements from state departments) require reporting to the Legislature of increases and decreases in the amounts available for expenditure which have not been previously considered and approved by the Legislature.

The majority of Section 28.00 and Section 28.50 actions are necessitated by a department or agency receiving federal funds and reimbursements which have not been previously considered by the Legislature in the regular budget review process. To minimize

the number of Section 28.00 reports, every effort should be made by departments to anticipate federal funds which may be received, and to include in the Governor's Budget or May Revision a description of the project and a cost estimate.

Forms DF–90 (Section 28.00) and DF-91 (Section 28.50) are to be used by departments to request adjustments to existing spending authority. The primary responsibility for completing the information on the Section 28.00/28.50 forms rests with the applying department. The completed form may serve as an attachment to a transmittal letter to the Legislature prepared by Finance following a review of the application submitted.

**Section 28.00**

Section 28.00 authorizes Finance to approve the expenditure of unanticipated funds to be received from federal or local governments, or any other non-state entity. However, for federal funds, Section 28.00 does not allow Finance to increase items of appropriation authorized by the Legislature. Instead, Section 8.50 provides the authority to increase federal fund items of appropriation. Other non-state, unanticipated receipts must be appropriated by other authority, or be received as reimbursements under Section 28.00. Regardless of the source of the additional funding, any augmentation that exceeds either $400,000 or 10 percent of the amount available for expenditure in the affected program, project, or function must be reported to the Legislature and may not be authorized until 30 days after the notification. This reporting requirement does not apply to federal funds related to caseload increases in the Medi-Cal, CalWORKs, and Supplemental Security Income/State Supplementary Payment programs.

No proposed expenditure may be made from any additional funds reported in a Section 28.00 letter to the Legislature prior to the approval and return of the Section 28.00 application by Finance.

Augmentations for items for which the Administration had knowledge to include in its current budget plan should not be submitted through this Section.

To receive consideration for an augmentation, departments are required to either (1) notify Finance within 45 days of receiving official notice of the availability of additional, unanticipated federal or non-state funds, or (2) explain in writing to Finance why the 45-day notification was infeasible or impractical. In either case, the department must provide Finance a copy of the official notice of fund availability. If a department expends funds without proper approval, it will be required to absorb such expenditures within its existing appropriations or sponsor legislation to authorize the expenditure.

**Section 28.50**

Section 28.50 authorizes Finance to approve a state department’s expenditure of money received as reimbursement from another state department. Finance approvals that exceed $200,000 must be reported to the Legislature and may not be authorized until 30 days after the notification. However, if the funding for the department providing the reimbursement has previously been approved by the Legislature, these approvals are considered technical in nature and are authorized in Section 1.50 of the Budget Act.

## COMPLETION OF SECTION 28.00 AND SECTION 28.50 APPLICATIONS - 6554

The Section 28.00 and 28.50 Applications (Forms DF–90 and DF-91) are to be initiated by the applying departments. The application must be signed by the department director before sending to Finance. The Finance budget analyst will be responsible for verifying all the information provided.

When appropriate, the Section 28.00 or 28.50 Application will be sent by Finance to the Joint Legislature Budget Committee and to the Chair of each of the legislative committees and appropriate subcommittees. A copy of the application as transmitted will be sent to the Agency Secretary, the department director, and/or the department budget officer, as appropriate.

## SECTION 28.00 AND SECTION 28.50 APPLICATIONS - 6557

It is the responsibility of Finance to review and determine whether the Applications will need to be sent to the Legislature. Finance, when appropriate, will also transmit an approved copy of the Application, with the related budget revision, to the applying department upon receipt of a concurrence letter from the Chairperson of the Joint Legislative Budget Committee, or at the end of the 30-day legislative review period. Finance will send a copy of the approved budget revision to State Controller's Office.

In instances where the Legislature requires more information, or requests the 30-day review period be extended, the Finance budget analyst will inform the applying department and will assist in obtaining the additional data.

## EMERGENCY SERVICES BY STATE AGENCIES - 6560

The California Emergency Services Act establishes the basis for the state to mitigate the effects of natural, man-made, or war-caused emergencies.

Government Code section 8649 provides that, subject to the approval of Finance, any state agency may use its personnel, property, equipment, and appropriations in emergencies declared by the Governor. Because of the need to respond to emergency situations immediately, there may be times when it may be difficult to secure advance approval of Finance. For this reason, Finance, under the authority of Government Code section 13078 and EO B–48–78, has given standing authority to the Secretary of the California Emergency Management Agency (Cal EMA) formerly the Office of Emergency Services (OES)), or the Director's duly designated representative, to direct any agency to utilize and employ state personnel, equipment, and facilities to prevent or alleviate actual or threatened damage due to an emergency, without prior DOF approval, providing the cost of such urgency actions by all state agencies does not exceed $25,000 for each emergency response as directed by the Secretary of the Cal EMA. For expenditures above this level, Finance approval is required.

Government Code section 8649 further provides that any state agency which uses its personnel, property, equipment and appropriation for such declared emergencies, and said agency contains funds which are subject to constitutional restriction prohibiting their use for such purposes, shall be provided reimbursements, and the original expenditure shall be considered a temporary loan to the General Fund.

In the event a department is unable to absorb all the costs associated with an emergency response, it should request assistance from Finance. Appropriate Finance staff will direct immediate attention to the anticipated funding deficiency and provide guidance to the department projecting the shortage. The Director of Finance will evaluate and make decisions on each request for supplemental funding on an individual basis.  Budget Letter 09-13, issued April 20, 2009, describes this process.

**Preparing for an Emergency**

By EO B–48–78, the Governor ordered in part that:

1. Specific assignment of emergency functions to a given agency will be made in an Administrative Order by the Secretary, Cal EMA, following consultation with the respective agency head.
2. Draft copies of agency procedures designed to carry out emergency assignments shall be submitted to the Secretary, Cal EMA, for review and approval prior to publication.

3. Each agency shall prepare for and ensure the utilization of minimum resources required for continuation of normal services and redirection of all other resources to accomplish objectives in accordance with the California Emergency Plan.

Accordingly, each agency must prepare to use existing resources for its assigned emergency response to protect the health and safety and to preserve the lives and property of the people of the State of California.

## INFORMATION TECHNOLOGY EXPENDITURES - 6700

In accordance with Government Code (GC) Section 13070, the Department of Finance (Finance) has general powers of supervision over all matters concerning the financial and business policies of the State. In addition, GC Section 11547 states that Finance shall determine availability of information technology (IT) project funding from appropriate sources and project consistency with state fiscal policy.
Established within Finance is the Information Technology Consulting Unit (ITCU). The ITCU performs fiscal analysis of statewide IT policies and enterprise initiatives proposed by the California Department of Technology, as well as fiscal oversight of Finance-identified critical IT projects. The Department of Technology coordinates review of IT proposals with Finance to streamline the review process and produce one decision for the Administration.

## DEFINITIONS - 6710

For the purposes of this section:

1. An information technology (IT) activity is classified as either new or existing, and is defined as: (a) an IT project, comprised of one-time development and continuing operations/maintenance components, or (b) an ongoing IT effort, such as technical, production, or user support services.
2. Budgetary authority refers to the funds appropriated, expenditure authorizations granted, and expenditure limits/conditions imposed on a department through the provisions of a budget act or other superseding authorization.

## EXCLUSIONS - 6720

See SAM Section 4819.32

## REQUIREMENTS - 6730

The California Department of Technology may impose conditions on information technology (IT) activity expenditures for individual departments or for specific IT activities. Such conditions must be met to gain or continue receiving Department of Finance (Finance) support for the IT activity expenditures.
Department of Technology approval is required prior to the commitment of resources to procure, develop, or implement a new IT activity and/or modify an existing IT activity that:

1. Has estimated total development and acquisition costs above a Department of Technology-established delegated cost threshold and does not meet the criteria of a desktop and mobile computing commodity expenditure (see SAM Sections 4989 through 4989.3);
2. Is a new system development or acquisition that is specifically required by legislative mandate or is subject to special legislative review as specified in budget control language or other legislation;
3. Involves a Finance budget action to fund all or part of the IT activity expenditures; or
4. Meets conditions previously imposed by the Department of Technology.

Note that all formal IT solicitations, as defined in SAM 4819.31, must be submitted to the Department of Technology for review prior to release to the public. In addition, departments are responsible for reporting to the Department of Technology the completion of an IT activity that meets one or more of the criteria listed above and the expenditures associated with that activity (see SAM Section 4947).
Splitting an IT activity into smaller components to avoid fiscal reporting requirements and controls is prohibited.
See SAM Sections 4800 through 5180 and Sections 5300 through 5365.3, and the Statewide Information Management Manual (SIMM), for statewide policy and process instructions for IT activities.

## EXPENDITURE SUPPORT - 6750

The Department of Finance (Finance) reviews and makes recommendations regarding funding and/or expenditure requests associated with proposed information technology (IT) expenditures through the budgetary process. In addition to business and fiscal factors, considerations to determine whether proposed IT expenditures are supportable include compliance with SAM.
Contact your departmental budget analyst or your Finance Budget Analyst for information concerning the various budget request documents available, their intended purpose, and the appropriate use of each. Funding requests associated with IT projects require California Department of Technology approval of a Feasibility Study Report, Special Project Report, or equivalent document.
Finance, at its discretion, may impose expectations and/or conditions for approving a department's proposed IT expenditures when such expectations and/or conditions are in the best interest of the State. Departments will be notified of any such expectations and/or conditions Finance may impose on a department's IT expenditures.

## INFORMATION TECHNOLOGY AUDITS - 6760

All information technology expenditures are subject to audit at the discretion of the Department of Finance.

## COST ALLOCATION - 6770

Each department shall adopt policies and establish procedures for assignment of information technology (IT) costs by program or operational unit within the department, as well as for the assignment and recovery of IT costs for services

## DATA CENTER FINANCIAL MANAGEMENT - 6780

This financial management policy applies to the Office of Technology Services (OTech), an office within the California Department of Technology.
The data center is to operate on a breakeven cost basis by fiscal year (within any Government Code (GC) provision for carryover of operating surpluses or deficits), charging customer departments for its services according to an approved published service rate schedule. OTech will maintain a formal rate methodology approved by the Department of Finance (Finance). The approved

rate methodology will be used to develop and adjust rates as necessary. Rate changes are proposed as circumstances warrant, often annually, and sometimes more frequently.

OTech will submit proposed rates to Finance. Consistent with GC Section 11540, Finance will review and approve the proposed rates based on the reasonableness of the rates and any significant budget impacts to customer departments. Rate changes that result in cost decreases for customer departments will be effective as soon as is reasonably possible. Changes to the rate schedule that result in cost increases to customer departments will be announced at least 30 days in advance of the effective date. All details necessitating such change shall be available to customer departments for review. The approved rate schedule will be published on the OTech website.

To assist customer departments in their planning and budget preparation process, OTech will annually develop a statement for inclusion in a Budget Letter issued by Finance.

## THE LEGISLATURE - 6900

The California State Legislature is a two-house (bicameral) body composed of an Assembly, whose 80 members are elected to two-year terms; and a Senate, whose 40 members are elected for four-year terms. The California Legislature meets for two-year sessions and each house conducts business in its own chamber within the Capitol, often referred to as the Senate and Assembly "floors."

Each house of the Legislature has established a number of standing committees with differing purviews. When a legislative measure is sent to a committee for review, it is said to be "referred" to that committee. It is the job of the committees to review legislation and to recommend amendments to the floor of the house if the committee believes them warranted. A committee may also "hold" a measure by making no recommendation to the floor to pass or amend it. Technically, only the house floors can (by majority vote) amend a piece of legislation. However, the recommendations of the committees are nearly always carried out by the floors as a matter of course.

There are basically two types of committees: "policy" committees and "fiscal" committees. The vast majority of measures are sent to a policy committee for review of the proposed programmatic or public policy change. If a measure would have a fiscal impact on the state, then it is also sent to a fiscal committee for review of financial implications of the measure.

In the Senate, there are two fiscal committees, Appropriations and Budget and Fiscal Review. The Budget and Fiscal Review Committee deals primarily with the Budget Bill. However, it will also conduct hearings on other pieces of legislation which would directly amend or otherwise significantly affect the Budget Act. The Appropriations Committee hears all non-Budget Bill legislation that would have a fiscal impact. The Assembly has two fiscal committees, Appropriations and Budget, whose functions are the same as their Senate counterparts.

Each house also has a Rules Committee which is considered neither a policy nor a fiscal committee since it deals with "housekeeping" and other matters internal to that house. It is the Rules Committees that assign bills to the various standing committees.

There also are a number of "joint" committees comprised of members from both houses. Some examples of these are the Joint Legislative Budget Committee (which oversees the operation of the Legislative Analyst), and the Joint Rules Committee (which develops rules that govern the two houses in addition to the individual houses' rules).

Each house may also establish "special" and "select" committees. These committees generally are established to conduct research into or provide oversight on narrow areas of subject matter for the purpose of providing special expertise and advice to the house which created them. They generally do not hear bills and meet infrequently.

A complete listing of all committees and their memberships can be found in each "Daily File."

## LEGISLATIVE CALENDAR - 6905

The Legislature meets in two-year sessions. The sessions roughly coincide with the biennial elections at which all of the Assembly seats and half of the Senate seats are up for election. Each two-year session is considered a —regular session.ll The California Constitution (Article IV, Section 3) prescribes that the regular session shall begin on the first Monday in December in each even-number year (i.e., following the election the preceding November) and end November 30 two years hence (i.e., after the next election). The sessions are referred to by the two calendar years which they almost encompass (e.g., the session after the elections in 1996 is the 1997–98 regular session—it begins in December 1996 and ends in November 1998.)

Within the constitutionally prescribed dates of convening and adjourning the session, the Legislature has freedom to set its own calendar of meetings and recesses. Generally, however, the Legislature begins meeting in January each year and concludes its work for the year in September. During the year, the Legislature traditionally has scheduled two recesses, an Easter recess of one week and a summer recess of usually four weeks.

In addition to the regular session, the Governor may by proclamation require the Legislature to meet in "special session." A special session may run concurrently with the Legislature's normally scheduled meeting time and/or during its recesses. During the special session, the Legislature may only act on subjects specified in the proclamation. To handle both the regular session and a special session at the same time, the Legislature may have to temporarily recess its work in the regular session, convene in the special session and then reconvene the regular session after temporarily recessing the special session. This recessing and reconvening may happen more than once on the same day.

Other than being limited to the subject matter for which it was called, there is no significant difference in process between a regular and special session. However, the effective dates for bills enacted during a special session are somewhat different than those for a regular session. (See Article IV, Section 8 for more details.)

## LEGISLATION - 6910

Measures considered by the Legislature fall into six classes. There are differences among these classes in their requirements for passage and the weight of authority they carry. The six classes are Bills, Constitutional Amendments, Joint Resolutions, Concurrent Resolutions, House Resolutions, and Rules Committee Resolutions. Each of these types of measures are designated as originating either in the Assembly or the Senate and are assigned a number. The first of any given type of measure to be introduced in a session is numbered —1ll and the numbering continues sequentially throughout the two-year session. At the beginning of a new session, the numbering starts over. For example, the tenth Senate bill introduced in a session is labeled "SB 10"; the third Assembly Constitutional Amendment is "ACA 3.")

## BILLS (AB/SB) - 6915

In California, most laws are enacted, repealed, or amended through the medium of bills, which are proposals to add new laws or change or repeal existing laws.

To become law, a bill must be passed in both houses by at least a simple majority. A two-thirds vote is required if the bill contains a General Fund appropriation, unless the appropriation is for education, in which case only a majority vote is required. In addition,

any bill which contains an urgency clause (i.e., a provision which would make the bill effective immediately upon gubernatorial approval, rather than on Jan. 1 following signature by the Governor as is normally the case) requires a two-thirds vote.
After passage by both houses of the Legislature, the bill is sent to the Governor who may either sign or veto the bill within a specified period of time (either 12 or 30 days depending on what time of the year it is sent to him/her) or it becomes law without his signature. There is no "pocket veto" in California such as exists at the federal level. If the Governor fails to act on a bill sent to him/her within the prescribed period, the measure becomes law without the Governor's signature. (For more specifics regarding deadlines for gubernatorial actions on bills, refer to Section 10 of Article IV of the State Constitution.)

## CONSTITUTIONAL AMENDMENTS (ACA/SCA) - 6920

A constitutional amendment can be initiated by the Legislature if it passes both houses by a two-thirds vote. A constitutional amendment does not need the Governor's signature, but becomes part of the constitution only if the electorate approves it at the next general election. A special election can also be called by the Governor to consider a proposed constitutional amendment, if it is deemed necessary.
When the Legislature adopts a proposed constitutional amendment, it often also adopts a "companion bill"; i.e., a bill which takes effect only if the constitutional amendment is passed by the people. These companion measures generally contain detailed statutory provisions which would implement the constitutional amendment.
The constitution can also be amended through the "initiative process," in which the signatures of the requisite number of voters on a petition is sufficient to cause the Secretary of State to place the petition on the ballot. No action by the Legislature is needed in this process and the Legislature cannot prevent it from occurring.

## JOINT RESOLUTIONS (AJR/SJR) - 6925

Joint resolutions are initiated when the Legislature wants to comment to Congress and/or the President on a federal matter of concern to the state. These resolutions require a majority vote in both houses. Joint resolutions neither need the signature of the Governor nor have the force of law. They take effect upon their being filed with the Secretary of State.

## CONCURRENT RESOLUTIONS (ACR/SCR) - 6930

Concurrent resolutions deal with state matters that are of concern to both houses. They are used for such things as adopting the joint rules, creating joint committees, requesting studies, expressing legislative intent and expressing the Legislature's congratulations to organizations, persons, or other states. Concurrent Resolutions need a majority in each house to pass and take effect upon their being filed with the Secretary of State. These measures do not go to the Governor for approval.

## HOUSE AND SENATE RESOLUTIONS (HR/SR) - 6935

Concurrent resolutions deal with state matters that are of concern to both houses. They are used for such things as adopting the joint rules, creating joint committees, requesting studies, expressing legislative intent and expressing the Legislature's congratulations to organizations, persons, or other states. Concurrent Resolutions need a majority in each house to pass and take effect upon their being filed with the Secretary of State. These measures do not go to the Governor for approval.

## RULES COMMITTEE RESOLUTIONS - 6940

The Rules Committee of each house also takes action by way of the resolution. A majority vote of the committee is required to pass such measures which usually deal with internal operations of the Legislature.

## THE LEGISLATIVE PROCESS - 6945

When a legislator wants to propose a measure, she/he must go to the Legislative Counsel to have the specific language of the proposal put in proper bill form. The Legislative Counsel's staff, which provides legal services to both houses in support of the legislative process, will draft the language of the code section amendments to accomplish the author's purpose.

The staff attorney will also write the Legislative Counsel's Digest for the bill, which includes a summary of the current law and what the proposed changes will do. At the end of the Digest, Counsel will indicate the vote required for passage of the bill (usually "majority" or "two-thirds"), whether the bill must be referred to the fiscal committees, and whether the bill contains a state-mandated local program.

When the bill is written, it is returned to the author who will then introduce it in the house of which she/he is a member. From there, the bill proceeds through the legislative process. The following presents the steps a bill typically goes through to become law.

### BILL FLOW IN THE CALIFORNIA LEGISLATURE

I. Introduction (first reading) A. Author puts a legislative measure "across the desk" of the floor of the member's house. B. Measure is given a number (e.g., AB 456, SB 612, ACA 3, SJR 1). C. Title of measure is read on the floor of the house of origin. (The State Constitution prohibits any bill from being enacted unless it is "read" on three separate days in each house, or unless two-thirds of the members of a house vote to dispense with the reading of a bill. Reading aloud the title of a bill at this point constitutes the first of the three readings.) D. Measure is assigned ("referred") to a standing policy committee by the Rules Committee of the house of origin. The committee of assignment is based generally on the subject matter of the bill. II. Consideration by Policy Committee A. Committee holds public hearing. 1. Date set by committee and published in advance in the Daily File of the house of origin. 2. Hearing may be scheduled any time beginning 30 days after introduction of the bill unless it is an urgency measure, in which case the 30-day provisions can be waived by a 3/4 vote of the house. 3. On the day of the hearing, the author presents the bill to the committee and explains why the committee should approve it. The policy committee is concerned primarily with the policy or programmatic features of the bill, not its fiscal consequences. Proponents and opponents also present their views on the measure. In addition, the committee may invite experts on the issue under consideration to testify. B. Committee recommendations to the floor, which generally require a majority vote of the committee, are customarily in one of the following forms: 1. "Do pass"–if the committee wants the bill to become law. 2. "Amend and do pass as amended"–if the committee rejected the original form of the bill, but approved it with certain specified changes or "amendments." 3. "Amend and re-refer"–if the committee wants the bill to be considered by a committee again after it is reprinted as amended. "Amend and re-refer" may bring the amended bill back to the same committee or it may specify another committee (usually a fiscal committee) that can properly consider the measure. 4. "Do pass and re-refer"–if the committee recommends the bill favorably without amendments but sends it to another committee. If the bill has a fiscal impact ("Fiscal committee: yes" at end of digest) it will be re-referred to the fiscal committee. 5. "Do not pass"–if committee opposes the bill, but prefers to let the house decide. 6. "To the

house without recommendation"–if the committee is divided or uncertain and wants the house to decide the bill on its merits. 7. "Refer to Interim"–if the committee believes the subject is of sufficient importance to need further in-depth study by a legislative committee before adequate legislation can be written, then this recommendation suggests that the bill receive detailed analysis and hearings during the Legislature's recess (interim) period. C. Instead of reporting its recommendation, the committee may effectively kill the bill by voting to "lay it on the table" or by taking no action (i.e., —holding‖ the bill in committee). III. Consideration by Fiscal Committee Essentially the same procedural requirements apply to the fiscal committees as do to the policy committees. However, these committees' attention, and the testimony they hear, is focused primarily (though not necessarily exclusively) on the fiscal ramifications of legislation, not the program or policy issues involved. IV. Second Reading in House of Origin1 A. The measure is listed in second reading file of the floor of the house of origin, but consideration usually involves no more than reading the bill number to satisfy procedural requirements. B. If the committee recommended amendments, such amendments are printed as part of the bill and may be discussed and adopted. V. Third Reading in House of Origin A. The measure listed on third reading file is taken up for final passage when the author is ready to present it. 1. The author of a bill makes the case for approving the bill and floor debate may take place. 2. Members of the House may ask questions of the author and make statements of support or opposition to the measure. 3. Vote on final passage of bill is by roll call. B. According to the California Constitution, "Any bill introduced during the first (odd) year of the biennium of the legislative session that has not been passed by the house of origin by January 31 of the second (even) calendar year of the biennium may no longer be acted on by the house. No bill may be passed by either house on or after September 1 of an even numbered year except statutes calling elections, statutes providing for tax levies or appropriations for the usual current expenses of the state, and urgency statutes, and bills passed after being vetoed by the Governor." VI. Procedure After Bill Passes House of Origin 1 A. Sent to other house where same general procedure is followed. B. If passed in second house, bill is returned to house of origin with a transmittal message stating either: 1. Bill passed second house and may be enrolled and sent to the Governor2 or 2. Bill passed second house with amendments, and concurrence in amendments by house of origin is requested so that bill may be enrolled and sent to Governor.2 An exception to the above is specified in the Constitution: "Until the budget bill has been enacted, the Legislature shall not send to the Governor for consideration any bill appropriating funds for expenditure during the fiscal year for which the budget bill is to be enacted, except emergency bills recommended by the Governor or appropriations for the salaries and expenses of the Legislature." C. If amendments are not satisfactory to house of origin, it appoints members of its house to a Committee on Conference and notifies the other house to appoint its Committee on Conference members (each house appoints three members to a conference committee). 1. Conference Committee considers the bill and seeks agreement on its final form. a. If conferees cannot agree, a new Committee on Conference is appointed. b. If no agreement is reached on the third conference try, the bill is dead. 2. Conference Committee reports its recommendations to both houses, each of which must adopt the conference report at a roll-call vote (majority or two-thirds, depending upon the nature of the bill) before the bill can be sent to the Governor. VII. Action by Governor A. Sign or Veto—Article IV, Section 10 of the California Constitution provides: "Each bill passed by the Legislature shall be presented to the Governor. It becomes a statute if he signs it. He may veto it by returning it with his objections to the house of origin, which shall enter the objections in the journal and proceed to reconsider it. If each house then passes the bill by roll-call vote entered in the journal, two-thirds of the membership concurring, it becomes a statute." This latter action of the Legislature to approve by a two-thirds vote a bill vetoed by the Governor is referred to as a "veto override.” B. Item Veto—The California Constitution provides: "The Governor may reduce or eliminate one or more items of appropriation while approving other portions of a bill. C. He shall append to the bill a statement of the items reduced or eliminated with the reasons for his action. The Governor shall transmit to the house originating the bill a copy of his statement and reasons. Items reduced or eliminated shall be separately reconsidered and may be passed over the Governor's veto in the same manner as bills." Overriding a gubernatorial veto requires a two-thirds vote. D. Deadlines for Action—The Constitution goes on to specify how much time the Governor has to act on (sign or veto) a bill sent to him/her. If the Governor does not act within that time, the bill becomes law without signature. Generally, the Governor’s deadlines are as follows: 1. In the first year of the session: If the bill is delivered to the Governor before the interim recess: 12 days to act. If the bill is delivered after the beginning of recess: 30 days to act. 2. In the second year of the session: If the bill is delivered before adjournment: 12 days to act. If the bill is delivered on or after September 1: until September 30 to act. The Governor’s timeframe for action begins when the bill is received. The date a bill passes the Legislature usually is not the day the Governor receives it. After passage by the Legislature, the bill must go to —enrolling and engrossing‖ where it is prepared for formal transmission to the Governor. Sometimes, several days will elapse between the time of final legislative approval of a bill and the time the Governor receives it. VIII. Effective Dates of Statutes A. Under the State Constitution, except for statutes calling elections, statutes providing for tax levies or appropriations for the “usual current expenses of the state,” and urgency statutes, "...a statute enacted at a regular session shall go into effect on January 1 next following a 90-day period from the date of enactment of the statute and a statute enacted at a special session shall go into effect on the 91st day after adjournment of the special session at which the bill was passed." B. Urgency statutes are those "...necessary for immediate preservation of the public peace, health, or safety." A statement of facts constituting the necessity shall be set forth in one section of the bill (the —urgency clause‖). Urgency bills become effective upon enactment unless a different effective date is specified in the bill. An urgency statute may not create or abolish any office or change the salary, terms, or duties of any office, or grant any franchise or special privileges, or create any vested right or interest. 1 Simple resolutions (HR and SR) require no further action than acceptance by the house of origin. 2 Neither resolutions nor constitutional amendments require the signature of the Governor. Constitutional amendments, however, must receive a favorable vote at the next statewide election before they become effective.

## DEPARTMENTAL PROPOSED LEGISLATION - 6950

The subject matter of legislation is derived from a variety of sources. In some instances, legislators introduce bills based on their own knowledge of, or personal experience with, the subject matter the bill proposes to affect. More frequently, legislators are asked by individuals or organizations to introduce (or "author" or "carry") a bill for them. Those making such requests are said to be the —sponsors‖ of the bill.

One large source of sponsorship is the individual departments within state government. A department may feel that if a particular statute is amended, repealed, or enacted, then some aspect of its administrative function will be done more efficiently or the effectiveness of a program will be enhanced. If this is the case, the department will request a member of the Legislature to introduce such legislation.

No department under the authority of the Governor may sponsor legislation without the prior approval of the department’s Agency Secretary and the Governor’s Legislative Secretary.

All proposals to introduce legislation from departments under the control of the Governor are sent to the Legislative Unit in the Governor's Office after approval at the Agency Secretary level. The Legislative Unit then forwards copies of the proposals to DOF for review and comment. In addition, a department’s proposal may also be forwarded to other departments which may be affected by the proposal for their comment.

All legislative proposals must be consistent with the decisions made during budget preparation. Proposed legislation is routed by the Governor's Office through the DOF for analysis. The fiscal impact of proposed legislation is of particular concern. Fiscal impact includes proposals which would: (1) appropriate money; (2) result—for any reason—in additional expenditure of state money by any state agency or to reimburse any local government for a state mandate; (3) result in any loss or gain of revenue to a state or local government entity; or (4) result in a substantial reduction in expenditures of state money by reducing, transferring, eliminating or making more efficient the administration of any existing responsibilities of any state agency, program or function.

It is the responsibility of the originating organization to develop valid fiscal information for proposed legislation. This information must include the estimated fiscal impact to both state and local government.

The proposal must include an estimate of the initial fiscal impact in the first year of implementation and the full-year cost for a succeeding fiscal year. It must also identify the source of funds involved (e.g., General Fund, a particular special fund, a specific federal grant). When funds are available in the department's budget to cover any costs of a proposal, those resources must be identified to DOF by the proposing department. If the proposal does not involve an appropriation or state fiscal impact, a statement attesting to that fact and noting that funds will not be requested in subsequent budgets is to be included in the department's proposal.

## HEARINGS - 6955

If it has prepared a bill analysis (see Bill Analysis section below) and recommended a position which has been approved by the Governor's Office Legislative Unit, a department under the control of the Governor may testify at policy committee hearings. A department should not express any position on a measure unless that position has been approved by the Governor's Office Legislative Unit.

In the Assembly and Senate Revenue and Taxation committees (which are policy committees), Finance has an established role. Staff of Finance present testimony on the Administration's position on each bill heard by those committees. The basis of both the testimony and the Administration's position is the Finance bill analysis after it has been approved by the Governor's Office Legislative Unit.

Except for the Revenue and Taxation Committees, Finance typically does not get involved with a bill while it is in the jurisdiction of a policy committee. Finance does, however, have a role in the fiscal committee (Appropriations and Budget) hearing process. A Finance "testifier" attends the hearings of the Assembly and Senate Appropriations committees to present testimony and the Administration's position on legislation before those committees. The basis of both the testimony and the Administration's position is the Finance bill analysis after it has been approved by the Governor's Office Legislative Unit. On bills that would affect them, departments may join Finance in this testimony to augment or reinforce the view expressed by Finance.

In the Budget committees, which deal almost exclusively with the Budget Bill, Finance staff play the essential role of presenting and defending the Governor's Budget in hearings of the subcommittees which review different components of the Budget Bill. Departments under the control of the Governor join Finance in this function by elaborating on the justification for decisions reflected in the Governor's Budget.

## BILL ANALYSIS - 6960

Bill analyses are prepared for bills, constitutional amendments, joint resolutions, and concurrent resolutions when they are set for a hearing or otherwise requested by the Governor's Office. Bills which are passed by both houses and referred to the Governor have enrolled analyses prepared (see Enrolled Bill Report, SAM Section 6965).

The purpose of the bill analysis function is to provide the Governor, his/her staff, Agency Secretaries, the department heads, and DOF with information concerning the probable program and fiscal effects of proposed legislation pending before the Legislature.

Typically, the bill analysis also recommends a position which the Administration should adopt on the proposed legislation. The analyses from various departments are used by the Governor's Office in determining what position will be taken by the Administration on the proposed legislation.

Until approved by the Governor's Office, bill analyses prepared by departments under the control of the Governor are not public documents and may not be made available to anyone outside of the review process. Once a position has been determined by the Governor's Office, an analysis consistent with that position generally is made available to the public and the Legislature. An analysis that has not yet been approved, or which expresses a position inconsistent with that adopted by the Governor's Office may not be made public, since such documents are working papers of the Administration and do not necessarily reflect the policy position of the Governor.

## ENROLLED BILL REPORT - 6965

When a bill is passed by the Legislature and sent to the Governor, departments under the control of the Governor that would likely be affected by the bill must prepare an enrolled bill report (EBR) for the Governor's Office. The EBR serves essentially the same function as the bill analysis except that it recommends to the Governor what action (i.e., sign, veto, sign with a message) should be taken on the measure. EBRs are considered confidential communications with the Governor and therefore are not public documents. Consequently, even if approved, EBRs may not be released to the public by anyone without Governor's Office approval.

The EBRs are not prepared for constitutional amendments and resolutions as these kinds of legislative measures are not sent to the Governor for approval.

## STANDARDIZED REGULATORY IMPACT ASSESSMENT FOR MAJOR REGULATIONS - 6600

Pursuant to Government Code section 11346.36(f), Finance's regulations regarding major regulations and Standardized Regulatory Impact Assessments are published below.

A state agency promulgating a major regulation is required to send a completed Standardized Regulatory Impact Assessments and the form required by California Code of Regulations, title 1, section 2002 to the Department of Finance for review and comment. Please send these documents electronically to majorregulations@dof.ca.gov or send three copies to:

Economic Research Unit
Department of Finance
915 L Street
Sacramento, CA 95814
Fax No.: (916) 449-5253

Title 1, California Code of Regulations

Division 3. Department of Finance
Chapter 1. Standardized Regulatory Impact Assessment for Major Regulations.

2000. Definitions.
For purposes of this chapter:

1. “Agency” has the meaning given to that term in Section 11342.520 of the code.
2. “As estimated by the agency” means the agency has estimated the economic impact of a proposed action in the manner prescribed by section 2003.
3. “Code” means the Government Code.
4. “Department” means the Department of Finance.
5. “Economic impact” means all costs or all benefits (direct, indirect and induced) of the proposed major regulation on business enterprises and individuals located in or doing business in California.
6. “GO-Biz” means the Governor’s Office of Business and Economic Development.
7. “Major regulation” means any proposed rulemaking action adopting, amending or repealing a regulation subject to review by OAL that will have an economic impact on California business enterprises and individuals in an amount exceeding fifty million dollars ($50,000,000) in any 12-month period between the date the major regulation is estimated to be filed with the Secretary of State through 12 months after the major regulation is estimated to be fully implemented (as estimated by the agency), computed without regard to any offsetting benefits or costs that might result directly or indirectly from that adoption, amendment or repeal.
8. “Notice of proposed action” means the notice required by Section 11346.5 of the code.
9. “OAL” means the Office of Administrative Law.
10. “SRIA” means the standardized regulatory impact assessment required by Section 11346.3(c) of the code.

NOTE: Authority cited: Section 11346.36, Government Code. Reference: Sections 11342.548 and 11346.36, Government Code.
2001. Notification; Public Input.

1. (a)(1) An agency that anticipates promulgating a major regulation shall provide the department, not later than February 1 of each calendar year, with a list of all major regulations that it anticipates proposing during that entire calendar year. The information shall be provided on a form prescribed by the department. The list shall specifically identify the following for each major regulation that the agency proposes to adopt, amend or repeal: subject matter, title and section of the California Code of Regulations that will be affected, statute or court decision being implemented, interpreted or made specific and the anticipated date on which the agency proposes to publish the notice of proposed action for each major regulation. The list shall also contain the name of the agency, the responsible unit within the agency, and the name, telephone number, email, and mailing address of a contact person.
2. In the event an agency determines after February 1 that it anticipates promulgating a major regulation, the agency shall submit to the department the information required in subdivision (a)(1) as soon as possible but in no event later than 60 days prior to filing a notice of proposed action with OAL. (b) Within 15 days of receipt of a list of proposed major regulations, the department shall provide a copy of that list to GO-Biz and to any other agency that has requested a copy. (c) Within 15 days of receipt of a list of proposed major regulations, the department shall post that list on its Internet web site. (d)The agency shall also seek public input regarding alternatives from those who would be subject to or affected by the regulations (including other state agencies and local agencies, where appropriate) prior to filing a notice of proposed action with OAL unless the agency is required to implement federal law and regulations which the agency has little or no discretion to vary. An agency shall document and include in the SRIA the methods by which it sought public input.

NOTE: Authority cited: Sections 11346.3 and 11346.36, Government Code. Reference: Sections 11342.548, 11346.3 and 11346.36, Government Code.

2002. Standardized Regulatory Impact Assessment.

1. An agency that anticipates promulgating a major regulation as defined in section 2000 shall, pursuant to Section 11346.3(f) of the code, submit its completed SRIA to the department within the following time frame:
    a. Not less than 60 days prior to filing a notice of proposed action with OAL if the agency has notified the department of the proposed regulation within the time prescribed by 2001(a); or
    b. Not less than 90 days prior to filing a notice of proposed action with OAL if the agency has not notified the department of the proposed major regulation within the time prescribed by section 2001(a);
2. The SRIA
    a. The SRIA shall contain all of the information required by Section 11346.3(c) of the code, which shall have been prepared in compliance with section 2003.
    b. The SRIA shall also include a description and explanation of each of the following:
        i. The economic impact method and approach, including the underlying assumptions the agency used and the rationale and basis for those assumptions;
        ii. The specific categories of individuals and business enterprises who would be affected by the proposed major regulation;
        iii. The inputs into the assessment of the economic impact;
        iv. The outputs from the assessment of the economic impact;
        v. The agency’s interpretation of the results of the assessment of the Economic impact.
    c. The SRIA shall also include documentation sufficient to substantiate compliance with the requirements of this section and section 2003.
3. The SRIA shall be accompanied by a form prescribed by the department that includes all of the following:
    a. Name of the agency.
    b. The name, telephone number, email and mailing address of the contact person.
    c. Statement of the need for the proposed major regulation.
    d. A summary of the categories of individuals and business enterprises who will be impacted by the proposed major regulation and the amount of the economic impact on each such category.

e. An identification and description of all costs and all benefits due to the proposed regulatory change, calculated on an annual basis from estimated date of filing with the Secretary of State through 12 months after the estimated date the proposed major regulation will be fully implemented as estimated by the agency.
f. Description of the 12-month period in which the agency estimates the economic impact of the proposed major regulation will exceed $50 million.
g. Description of the baseline that the agency used to compare proposed regulatory alternatives.
h. Identification of each regulatory alternative for addressing the stated need for the proposed major regulation, including each alternative that was provided by the public or another governmental agency and each alternative that the agency considered; all costs and all benefits of each regulatory alternative considered; and the reasons for rejecting each alternative.
i. Description of the methods by which the agency sought public input as required by section 2001, accompanied by documentation of that public outreach.
j. A description of the economic impact method and approach, including the underlying assumptions the agency used and the rationale and basis for those assumptions.
k. Date, printed name, and signature of the head of the agency.

4. Within 10 days of receiving an SRIA, the department shall post a copy of the form required by subdivision (c) on its Internet web site.
5. Within 10 days of receiving an SRIA, the department shall provide a copy of the form required by subdivision (c) to Go-Biz and any other agency that requests it. GO-Biz and any other agency may provide comment to the department within 10 days thereafter.

NOTE: Authority cited: Section 11346.36, Government Code. Reference: Sections 11342.548, 11346.3 and 11346.36, Government Code

2003. Methodology for Making Estimates.

1. In conducting the SRIA required by Section 11346.3(c) of the code, an agency shall use an economic impact method and approach that has all of the following capabilities:
   a. Can estimate the total economic effects of changes due to regulatory policies over a multi-year time period.
   b. Can generate California economic variable estimates such as personal income, employment by economic sector, exports and imports, and gross state product, based on inter-industry relationships that are equivalent in structure to the Regional Industry Modeling System published by the Bureau of Economic Analysis.
   c. Can produce (to the extent possible) quantitative estimates of economic variables that address or facilitate the quantitative or qualitative estimation of the following:
      i. The creation or elimination of jobs within the state;
      ii. The creation of new businesses or the elimination of existing businesses within the state;
      iii. The competitive advantages or disadvantages for businesses currently doing business within the state;
      iv. The increase or decrease of investment in the state;
      v. The incentives for innovation in products, materials, or processes; and
      vi. The benefits of the regulations, including but not limited to benefits to the health, safety, and welfare of California residents, worker safety, and the state's environment and quality of life, among any other benefits identified by the agency.
2. The department's most current publicly available economic and demographic projections, which may be found on the department's website, shall be used unless the department approves the agency's written request to use a different projection for a specific proposed major regulation. Such approval shall be made on a case-by-case basis. An agency that anticipates that it will take more than one year to develop a major regulation is encouraged to work with the department in determining the most appropriate projections to use.
3. Costs and benefits shall be separately identified for different groups of agencies, businesses and individuals if the impact of the regulation will differ significantly among identifiable groups.
4. The agency shall compare regulatory alternatives with a baseline that reflects the anticipated behavior of individuals and businesses in the absence of the proposed major regulation and shall identify the baseline it used.
5. In comparing proposed regulatory alternatives with an established baseline, an agency should consider including the following in its analysis:
   a. A description of feasible alternatives to the proposed major regulation and the rationale for choosing the proposed major regulation over the other alternatives considered. This description should also include:
      i. An explanation of how the need for the proposed major regulation affects the selection of regulatory alternatives;
      ii. An evaluation of the legal and statutory constraints that limit the selection of regulatory alternatives.
   b. Whenever possible, at least two alternatives should be compared to the proposed major regulation, including:
      i. An alternative that could achieve additional benefits beyond those associated with the proposed major regulation; and
      ii. A next-best alternative that would not yield the same level of benefits associated with the proposed major regulation, or is less likely to yield the same level of benefits.
   c. A comparison of the cost-effectiveness of different alternatives.
      i. Both total and incremental benefits and costs should be estimated. Incremental benefits and costs are the differences between the estimates associated with the alternatives considered.
      ii. Whenever possible, final rather than intermediate outcomes should be used as measures of effectiveness.
      iii. In cases where the proposed major regulation addresses more than one measure of effectiveness, weights should be applied to different categories of effects.
      iv. The uncertainties associated with the estimates should be discussed.
   d. If there are significant differences between the incidence or timing of costs and benefits of a regulation, distributional effects should be addressed, including how the effects of the regulation are distributed, for example, by industry, income, race, sex, or geography, and how the effects are distributed over time.
   e. The assumptions, analytical methods, and data used in the analysis should be documented.
      i. To the extent possible, the analysis should rely on peer-reviewed literature.
      ii. The source for all original information should be documented.
6. An analysis of estimated changes in behavior by businesses and/or individuals in response to the proposed major regulation shall be conducted and, if feasible, an estimate made of the extent to which costs or benefits are retained within the business and/or by individuals or passed on to others, including customers, employees, suppliers and owners.

7. For each assessment of the value of benefits of the proposed major regulation required by section 11346.3(c)(1)(F) of the code, the agency shall describe the applied analytical methods and data sources used and the results of that analysis.
    a. The agency's assessment may rely on current and (if applicable) projected market transaction data where a market exists that can directly reveal the quantity or monetary value of a projected benefit of the proposed major regulation.
    b. The agency may use an indirect approach (e.g., use values derived from related markets) in cases where the value of the benefits can be inferred from actual choices made by individuals in related markets. The assessment should rely on current and (if applicable) projected market transaction data.
    c. The agency may use a direct approach (e.g. use values from surveys), estimating the value of the benefits based on hypothetical choices made by individuals responding to a survey.
    d. The agency may estimate the value of the benefits based upon an existing study of another regulatory policy with similar subject or physical characteristics. This estimate should describe how the agency took into account the differences in the characteristics (such as time span, specific benefits to value, population, and other socio-economic factors) between the study and the proposed major regulation.
8. In assessing the effects of a regulatory proposal on the General Fund and special funds of the state and affected local government agencies attributable to the proposed major regulation, including the cost of enforcement and compliance to the agency, an agency shall follow the Department of Finance instructions in the State Administrative Manual sections 6601, 6602, and 6604 through 6616.

NOTE: Authority cited: Section 11346.36, Government Code. Reference: Sections 11342.548, 11346.3 and 11346.36, Government Code.

2004. Failure to Comply with Requirements of this Chapter. When an agency fails to comply in whole or in part with this chapter, the department shall identify in its comments the area(s) where the agency is out of compliance.

NOTE: Authority cited: Section 11346.36, Government Code. Reference: Sections 11342.548, 11346.3, 11346.36 and 11349.1.5, Government Code.

## GENERAL - 6601

This and the following sections set forth the guidelines to complete the Economic and Fiscal Impact Statement (STD. 399). Pursuant to Government Code Section 11346.5, a rulemaking agency is required, prior to the issuance of an executive regulation, to include in the notice of proposed adoption, amendment, or repeal of a regulation the following:

1. A determination as to whether the regulation imposes a mandate on local agencies or school districts and, if so, whether the mandate requires state reimbursement pursuant to Part 7 (commencing with Section 17500) of Division 4 of the Government Code.
2. An estimate, prepared in accordance with instructions adopted by the Department of Finance (DOF), of the cost or savings to any state agency or local government; the cost to any local government that is required to be reimbursed under Part 7 (commencing with Section 17500) of Division 4 of the Government Code; any other nondiscretionary costs or savings including revenue changes imposed on state and local governments; and the cost or savings in federal funding to the state.
3. A statement of the results of the assessment of the economic impacts of a proposed regulation pursuant to Government Code sections 11346.2 and 11346.3.

## DEFINITION - 6602

For the purposes of implementing these guidelines, the following definitions apply:
**Agency, Local**. Any city, county, special district, authority, or other political subdivision of the state.
**Agency, State**. Every office, officer, department, division, bureau, board, council, or commission in state government. A ―state agency‖ does not include an agency in the judicial or legislative branches of state government.
**Direct Fiscal Costs**

1. Personnel needed to perform a line function or activity prescribed (expressed or implied) in the regulation.
2. Fringe benefits associated with those personnel, e.g., retirement, OASDI, workers' compensation.
3. Operating expenses associated with those personnel, e.g., if compliance is achieved by contracting with a private vendor.
4. Any additional equipment which will have to be purchased or leased in order to comply with the regulation.
5. Allocation of other personnel-related costs if not otherwise allocated through an indirect cost system. Some agencies may allocate the costs of rent, space, utilities, etc., directly to the personnel involved.

**Economic Impact.** All costs or all benefits, (direct, indirect and induced) of the proposed major regulation on business enterprises and individuals located in or doing business in California. All costs or all benefits, (direct, indirect and induced) of the proposed major regulation on business enterprises and individuals located in or doing business in California.
A direct economic impact is the first-round impact of the policy change from the proposed regulation, e.g., a cost to a business of investing in new required equipment or a benefit to consumers of having additional health coverage. There are two additional types of economic impacts – indirect and induced – which are the reactions to the direct economic impact. An indirect economic impact is the secondary economic impact resulting from the direct economic impact, e.g., the extra sales of equipment to the regulated businesses, or the additional supply or demand for health care from expanded coverage. An induced economic impact is any other economic impact of the policy change from the proposed regulation not accounted for by the direct or indirect economic impacts, e.g., the additional household spending by employees of firms selling extra equipment or in the health care industry, or the additional tax burden on businesses and individuals from fiscal costs associated with enforcing the regulation.
Calculating an economic impact for a major regulation includes all costs or all benefits, computed without regard to any offsetting benefits or costs that might result directly or indirectly, to business enterprises and individuals directly affected by the regulation.
**Fiscal Costs**. All additional expenses for which either supplemental financing or the redirection of existing staff and/or resources (with or without the need for supplemental funding) is required. Costs include those which can be absorbed in an agency's existing budget.

**Indirect Fiscal Costs**. Any costs related to the additional personnel or operating expenses described in the preceding which are not directly allocated or assigned to those personnel. They do not include a pro rata share of the costs of any manager or supervisor above the first line supervisors since it is assumed that any such supervisors would be in place whether or not the personnel hired to comply with the regulations were there. For example, if a regulation necessitated the hiring of additional staff in a county welfare department, it would not be appropriate to assign, through an indirect cost system, a portion of the costs of the county welfare director to those new personnel since the director would exist to perform his/her functions even if the new personnel were not hired.

**Major Regulation.** Any proposed rulemaking action adopting, amending or repealing a regulation subject to review by OAL that will have an economic impact on California business enterprises and individuals in an amount exceeding fifty million dollars ($50,000,000) in any 12-month period between the date the major regulation is estimated to be filed with the Secretary of State through 12 months after the major regulation is estimated to be fully implemented (as estimated by the agency), computed without regard to any offsetting benefits or costs that might result directly or indirectly from that adoption, amendment or repeal.

**Mandate**. A requirement with a consequence of noncompliance of either (1) a criminal penalty, (2) a civil liability, or (3) an administrative penalty.

**Public Agency**. Any state agency, city, county, special district, school district, community college district, county superintendent of schools, or federal agency.

**Reasonable Compliance**. No universal definition is available. However, the —prudent person‖ test can be utilized to arrive at an appropriate definition of the term. For example, if an agency is required by regulation to provide transportation for certain persons, it clearly would not be appropriate to purchase limousine-type luxury automobiles to do so. On the other hand, it would not be appropriate to provide the service by purchasing tandem bicycles. Reasonable compliance can be achieved with some mode of transportation between the two extremes cited. The issuing agency must evaluate each instance separately and determine what —reasonable compliance‖ would be. The estimate developed must clearly indicate the mode or level of activity it has assumed would achieve such compliance.

Since compliance connotes that the regulation involves a requirement, costs incurred by state or local agencies in exercising any authority granted by a regulation which is permissive or optional are not germane and need not be estimated.

**Regulation.** Every rule, order, or standard of general application or the amendment, supplement, or revision of any rule, order or standard adopted by any state agency to implement, interpret, or make specific the law enforced or administered by it, or to govern its procedure.

The term "emergency" means a situation that calls for immediate action to avoid serious harm to the public peace, health, safety, or general welfare. An emergency regulation is adopted pursuant to Government Code Section 11346.1.

**Revenues**. Any changes in the amounts of operating income received by state and local agencies as the result of an executive regulation must also be identified. In this context, —revenue‖ includes taxes, state and/or federal assistance, fees, licenses, and so forth.

**Savings**. Both actual budget reductions and the —freeing up‖ of staff and/or resources for reassignment to other areas of legitimate concern of the agency.

**School District**. Any school district, community college district, or county superintendent of schools.

**Special District**. Any agency of the state which performs governmental or proprietary functions within limited boundaries. Special district includes a redevelopment agency, a joint powers agency or entity, a county service area, a maintenance district or area, an improvement district or improvement zone, or any other zone or area. Special district does not include a city, a county, a school district, or a community college district.

County free libraries established pursuant to Chapter 6 (commencing with Section 19100) of Part II of the Education Code, areas receiving county fire protection services pursuant to Government Code Section 25643, and county road districts established pursuant to Chapter 7 (commencing with Section 1550) of Division 2 of the Streets and Highways Code shall be considered special districts for all purposes of this section.

**Standardized Regulatory Impact Assessment.** An analysis of the economic impacts of proposed major regulations which is required for any proposed regulation that has an estimated economic impact to business enterprises and individuals located in or doing business in California exceeding $50 million in any 12-month period between the date the major regulation is estimated to be filed with the Secretary of State through 12 months after the major regulation is estimated to be fully implemented.

## ECONOMIC IMPACT STATEMENT - 6603

A state agency that proposes to promulgate a regulation must include a completed STD. 399 with each proposed regulation that is submitted to OAL for publication in the California Regulatory Notice Register. Government Code sections 11346.2, 11346.3, 11346.5 and Health and Safety Code section 57005 establish requirements for assessing a proposed regulation's estimated economic impact. This SAM section will relate each section of the Economic Impact Statement of the STD. 399 to the corresponding statutory requirements specified in the codes referenced.

**A. Estimated Private Sector Cost**

1. This section references the specific economic impacts of a proposed regulation. If the proposed regulation fits any of the a-g criteria, then the appropriate section of the economic impact statement must be completed.
2. This section references the estimated economic impact of the proposed regulation which an agency must compute to determine if the proposed regulation is a Major Regulation in accordance with California Code of Regulations, title 1, section 2000.
3. Total businesses impacted: Government Code section 11346.5(a)(7)(A) requires agencies to identify the types of businesses affected by the proposed regulation.
4. Businesses created or eliminated: Government Code section 11346.3(b)(1)(B) requires agencies to assess the proposed regulation's impact on the creation or elimination of businesses within the state, including regional impacts.
5. Geographic extent of regulation: Government Code section 11346.3(b)(1)(C) requires agencies to assess the proposed regulation's impact on the expansion of businesses within the state.
6. Employment factors: Government Code section 11346.3(b)(1)(A) requires agencies to assess the proposed regulation's impact on the creation or elimination of jobs in California.
7. Competition: Government Code section 11346.3(a)(2) requires agencies to evaluate the impact on the ability of California businesses to compete with businesses in other states.

**B. Estimated Costs**

1. Initial and ongoing costs to business and individuals: Government Code section 11346.3(a) requires agencies to evaluate the potential cost of compliance of the proposed regulation for businesses and individuals.
2. Share of total costs: Government Code section 11346.5(a)(7)(A) requires agencies to describe the types of businesses affected by the proposed regulation and their share of the total cost of the proposed regulation if the proposed regulation has a significant statewide adverse economic impact.
3. Reporting requirements: Government Code section 11346.5(a)(7)(B), requires agencies to identify reporting requirements for businesses if the proposed regulation has a significant statewide adverse economic impact.
4. Housing: Government Code section 11346.5(a)(12) requires agencies to determine if the regulation will directly impact housing costs.
5. Federal regulations: Government Code section 11346.5(a)(3)(B) requires the agency to determine if the regulation differs from an existing comparable federal regulation.

**C. Estimated Benefits**

Parts 1-3 of this section are required by Government Code section 11346.3(b)(1)(D) which requires agencies to discuss the benefits of the regulation, including, but not limited to, benefits to the health, safety, and welfare of California residents, worker safety, and the state's environment and quality of life, among any other benefits identified by the agency.

4. Expansion of businesses: Government Code section 11346.3(b)(1)(C) requires agencies to assess the proposed regulation's impact on the expansion of businesses within the state.

D. Alternatives to the Regulation

Parts 1 and 2 of this section are required by Government Code section 11346.2(b), which requires agencies to discuss alternatives to the proposed regulation.

3. This section supplements the comparisons of the proposed alternatives and the proposed regulation in parts 1 and 2 of this section to allow for a standardized comparison.

4. Consideration of performance standards: Government Code section 11346.2(b) requires agencies, when mandating the use of specific technology or equipment, to consider performance standards to help lower compliance costs.

**E. Major Regulations**

Parts 1 through 3 of this section apply only to boards, offices and departments within the California Environmental Protection Agency. Health and Safety Code section 57005 requires each board, office and department to follow internal guidelines for regulations with an estimated economic impact on the state's business enterprises in an amount exceeding ten million dollars.

Parts 4 and 5 of this section apply to a proposed regulation that is a major regulation. Government Code section 11346.3(c)(1) requires all state agencies proposing to adopt, amend, or repeal a regulation which is subject to review by OAL and not specifically exempted from the Administrative Procedure Act to conduct a Standard Regulatory Impact Assessment (SRIA) for a major regulation. A copy of the SRIA and the form required by California Code of regulations, title 1, section 2002 should be submitted to the Department of Finance.

**Questions concerning the Economic Impact Statement may be directed to:**

California Department of Finance
915 L Street
Sacramento, California
Telephone Number: (916) 322-2263
Email: regulations@dof.ca.gov

## CONTENTS OF FISCAL IMPACT STATEMENT (FIS) - 6604

A state agency that adopts, amends, or repeals a routine regulation or emergency regulation must make a local mandate determination and an estimate of fiscal impact resulting from the "regulation" on the following:

**Local Government**

1. Any costs which must be reimbursed pursuant to Section 6 of Article XIII B of the California Constitution and Part 7 (commencing with Section 17500) of Division 4 of the Government Code. See Government Code Section 17514 and SAM Section 6605.
2. Any costs which are not reimbursable under that provision of the Constitution but which will necessarily be incurred in reasonable compliance with the regulations.
3. Any savings.
4. Any other impacts such as revenue changes.

**State Agencies**

1. Any other impacts such as revenue changes.
2. Any costs that necessarily will be incurred in reasonable compliance, administration, implementation, and/or enforcement by the issuing state agency and/or any other state agency.
3. Any savings.

**Federal Funding to the State**

1. Any additional funding required.
2. Any reduction in such funding.

The required estimate must include a definitive statement on each of these items. For example, even if there are no resultant reductions in or savings of federal funds, that fact must be so stated and reported. Each of the items is further defined and explained along with suggested methodologies for developing estimates of "costs" and "savings," in the succeeding sections.

## FISCAL IMPACT ON LOCAL GOVERNMENT - 6605

(Revised and renumbered from 6620 on 3/2009)
Subdivision (a) of Article XIII B provides that whenever the Legislature or any state agency mandates a new program or higher level of service on any local government, the state shall provide a subvention of funds to reimburse that local government for the costs of the program or increased level of service, except that the Legislature may, but need not, provide a subvention of funds for the following mandates:

1. Legislative mandates requested by the local agency affected.
2. Legislation defining a new crime or changing an existing definition of a crime.
3. Legislative mandates enacted prior to January 1, 1975, or executive orders or regulations initially implementing legislation enacted prior to January 1, 1975.

Subdivision (c) of Article XIII B provides that a mandated new program or higher level of service includes a transfer by the Legislature from the state to cities, counties, cities and counties, or special districts of complete or partial financial responsibility for a required program for which the state previously had complete or partial financial responsibility.
Government Code Sections 17500 et seq. require the state to reimburse local agencies and school districts for any costs that they are required to incur after July 1, 1980, as a result of a statute enacted or any executive order implementing any statute enacted on or after January 1, 1975, which mandates a new program or higher level of service of an existing program.
Government Code Section 17516 defines "executive order" as:
Any order, plan, requirement, rule, or regulation issued by any of the following: (1) the Governor, (2) any officer or official serving at the pleasure of the Governor, or (3) any agency, department, board, or commission of state government.
It is important to note that only those executive orders which implement state statutes that impose a mandate on local governments fall within the purview of Section 6 of Article XIII B of the California Constitution, and that any regulation listed as a statutory exception under subdivisions (a) through (g) of Government Code Section 17556 may have a fiscal impact, but is not a state reimbursable mandate. Specifically, any costs which local governments incur as the result of a regulation which implements a ballot measure approved by the voters, a court order, or a federal directive would not be reimbursable by the state; however, as described in the following sections, the issuing state agency is nevertheless required to include an estimate of these non-reimbursable costs.

## FUNDING FOR REIMBURSABLE LOCAL COSTS - 6606

(Revised and renumbered from 6621 on 3/2009)
Pursuant to Government Code Section 17561(b)(1) (B), when a regulation involves reimbursable costs, it "...shall be accompanied by a bill appropriating the funds therefore, or alternatively, an appropriation for these costs shall be included in the Budget Bill for the next succeeding fiscal year." Use of the second alternative must receive prior approval of DOF. If the state agency fails to provide appropriate funding, then affected local agencies are authorized to file claims for reimbursement with the Commission on State Mandates.
In order to prepare the local mandate determination required by Government Code Section 11346.5; i.e., a determination as to whether the proposed regulation imposes a mandate on local agencies or school districts, it is necessary to first answer the following question:

> Will the regulation require local entities to undertake a new program or to provide an increased level of service in an existing program?

If the answer to this question is "No," then check box 4, 5, or 6 in Section A of STD. 399. If the answer is "Yes," it is then necessary to determine if the costs resulting from the mandate are not state reimbursable based one or more of the statutory exceptions in subdivisions (a) through (g) of the Government Code Section 17556 as follows:

1. Implements a federal mandate.
2. Implements a court mandate.
3. Implements a mandate in a ballot measure approved by the voters.
4. Results from a documented request from the only local governments affected.
5. Provides (or fall within the purview of existing) revenue sources or other financing mechanisms.
6. Results in savings that are equal to or exceed any costs.
7. Creates, eliminates, or changes the penalty for a new crime or infraction.

In addition to these statutory exclusions, the courts have held that costs of statutes and regulations are not reimbursable if they:

1. Result from an action undertaken at the option of a local government (County of Contra Costa vs. State of California, 177 Cal App 3d 62.79 (1986).
2. Are not unique to local government, e.g., affect both the private sector and the public sector (County of Los Angeles vs. State of California et al, 43 Cal App 3d 46 (1987)).

If it is determined that the regulation does not impose a reimbursable mandate on local government, it is still necessary to include a specific statement reflecting that determination in the notice and to develop estimates of any non-reimbursable local costs. If it is determined that the regulation does impose a reimbursable mandate on local government, then it is important to state the mandate precisely. This is normally best accomplished by employing a statement, expressed in mandatory terms, which identifies both the affected local governments by group and the activity that will be required of them, e.g., "county clerks shall provide each polling precinct worker with an American flag," "school districts shall provide each student with a lunch box at no cost to the student," "all local governments shall record on videotape all meetings of their governing bodies." With the mandate so stated, it is then possible to proceed to develop an estimate of its cost to local government.

## COST ESTIMATING METHODOLOGY - 6607

(Revised and renumbered from 6622 on 3/2009)
A standard methodology has been developed for use in estimating costs in regulations. The main components of that methodology are (1) statement of the mandate, (2) background or introductory material, (3) working data, (4) assumptions, (5) calculations, and (6) conclusion.
Descriptions of these components are as follows:
**Statement of the Mandate**
This is described in SAM Section 6606. **Background or Introductory Material** This component must include the following:

1. A legal description of the legislation which is the basis for the regulation, e.g., Chapter 1234, Statutes of 1996 (SB 123, Smith).
2. Any other pertinent historical data.

**Working Data**

Working data are any available statistical data and their sources which would identify the affected universe. (For example: Secretary of State data on the number of registered voters and/or polling places, State Department of Education data on school enrollees, or State Controller's reports for the number of local governments.) Also, any "market place" information or standard costs of items needed to comply with the mandate, e.g., quoted process for forms, lunch boxes, video cameras (sales, rentals, or contract services). In addition, it is very useful and, in some instances essential, that a representative sampling of the affected local governments be contacted and queried as to the impact of the mandate on them. Very often organizations representing the affected local governments such as the California State Association of Counties (CSAC) and the League of California Cities can either provide such information directly or identify those local governments most likely to be most affected by and/or able to provide information regarding the mandate's impact on them. Each county has designated a person, usually in the County Executive's Office, as a "local mandate coordinator" for purposes of providing information, upon request, on pending legislation and handling Commission on State Mandates claims. Those coordinators should also be able to assist in developing fiscal estimates for regulations.

**Assumptions**

On occasion, data regarding the affected universe and/or the price of the mandated item are not readily obtainable. In these instances, it may be necessary to make some reasonable assumptions about the impact. These assumptions must be clearly stated and kept separate from the —hard‖ data used in developing the estimate.

**Calculations**

Any mathematical computations using working data and/or assumptions necessary to arrive at a resultant cost figure must be displayed. Costs for both the balance of the current fiscal year and for the subsequent two fiscal years must be developed. Separate calculations must be provided for local, state, and federal costs, as appropriate, as described in the succeeding sections. Any savings to each level of government must be similarly identified.

**Conclusion**

Determinations made by the issuing state agency regarding the applicability of the California Constitution to any resultant costs and/or the need to provide additional funding of any state costs. See SAM Section 6606 for the required information.

## NONREIMBURSABLE LOCAL COSTS - 6608

(Revised and renumbered from 6623 on 3/2009)

Local governments may incur costs as the result of the issuance of executive regulations. These costs must be identified and estimated by the issuing state agencies even when they are not reimbursable state mandated costs. These costs will generally result from regulations which fall under one of the statutory exceptions listed in Section 6606.

The basic estimating methodology is the same as that set forth in SAM Section 6607; however, it is important to clearly indicate that these are not constitutionally reimbursable mandates and to develop estimates of offsetting savings and costs. For these regulations no estimate of costs is required since only —other nondiscretionary costs‖ are specified in law; however, there may be occasions where it would be desirable to have an estimate of the costs that would be incurred if all eligible local governments took advantage of the authority conferred by the regulation.

## SAVINGS TO LOCAL GOVERNMENTS - 6609

(Revised and renumbered from 6624 on 3/2009)

In a sense, savings result from what might be called —negative mandates", since local governments are relieved from doing something they were previously required to do. The same basic estimating methodology as set forth in SAM Section 6607 can be employed to determine local savings in state regulations. In fact, it should be relatively simple to derive estimates of savings since affected local governments must be able to identify what they are doing and what the associated costs are. The discretionary savings must also be identified since the state would be providing local governments with the option, if they choose to take it, to reduce the cost of government.

## INCREASES OR REDUCTIONS IN LOCAL REVENUES - 6610

(Revised and renumbered from 6625 on 3/2009)

The state agency must prepare an estimate of any revenue changes at the local level as the result of a state executive regulation, any such impact must be included in the estimate prepared by the issuing agency. Any local revenue losses resulting from state executive regulations are not reimbursable under the l mandate law.

## COSTS TO STATE AGENCIES - 6611

(Revised and renumbered from 6631 on 3/2009)

The issuing state agency must accurately identify costs that other state agencies incur as a result of its regulation. The identification will allow the other affected state agencies to take the appropriate action to secure any needed funding. The basic methodology for estimating costs is set forth in SAM Section 6607. The primary difference, of course, is that the governments contacted for cost data would be state, rather than local agencies or school districts.

Each state agency must carefully review the weekly —California Regulatory Notice Register‖ published by the Office of Administrative Law (OAL) in order to determine whether any proposed regulation therein would impact that department. The state agency proposing to issue the regulation must notify any affected state agency of any potential impact. Each state agency will have to determine for itself whether it needs to obtain additional funding.

## SAVINGS TO STATE AGENCIES - 6612

(Revised and renumbered from 6632 on 3/2009)

It is especially important to identify savings to a state agency or agencies when there may be corresponding costs to another state agency, e.g., a transfer of responsibility. Any savings must also be identified so that the total potential magnitude of such savings can be known.

## FISCAL IMPACT ON FEDERAL FUNDING OF STATE PROGRAMS - 6613

(Revised and renumbered from 6640 on 3/2009)

**Increase in Federal Funding**
Federal funding of state programs could increase as the result of state regulations if the state acts to exercise authority granted by the federal government. Most likely, this would involve programs which have established sharing ratios and the state acts to increase the size of either the client group or the payments themselves. In this context, it is important to distinguish between regulations which implement federal mandates and those which are issued under authority granted by the federal government. It must be noted that recent court cases have held that the threatened loss of federal funds is not equivalent to a federal mandate.
Rather than sampling any affected state and/or local entities, it would be appropriate and acceptable for the issuing state agency to either calculate the increased federal fund (based on an established sharing ratio) or to contact the federal agencies involved for their estimates of any fiscal impact.
**Reductions in Federal Funds**
As with increased federal funds decreases would most likely result for programs involving sharing ratios. The same methodology suggested for estimating federal fund increases may be used for federal fund reductions.

## SIGNATURE REQUIRED FOR FISCAL IMPACT STATEMENT (FIS) - 6614

A state agency adopting, amending, or repealing a routine or emergency regulation shall use the STD. 399to make a determination and develop an estimate of that proposed regulation's fiscal impact on local governments. The Fiscal Impact Statement section of the STD. 399 must be completed and signed by the agency when a notice of proposed action is submitted for publication in the California Regulatory Notice Register. If the proposed regulation is modified and this modification would cause a change to the fiscal impact of the proposed regulation after the STD. 399 was submitted to Finance and signed, an updated STD. 399 must be submitted to Finance. The STD. 399 and related documents must be submitted in the agency's rulemaking file for the proposed action.

The STD. 399 must be approved and signed by (1) the Agency fiscal officer and (2) the Agency Secretary; the highest ranking official in the state agency, if it is not under an Agency Secretary; or a designee having a written delegation from the Agency Secretary or the highest ranking official before it is submitted to OAL. Prior to submitting an emergency regulation to OAL, a Finance signature on the STD. 399 is not required. In accordance with Government Code section 11346.1, a Finance signature is required when the agency submits to OAL the rulemaking file and certification stating compliance with Government Code sections 11346.2 to 11347.3.

A Finance Program Budget Manager (PBM) or designee signature is required when the Fiscal Impact Statement on the STD. 399 reflects either costs or savings, whether budgeted or not. The estimate in a STD. 399 that is signed by the agency must reflect the actual language of the proposed regulation adopted by the agency. A PBM signature reflects a concurrence that the estimates provided on the STD. 399 are an accurate estimation of the fiscal impact of the proposed regulation. A PBM signature does not reflect a policy endorsement of the regulation itself, a concurrence that the proposed regulation is the most cost-effective option, or an approval to submit a Budget Change Proposal (BCP) to address any identified fiscal impact. Any estimated budget costs or savings must be addressed through the annual budget development and BCP process.

**If a proposed regulation is determined to be a major regulation, comments submitted by Finance relating to the required Standardized Regulatory Impact Assessment (SRIA) and a PBM's signature on the STD. 399 do not reflect an endorsement of the SRIA or of the proposed major regulation.**

## ESTIMATES WHICH REQUIRE DEPARTMENT OF FINANCE ACTION - 6615

(Revised and renumbered from 6660 on 3/2009)
Subdivision (c) of Government Code Section 11357 specifically authorizes the DOF to "…review any estimate…for content including, but not limited to, the data and assumptions used in its preparation."

A state agency is not required in all instances to obtain the concurrence of the DOF in its estimate of the fiscal impact of its proposed regulation on governmental agencies. Such concurrence is required when the adoption, amendment, or repeal of a regulation results in local agency costs or savings, in state agency costs or savings, or in other nondiscretionary instances such as local/state revenue increases or decreases which must be depicted on the STD. 399 as follows:

Table content available in source manual.

In addition, the DOF's approval is required for the inclusion in any such estimate of any statement to the effect that reimbursement of local costs will be requested in a subsequent Governor's Budget, Section A.1 (b) on the STD. 399.

Requests for the DOF's concurrence in or approval of a cost estimate for a proposed regulation must be forwarded to the DOF Principal Program Budget Analyst assigned to the issuing state agency at least 30 days prior to the date on which the —notice of proposed adoption‖ is to be issued. The completed STD. 399 must be submitted to the DOF along with copies of the calculations and assumptions leading to dollar estimates. Those calculations and assumptions must address the proposed regulation's fiscal impact in the current fiscal year and in the two subsequent fiscal years. A copy of the local mandate determination and any attachments thereto must be retained by the issuing state agency in the rulemaking file required by Government Code Section 11347.3. Questions regarding any technical aspects of the state mandate law should be directed to that DOF analyst or other governmental agencies that may be affected by the proposed regulation.

## INPUT FROM OTHER GOVERNMENTAL AGENCIES IN THE DEVELOPMENT OF FISCAL ESTIMATES - 6616

(Revised and renumbered from 6670 on 3/2009)
State agencies that propose to issue regulations must allow for input from any and all other governmental agencies which express concern about the potential fiscal impact of the regulation on them. Such input must be solicited by the issuing state agency by practical means such as holding public hearings, publishing a notice in the California Regulatory Notice Register, and offering any other appropriate means.

Although the DOF's concurrence is required only for those circumstances set forth in SAM Section 6615, such concurrence may be requested for any other circumstances as well. When the DOF has concurred in the fiscal estimate, the DOF will, if requested, be primarily responsible for providing evidence and testimony to the Commission on State Mandates on any claim from a local government that the regulation results in increased costs. Conversely, the issuing state agency will be primarily responsible in instances where the DOF's concurrence was not obtained.

# Chapter - 6800

Sections for Chapter 6800

| Section | Subchapter |
|---|---|
| OVERVIEW OF CAPITALIZED ASSETS | 6801 |
| CAPITALIZED ASSETS: ROLES AND RESPONSIBILITIES | 6802 |
| CAPITAL OUTLAY VERSUS STATE OPERATIONS AND LOCAL ASSISTANCE | 6803 |
| MINOR CAPITAL OUTLAY | 6804 |
| CAPITAL OUTLAY BUDGET DEVELOPMENT HIGHLIGHTS | 6805 |
| BUDGET PREPARATION AND ENACTMENT TIMELINE | 6806 |
| DOCUMENTS REQUIRED TO REQUEST CAPITAL OUTLAY FUNDING | 6807 |
| CAPITAL OUTLAY BUDGET CHANGE PROPOSALS (COBCPs) | 6808 |
| USE OF CONSULTANTS | 6809 |
| PROJECT STUDIES AND BUDGET PACKAGES | 6810 |
| TRANSFER OF FUNDS TO THE ARCHITECTURE REVOLVING FUND (ARF) | 6811 |
| CAPITAL OUTLAY REAPPROPRIATIONS AND EXTENSION OF THE LIQUIDATION PERIOD | 6812 |
| ADMINISTRATION OF THE CAPITAL OUTLAY PROGRAM | 6813 |
| METHODS OF PROJECT DELIVERY | 6814 |
| STATE PUBLIC WORKS BOARD (PWB) OVERVIEW | 6820 |
| MONTHLY PUBLIC WORKS BOARD PROCESS | 6821 |
| STANDARD INFORMATION REQUIRED WHEN REQUESTING PWB OR FINANCE ACTION | 6822 |
| STARTING CAPITAL OUTLAY PROJECTS | 6823 |
| SITE SELECTION AND ACQUISITION | 6824 |
| EXERCISE OF EMINENT DOMAIN (CONDEMNATIONS) | 6825 |
| ENVIRONMENTAL IMPACT REVIEW PROCESS | 6826 |
| PROJECT DUE DILIGENCE | 6827 |
| DESIGN-BID-BUILD DEVELOPMENT AND REVIEW | 6828 |
| OVERSIGHT OF TRADITIONAL DESIGN-BUILD PROJECTS | 6829 |
| EQUIPMENT | 6831 |
| PROJECT COMPLETION | 6832 |
| AUGMENTATIONS TO CAPITAL PROJECTS, AND RECOGNITION OF PROJECT DEFICITS | 6833 |
| SCOPE CHANGES | 6834 |
| INMATE/WARD LABOR | 6835 |
| LEASE-BASED PROJECT DEVELOPMENT | 6836 |
| FINANCING CAPITAL PROJECTS | 6841 |
| GENERAL OBLIGATION (GO) BONDS | 6842 |
| STATE PUBLIC WORKS BOARD LEASE-REVENUE BOND PROGRAM | 6843 |
| LEASE -REVENUE BONDS | 6844 |

## OVERVIEW OF CAPITALIZED ASSETS - 6801

The Capitalized Assets sections of SAM reference policies and procedures on budgeting and financial administration of capital outlay projects and—more broadly—on programs for capitalized asset financing. These sections are divided into four parts:

1. An **overview of capital outlay** and **capitalized asset financing** (Sections 6801–6804).
2. **Budgeting** capital projects (Sections 6805–6814).
3. The approval and administrative process for acquisition, design, and construction of capital projects (Sections 6820–6836).
4. **Long-term financing** of capitalized assets (Sections 6841–6844).

The Department of Water Resources for the State Water Project and the Department of Transportation for highway-related projects are not subject to the instructions contained in this chapter. In addition, this chapter does not address projects not subject to legislative appropriation, such as higher education's housing, student union programs, and other auxiliary organizations.
As used in this chapter, the term capitalized assets refers to all processes which may result in the acquisition, new construction, alteration, renovation, or betterment of real property, regardless of character of appropriation for the expenditure. This includes capital outlay projects and budget change proposals, certain leases that meet the definition of a capitalized lease, long-range plans for infrastructure, and financing of projects and capitalized leases.
The term capital outlay refers to a subset of these activities, funded specifically under the capital outlay character of appropriation. See Section 6803 for a discussion of characters of appropriation.

## CAPITALIZED ASSETS: ROLES AND RESPONSIBILITIES - 6802

(Revised and Renumbered from 6805.)
The State Public Works Board (PWB), the Department of Finance (Finance), Departments, the Department of General Services (DGS), the Pooled Money Investment Board (PMIB), and the State Treasurer's Office (STO) all perform key roles in carrying out the state's infrastructure program.

a. **PWB** acquires property for the state, must approve the preliminary plans or performance criteria for capital projects, may set reasonable conditions for any project, and may issue debt instruments and authorize interim financing to construct facilities. PWB ensures that projects remain within legislatively approved scope and cost and are carried out in a timely manner and with proper due diligence. PWB has authority to augment projects by up to 20 percent, and may terminate projects under circumstances defined in statute and subject to legislative notification requirements. In addition, the PWB is vested with the power of eminent domain (condemnation authority) for the state entities under its purview. An overview of PWB's role and responsibilities is presented in SAM Section 6820.

b. **Finance** reviews capital outlay budget change proposals (COBCPs) for inclusion in the Governor's Budget, reviews legislation proposing capital outlay projects and capitalized leases, has authority to adjust the scope of projects subject to legislative reporting requirements, chairs and provides staff to PWB in that board's oversight of project implementation, and has delegated authority from PWB to carry out certain of the PWB's tasks. Finance approves preliminary plans, performance criteria, working drawings and proceed to bid, and contract award. Finance also participates in bond sale activities for capital outlay and capitalized lease projects and has the authority to grant requests for General Fund loans for projects needing interim financing before bonds are sold. Additional information on General Fund loans is provided in SAM Section 6844.

c. **Departments** manage the programs for which infrastructure acquisition, construction or improvement is a supporting activity. The department identifies program needs in a strategic plan, determines the related infrastructure requirements, prepares a five-year infrastructure plan, prepares individual capital outlay budget change proposals, works with Finance and may work with DGS to budget and implement the plan. At all stages of a capital outlay project or a capitalized lease project, departments are responsible for justifying program needs, keeping the project within scope and cost, and meeting administrative requirements set forth in statute and SAM.

   The following departments have authority to design and construct projects, exclusive of the control or oversight of DGS, with certain limitations:
   **Departments authorized to manage capital outlay projects**
   - 0250 – Judicial Branch
   - 3540 – Department of Forestry and Fire Protection (limited authority)
   - 3790 – Department of Parks and Recreation
   - 5225 – Department of Corrections and Rehabilitation
   - 6870 – California Community Colleges Board of Governors
   - 6610 – California State University
   - 6440 – University of California
   - 8940 – California Military Department (limited authority)

   Although the above departments have authority to manage capital outlay projects exclusive of DGS' control and oversight, these departments remain subject to Finance and PWB control and oversight (special rules apply for the universities).

d. **DGS** has broad authority for real property acquisition, sales, statewide property inventory, and energy efficiency services for state and K-14 school facilities. Its services are offered on a reimbursable basis. DGS determines whether departments are capable of carrying out minor projects directly, and may delegate the management of minor capital outlay projects to departments. Additional information about minor capital outlay projects is provided in Section 6804. DGS provides advice to PWB for property acquisition as needed.

e. **PMIB** has the authority to grant requests for Pooled Money Investment Account loans for projects needing interim financing before bonds are sold. Additional information on PMIB is provided in SAM Section 6844.

f. **STO** is the state's official agent for the sale of debt instruments. STO chairs the PMIB, and is a member of the PWB (only hearing and deciding matters related to the issuance of bonds). In addition, STO provides (or makes arrangements for) trust services for debt issuances. As agent for sale, STO holds the exclusive right to select financing teams for debt issuances. STO's agent-for-sale role includes all debt financings of joint powers authorities, regardless of whether the state is a member of the authority. Additional information on STO is provided in SAM Sections 6842–6844.

## CAPITAL OUTLAY VERSUS STATE OPERATIONS AND LOCAL ASSISTANCE - 6803

The state appropriates funds in three broad classifications—state operations (support), local assistance, and capital outlay—referred to as the *character of appropriation*. Unless statutory language specifically allows otherwise, once budgeted as one of the three characters, a program or activity must follow that classification's expenditure rules. Support appropriations cannot be used to fund capital outlay projects, except as noted below.

Infrastructure management uses all three characters of appropriation, depending on the activity. The general rule is that the acquisition/construction/renovation of real property is classified as capital outlay when the state holds or has the equivalent of fee ownership. Operation and maintenance of state real assets is classified as state operations. State-funded but locally owned infrastructure is classified as local assistance.

Certain types of leases, such as capitalized leases, are funded as state operations, but result in a capital acquisition. As used in this chapter, the term *capitalized assets* covers both traditional capital outlay as well as capitalized leases.

**Exception to the prohibition against using support funds for capital outlay**: Section 6.00 of the Budget Act provides a limited exception to the rule that support funds may not be used for capital outlay purposes. This section allows support funds to be encumbered for preliminary plans, working drawings, performance criteria, construction, or design build of any project for the *alteration of a state-owned facility upon Finance Approval* (Section 6.00 does not apply to leased facilities). This Section includes thresholds for overall project costs and for Legislative notification.

**Guidelines for determining character of appropriation:** The following discussion and table are intended as a guide to assist departments in determining whether an activity should be budgeted as capital outlay, support, or local assistance.

**Capital outlay:** is the expenditure of funds for the acquisition of land or other real property, construction, improvements, design, and equipment *necessary in connection with a construction or improvement project*. Administratively, capital outlay consists of:

1. Any real property acquisition, new construction, or demolition.
2. Any renovation or addition to a state-owned facility that changes capacity or functionality.
3. Fixed and movable equipment associated with a capital outlay project.
4. A capitalized lease agreement (Section 6836). Although the actual lease payments will be budgeted in state operations, the transaction is a capitalized assets acquisition because equity is built as payments are made.
5. Exercising a purchase option on a lease. This action transfers ownership to the state, and would be considered an acquisition of real property.

**State operations**: The following facility-related expenses are classified as state operations:

1. Projects to acquire or replace equipment that is not associated with a capital outlay project.
2. Standalone special repairs and deferred maintenance projects include projects that extend the useful life of a facility, but do not change functionality or capacity. Examples include, but are not limited to, repainting; re-roofing; electrical rewiring; plumbing repairs; heating, ventilation, and air conditioning system replacement; dredging of river or stream beds to restore original flow capacity; replacing old equipment items; and road repairs.
3. Relocation costs, such as swing space and moving expenses, whether or not related to a capital outlay project. Exceptions to this must be approved by Finance.
4. Lease or rental costs and associated budget requests.
5. Projects to abate hazardous materials or remove architectural barriers (e.g., Americans with Disabilities Act compliance).
6. Projects funded via Section 6.00 of the Budget Act.

**Local assistance**: The following infrastructure-related expense is classified as local assistance:

Grants to local agencies for the operation, maintenance, and acquisition or development of facilities or land, provided the local entity retains ownership after completion of the project.

## MINOR CAPITAL OUTLAY - 6804

Minor capital outlay is any capital project up to the amount adjusted pursuant to the State Contract Act—Project Cost Threshold Adjustments Budget Letter, which can be found on the Finance public site at www.dof.ca.gov.

**Important budgeting points for minor capital outlay projects include**:

1. Per Section 3.00 of the Budget Act, the term *minor projects* includes planning, working drawings, construction, improvements, and equipment projects not specifically set forth in the budget schedule. It does not include any acquisition project, regardless of amount.

2. Minor projects are budgeted in a single schedule. Any project not scheduled specifically as a minor project, regardless of amount, is a major project.

3. DGS may delegate the authority to individual departments to carry out a minor project directly.

4. Per Section 1.80 of the Budget Act, the period of appropriation availability for minor projects is three years, followed by a two-year liquidation period.

5. A minor project is not subject to PWB oversight. Consequently, PWB will not augment minor projects since they are not subject to the PWB approval processes.

6. Finance may increase the approved amount of a minor capital outlay project through a redirection within the minor program if the project is not scheduled individually and the amount of the increase does not exceed the minor capital outlay project limit. Substitution of minor projects is permissible with Finance concurrence and based on critical need. A complete COBCP (Section 6808) for the new project is required when requesting the substitution of a minor project along with all other justification.

7. Minor projects may be subject to provisions of the California Environmental Quality Act (CEQA) as described in Section 6826.

8. It is not permissible to "piecemeal" larger projects through several minor projects.

## CAPITAL OUTLAY BUDGET DEVELOPMENT HIGHLIGHTS - 6805

(Revised and Renumbered from 6812.)

**No base budget for capital outlay**. Capital outlay budgets are zero-based each year. This means the department must submit a written capital outlay budget change proposal (COBCP) for each new project or subsequent phase of an existing project. The requirements for COBCPs are presented in Section 6808.

**When COBCPs are due**. In general, COBCPs for major and minor capital outlay projects are due to Finance in late July/early August of each year. The precise due date will be provided in the annual Budget Preparation Guidelines Budget Letter. See Section 6806 for an overview of the budget enactment timeline. See Section 6807 for a listing of documents in addition to COBCPs required to request capital outlay funding.

**Scope Meetings.** Departments may be requested to schedule meetings and/or arrange site visits to help Finance clarify and evaluate project necessity and scope. Participants usually include Finance capital outlay staff, department staff, and the Department of General Services (DGS). The scope meeting establishes a common understanding among all parties about project scope and priority. Scope is defined in Section 6834.

**When COBCPs are updated**. New project proposals are generally not accepted after initial submittal of the COBCPs and Five-Year Infrastructure Plans in late July/early August. The precise due date will be provided in the annual Budget Preparation Guidelines Budget Letter. However, each COBCP submission is evaluated on a case-by-case basis and exceptions can be made to allow for a spring submission if the request is deemed critical and cannot wait until the next fall submission deadline.
Otherwise, all technical updates, including cost updates, will be presented to the Legislature through a Finance Letter. In addition, non-technical proposals, including scope changes to existing projects or new projects justified as urgent, may also be proposed through the Finance Letter process. All COBCP submissions must be made by the deadline established annually for spring Finance Letters, generally in mid-February of each year, and as published in a Finance Budget Letter. Requests made after this deadline are discouraged but may be rolled into the overall May Revision process at the discretion of Finance. An updated or new COBCP must be submitted for policy and technical Finance Letters.

**Five-Year Infrastructure Plans are required annually**. Each department submitting a COBCP or Concept Paper must also submit, at the same time, a Five-Year Infrastructure Plan that includes the specific projects it intends to pursue in the following five-year time period. The requirements for this plan are set out in an annual budget letter (see below). Exceptions to project-level plans must be approved by Finance.

**Annual Budget Letters for COBCPs and Five-Year Infrastructure Plans**. Finance releases a Budget Letter annually setting specific due dates for COBCPs and Five-Year Infrastructure Plans, reiterating information requirements, and describing any form or processing changes. A separate Budget Letter is released after submission of the Governor's Budget to establish due dates for requests for Finance Letters to make policy or technical changes to capital outlay projects proposed in the Governor's Budget.
An additional Budget Letter is released biennially in the spring to provide updated cost indexes used to adjust construction costs for inflation.

**Capital Outlay augmentations**. If a project is anticipated to exceed its budget, the remedies are a scope reduction (subject to approval by Finance and legislative notification) and/or an augmentation of up to 20 percent (subject to approval by the Public Works Board (PWB) and when required, legislative notification). If those remedies are insufficient, the remaining options are to terminate the project or halt it while seeking a new or supplemental appropriation. Augmentations and scope changes are discussed in Sections 6833 and 6834.

**No transfer of capital outlay funds between scheduled projects.** The annual Budget Act includes control section language (Sec. 26.00) forbidding the transfer of funds between scheduled projects in a department's capital outlay item. There may be some exceptions on an item-by-item basis; however, the PWB retains the authority to augment a project's appropriation, provided there are sufficient resources available in the source fund(s).

**California Environmental Quality Act (CEQA) review required**. CEQA requires environmental review of any project undertaken in whole or in part by any public agency. See Section 6826 for more information.

**Process exemptions for certain departments.** Some entities, including the University of California, the California State University, California Community Colleges, Judicial Council, High-Speed Rail Authority, some departments within the Natural Resources Agency, and the Department of Corrections and Rehabilitation may manage the design and construction of their own projects without using the services of the Department of General Services. In addition, the Department of Water Resources (for the State Water Project) and the Department of Transportation (for highway-related projects) are not subject to the instructions contained in this chapter.

## BUDGET PREPARATION AND ENACTMENT TIMELINE - 6806

(Revised and Renumbered from 6814.)

The following illustration is intended to help departments plan their capital outlay budget submissions. To meet statutory budget time frames, departments must submit requests for major and minor capital outlay projects in late July/early August. Finance will publish a Budget Letter each year with more detailed instructions and due dates. Late requests will be accepted only with Finance approval. Departments within agencies must have agency concurrence for their proposals, prior to submittal. Submission dates indicated are when documents are due to Finance.

References to the Department of General Services in the following table also apply to any department which is authorized to act as its own project manager. Due dates on the chart below are approximate; actual dates are set by the Budget Letter.

Table content available in source manual.

## DOCUMENTS REQUIRED TO REQUEST CAPITAL OUTLAY FUNDING - 6807

(Revised and Renumbered from 6816.)
A department must make a formal request to Finance, in accordance with the procedures and deadlines established in the annual Budget Letter, to have a major or minor capital outlay project considered for inclusion in the annual Governor's Budget.

The following documents are required:

1. A capital outlay budget change proposal (COBCP), as described in Section 6808.
2. The department's five-year infrastructure plan, as described in Section 6805.

The required items must be approved by the appropriate agency secretary before release to Finance. Minor projects included in the five-year infrastructure plan may not exceed the limit established in the State Contract Act-Project Cost Threshold Adjustments Budget Letter.

## CAPITAL OUTLAY BUDGET CHANGE PROPOSALS (COBCPs) - 6808

**A COBCP is required for:**

1. **Any request for a capital outlay appropriation or reappropriation**. Information to determine whether a request is for capital outlay can be found in Section 6803.

2. **Any request for Trailer Bill Language to authorize lease-based development agreements or appropriations to fund one-time costs related to those agreements.** Information related to Lease-Based Project Development can be found in Section 6836.

3. **Exercising a purchase option on capital assets.** Exercising a purchase option (even if a nominal amount) requires a capital outlay appropriation. This includes exercising a purchase option on trailers and relocatable or modular buildings.

For new capital outlay projects, budget packages should be completed prior to submitting COBCPs.

Although COBCPs are generally submitted for consideration in the annual Governor's Budget, at Finance's discretion, COBCPs may be accepted through the April 1 or May 15 Finance Letter process. The guidelines, including timeframes, for submitting COBCPs for the Finance Letter process are included in the annual Finance Budget Change Proposal Budget Letter. A timetable for budget preparation and enactment is provided in Section 6806.

**Instructions to complete a COBCP.** The COBCP form can be found on Finance's website: Department of Finance | State of California. The COBCP includes, but is not limited to, the following:

- **Purpose of project:** What is the problem? What is the underlying program need or infrastructure deficiency?
- **Relationship of Project to Strategic Plan:** Explain the project's relevancy to the department's strategic plan. Projects which lack a clear supporting relationship to the department's strategic plan will be returned.
- **Alternatives:**
  - Present all reasonable alternatives to solve the problem. Please present more than one alternative that consists of an approach that includes another action other than taking no action at all.
  - For any alternatives that would require swing space, i.e., temporary accommodation during a facility remodel, the anticipated cost should be noted informationally in the alternative.
  - For any options that result in the sale of surplus property, estimated proceeds should be included in the alternative.
- **Recommended Solution and Why:** Which is the best alternative, and why? Describe the recommended alternative in detail. This description is the basis on which initial scope will be defined.

## USE OF CONSULTANTS - 6809

(Revised and Renumbered from 6823.)
**Technical consultant assistance:** Departments may need professional input from consulting architects, facilities planners, engineers, or contractors in the development of a potential Capital Outlay Budget Change Proposal (COBCP) or the completion of a study/budget package. Such assistance may also be solicited to prepare a needs assessment or facilities plan which examines current and future space and employee data, transportation issues, etc. DGS can assist in preparing such plans. In addition, the Department of Technology is a resource for technology phases of projects. Services from both offices are available on a reimbursable basis.

**Program management consultants**: For large/complex projects, or a series of related projects which comprise a program, a department may need the services of a program management consultant to provide expertise in the unique needs of the agency. In this case, the consultant assists in the preparation of a long-range, multiple-year program to:

1. Establish facilities planning criteria and objectives.
2. Develop timelines for designing and constructing the various facilities.
3. Estimate the design, construction, and related costs for each facility.

The consultant may also help prepare a multiple year budget for the total program, work with DGS to obtain the services of design, construction management, and other consultants, and assist in the preparation of construction bid data.

**Funding technical or program management consultants**: Technical or program management consultants may be funded from either the department's state operations appropriation or as a capital outlay project, *depending on the timing and scope of the services*. The department should discuss budgeting alternatives with Finance before submitting a support Budget Change Proposal, a COBCP, or using existing support funding. COBCPs that include funding for these services should clearly identify these costs and provide a cost-benefit analysis.

## PROJECT STUDIES AND BUDGET PACKAGES - 6810

(Revised and Renumbered from 6828.)
After a preliminary review of the department's Capital Outlay Budget Change Proposals (COBCPs) or Capital Outlay Concept Papers, should a study be needed, Finance may recommend one of three approaches: (1) a project specific study phase approved via a COBCP, (2) the use of existing department authority, or (3) the use of existing Capital Outlay Planning and Studies funding (BU 9860). The objective of the study is to understand the project's feasibility and to refine the project cost estimates. Finance uses this information along with a revised Project Cost Summary, prepared by DGS, for budgetary decision-making purposes. The most common type of project study is a budget package.

**Budget Packages**
A budget package is the formal output used to communicate preliminary project information, which is then used by departments to develop the related COBCP. The completed budget package contains the following:

- Executive Summary
- Project Description and Proposed Scope
- Project Cost (Project Cost Summary)
- Schedule Summary
- Technical Specifications
- Proposed Layouts and Adjacencies

**Capital Outlay Planning and Studies Funding (BU 9860)**
The annual Budget generally includes a small amount of funding for statewide planning and studies. These funds are allocated by Finance to state agencies to develop design and cost information for new projects for which funds have not been appropriated previously, but which are anticipated to be included in future budgets.

For departments that need to access capital outlay planning and studies funding, they should reach out to the Finance capital outlay counterpart to demonstrate the need and cost for the study as well as the expected project scope. The agreed upon scope is memorialized in a "Statewide Planning and Study Authorization Request Form" document, which will be provided by Finance staff.

## TRANSFER OF FUNDS TO THE ARCHITECTURE REVOLVING FUND (ARF) - 6811

Section 14957 of the Government Code establishes the Architectural Revolving Fund (ARF) which receives, through transfer, funds for the following related to the betterment and new construction of state-owned buildings: Studies, New construction, Major construction and equipment, Minor construction, Maintenance, Improvements, Equipment, and other building and improvement projects.

Transfers to the ARF require approval from Finance. Money in the ARF is available without regard to fiscal year for the purposes for which it was transferred; however, funds in the ARF will revert to the originating fund source if they are not encumbered within three years of being transferred or three months of project completion (Section 6832) in accordance with Government Code section 14959. DGS tracks expenditures from the ARF and generates a Return of Funds Transfer report for any unencumbered balance that remains beyond the earlier of these time frames. Extended availability for funds transferred to the ARF may be requested from Finance.

**Transfer of non-bond funds:** the Public Works Project Authorization and Transfer Request form (Form 22), is used to request the transfer of non-bond funds into the ARF. This form is initiated by DGS when it serves as project manager. This form is available from DGS.

A separate Form 22 is used to request the transfer of funds to ARF for each budgeted phase of a capital outlay project. This type of transaction is approved by the Finance capital outlay analyst for the department.

The Form 22 is also used to transfer support funding for facility special repairs expenses (such as painting or carpet replacement) which are classified as state operations. This type of transfer is approved by the Finance support analyst for the department.

Except as allowed in Section 6.00 of the Budget Act, transfer of support funds to ARF for capital outlay purposes is not allowed (Sections 6803 and 6804). Transfers of support funds to the ARF using Section 6.00 must be approved by both the Finance support analyst and capital outlay analyst.

Due to the volume of proposed Form 22s at the end of the fiscal year, and the potential for incorrect classification of the request, departments must allow extra time for verification by Finance of the nature of—and need for—the transaction. Proposed transfers to the ARF which cannot be verified in the time available will not be approved.

**Transfer of Bond Funds**: a bond proceeds Public Works Project Authorization and Transfer Request form (Form 220) is used for the same purpose as a Form 22 when projects are bond funded. The form is used to request SCO reserve a portion of the department's project appropriation authority in a separate account within the appropriate bond fund. This reserve is used to reimburse ARF for actual expenditures. This form is initiated by DGS when it serves as project manager. This form is available from DGS.
All transfer requests from lease-revenue bond funds must be submitted first to Finance's Capital Outlay unit to determine whether the purpose of the expenditure is lawful under the bond indenture and state/federal tax law. This applies whether or not the

transfer is for a support purpose. The Capital Outlay unit will then coordinate the request with the appropriate support unit within Finance.

For budgetary purposes (as distinguished from cash flow purposes), Form 220 is treated as an encumbrance recorded in the fiscal year in which approved by Finance. Departments which manage their own projects do not use Form 220.

**STD. 22 and STD. 220 Transfer Request Instructions:** Requests to transfer funds to the ARF are initiated by DGS and sent to departments for review prior to submission to Finance for approval. Departments should review forms for completeness and accuracy before signing the request. The description of project section should include information on the scope and phase for capital outlay projects. A clear description of the intended use of funds should be included for support requests. References to items should include schedule and subschedule details where applicable.

## CAPITAL OUTLAY REAPPROPRIATIONS AND EXTENSION OF THE LIQUIDATION PERIOD - 6812

(Revised and Renumbered from 6834.)

Finance reviews the need to reappropriate funding or extend liquidation for capital outlay projects during the annual budget development process. Reappropriations and extensions of liquidation are proposed in the annual budget bill.

Appropriations for capital outlay included in the Budget Act are available for expenditure pursuant to Control Section 1.80 of the Budget Act in which the appropriation was made unless otherwise noted. The department must monitor project status to determine if a project will require reappropriation or extension of liquidation. Departments should consult with DGS or the appropriate project manager to maintain current schedule information and to determine if a request is required.

The Budget Bill provides two mechanism for reappropriating authority or extending liquidation:
(1) Control Section 20.00, or (2) A Budget Bill line item. If a project does not qualify for Control Section 20.00, departments must submit a COBCP (See Section 6808).

## ADMINISTRATION OF THE CAPITAL OUTLAY PROGRAM - 6813

(Revised and Renumbered from 6840.)

Sections 6813 to 6835 address policies and procedures related to the fiscal administration of funded capital outlay projects. The primary oversight entities are the State Public Works Board (PWB) and the Department of Finance (Finance). Although long-term and interim financing for capital outlay projects are part of project implementation, they are addressed in a separate financing portion of the chapter (Sections 6841 et seq.). An overview of capital outlay is provided in Sections 6801 to 6804. .

## METHODS OF PROJECT DELIVERY - 6814

The state generally uses either the *design-bid-build* or *design-build* methods of procuring design and construction services for its capital outlay projects. In addition, the state uses various lease methods to obtain the use of facilities. The following discussion briefly outlines standard procurement methods in the building industry and the resulting budget implications.

**Design-bid-build**. In the design-bid-build process, preliminary plans, working drawings, and construction are all separate phases; an overview of all typical capital outlay phases is provided in Section 6808. This approach allows the state to determine the exact product before it begins construction. Typically, funds are not committed to a phase unless there is a strong assurance that they can be encumbered within a single fiscal year. Consequently, most design-bid-build projects are budgeted in several phases over two to three years. Each appropriation requires a COBCP (Section 6808) and must be included in the department's five-year infrastructure plan (Section 6805).

In addition, PWB and Finance perform an oversight role for design-bid-build projects by reviewing and approving each phase of a project (Sections 6828). Specifically, in design-bid-build, a department may not begin working drawings prior to PWB approval of preliminary plans, and may not proceed to bid or initiate construction until Finance approves working drawings.

**Design-build**. In contrast to design-bid-build, design-build projects are submitted for bid much earlier in the project's development (Section 6829). This approach allows design work to be performed by the same entity that constructs the project. The department, or DGS on behalf of the department, is responsible for developing a request for proposal (RFP), which for traditional would include performance criteria. The design-build firm uses the RFP as the basis for its proposal.

As with design-bid-build, design-build projects are typically budgeted in multiple phases over several years. Each appropriation requires a COBCP (Section 6808) and must be included in the department's five-year infrastructure plan (Section 6805). PWB and Finance perform an oversight role for design-build projects by reviewing and approving each phase of an approved project (Section 6829). Specifically, in design-build, a department may not expend funds on the design-build or progressive design-build phases prior to PWB approval of the performance criteria or the guaranteed maximum price. Also, a design-build project for which a capital outlay appropriation is made shall not be put out to design-build solicitation until the bid package has been approved by Finance.

**Other Procurement Methods.** Other project delivery methods such as capitalized leases are agreements between a government agency and a private sector. The private sector may be responsible for providing one or more project development functions, such as selecting and acquiring a site, design, construction, financing, and maintaining or operating the facility, which is leased to the department. Oversight of capitalized leases is discussed in Section 6836.

## STATE PUBLIC WORKS BOARD (PWB) OVERVIEW - 6820

(Revised and Renumbered from 6842.)

The following summarizes statutory and administrative provisions relating to PWB.

**Origin/Role**:

The State Public Works Board (PWB) was created by the Legislature to oversee the fiscal matters associated with construction of projects for state agencies, and to select and acquire real property for state facilities and programs. The PWB is also the issuer of lease-revenue bonds, which is a form of long term financing that is used to pay for capital projects.

The Legislature appropriates funds for capital outlay projects such as acquiring land, planning and constructing new buildings, expanding or modifying existing buildings, and/or purchasing equipment related to such construction. Through review and approval processes, the Board ensures that capital outlay projects adhere to the Legislature's appropriation intents.

**Membership**: Voting members of the PWB are the:

1. Director of Finance, who historically has chaired PWB;

2. Director of Transportation;

3. Director of General Services;

4. State Controller (for lease-revenue bond items only); and

5. State Treasurer (for lease-revenue bond items only).

6. Secretary, Natural Resources Agency (for actions related to property acquisition and project construction for entities within the Natural Resources Agency).

In addition, PWB has the following advisory members: The Director of the Employment Development Department when PWB is engaged in contingency planning for emergency public works per Government Code Section 15799.2; and non-voting legislative advisors (three Senators appointed by the Senate Rules Committee and three Assembly members appointed by the Speaker).
**PWB staff**: Analysts from the Finance Capital Outlay unit serve as staff to the PWB, while Principal Program Budget Analysts serve as Deputy Directors, and the Assistant Program Budget Manager serves as the Executive Director. The PWB also has a dedicated Executive Secretary. Collectively, PWB staff administers all necessary functions of the PWB, including the management of semi-annual bond transactions.
**Meetings**: The PWB process, including monthly meetings, is described in Section 6821.

More information about the PWB can be found at: https://spwb.ca.gov.

## MONTHLY PUBLIC WORKS BOARD PROCESS - 6821

(Revised and Renumbered from 6844.)
**PWB meetings**: Historically, PWB meets monthly to consider proposed capital outlay actions and approve of certain project milestones. Meetings are normally held in Sacramento on the second Friday of each month. The meeting notice is distributed at least ten days in advance of the board meeting and posted to the PWB website at www.spwb.ca.gov (Government Code Section 11125). The notice must include the meeting date, place, time, and agenda containing a brief description of the items of business to be acted on or discussed. The staff analysis is generally posted approximately two days prior to the meeting and must be available at the meeting along with any briefing materials for each item. A link to subscribe to the email distribution list can be found on the PWB website.
Meetings may be added or removed from the PWB meeting calendar as determined necessary by PWB.
**Annual calendars**: PWB approves an annual calendar showing planned board meetings and key due dates. The annual calendar and its updates are posted on the PWB website.
**Key monthly timeframes**:

1. **Proposed PWB actions requiring legislative notification:** Legislative notification is required for the following actions: (1) scope changes, (2) augmentations between 10 and 20 percent, and (3) approval of preliminary plans or performance criteria for projects with a deficit in excess of 20 percent. These legislative notifications must be sent to the Legislature twenty calendar days before PWB takes action, and are commonly referred to as “20-day letters.” For requests which require a 20-day letter, departments must submit agenda items at least 50 calendar days in advance of the scheduled PWB meeting.

2. **Proposed PWB actions not requiring legislative notifications:** All items except those listed above may be approved by PWB without waiting for a legislative response .These items are due at least 36 calendar days prior to the PWB meeting.

3. **Minutes:** Minutes for a given PWB meeting are generally approved at the following month’s PWB meeting and posted online shortly thereafter.

**Delegated agenda items (reportables):** By resolution, PWB has delegated to its Executive Director and Deputy Directors certain functions and approvals removing the need for such actions to be heard at a PWB meeting. Most delegated actions must be reported at the next regularly scheduled PWB meeting. These actions are referred to as “reportables.” The delegated items include, but are not limited to the following:

1. Site selection for projects meeting specific criteria,

2. Acquisition of less-than-fee property rights (e.g. easements) provided certain conditions have been met,

3. Preliminary plans or performance criteria provided certain conditions have been met,
4. Augmentations of less than 10 percent, as described in Section 6833 under the heading “Project Augmentations,”

5. Establishment or revision of project scope, cost, and schedule provided that no legislative notice is required.

6. Approve the use of inmate ward labor in accordance with the provisions of Public Contract Code Section 10103.5.

## STANDARD INFORMATION REQUIRED WHEN REQUESTING PWB OR FINANCE ACTION - 6822

(Revised and Renumbered from 6845.)
PWB and Finance information needs related to capital outlay projects are very similar. Both require a Request for Approval to Proceed or Encumber Funds (DF-14D), as well as standardized project cost and history information. In addition, PWB requires an agenda package made up of a specifically-formatted agenda item and additional information depending upon the type of proposed action.

**Standard information required when requesting PWB of Finance Action:** When submitting a request for one or more actions or approvals by either PWB or Finance, the department must provide completed versions of the following standard reporting forms.

1. **Request for Approval to Proceed or Encumber Funds (DF-14D):** The requesting department submits this forms to seek approval of a project action by PWB or Finance. The form can be found at: Budget Forms | Department of Finance under the "Capital Outlay Budget Forms" section at the bottom of the page.

   This is the official request document which identifies the project and the requested action(s). For projects managed by DGS, the "Project Manager" signature is the DGS project manager, otherwise it is the department's project manager. The "Department Director or Designee" signature is the department requesting the action. Finance's signature on the returned form is evidence of PWB/Finance approval of the request. Any conditions of approval will be noted on the document.

2. **Project Cost, Funding, and Schedule Summary:** This summary is a chronological history of costs, funding and schedules. The initial column reflects the approved COBCP. Each additional submittal requires a new column with the most recent totals and dates. The funding data includes all approved appropriations and executive orders, changes included in this request, and future funding requirements.
3. **Project Cost Detail Estimate:** The department must provide a cost estimate, often referred to as a three-page estimate, in sufficient detail to communicate and support the request. The total costs must tie to the Project Cost, Funding and Schedule Summary.

**PWB Agenda Package:** When submitting a request for one or more actions or approvals by PWB, the department must submit an agenda package, as follows:

1. **Who submits an agenda package:** The project manager—either DGS or the department if it is authorized to act as project manager—submits the agenda package. However, if DGS submits the agenda package, the department is responsible for confirming the accuracy of program information, providing all required supporting documents to DGS in a timely manner, and indicating to Finance their concurrence with the requested action (typically by signing the DF-14D). Note that an agenda package is required for items that are to be heard by the PWB as well as those items that can be delegated to staff.

2. **What is the agenda item:** An agenda item, which is the legal action the department is asking PWB to take, also known as the Staff Analysis document. Agenda items submitted by departments can be categorized as either action, consent, or bond items .Action items are presented to the PWB at its meeting and are typically reserved for sensitive issues or noteworthy actions. Consent items are summarized for the PWB and are for items that are not considered sensitive .Bond items approve financing activities related to bonds issued by PWB. In some cases, and at the discretion of PWB, some consent items may be approved administratively by PWB staff and listed in the reportables section of the meeting agenda.

   The Finance Capital Outlay Unit has developed a PWB Agenda Item Desk Manual that lists the most common actions and provides guidance on appropriate formatting.

## STARTING CAPITAL OUTLAY PROJECTS - 6823

(Revised and Renumbered from 6847.)
Capital outlay projects are authorized through the annual Budget Act or other legislation. If the project authorization includes a defined scope and cost, the department submits a Form 22 (or Form 220 if bond funded) or equivalent to Finance to encumber funding necessary to begin the project. If project scope and cost are not defined, the department must submit a request to the PWB to establish project scope, cost, and schedule.

**PWB agenda package for establishing project scope, cost, and schedule:**
When submitting requests to establish project scope, cost, and schedule, the department provides the following:

1. All information requested in Section 6822, such as the standard fiscal reporting requirements and the agenda package.
2. A description of the scope, cost, and schedule.
3. An explanation of the purpose of the funding.
4. Confirmation that the proposed scope, cost, and schedule meet any legal or policy obligations.
5. If applicable, documentation on any requirements for the program (for example):
    1. Authority approved through another state entity, such as an award granted by a department through a competitive Request for Proposals process to allocate fundings based on a set of criteria outlined through law or a regulations package.
    2. Action of a non-state governing body to identify the authority and fund source for any required non-state funding match.

**After the PWB has established project cost, scope, and schedule**: Finance will sign the DF-14D and if applicable, a Form 22, Form 220, or equivalent form, for the initial phase of the project.

## SITE SELECTION AND ACQUISITION - 6824

One of the core functions of the capital outlay process is the acquisition of real property for the state, such as obtaining land or exercising purchase options. All acquisitions are subject to Property Acquisition Law (Government Code Sections 15850–15866), other than the exceptions listed in Government Code Section 15853). For acquisitions subject to Property Acquisition Law, PWB and DGS shall manage the acquisition process on behalf of the departments. Even if a specific site is designated for acquisition by the Legislature, PWB must approve the site before any acquisition activities can begin.

**Site Selection**
**What is Site selection?** When acquiring real property, the first component of the acquisition phase is site selection. This phase starts when the Finance transfers the portion of acquisition phase funding dedicated to site selection using a Form 22 or a Form

220. Departments that manage their own acquisition negotiations should use their own equivalent to the Form 22 or Form 220. During site selection, DGS or the department identified in Government Code Section 15853, will initiate any tasks necessary to identify an appropriate parcel (e.g., due diligence, environmental review, site studies, suitability reports, appraisals).
**Department's role:** The department is responsible for obtaining PWB review and approval of site selection prior to expenditure of appropriated funds for subsequent phases. Timeframes for submitting requests for site selection approval to PWB staff are presented in Section 6821 and can be found on the State Public Works Board Calendar at www.spwb.ca.gov.

**PWB's role related to site selection approval:** PWB approves site selection.
**PWB agenda package for site selection**: When submitting requests for approval of site selection, the department provides the following:

1. An agenda item that addresses:
    a. The site is within scope, meets the department's needs, and no significant concerns are raised about the condition of the property. If the site is not within scope, see Section 6834.
    b. Implied dedication has been considered in the appraised value. Implied dedication refers to a public easement which has been created through a history of use. (Determination of implied dedication is case-specific and based on facts involved in a given situation.) Implied dedications may reduce the value of a property.
    c. The project has complied with CEQA, as described in Section 6826.
    d. If improved property is to be acquired, a relocation study has been prepared and adequate funds are available for relocation costs.
    e. The proposed project location is consistent with the state's planning priorities in accordance with Government Code Section 65041 et seq.
2. A legal description and title report covering each parcel to be selected.
3. A Summary of Conditions Letter or other document demonstrating the completion of Real Estate Due Diligence (Section 6827).
4. DF-14D (See Section 6822)

It is expected that the department will provide the time and place of the PWB meeting and an agenda to the property owner and other interested parties.
**After the PWB has approved site selection**: Finance will sign the DF-14D and the appropriate state representative will commence formal acquisition negotiations with the property owner.
**Acquisition**
**What is Acquisition:** The purchase of real property by the state. Two main ways by which the state acquires land are: (1) a negotiated sale, or (2) eminent domain (see Section 6825).
The steps below pertain to a negotiated sale.
After PWB approves site selection, DGS enters into negotiations with the property owner to ensure the property acquired is appropriate for the project and in the best interest of the state. If the settlement price exceeds the appraised value, DGS provides a recommendation on how to proceed, which may include:

1. Approval of the acquisition at the higher settlement amount with appropriate justification (and if necessary, request an augmentation).
2. Approval of the acquisition for a portion of the site selected property if it is determined that a lesser portion of the property is sufficient to meet the objectives of the project (see below – when the total acquisition project cost exceeds the appropriation by more than 20 percent).
3. Eminent domain.

**Department's role:** The department is responsible for obtaining PWB review and approval of acquisition prior to expenditure of appropriated funds for subsequent phases. Timeframes for submitting requests for site selection approval to PWB staff are presented in Section 6821 and can be found on the State Public Works Board Calendar at www.spwb.ca.gov.
**Supplemental information to acquire a portion of the site selected property:**
Submit this item only if the project is solely an acquisition project, the total project costs exceed 20 percent of the amount appropriated, and the client department believes that a lesser portion of the property is sufficient to meet the objectives of the project approved by the Legislature – see Section 13332.11(i) of the Government Code. This item requires a 20-day Legislative notification.
**PWB's role related to acquisition:** PWB approves acquisition.
**PWB agenda package for standard acquisition**: When submitting requests for approval of acquisition, the department provides the following:

1. An agenda item that:
    a. Confirms the information provided during site selection approval remains valid.
    b. Provides the purchase price and confirms it is within the appropriated amounts.
    c. Describes the condition of property, any improvements, and Environmental Site Assessments. Discuss any issues identified and the costs associated with resolving those issues. If any of the issues cannot be resolved, indicate why they cannot be resolved and provide justification for recommendation of the acquisition.
    d. States the anticipated close of escrow.
2. Signed Property Acquisition Agreement with Grant Deed.
3. Signed DF-14D (See Section 6822).

**PWB agenda package for acquiring less property pursuant to Government Code Section 13332.11 (g).** The agenda package includes:

a. All of the elements specified above for a standard acquisition.
b. A written statement explaining why the purchase of lesser property fulfills the Legislature's intent; and,
c. A draft notification letter to the Legislature.

**PWB agenda package for acquiring property with a settlement price that exceeds the appraisal.** The agenda package includes:

a. All of the elements specified above for a standard acquisition.
b. An explanation for the increase in the settlement price and justification for the recommendation of the acquisition.
c. If an augmentation is required, a separate agenda package is not needed but the submittal must include the additional information outlined in Section 6833.

**After the PWB has approved acquisition**: Finance will sign the DF-14D and the Property Acquisition Agreement.
**Interim property management by DGS after acquisition:** Until property acquired under the Property Acquisition Law is needed, jurisdiction lies with DGS:

1. The Director of General Services may transfer jurisdiction to the client department, if early transfer is in the best interest of the state (e.g., the department requires interim use for parking).
2. DGS may lease all or any part of the property.
3. DGS may remove or demolish structures.
4. DGS may sell or dispose of the improvements.
5. Rentals received are deposited in a special account in the General Fund and, when appropriated by the Legislature, are available to DGS to maintain, improve or care for the property until needed for the purpose acquired (Government Code Section 15863), with the exception of lands acquired for the State Park System (Public Resources Code 5003.17). However, proceeds of sale of improvements are *not* deposited in the special account or available for maintenance.

## EXERCISE OF EMINENT DOMAIN (CONDEMNATIONS) - 6825

(Revised and Renumbered from 6866.)
**Property Acquisition and Eminent Domain**: One of the core functions of the PWB is the acquisition of real property for the state (See Section 6824 for additional information on the acquisition process). Typically, the state acquires property through negotiations with willing sellers, however, under certain circumstances, the state may acquire property through eminent domain. Eminent domain is the process by which a government may obtain private property for public use, following the payment of just compensation. Government Code Section 15855 establishes the PWB as the only state entity, with some exceptions, that has the authority to exercise the power of eminent domain to acquire property needed by any state agency, for state use. The eminent domain process is used only when a specified property is needed to complete a necessary public project, but the property owner(s) is either unwilling to sell the property, or negotiations to see the property have come to an impasse.
The following discussion outlines the steps involved in the eminent domain process.
**Agenda packages for proposed condemnations**: When requesting the PWB use eminent domain to acquire a property, the client department (and/or DGS) must provide all the following:

1. All information requested in Section 6822, including the standard fiscal reporting requirements and the agenda package.
2. A statement of the property's proposed public use.
3. A description of the general location and extent of the property to be taken, with sufficient detail for reasonable identification.
4. An analysis of necessity showing that:
    a. The public interest and necessity require the proposed project.
    b. The proposed project is planned or located in the manner that will be most compatible with the greatest public good and the least private injury.
    c. The property is necessary for the public good.
    d. An offer has been made to the owner or owners of record.
5. Chronology of attempts to purchase the property and/or contact the owner.

**PWB Actions:** Once PWB staff determines that there is sufficient information to support an eminent domain action, each person whose property interest is being acquired is mailed a Notice of Intent (NOI) letter by the PWB informing them of the intent of the PWB to adopt a resolution that would allow the commencement of an eminent domain proceeding (Resolution of Necessity or "RON") to acquire their property. The NOI is typically sent at least 15 days prior to the PWB meeting considering the adoption of the RON and provides the property owner(s) with the date and location of the PWB meeting where the matter will be taken under consideration, and also provides the property owner(s) a reasonable opportunity to appear and be heard at the PWB meeting.
Pursuant to Code of Civil Procedure Section 1245.230, the PWB may adopt a RON if it has found and determined that the following conditions have been met:

- The public interest and necessity require the project;
- The project is planned or located in a manner that will be most compatible with the greatest public good and the least private injury;
- The property sought to be acquired is necessary for the project; and
- An offer required by Government Code section 7267.2 has been made to the owner or owners of record or the offer has not been made because he owner cannot be located with reasonable diligence.

The PWB does not consider issues of compensation for the subject property; all issues related to the compensation to be awarded for the acquisition of the property will be resolved through a court proceeding, after the RON is filed in the superior court where the property is located.

## ENVIRONMENTAL IMPACT REVIEW PROCESS - 6826

Departments are responsible for demonstrating how a project complies with the California Environmental Quality Act (CEQA) prior to coming to the Board to request approval of any action for a given project. Legal statutes and related regulations covering CEQA can be found in Public Resource Code Section 21000 et seq. and its accompanying regulations, California Code of Regulations (CCR) 15000 et seq. Many actions brought before the Board for consideration and approval are "projects" within the definition of CEQA. These statutes and regulations set out the environmental review requirements for such projects.
**Key definitions:** For assistance on understanding the documents and notices required by CEQA, see the https://www.opr.ca.gov/ceqa/getting-started/. The webpage provides an explanation of the environmental process, definition of

many common terms, and link to current guidelines. The following summarizes a few frequently used terms and describes what CEQA documents include:

1. **Project per CEQA:** The term *project* per CEQA is defined in CCR Section 15353 and includes, but is not limited to, an activity involving a lease, permit, or license issued to a person or entity.
2. **Environmental Impact Report:** An *environmental impact report (EIR)* is a detailed statement describing the significant environmental effects of a project, ways to mitigate or avoid the effects, and reasonable alternatives to the project. An EIR consists of draft and final documents. There are several types of EIR (focused, supplemental, program, etc.). An EIR is required when there is substantial evidence that a project may have a significant effect on the environment.
3. **Negative Declaration:** A negative declaration is used when the initial study for a project shows no substantial evidence that a project may have a significant effect on the environment. The declaration must include a copy of the initial study supporting the claim of no significant environmental impact or offsetting mitigation resulting in no significant environmental impact.
4. **Categorical exemption**: A *categorical exemption* is an exemption from CEQA based on one or more classes of actions/projects established in regulation. Each class of projects has been determined to not have a significant effect on the environment.

Related notices include:

1. **Notice of determination:** A *notice of determination* is a brief notice filed by the lead or responsible agency after it approves or determines to carry out a project or action that was subject to CEQA. For state projects, the notice is filed with the State Clearinghouse, Office of Planning and Research. Filing of this notice starts a 30-day statute of limitations. See CCR, Title 14, Division 6, for the contents of this notice. A notice of determination is used for both EIRs and negative declarations.
2. **Notice of exemption**: A *notice of exemption* is a brief notice that may be filed by the lead agency after it approves or determines to carry out a project or action that was exempt from CEQA because the project was *ministerial, categorically exempt*, etc. For state projects, the notice is filed with the State Clearinghouse. Filing of this notice starts a 35-day statute of limitations.

**Department's role**: The lead agency has the responsibility for determining whether the project is subject to CEQA and how CEQA requirements are met. Departments must certify to the PWB that CEQA requirements have been met, including the expiration date for the statute of limitations.

**Changes in circumstance:** The department as lead agency ensures that there have been no changes in the project, site conditions, or other factors that may make it necessary to prepare additional environmental documentation. The need for additional documentation could arise for a variety of reasons, especially if there has been a substantial period between completion of the environmental review process and project submittal to the PWB. For example, if information becomes available that there is an unexpected problem of soil contamination within the project site, the lead agency may need to revise the previously approved environmental document. Other examples include the adoption of new regulatory standards that impose constraints on the project, changes in the setting of the project site such as the reduced availability of on-site utilities (water supplies, sewer service, etc.), increased traffic congestion, or the development of adjacent land uses that conflict with the project.

The department must also ensure that all projects remain in compliance with the environmental document prepared and adopted for each respective action. In some cases, it may be necessary to provide additional documentation to support the finding that the original environmental process remains valid. Both state and federal environmental review processes provide guidance on when supplemental or revised environmental documentation may be needed subsequent to the approval of a project.

**PWB practices**: Because resolution of CEQA concerns should generally precede PWB's approval of state funds for a project, PWB follows these practices:

**When processes should be completed**: Departments must provide PWB with evidence that the state's environmental review process has been completed by the lead agency (the public agency with primary authority for carrying out the action) *prior* to the required PWB action.

- For acquisition, this means prior to acquisition approval and potentially prior to site selection.
- For construction projects, this means prior to approval of preliminary plans or performance criteria.
- For build-to-suit/capitalized leases, this means prior to approval of the lease.

**CEQA compliance outside the PWB process:** CEQA requirements are not limited to projects reviewed by PWB. Actions not reviewed by PWB, such as minor capital outlay projects or deferred maintenance, may nonetheless constitute "projects" within the definition of CEQA and its accompanying regulations. Again, in each case the lead agency is responsible for determining the application of CEQA to each project and fulfilling the relevant requirements.

## PROJECT DUE DILIGENCE - 6827

Real estate due diligence consists of the identification of title, environmental, and site issues, and a determination of whether these issues affect value, desirability, or utility, of a property for a proposed state use. Departments, or DGS on behalf of departments, are responsible for conducting real estate due diligence for any capital outlay project. If there are issues identified, the department must explain how these issues will be resolved. Sections 6824, and 6828 through 6832 indicate when real estate due diligence must be completed, depending on project phase and procurement method.

PWB requires a Summary of Conditions letter or other document outlining all findings of due diligence and identifying any recommendations for the mitigation of any known condition on or off the property that may affect the state's intended use of the property.

As part of the bond sale for lease revenue bond-funded projects, there may be additional refinements required to the Summary of Conditions letter or other document. Contact your Finance capital outlay budget analyst for additional information.

## DESIGN-BID-BUILD DEVELOPMENT AND REVIEW - 6828

There are four components to a project using the design-bid-build delivery process: preliminary plans, working drawings, bid, and construction. Requirements to start and complete each of these phases, as well as the process to award a design-bid-build contract, are described within this section. The discussion in this section applies to projects that are overseen by PWB and Finance.

**Preliminary Plans Phase**

**What are preliminary plans?** Preliminary plans, defined in Section 3.00 of the Budget Act, are the initial design of the construction bidding documents for design-bid-build projects. Section 1.80 of the Budget Act provides one year to encumber preliminary plans authority.

Preliminary plans are based on the information contained in the COBCP (Section 6808) and/or the budget package (Section 6810). Typically, the preliminary plans are developed in two distinct steps referred to as schematic design and design development. The two-step process allows the department and architect/engineer to interact before the design is developed, helping to ensure a mutual understanding of the design objectives, limitations and budget.

1. **Schematic documents**: Schematic documents are the initial architectural and engineering plans prepared during the preliminary plan phase, depicting the designer's conceptual solution to project needs. The major difference between schematic documents and design documents is the amount of detail.
2. **Design development documents**: These are the final documents which result from the preliminary plan phase. For each project, the drawings must be sufficiently descriptive to convey accurately the location, scope, cost, and the nature of the improvement being proposed.

**Beginning of phase**: When DGS manages a project on behalf of a department, the preliminary plans phase starts with the request to Finance to release funds for preliminary plans using a Form 22 or a Form 220. Departments that manage their own projects should use a DF-14D to encumber preliminary plans funding if they do not have their own equivalent to the Form 22 or Form 220. For projects that are not defined in a Budget Act or legislative appropriation, PWB must approve an action to define the cost, scope, and schedule of a project prior to the start of preliminary plans.

**Department's role:** The department is responsible for obtaining PWB review and approval of preliminary plans *prior to* expenditure of appropriated funds for subsequent phases. Section 13332.11(c) of the Government Code requires that any appropriated amounts for working drawings or construction shall be reverted if working drawings or construction start prior to the approval of preliminary plans. Timeframes for submitting requests for preliminary plans approval to PWB staff are presented in Section 6822 and can be found on the State Public Works Board Calendar at www.spwb.ca.gov.

**Finance/PWB's role related to preliminary plans approval:** Section 13332.11(a) of the Government Code requires both Finance and PWB to approve preliminary plans for all major capital outlay projects to ensure that projects proceeding to working drawings and construction are consistent with the legislatively approved cost and scope. Section 13332.11(j) requires Finance notification to the Legislature prior to approval of preliminary plans if the estimated cost of the project exceeds 20 percent of the amount recognized by the Legislature.

**Value engineering:** If a project is expected to exceed recognized project costs based on the preliminary plans estimate, PWB typically requires value engineering be conducted to determine cost saving strategies *prior* to preliminary plans approval. The approach is to analyze the functional requirements of a project's materials, methods, components and subsystems to explore alternate solutions that maintain project efficiency without reducing program value. During this process, all expenditures related to design, construction, maintenance, operation, replacement, etc., are considered to ensure that any value engineering is cost effective and practical for the useful life of the facility, while maintaining the project scope approved by the Legislature.

**PWB agenda package for preliminary plans**: When submitting requests for approval of preliminary plans, the department provides the following:

1. All information requested in Section 6822, such as the standard fiscal reporting requirements and the agenda package.
2. If working drawing funds are appropriated and there is no concurrent augmentation request, a Form 22 or Form 220 for the working drawings phase;
3. A complete, dated set of preliminary plans and outline specifications, if requested.
4. A description of any value engineering performed;
5. For proposed cost increases, the information required in Section 6833.
6. For proposed scope changes, the information required in Section 6834.
7. Evidence of CEQA compliance (Section 6826) such as a copy of the filed Negative Declaration or a link to the project within the state clearinghouse at https://ceqanet.opr.ca.gov; and
8. A Summary of Conditions Letter or other document demonstrating the completion of Real Estate Due Diligence (Section 6827).

**Preliminary plans presentation meeting**: Departments must meet with PWB staff to present the preliminary plans before PWB staff will consider a request for preliminary plans approval. The purpose of the meeting is to verify that the project meets all requirements necessary for preliminary plans approval. After the meeting, if the project qualifies, PWB may opt to delegate approval.

**After the PWB has approved preliminary plans**: Finance will sign the DF-14D and if applicable, a Form 22 or Form 220 for the working drawings phase, and distribute them to the department, DGS, and SCO. Once plans are approved, Government Code Section 13332.11(c) requires that a substantial change shall not be made without written approval of Finance.

**Working Drawings Development Approval and Proceed to Bid**

**What are working drawings?** Working drawings are defined in Section 3.00 of the Budget Act and are the final design phase in preparing the construction bidding documents. In addition, the funding for the bid process is included in the working drawings appropriation. Section 1.80 of the Budget Act provides one year to encumber working drawings authority. The discussion in this section applies to projects that are overseen by PWB and Finance.

**Beginning of phase:** Before the working drawing phase can begin, PWB must approve the project's preliminary plans). Should working drawings authority be available, Finance will release working drawings funds concurrent with preliminary plans approval. For DGS managed projects, a Form 22 or 220 is used. Departments that manage their own projects should their own equivalent to the Form 22 or Form 220. Should working drawings begin prior to approval of preliminary plans, Section 13332.11(c) of the Government Code requires that any appropriated amounts for working drawings be reverted.

**Department role:** Government Code Section 13332.11(c) requires Finance to approve working drawings. An agenda package is not required unless the drawings result in cost or scope changes. To obtain Finance's approval of workings drawings, the client department must:

1. Demonstrate that the working drawings are adequate for bidding and construction of the proposed project. This would include copy of stamps of approval from oversight agencies. Various statutes require that certain elements of design be

reviewed by oversight agencies before proceeding to bid. Examples of approvals which may be required at the working drawing phase include those from the Division of the State Architect, State Fire Marshal, State Historic Preservation Office, California Department of Health Care Access and Information, and California Coastal Commission.

Finance may require a letter verifying the adequacy of the working drawing documents or elect to review actual working drawings. If requested, departments must provide Finance with a complete, dated set of working drawings, bid specifications, and a final cost estimate with a statement from the department Director/designee that the documents are adequate for constructing the proposed project.

2.Complete standard fiscal reporting requirements as defined in Section 6822.

3. For proposed cost increases, provide the information required in Section 6833.

4. For proposed scope changes, provide the information required in Section 6834.

5. Submit evidence of CEQA compliance (Section 6826), such as a copy of the *filed* Negative Declaration or a link to the project within the state clearinghouse at https://ceqanet.opr.ca.gov/.

6. Submit a Summary of Conditions Letter or other document demonstrating the completion of Real Estate Due Diligence (Section 6827).

**Obtaining approval to proceed to bid:** Prior to initiating the bidding process, the client department must request approval to proceed to bid. This request is generally submitted concurrently with approval of working drawings, if the construction funding has been appropriated. To obtain Finance approval to proceed to bid, the client department must:

1. **Have a construction appropriation:** A construction appropriation for the project must be authorized (Budget Act and/or legislation) prior to advertising the project or issuing the bid.

2. **Confirm availability of non-state funds:** For any projects that include non-state funds, the client department must provide proof that those funds are either available (local or private partners) or committed (federal), including a reasonable augmentation reserve, typically 20 percent of the non-state share of total project costs. If the non-state funds are from a federal program that restricts augmentations, the client department must specify the nature of the restriction.

3. **Obtain approval of bid alternates**: Public Contract Code allows bids to be accepted on additive or deductive alternates up to 10 percent of the estimated cost of the base project. Government Code Section 13332.11(c) requires Finance approval of bid alternates. Bid alternates cannot be so substantial as to create a scope change. Deductive alternates need to follow the guidelines for value engineering (Section 6828) in which the deduction is cost effective and practical for the useful life of the facility.

The purpose of bid alternates is two-fold: if a project comes in over budget, deductive alternates can help avoid the need to re-bid the project. Conversely, if bids come in under budget, additive alternates can allow project improvements. Bid alternates (which must be bid separately from the main contract) must include all proposed deductive items in priority order followed by all additive items in priority order. Finance encourages submittal of at least three deductive alternates to ensure a successful contract award in the event that all bids submitted exceed budget.

4. **Obtain PWB approval for combined bids:** Public Contract Code authorizes DGS to receive bids for the construction of several projects, treated as a single project for bidding purposes as long as those projects are within 100 miles of one another. PWB must approve any request to combine bids. Departments are required to assign costs to the various projects and appropriations, and to maintain separate cost accounting for each project.

5. **Reporting requirements for approval to proceed to bid:**

   a. Standard fiscal reporting requirements as defined in Section 6822; unless already submitted as part of concurrent working drawings approval;

   b. If proposed, a list of additive and deductive alternates in priority order;

   c. For a request to combine bids, a PWB agenda package as defined in Section 6822 and an explanation of the benefits of combined bids in this situation; and

   d. If the request includes non-state funds, proof that those funds are either available (local or private partners) or committed (federal).

   Once all documents have been received and validated by PWB, Finance will sign the DF-14D, providing approval to proceed to bid.

**Bid process:** Typical activities performed by the department, or by DGS on behalf of the department, during the bid process include advertising the project in construction trade papers, submission of bids by interested parties, analysis of those bids, and determination of the lowest responsible bidder. Once a valid low bid has been identified for the project, the next step is to award the construction contract.

**Construction Phase**

**What is construction?** Section 3.00 of the Budget Act stipulates that "construction, when used in connection with a capital outlay project, shall include all such related things as fixtures, installed equipment, auxiliary facilities, contingencies, project construction, management, administration and associated costs." Construction may also include departmental costs for agency-retained work related to the project. Section 1.80 of the Budget Act provides three years to encumber construction authority.

**Beginning of phase:** Awarding the contract initiates the construction phase. Should construction funds be expended prior to the approval of preliminary plans, Section 13332.11(c) of the Government Code requires that any appropriated amounts for construction be reverted.

**Information required to award the contract:** After bids have been received and a valid low bid is verified, the department requests Finance to authorize award of the contract. The department provides the following information with this request:

1. The standard fiscal reporting requirements specified in Section 6822.
2. Transfer of authority request.
3. A copy of the bid tabulation, which at a minimum includes the project name, bid opening date, award period, and each bidder's lump sum.
4. Verification that legal requirements have been met for the lowest bidder (this can be included on the bid tabulation).
5. A list of accepted additive or deductive alternates, if applicable;
6. A PWB agenda package for augmentation (Section 6833), if applicable; and
7. A PWB agenda package for reversion of bid savings, if applicable.

**Steps following contract award:** Once Finance signs the DF-14D to award the contract, Finance will authorize the encumbrance of construction funds. For DGS managed projects, a Form 22 or 220 is used. Departments that manage their own projects should use a DF-14D to encumber construction funding if they do not have their own equivalent to the Form 22 or Form

220. With this approval, an official award of the contract may be made. Following execution of the contract, the contractor is provided formal notice to proceed with construction. Construction occurs in accordance with contract requirements. Any changes must be by contract amendment, and in some cases, Finance must concur with those changes (see following change orders). The phase ends when construction is complete and the contractor files a Notice of Completion with DGS or other project manager.

**What are the cost elements of construction?**

1. **Construction contract**:This is the actual amount of the construction bid award, plus any approved change orders (referred to as "hard costs").
2. **Change orders:** Change orders are formal contract amendments executed during the course of construction as required to address issues such as unforeseen site conditions, errors and omissions in specifications and drawings, and department requests. Change orders are funded from the contingency line item of the project budget, as discussed in the following paragraph. When a proposed change order potentially modifies the project scope or would exhaust contingency, thereby requiring a project augmentation, the department must discuss the desired change with Finance **before executing the change order** to determine whether or not PWB action is required. (See Section 6833 for augmentations and Section 6834 for scope changes.)

3. **Contingency**: The construction contingency is a set percentage of the construction contract amount budgeted for unforeseen costs identified after construction commences.
   Standard construction contingencies are 5 percent of the construction estimate/bid for a new facility and 7 percent of the construction estimate/bid for renovation projects. However, in some cases, a different contingency might be justified. Any deviation from the standard requires Finance concurrence. A construction contingency is included in the budget so the project can proceed with minimal interruption for non-scope changes or modest cost overruns. Generally, the project manager approves the use of contingency funds.

**Construction support:** The terms *construction support* or *project administration* are applied to all project expenses incurred during the construction phase other than actual construction costs and contingency. The major construction support/project administration cost items are inspection, construction management, architect/engineer review, and special consultants—primarily for materials testing and hazardous materials abatement monitoring. Project *soft costs* include costs for all pre-construction phases, plus construction support expenses. Each construction support cost is delineated in the Project Cost Detail Estimate (Section 6822).

**Project Completion:** See Section 6832.

## OVERSIGHT OF TRADITIONAL DESIGN-BUILD PROJECTS - 6829

There are two phases to a project using the traditional design-build delivery process: performance criteria (which includes soliciting for design-builders) and design-build. Requirements to start and complete each of these phases, as well as the process to award a design-build contract, are described within this section. The discussion in this section applies to projects that are overseen by PWB and Finance.

**Performance Criteria Phase**

**What are performance criteria?** Performance criteria, defined in Section 3.00 of the Budget Act and Government Code Section 13332.19(a)(6), are the documents prepared by a state-contracted Criteria Team that set forth the scope and stipulated sum of the project. Section 1.80 of the Budget Act provides one year to encumber performance criteria authority.

Performance criteria are based on the information contained in the COBCP and budget package and includes project characteristics and specifications that are necessary for establishing minimum requirements and may also include concept drawings which are schematic drawings or architectural renderings that illustrate the state's needs. During this phase, a Request for Qualifications (RFQ) is issued in order to evaluate and shortlist potential design-build teams. The shortlisted teams will then compete for the design-build contract upon release of the RFP. The performance criteria may include the size, type, and desired design character of the project, and specification for quality of materials, equipment, finishes, and any other information necessary to describe the needs of the department. The compiled data in the performance criteria becomes the basis for the Request for Proposal (RFP) that is issued to the shortlisted design-build entities.

**Beginning of phase**: If a department contracts with DGS for project management, the performance criteria phase starts with the request to Finance to release funds for performance criteria using a Form 22 or Form 220. Departments that manage their own projects should use a DF-14D to encumber performance criteria funding if they do not have their own equivalent to the Form 22 or Form 220. For projects that are not defined in a Budget Act or legislative appropriation, PWB must approve an action to define the cost, scope, and budget of a project prior to the start of performance criteria.

**Client department's role:** The client department is responsible for obtaining PWB review and approval of performance criteria *prior to* expenditure of appropriated funds for the design-build phase. Section 13332.19(c) of the Government Code requires that any appropriated amounts for design-build must be reverted should the design-build phase start prior to the approval of performance criteria. Time-frames for submitting requests for performance criteria approval to board staff are presented in Section 6821 and can be found on the State Public Works Board Calendar at www.spwb.ca.gov.

**Finance/PWB's role/restrictions related to performance criteria approval:** Section 13332.19(b) of the Government Code requires PWB to approve performance criteria for all major capital outlay projects to ensure that projects proceeding to the design-build phase are consistent with legislatively approved cost and scope. Finance approval is required before release of the RFP. Section 13332.19(h) requires Finance to notify the Legislature with respect to approval of performance criteria if the estimated cost of the project exceeds 20 percent of the amount recognized by the Legislature.

**Best Value, Stipulated Sum, and Enhancements:** Design-build projects are generally awarded based on best value for the state. Best value is defined in Section 10187.5(a) of the Public Contracts Code as a value determined by evaluation of objective criteria that relate to price, features, functions, life-cycle costs, experience and past performance. Many design-build projects do not have a competitive price component, but rather rely on a stipulated sum, which is a fixed price for the design-build contract meeting the base requirements specified in the RFP. The stipulated sum is established by the department, or DGS on behalf of

the department for DGS-managed projects, with the concurrence of Finance. Competing teams would then be evaluated on their design, enhancements to the base requirements, and other RFP responses.

**Value engineering:** If a project is expected to exceed project costs based on the performance criteria estimate or comments received from the design-build teams, PWB typically requires value engineering be conducted to determine cost saving strategies to allow the project to meet its stipulated sum. The principle concepts which underlie the value engineering methodology are function, cost, and worth. The approach is to analyze the functional requirements of a project's materials, methods, components and subsystems in order to explore alternate solutions which improve project efficiency without reducing program value. During this process, all expenditures relating to design, construction, maintenance, operation, replacement, etc., are considered to ensure that any value engineering is cost effective and practical for the useful life of the facility.

**PWB agenda package for performance criteria**: When submitting requests for approval of performance criteria, the client department provides the following:

1. All information requested in Section 6822, such as the standard fiscal reporting requirements and the agenda package.
2. A copy of the performance criteria, preferably electronic, along with an executive summary.
3. Notification of the method to be used for selecting the design-build entity (i.e. best-value, low-bid, or a hybrid) as required in Public Contract Code Section 10190.
4. For proposed cost increases, the information required in Section 6833.
5. For proposed scope changes, the information required in Section 6834.
6. Evidence of CEQA compliance (Section 6826) such as a copy of the *filed* Negative Declaration or a link to the project within the state clearinghouse at https://ceqanet.opr.ca.gov.
7. A Summary of Conditions Letter or other document demonstrating the completion of Project Due Diligence (Section 6827).

**Performance criteria presentation meeting**: Client departments must meet with PWB staff to present the performance criteria before PWB staff will consider a request for performance criteria approval. The purpose of the meeting is to verify that the project, including all value engineering or enhancements, is within scope based on document review. After the meeting, if the project qualifies, PWB may opt to delegate performance criteria approval. Otherwise, this meeting should occur prior to the screening meeting for that month's agenda.

**After the PWB has approved performance criteria**: Finance will sign the DF-14D to approve performance criteria, and if design-build authority is available, Finance will also approve the release of the RFP. Once the performance criteria are approved, Government Code Section 13332.19(c) requires that a substantial change shall not be made without written approval of Finance.

**Solicitation of Design-Build Bids or Proposals**

**Obtaining approval to solicit design-build bids or proposals:** Prior to releasing the RFP for the design-build project, the client department must request Finance approval to solicit design-build bids or proposals. This request is generally submitted concurrently with approval of performance criteria, if the design-build funding has been appropriated. To obtain Finance approval, the client department must:

1. **Have a design-build appropriation:** A design-build appropriation for the project must be authorized (chaptered budget act and/or legislation) prior to advertising the project or issuing the bid.

2. **Confirm availability of non-state funds**: For any projects that include non-state funds, the client department must provide proof that those funds are either available (local or private partners) or committed (federal), including a reasonable augmentation reserve, typically 20 percent of the non-state share of total project costs. If the non-state funds are from a federal program that restricts augmentations, the client department must specify the nature of the restriction.

3. **Obtain approval of bid alternates**: While the design-build completion is usually based on the best value selection method, in some instances, a low bid may be used as a selection criterion. In this case, Public Contract Code Section 10126 allows bids to be accepted on additive or deductive alternates up to 10 percent (10%) of the estimated cost of the base project. Government Code Section 13332.19(c) requires Finance approval of bid alternates. Bid alternates cannot be so substantial as to create a scope change. Deductive alternate need to follow the guidelines for value engineering (Section 6828) in which the deduction is cost effective and practical for the useful life of the facility.

   The purpose of bid alternates is two-fold. If a project comes in over budget, deductive alternates can help avoid the need to re-bid the project. Conversely, if bids come in under budget, additive alternates can allow project improvements. Bid alternates (which must be bid separately from the main contract) must include all proposed deductive items in priority order followed by all additive items in priority order. For project relying on a competitive cost component, Finance encourages submittal of at least three deductive alternates to ensure a successful contract award in the event that all bids submitted exceed budget.

4. **Obtain PWB approval for combined bids:** Public Contract Code Section 10127 authorizes DGS to receive bids for the construction of several projects, treated as a single project for bidding purposes as long as those projects are within 100 miles of one another. PWB must approve any request to combined bids. Departments are required to assign costs to the various projects and appropriations and to maintain separate cost accounting for each project.

5. **Reporting requirements for approval to solicit design-build bids or proposals:**

   a. Standard fiscal reporting requirements as defined in Section 6822.
   b. If proposed, a list of additive and deductive alternates in priority order.
   c. If the request includes a request for combined bids, an agenda package as defined in Section 6822 and an explanation of the benefits of combined bids in this situation; and
   d. If the request includes non-state funds, proof that those funds are either available (local or private partners) or committed (federal).

After Finance signs the DF-14D, the client department notifies DGS to solicit proposals.

**What occurs during the design-build solicitation process:** For design-build project using the best-value methodology, the process starts with the release of the RFP, and typically a stipend agreement, to each of the shortlisted design-build teams. Each team develops proposals demonstrating how they will meet the requirements of the RFP, as well as any enhancements outlined in the RFP which will be included in their final proposal. Once the proposals are submitted, the department, or DGS for DGS-managed projects, will score the proposals to determine which design-build team would provide the best-value for the state.

**Design-Build Phase**

**What is the design-build phase:** The design-build phase is defined in Section 3.00 of the Budget Act and Government Code Section 13332.19(a)(5) as "the period following the award of a contract to a design-build entity in which the entity completes the design and construction activities necessary to fully complete the project in compliance with the terms of the contract." The design-build phase may also include departmental costs for agency-retained work related to the project. Section 1.80 of the Budget Act provides three years to encumber design-build authority.

**Beginning of phase:** Awarding the contracts initiates the design-build phase. Should design-build funds be expended prior to the approval of performance criteria, Section 13332.19(c) of the Government Code requires that any appropriated amounts for construction be reverted.

**Information requirements to release design-build funds.** After proposals have been received and a winning design-build team is selected, the client department requests Finance to authorize award of the contract. The client department provides the following information with this request:

1. The standard fiscal reporting requirements specified in Section 6822.
2. Transfer Request (Form 22 or 220).
3. Results of the design competition.
4. Verification that legal requirements have been met for the lowest bidder (this can be included on the bid tabulation).
5. A list of accepted additive or deductive alternates, if applicable.
6. A PWB agenda package for augmentation (Section 6833), if applicable.
7. A PWB agenda package for reversion of bid savings, if applicable.

**Steps following release of funds**: Once Finance signs the DF-14D to award the contract, Finance will authorize the encumbrance of the design-build funds. For DGS managed projects, a Form 22 or 220 is used. With this approval, an official award of the contract may be made. Following execution of the contract, the contractor is provided formal notice to proceed with the design-build phase. Any changes must be by contract amendment, and in some cases, Finance must concur with those changes (see following change orders). The phase ends when construction is complete and accepted, and DGS or exempt department (Section 6832) files a Notice of Completion.

**What are the cost elements of design-build?**

1. **Design-build contract**: This is the actual amount of the contract award and consists of both direct costs, often referred to as construction hard costs, and indirect costs such as architecture and engineering fees, Division of State Architect fees, and utility permits and connection fees.
    a. **Change orders** are formal contract amendments executed during the course of the design-build phase as required to address issues such as unforeseen site conditions and client department requests. Change orders are typically funded from the contingency line item of the project budget, discussed in the following text. When a proposed change order potentially modifies project scope or would exhaust contingency, thereby requiring a project augmentation, the client department must discuss the desired change with Finance **before executing the change order** to determine whether or not PWB action is required. (See Section 6833 for augmentations and Section 6834 for scope changes.)
2. **Contingency:** Contingency is a set percentage of the design-build contract amount budgeted for unforeseen costs identified *after* the design-build phase commences.
   Standard design-build contingencies are limited to 3 percent of the construction portion of a design-build estimate/bid. However, in some cases, a different contingency might be justified. Any deviation from the standard requires Finance concurrence. A construction contingency is included in the budget so the project can proceed with minimal interruption for non-scope changes or modest cost overruns. Generally, the project manager approves the use of contingency funds.
3. **Design-Build Project Administration:** The term *project administration* is applied to all project expenses incurred during the design and construction of the facility, other than costs in the design-build contract or contingency. The major cost items are inspection, construction management, architect/engineer review, technical peer review, building commissioning, stipend agreements, and special consultants—primarily for materials testing and hazardous materials abatement monitoring. Each cost is delineated in the Project Cost Detail Estimate (Section 6822).

**Project Completion:** See Section 6832.

## EQUIPMENT - 6831

(Revised and Renumbered from 6855.)

**Group 1 and 2 equipment**: Capital outlay equipment is categorized either as *Group 1* or *Group 2* equipment:

1. Group 1 equipment is installed equipment such as heating and air conditioning units and is budgeted as part of the construction phase.
2. Group 2 equipment is movable equipment, such as tables and chairs (but not replacement equipment) and is usually budgeted as its own project phase, typically following construction.

**Not all equipment is classified as capital outlay**: Equipment is only budgeted as capital outlay if it is associated with a specific construction project. See section 6803 for the difference between equipment budgeted through the support appropriation versus capital outlay equipment.

**Long-lead equipment:** Although equipment is generally not approved for purchase prior to the construction phase, there are instances when equipment must be ordered in advance because of installation problems or extended manufacturing time. Subject to Finance and PWB approval, Government Code Section 15792 allows departments to incur equipment obligations to be paid during the fiscal year following the year of a project completion. This authorization:

1. Is limited to the purchase of equipment related to capital outlay projects for which the Legislature has appropriated construction funds.
2. Provides a maximum obligation of $3,000,000 in estimated equipment costs.
3. Applies to both Groups 1 and 2 equipment, although in practice the request is made generally for the latter.
4. Is subject to the determination of future year equipment funding needs based on the project schedule.

**Agenda package for approval of long-lead equipment.** Provide the following:

1. All information required in Section 6822, including the standard fiscal reporting requirements and the agenda package.
2. Identification of which equipment needs to be ordered early and why.
3. *Transfer Request* (Form 22 and 220, if a DGS-managed project with an active appropriation for the equipment).

## PROJECT COMPLETION - 6832

(Revised and Renumbered from 6856.)

**Project Occupancy**: Finance must be notified by DGS (or exempt department) when the project is legally available for use and occupancy (e.g. the date of final inspection, receipt of a certificate of occupancy from the State Fire Marshal, etc.). A copy of the document indicating the project is legally availability for occupancy must be sent to Finance. For lease revenue bond-funded projects, the project's availability for use and occupancy is necessary before rent can be charged under the PWB lease which secures the debt service payment for the bonds issued for the project. PWB typically uses the certificate of occupancy date as the date the project is legally available.

**Project Completion:** When the project has been accepted and completed by both the contractor and DGS (or exempt department) and claims have been settled, DGS (or exempt department) prepares a "Notice of Completion" pursuant to Section 9204 of the Civil Code. A copy of this notice is sent to Finance and for lease-revenue bond-funded projects a copy is also sent to the STO.

**Project Close Out**: "Project close out" reflects the closing of the financial records related to a project. PWB requires a closeout certification form indicating all invoices have been paid and no additional invoices will be submitted.

**Return of Funds Transfer:** Government Code, Section 14959 requires DGS to transfer any unencumbered project funds out of the Architectural Revolving Fund (ARF) to the originating appropriation within three months of project completion. A Return of Funds Transfer form (AFS-59) is used to shift funds from ARF to the fund of origin.

## AUGMENTATIONS TO CAPITAL PROJECTS, AND RECOGNITION OF PROJECT DEFICITS - 6833

(Revised and Renumbered from 6861.)

**Augmentations to Capital Projects:** The PWB's authority to augment capital outlay projects, and the appropriations for those augmentations, is set out in Government Code (GC) Sections 13332.11 (for design-bid-build projects), 13332.19 (for design-build projects) and 16352. The augmentation authority is limited as follows:

1. Augmentations are limited to 20 percent of the amount appropriated.
2. Any single augmentation or cumulative augmentation exceeding 10 percent of the funds appropriated requires a 20-day notification to the Joint Legislative Budget Committee (JLBC) *prior* to action by the PWB.
3. Augmentations are calculated based on total capital outlay appropriations for the subject project.
4. Augmentations of less than 10 percent *may* be treated as a delegated item by PWB staff, and at their discretion *may* be approved prior to the PWB monthly meeting. In this case, the augmentation approval will be reported as a "reportable" at the PWB meeting.

**Recognition of Project Deficits:** Pursuant to GC Sections 13332.11 and 13332.19, if the estimated cost of the total project is in excess of 20 percent of the amount recognized by the Legislature, when the department requests PWB to approve the preliminary plans, performance criteria, or the guaranteed maximum price, it must also seek PWB's recognition of an anticipated deficit. Finance notifies the JLBC of the anticipated deficit if it exceeds 20 percent of total project costs.

**Agenda Packages for Augmentations or Recognition of Project Deficits:** These agenda packages require the following information:

1. All information requested in Section 6822, including the standard fiscal reporting requirements and the agenda package.
2. A draft legislative notification, if required.
3. A narrative description justifying the need for the request, including any supporting documentation as appropriate, such as efforts at value engineering, bid tabulations, alternative solutions, change order logs, etc.

## SCOPE CHANGES - 6834

(Revised and Renumbered from 6863.)

**What is scope?** The scope of a project is what will be constructed (or acquired) and for what purpose. Thus, scope encompasses both the physical characteristics of the project and the intended program use. For projects included in the Budget Act, the scope can typically be found in the COBCP narrative. For other projects, scope is established through a PWB action (see Section 6823).

**Scope changes require Finance approval.**

Any substantial changes to a project must be reviewed and approved by Finance. Finance determines whether the proposal meets the threshold for a scope change based on a review of the facts on a case-by-case basis and in consideration of legislative intent.

This approval must be granted before the department can make any expenditures to redesign the project or to revise the plans unless those revisions are authorized in the Budget Act or other subsequent legislation. The consequences of unapproved scope changes can be severe, including project termination.

Sections 13332.11(h)(2) and 13332.19 require Finance to report approved scope changes to the Legislature. In practice, this restriction and related notification requirement begins with project authorization, even before preliminary plans are considered by PWB.

After Finance approves a scope change and the Legislature has been noticed, the scope change will be considered by PWB at its monthly meeting.

**Guidelines to determine which project changes are potentially substantial**

A department must discuss the following with its Finance capital outlay analyst to determine whether a proposal results in a scope change:

1. Changes to the approved functionality, which include modifications that would significantly:

    1. Add a new function that was not approved by the Legislature.
    2. Eliminate space for a function previously approved by the Legislature.
    3. Change capacity for a program activity (examples may include changing the number of students in a classroom building or inmates served in a Department of Corrections and Rehabilitation project).
    4. Alter the ratios in multi-use space.

2. Significant changes to the physical characteristics of the real asset, such as facility size, shape, and major structural characteristics. Examples include adding or subtracting floors to a building, combining two separate buildings into a single building, or significantly changing square footage or acreage.

**Source references for project scope:** A project's scope is defined in the following source documents:

1. For Budget Act projects, the COBCP: A detailed description of project scope is required in the COBCP (Section 6808). This description becomes one of the primary references for later interpretation of potential scope changes.

2. For non-Budget Act projects, the scope is defined in a PWB agenda item to establish cost, scope, and schedule.

**Agenda packages for scope changes:** Provide all information requested in Section 6822, including the standard fiscal reporting requirements and the agenda package, and the following additional information:

1. The specific components of the scope change.
2. An explanation describing the need for a scope change.
3. The effects of the scope change, including cost, additional regulatory reviews, CEQA analysis, etc.

## INMATE/WARD LABOR - 6835

(Revised and Renumbered from 6865.)
Public Contract Code Section 10103.5 provides an exclusion to the State Contract Act for work performed by prisoners pursuant to an order by the Director of the Department of Corrections. If the total cost of a project for the construction of new, previously unoccupied prison facilities or additions to an existing facility exceeds $50,000, use of inmate/ward labor must first be approved by PWB.
**PWB Agenda package for inmate/ward labor**: The request to use inmate/ward labor for services exceeding $50,000 is normally presented as a sub-item under the request for approval of preliminary plans, although it can be presented later. Assuming inmate/ward labor is concurrent with preliminary plans approval, the department should ensure that the approval of inmate/ward labor is included in the DF-14D. Otherwise, a full agenda package (see Section 6822) is required. A full agenda package is also required if the use of inmate/ward labor is needed for a minor capital outlay project.

## LEASE-BASED PROJECT DEVELOPMENT - 6836

There are several project delivery methods that can be used by the state to construct capital assets: Design-Bid-Build (Section 6828), Design-Build (Section 6829), and Lease-Based Development Agreements. This section describes the process for pursuing a Lease-Based Development structure.

In general, when a new state-owned capital facility is proposed, the state's preferred approach is to acquire property for the subject project. For this approach, an acquisition phase is funded through the annual budget process, and the appropriate department will engage with the Department of General Services (DGS) to search for suitable sites. Once a property is acquired, future phases for the project will be funded through the budget process, and the project will be designed and constructed with DGS as the project manager, (or by the appropriate agency for non-DGS managed projects), with oversight by the PWB. Government Code § 14669 authorizes the DGS to hire, lease, lease-purchase, or lease with the option to purchase any real or personal property for the use of any state agency, subject to specified restrictions.

However, in instances where the state is unable to identify and acquire a suitable site that supports a specific capital project, a lease-based development option may be considered. This type of lease structure is generally referred to as a Build-to-Suit Lease. Under this lease structure, the state is not required to make any payments, including interim financing, until occupancy.

**Generally, there are two types of Build-to-Suit lease options the state may pursue:**

- **Capitalized Lease Resulting in Ownership:** Sometimes referred to as an "in-substance purchase" or "Lease-Purchase", a capitalized lease is one where the private sector is responsible for acquiring, developing, and constructing a facility that is built to state-issued specifications. The lease specifies that ownership of the facility transfers to the state at the end of the lease term.
- **Capitalized Lease with a Purchase Option:** Similar to a capitalized lease as defined above, but the lease gives the lessee the option to purchase the leased asset at a specified value at some point during or at the end of the lease period, sometimes referred to as a "Lease with Option to Purchase".

**Features of a Build-to-Suit Lease**:

- The state, in collaboration with the developer, completes CEQA.
- The state is responsible for completing real estate due diligence activities.
- A lease-based project is subject to the typical state design and construction oversight (e.g. Construction Inspections Management Branch of DGS, State Fire Marshal, etc.).

- The state's sovereign status applies, and a lease-based project should not be subject to local zoning, permitting or inspection.
- Developer costs, and profits are folded into the lease payments.
- Repair, maintenance and overall operating costs are generally folded into the lease until the lease expires.
- The terms of a capitalized lease should ensure the facility is in good repair at the end of the lease term, through the lease requirement for a Computerized Maintenance Management System.

**Requirements for a Financing Lease**: As with lease-revenue bonds, the state's debt obligations under the lease cannot be structured in a way which would classify them as constitutional debt. The terms and conditions in the lease must be similar to the lease terms found in a commercial context for similar types of facilities. Features of a financing lease include:

- Rental payments are paid only for those periods in which beneficial use and occupancy of the leased property is available to the lessee.
- If there is no annual appropriation for rent when the leased property is available for use and occupancy, the state will be in default under the lease, and remedies may be available against the state. These remedies may include the vendor's or lessor's right to continue the lease in existence and sue the state for each installment of rent as it becomes due.
- Acceleration of rental payments is not permitted.
- The obligation to pay rental payments may be from any lawfully available funds of the department.
- The lease term should not extend beyond the anticipated useful life of the leased property, and fair market rental value should be paid.

**Steps in a Build-to-Suit Lease:** After it has been determined that a project site is not available for a specified project, and that a lease structure should be pursued, the following steps must occur:

1. **Statutory Authority**: The department submits a Capital Outlay Budget Change Proposal requesting Trailer Bill Language to add statutory authority to pursue a capital project through the capitalized lease structure pursuant to Government Code §14669. Also, a future appropriation will be necessary to cover the costs of state oversight of construction activities. For the year construction is expected to be completed, the department submits a Budget Change Proposal for one-time moving costs and rent.

2. **Form 9 and 10**: After a project has statutory authority to enter into a capitalized lease, the client agency works with DGS real estate staff to create a Facilities Design Program that outlines project and program specifications. The final outcome of this activity is memorialized through a Form 9 "Space Action Request" and Form 10 "Estimate of Occupancy Costs" submittal. Both Forms 9 and 10 must be approved by Finance.

3. **Solicitation for private development entity**: DGS posts a "land ad" on the Cal eProcure website to determine the inventory of available sites in the desired project area owned by private developers. A "short list" of potential sites is created, and the client agency ranks them based on desirability. DGS will issue an RFP to developers on the short list. Once a firm is selected, DGS will negotiate a lease contract that details the terms of the agreement, including a lease payment structure.

4. **Legislative Notification:** DGS is required to notify the legislature prior to entering into a build-to-suit lease, pursuant to GC 13332.10.

5. **PWB approval of Lease**: Although no capital expenditure is made when entering into a capitalized lease, a commitment to a capital acquisition is created. Therefore, the final lease terms must be approved by the PWB prior to execution. DGS must also present to PWB the real estate due diligence. All requisite actions under CEQA must be completed within a reasonable time after PWB approval, as a "Condition Precedent" to the lease agreement. If CEQA is not achieved, the state has the right to terminate the lease.

6. **Design Development**: Once the final lease is approved, the development team will design the project to the state's specifications, and will secure all required regulatory reviews and approvals, including those from the Department of State Architect and the State Fire Marshal (SFM). In addition, the development team will work with local jurisdictions (City and County) to obtain any necessary approvals.

7. **Facility Occupancy:** Once the facility is constructed, the SFM issues a Certificate of Occupancy, and the client agency approves and "accepts" the building for its use and occupancy. The client agency makes annual payments based on the approved lease terms for the duration of the lease. During the lease term, the developer is responsible for operating and maintaining the building.

8. **Exercising a Purchase Option:** For leases with a purchase option, a capital outlay appropriation sufficient to fund the purchase of the capital asset and to cover any additional administrative costs will be required. In addition, PWB's authorization is necessary to exercise the purchase option. However, the current standard is for build-to-suit leases to automatically transfer to the state at the end of the lease.

## FINANCING CAPITAL PROJECTS - 6841

(Revised and Renumbered from 6870.)
Capital projects may be funded by direct appropriation—sometimes called "pay-as-you-go"—or financed over multiple years. Long-term financing generally follows one of two paths:

1. If the project authority is a General Obligation (GO) bond appropriation, the state issues GO bonds to finance the project. GO Bonds are approved by voters with debt service paid through the General Fund.

2. If the project authority is a Public Buildings Construction Fund (lease-revenue bond) appropriation, lease-revenue bonds are issued by the State Public Works Board. Debt service is paid through a support appropriation in the annual Budget Act. Lease revenue bonds are not approved by the voters, and are secured through the lease payments made by the departments pursuant to a facility lease.

## GENERAL OBLIGATION (GO) BONDS - 6842

**Definition:** General Obligation (GO) bonds are a form of long-term borrowing in which the state issues municipal securities and pledges the full faith and credit of the General Fund for repayment. Bonds are repaid over many years through semi-annual debt service payments. The California Constitution requires that GO bonds be approved by a majority vote of the public and sets repayment of GO bond debt before all other obligations of the state except those for the public school system and public institutions of higher education.

**Key statutory authorities**: Article XVI, Section 1 of the California Constitution prohibits the Legislature from creating debt or liability exceeding $300,000 without a majority vote by the people, except in the case of war.

Government Code, Title 2, Division 4, Part 3 (Section 16650 et seq.) sets out the statutory framework for GO bonds. The statutes for individual GO bond measures are placed programmatically in the associated codes (e.g., education authorizations are located in the Education Code).

**Key Highlights**

1. GO bond debt is a major component of the overall bond debt burden of the state. The most commonly used measure of debt is annual debt service as a percentage of General Fund revenues.

2. GO bond debt repayment is continuously appropriated and therefore not included as a separate appropriation in the annual Budget Act.

3. Debt service consists of both principal and interest payments.

4. GO bond debt repayment structure is determined by the State Treasurer's Office (STO) at the time bonds are sold based on a variety of factors including the taxable status of the bonds and bond market conditions.

5. The California Constitution authorizes GO bonds with up to 50-year maturities, but federal tax requirements and market practice usually dictate that bonds be issued no longer than 30 years. In addition, certain bond acts may further limit maturities.

6. Finance surveys departments semiannually to determine their projected cash flow needs for GO bond-funded programs.

7. To meet projected cash flow needs, GO bond Finance committees, created in respective bond acts, must authorize the sale of new money and refunding bonds, as well as the use of interim financing as authorized in law.

8. The STO is the agent for sale and trustee for state GO bonds.

## STATE PUBLIC WORKS BOARD LEASE-REVENUE BOND PROGRAM - 6843

(Revised and Renumbered from 6873)
The State Public Works Board (PWB) is authorized to issue lease-revenue bonds to finance the cost of public buildings, when such projects are authorized by the Legislature, pursuant to Government Code Sections 15802 and 15809.

In a typical project, the PWB will authorize interim financing, and the department will construct the project as PWB's agent. When the project is complete, the PWB will issue bonds to pay off the interim financing, and as part of that process, the department will lease the facility to PWB. PWB will then lease the facility back to the department for a rental fee equal to the amount needed to provide for the debt service on the revenue bonds and associated administrative expenses. Leases can be for periods up to 35 years, although 15 to 25 years is typical. The lease term cannot exceed the useful life of the capital asset.

**Key participants**:

1. The **PWB** adopts resolutions authorizing bond sales and setting policy guidelines for the issuance of its lease revenue bonds, works with the State Treasurer's Office (STO) in preparing for the bond sale and sizing the bonds, executes key documents, has responsibility for providing certain disclosure information on an initial and continuing basis, and periodically reviews balances in bond fund accounts to determine surplus status.
2. **Finance** has general powers of fiscal supervision pursuant to Government Code Section 13070, works with STO in preparing Appendix A (the state's main fiscal disclosure document), may participate in rating agency meetings, prepares fund condition statements as required for the bond sale and for continuing disclosure. In addition, Finance includes appropriations in the Governor's Budget for lease-revenue rental payments based on calculations prepared in coordination with the STO.
3. The **State Controller's Office and the State Auditor** participate in the due diligence process and provide certain financial information necessary for General Fund disclosure in Appendix A.
4. The **State Attorney General's Office** also participates in the due diligence process and, together with bond counsel, provides a legal opinion for the issuance of the bonds.
5. During a bond sale, **departments** provide project cost, scope, and schedule information, participate in due diligence meetings, and keep the PWB, Finance, and STO informed of any events with material impact on the project status or budget. The department also manages the facility after construction and it is responsible for obtaining rental interruption, casualty (fire) insurance per facility-lease requirements. After the bond sale, departments must continue to keep PWB,

Finance, and STO informed of any events with material impact on the facility.

6. The **STO** is the agent for sale of PWB bonds, with all associated rights and responsibilities including appointment of the underwriter(s), setting the bond sale date, organizing document review meetings and due diligence associated with the sale, securing ratings and bond insurance (if any), and pricing. The STO coordinates continuing disclosure for PWB issues. The PWB's current practice is to use the STO as a trustee of the PWB bonds and allow the STO to select a financial advisor related to sales activities.

Fiscal information generic to lease-revenue bonds is found in Section 6844. Lease requirements for lease-revenue bonds are described in Section 6836 and in Section 6844.

## LEASE -REVENUE BONDS - 6844

Lease-revenue bonds are used in the state's capital outlay program to finance projects, and are generally, issued by the State Public Works Board (PWB). The revenue securing the debt service on the bonds comes from lease payments made by the occupying department. PWB issues bonds, and retains jurisdiction to the facility until the debt is retired. PWB's lease-revenue program is described in Section 6843.

Pursuant to the California Constitution, public agencies cannot enter into an indebtedness or liability without voter approval. However, under the Offner-Dean lease exception rule, long-term lease-revenue bonds entered into by public agencies are not considered an indebtedness or liability under the debt limit if the lease meets certain criteria.

Nonetheless, bond rating agencies include lease-revenue payment obligations when calculating the state's bonded indebtedness. Thus, there is a distinction between the concept of *California constitutional debt* and *debt as defined by the municipal bond market*.

**Key highlights**:

1. In contrast to GO bonds, annual appropriations are necessary for rental payments that support lease-revenue debt service. However, the obligation to pay is *not* extinguished if appropriations are not provided.
2. Government Code Section 15848 provides for debt service payment in the event of no budget and in certain situations when there is a budget that failed to include an appropriation for debt service.
3. Generally, lease-revenue bonds pay interest at tax-exempt rates, which are slightly higher than tax-exempt rates for GO bonds.
4. Lease-revenue payments are due if there is "beneficial use and occupancy" of the facility. If all or part of the facility cannot be occupied, the rent will be abated proportionate to that part of the facility that is unavailable.
5. The term of the bonds cannot exceed the useful life of the facility.
6. Lease-revenue projects typically require interim financing for costs incurred before the bonds are issued.

### INTERIM FINANCING

The purpose of interim financing is to meet project cash flow needs for expenses incurred after project authorization, but prior to the issuance of long-term debt instruments.

Interim financing for lease-revenue bonds may be necessary for preconstruction costs (preliminary plans and working drawings) as well as a portion or all of construction costs. PWB lease-revenue bonds are typically sold upon project completion, at which point any costs related to interim financing are repaid.

Interim financing may be funded through a General Fund loan, pursuant to Section 15849.1 of the Government Code, or a Pooled Money Investment Account loan pursuant to Government Code Section 16312. The Board determines the appropriate funding mechanism.

**PWB agenda package for interim financing:** When submitting requests for interim financing, the department provides the following:

- All information requested in Section 6822, such as the standard fiscal reporting requirements, and the agenda package.
- Project Delivery Agreement, with department signature.
- Evidence of CEQA compliance (Section 6826) such as a copy of the filed Negative Declaration or a link to the project within the state clearinghouse at https://ceqanet.opr.ca.gov.
- A Summary of Conditions Letter or other document demonstrating the completion of Real Estate Due Diligence (Section 6827).
- Departments should contact their Capital Outlay Finance Budget Analyst for additional information related to PWB agenda packages for interim financing, e.g., the interim financing loan application and cashflow statement.

### THE BOND SALE

The bond sale process begins months in advance of the actual sales, which occur twice a year; in the spring and in the fall. Lease-revenue bonds may be issued to finance projects or to refund previously issued bonds at more favorable interest rates. Lease-revenue bond sales are structured as competitive or negotiated, at the discretion of PWB and STO (see the pricing section below for more information). The information below provides an overview of the bond sale process.

**Agent For Sale:** Pursuant to Government Code Section 5702, the State Treasurer's Office (STO) is the agent for sale for all bonds or evidences of indebtedness issued by the state, unless statute specifies otherwise.

**Bond sales calendar/timing restrictions:** STO prepares a sales calendar for when bond sales occur. STO sets sales dates at its discretion, considering overall program priorities for access to the municipal bond market. Bond sales usually require a minimum of eight weeks of preparation before pricing is conducted. Closing (which is when funds become available) is typically one to two weeks following pricing. No sales using state General Fund disclosure (Appendix A of the Official Statement) are conducted during the "blackout periods"—which are generally: 1) the beginning of December to the release of the Governor's Budget, 2) the beginning of May to the release of the May Revision, and 3) the beginning of July through final budget enactment (if the budget is not enacted by June 30).

**Appointment of members to the financing team; kickoff meeting**: For lease-revenue bond sales, the PWB retains bond counsel and disclosure counsel and STO appoints financial advisors. For negotiated sales, STO will also appoint senior managers and underwriters. These parties, PWB, the departments, STO, Finance and other state agencies (and DGS for projects it manages) convene at a kickoff meeting to formally initiate the sale and to establish a financing schedule (often referred to as the "time and responsibilities schedule" or "T&R") for the sale.

**Document review**: Bond sales involve the preparation of a number of documents. PWB, STO, Finance, SCO, the Attorney General's Office, and the financing team jointly review bond sale documents, including Appendix A, ensuring that the documents are properly drawn and that disclosure requirements are fully met.

**Due diligence review:** Due diligence is the inquiry made to disclose all facts about PWB, the departments, the bond issuance, and the security for the issuance that would be material to a prospective bondholder. In lease-revenue and financing lease transactions, the department has an obligation to participate in the due diligence process and to disclose all material facts relating to the transaction.

**Structuring the issuance:** The structure of an issuance refers to the amount and timing of principal repayments (maturities) and interest payments. STO, with the guidance of a Financial Advisor, determines the structure at the time of the bond sale based on a number of factors, including market conditions. Lease-revenue repayment schedules may extend to 35 years but are also usually only 15 to 25 years in length. STO solicits information from departments and PWB (or Finance) to assist in structuring lease-revenue issuances.

**Obtaining the bond rating**: The state generally sells only investment-grade municipal securities. An investment rating is secured prior to the bond sale from one or more independent third parties, called rating agencies.

Generally, an investment rating is associated with lower interest rates by giving investors additional comfort and increasing the universe of buyers. Ratings are based on an analysis of the relative strengths and weaknesses of the various factors potentially affecting the likelihood of debt repayment for the specific obligation. (The ratings applies only to that obligation.) Investment ratings are typically obtained from three rating agencies: Moody's Investor Services, Standard & Poor's and Fitch Investor Services.

**Pricing:** Lease-revenue bonds are sold either on a competitive basis (i.e. low bid establishes price) or a negotiated basis (i.e. STO negotiates interest rates and any discounts with the market). PWB delegates pricing to STO, which generally occurs a week after the release of the POS.

**Bond closing**: Moneys are not exchanged in a bond sale—and interest rates are not effective—until the bond sale closes, typically one to two weeks after pricing. The department (in the case of lease-revenue bonds) and issuer must review and sign all pre-closing documents prior to closing to ensure a smooth conclusion to the sale. Net proceeds are normally transferred by the underwriter to the State Treasury by wire in immediately available funds.

**Continuing disclosure and post-issuance compliance:** During the life of the bonds, all departments are obligated to notify PWB of certain specified information which may be material to investment decisions on the securities. This is a major responsibility for issuers and departments, with serious legal ramifications for failure to perform. Continuing disclosure is made through annual reports and notices of certain events. Material misstatements or omissions in the annual reports or event notices may be the basis for claims of securities fraud under federal or state securities laws, actionable by the SEC or private plaintiffs, with substantial potential liability for issuers or other obligated persons. Mandatory post-issuance compliance training is provided to departments and tenant departments annually by PWB and bond counsel.

All departments are obligated to seek PWB consent for arrangements affecting the use of the facility and for encumbrances on the facility. Departments are also obligated to retain all project documents for the life of the bonds plus three years.

Brief definitions of key documents are provided in the following text:

1. **Authorizing resolution**: The resolution authorizes the issuance of bonds and the execution of major legal documents, which is executed by PWB.
2. **Indenture**: The indenture pledges certain revenues and other property as security for the repayment of the bonds, sets forth the terms of the bonds, contains the responsibilities and duties of the trustee, and the rights of the bondholders. The indenture contains a form of the bond that will be issued. A supplemental indenture is an indenture that amends or supplements a prior indenture. The indenture is executed by PWB and STO.
3. **Official statement (including preliminary official statement)**:Provides all information that would be "material" to a prospective purchaser of the bonds, including descriptions of the issuer, terms of the bonds, security for the bonds, major legal documents, risk factors and tax matters, and financial statements.
   The preliminary official statement is a version used by the issuer or underwriters to inform the marketplace of the terms of the bonds being issued prior to receipt of bids at a competitive sale or prior to the determination of interest rates and purchase price in a negotiated sale.
   The official statement is of particular interest to the departments administering lease-revenue bond programs because it contains departmental disclosure requirements and project descriptions, as well as debt service requirements and the cost of issuance.
4. **Bond purchase agreement**: In a negotiated sale, an agreement is made between PWB and STO and an underwriter or group of underwriters (i.e. a syndicate) who have agreed to purchase the bond issue. The agreement sets forth the purchase price, interest rates and other terms of the bonds (often by reference to the official statement), date and time of closing, representations and warranties of the issuer, conditions to underwriters' payment for bonds, and underwriter duties. In a competitive sale, the notice of sale serves the same function, specifying the factors used to determine the winning bid; the notice, the underwriter's bid, and the issuer's acceptance of the bid together constitute a bond purchase agreement.
5. **Continuing disclosure agreement**: This agreement defines procedures for continuing disclosure, the contents of the annual report, and specific events to be disclosed. Parties to the document may include PWB, STO, the department, and bond holders as third-party beneficiaries.
6. **Tax certificate and certificates to the tax certificate**: The tax certificate is signed by the issuer and sets forth the facts and covenants necessary for the tax-exempt treatment of interest on the bonds. Obligated parties provide the issuer certificates upon which the PWB relies for the tax certificate.
7. **Lease Agreements**: Lease-revenue financings are based on a series of leases, with the rental payments under one of the leases securing the debt service of the financings. The following describes the lease structure utilized for PWB lease-revenue bonds, but they can apply to other lease-revenue financings. The leases require careful review by the department because they outline departmental obligations to PWB.
   a. **Site lease**: The department leases the site on which the project will be constructed to PWB for the term of the bonds. PWB agrees to use the site solely for the purpose of constructing the project. It then leases the facility and site back to the department (see following facility lease).The site lease terminates upon retirement of the bonds.
   b. **Facility lease**: PWB leases the facility, defined as the project and the site, to the department including, without limitation, the terms and conditions of the site lease. The department covenants to use the facility during the term of the lease solely for public purposes and to take no actions related to the facility that would jeopardize the tax-exempt status of the bonds. The facility lease terminates upon retirement of the bonds. The rental amount is equal to the annual principal and interest on the bond debt, plus any additional rental amounts ordered by PWB (such as trustee

fees, accounting fees, PWB costs, etc.).The lease includes a requirement for the department to maintain replacement insurance for loss, damage, and earthquake (the latter only if available at a reasonable cost), liability insurance, and rental interruption insurance (normally to cover an interruption of up to two years).

8. **Closing documents**: Numerous documents must be executed prior to closing in order to complete the bond transaction, including but not limited to, closing certificates and legal opinions.

# Chapter - 7000

Sections for Chapter 7000

| Section | Subchapter |
|---|---|
| TERMS AND DEFINITIONS | 7010 |
| PURPOSE OF ACCOUNTING AND FISCAL POLICIES | 7020 |
| ROLE OF THE DEPARTMENT OF FINANCE - FISCAL SYSTEMS AND CONSULTING UNIT | 7030 |
| REQUEST FOR FSCU APPROVAL AND FISCAL POLICY ASSISTANCE | 7040 |
| USE OF OTHER ACCOUNTING GUIDELINES | 7050 |

## TERMS AND DEFINITIONS - 7010

The following terms and definitions are commonly used in statewide accounting and fiscal policies and procedures in SAM Chapters 7000 through 19000.

**Allotment:** The approved division of an amount (usually of an appropriation) to be expended for a particular purpose during a specified time period. An allotment is generally authorized on a line item expenditure basis or by program or organization.

**Annual Comprehensive Financial Report (ACFR):** The annual financial report prepared by the State Controller's Office in accordance with Generally Accepted Accounting Principles per Government Code section 12460.

**Appropriation:** Authorization for a specific agency to make expenditures or create obligations from a specific fund for a specific purpose. It is usually limited in amount and period of time during which the expenditure is to be recognized.

**Basis of Accounting:** The timing of when transactions or events are recognized for financial reporting purposes.

**Budgetary/Legal Basis Annual Report (BLBAR)**: The annual financial report prepared on the same basis as the applicable Governor's Budget and Budget Act per Government Code sections 12460 and 13344Government Code section 13344.

**Department:** Includes every state government office, officer, agency, department, division, bureau, board, and commission in the State of California.

**Encumbrances:** The commitment of all or part of an appropriation. Encumbrances represent valid obligations related to unfilled purchase orders or unfulfilled contracts. Outstanding encumbrances are recognized as budgetary expenditures in the individual department's budget documents and their individual annual financial reports.

**Finance:** The Department of Finance.

**Financial Information System for California (FI$Cal)**: The state's integrated financial and administrative information technology system that supports accounting, budgeting, cash management, and procurement functions.

**Fund Condition Statement (FCS)**: A budget display in the Governor's Budget summarizing the operations of a fund for past, current, and budget years. Fund Condition Statements are required for all special funds. Other funds are displayed at the discretion of the Department of Finance.

**Generally Accepted Accounting Principles (GAAP)**: The accounting principles, rules, conventions, and procedures used for accounting and financial reporting. GAAP provides authoritative standards and commonly accepted methods of recording and reporting accounting information. GAAP's objective is to improve clarity, consistency, and comparability of financial data.

**Governmental Accounting Standards Board (GASB)**: GASB sets the financial accounting and reporting standards for state and local governments.

**State Administrative Manual (SAM):** A resource for statewide policies, procedures, requirements, and information developed, authored, and issued by the Governor's Office, Department of Finance, Department of Human Resources, Department of General Services, and the California Department of Technology.

**State Leadership Accountability Act (SLAA)**: The law that requires each state agency head to establish and maintain effective systems of internal control within their state agencies. The SLAA requires all state departments to monitor their internal control systems to minimize fraud, errors, waste, and abuse of government funds. For information on the SLAA, see Government Code sections 13400-13407.

**Uniform Codes Manual (UCM):** The standardized coding system maintained by the Department of Finance to obtain accurate and comparable records, reports, and statements of all the financial affairs of the state. The UCM defines all accounting and budgetary codes that departments are required to use for reporting budgeted and actual data.

Track Changes Version

## PURPOSE OF ACCOUNTING AND FISCAL POLICIES - 7020

The purpose of statewide accounting and fiscal policies and procedures is to enhance accountability, consistency, and comparability of financial information.
The policies and procedures are also a statewide communication and training document that will guide staff to understand the state's accounting and reporting processes. They are designed to increase agencies/departments understanding of the established controls, enhance the transparency and the accuracy of financial data, and serve as a mechanism to safeguard the state's assets from fraud, abuse, and waste.

The Department of Finance, Fiscal Systems and Consulting Unit is responsible for establishing and maintaining the statewide accounting and fiscal policies and procedures in the State Administrative Manual (SAM) chapters 7000 to 19000. The statewide policies provide the minimum requirements that agencies/departments must meet. Agencies/departments may adopt additional and more detailed policies and procedures as long as they meet the required minimum standards outlined in SAM.

## ROLE OF THE DEPARTMENT OF FINANCE - FISCAL SYSTEMS AND CONSULTING UNIT - 7030

The Department of Finance, Fiscal Systems and Consulting Unit (FSCU) sets the statewide fiscal and accounting policies as required by Government Code sections 13300 and 13310.

Government Code section 13300 mandates Finance to develop, install, and supervise a modern and complete system of accounting and policies for each agency/department of the state permitted or charged by law with the handling of public money.

Government Code section 13310 requires Finance to provide fiscal and accounting training, advice and consulting services to state departments. FSCU trains departmental staff on the statewide programs administered by FSCU, such as the Cash Management Improvement Act, Pro Rata/Statewide Cost Allocation Plan and the Indirect Cost Rate Proposals. FSCU provides training to departments using the Financial Information System for California (FI$Cal) and conducts the 16-week State Fund Accounting Course, which trains professional-level accounting staff on the fiscal system and accounting processes. FSCU provides Fund Balance Reconciliation instructions to assist departmental accounting and budget staff to reconcile year-end financial reports to budget schedules according to government code and state policy.

FSCU reviews requests from agencies/departments related to the fiscal and accounting policies and procedures in State Administrative Manual. Other functions of FSCU include administering statewide programs such as the Statewide Cost Allocation Plan, Pro Rata and the Cash Management Improvement Act, and representing and advocating for the state on accounting and federal issues.

## REQUEST FOR FSCU APPROVAL AND FISCAL POLICY ASSISTANCE - 7040

Departments may request approval, fiscal policy clarification, and/or assistance from the Department of Finance, Fiscal Systems and Consulting Unit (FSCU), as required by applicable SAM sections, by emailing fscuhotline@dof.ca.gov. If the level of assistance is beyond the scope of the hotline or if formal approval is required, departments may submit a written request by following the instructions below.

Departments may submit the request as a PDF with a digitally certified signature on departmental letterhead with the required supporting documentation to fscuhotline@dof.ca.gov or mail the signed hardcopy to:

Department of Finance, A-15
Fiscal Systems and Consulting Unit
915 L Street
Sacramento, CA 95814

The request must include all pertinent information necessary for FSCU to review and make a determination, including but not limited to:

- A description of the request, including the current process if a change is proposed.
- Information required by the applicable SAM section.
- Justification for the request.
- Details of the costs involved.
- Completed forms, if required (e.g., Request to State Controller to Establish or Amend Special Deposit Fund Account form, AUD 10).
- Contact name, e-mail address, and telephone number.

Tracked Changes Version

## USE OF OTHER ACCOUNTING GUIDELINES - 7050

(Revised and renumbered from 11100)
Although the State Administrative Manual provides complete accounting instructions, it has at times been necessary for the Department of Finance, Fiscal Systems and Consulting Unit (FSCU) to issue additional instructions. Unless the law or any other authority prohibit application or direct otherwise, agencies/departments are required to follow such special instructions and guidelines to achieve uniformity.
SAM Chapter 7600 includes a description of the accounts state agencies/departments must use to record and report their financial activities in compliance with the policies and procedures provided in this manual or in such other special instructional guidance issued by FSCU or the State Controller's Office.

# Chapter - 7100

Sections for Chapter 7100

| Section | Subchapter |
|---|---|
| PURPOSE OF A SYSTEM OF ACCOUNTING | 7110 |
| KEY ACCOUNTING ELEMENTS OF A FINANCIAL AND ADMINISTRATIVE IT SYSTEM | 7120 |
| UNIFORM CODING STRUCTURE | 7131 |
| HISTORY OF STATE OF CALIFORNIA ACCOUNTING | 7140 |

## PURPOSE OF A SYSTEM OF ACCOUNTING - 7110

A uniform system of accounting is an organized arrangement of the accounting methods, procedures, and controls for all phases of financial record keeping. This system is designed to track, accumulate, organize, and present accurate and timely financial information and to be used in decision making. Uniformity of accounts and accounting procedures is needed to compare and consolidate data into statewide reports such as the annual budgets and financial reports.

## KEY ACCOUNTING ELEMENTS OF A FINANCIAL AND ADMINISTRATIVE IT SYSTEM - 7120

(Revised and Renumbered from 7262 08/2020)

Any state agency/department that plans to implement, design or acquire, modify or update a financial and administrative information technology (IT) system after obtaining the necessary approvals outlined in SAM section 7260, must ensure the system incorporates any mandatory requirements. The system must have the capability to:

**Reconcile appropriation balances**

- Provide monthly appropriation reports which identify appropriations, expenditures, reimbursements, abatements, and unappropriated balances.
- Produce monthly cash, and appropriated and unappropriated revenue reports to effect complete reconciliations.
- Provide detailed transaction listings to support the above reports.

**Allocate administrative and other indirect costs**

- Collect and distribute indirect costs to direct programs and organizational units at the required levels of detail.
- Retain the original transaction coding and identity of the allocated cost or change it upon distribution.

**Distribute costs to funds**

- Accumulate multi-funded costs and distribute them to the proper funds/ appropriations.
- Maintain the original organization/ business unit and program and object/account identity.

Provide supporting documentation that allows agencies/departments to allocate costs paid from one fund or appropriation to other funds or appropriations to prepare plans of financial adjustment as required (SAM section 8452).

## UNIFORM CODING STRUCTURE - 7131

(Revised and Renumbered from 7261 08/2020)

The state's uniform coding structure was established to obtain accurate, consistent, and comparable records and reports of all the financial affairs of the state. Agencies/departments will use the uniform coding system to enter transactions consistently to allow uniform accounting, budgeting, and financial reporting. The Governor's Budget, the Budget Act, and the records of the State Controller's Office (SCO) will utilize the uniform coding system to maintain the central accounting and budgeting accounts for the state and permit a comparison of budgeted to actual disbursements, and estimated to actual receipts.

The state has statutory provisions that require specific linkage between the accounting and budgeting systems. Government Code section 13344 provides that state agencies/departments shall prepare and maintain financial and accounting data according to the methods and bases provided in regulations, budget letters, and other directives of the Department of Finance. Finance will discuss with the SCO, any significant changes to the financial and accounting methods, unless those changes are specified in law. Finance shall implement procedures that facilitate the annual reconciliation of the General fund and special fund balances between those provided to Finance and the SCO.

An agency/department which plans to implement FI$Cal, acquires a new accounting system, or redesigns an existing accounting system, after obtaining the necessary approvals specified in SAM section 7260, must ensure the system incorporates the standard codes and structures contained in the state Uniform Codes Manual (UCM), and the departmental program codes and structures contained in the Governor's Budget or otherwise amended per Finance instructions. Every agency/department will use the coding prescribed in the following classifications of the UCM.

**Organization Codes/Business Units**

Organization codes/Business Units are used to identify the agency/department or functions. An agency/department may have more than one organization code to record, compare, and control financial data at various organizational levels. The UCM on Finance's website provides alphabetical, numerical, and structural listings of the statewide Organization Codes.

- The legacy level 1 four-digit organization codes are used to define the agency/department if required. All system-generated documents or reports must have the agency's/department's organization code imprinted on them.

- The legacy levels 2 and 3 organization codes must be identified if departments are required to report data at those levels, and the system must be capable of summing all costs to each of the required four-digit organization codes.
- Agencies/departments may use lower-level sub-organization codes and structures, provided the system can properly sum to each of the required four-digit legacy organization codes.

**Fund Codes**
A fund code must be used in an agency/department accounting system. The UCM provides alphabetical, numerical, budgetary/legal basis classification and Generally Accepted Accounting Principles basis classification listings of the statewide fund codes.

Subaccounts or subfunds may be established to track lower-level fund or subprogram activities. See SAM section 7450 for a description of the fund accounting policies and detailed information regarding subaccounts and sub-funds.

**General Ledger Account Codes**
Each general ledger account has been given a unique account code. Agencies/departments requiring accounts not included in the statewide charts of accounts will submit a written request to Finance, Fiscal Systems and Consulting Unit. See SAM Section 7040, Request for FSCU Approval and Fiscal Policy Assistance.

**Appropriation Codes**
Appropriations represent specific legal authority to expend specified or determinable amounts of money. The codes specific to an organization, reference, fund, and year identify an agency's/department's unique appropriation. The codes must be identified in the system for reporting to the SCO and Finance.

**Program Codes**
The program coding scheme contained in the UCM must be included in the system. Accountability must be maintained for the program levels displayed in the Governor's Budget. Agencies/departments are encouraged to display program information in the Governor's Budget no lower than the element level unless there are specific requirements to do so.

Agencies/departments may use any internal lower-level program codes and structures desired, provided that the system is capable of properly summing all costs to each of the required program levels.

### HISTORY OF STATE OF CALIFORNIA ACCOUNTING - 7140
The history of the state's system of accounting, chart of accounts and fiscal policies spans many years as described below:

Table content available in source manual.

## Chapter - 7200

Sections for Chapter 7200

| Section | Subchapter |
|---|---|
| GOVERNMENTAL ACCOUNTING – KEY DIFFERENCES | 7210 |
| THE STATE'S GOVERNMENTAL FISCAL CYCLE | 7220 |
| STATE ACCOUNTING | 7231 |
| STATE FINANCIAL REPORTING | 7241 |
| RETENTION OF FISCAL RECORDS | 7250 |
| THE STATE'S FINANCIAL AND ADMINISTRATIVE INFORMATION TECHNOLOGY SYSTEM | 7260 |
| MANAGEMENT RESPONSIBILITIES – STATE LEADERSHIP ACCOUNTABILITY ACT | 7270 |
| SEPARATION OF DUTIES | 7280 |

### GOVERNMENTAL ACCOUNTING – KEY DIFFERENCES - 7210
(Revised and Renumbered from section 7130)

There are some key differences in the accounting and financial reporting for governments versus commercial business enterprises. Some of the key differences include:

- The purpose of government, which is to provide services to the citizenry, not to make a profit.
- The users of a government's financial reports which are citizens, their elected representatives, oversight bodies, and creditors.

Governments are accountable for the management and use of public resources. The majority of government agencies are funded at some level by funds received from various taxes or grants. Because government agencies serve as stewards of taxpayer money, using the money to provide valuable services and goods to the public, there is a need for both uniformity and transparency in the way that financial data is reported.

Other differences between government and business include organizational purpose, sources of revenue, the potential for longevity, relationship with stakeholders, and role of the budget. The purpose of governments is to enhance or maintain the well-being of citizens by providing public services following public policy goals. Taxes and fees are the principal sources of revenue and taxpayers are involuntary resource providers. Governments have the potential for longevity because of their ongoing power to tax and the ongoing need for public services, whereas businesses will go out of existence if they are unable to sustain their operations.

The Governmental Accounting Standards Board (GASB) sets financial accounting and reporting standards, known as Generally Accepted Accounting Principles (GAAP), for state and local government. The Financial Accounting Standards Board (FASB) sets standards for public and private companies and non-profit organizations. Both standard-setting bodies receive oversight and administration from the Financial Accounting Foundation.

Budgets are used in governmental accounting as an expression of public policy priorities and a control mechanism by which the citizens and elected officials hold the government's management financially accountable. A key objective of financial reporting is demonstrating accountability with budget authority. SAM chapter 8300 Budgetary Accounting provides detailed information on the role and importance of budgets, encumbrances, and tracking expenditures.

Table content available in source manual.

Fund accounting is used for control purposes that are unique to the government environment. The state is legally required to set up funds for certain transactions, as described in SAM chapter 7400 Funds. The state may also set up funds, sub-funds, or subaccounts for internal control and financial reporting purposes. SAM chapter 7400 Funds provides detailed information on the state's funds, measurement focus, and the basis of accounting.

## THE STATE'S GOVERNMENTAL FISCAL CYCLE - 7220

(Revised and Renumbered from section 7200)

The state's fiscal cycle consists of Budgeting, Accounting, Reporting, and Auditing.

**Budgeting**

Budgeting involves the planning, development, adoption, and execution phase of the state's budget, a plan of operation for a specified period expressed in financial terms. The budget process for the State of California consists of the Governor's Budget, the Legislatures enactment of a budget (the Budget Act), and the executive branch's administration of the budget. See SAM section 6000 for budgeting policy.

**Accounting**

Accounting is the process of assembling, analyzing, classifying, and recording data for the state's finances. The accounting records consist of source documents, journals, ledgers, transaction records, and budget-related transactions.

**Reporting**

Agencies/departments prepare reports from accounting records and provide the executive branch of government, the legislature, and the public with information concerning the agencies/department's financial operations and the relation of such operations to the budget.

**Auditing**

Auditing is an examination and verification of the accounting records and reports to determine whether:

- All transactions are properly recorded and reflected in the accounting records and reports are in compliance with Generally Accepted Accounting Principles.
- There is proper oversight and handling of money and property.
- There is adherence and compliance with fiscal policies and procedures.

Accounting and reporting are the responsibility of management. Those who oversee public resources must give an accounting of their stewardship.

## STATE ACCOUNTING - 7231

The state has developed uniform charts of accounts to classify transactions in a uniform and consistent manner. Agencies/departments must use the accounts listed in the uniform charts of accounts to classify and record their transactions. Lower level accounts may be established and linked to parent accounts for detailed tracking.

Transactions should be supported by documents such as purchase orders, invoices, billing statements, receiving reports, bank statements, payroll data, and other documents that support and substantiate the transaction. The source documents provide evidence of the financial transactions that have occurred. Agencies/departments must analyze the source documents to determine the journal entries to record each transaction in the appropriate accounts.

Agencies/departments will use journal entries to record transactions in specified accounts, which will ultimately be posted to the general ledger based on the statewide structure defined in the Uniform Codes Manual.

Table content available in source manual.

Agencies/departments must review the general ledger account uses and prohibitions in SAM chapters 7600 and 10400 to determine the proper use of the account.

## STATE FINANCIAL REPORTING - 7241

The State Controller's Office (SCO) issues two annual financial reports for the State of California:

**Budgetary-Legal Basis Annual Report**

The Budgetary-Legal Basis Annual Report (BLBAR) is prepared on the same basis as the applicable Governor's Budget and Budget Act.

Government Code section 12460 requires the Controller to submit the Budgetary-Legal Basis Annual Report to the Governor. The BLBAR accounts for prior year adjustments, fund balances, encumbrances, deferred payroll, revenues, expenditures, and other components on the same basis as the applicable Governor's Budget and the applicable Budget Act, as determined by the Director of Finance in consultation with the Controller.

Government Code section 13344 requires state agencies/departments to prepare and maintain financial and accounting data for inclusion in the Governor's Budget, Budget Act and related documents, and the BLBAR described in Government Code section 12460, according to the methods and bases provided in regulations, Budget Letters, and other directives of the Department of Finance (Finance). Agencies/Departments must ensure that information provided to Finance for the Governor's Budget is consistent with information provided to the SCO for the BLBAR.

SAM Section 6400 requires agencies/departments to ensure that budget information reconciles with the year-end financial reports. Agency/Department heads must certify that past/prior year information provided to Finance is accurate, reconciles between budget and accounting information, and that accounting records and information are consistent with information provided to the SCO.

**Annual Comprehensive Financial Report**

The Annual Comprehensive Financial Report (ACFR) is a detailed presentation of the state's financial condition. The ACFR reports on the state's financial activities and balances for each fiscal year.

Government Code section 12460 requires the Controller to prepare the ACFR in accordance with Generally Accepted Accounting Principles. The Governmental Accounting Standard Board requires that every governmental entity prepares and publishes an ACFR. The financial section of the ACFR should consist of management's discussion and analysis, the basic financial statements including notes, required supplementary information, combining and individual fund statements, schedules, narrative explanations, and statistical tables. The ACFR should contain the report of an independent auditor if an audit has been performed.

## RETENTION OF FISCAL RECORDS - 7250

The Records Management and Appraisal (RMA) Program within the California State Archives (a division in the California Secretary of State) is responsible for the development and implementation of the state's record management program. The RMA oversees the life cycle of public records from creation to destruction or transfers to the State Archives.

As described in SAM sections 1602 and 1604, the head of each agency/department is required to establish and maintain an economical and efficient record management and appraisal program. SAM chapter 1600, Records Management, defines the responsibility of each agency/department to implement the program and prescribes the procedure for scheduling and disposing of records. For additional information on the record retention guidelines for fiscal records, refer to the Records Retention Guidelines, forms, and manuals on the Secretary of State, Records Management and Appraisal Program webpage.

## THE STATE'S FINANCIAL AND ADMINISTRATIVE INFORMATION TECHNOLOGY SYSTEM - 7260

(Renamed)

**The Financial Information System for California (FI$Cal)**

FI$Cal is the state's integrated financial and administrative information technology (IT) system that supports accounting, budgeting, cash management, and procurement functions. FI$Cal is a statewide enterprise resource planning (ERP) system that maximizes efficiency in the state's business, implements best practices, limits the number of duplicative systems, provides the ability to produce statewide reports and analysis, and standardizes the state's business processes.

The broad functional areas in FI$Cal are listed below.

- Accounting
- Asset Accounting
- Budgeting
- Cash Management
- Cost Accounting
- Financial Reporting
- Grant Management
- Procurement
- Project Cost Management

For a description of the FI$Cal business functionality, see the Department of FI$Cal website or contact the FI$Cal Change Management Office at fiscal.cmo@fiscal.ca.gov for additional information regarding FI$Cal functionality.

**Implementation of FI$Cal**

The Department of Finance, Department of General Services, the State Controller's Office, and the State Treasurer's Office formed a cooperative partnership to develop, implement and utilize FI$Cal, which has replaced the California State Accounting and Reporting System. The Department of FI$Cal is responsible for implementing, onboarding, upgrading, and providing operational support for the system.

**Entities Not Using FI$Cal**

Except for specified deferred and exempt entities, all state agencies/departments are required to use FI$Cal. The deferred entities are not required to use the full functionality of FI$Cal until their existing systems become outdated or required upgrade. However, all the deferred and exempt entities must exchange necessary information with FI$Cal for specified purposes, such as budget development, contract and procurement reporting, and annual financial reporting.

**Prior Approval Required to Acquire, Develop, and Enhance Financial and Administrative IT System**

Agencies/departments may not design, develop, or acquire any automated financial and administrative IT systems or services that will duplicate the functionality in FI$Cal without prior approval from the California Department of Technology (CDT). Advance approval is required for any state agency/department that will:

1. Contract to design, develop, acquire, or implement a new financial and administrative IT system, or to modify, enhance, change, reconfigure, or upgrade an existing financial and administrative IT system.
2. Contract to procure hardware or software to modify, expand, change, enhance, or upgrade a financial and administrative IT system.

FI$Cal provides the financial, administrative, and business functionality needed by agencies/departments for their daily operations. State agencies/departments should leverage these functionalities to ensure the state derive maximum benefits from the ERP system.

IT systems whose core functions are not accounting or administrative operations may have overlapping functionalities similar to those FI$Cal provides. For example, a department case management system may also perform a billing function. Such sub-systems are exempt from the approval process but must interface to FI$Cal using the interface functionality available in FI$Cal. Contact the Department of FI$Cal Change Management Office at fiscal.cmo@fiscal.ca.gov to obtain a list of approved interfaces. The usage of FI$Cal interface functionality requires the approval of the Department of FI$Cal.

**Exemption Request Process**
A state agency/department with a critical business need that will not be met by FI$Cal may submit a request for exemption from this SAM section after consulting with the Department of FI$Cal, to ensure an exemption is needed. The written request should be submitted to the California Department of Technology (CDT) at ProjectOversight@state.ca.gov. The CDT will coordinate a review of the request with the Department of Finance, the Department of FI$Cal, and other partner agencies, if necessary, before responding to the requesting agency/department. Exemption approvals will be granted on a case-by-case basis. The exemption request must include the following minimum information:

1. A clear description of the critical business need or complex functionality that FI$Cal cannot address.
2. The adverse effects of not addressing the critical business need and the impact a delay could have on operations. The effects must be substantiated and quantified.
3. A summary of the alternatives considered.Include arguments for and against each alternative, as well as an estimate of one-time and ongoing implementation costs.
4. A high-level plan to implement the proposed solution with the following information:
    a. Design, development and implementation timeframes
    b. Critical project milestones
    c. Requisite approvals (state or federal if applicable)
    d. Funding decision points
    e. Procurement information

## MANAGEMENT RESPONSIBILITIES – STATE LEADERSHIP ACCOUNTABILITY ACT - 7270

State managers have a responsibility to provide stewardship of the resources entrusted in their care. The State Leadership Accountability Act (SLAA) requires agency/department heads to establish, maintain, and monitor a system of internal controls within their entity. The requirements of SLAA are codified in Government Code sections 13400-13407.

Government Code section 13403 lists the components and elements of an effective system of internal controls. Management is responsible for protecting the state's assets and for ensuring the integrity and comprehensiveness of the data collected by the accounting system. In order to meet this objective, accounting and fiscal managers must incorporate the elements of a satisfactory system of internal controls which shall include, but are not limited to the following requirements:

1. A plan of organization that provides segregation of duties appropriate for proper safeguarding of state agency assets.
2. A plan that limits access to state agency assets to authorized personnel who require these assets in the performance of their assigned duties.
3. A system of policies and procedures adequate to provide compliance with applicable laws, criteria, standards, and other requirements.
4. An established system of practices to be followed in performance of duties and functions in each of the state agencies.
5. Personnel of a quality commensurate with their responsibilities.
6. An effective system of internal review.
7. A technology infrastructure to support the completeness, accuracy, and validity of information processed.

SAM chapter 20000 Auditing of State Agencies describes the functions and responsibilities of the central audit entities within the state government. Agency/departmental heads should review and understand the information and requirements in chapter 20000. For example, SAM section 20060 Internal Control describes the purpose, elements, and the indicators of poorly maintained or vulnerable control systems. Section 20070 provides the responsibility of each agency/department head to conduct a review of and report on the adequacy of the agency's/department's internal control systems and monitoring practices.

## SEPARATION OF DUTIES - 7280

(Revised and Renumbered from 8080 08/2020)

Separation of duties, also known as segregation of duties, is a fundamental building block of sustainable risk management and an essential component of internal control for agencies/departments. The principle of separation of duties involves assigning different tasks of a process to more than one individual such that no one employee can solely initiate, record, authorize, and reconcile a transaction without the intervention of another. Well designed and implemented separation of duties reduces the risk of fraud and errors, and is essential for safeguarding state assets.

The State Leadership Accountability Act (Government Code sections 13400–13407 and SAM sections 20060-20080) requires that the head of each agency/department establishes and maintains an effective system of internal control within their agencies/departments. SAM section 20060 provides additional guidance on internal controls.

Separation of duties, an integral part of internal control, should be clearly defined, assigned, and documented. When designing separation of duties, agency/department heads must ensure that generally no one person will be involved in more than one of the functions listed below for a given transaction. For the purpose of section, members of the same family (domestic partners, children, husband, wife, brother, sister, or individuals living in the same household) are considered one person.

- Authorization – the process of reviewing and approving transactions or operations
- Custody of assets – the physical control or access to state assets such as cash, checks, supplies and equipment
- Recording transactions – the process of creating and maintaining records of transactions
- Reconciliations – the process of verifying the accuracy of transactions posted in the accounting records to ensure that transactions are valid, accurate and complete

The size and structure of an agency/department unit may impact the extent to which separation of duties is designed and implemented. Agency/department heads should determine the most effective way to implement separation of duties taking the level of risk associated with transactions into consideration. The cost of controls should not exceed their benefits. When separation of duties cannot be effectively implemented due to small size and/or limited staffing, management should find alternatives such as:

- Increase the extent of supervisory review and oversight functions.
- Rotate duties within the agency/department.
- Use employees from a different unit other than accounting to assist in appropriate tasks while ensuring there is sufficient separation in the functions performed by these areas.
- Use an outside service such as Department of General Services, Office of Fiscal Services.
- Use a larger department within the same agency to perform functions to avoid functional conflicts.

Below are examples of incompatible duties. No one person will perform more than one of the following types of duties:

- Receiving and depositing remittances.
- Authorizing disbursement.
  - This person will not distribute or route checks for mailing.
- Preparing checks.
  - This person is to maintain a daily check log. For checks that are signed by a check signing machine, follow SAM section 8081.
  - This person will not distribute or route checks for mailing.
- Operating a check signing machine.
- Reconciling check signing count with the checks*.
  - This person should have appropriate authority and responsibility.
- Reconciling bank accounts*
  - This person can keep original documents, such as general and trust cash receipts, general and trust cash disbursement, revolving fund cash, and invoices.
- Initiating, or preparing invoices for billing
- Reconciling transactions

* The employee will not have access to or control the blank check stock.

# Chapter - 7300

Sections for Chapter 7300

| Section | Subchapter |
|---|---|
| GENERAL | 7300 |
| DEPARTMENT OF FINANCE | 7310 |
| STATE CONTROLLER'S OFFICE | 7320 |
| STATE TREASURER'S OFFICE | 7330 |
| DEPARTMENT OF GENERAL SERVICES | 7340 |
| POOLED MONEY INVESTMENT BOARD | 7350 |
| LEGISLATIVE ANALYST'S OFFICE | 7360 |
| DEPARTMENT OF HUMAN RESOURCES | 7370 |
| CALIFORNIA STATE AUDITOR'S OFFICE | 7380 |

## GENERAL - 7300

The state's organization for fiscal management provides control over the state's expenditures, protection of the state's assets, and management of the state's funds. The following sections briefly describe the functions of the various agencies/departments that manage the state's fiscal affairs.

## DEPARTMENT OF FINANCE - 7310

The Department of Finance (Finance) has general powers of supervision over all matters concerning the financial policies of the state. (See Government Code section 13070 et seq.) The Director of Finance is appointed by the Governor and sits on several

fiscally oriented boards and commissions.

By statute, the Director of Finance serves as the Governor's chief fiscal policy advisor with an emphasis on the financial integrity of the state and the promotion of long-term economic sustainability along with responsible resource allocation through the state's annual financial plan. Finance does the following:

- Establishes appropriate fiscal policies to carry out the state's programs.
- Prepares, explains, and administers the state's annual financial plan (budget), which the Governor is required under the State Constitution to present by January 10 of each year.
- Analyzes legislation that has a fiscal impact.
- Exercises a statewide leadership role throughout the FI$Cal system development and implementation to promote its successful use as the state's budgeting, accounting, cash management, and procurement system.
- Monitors and audits expenditures by state agencies/departments to ensure compliance with the law, approved standards, and policies.
- Develops economic forecasts and revenue estimates.
- Develops population and public school enrollment estimates and projections.
- Conducts fiscal analyses of proposed statewide information technology (IT) policies and enterprise initiatives and performs oversight of critical IT projects.
- Maintains the State Administrative Manual sections:
    - 0130 to 0170
    - 0912
    - 6000 to 8535
    - 8538 to 8778
    - 8785 to 20090
- Administers statewide programs including statewide cost allocation plans and the federal Cash Management Improvement Act.
- Provides fiscal and accounting training, support, and consulting services.

Table content available in source manual.
Visit the Department of Finance website at http://www.dof.ca.gov for additional information.

## STATE CONTROLLER'S OFFICE - 7320

The State Controller is the chief fiscal officer who is elected by a vote of the people every four years and serves as a member of fiscally oriented state boards and commissions. The State Controller's Office (SCO) does the following:

- Maintains central control accounts for all funds in the State Treasury, including appropriation accounts that show the undisbursed balance of each appropriation.
- Audits all funds disbursed by the state and all claims presented for payment for legality, authorized purpose, and availability of appropriation.
- Issues warrants and electronic fund transfers for the fulfillment of state obligations.
- Administers the Uniform State Payroll System and the California Automated Travel Expense Reimbursement System.
- Prepares reports on the financial condition of the state, including the Budgetary/Legal Basis Annual Report and the Annual Comprehensive Financial Report (prepared in accordance with Generally Accepted Accounting Principles).
- Audits agencies/departments that spend money and the financial activities of local governments.
- Safeguards lost and forgotten property turned over to the state until claimed by the rightful owners.

Visit the State Controller's Office website at www.sco.ca.gov for additional information.

## STATE TREASURER'S OFFICE - 7330

The State Treasurer is an elected state fiscal officer and sits on approximately forty boards and commissions. The State Treasurer's Office (STO) provides banking services for state government with a minimum interest and service cost and a maximum yield on investments. The STO does the following:

- Safeguards money, securities, and personal property belonging to or held in trust by the state.
- Oversees all banking aspects of the state Centralized Treasury System (CTS).
- Ensures the investment of temporarily idle state money.
- Handles the sale of bonds and notes for the state and its various agencies/departments.
- Acts as trustee, registrar, and paying agent for all general obligation bonds and certain revenue bonds.
- Redeems warrants (including state agency checks) issued by the State Controller's Office and agencies/departments.

- Manages the state's Pooled Money Investment Account, Time Deposit Program, and Local Agency Investment Fund.

Visit the State Treasurer's Office website at https://www.treasurer.ca.gov for additional information.

## DEPARTMENT OF GENERAL SERVICES - 7340

The Department of General Services (DGS) serves as the business manager for the State of California. The DGS does the following:

- Sets state procurement and acquisition policies.
- Provides real estate management and design.
- Provides asset management and planning and property sales and acquisition.
- Provides general oversight of the state's vehicle and mobile equipment fleet, and ensures compliance with state and federal environmental, energy, and fiscal policies.
- Provides professional printing, communication and document management solutions.
- Provides accounting and budgeting services to contracted state entities.
- Develops accessibility, structural safety, and historical building codes and standards utilized in various public and private buildings.
- Oversight of structural safety, fire/life safety and accessibility for the design and construction of K-12 public schools and community colleges
- Implements and administers voter-approved school facilities construction program.
- Promotes disability access.
- Manages the Government Claims Program, which reviews and processes claims for money or damages against the State of California due to the action or inaction of its employees.

Visit the Department of General Services website at https://www.dgs.ca.gov for additional information.

## POOLED MONEY INVESTMENT BOARD - 7350

The Pooled Money Investment Board (PMIB), created by the Legislature in 1955, is comprised of the State Treasurer as chairperson, the State Controller, and the Director of Finance. The purpose of the PMIB is to design and administer an effective cash management and investment program, called the Pooled Money Investment Account (PMIA). The PMIB does the following:

- Governs the PMIA.
- Designs an effective program to invest taxpayers' money to manage the state's cash flow and strengthen the financial security of local governmental entities.
- Designates the amount of money temporarily available for investment.

Visit the Pooled Money Investment Board website at https://www.treasurer.ca.gov/pmia-laif/pmia/index.asp for additional information.

## LEGISLATIVE ANALYST'S OFFICE - 7360

The Legislative Analyst is appointed by the Joint Legislative Budget Committee. The Legislative Analyst's Office (LAO), created in 1941, acts as the Legislature's nonpartisan fiscal and policy advisor. The LAO serves as the "eyes and ears" for the Legislature to ensure the executive branch is implementing policy in a cost-efficient and effective manner. The LAO does the following:

- Advises the Legislature on fiscal matters, which includes providing an extensive analysis of the Governor's annual budget proposals and updates on the state's fiscal situation throughout the fiscal year.
- Publishes several reports and documents regarding state and local fiscal and policy issues.
- Prepares analyses of statewide initiatives and ballot propositions.
- Reviews requests by the administration to make changes to the budget after it is enacted. These reviews are used primarily by members of the JLBC and the fiscal committees.
- Forecasts the state's revenues and expenditures.
- Prepares special reports on the state budget and topics of interest to the Legislature.
- Estimates the fiscal effect on state and local government of all proposed initiatives (prior to circulation) and prepares analyses of all measures that qualify for the statewide ballot.

Visit the Legislative Analyst's Office website at https://www.lao.ca.gov for additional information.

## DEPARTMENT OF HUMAN RESOURCES - 7370

The Department of Human Resources (CalHR) is responsible for issues related to employee salaries and benefits, job classifications, civil rights, training exams, recruitment, and retention. In conjunction with other state departments, CalHR does the following:

- Develops management's negotiating positions.
- Represents management in negotiations with exclusive representatives of bargaining units.

- Administers negotiated memorandums of understanding.
- In conjunction with the Department of Finance, administers financial activities stemming from collective bargaining.
- Oversees employee compensation for both represented and non-represented employees.
- Administers rules and policies governing employee entitlements, such as travel reimbursement and relocation expenses.
- Contracts and administers benefit and deferred compensation programs for state employees.
- Provides leadership and guidance to departments to protect the civil rights of all state employees.
- Represents the Governor as the "employer" in issues involving employer-employee relations, including collective bargaining pursuant to the Ralph C. Dills Act.
- Administers the state's classification plan, salaries and manager/supervisor programs, and other personnel-related programs.
- Provides statewide training and ensures the recruitment and retention of a diverse workforce.
- Administers the state employees' 401(k) and 457 programs, the Part-time, Seasonal and Temporary Program, and the Alternate Retirement Program.

Visit the Department of Human Resources website at https://www.calhr.ca.gov for additional information.

### CALIFORNIA STATE AUDITOR'S OFFICE - 7380

The California State Auditor's Office (State Auditor) was created in 1993 and serves as the state's independent external auditor. To assure its independence, the law frees the State Auditor from the control of the executive and legislative branches. The State Auditor promotes the effective and efficient administration and management of public funds and programs by providing independent, nonpartisan, accurate, transparent, and objective assessments of the state's financial and operational activities. The State Auditor does the following:

- Performs independent audits of the programs and fiscal operations of state government.
- Provides objective information to the Legislature, Governor, and other interested parties about the state's financial condition.
- Identifies statewide issues or specific government entities as a high risk for waste, fraud, abuse, and mismanagement.
- Administers the California Whistleblower Protection Act, which has broad authority to perform investigations into allegations of improper governmental activities.
- Annually conducts California's Single Audit, which includes an audit of the state's financial statements, a review of internal controls over financial reporting and compliance with federal program requirements, and additional tests of compliance with federal and state laws and regulations.

Visit the California State Auditor's Office website at https://www.auditor.ca.gov for additional information.

## Chapter - 7400

Sections for Chapter 7400

| Section | Subchapter |
|---|---|
| DESCRIPTION OF STATE FUNDS | 7400 |
| CLASSIFYING FUNDS-BUDGETARY/LEGAL BASIS | 7410 |
| CLASSIFYING FUNDS-GAAP BASIS | 7420 |
| MEASUREMENT FOCUS | 7430 |
| BASIS OF ACCOUNTING | 7440 |
| ESTABLISHING FUNDS | 7450 |
| ABOLISHING FUNDS | 7455 |
| CAPITAL ASSETS GROUP OF ACCOUNTS | 7463 |

### DESCRIPTION OF STATE FUNDS - 7400

Governmental accounting systems are organized and operated on a fund basis. A fund is a legal budgeting and accounting entity with a self-balancing set of accounts that segregates money or other resources in the State Treasury for obligations, subject to specific restrictions or limitations. Each fund has a separate set of accounts that show the fund's revenues, expenditures, assets, liabilities, reserves, and fund balance.

Agencies/departments should carefully review the general ledger account descriptions, uses, and prohibitions in SAM chapter 7600-Structure of General Ledger Accounts, and SAM chapter 10400-General Ledger Accounts when selecting the general ledger accounts for the specific fund categories.

The administering agency/department of a fund usually maintains the general accounting records and related budgetary accounts for the fund and prepares the Fund Condition Statement displayed in the Governor's Budget, where applicable. The State Controller's Office (SCO) maintains summary records that display the revenues, expenditures, appropriations, and fund balance for each fund.

The Uniform Codes Manual and the Manual of State Funds provide detail information on the state's funds. The Department of Finance, Fiscal Systems and Consulting Unit maintains both manuals, which contain information such as:

1. Uniform Codes Manual
   - The Fund Codes section of the Uniform Codes Manual (UCM) provides a complete listing of all funds by numerical order, alphabetical order, budgetary/legal classification, and generally accepted accounting principles (GAAP) classification.
   - The UCM is updated as funds are created, amended, or abolished.
2. Manual of State Funds
   - The Manual of State Funds provides a summary write-up on all the funds listed in the UCM.
   - Each fund description provides the legal title, legal citation/authority that created the fund, fund classification, purpose, administering agency, organization code, major revenue source, disposition of funds (upon abolishment), appropriation authority, State Appropriations Limit code, historical information, and revision date.
   - Refer to the legal citation or authority identified in the fund write-up for detail information about a specific fund.

The Manual of State Funds is updated as funds are created, amended or abolished.

## CLASSIFYING FUNDS-BUDGETARY/LEGAL BASIS - 7410

The state's funds are classified on both a budgetary/legal basis and a generally accepted accounting principles (GAAP) basis. A fund's classification determines the basis of accounting, measurement focus, general ledger accounts, and the year-end financial reports required.

The budgetary/legal basis classification groups funds into two main categories:

1. **Governmental Cost Funds**
   Funds in this group are used to account for moneys derived from general and special taxes, licenses, fees, or other revenue sources to provide financing for state activities that are the general-purpose (normal costs) of state government. The governmental cost funds group is further broken down into two groups:
   - **General Fund:** This is the main operating fund of the state. It accounts for transactions related to resources obtained and used for those purposes that are not required to be accounted for in any other fund.
   - **Special Funds:** Special Funds is a generic term for governmental cost funds other than the General Fund. These funds are used to budget and account for taxes, licenses, and fees restricted for particular activities of the government. Lower level classifications are usually assigned to special funds to associate them with their specific purposes.
2. **Non-Governmental Cost Funds**
   Funds in this group are used to budget, record, and report revenues other than general and special taxes, licenses, and fees. Some of the funds in this group are listed below.
   - **Bond Funds:** Document the receipt and disbursement of general obligation bond proceeds. Bond funds do not account for the liability and the debt retirement created by the sale of general obligation bonds. Depending on the provisions of the bond act, either the General Fund or a sinking fund pays the principal of, and interest on, the general obligation bonds.
   - **Trust and Agency Fund – Federal:** Used to account for money received in trust from the federal government and the associated program expenditures.
3. **All Other Non-Governmental Cost Funds:** Other fund classifications within the non-governmental cost funds group include: Trust and Agency Funds – Other, Retirement Funds, Public Service Enterprise Funds, and Working Capital and Revolving Funds.

## CLASSIFYING FUNDS-GAAP BASIS - 7420

The Generally Accepted Accounting Principles (GAAP) basis classification divides funds into three fund categories: governmental, proprietary, and fiduciary. The GAAP basis classification assigned to a fund impacts how the fund is displayed in the Annual Comprehensive Financial Report.

**Governmental Funds**

These funds are used to record and report the normal resources and costs of the government (i.e., day-to-day operating services). Governmental fund types are presented using the current financial resources measurement focus. Funds in this group are classified into five fund types:

- **General Fund:** This is the main operating fund of the state. It is used to account for all financial resources not accounted for and reported in another fund.
- **Special Revenue Funds:** Used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes, other than debt service or capital projects.
- **Capital Project Funds:** Used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary and fiduciary funds).
- **Debt Service Funds:** Used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest. Debt service funds should also report financial resources being accumulated for principal and interest maturing in future years (other than those financed by proprietary and fiduciary funds).
- **Permanent Funds:** Used to account for and report resources legally restricted to the extent that only earnings, and not principal, may be used to support the reporting government's programs.

**Proprietary Funds**

These funds are used to account for activities that receive significant support from fees and charges. Proprietary fund types are accounted for using the economic resources measurement focus. Funds in this group are classified into two fund types:

- **Enterprise Funds:** Used to account for any activity for which a fee is charged to external users for goods or services. Activities are required to be reported as enterprise funds if any one of the following criteria is met:
    - The activity is financed with debt that is backed solely by fees and charges.
    - Laws and regulations require fees and charges to be set to recover costs, including capital costs (depreciation or debt service); or
    - There is a pricing policy that fees and charges be set to recover costs, including capital costs (depreciation or debt service).
- **Internal Service Funds**: Used to account for goods or services provided to other agencies, departments, or governments on a cost-reimbursement basis.

**Fiduciary Funds**
These funds are used to account for assets held in a trustee capacity or as a custodian/agent for individuals, private organizations, and other governments, and cannot be used to support the government's own programs. Fiduciary fund types are accounted for using the economic resources measurement focus. Funds in this group are classified into four fund types:

- **Pension Trust Funds:** Used to account for resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other post-employment benefit plans, or other employee benefit plans.
- **Investment Trust Funds:** Used to account for the external portion of investment pools and individual investment accounts held in trust.
- **Private-Purpose Trust Funds:** Used to account for all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments.
- **Custodial Funds:** Used to account for money held by the government as a custodian until distributed to the legal owner/beneficiary.

## MEASUREMENT FOCUS - 7430

A fund's measurement focus relates to what is measured, or the transactions and events recorded in the fund's accounting records and reported in its financial statements.
**Current Financial Resources Measurement Focus**
Governmental fund types use the current financial resources measurement focus to report current financial activities. This measurement focus has the following features:

- Measures cash and other assets that are expected to be converted to cash within or shortly after the accounting period.
- Measures whether the financial resources obtained during the accounting period are sufficient to cover expenditures against the fund during that period.
- Does not report long-term capital assets and long-term obligations.

**Economic Resources Measurement Focus**
Proprietary and fiduciary fund types use the economic resources measurement focus to report financial activities. This measurement focus has the following features:

- Measures all current and noncurrent assets.
- Measures all short and long-term liabilities.
- Records depreciation/amortization as operating costs.

Tracked Changes Version

## BASIS OF ACCOUNTING - 7440

The basis of accounting describes how financial activities are recognized and reported, specifically, when revenues, expenditures (or expenses), assets, and liabilities are recognized and reported in the financial reports.

**Accrual Basis of Accounting**
The accrual basis of accounting recognizes transactions in the fiscal year they occur, regardless of when cash is received or disbursed. Revenue is recognized in the fiscal year in which it is earned, and expenses are recognized when they are incurred. This is also referred to as the full accrual basis of accounting.

**Modified Accrual Basis of Accounting**
The modified accrual basis of accounting recognizes revenues if the underlying transaction occurred as of the last day of the fiscal year and the amount is measurable and available to finance expenditures of the current period (i.e., the actual collection will occur either during the current period or soon enough after the end of the current period to pay the current period's obligations). Expenditures are recognized when the obligations are created, except for amounts payable from future fiscal year appropriations.

**Cash Basis of Accounting**
The cash basis of accounting records transactions at the time cash is received or disbursed.

## ESTABLISHING FUNDS - 7450

State funds can be created in one of three ways:

1. **By Statute:** A bill passed by the State Legislature and signed into law may create a fund for a specific purpose or various purposes. The legislation will specify the purpose of the fund, the source of revenue, any specific restrictions, the appropriation authority, and a repeal date (if applicable).
2. **By Ballot Initiative:** A ballot initiative approved by California voters at a general election may create a fund to carry out specific initiative(s) or program(s) that benefit the public. The measure will specify the purpose of the fund, the source of revenue, any specific restrictions, and a repeal date (if applicable).
3. **Administratively (Government Code section 13306 (a)):** Finance, with the concurrence of the Controller, may create funds used to manage and account for the financial activities and resources of the state through its administrative process. Typical circumstances under which Finance may create funds administratively include the following:

- When a bill signed into law established a program and identified revenue source for funding the program, but does not include a language specifically creating the fund to account for the activities of the established program, and there is no existing fund that can be used for the purpose of the program.
- When a fund is created by statute to carry out the activities of a program, which includes distinct subprograms required to be tracked separately, and the law does not include a language creating the subaccounts for tracking the activities of the distinct subprograms.
- When Finance determines, or a state agency/department requests that it will be more appropriate to separately allocate and track funds to various agencies/departments to ensure accountability and for reconciliation purposes using separate accounts under the main fund.

Note: Although Finance may create a fund through the administrative process, Finance does not have appropriation authority. All appropriations must be authorized by the Legislature.

**Number of Funds and the Process to Establish Funds**

Pursuant to Government Code section 13306 (a), the general policy is to minimize the number of state funds and establish and maintain only those funds required for sound financial administration. An agency/department with a need for a new fund that is not already created by law must submit a request to their Department of Finance budget analyst with the information listed below. Finance will review and process approved requests for new funds in accordance with Government Code section 13306 (a), and update the Uniform Codes Manual and the Manual of State Funds.

1. Authorization/justification for the new fund
2. Identify subfunds (with justification), if applicable
3. Proposed fund title
4. Proposed administering organization
5. Specific statutory reference or legislation (with analysis, if available)
6. Purpose of the fund (nature of expenditures)
7. Source of revenue
8. Proposed period of fund availability
9. Appropriation status (annual, one-time, continuous, etc.)
10. Disposition of any balance upon abolishment of fund

**Use of Subaccounts or Subfunds to Track Lower Level Activities**

Subaccounts or subfunds may be established to track lower-level fund or subprogram activities.

**Subaccounts**:

- Subaccounts are separate four-digit funds under the hierarchy of existing funds.
- Subaccounts may be used to track the activities of subprograms separately and may have a fund condition statement.
- A state agency/department that needs a subaccount must contact Finance to request one under an existing fund (if not created by law).

**Subfunds**:

- Subfunds may be created in a four-digit fund. A subfund number consists of the four-digit main fund number and three-digit distinguishing subfund number.
- A state agency/department that needs subfunds must contact the State Controller's Office to request their establishment. All bond funds and special deposit funds are automatically established with subfunds.

Note: The terms used in this SAM section may be used differently in legislation. The general terms and definitions are intended to facilitate communication and share information with the Manual of State Fund users.

## ABOLISHING FUNDS - 7455

An existing state fund may be abolished in one of two ways:

1. **Abolishing Funds by Statute**

   A bill that created a fund may set a repeal date for the fund. The fund would be abolished on the date specified in the statute unless a subsequent bill abolishes the fund before or extends the fund beyond the repeal date. If the enabling law does not include a repeal date, a subsequent bill signed into law may abolish an existing state fund. The fund is abolished on the effective date of the bill or on a future date specified in the statute.

   The legislation may also designate a successor fund for an abolished fund. If so, the assets and liabilities of the abolished fund are transferred to the successor fund. If no successor fund is named, the balance remaining would be transferred according to the provision of Government Code section 16346.

   When legislation repeals or abolishes a fund, agencies/departments should track the effective date of the abolishment to ensure all subsequent financial activity occur in the successor fund. Otherwise, transactions posted to the abolished fund will require corrections and could have an impact on the Surplus Money Investment Fund (SMIF) earnings.
2. **Abolishing Funds Administratively**

   A fund established by statute may be abolished administratively by Finance. Government Code section 13306 (b) allows Finance to abolish an existing state fund under the following conditions:

- The fund has had no fund-purpose activity for four years;
- The concurrence of the State Controller's Office has been obtained; and
- Written notification has been sent to the Joint Legislative Budget Committee (JLBC). The abolition becomes effective 30 days after the date of the JLBC notification.

A fund established administratively by Finance pursuant to Government Code section 13306 (a), may also be abolished by Finance when the fund is no longer necessary to properly manage and account for the financial activities and resources of the state.
If an abolished fund is subsequently found to be needed, the fund may be reestablished by Finance, with the concurrence of the Controller.

An agency/department must work with their departmental budget analyst and the Finance budget analyst to request the abolition of a fund that is no longer needed. A request with the information listed below must be submitted to the Finance budget analyst.

a. Fund number and title
b. Reason/authorization/justification to abolish the fund
c. Specific statutory reference or legislation (with analysis, if available)
d. Proposed abolishment date
e. Requestor's name and contact information
f. The disposition of remaining balance (if applicable)

### CAPITAL ASSETS GROUP OF ACCOUNTS - 7463

The state uses a Capital Assets Group of Accounts for the capitalized assets acquired by those funds that use a modified accrual basis of accounting. Budgetary/Legal basis fund types that use the Capital Assets Group of Accounts are governmental cost funds, bond funds, federal funds, and some trust funds. The information is used to facilitate the capital assets presentation in the GAAP financial statements.

Agencies/departments will maintain their capital assets in the Capital Assets Group of Accounts. The group of accounts is a set of self-balancing accounts in the general ledger. The state's capital assets acquired by those funds that use a modified accrual basis of accounting will be capitalized in the group of accounts and not within the fund.

Agencies/departments will report their capital asset additions, deductions, and balances on Year-End Reports 18 and 19. The State Controller's Officedoes not maintain capital asset accounts.

## Chapter - 7600

Sections for Chapter 7600

| Section | Subchapter |
|---|---|
| ACCOUNTS AND LEGACY GENERAL LEDGER ACCOUNTS | 7601 |
| STRUCTURE OF GENERAL LEDGER ACCOUNTS | 7605 |
| CURRENT ASSETS | 7620 |
| NON-CURRENT ASSETS | 7622 |
| TANGIBLE ASSETS | 7624 |
| INTANGIBLE ASSETS | 7625 |
| DEFERRED CHARGES AND OTHER ASSETS | 7627 |
| CURRENT LIABILITIES | 7630 |
| NON-CURRENT LIABILITIES | 7634 |
| FUND EQUITY | 7640 |
| BUDGETARY ACCOUNTS | 7650 |
| INFLOW OF RESOURCES | 7660 |
| OUTFLOW OF RESOURCES | 7670 |
| OTHER FINANCIAL SOURCES/USES | 7680 |

### ACCOUNTS AND LEGACY GENERAL LEDGER ACCOUNTS - 7601

**Overview**

The Uniform Codes Manual (UCM) contains the state's uniform codes and structures that provide the level of detail and the framework for budgeting, recording, and reporting financial transactions for the state. Every agency, department, commission, and board within the state government is required to use the statewide uniform codes when preparing and reporting budgeted and actual data. The statewide uniform codes, also known as the statewide uniform chart of accounts, provide details for the following segments: organization/business units, general ledger accounts, program, appropriation, and funds. This chapter will discuss the uniform codes for the general ledger accounts.

**Classification of Accounts and Legacy Codes**

With the implementation of the Financial Information System for California (FI$Cal), the state redesigned its legacy general ledger account codes by merging the General Ledger codes, Object of Expenditure codes, and Receipt codes into a single general ledger account code segment.

The Level 1 account is the first digit that categorizes whether the account is an asset, liability, fund balance, revenue, expense, transfer, or statistical account. The Level 2 account is the first two digits that classify a current, noncurrent, or fund balance account.

The Level 1 account in the legacy code is four digits that end with two zeros.

The tables below summarize the basic classification of accounts and legacy codes.

Table content available in source manual.

Table content available in source manual.

**Usage of Accounts and Legacy Codes**

Table content available in source manual.

FI$Cal is the state's integrated financial and administrative information technology system that supports accounting, budgeting, cash management, and procurement functions. Due to the FI$Cal project's phased implementation approach, agencies/departments using FI$Cal and agencies/departments deferred/exempt from using FI$Cal will use a combination of both the accounts and the legacy codes in their accounting, reporting, and budgeting functions. The accounts and the legacy codes will be used for statewide and departmental functions as follows:

- Statewide budgeting in Hyperion–Accounts
- Agency/department accounting in PeopleSoft–Accounts
- Agency/department year-end reporting to SCO–Legacy codes
- Deferred/Exempt department accounting/year-end reporting to SCO–Legacy codes
- Statewide accounting and reporting at SCO-Legacy codes

All agencies/departments will use the accounts required for its particular fund(s), fund type(s), and financial operations. The UCM provides a listing of the accounts and legacy general ledger accounts, including the basic attributes, such as the account level, account number, and the account description.

## STRUCTURE OF GENERAL LEDGER ACCOUNTS - 7605

**Level of Detail for Budgeting, Accounting, and Financial Reporting**

The legacy general ledger account codes contain four-digits and are structured into three hierarchical reporting levels:

- Level 1 - Assigned to accounts used to prepare the Controller's Budgetary/Legal Basis Annual Report; Level 1 account numbers end with two zeros (XX00).
- Level 2 - Assigned to major general ledger accounts which are summarized into Level 1 accounts; Level 2 accounts end with one zero (XXX0).
- Level 3 - Assigned to sub-accounts to Level 2 accounts; Level 3 account numbers do not end with zeros (XXXX).

The Financial Information System for California (FI$Cal) account codes contain one to seven digits and are structured into the following hierarchical reporting levels:

- Level 1 - Represents the Account Type
- Level 2 - Represents the Account Sub-Type by high level categories
- Level 3 - Represents the Account classification. This level may have a 3-digit or 4-digit code.
- Lower Levels - Represents a further breakdown of the account classification detail or is the Account Detail Code. The 7-digit Account detail code is entered on financial transactions.

Agencies/departments must use the appropriate level of detail for budgeting, accounting, and year-end reporting.

Agencies/departments may expand the statewide uniform codes to lower-level accounts as necessary to accommodate agency/department-specific requirements.

For year-end reporting to the State Controller's Office (SCO), agencies/departments must use the Level 1 legacy codes listed in the Uniform Codes Manual (UCM).

Agencies/departments must be able to report accounting information to the lowest hierarchical level. This reporting requirement does not require agencies/departments to maintain General Ledgers at levels 2 or 3. Instead, agencies/departments can meet the reporting requirements by accounting for the information in subsidiary records/ledgers (e.g., Appropriations Ledger, Revenue Ledger, Accounts Receivable Ledger, etc.) and by maintaining the General Ledger at a more summarized level.

For ease of consolidating like-kind accounts for reporting purposes, the same title has, in some cases, been assigned to different account numbers at different account levels. Agencies/departments must use the lowest hierarchical level account number rather than a higher level account number with the same title. This is mostly applicable when using legacy codes. For example, use legacy account 2341 for Equipment rather than legacy account 2340; use legacy account 3010 for Accounts Payable rather than legacy account 3000; use legacy account 3110 for Due to Other Funds or Appropriations rather than legacy account 3100. In FI$Cal, transactions must be posted to the 7-digit account number, the lowest level account.

Refer to the Uniform Codes Manual (UCM) for a full listing of general ledger accounts and the hierarchical reporting levels.

**Subsidiary Fund Information Required for Inter-fund and Intra-fund Transactions**
Certain general ledger accounts require a fund and/or organization number to identify the other fund involved in an inter-fund and intra-fund transaction. The accounts and legacy accounts listed below require subsidiary fund coding:

Legacy general ledger accounts that require subsidiary fund coding:

Table content available in source manual.

Accounts that require affiliate and fund affiliate coding:

Table content available in source manual.

**Subsidiary GL Account Information Required for Some Accounts**
Certain general ledger accounts require subsidiary account numbers. The subsidiary account numbers signify the Accounts Receivable accounts involved in the transactions. The accounts and legacy accounts listed below require subsidiary account coding:

Legacy general ledger accounts that require subsidiary account coding:

Table content available in source manual.

Examples of legacy subsidiary accounts include:
1390.1311—Allowance for Uncollectible Accounts–Accounts Receivable–Abatements
1600.1313—Provision for Deferred Receivables–Accounts Receivable– Revenue
1600.1410—Provision for Deferred Receivables–Due from Other Funds

Accounts that require subsidiary alternate account coding:

Table content available in source manual.

## CURRENT ASSETS - 7620

**CASH IN STATE TREASURY AND AGENCY ACCOUNTS**
(Summary Account 110 and Legacy Level 1 Account 1100)

Table content available in source manual.

**TEMPORARY INVESTMENTS**
(Summary Account 112 and Legacy Level 1 Account 1200)

Table content available in source manual.

**ACCOUNTS RECEIVABLE**
(Summary Account 120 and Legacy Level 1 Account 1300)

Table content available in source manual.
**LOANS AND ADVANCES RECEIVABLE**
(Summary Account 122 and Legacy Level 1 Account 2100)

Table content available in source manual.
**DUE FROM OTHER FUNDS OR APPROPRIATIONS**
(Summary Account 124 and Legacy Level 1 Account 1400)

Table content available in source manual.

**DUE FROM OTHER GOVERNMENTS**
(Summary Account 126 and Legacy Level 1 Account 1500)

Table content available in source manual.

**PROVISION FOR DEFERRED RECEIVABLES**
(Summary Account 129 and Legacy Level 1 Account 1600)

Table content available in source manual.

**PREPAID EXPENSES**
(Summary Account 130 and Legacy Level 1 Account 1700)

Table content available in source manual.
**INVENTORY**
(Summary Account 140 and Legacy Level 1 Account 1900)

Table content available in source manual.

## NON-CURRENT ASSETS - 7622

**INVESTMENTS**

(Summary Account 150 and Legacy Level 1 Account 2000)

Table content available in source manual.

## TANGIBLE ASSETS - 7624

(Summary Account 160 and Legacy Level 1 Account 2300)

Table content available in source manual.

## INTANGIBLE ASSETS - 7625

(Summary Account 162 and Legacy Level 1 Account 2400)

Table content available in source manual.

## DEFERRED CHARGES AND OTHER ASSETS - 7627

(Summary Accounts 170-199 and Legacy Level 1 Accounts 2500-2900)

Table content available in source manual.

## CURRENT LIABILITIES - 7630

(Summary Accounts 2000-2090 and Legacy Level 1 Accounts 3000-3700)

Table content available in source manual.

## NON-CURRENT LIABILITIES - 7634

(Summary Account 2500-2590 and Legacy Level 1 Accounts 4000-4700)

Table content available in source manual.

## FUND EQUITY - 7640

(Summary Account 30 and Legacy Level 1 Account 5100)

Table content available in source manual.

## BUDGETARY ACCOUNTS - 7650

The level 1 and 2 Legacy Budgetary accounts below are not mapped to accounts. The budgetary ledger in FI$Cal is used to track and report budgetary accounts.

Table content available in source manual.

## INFLOW OF RESOURCES - 7660

The high-level revenue accounts described in this section include General Revenues, Federal Government Receipts, Other Receipts, Additions (Trust, Agency, Feeder Funds), Reimbursements, and Unappropriated Receipts.

The accounts listed below are the high-level 1, 2, and 3 revenue accounts. For example, the level 1 account is 4-Revenues; the level 2 account is 41-General Revenues; and the level 3 account is 411-Major Taxes and Licenses. The lower-level 7-digit revenue accounts are listed in the Chart of Accounts crosswalk in the Uniform Codes Manual (UCM). For the structure of general ledger accounts, see SAM Section 7605.

Agencies/Departments using FI$Cal will use the 7-digit revenue accounts for posting transactions. Agencies/Departments may create alternate accounts to record revenues at a more detailed level as necessary.

The legacy revenue accounts listed below reflect the level 1, 2, and 3 revenue accounts in the UCM.

Agencies/Departments deferred/exempt from using FI$Cal will post transactions using the legacy receipt codes in the UCM.

Table content available in source manual.

### OUTFLOW OF RESOURCES - 7670

The high level accounts described in this section includes appropriated and unappropriated expenditures, expenses and other uses of financial resources. The accounts are listed in various categories which represent the type of goods or services purchased.

The accounts listed below are the high level 1, 2 and 3 expenditure/expense accounts. For example, the level 1 account is 5-Expenses; level 2 account is 50-Appropriated Expenses and level 3 account is 51-Personal Services. The FI$Cal lower level 7-digit expenditure/expense accounts are listed in the Chart of Accounts crosswalk in the Uniform Codes Manual (UCM).

Agencies/departments using FI$Cal will use the 7-digit expense accounts for posting transactions. Agencies/Departments can create Alternate Accounts at their discretion to record expenses in lower level children accounts that are linked to a 7-digit parent account.

The Legacy expense accounts reflect the level 2 and 3 expense accounts in the UCM. Agencies/departments deferred/exempt from using FI$Cal will use the legacy object of expenditure codes in the UCM for posting transactions.

Table content available in source manual.

### OTHER FINANCIAL SOURCES/USES - 7680

(Summary Account 6 and Legacy Level 2 Account 9810)

Table content available in source manual.

Most of the following level 2 and 3 Legacy Other Financial Sources/Uses accounts are not mapped to specific accounts because they may be included in one or more of the above other financial sources/uses groups or determined to be not needed beyond the legacy structure.

Table content available in source manual.

## Chapter - 7800

Sections for Chapter 7800

| Section | Subchapter |
|---|---|
| SUBSIDIARY RECORDS-INTRODUCTION | 7800 |
| REVOLVING FUND | 7810 |
| CASH IN TRANSIT TO STATE TREASURY | 7812 |
| CASH ON HAND | 7813 |
| ACCOUNTS RECEIVABLE | 7814 |
| DISHONORED CHECKS | 7815 |
| CASH SHORTAGES | 7816 |
| UNEXPIRED INSURANCE POLICIES | 7817 |
| PUBLIC WORKS UNCOMPLETED PROJECTS | 7819 |
| INVESTMENTS | 7820 |
| UNCLEARED CONDEMNATION DEPOSITS | 7822 |
| ACCOUNTS PAYABLE | 7823 |
| CLAIMS FILED | 7824 |
| TRUST DEPOSITS | 7825 |
| UNCLEARED COLLECTION | 7826 |
| BOND AND BUILDING LOANS | 7827 |
| FILE OF OPEN ESTIMATES | 7828 |
| APPROPRIATION AND ENCUMBRANCES | 7829 |
| REVENUE | 7830 |
| PRIOR YEAR REVENUE ADJUSTMENTS | 7831 |
| PRIOR YEAR APPROPRIATION ADJUSTMENTS | 7832 |

## SUBSIDIARY RECORDS-INTRODUCTION - 7800

Subsidiary ledgers provide detailed information used to reconcile the activity recorded in the general ledger account. For example, the accounts receivable subsidiary ledger is used to reconcile the accounts receivable control account in the general ledger.

In addition to a subsidiary ledger, other subsidiary records such as files and registers may be used to support a general ledger account. Agencies/departments will reconcile the subsidiary records to the general ledger monthly. The following sections provide a general description of the more commonly maintained ledgers, files, and registers. The form and content of these records may vary among agencies/departments except as specifically described in other chapters.

## REVOLVING FUND - 7810

A revolving fund subsidiary ledger, or Cash Book, is a detailed record of the revolving fund cash in the agency/department's checking account. The ledger is debited for receipts deposited and credited for revolving fund checks drawn. The balance shows the cash portion of the revolving fund's advance amount. For information on revolving fund accounting, see SAM Section 8150.

## CASH IN TRANSIT TO STATE TREASURY - 7812

A subsidiary file containing a copy of each Controller's Remittance Advice (RA), Form CA–21, held until a corresponding Controller's Receipt is received. When the Controller's Receipt is received, the RA copy is removed from the file, compared against the Controller's Receipt and destroyed. File the Controller's Receipt copy after recording in the accounts.

## CASH ON HAND - 7813

A cash on hand register is a listing of cash receipts that are not to be deposited immediately for one of the following reasons:

1. The receipt will be returned to payers without being deposited, such as bid deposits.
2. The receipts are payments of smaller amounts than are due the State, which would prejudice the State's right to make further collections if deposited.

When the agency/department either returns the receipt to the payer or applies and deposits it in the General Checking account, the date on which each item is returned or deposited is noted on the register opposite the original entry.

## ACCOUNTS RECEIVABLE - 7814

An accounts receivable subsidiary ledger, and/or file, is maintained for receivables as circumstances warrant. A separate section is maintained for each applicable receivable account on an open item basis. When a file is used, a copy of each invoice is placed in the file when prepared and is removed and transferred to a closed file when paid. When a ledger is used, each debtor's account is debited when amounts become due and credited when payments are received. See SAM Section 8294, Reconciling and Reporting Receivables.

## DISHONORED CHECKS - 7815

A dishonored checks file is maintained to track bank debit notices received pending clearance of the dishonored checks. As dishonored checks are redeposited, substituted with other checks or legal tender, or the agency/department is discharged from accountability by the Department of General Services, Office of Risk and Insurance Management, the corresponding debit notices are removed from the open file and placed in a closed file. See SAM Section 8493.

## CASH SHORTAGES - 7816

A cash shortages subsidiary account is maintained for each cashier that is held accountable for cash shortages. The accounts are debited when cash shortages occur and are credited when restitutions are received from the cashier or discharge from accountability is received from the Department of General Services, Office of Risk and Insurance Management. See SAM Section 8493.

## UNEXPIRED INSURANCE POLICIES - 7817

A subsidiary ledger is maintained for each insurance policy. The ledger is debited for the amount of premium paid and credited for the amount of insurance charged to expense each accounting period.

## PUBLIC WORKS UNCOMPLETED PROJECTS - 7819

A subsidiary file is maintained to store the State Controller's Transfers, transferring funds to the Architecture Revolving Fund supported by Public Works Project Authorization and Transfer Requests for each project until the project is reported completed and unused funds are returned.

## INVESTMENTS - 7820

An investment subsidiary ledger will vary among agencies/departments depending upon the volume and type of investment transactions. At a minimum, when applicable, it may consist of a file of Treasurer's Receipts for securities purchased. For securities recorded at par value, it should contain an account for each security purchase and include a record of premium amortization, discount accumulation, and the resulting book value.
Accrued interest purchased and receipts of interest representing accrued interest purchased also are shown in the investments ledger.

## UNCLEARED CONDEMNATION DEPOSITS - 7822

A file is maintained to store the documents related to each condemnation proceeding until final settlement is made, the grantor is paid, and the deposit is returned.

## ACCOUNTS PAYABLE - 7823

For Governmental Funds, an accounts payable subsidiary ledger is maintained to track the outstanding accruals as of June 30. For other funds, it may track the accruals not submitted to SCO for payment which have been accounted for by the

agency/department as expenses. For any fund, where applicable, it may include an account for each person or entity from which amounts are withheld pursuant to rule, regulation, law, or agency/department practice.

### CLAIMS FILED - 7824

A claims filed register is maintained to track the claims approved by the agency/department and submitted to the State Controller's Office for payment. The register tracks the claim corrections and claims not yet paid.

### TRUST DEPOSITS - 7825

A trust deposit subsidiary ledger or file is maintained to track receipts given to depositors (or an account for each depositor which is credited as deposits are received and debited as disbursements are made or deposits are returned), accounts for each special trust, and a list of unclaimed deposits.

### UNCLEARED COLLECTION - 7826

An uncleared collection subsidiary file is maintained to document receipts, the disposition of which cannot be identified or which cannot for any reason be cleared as revenue, reimbursements, etc. The receipts are removed, and disposition is noted as the items are cleared and applied or refunded.

### BOND AND BUILDING LOANS - 7827

A bond and building loans subsidiary ledger contains an account for each series of bonds issued and/or each building loan payable. The accounts are credited for the par value, premium, and accrued interest sold, received on bonds issued, and the amount of building loans payable. The accounts are debited for the premium amortized, bonds redeemed, payments of interest representing accrued interest sold, and principal payments on building loans.

### FILE OF OPEN ESTIMATES - 7828

A copy of each encumbrance document related to open estimates will be filed in an open estimates file. As estimates are adjusted or partially liquidated by claims or transfers, the transactions and remaining unliquidated balance are noted on the document. When estimates are fully liquidated or adjusted to a zero balance, the transaction is noted on the document and it is removed from the file.

### APPROPRIATION AND ENCUMBRANCES - 7829

(Revised and renamed)

An appropriation subsidiary ledger is maintained to provide the agency/department with detailed transactions to reconcile appropriation balances monthly. See SAM Section 8320, Appropriation-Purpose and Requirements.

An encumbrance subsidiary ledger is maintained to record detailed information from supporting procurement documents. The ledger is used to validate the amount of encumbrances and reconcile balances at least monthly. See SAM Section 8340 Encumbrances.

### REVENUE - 7830

A revenue subsidiary ledger is maintained to track accounts in the degree of detail required by the agency/department but within the classification and numbering system used for the State Controller's Office subsidiary revenue accounts. (See SAM Section 8213). If more subsidiary revenue account classifications are needed, entries may be made from daily collection reports, clearance summary documents, or other analysis of the accounts to be credited.

### PRIOR YEAR REVENUE ADJUSTMENTS - 7831

A prior year revenue adjustments subsidiary ledger is maintained with an account for each subsidiary classification of revenue accrued as of June 30.

### PRIOR YEAR APPROPRIATION ADJUSTMENTS - 7832

A prior year appropriation adjustments subsidiary ledger is maintained to account for each prior year appropriation that is no longer available for encumbrance but not yet reverted. Each account shows the difference between the net amount of expenditures, abatements, and reimbursements accrued at the previous June 30 (prior year) and the amount of actual expenditures, abatements, and reimbursements during the current fiscal year for appropriations that are no longer available for encumbrance. The difference between the prior year's accrued item and the current year's actual represents the adjustment that may be reclassified from expenditure to appropriation adjustment in Account 5802000 (Legacy Account 9893).

The prior year adjustment will not apply to appropriations available for more than one fiscal year unless the encumbrance availability period has expired. For such appropriations, adjustments will be accounted as current fiscal year expenditures and reimbursements if they occur during the encumbrance availability period of the appropriation.

## Chapter - 7900

Sections for Chapter 7900

| Section | Subchapter |
|---|---|
| INTRODUCTION TO RECONCILIATIONS AND REPORTS | 7900 |
| RECONCILIATIONS - GENERAL | 7901 |
| RECONCILIATION OF DEPARTMENT'S ACCOUNT BALANCES WITH SCO BALANCES | 7921 |
| OFFICE REVOLVING FUND RECONCILIATION | 7922 |
| BANK RECONCILIATION | 7923 |
| PROPERTY RECONCILIATION | 7924 |
| CALENDAR OF REPORTS AND ACTIONS | 7930 |

| | |
|---|---|
| QUARTERLY FINANCIAL REPORTS | 7940 |
| INTRODUCTION TO YEAR-END FINANCIAL REPORTS | 7950 |
| LIST OF YEAR-END REPORTS AND THEIR DISTRIBUTION | 7951 |
| YEAR-END REPORT NO. 1, REPORT OF ACCRUALS TO CONTROLLER'S ACCOUNTS | 7952 |
| YEAR-END REPORT NO. 2, ACCRUAL WORKSHEET | 7953 |
| YEAR-END REPORT NO. 3, ADJUSTMENTS TO CONTROLLER'S ACCOUNTS | 7955 |
| YEAR-END REPORT NO. 4, STATEMENT OF REVENUE | 7956 |
| YEAR-END REPORT NO. 5, FINAL RECONCILIATION OF CONTROLLER'S ACCOUNTS WITH FINAL BUDGET REPORT | 7957 |
| YEAR-END REPORT NO. 6, FINAL BUDGET REPORT | 7961 |
| YEAR-END REPORTS NO. 7 AND 8, PRE AND POST-CLOSING TRIAL BALANCES | 7962 |
| YEAR-END REPORT NO. 9, ANALYSIS OF CHANGE IN FUND BALANCE (STATEMENT OF OPERATIONS) | 7963 |
| YEAR-END REPORT NO. 10, ANALYSIS AND RECONCILIATION OF REVOLVING FUND ACCOUNTABILITY | 7965 |
| YEAR-END REPORT NO. 11, BANK RECONCILIATION | 7967 |
| YEAR-END REPORT NO. 13, REPORT OF EXPENDITURES OF FEDERAL FUNDS | 7974 |
| SINGLE AUDIT REPORTING, EXPENDITURES OF FEDERAL AWARDS | 7974.1 |
| YEAR-END REPORT NO. 14, REPORT OF ACCOUNTS OUTSIDE THE STATE TREASURY | 7975 |
| YEAR-END REPORT NO. 15, RECONCILIATION OF AGENCY ACCOUNTS WITH TRANSACTIONS PER STATE CONTROLLER | 7976 |
| YEAR-END REPORT NO. 18, STATEMENT OF CHANGES IN CAPITAL ASSETS GROUP OF ACCOUNTS | 7977 |
| YEAR-END REPORT 19, STATEMENT OF CAPITAL ASSETS GROUP OF ACCOUNTS | 7978 |
| YEAR-END REPORT NO. 20, STATEMENT OF FINANCIAL CONDITION | 7979 |
| YEAR-END REPORT NO. 22, STATEMENT OF CONTINGENT LIABILITIES | 7980 |
| REPORTING CHANGES IN ACCRUALS – SUBSEQUENT EVENTS | 7981 |
| CHANGE IN METHOD OF ACCRUAL | 7981.1 |
| ANALYSIS OF CASH IN TRANSIT | 7982 |


## INTRODUCTION TO RECONCILIATIONS AND REPORTS - 7900

This chapter provides information about the periodic reconciliations and reports required of state agencies/departments, including deadlines for reconciling, preparing, and submitting reports to the appropriate control agencies and other departments. This chapter also provides summarized instructions and standard formats for preparing the year-end financial reports. Agencies/departments will use their accounting system to generate year-end financial reports, unless otherwise stated.

The Department of Finance provides detailed instructions for preparing year-end reports through the annual year-end trainings, eLearning, and other resources on its website in addition to the information in this chapter. Also, the State Controller's Office (SCO) issues instructions for preparing year-end reports annually, which may include changes to previous processes. Agencies/departments should review these instructions for changes, once available on the SCO's website.

Agencies/departments must complete accurate and timely reconciliations between the accounts maintained by the agencies/departments and those by the SCO. Each agency/department is responsible for completing any reconciliation necessary to safeguard the state's assets and ensure reliable financial data provided within their financial reports. Failure to submit timely and accurate financial reports to the SCO has a negative impact on the state's annual financial reports, which may affect the state's credibility among investors, increase the cost of state borrowing and impact the state's ability to obtain federal funding.

## RECONCILIATIONS - GENERAL - 7901

Agencies/departments are required to perform reconciliations to ensure accuracy and consistency in their accounting records. Agencies/departments will reconcile the account balances to supporting documentation such as invoices, receipts, etc. Agencies/departments will also compare agency/department accounts with records other than those prepared by the agency/department, such as bank statements used in a bank reconciliation.

In addition to the above reconciliation processes, agencies/departments must complete timely reconciliations between the agency's/department's accounts with the accounts maintained by the State Controller's Office (SCO) to disclose and correct errors as they occur. Errors must be corrected as soon as possible and reconciling differences must be resolved before financial reports are prepared to ensure accuracy.

State Administrative Manual (SAM) sections 7921-7924 provide some common reconciliations. However, each agency/department is responsible for completing any reconciliation necessary to safeguard the state's assets and ensure reliable

financial data.
All reconciliations will show the preparer's and reviewer's names and signatures, date prepared, and date reviewed. Reconciliations will be prepared monthly within 30 days of the preceding month, except for property reconciliations. See SAM section 7924.
All reconciliations will be retained for at least two years with the exception of federal reconciliations. For more information on the recommended general retention schedule, see the Secretary of State website.

## RECONCILIATION OF DEPARTMENT'S ACCOUNT BALANCES WITH SCO BALANCES - 7921

Agencies/departments will reconcile their accounts with the corresponding accounts maintained by the State Controller's Office (SCO). The SCO provides the following reconciliation reports to agencies/departments to facilitate the monthly reconciliation process:

1. Agency Reconciliation Report– Provides agencies/departments appropriation account balances maintained by the SCO. Agencies/departments will reconcile appropriation account balances within their accounting system to the corresponding balances maintained by the SCO. For each appropriation account, the report displays the beginning balance, transactions that occurred during the month, and the ending balance. The reconciliation will detail any differences in appropriation balances between the SCO and agency's/department's records. Agencies/departments will resolve reconciling items timely to prevent differences at year-end and ensure appropriations are within established limits.

2. Fund Reconciliation Report–Provides agencies/departments general ledger account balances maintained by the SCO. Agencies/departments will reconcile general ledger account balances within their accounting system to the corresponding balances maintained by the SCO for non-shared funds and shared funds to provide accurate information for the preparation of required financial reports.

The Department of Finance, Fund Balance Reconciliation Guide, Appendix 10.4, and SAM section 6401 have information regarding the responsibilities and authority of fund administrators and fund users for both non-shared and shared funds. One of the responsibilities is to "verify the accuracy of departmental accounting records by performing monthly reconciliations with source documents and corresponding appropriation and general ledger accounts maintained by the SCO." This responsibility applies to fund administrators and fund users of both non-shared and shared funds.

## OFFICE REVOLVING FUND RECONCILIATION - 7922

Agencies/Departments will reconcile their Office Revolving Fund (revolving fund) by reviewing the revolving fund book balance and other related accounts. Agencies/Departments will have documents to support the usage of the revolving fund.
A sample of the Office Revolving Fund Reconciliation is shown in the 7922 Illustration.

## BANK RECONCILIATION - 7923

Agencies/Departments will reconcile their General Cash, Revolving Fund Cash, and Agency Trust Fund Cash accounts with their Centralized Treasury Trust System Account Statement (CTS statement). When agencies/departments account for more than one fund in a bank account, agencies/departments will identify the fund's share on the bank reconciliation. The reconciliation must identify and describe each reconciling item between the bank and the agency/department's records. Agencies/Departments shall retain CTS statements and monthly reconciliations for at least two years. See SAM Section 7901.
SCO provides a monthly CTS statement to agencies/departments that includes a sequential listing of the following items by transaction date, document number, and amount:

- Checks paid
- Transfers of Funds (i.e., TC47 SCO transaction code entries)
- Deposits

To determine the total outstanding checks amount, agencies/departments will compare the check listing on the CTS statement to the agency/department records. The outstanding checks amount on the reconciliation will be supported by a list showing the check number, date, and amount of each outstanding check.
To determine the transfers and deposits in-transit amount, agencies/departments will compare the transfers and deposits listing posted on the CTS statement to the agency/department records. The in-transit transfers and deposits on the reconciliation will be supported by separate lists showing the document number, date, and amount. Agencies/Departments will attempt to resolve deposits in transit over 30 days.
Errors on the CTS statement must be corrected as provided in SAM Section 8060.
Note:
Agencies/Departments can access and print images of their agency checks through the STO statewide Agency Paid System. To access the Agency Paid System, agencies/departments shall complete the STO's User ID Assignment/Removal Form STO-IP 130. Contact the STO Item Processing Section at Item.Processing@treasurer.ca.gov for more information.

## PROPERTY RECONCILIATION - 7924

Agencies/departments will reconcile the acquisitions and dispositions of capitalized assets/property with the amounts recorded in the property register. The reconciliation should be done monthly or at least quarterly, depending on the volume of transactions. See SAM section 8650.4, Accounting and Reconciling Capitalized Property Records. Agencies/departments will perform a physical count of all capitalized and non-capitalized assets/property and reconcile the count with accounting records at least once every three years. See SAM section 8652, Inventorying Property.
In addition, agencies/departments will provide the Department of General Services with updated and reconciled records of its real property assets by July 1 of each year. See SAM section 1310.7, Statewide Property Inventory.
Refer to SAM Chapter 8600 for detailed information regarding property accounting.

## CALENDAR OF REPORTS AND ACTIONS - 7930

Agencies/Departments must submit various financial reports and forms to control agencies and other departments, as required. The following calendar will assist agencies/departments to plan and meet reporting requirements. The calendar only lists reports

that are referenced in the SAM sections under the responsibility of the Department of Finance, Fiscal Systems and Consulting Unit (FSCU).
Table content available in source manual.

Note: Some of the published due dates of these reports may change if they fall on a weekend or holiday.

## QUARTERLY FINANCIAL REPORTS - 7940

Quarterly, except for June 30, agencies/departments must complete the reports listed below:

a. Trial Balance
b. Budget Report
c. Reconciliation of Controller's Accounts with Budget Report
d. Statement of Revenue (for governmental cost funds only) See SAM section 8210.
e. Property Reconciliation (see SAM sections 7924 and 8650.4).

The above reports will be completed within 30 days of the preceding quarter and submitted upon request to the appropriate auditor or Finance budget analyst.

## INTRODUCTION TO YEAR-END FINANCIAL REPORTS - 7950

Agencies/departments must follow the instructions in the State Administrative Manual (SAM) to prepare and submit accurate year-end reports to the SCO. In addition, Finance provides annual year-end trainings, eLearning, and other useful resources on its website. Agencies/departments should refer to these training materials and resources to develop their year-end work plan and the skillsets required for year-end activities. The SCO also issues instructions to agencies/departments for the preparation and submission of year-end financial reports annually. Agencies/departments should review these instructions and be familiar with changes.

Agencies/departments must prepare a separate set of year-end financial reports for each fund. Accounts of two or more funds will not be commingled in department statements, except in rare instances, and only upon written permission from the Department of Finance, Fiscal Systems and Consulting Unit (FSCU).

Agencies/departments will prepare year-end financial reports soon after June 30 to meet the required due dates and to estimate accruals with reasonable accuracy. See SAM section 7930 for Calendar of Reports and Actions for due dates and SAM 7951 Illustration for a list of the required year-end financial reports and their distribution. Agencies/departments should plan for the additional distribution of all standard reports to meet their internal management needs.

For agencies/departments to meet deadlines, the following is required:

a. Issue a work plan for year-end activities. List the specific year-end activities, due dates, responsibilities, and other important information for the timely completion of year-end financial reports.
b. Train accounting staff in the year-end financial report preparation procedures.
c. Keep all phases of transaction processing and month-end closing current during the fiscal year. Management must ensure all reconciliations are current, complete, and accurate. Reconciling items must be resolved timely. See SAM section 7901 – 7924 for additional information on reconciliations.
d. Start to perform preliminary year-end activities before June 30. Agencies/departments should anticipate problem areas, review and identify issues early to allow for sufficient time to resolve them in the current year. Agencies/departments experiencing or expecting serious difficulty in completing the required year-end financial reports on time should contact FSCU for assistance.
e. Review the condition of the agency/department's cash, appropriation, and category balances throughout the fiscal year to determine if sufficient funds will be available to meet expenditures. If sufficient funds are not available, agencies/departments have the following options:

    1. Begin negotiations with other agencies/departments for prompt payment of reimbursements, if applicable.
    2. Begin negotiations with the Finance budget staff to obtain approval for additional funding.
    3. Return a portion of an advance (e.g., DGS Service Revolving Fund, State Fund, or Office Revolving Fund) to the appropriation it was originally withdrawn from.

In addition to the above, the following is recommended:

a. Schedule vacations so they will not conflict with the preparation of the year-end financial reports.
b. Submit year-end financial reports to the SCO on a flow basis as each fund is completed.
c. Estimate receivable and payable accruals when it is not possible to obtain actual documentation. Retain lists of all accrual documents, estimated accruals, and amounts for audit purposes.
d. Provide deadlines and instructions to employees for submitting documents necessary to prepare the year-end financial reports (e.g., travel expense claims, purchase documents, and invoices)
e. Review and implement any policy guidance issued by Finance or contained in the SCO year-end guidelines timely, and communicate new requirements or changes to existing requirements to staff.

The SCO will provide the following documents for year-end closing:

- SCO Reconciliation Report
- Journal entries for June
- Prior Year Accrual Summary Report
- Report of Accruals to Controller's Accounts
- Adjustments to Controller's Accounts
- Final Reconciliation of Controller's Accounts with Final Budget Report/Agency Records.

The SCO will notify agencies/departments in the Budgetary/Legal Basis Year-End Financial Reports Procedure Manual of the approximate dates they may expect to receive the Controller's documents.

## LIST OF YEAR-END REPORTS AND THEIR DISTRIBUTION - 7951

7951 Illustration lists the required year-end financial reports, their distribution, and applicable State Administrative Manual references.

Agencies/Departments shall submit one certification letter per fund. Each certification letter must have an original or electronic signature of authorization that complies with the regulations for electronic signature and include the certification statement shown below:

> I certify (or declare) under penalty of perjury that the attached reports are true, accurate, and complete and were prepared following the applicable laws, regulations, policies, procedures, and instructions. I have not violated any of the provisions of Article 4, Chapter 1, Division 4, Title 1, Government Code (commencing with Section 1090) and Article 2, Chapter 1, Part 3, Division 3, Title 2, Government Code (commencing with Section 13030).
>
> Subscribed and executed this ___day of _____, 20___ at _____, California.
>
> _____
> Signature of Officer
>
> _____
> Name and Title of Officer

Agencies/Departments will retain the original copies of documents submitted electronically. The certification letter must include:

a. Date
b. Agency/Department name and organization number
c. Agency/Department mailing address and the names and e-mail addresses of the agency/department Director and Chief of Accounting
d. Fund name and number
e. A list of the reports submitted. If there is nothing to report, note this on the certification letter as "no activity to report"
f. Contact person's name, phone number, and e-mail address
g. Certification statement signed by the officer responsible for fiscal administration

**7951 Illustration**: List of Required Year-End Financial Reports

## YEAR-END REPORT NO. 1, REPORT OF ACCRUALS TO CONTROLLER'S ACCOUNTS - 7952

The Year-End Report No. 1, Report of Accruals to Controller's Accounts, provides the State Controller's Office (SCO) with accrual amounts reflected in the agency/department's records but not posted in the accounts maintained by the SCO as of June 30. The SCO uses the accruals to prepare the state's consolidated financial reports.

Report No. 1 consists of the forms below and is used to report accruals to the following accounts:

a. Form 571 A - Provided by the SCO and preprinted with commonly used legacy GL account numbers. Blank spaces are provided for any asset or liability account not preprinted. The form is used to report accruals to asset and liability accounts.
b. Form 571 D - Provided by the SCO. The form is used to report accruals to appropriation expenditure, reimbursement, transfer, and revenue accounts.

The Report No. 2, Accrual Worksheet, contains the accrual amounts necessary to complete Report No. 1. The debits and credits shown in the Report No. 2 Net Total Accruals Per Agency column will be reversed when reported on Form 571 D. For information and a sample of Report No. 2, see SAM Section 7953.

At year-end, agencies/departments identify the amount of obligations and encumbrances as of June 30. Obligations are amounts for goods and services received that have not been scheduled for payment as of June 30. Encumbrances represent commitments for goods and services that will be received in the following year(s). Encumbrances must be reported in the applicable liability account (e.g., Accounts Payable, Due To Other Funds) based on the supplier type. Agencies/Departments will record the encumbrance amount as a credit in the Encumbrances column for the corresponding liability account on Form 571 A.

Reimbursements funding encumbrances must be reported in the applicable receivable account (e.g., Due From Other Funds). Agencies/Departments will record the reimbursement for encumbrances as a debit in the Encumbrances column for the respective receivable account on Form 571 A.

A sample of Report No. 1, Forms 571 A and 571 D is shown in the 7952 Illustrations.

## YEAR-END REPORT NO. 2, ACCRUAL WORKSHEET - 7953

The Year-End Report No. 2, Accrual Worksheet, provides agencies/departments with a uniform and systematic method of compiling year-end accruals. It is the supporting worksheet for Report No. 1, Report of Accruals to Controller's Accounts. The accruals consist of the assets, liabilities, and deferred credits reflected in the agency/department's records but not in the central

records that the State Controller's Office (SCO) maintains as of June 30. Report No. 2 excludes certain accounts maintained by the SCO, such as Cash in State Treasury, Deposits in Surplus Money Investment Fund, and other similar accounts.

Agencies/Departments will organize and validate the report as follows:

a. The first column will list the following accounts: revenues, miscellaneous receipts, appropriations, and deferred credits. Each agency/department will enter account titles as necessary for its individual use.

b. Additional columns will be created for the asset, liability, and deferred credits accounts as listed on Report No. 8, Post-Closing Trial Balance.
The deferred credits column will be used to record such accounts as:
- Uncleared Collections
- Provision for Deferred Receivables
- Reimbursements Collected in Advance
- Revenues Collected in Advance
- Cash Overages
- Reserve for Prepaid Items
- Reserve for Advances

The amounts in the deferred credits column should be entered under the Miscellaneous Accounts section and offset with related amounts in other columns (e.g., General Cash, Accounts Receivable, Prepayments) so that the rows net to zero.

c. The amounts for the revolving fund adjustments should net to zero. For information on the revolving fund adjustments, see SAM Section 10601.

d. The total amount of each column must agree with a specific account balance on Report No. 8. If two or more accounts are assigned to one worksheet column, the column total must agree with the sum of those accounts. These amounts will be recorded to the corresponding account on Report No. 1, Form 571 A.

e. The total amount of each row records the nominal account activity. The reversed sign of these amounts will be posted to the corresponding accounts on Report No. 1, Form 571 D.

A sample of Report No. 2 is shown in the 7953 Illustration.

For information on Report No. 1, see SAM Section 7952.

For information on Report No. 8, see SAM Section 7962.

## YEAR-END REPORT NO. 3, ADJUSTMENTS TO CONTROLLER'S ACCOUNTS - 7955

The Year-End Report No. 3, Adjustments to Controller's Accounts, identifies adjustments needed to correct the central records maintained by the State Controller's Office (SCO) as of June 30. This report does not correct the records of the SCO. Agencies/Departments must submit transaction requests through the Transaction Request Intake System (TRIS) to the SCO to correct the errors. The adjustments must also be reported on:

- Report No. 15, Reconciliation of Agency Accounts with Transactions per State Controller.
- Revenue adjustments will be reported on Report No. 4, Year-End Statement of Revenue.
- Expenditure adjustments will be reported on Report No. 5, Final Reconciliation of Controller's Accounts with Final Budget Report/Agency Records.

Agencies/Departments will report all necessary adjustments to the SCO throughout the year as soon as possible after discovering any errors. Reporting errors in a timely manner allows the SCO adequate processing time during the year and reduces the backlog of work at the end of the fiscal year.

Report No. 3 consists of the forms below and is used to report adjustments to the following accounts:
a. Form 576A – Provided by the SCO and preprinted with commonly used legacy general ledger account numbers. Blank spaces are provided for any asset or liability account not preprinted. The form is used to report adjustments to asset and liability accounts.
b. Form 576B – Provided by the SCO. The form is used to report adjustments to appropriation expenditure, reimbursement, transfer, and revenue accounts.

Agencies/Departments must submit an attachment (e.g., copy of the TRIS entry, SCO journal entry) to support the adjusting entries on Report No. 3. If there are no adjustments to the SCO's accounts, Report No. 3 is not required, and the certification letter must disclose "no activity to report." For a sample of a certification letter, see SAM Section 7951.

A sample of Report No. 3 is shown in the 7955 Illustration 1 and Illustration 2.

## YEAR-END REPORT NO. 4, STATEMENT OF REVENUE - 7956

The Year-End Report No. 4, Statement of Revenue, presents a reconciliation of current year revenue recorded by the agency/department with revenue recorded in the accounts maintained by the State Controller's Office (SCO) as of June 30. Agencies/Departments must submit a current year Report No. 4 to the SCO for Governmental Cost Funds and Bond Funds.

Report No. 4 displays the balances of subsidiary revenue accounts after the applicable posting of revenue accruals and adjustments. See SAM Section 8210 for the state's revenue recognition policy. Examples of revenue accruals and adjustments include:

a. Adjustments for dishonored checks and cash shortages.
b. Revenue items cleared during July representing cash received and earned on or before June 30.
c. July apportionment of Surplus Money Investment Fund earnings.
d. Accrual of interest earned on investments in securities.

A sample of Report No. 4 is shown in the 7956 Illustration.

## YEAR-END REPORT NO. 5, FINAL RECONCILIATION OF CONTROLLER'S ACCOUNTS WITH FINAL BUDGET REPORT - 7957

The Year-End Report No. 5, Final Reconciliation of Controller's Accounts with Final Budget Report/Agency Records, presents a reconciliation of an agency/department's appropriation balances with the State Controller's Office (SCO) account balances as of June 30.
Report No. 5 is available on the SCO's website for agencies/departments to download for each appropriation that exists on the SCO records as of June 30. Review and validate the preprinted information; however, do not change the preprinted amounts on this form. The difference between the SCO and the agency/department account balances may consist of:

a. Expenditure, reimbursement, transfer, and revenue accruals as reported on Report No. 1, Report of Accruals to Controllers Accounts.
b. Adjustments as reported on Report No. 3, Adjustments to Controller's Accounts.
c. Pending budget revisions, allocation orders, and/or executive orders.

A sample of the Report No. 5 is shown in the 7957 Illustration.

## YEAR-END REPORT NO. 6, FINAL BUDGET REPORT - 7961

At year-end, agencies/departments will prepare a Final Budget Report, Report No. 6. This report presents a summary status of appropriations including expenditures, encumbrances, and balances as of June 30 for each appropriation.

This report is not submitted to the SCO, but is kept on file for year-end financial reporting and audit purposes. This report will be used to support past/prior year expenditures during the budget development process.

A sample of Report No. 6, Final Budget Report, is shown in the 7961 Illustration. Refer to SAM section 7940 for quarterly reporting.

## YEAR-END REPORTS NO. 7 AND 8, PRE AND POST-CLOSING TRIAL BALANCES - 7962

The Year-End Report No. 7, Pre-Closing Trial Balance, lists the general ledger account balances for real and nominal accounts, including accruals and adjustments, before the nominal accounts are closed to fund balance.

The Year-End Report No. 8, Post-Closing Trial Balance, lists the general ledger account balances for real accounts, including accruals and adjustments, after the nominal accounts have been closed to fund balance.

The Subsidiaries on File report provides the required subsidiary information for those general ledger accounts shown in SAM Section 7605. This report is required if the subsidiary information is not available on the agency/department's Report No. 7.

Pre-closing and post-closing trial balance reports are required for each fund in the State Treasury (including the Special Deposit Fund) and for trust fund accounts outside the State Treasury.

A sample of Report No. 7 is shown in the 7962 Illustration 1, and Report No. 8 is shown in the 7962 Illustration 2. A sample of the Subsidiaries on File report is shown in 7962 Illustration 3.

## YEAR-END REPORT NO. 9, ANALYSIS OF CHANGE IN FUND BALANCE (STATEMENT OF OPERATIONS) - 7963

The Analysis of Change in Fund Balance, Report No. 9, is also known as the Statement of Operations. Departments must prepare an Analysis of Change in Fund Balance when they account for any one of the following:

a. A non-governmental cost fund in its entirety.
b. An account within a non-governmental cost fund, such as accounts in the Federal Trust Fund and the Special Deposit Fund.
c. Non-Treasury Trust Funds – Non-Treasury Trust Funds include all money outside the State Treasury and all Agency Trust Fund Cash (e.g., Fund 0990).

The Analysis of Change in Fund Balance provides the beginning fund balance for the fiscal year, plus any additions (e.g., revenues) less any deductions (e.g., expenditures). All additions and deductions will be detailed by the individual account number and amount. In addition, any interfund transactions will include a four-digit subsidiary number to identify the related fund (e.g., 9811.0001 Operating Transfers In General Fund).

The balance of a prior year appropriation account (e.g., Refunds to Reverted Appropriations, Prior Year Appropriations Adjustments, etc.) as of June 30, will be reported as an addition or deduction on Report No. 9, depending upon the account balance as follows:

a. If the account has a credit balance, list the amount as an addition.
b. If the account has a debit balance, list the amount as a deduction.

The ending fund balance must agree with the fund balance shown on Report No. 20, Statement of Financial Condition, if required.

A sample of Report No. 9, Analysis of Change in Fund Balance, is shown in the 7963 Illustration.

Table content available in source manual.

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## YEAR-END REPORT NO. 10, ANALYSIS AND RECONCILIATION OF REVOLVING FUND ACCOUNTABILITY - 7965

During the fiscal year, Revolving Fund Cash is accounted for on an imprest basis. To properly reflect the actual revolving fund composition as of June 30, adjusting entries are necessary for year-end reporting purposes. The adjusting entries will reduce the balance of the revolving fund cash account to the balance of the revolving fund portion in the department's checking account. The adjusting entries are recorded in the fund where the revolving fund was withdrawn from and are reversed as of July 1. The amounts of these entries will also be shown on the Accrual Worksheet, Report No. 2 as Revolving Fund Adjustments. For the adjusting entries, see SAM section 10601.

The source for the adjusting entries is an Analysis and Reconciliation of Revolving Fund Accountability, Report No. 10. The report consists of the following:

a. Cash book balance – Amount of revolving fund cash in the department's general checking account
b. Cash in sub-revolving funds and undeposited receipts for reimbursement of the revolving fund.
c. Expense advances – Amount of outstanding claims that are pending reimbursement of the revolving fund
d. Salary and travel advances – Amount of outstanding advances to employees that are pending reimbursement of the revolving fund
e. Claims processed on or before June 30 to reimburse the revolving fund but not paid by June 30.
f. Revolving fund disbursements not scheduled for reimbursement by June 30, and expenditures have been accrued via the A-8 entry.
g. Amount of revolving fund withdrawn from appropriation or pursuant to statute.

Report No. 10 is not submitted to the State Controller's Office (SCO) but will be kept on file with other year-end reports for audit purposes.

A sample of Report No. 10, Analysis and Reconciliation of Revolving Fund Accountability, is shown in the 7965 Illustration.

## YEAR-END REPORT NO. 11, BANK RECONCILIATION - 7967

Agencies/Departments will prepare Report No. 11, Bank Reconciliation, in accordance with the SAM Section 7923 requirements for monthly bank reconciliations. Report No. 11 is not submitted to the State Controller's Office but will be retained with other year-end financial reports for audit purposes.

A sample of Report No. 11, Bank Reconciliation, is shown in the 7967 Illustration

## YEAR-END REPORT NO. 13, REPORT OF EXPENDITURES OF FEDERAL FUNDS - 7974

The Year-End Report No. 13, Report of Expenditures of Federal Funds, provides expenditures and encumbrance balances for each federal award by Assistance Listing Number and program title. Expenditures must include accruals for all valid obligations incurred and receivables earned as of June 30. Encumbrances must include commitments that will become expenditures after June 30, when goods or services are received. For additional guidance on year-end financial reporting, refer to SAM Section 17130.

Agencies/Departments must submit the Report No. 13 to the Department of Finance, Fiscal Systems and Consulting Unit by August 31. Agencies/Departments may electronically submit a scanned copy of the original signed Report No. 13 to FSCUHotline@dof.ca.gov. The agency/department must retain Report No. 13 supporting documentation in the event Finance, Office of State Audits and Evaluations or the California State Auditor requests to review.

For the annual Single Audit reporting requirements, refer to SAM Section 7974.1.

A sample of Report No. 13 is shown in the 7974 Illustration.

## SINGLE AUDIT REPORTING, EXPENDITURES OF FEDERAL AWARDS - 7974.1

Agencies/Departments must report federal award expenditures in compliance with the federal government's Office of Management and Budget and the Department of Finance's reporting requirements. Agencies/Departments must report federal award expenditures to Finance, Office of State Audits and Evaluations (OSAE) through the Single Audit Expenditure Reporting Database (Database). Agencies/Departments must follow all guidelines issued by Finance and submit deliverables by the prescribed due dates.

Direct expenditures of federal awards and payments to sub-recipients of federal funds must be reported on a cash basis. Cash basis expenditures are defined as expenditures incurred and disbursed as of June 30. Cash basis expenditures do not include accruals of valid obligations, accrual reversals, encumbrances, or receivables recognized as of June 30.

Expenditures reported through the Database must be identified by the proper Assistance Listing Number and program title. All supporting documentation used to prepare the report must reconcile to year-end financial reports and must be available in the event OSAE or the California State Auditor requests to review.

For additional Single Audit reporting requirements and guidance, refer to Finance's Single Audit website: https://dof.ca.gov/programs/osae/single-audit-act/.

## YEAR-END REPORT NO. 14, REPORT OF ACCOUNTS OUTSIDE THE STATE TREASURY - 7975

Agencies/Departments must submit a Report No. 14, Report of Accounts Outside the State Treasury, to report accounts outside the Centralized Treasury System (CTS) in which state money is deposited or must indicate that there are no accounts to report. SAM Section 8002 provides detailed information on accounts outside the CTS. Agencies/Departments may be authorized by statute or by approval from the Department of Finance, Fiscal Systems and Consulting Unit (FSCU) to maintain accounts outside of the CTS. SAM Section 19462 and Government Code Section 16305.2 provide additional information on bank accounts.

**Requirements for Completing Report No. 14**

Agencies/Departments must complete the following requirements:

- Submit the Report No. 14 annually via the Financial Information System for California. Submit one Report No. 14 per agency/department. For information on the year-end report due dates, see SAM Section 7930. For information on year-end report distribution requirements, see SAM Section 7951.
- Report No. 14 must include the following information:
  - Tax identification number(s) under which the accounts were established
  - Agency/Department name, address, organization/business unit code
  - Fiscal year-end date
  - Signature, name, and title of the officer signing the report
  - Contact telephone number and date signed

When there are accounts outside the CTS, the Report No. 14 shall include the following:

- Account title and number as it appears on bank/savings and loan/other depository statement.
- Type of account (savings, checking, Zero Balance Account* (ZBA), certificate of deposits, investment, etc.).
- Brief description and purpose of the account. Must be consistent with the purpose approved by FSCU or authorized by law.
- Name and address of the depository and branch.
- The "Finance approval" and date or specific statutory authority.
- The balance of the account as of June 30. If the account was closed during the reporting period, include "N/A" and the date the account was closed.
- Indicate whether the account is collateralized or if collateral is not required.

* ZBA is a type of account held outside the CTS in which a balance of zero is maintained by automatically transferring funds into the CTS daily. No other withdrawal of funds or disbursements will be made from the ZBA.

**Periodic Review of Accounts Outside the CTS**

- Agencies/Departments will periodically review the accounts outside the CTS during the fiscal year to ensure compliance with FSCU approval and/or legal authority.
- For FSCU approved accounts, agencies/departments must submit a new request for FSCU approval if there is a need to update any conditions of the approval, including the purpose of the account or the banking information. See SAM Section 8002.

**Certification of Report No. 14**

- The agency/department head or designee is required to certify under penalty of perjury that all information stated on Report No. 14 is true and correct, and the use of the account(s) is consistent with FSCU approval or as authorized by law.
- The certification also affirms the deposited funds will be adequately collateralized throughout the year in accordance with the law. For additional information regarding the security and collateral requirements, consult with the State Treasurer's Office.

## YEAR-END REPORT NO. 15, RECONCILIATION OF AGENCY ACCOUNTS WITH TRANSACTIONS PER STATE CONTROLLER - 7976

The Year-End Report No. 15, Reconciliation of Agency Accounts with Transactions per State Controller, assures the accuracy and completeness of an agency/department's year-end financial reports by presenting a reconciliation of an agency/department's nominal accounts (i.e., revenue, expenditure, reimbursement, and transfer accounts) with transactions per the State Controller as of June 30.

Instructions on how to complete Report No. 15 are shown in 7976 Illustration 1. A sample of Report No. 15 is shown in 7976 Illustration 2.

## YEAR-END REPORT NO. 18, STATEMENT OF CHANGES IN CAPITAL ASSETS GROUP OF ACCOUNTS - 7977

The Year-End Report No. 18, Statement of Changes in Capital Assets Group of Accounts, accounts for changes resulting from capital asset acquisitions and dispositions during the fiscal year. Agencies/Departments shall submit Report No. 18 for each fund, except fiduciary funds, to the State Controller's Office with other year-end financial reports.

For the purpose and use of Capital Assets Group of Accounts, see SAM Section 7463.

For the financial reporting requirements of Report No. 18, see SAM Section 8670.2.

A sample of Report No. 18 is shown in 7977 Illustration 1.

Agencies/Departments are required to submit Report No. 18, Statement of Changes in Capital Assets Group of Accounts, Beginning Balance Differential report, if there is a variance between the capital asset account beginning balance and the prior year ending balance. A sample of the Beginning Balance Differential report is shown in 7977 Illustration 2.

## YEAR-END REPORT 19, STATEMENT OF CAPITAL ASSETS GROUP OF ACCOUNTS - 7978

The Year-End Report No. 19, Statement of Capital Assets Group of Accounts, accounts for the total capital assets of an agency/department and identifies the fund(s) that provided resources to acquire them. Report No. 19 summarizes the information contained in each Year-End Report No. 18, Statement of Changes in Capital Assets Group of Accounts, as of June 30. Agencies/Departments shall submit Report No. 19 to the State Controller's Office with other year-end financial reports.

For the purpose and use of Capital Assets Group of Accounts, see SAM Section 7463.

For the financial reporting requirements of Report No. 19, see SAM Section 8670.2.

A sample of Report No. 19 is shown in the 7978 Illustration.

## YEAR-END REPORT NO. 20, STATEMENT OF FINANCIAL CONDITION - 7979

The Year-End Report No. 20, Statement of Financial Condition, discloses the balances of the assets, liabilities, and fund equity as of June 30. Agencies/Departments must prepare a Report No. 20 when they account for:

a. A non-shared, non-governmental cost fund
b. Federal Trust Fund (0890)
c. Special Deposit Fund (0942)
d. Fiduciary Funds Outside the Centralized Treasury System (0990)

Legacy accounts that require a subsidiary number must be reported individually (e.g., 1410.0001 Due From General Fund) unless a Subsidiaries on File Report is submitted. Amounts reported must agree with amounts in Report No. 8, Post-Closing Trial Balance.
A sample of the Report No. 20 is shown in the 7979 Illustration.

## YEAR-END REPORT NO. 22, STATEMENT OF CONTINGENT LIABILITIES - 7980

The Year-End Report No. 22, Statement of Contingent Liabilities, is used to report all contingent liabilities not accrued by the agency/department. This includes estimated liabilities such as federal audit exceptions, other audit exceptions, and pending litigation. If there are no contingent liabilities to be reported, Report No. 22 is not required and the certification letter must disclose "no activity to report".
A sample of Report No. 22 is shown in the 7980 Illustration.

## REPORTING CHANGES IN ACCRUALS – SUBSEQUENT EVENTS - 7981

Reporting changes in accruals enables the State Controller's Office (SCO) to prepare the annual reports required by law more accurately.
If, after issuing the year-end financial reports, an agency/department determines that there are material differences between amounts accrued as of June 30 and subsequent events (e.g., receipts and expenditures) relating to prior year funds, the agency/department will immediately contact the SCO, Bureau of State Government Reporting for instructions. The definition of material, for this purpose, means a net change in the total accrued income and the total accrued expenditures of $1,000,000 or more at the fund level. An agency/department must submit such changes to the SCO as soon as possible.
Agencies/Departments will periodically review their expenditure and income accruals to determine if material changes have occurred.

a. Expenditures
   Compare reported expenditure accrual against the prior year expenditures incurred and abatements received to the date of the review, plus an estimate of remaining prior year expenditures not yet incurred and abatements not yet collected.

b. Income

   Compare reported income accrual against the total of amounts billed as prior year income and amounts of prior year income received at the date of the review, plus an estimate of remaining prior year income not yet billed or received.

Agencies/Departments will contact the SCO for instructions if the net effect of (a) and (b) above is $1,000,000 or more at the fund level.

An agency/department will not reopen its prior year accounts to record income changes because such subsequent events are recorded as prior year adjustments in the year they occur. However, if the SCO includes the adjustments in the annual report for expenditures, the agency/department must reopen its prior year accounts and post the adjustment in order for the expenditures in the following year to agree with the records of the SCO.

### CHANGE IN METHOD OF ACCRUAL - 7981.1

Agencies/Departments will apply the methods of determining accruals consistently from year to year. However, to meet changing circumstances or produce more accurate accruals, it may become necessary to change the method of accruing income or expenditures in the current year from the method used in the preceding fiscal year(s). An agency/department will request approval from the Department of Finance, Fiscal Systems and Consulting Unit (FSCU) if it is necessary to deviate from the method used in prior years and the prior year amount accrued exceeded $100,000. The request will state the reason for and effect of the proposed change in the method of accrual. See SAM Section 7040 for how to request FSCU approval and fiscal policy assistance.

### ANALYSIS OF CASH IN TRANSIT - 7982

Agencies/Departments will prepare an Analysis of Cash in Transit as of June 30. This analysis should include the fund, cash in transit amount, remittance advice date, controller's receipt date, and amount. This analysis is not submitted to the State Controller's Office but retained with other year-end reports for audit purposes.
Table content available in source manual.
See SAM Section 7812 for maintaining subsidiary records of Cash in Transit to the State Treasury.

## Chapter - 8000

Sections for Chapter 8000

| Section | Subchapter |
|---|---|
| GENERAL | 8000 |
| CENTRALIZED STATE TREASURY SYSTEM | 8001 |
| OPENING AN ACCOUNT IN THE CENTRALIZED STATE TREASURY SYSTEM | 8001.1 |
| CLOSING AN ACCOUNT IN THE CENTRALIZED STATE TREASURY SYSTEM | 8001.2 |
| AUTHORIZED SIGNATURE FILE | 8001.3 |
| ACCOUNTS OUTSIDE OF THE CENTRALIZED STATE TREASURY SYSTEM | 8002 |
| FISCAL AGENT | 8002.1 |
| NON-STATE MONEY | 8002.2 |
| RECEIPT OF FEDERAL FUNDS | 8003 |
| CASH MANAGEMENT IMPROVEMENT ACT | 8010 |
| FEDERAL ASSISTANCE PROGRAMS AND STATE AGENCIES/DEPARTMENTS IMPACTED BY CMIA | 8011 |
| TREASURY-STATE AGREEMENT | 8012 |
| PRINCIPAL RESPONSIBILITIES | 8013 |
| NON-COMPLIANCE BY STATE AGENCIES/DEPARTMENTS | 8014 |
| PREPARATION OF RECEIPTS | 8020 |
| DOCUMENTATION OF INCOMING COLLECTIONS | 8022 |
| ACCEPTANCE OF CHECKS AND MONEY ORDERS | 8023 |
| ACCEPTANCE OF CREDIT CARDS | 8023.1 |
| SAFES AND VAULTS | 8024 |
| ROBBERY | 8026 |
| DEPOSITS – INTRODUCTION | 8030 |
| APPROVED DEPOSITORIES | 8031 |
| FREQUENCY OF DEPOSITS | 8032.1 |
| METHOD OF DEPOSITING | 8032.2 |
| VERIFICATION OF DEPOSITS | 8032.3 |

| | |
|---|---|
| COIN AND CURRENCY | 8032.4 |
| REPORTING OF LARGE DEPOSITS | 8032.5 |
| PAYMENT CARD DEPOSITS | 8032.6 |
| REMITTING OF STATE ISSUED ITEMS TOTALING $5 MILLION OR GREATER | 8032.7 |
| FI$CAL DEPOSIT SLIP PROCESS | 8033 |
| ORDERING REPORT OF DEPOSIT FORMS | 8033.1 |
| COMPLETING THE REPORT OF DEPOSIT FORM | 8033.2 |
| ADJUSTMENTS AND CORRECTIONS | 8033.3 |
| GENERAL ENDORSEMENT INSTRUCTIONS | 8034.1 |
| ENDORSEMENT PLACEMENT AND INK COLOR | 8034.2 |
| ENDORSEMENT OF ERRONEOUS WARRANTS | 8034.3 |
| ENDORSEMENT OF CHECKS BY OTHER THAN PAYEE AGENCY/DEPARTMENT | 8034.4 |
| ENDORSEMENT OF REMOTELY DEPOSITED IMAGES | 8034.5 |
| LOST CHECKS | 8035 |
| RETENTION OF CHECKS AND FILES FOR ELECTRONIC DEPOSITS | 8035.1 |
| CHECKS UNSIGNED BY THE PAYER | 8036 |
| WITHDRAWALS | 8040 |
| CHECKS | 8041 |
| EXAMINATION OF PAID CHECKS FOR ALTERATION OR FORGERY | 8041.1 |
| DELIVERY OF CHECKS | 8041.2 |
| UNCASHED OR UNCLAIMED AGENCY CHECKS | 8042 |
| DISHONORED CHECKS | 8043 |
| DISHONORED CHECK FEE | 8043.1 |
| NON-CONFORMING IMAGES | 8043.2 |
| LOST OR DESTROYED AGENCY CHECKS | 8044 |
| STOP PAYMENTS | 8045 |
| OVERDRAFTS | 8047 |
| LOSS OF BLANK CHECK STOCK | 8048 |
| PAID AGENCY CHECKS | 8050 |
| RECONCILING ACCOUNTS IN THE CENTRALIZED STATE TREASURY SYSTEM | 8060 |
| CASH OVERAGES AND SHORTAGES | 8070 |
| COUNTERFEIT CURRENCY | 8070.1 |
| CHECK SIGNING MACHINES | 8081 |
| FACSIMILE SIGNATURES | 8082 |
| E-Signatures for Check Signing | 8083 |
| GENERAL CASH | 8090 |
| AGENCY TRUST FUND CASH | 8090.1 |
| REMITTANCES TO STATE TREASURY | 8091 |
| DETAIL TO BE SHOWN ON REPORT TO STATE CONTROLLER OF REMITTANCE TO STATE TREASURER | 8091.1 |
| REPORT OF COLLECTIONS | 8092 |

| | |
|---|---|
| CASH RECEIPTS REGISTER | 8093 |
| CASH DISBURSEMENTS REGISTER | 8094 |
| REFUNDS | 8095 |
| MAXIMIZATION OF INTEREST EARNINGS | 8099 |

## GENERAL - 8000

Cash includes currency, coins, checks, warrants, and money orders.

Agencies/departments normally handle the following types of cash items:

1. General Cash
2. Revolving Fund Cash
3. Agency Trust Fund Cash
4. Cash receipts that for valid reasons will not be deposited immediately.

The first three types of cash items are discussed in general in the sections following (SAM sections 8090, 8090.1, and 8100). The fourth item, cash receipts, is discussed in SAM Section 10513. Standard Entry No. 13.

## CENTRALIZED STATE TREASURY SYSTEM - 8001

The Centralized State Treasury System (CTS) is a system authorized by Government Code section 16305, whereby state moneys are deposited in specified banks for credit to central accounts of the State Treasurer's Office (STO). These banks have been authorized by the State Treasurer to receive deposits from departments for credit to the State Treasurer's demand deposit account at the institution. The purpose of the CTS is to maximize the earning of interest, provide a safe and prudent treasury management, and assure that depository banks provide the state with proper and adequate security for deposits of state moneys.

All money in the possession of any agency/department will be deposited in the CTS, except when otherwise authorized by the Department of Finance, statute, or unless deposited directly into the State Treasury.

When a deposit is made, the depositing agency/department will notify the STO by submitting a Report of Deposit. Although deposits may be made at any branch of an approved depository, only one demand deposit account is maintained for each depository by the STO. The State Controller's Office (SCO) maintains accountability for all deposits by specific CTS bank account (also known as the agency checking account).

Withdrawals from each agency's/department's CTS bank account are made by checks drawn by the agency/department or by the SCO transfers to a state fund. The SCO sends statements of accounts at least monthly to each department with a CTS bank account. The STO maintains the online statewide Agency Paid System for agencies/departments to access and print images of their agency/department checks. The system is updated daily, and check data is retained for five years from the date paid. To obtain access to the Agency Paid System, agencies/departments shall complete the STO's User ID Assignment/Removal form, STO-IP 130. The form and information can be obtained by contacting the STO Item Processing Section at Item.Processing@Treasurer.ca.gov.

## OPENING AN ACCOUNT IN THE CENTRALIZED STATE TREASURY SYSTEM - 8001.1

Agencies/departments must submit a letter to the Department of Finance, Fiscal Systems and Consulting Unit (FSCU) requesting approval to open an account in the Centralized State Treasury System (CTS). The steps below outline the process to open an account in the CTS.

1. The request must include the legal name of the agency/department and the official designation of the account, for example:

   Department of General Services
   General Checking Account

2. If approved, FSCU will send a letter of approval to the agency/department and a copy to the State Treasurer's Office (STO).

3. STO will assign a CTS account number and forward a copy of the approval with account number designation to the agency/department and to the State Controller's Office, State Accounting and Reporting Division.

Most agencies/departments will require only one CTS account even though they may have more than one general ledger cash account (i.e., General Cash, Revolving Fund Cash, and Agency Trust Fund Cash). The title of such CTS account will be "General Checking Account." Special circumstances may require separate CTS accounts. In such instances, the agency/department will request approval to establish such accounts from FSCU. Requests should include the purpose or reason for a separate account.

## CLOSING AN ACCOUNT IN THE CENTRALIZED STATE TREASURY SYSTEM - 8001.2

(Renumbered from 8001.5)
Agencies/departments will periodically review their need for maintaining a Centralized State Treasury System (CTS) bank account. When more than one CTS bank account exists, agencies/departments will combine these into one CTS bank account, where feasible.
Agencies/departments will send requests to close inactive or unnecessary CTS bank accounts to the State Treasurer's Office, Centralized Treasury and Securities Management Division, Bank Reconciliation Section, with a copy of the current CTS statement showing a zero balance.

## AUTHORIZED SIGNATURE FILE - 8001.3

Departments will prepare an intra-office memo that includes the following:

- List of names of each person authorized to sign department checks.
- Examples of a manual and facsimile signature (if used to sign checks) for each authorized person.
- Two-signature authorization statement:

  "Checks drawn for an amount in excess of $15,000 will require two authorized signatures unless the check is payable to (1) the State Treasurer, (2) another state department or account, or (3) if the Department of Finance, Fiscal Systems and Consulting Unit, has authorized, in writing, special instructions permitting a department to deviate from this requirement."

Departments will place the memo in an Agency Check–Authorized Signatures file and keep the file current. The State Treasurer's Office does not require a copy of this memo. Each department will be solely responsible for the maintenance and control of authorized signature files.

Departments must ensure that adequate safeguards are in place to prevent the improper or unauthorized use of facsimile signatures.

For information on separations of duties, see SAM Section 7280.

For information on signature methods, see SAM Sections 8081 through 8083.

Tracked Changes Version

## ACCOUNTS OUTSIDE OF THE CENTRALIZED STATE TREASURY SYSTEM - 8002

Agencies/Departments may be authorized either by statute or by approval from the Department of Finance, Fiscal Systems and Consulting Unit (FSCU) to maintain bank, savings and loan association, or credit union accounts outside the centralized State Treasury System (CTS). For information on bank accounts, see SAM Section 19462. For information on savings and loan association and credit union accounts, see SAM Section 19463. Agencies/Departments are encouraged to establish the account outside the CTS with one of the State Treasurer's Office (STO) approved depository banks. For a list of approved depositories, see SAM Section 8031.
Agencies/Departments without statutory authority must submit a written request to FSCU for approval of an account outside the CTS. All requests shall include the following information:

- Justification for the need to open an account outside the CTS.
- The name and location of the proposed bank, savings and loan association, or credit union.
- The agency/department's legal name and the official designation of the account.
- Indicate if the bank, savings and loan association, or credit union is insured by the Federal Deposit Insurance Corporation or the National Credit Union Administration.
- Other details:
  - The amount, source, and purpose of the funds to be deposited.
  - The type of account (e.g., savings, checking, Zero Balance Account [ZBA]*, certificate of deposit, investment).
  - Date the account is needed, length of deposit, fees associated with the account, and the interest rate to be received.
- The provisions for the withdrawal of funds.

* A ZBA is a type of account held outside the CTS in which a balance of zero is maintained by automatically transferring funds into the CTS daily. No other withdrawal of funds or disbursements will be made from the ZBA.

Agencies/Departments must submit a new request for approval for an account maintained outside the CTS if any of the conditions of the FSCU approval have changed, such as purpose or banking information. However, for ZBAs, Finance approval is not required for a change in depository banks when all of the following conditions are met:

- The change in depository bank is one of the approved banks listed in SAM Section 8031.
- The ZBA was previously approved by FSCU.
- No other changes are made to the account(s).

FSCU will notify the State Controller's Office, State Accounting and Reporting Division, and the STO in writing of each new account approved and/or amended.

Agencies/Departments will obtain signature cards from banks, savings and loan associations, and credit unions. FSCU approval of signature cards is not required. It is the agency/department's responsibility to ensure that adequate safeguards are taken to prevent improper or unauthorized use of facsimile signatures. For details on check signing machines, see SAM Section 8081 and for facsimile signatures, see SAM Section 8082.
Agencies/Departments shall ensure that deposited funds are collateralized throughout the year in accordance with the following Government Code (GC) sections:
**Bank Accounts**
GC section 16520 – Security is not required for that portion of deposited funds insured under any law of the United States.
GC section 16521 – Requires banks to deposit securities as collateral with the State Treasurer valued at least 110 percent of the uninsured portion of the collected funds deposited with the banks. Pursuant to GC section 16522, letters of credit shall at all times be an amount in value of at least 100 percent of the amount deposited with the bank.
GC section 16522 – Specifies the types of securities that banks may deposit as collateral with the State Treasurer.
**Savings and Loan Association and Credit Union Accounts**

GC section 16610 – Security is not required for that portion of deposited funds insured under any law of the United States.
GC section 16611 – Requires savings and loan associations and credit unions to deposit securities as collateral with the State Treasurer valued at least 110 percent of the uninsured portion of the collected funds deposited with the savings and loan association and credit unions.
GC section 16612 – Specifies the types of securities that savings and loan associations and credit unions may deposit as collateral with the State Treasurer.
To provide collateral as required by law, agencies/departments must inform financial institutions that the funds in the account are state funds. Additionally, any deposit balances exceeding the insured amount must be secured with collateral. For additional information regarding security and collateral requirements, contact the STO, Centralized Treasury and Securities Management Division, Collateral Management Section at Collateral@treasurer.ca.gov.

## FISCAL AGENT - 8002.1

Fiscal agents are financial institutions or other third parties receiving remittances and/or making disbursements on behalf of the state. The state's normal procedures for receipts and disbursements should be used whenever possible to minimize the use of fiscal agents.

If special circumstances require the use of fiscal agents, agencies/departments must request approval from the Department of Finance, Fiscal Systems and Consulting Unit before finalizing the contract. The agency/department must submit the request according to SAM Section 7040 and include the following information:

- Justification for the fiscal agent.
- Name and location of the fiscal agent.
- Description of all functions to be performed by the fiscal agent.
- Description of the internal control procedures between the agency/department and the fiscal agent.

Agencies/Departments working with fiscal agents may maintain separate bank, savings and loan association, or credit union accounts for any money under the fiscal agents' control. Those accounts must be established under the agency/department's name and Federal Employer Identification Number. The agencies/departments shall ensure collateralization requirements are continually adhered to, in accordance with the law.

The accounts will follow the same approval procedures and reporting requirements for accounts outside the centralized State Treasury System (CTS). For information on accounts outside the CTS, see SAM Sections 8002 and 7975.

## NON-STATE MONEY - 8002.2

(Renumbered from 8002.5)
Employees involved in activities that are not an integral part of state programs or operations must be involved only on their own time and without the use of state equipment or supplies (e.g. safes, computers, printers, copiers, etc.). Any funds collected or controlled by state employees for such non-state activities will not be accounted for in the State Treasury. Non-State monies are to be collected, controlled, and expended in a manner that will prevent any implication that the state is a sponsor or participant in those activities.

## RECEIPT OF FEDERAL FUNDS - 8003

Federal funds are awarded to agencies/departments through grants and cooperative agreements. Grants and cooperative agreements are commitments certified by an authorized federal official, and specified by a Federal Award Identification Number (FAIN), an Assistance Listing Number (ALN), a period of availability, and a dollar limit to the recipient. This information is required to obtain the federal funds.

The federal agency will advise agencies/departments of the reporting requirements and monitor the use of funds.
Agencies/Departments shall comply with federal agency requirements and adhere to the following:

- Initiate fund requests according to the agreed upon terms and only when needed to meet actual and immediate disbursement needs.
- Request funds according to the terms in the grants and cooperative agreements and in accordance with federal law.
- Prepare and submit reports as required by the federal agency.
- Impose the same requirements on any sub-recipients.

For information on the Cash Management Improvement Act (CMIA) or Treasury-State Agreement (TSA) on the exchange of funds between the state and federal government, see SAM sections 8010 through 8014 and the Finance website.

The U.S. Department of Treasury, Bureau of the Fiscal Service (BFS) operates the Financial Electronic Data Interchange (FEDI) Program. The BFS oversees and operates federal payment systems, which disburse most federal payments.

Most federal payments are requested through automated systems and received by electronic funds transfer.
Agencies/Departments may complete the ACH Vendor/Miscellaneous Payment Enrollment form, SF 3881, to enroll in the FEDI Program. The SF 3881 permits agencies/departments the use of automated systems to request federal funds, such as Payment Management System (PMS), Automated Standard Application for Payments (ASAP), and Vendor Invoicing Portal & Electronic Portal Reporting System (VIPERS). Agencies/Departments will complete the SF 3881 sections for Agency Information (i.e., federal agency) and Payee/Company Information (i.e., agency/department) and forward the form to the State Treasurer's Office (STO), Financial Services Section to complete the Financial Institution Information section and to record with the depository bank.

State Treasurer's Office
Financial Services Section
901 P Street, Room 213-B

Sacramento, CA 95814

Or by email at CTSMD_In_Out_Wires@treasurer.ca.gov.

The STO will return the SF 3881 to the agency/department for submission to the federal agency.

Agencies/Departments will use the Report to State Controller of Remittance to State Treasurer form, CA 21, to remit most federal funds. For information on remittances, see SAM Sections 8091 and 17125.

## CASH MANAGEMENT IMPROVEMENT ACT - 8010

The Cash Management Improvement Act of 1990 (CMIA) is to ensure efficiency, effectiveness, and equity in the exchange of funds between the states and the federal government for federal assistance programs.

The CMIA was enacted by Public Law 101-453, codified at Title 31 U.S. Codes 3335, 6501, and 6503. The federal regulations for implementing CMIA are outlined in Title 31 CFR Part 205.

The general provisions of CMIA are as follows:

- Federal agencies must make timely fund transfers and grant awards to state agencies/departments.
- State agencies/departments must minimize the time between the deposit of federal funds in the state's account and the disbursement of funds for federal assistance program purposes.
- The state is entitled to interest from the federal government from the time state warrants are redeemed until federal funds are deposited in the state's account.
- The federal government is entitled to interest from the state from the time federal funds are deposited in the state's account until the state warrants are redeemed.

## FEDERAL ASSISTANCE PROGRAMS AND STATE AGENCIES/DEPARTMENTS IMPACTED BY CMIA - 8011

The federal assistance programs listed in the Assistance Listings are subject to the Cash Management Improvement Act of 1990 (CMIA) regulations. In California, federal assistance programs that meet or exceed the established threshold of federal funding are considered CMIA major programs. The federal assistance programs that fall below the threshold are considered non-major programs. The threshold of federal funding is determined annually using the Schedule of Expenditure of Federal Awards in the state's most recent Single Audit Report. For information on the federal funding threshold for CMIA major programs, see Title 31 CFR Part 205.

The following applies to CMIA major programs:

- Are subject to CMIA interest provisions under Title 31 CFR Part 205, Subpart A of the federal regulations.
- Must be included in the Treasury-State Agreement (TSA). For information on TSA, refer to SAM Section 8012.
- The administering agencies/departments must submit CMIA quarterly reports to the Department of Finance, Fiscal Systems and Consulting Unit (FSCU).

The following applies to CMIA non-major programs:

- Are subject to Title 31 CFR Part 205, Subpart B of the federal regulations.
- Not included in the TSA but agencies/departments must minimize the time between the deposit of federal funds in the state's account and the disbursement of funds for federal assistance program purposes.
- Not subject to the CMIA interest provision unless specified in the TSA due to non-compliance.
- The administering agencies/departments do not need to submit CMIA reports to FSCU.

## TREASURY-STATE AGREEMENT - 8012

The Treasury-State Agreement (TSA) is a Cash Management Improvement Act (CMIA) agreement between the U.S. Department of Treasury and the state that documents the accepted funding techniques and methods for calculating interest. The TSA is prepared annually by the Department of Finance, Fiscal Systems and Consulting Unit.

The TSA lists:

- The state agencies/departments and the federal assistance programs impacted by CMIA.
- The funding techniques for each federal assistance program.
- The clearance and redemption patterns for requesting federal funds and calculating interest liability.
- The interest calculation methodologies.
- The description of reimbursable interest calculation costs.

## PRINCIPAL RESPONSIBILITIES - 8013

To ensure the state complies with the provisions of the Cash Management Improvement Act of 1990 (CMIA) and to minimize the interest liability for the state, the Department of Finance (Finance), the state agencies/departments that administer CMIA programs, and the State Controller's Office (SCO) must perform their respective principal responsibilities as follows:

**Finance**:

- Establish the annual CMIA threshold amount. Identify the state agencies/ departments and federal assistance programs that will be impacted by CMIA.
- Notify CMIA participating agencies/departments of their roles and responsibilities.

- Negotiate with the U.S. Department of the Treasury (USDT), Bureau of the Fiscal Service (BFS) on the new Treasury-State Agreement (TSA) and amendments to the existing TSA.
- With the assistance of the SCO, develop patterns by programs for the average number of days from warrant issuance to redemption.
- Compute the state and federal interest liabilities by programs and Finance's interest calculation costs.
- Prepare the CMIA Annual Report and Interest Calculation Cost Report for submittal to BFS.
- Budget funds from the General Fund and special funds for the payment of the state interest liability to the federal government.
- Process the interest payment to the USDT.

**State agencies/departments that administer CMIA programs:**

- Request federal funds in accordance with the approved funding technique described in the TSA and only in amounts needed for immediate payments.
- For specific CMIA programs identified in the TSA, document the amount of federal funds requested, when federal funds are deposited in the state's account, and when warrants are issued. This information is provided to Finance, Fiscal Systems and Consulting Unit (FSCU) quarterly.
- Notify FSCU of any changes to the funding technique for CMIA programs. A state agency/department shall not make a change until it is reviewed and approved by FSCU and BFS.
- Minimize the time between the deposit of federal funds in the state's account and the disbursement of funds for federal assistance program purposes.

**SCO:**

- Develop and provide the clearance/redemption pattern reports to Finance to assist in calculating the state and federal interest liability for programs listed in the TSA.

## NON-COMPLIANCE BY STATE AGENCIES/DEPARTMENTS - 8014

If a state agency/department that administers Cash Management Improvement Act (CMIA) programs fails to fulfill its CMIA responsibilities, any additional costs for interest penalties and audit exceptions resulting from non-compliance will be paid from the agency's/department's support appropriation.

## PREPARATION OF RECEIPTS - 8020

State agencies/departments will prepare receipts for the following transactions:

a. All collections of coin or currency received in person from payers who are not given press-numbered or pre-numbered documents of fixed value (such as guest meal tickets) at the time of payment.
b. All collections from payers who request receipts.
c. All collections where a receipt is needed by the payer as a temporary permit pending issuance of a license.

All cash receipts must have a controlled numbering system such as press-numbered receipts, cash register receipts, or pre-numbered tickets.

Agencies/departments must maintain numeric record and inventory control of all receipt copies including voided receipts for audit purposes.

Receipts will be mailed only upon request. If a payer does not request a receipt at time of payment and subsequently requests one, the state agency/department must date the receipt with the current date and cross-reference it to the report of collection or Cash Receipts Register that documented the receipt of the money.

Agencies/departments will mark all duplicate copies of issued receipts with the word "DUPLICATE" and a cross-reference the duplicate copy to the originally issued receipt. In addition, all duplicate copies of receipts and licenses must include the note "Copy-Not A Valid Receipt" or "Copy-Not A Valid License" as applicable.

## DOCUMENTATION OF INCOMING COLLECTIONS - 8022

Agency/department records will contain information regarding the type of collection (such as cash, check, or money order) received from each payer. This information will be recorded so that it can be readily audited from receipts, reports of collections, or the registers and will show the amount of the check or money order presented. See SAM Section 8023, Acceptance of Checks and Money Orders.

To maintain accountability of these assets, all incoming collections will be documented by the person opening the mail. These collections may be either payable or not payable to the state agency/department.

Cash or checks not payable to the agency/department but are transferred between employees from the time of its receipt to its deposit will be documented by the agency/department. This documentation will include the date received or check date/check number, payer name, amount, and a brief description of the receipt.

## ACCEPTANCE OF CHECKS AND MONEY ORDERS - 8023

State money received for deposit will be endorsed per the instructions in SAM sections 8034.1, 8034.2, and 8034.5 as applicable. For items that are deposited remotely, the endorsement is electronically affixed to the back of the image. Physical endorsements are not required.

As a general principle, agencies/departments will accept personal checks to provide convenience to the public. See Government Code section 6157. However, agencies/departments may require payment by cash, certified check, cashier's check, or money order when:

- Service or materials that cannot be withdrawn if the check is dishonored and the person or firm is not well known.
- The payer previously gave the agency/department a check that was dishonored by the bank.
- The check is drawn on a financial institution outside the state.

Agencies/departments accepting personal checks for services or materials that cannot be withdrawn will assure that enough information is available, either on the check or from available records, to enable tracing the person who presents the check if it is dishonored by the bank. Supplemental information, such as residence or business address, driver's license number, etc., will be essential in locating such individuals.

## ACCEPTANCE OF CREDIT CARDS - 8023.1

State agencies/departments accepting credit card payments must provide a notice of the credit card payment option to all payers. The notice will be included on or accompany the billing statement and provide:

A. Space on the payment form for the payer to provide a credit card number, expiration date, and signature, or
B. Complete instructions describing the procedures the payer must follow in order to pay by credit card.

## SAFES AND VAULTS - 8024

The following standards apply to safes and vaults housing either cash or valuable documents:

1. The combination will be known to as few persons as possible consistent with operating requirements and the value of the cash or documents safeguarded.
2. A record will be kept showing: (a) date the combination last was changed and
   (b) names of persons knowing the present combination.
3. The combination will be changed when there is a change in one or more of the staff assigned to keep the safe combination.
4. Develop a contingency plan for safe lock out.
5. State agencies/departments will securely anchor a safe to the building and, where practical, to the building's foundation as a deterrent to burglary.
6. The safe should also be placed in an area that is not open for all to see.

## ROBBERY - 8026

(Renumbered and content moved from 8000)
State employees in possession of state funds will surrender, without resistance, funds demanded if they are threatened with violence during the course of an attempted robbery. The agency/department will notify the California Highway Patrol immediately. In addition, agencies/departments are required to notify the Department of Finance, Office of State Audits and Evaluations. See SAM Section 20080.

## DEPOSITS – INTRODUCTION - 8030

Agencies/Departments must comply with all applicable SAM sections regarding the preparation, depositing, reporting, and correction of deposits made into the centralized State Treasury System. Agencies/Departments shall report deposits in a timely and accurate manner to expedite the reconciliation of agency/departmental accounts and to maximize interest earnings.

Agencies/Departments shall deposit collected funds into the State Treasurer's demand depository account at an approved depository bank. For information on approved depository banks, see SAM Section 8031.

Agencies/Departments shall follow the FI$Cal Deposit Slip Process to create the deposit slip(s) and the Report of Deposit (ROD). For information on the FI$Cal Deposit Slip Process, see SAM Section 8033. For instructions on completing the ROD form and its distribution, see SAM Section 8033.2.

The SCO issues the monthly Centralized Treasury Trust System Account Statements (i.e., bank statements) following the end of the month. Agencies/Department may download statements directly from ViewDirect and Mobius View on the SCO website. For information on the bank reconciliation, see SAM Section 7923.

Agencies/Departments shall deposit all Electronic Fund Transfers and payment card collections into a Zero Balance Account (ZBA) at an approved depository bank. For information on requesting a ZBA, see SAM Section 8002. For information on payment card deposits, see SAM Section 8032.6.

## APPROVED DEPOSITORIES - 8031

Agencies/Departments shall deposit into the centralized State Treasury System (CTS) at a depository bank approved by the State Treasurer's Office (STO). The STO has approved the following depository banks:

- Bank of America
- BMO Bank, N.A.
- Citibank
- JPMorgan Chase & Co.
- U.S. Bank
- Wells Fargo Bank
- Westamerica Bank

Agencies/Departments must submit a written request to the STO to add or change depository banks.

To add a depository bank, include the following in the request:

- Bank and branch
- Reason for adding a bank

To change a depository bank, include the following in the request:

- Current bank name and address
- New bank, branch name, and address
- Reason for changing banks

Agencies/Departments may submit the request electronically to the STO Centralized Treasury and Securities Management Division-Bank Reconciliation Section at ctsmd-bankrec@treasurer.ca.gov or mail a hard copy to:

State Treasurer's Office (IMMS C-15)
Centralized Treasury and Securities Management Division
Bank Reconciliation Section Manager
P.O. Box 942809
Sacramento, CA 94209-0001

For a description of accounts outside of the CTS, including Zero Balance Accounts, see SAM Section 8002.

## FREQUENCY OF DEPOSITS - 8032.1

Agencies/Departments shall deposit money in a timely and economical manner. Deposits should be combined, and the number of daily deposits kept to a minimum to save time and avoid unnecessary depositing costs. Agencies/Departments shall adhere to the following guidelines in determining when to deposit money into a state depository bank account at an approved depository for credit to the centralized State Treasury System account. For a list of approved depositories, see SAM Section 8031.

- Agencies/Departments with safes, vaults, money chests, or other comparable storage that is adequate to safeguard cash will accumulate collections until they amount to $1,000 in cash or $10,000 in a combination of cash, checks, money orders, and warrants (excluding state warrants and state checks), whichever occurs first.
- Agencies/Departments without a safe, vault, money chest, or other comparable storage that is adequate to safeguard cash will accumulate collections until they amount to $250 in cash or $10,000 in a combination of cash, checks, money orders, and warrants (excluding state warrants and state checks), whichever occurs first. When such funds are not in use, they will be locked in a desk, file cabinet, or other mechanism that provides comparable safekeeping.
- Agencies/Departments will not hold any undeposited money for more than five working days. Agencies/Departments may deposit more than once a day when it is economical or practical to do so because of the size of the deposit.
- Field representatives may either deposit money directly or forward it to the appropriate accounting office to be deposited into a state depository bank in accordance with the agency/department's field office deposit procedures. However, agencies/departments shall adhere to the SAM requirements governing the depositing of money.

Agencies/Departments should utilize any deposit procedure that expedites the deposit process if the additional earnable interest exceeds the cost of the procedure. For information on maximization of interest, see SAM Section 8099.

## METHOD OF DEPOSITING - 8032.2

Agencies/Departments shall maintain adequate security of state moneys in transit to banks and ensure that the deposit is delivered in the most economical way consistent with safety, agency/department needs, and SAM requirements. Agencies/Departments will use the following methods for depositing state moneys into the demand depository accounts. For a list of the approved depositories, see SAM Section 8031.

- **Remote Deposit:** Image Cash Letter (ICL) and Remote Site Deposit (RSD) are methods for electronically depositing check images to depository banks. ICL and RSD are available to all agencies/departments. Participating agencies/departments must access FI$Cal's Deposit Slip Entry module to prepare and submit a report of deposit. For information on the FI$Cal deposit slip process, see SAM Section 8033. For more information on electronic deposits, see the State Treasurer's Office (STO) website.

  Agencies/Departments shall continue to comply with all applicable SAM sections regarding depositing, reporting, and correcting of deposits made to the centralized State Treasury System. For endorsement provisions, see SAM Section 8034.5. For information on non-conforming images, see SAM Section 8043.2.
  In the event of a fatal file failure, agencies/departments must contact the STO, Financial Services Section immediately by email at: finserv@treasurer.ca.gov and call (916) 653-2917.

- **Employee:** An agency/department employee may deliver the deposit to the bank if the bank is not furnishing bank messenger service or an armored car service is not available or economically justified, and direct delivery of deposits does not subject agency/department employees to the hazard of robbery or compromise their safety.
  - **Teller Counter:** During regular banking hours, an agency/department employee may deliver the deposit to the merchant's window of their selected depository bank. The employee may deliver deposits to the bank in conjunction with other state duties while in the vicinity of the bank.
  - **Night Deposits:** Most approved depository bank branches provide night depository services (after banking hours). Agencies/Departments without proper safes, vaults, money chests, or other comparable storage for safeguarding money overnight shall perform night deposits. Agencies/Departments situated in remote areas may have their employees make night deposits while on their way home at the end of the workday. For information on the frequency of deposits, see SAM Section 8032.1.

- **Mail Deposits:** Agencies/Departments or field representatives may deposit by certified or registered mail if the following conditions are met:
  - The nearest banking facility of an approved depository is a considerable distance away.
  - Visits to the bank would not be made as often as required for depositing collections.
  - Coin and currency can be converted locally by purchasing a cashier's check or money order.

The agency/department shall not deduct from the deposit the cost of cashier's checks or money orders purchased for converted deposits. The agency/department shall pay the cost from revolving funds, cash purchase funds, or an employee's own funds. Employees who use their own funds may claim reimbursement on a travel expense claim. Some banks do not charge for cashier's checks or money orders purchased for state business. The agency/department employee should notify the bank that the cashier's check or money order is being purchased on the state's behalf and provide any evidence required for verification.

- **Armored Car:** If the safety of the employees or robbery is an imminent concern, agencies/departments may use an armored car service. Agencies/Departments may make special arrangements with armored car companies for armored car service during a particular collection period or when special service is required.
- **Bank Messenger:** When bank messenger service is available in an area, agencies/departments may arrange a pickup and delivery time for their deposits to an approved depository bank. Agencies/Departments shall place deposits in sealed bags. The bank messenger will provide a receipt when the deposit is picked up. The agency/department shall keep the receipt and any other documentation verifying the deposit. Bank messengers are restricted from picking up deposits that include coin and/or currency.

Agencies/Departments may contact the STO for more information by e-mail at: CTSMD-BankRec@treasurer.ca.gov or visit the STO website.

## VERIFICATION OF DEPOSITS - 8032.3

Except where the supervisor and the depositor are not at the same location, the person supervising the depositor shall verify that the money has been deposited intact and in accordance with SAM Section 8032.1. The supervisor shall distribute the copies of the Report of Deposit in accordance with SAM Section 8033.2, line 16, but shall perform no other function in connection with the deposit.

## COIN AND CURRENCY - 8032.4

Agencies/Departments shall prepare and deposit coin and currency amounts exceeding $100 as described below. If the amount of coin in the deposit exceeds $50, agencies/departments shall prepare and submit a separate deposit slip for the coin portion (other currency shall be submitted with a separate deposit slip). Bank messengers are restricted from picking up any deposit that includes coin and/or currency.

Agencies/Departments shall count and verify the coin and currency portion of deposits that are delivered to the bank by armored car or an employee. For further details on these methods of depositing, see SAM Section 8032.2. An agency/department employee shall count and place the coin (unrolled) and currency in a deposit bag and seal the bag in the presence of another employee. Both employees shall sign the agency/department copy of the deposit slip indicating they have verified the coin and currency amount in the deposit. The armored car carrier or the employee delivering the deposit to the bank must sign the receipt indicating the receipt of the sealed deposit bag to be delivered.

When coin and currency deposits exceed $3,000 and armored car service is unavailable or not economically justified, agencies/departments shall assign two employees to deliver the deposit. Agencies/Departments may split deposits to reduce the cash transported at one time. Agencies/Departments may request an escort from the local police department or sheriff's office for exceptionally large deposits.

Agencies/Departments shall not disburse or withhold receipts for the purposes of establishing or augmenting an over-the-counter change fund. Agencies/Departments shall not use receipts to be deposited to cash checks for employees.

## REPORTING OF LARGE DEPOSITS - 8032.5

All money belonging to or in the custody of the state deposited in banks, savings and loan associations, or credit unions must be secured by collateral as described in SAM section 8002. This requirement applies to all accounts, whether held inside or outside the Centralized State Treasury System (CTS).
Agencies/departments must report deposit information using the deposit type and deposit amount specified in the table below to the State Treasurer's Office (STO), Centralized Treasury and Securities Management Division, Financial Services Section by 1:30 p.m. Pacific Standard Time (PST) on the day of the deposit. This will allow the STO to effectively manage compensating bank balances, maximize return on investments, and comply with collateral requirements described in SAM section 8002.

Table content available in source manual.

**EXCEPTION:**
Table content available in source manual.
Table content available in source manual.

## PAYMENT CARD DEPOSITS - 8032.6

Agencies/Departments shall adhere to the following procedures for depositing card payments (e.g., credit cards, debit cards, Automated Teller Machine [ATM] cards, Smart cards [monetary value stored on the card itself]) for both the state's Master Service Agreement for payment card processing and an agency/department's individually contracted processor. The contracting agency/department should ensure that any contract or agreement with the processor includes provisions that are consistent with the following procedures:

1. Agencies/Departments accepting payment cards shall establish a Zero Balance Account (ZBA) at the main branch of an approved depository bank and process all payment card transactions through the ZBA. For information on establishing a ZBA, see SAM Section 8002. For a list of approved depositories, see SAM Section 8031.

2. The payment card processor will transmit the daily payment card transaction amounts to the agency/department's ZBA and make all transaction data available to the agency/department. At the close of each business day, the bank will electronically transfer the agency/department's ZBA net amount into the appropriate demand depository account. The bank will supply periodic statements to the agency/department for reconciliation purposes. The processor will not make any unauthorized debits to the agency/department's ZBA.

3. Each business day, FI$Cal will automatically process the net payment card amount transferred into the demand depository account for the previous day's activity directly into the agency/department's centralized State Treasury System (CTS) account. This process eliminates the need for agencies/departments to submit deposit slips for payment card transactions.

FI$Cal will automatically create ZBA deposits for credit transfers and Agency Trust Adjustment deposits for debit transfers to the agency/department's CTS account.

Agencies/Departments are responsible for reconciling their ZBA activity and should direct any payment card questions or disputes to the payment card processor.

## REMITTING OF STATE ISSUED ITEMS TOTALING $5 MILLION OR GREATER - 8032.7

Agencies/Departments shall remit state-issued items, such as State Controller warrants or agency trust and revolving fund checks from other agencies/departments totaling $5 million or greater using one of the methods described below.

Agencies/Departments shall not deposit the funds in the bank. They shall remit the funds using the Report to State Controller of Remittance to State Treasurer form, CA 21, or a Deposit Memo.

- Use the CA 21 to remit the state-issued items. For information on remittances, see SAM Section 8091.
- A Deposit Memo on agency/department letterhead with the following information:
    - CTS Bank Account Number (three digits)
    - Location Code (if required)
    - Deposit Slip Number (if applicable)
    - Total Deposit Amount
    - Item Count
    - Deposit Date

Agencies/Departments will send a one-day advance notice email for remittances totaling $5 million or more to CTSMD_In_Out_Wires@treasurer.ca.gov and CTSMD-BankRec@treasurer.ca.gov. The email should specify the remittance method used. Agencies/Departments remitting the funds using a Deposit Memo will include the Deposit Memo in the email.

Agencies/Departments shall deliver the state-issued items, and the CA 21 or the Deposit Memo to the State Treasurer's Office (STO) at:

State Treasurer's Office
Financial Services Section
901 P Street, Room 213-B
Sacramento, CA 95814

For additional information, contact the STO's Financial Services section at (916) 653-2917 or FinServ@treasurer.ca.gov.

## FI$CAL DEPOSIT SLIP PROCESS - 8033

The FI$Cal Deposit Slip Process replaced the State Treasurer's Office's (STO's) Electronic Deposit Form web application for agencies/departments to access the online Report of Deposit (ROD) form.

Agencies/Departments shall print the ROD form with three identical copies identified as the Orig, Dup, and Trip. For more information on the fields within the ROD form and distribution, see SAM Section 8033.2.

The STO will access the deposit information in FI$Cal to reconcile against the bank transactions, reporting, and deposit history. Agencies/Departments shall comply with all applicable SAM sections regarding the preparing, depositing, reporting, and correcting of deposits made to the centralized State Treasury System. Agencies/Departments shall notify the STO of large deposits by 1:30 p.m. on the day the funds are deposited into the state's demand accounts. For information regarding large deposits, see SAM Section 8032.5.

Agencies/Departments may contact the STO for more information by email at: CTSMD-BankRec@treasurer.ca.gov.

## ORDERING REPORT OF DEPOSIT FORMS - 8033.1

Agencies/Departments are responsible for ordering their own Report of Deposit (ROD) forms. Contact the State Treasurer's Office (STO), Bank Reconciliation Section, at (916) 653-8865 for vendor contacts. Use the chart below for the appropriate form name and color code.
Agencies/Departments utilizing FI$Cal for deposit slip processing should maintain a supply of ROD forms in the event FI$Cal is not available. Agencies/Departments are not required to use paper pre-sort and misc-sort ROD forms.
Table content available in source manual.

## COMPLETING THE REPORT OF DEPOSIT FORM - 8033.2

Agencies/Departments shall use the State Treasurer's Office (STO) Report of Deposit (ROD) form to document centralized State Treasury System (CTS) deposits made into approved depository banks. Agencies/Departments shall not alter the account number and pre-printed deposit serial number. The ROD form contains five duplicate sheets identified as Orig, Dup, Trip, Quad, and Quint. All copies must be legible and in agreement with the Orig and Dup copies presented at the bank. For information on the FI$Cal deposit slip process, see SAM Section 8033.
For a sample of the ROD form, see Illustration 8033.2. Agencies/Departments will prepare the ROD form using the following instructions:

1. **Agency Name**: The agency/department name shall be pre-printed.

2. **Location Code (Optional)**: The location code (if used) may be pre-printed. The agency/department selects the three-digit alpha/numeric code.

3. **Account Number**: The agency/department account number shall be pre-printed. This number must conform to the second, third, and fourth numbers of the ten-digit serial number. The agency/department account number is the three-digit number assigned to the account in the CTS. An agency/department may have more than one account. Each account will have a separate number.

4. **Currency Only**: The total of U.S. currency. Do not provide data pertaining to the currency denomination.

5. **Coin Only**: The total of U.S. coins.

6. **Adj, Wires, Misc:**
   - **Adjustments**: An adjustment (supplemental deposit) corrects an understated deposit on a previous ROD form. For information on adjustments and corrections, see SAM Section 8033.3.
   - **Wires**: The total of the electronic wire transfers or Automated Clearing House (ACH) deposits. The date on the ROD form must correspond with the date of the bank credit. The ROD form total must correspond with a single bank credit unless the following three criteria are met:
     - Bank credits are received on the same day.
     - Bank credits are received in the same financial institution.
     - Each single wire transfer or ACH amount is listed in the "For Agency Use" field of the ROD form.
   - **Miscellaneous**: Any adjustment by the STO to correct a discrepancy on the ROD form. The STO is the only agency/department allowed to report a negative amount on the ROD form, known as an Agency Trust Adjustment.

7. **Item Count**: The number of checks and other negotiable instruments included in the ROD form. Obtain the item count from the adding machine tape attached to the bank copy. Do not list the check numbers or other data pertaining to checks.

8. **Checks**: The total of checks and negotiable instruments only. Do not provide any other details in this space.

9. **Total Deposit**: The total on the form must equal the total of lines 4+5+8, or line 6. The STO will not accept a negative balance.

10. **For Agency Use (Optional)**: Exclusively for agency/department notes.

11. **If No Bank Stamp, Check One**: All ROD forms should have a bank validation. Validation may be by stamp, signature, or machine imprint. Refer to line 14.
    - Exceptions to the validation requirement are listed below:
      - **Courier**: An armored carrier or bank messenger will provide the appropriate receipt for agency/department records.
        - Pre-sorting agencies/departments deliver pre/misc-sort deposits to the bank through courier. The pre-sorting agencies/departments are:
          - CA Department of Tax and Fee Administration
          - Department of Child Support Services
          - Department of Motor Vehicles
          - Employment Development Department
          - Franchise Tax Board
      - **Night Deposit:** The bank will validate and return the Quad copy to the agency/department.
      - **Mail**: The agency/department shall mail deposits using certified or registered mail and retain the mail receipt for the ROD form verification.
      - **Electronic**: (Report of Deposit FI$Cal form only) Remote deposits, wire transfers, or ACH deposits.

12. **Date Deposited**: The bank transaction date. The bank transaction date will be the same as the preparation date with the following exceptions:
    - **Courier Deposit**: The date of deposit should be the day the courier picks up the ROD forms. When preparing the ROD forms, the agency/department must consider the next scheduled courier pick-up (e.g., the courier may be scheduled to pick up deposits bi-weekly).
    - **Night Deposit**: The date of deposit should reflect the next business day (excluding weekends or bank holidays).
    - **Mail Deposit**: The date of deposit should reflect an estimated deposit date (excluding weekends or bank holidays).
    - **Teller Counter/Electronic**: When depositing after 3:00 p.m.**,** the date of deposit should reflect the next business day (excluding weekends or bank holidays).

    Agencies/Departments may note the preparation date in the “For Agency Use” line. Refer to line 10.

    Agencies/Departments must ensure the correct deposit date is indicated on the ROD form. The date on the form is recorded at the STO and utilized to determine compensating balance adjustments to the STO approved depository banks.

13. **Signature**: The signature of the individual who prepared the ROD form.

14. **For Bank Use Only**: For bank validation only. If there is no bank validation, the agency/department should check one of the exceptions noted in line 11.

15. **MICR Encoding**: The bank and ROD form data are electronically coded in this area. Agencies/Departments shall not write in or alter the MICR Encoding line.

**Distribution:**
Table content available in source manual.

Banks cannot process incorrect or incomplete ROD forms. Credit to the CTS cannot be recorded until the agency/department records the ROD forms in FI$Cal and the STO processes them into the CTS.

## ADJUSTMENTS AND CORRECTIONS - 8033.3

To properly credit agency/department deposits, the information on the Report of Deposit (ROD) form must be accurate, legible, and complete per the instructions in SAM Section 8033.2.

Banks are not allowed to alter the ROD form. The bank will credit the state demand account for the total deposit indicated on the ROD form. The State Treasurer’s Office (STO) will post the same total deposit to the agency/department’s centralized State Treasury System account. The STO recommends that a second person verify all deposits. Agencies/Departments must correct all discrepancy amounts. The bank will not notify agencies/departments if the discrepancy is less than fifty dollars.

If an error is made on the ROD form, refer to the following instructions:

- Do not make corrections to a completed ROD form.
- If all copies of the ROD form are in the agency/department’s possession, void and destroy the entire form. Do not send voided deposits to the STO. Prepare a new ROD form.
- **Overstated deposits:** If the bank receives the deposit and the amount is overstated (deposit is less than the ROD form total), the agency/department will prepare and send a check to the depository bank for the shortage amount within 24 hours.
- **Understated deposits:** If the bank receives the deposit and the amount is understated (deposit is more than the ROD form total), prepare a supplemental ROD form for the difference within 24 hours. To complete and route the ROD form, agencies/departments will follow the instructions below:
    - Indicate the differences on line 6 (“Adj, Wired, Misc.”) and line 9 (“Total Deposit”).
    - The agency/department may reference the prior ROD serial number in line 10 (“For Agency Use”).
    - Send the original bank copy to the deposit adjustment desk of the agency/department’s depository bank.

## GENERAL ENDORSEMENT INSTRUCTIONS - 8034.1

For checks, warrants, money orders, and other negotiable instruments that are to be physically deposited, agencies/departments shall endorse the items on the day they are received to prevent them from being negotiated or endorsed by someone other than the agency/department.
Endorsements shall contain the following information:

- The name of the bank in which the deposit is made. Agencies/Departments that process checks electronically are exempt from this requirement if they use presort machines that do not have multi-endorsement capabilities (presort agencies/departments) or use desktop remote deposit scanners.
- A statement which credits the deposit to the state.
- The name of the agency/department making the deposit.
- A statement guaranteeing the validity of the endorsement.

The following is an example that satisfies the state’s requirements:

(Bank Name)
For Deposit Only
California State Treasurer
(Agency/Department Name)
Absence of Prior End. Guaranteed

Current endorsement stamps/plates do not need to be altered or replaced. New or replacement stamps/plates shall include the preceding information.
If special circumstances prevent agencies/departments from including the preceding information in their endorsements, agencies/departments shall contact the State Treasurer's Office, Centralized Treasury and Securities Management Division, at CTSMD-BankRec@treasurer.ca.gov for assistance.

## ENDORSEMENT PLACEMENT AND INK COLOR - 8034.2

Agencies/Departments shall endorse checks, warrants, money orders, and other negotiable instruments in the payee endorsement area. The payee endorsement area is located on the trailing edge of the back of the check. Endorsement areas for the depository bank and subsequent endorsement shall not be in the MICR clear band area.
Agencies/Departments shall not use purple ink for endorsements. Purple ink is reserved for the endorsement of the depository bank ("bank of first deposit").
A sample of the front and back of a check is shown in the 8034.2 Illustration.
Certain warrants, money orders, or other negotiable instruments may have language pre-printed in the payee endorsement area. If the agency/department's endorsement does not fit in the remaining payee endorsement area, the agency/department may endorse in the subsequent endorsement area.
Agencies/Departments that cannot comply with the requirements of this section must request a written exemption from the Department of Finance, Fiscal Systems and Consulting Unit.

## ENDORSEMENT OF ERRONEOUS WARRANTS - 8034.3

In accordance with Government Code section 17051, agencies/departments may deposit certain state warrants (e.g., erroneously drawn warrants not delivered to payees) into the State Treasury to credit the fund or appropriation upon which it was drawn or to credit the appropriate account under the agency/department's control.
These warrants shall be endorsed as follows:

- Warrants deposited directly in the State Treasury to the credit of a fund.,

Deposit to
California State Treasurer
Per G.C. 17051
(Agency/Department Name)

- Warrants deposited in an agency/department's checking account.

(Bank Name and Branch Number)
For Deposit Only
California State Treasurer
Per G.C. 17051
(Agency/Department Name)

## ENDORSEMENT OF CHECKS BY OTHER THAN PAYEE AGENCY/DEPARTMENT - 8034.4

Agencies/Departments may endorse and deposit negotiable instruments payable to another agency/department when the payment is known to be a proper payment to the receiving agency/department. The endorsement shall contain a statement guaranteeing the absence of prior endorsement as prescribed in SAM Section 8034.1.

## ENDORSEMENT OF REMOTELY DEPOSITED IMAGES - 8034.5

For items that are remotely deposited, agencies/departments shall have the endorsement electronically affixed to the back of the image. Physical endorsements are not required.

For information on non-conforming images rejected from the electronic process, see SAM Section 8043.2.

## LOST CHECKS - 8035

When checks are lost, the agency/department will:

1. Determine the circumstances under which they were lost and work with the bank to locate the checks
2. Notify the payees of the lost checks and request them to place "stop payments" on the lost checks and remit replacement checks if the agency/department is unable to locate the checks.
3. Notify the Department of Finance, Office of State Audits and Evaluations if the agency/department believes that there is probable fault on the part of the organization transporting the checks or bank.

## RETENTION OF CHECKS AND FILES FOR ELECTRONIC DEPOSITS - 8035.1

Agencies/departments should deposit checks remotely via electronic Image Cash Letter or Remote Site Deposit to the depository banks.
To protect the state, its paying customers, and the banks, agencies/departments must do the following:

1. Retain the original checks for a minimum of 15 working days from the day they were deposited by Image Cash Letter or Remote Site Deposit. It is the agency's/department's responsibility to oversee that the destruction of checks is done in a secure and confidential manner.
2. Retain check images and files for at least four years after the end of the fiscal year in which the checks were deposited through Image Cash Letters or Remote Site Deposit.

This will allow agencies/departments the ability to ensure the accuracy of deposits and bank credit and, if necessary, that deposits can be recreated, researched, reconciled and corrected. Check images are also required as part of the agency's/department's customer receipt record.

## CHECKS UNSIGNED BY THE PAYER - 8036

Departments may deposit checks received without a signature. If deposited, the signature line of the check will state the following:

- Signature lacking
- Guaranteed by (department)

Depository banks have the discretion to accept or dishonor unsigned checks. If a depository bank dishonors unsigned checks, the department that guarantees the missing signature assumes the financial and administrative responsibility associated with the deposit. For information on dishonored checks, see SAM Section 8043.

Track Changes Version

## WITHDRAWALS - 8040

Except for authorized cash purchase fund disbursements supported by proper documentation, agencies/departments shall make all disbursements by check. For cash purchase fund information, see SAM Section 8112.

## CHECKS - 8041

Agencies/Departments shall use paper stock checks for checks drawn against centralized State Treasury System accounts. For the paper stock check ordering procedure, see SAM Section 3696.1.
For checks prepared with a typewriter, agencies/departments shall use non-correctable ribbons only and type the check amount as follows: $**123.45**. Using a non-correctable ribbon and placing two asterisks before and after the check amount should minimize the possibility of checks being altered. Checks prepared electronically should also have two asterisks before and after the check amount.
Any check drawn over $15,000 shall require two authorized signatures unless:

- It is payable to:
  - The State Treasurer's Office
  - Another state agency/department or account
- The Department of Finance, Fiscal Systems and Consulting Unit, has authorized, in writing, special instructions permitting deviation from this requirement.

All other checks shall require one authorized signature. Agencies/Departments shall prepare a listing of each person authorized to sign checks bearing their signature before checks can be signed. For more information on an authorized signature file, see SAM Section 8001.3.
In accordance with SAM Section 7280, agencies/departments shall keep paper stock checks under strict control at all times. Agencies/Departments shall document the transfer of paper stock checks between persons to show the check numbers of the stock transferred. The transferor and transferee shall keep the documentation until the period covered has been audited.
To prevent misuse of voided checks, agencies/departments shall:

- Stamp or write in ink the word "void" across the face of the voided checks.
- Cut, tear off, or block out completely the signature portion of these checks unless they are voided for sample purposes.
- Retain all copies of voided checks for audit purposes, except those used as sample checks.
- Keep a record of the disposition of sample checks.
  - An employee other than one authorized to sign checks shall sign such records.

For information on the disposal of paper stock checks, see SAM Section 1750.

## EXAMINATION OF PAID CHECKS FOR ALTERATION OR FORGERY - 8041.1

### Alteration

Agencies/Departments shall immediately notify the State Treasurer's Office (STO), Item Processing Section, when they find a check amount and/or payee name has been altered. Notify the Department of Finance, Office of State Audits and Evaluations (OSAE), and the California State Auditor's Office, Investigations Division (State Auditor) within 30 days. For information on

reporting fraud or errors, see SAM Section 20080. Alterations are generally discovered when the monthly reconciliation of the bank and the centralized State Treasury System accounts is performed. For more information on bank reconciliations, see SAM Sections 7923 and 8060.

**Forgery**

Agencies/Departments are responsible for reviewing checks for possible fraudulent endorsements. An endorsement is a signature or stamp on the back of a negotiable instrument (e.g., a check). Agencies/Departments will at least test-check endorsements for possible deviations. The purpose of this examination is to determine whether the payee's name appears as the first endorsement and to attempt to detect fraud. Agencies/Departments shall give attention to deviations from the normal, such as:

- Endorsements in similar writing on several checks payable to different payees.
- The same subsequent endorser on several checks.
- An agency/department employee is a subsequent endorser.
- Effacement (erasing or wiping out) of endorsements.
- Manual endorsements where stamped endorsements would be normal.

Agencies/Departments that detect deviations from the normal shall investigate and notify the OSAE and the State Auditor within 30 days of any indication of fraud or errors determined by their investigation. For information on reporting fraud or errors, see SAM Section 20080.

Agencies/Departments shall send a letter, in duplicate, to the payee requesting acknowledgment of payment if there is a reasonable question concerning the authenticity of the endorsement. If an agency/department has been notified by a payee that a duly issued check has been lost, stolen, or not received, and the check in question is determined to have been paid by the STO, the issuing agency/department will then initiate the following action:

1. Obtain the Forged Endorsement Affidavit form, STO–CA–0034, from the STO, Item Processing Section at ItemProc@Treasurer.ca.gov. Complete section 1 - Description of Warrant/Check. In the "Name of Payee" block, type the name exactly as typed on the check. If initials were used, type the full name in parentheses, if known. For example, if the check is made payable to J. Doe, type "J. Doe (John Doe)." If using a post office box, indicate a street address whenever possible. On the top of the STO–CA–0034, indicate the agency/department address where the payee will return it.
2. Forward three copies of the STO-CA-0034, with a full and legible copy (front and back) of the alleged forged check attached to the top of each copy of the STO-CA-0034 for the payee's signature. The payee must sign all three copies in ink. The payee's signature must be either witnessed by two disinterested parties or notarized. Witnesses must sign all three copies; one notarized copy shall suffice. The payee will return all three copies to the agency/department.
3. The agency/department's accounting officer or designee shall review and compare the payee's signature with the endorsement on the check. Compare the alleged forged endorsement with any other material on file in the payee's handwriting. The agency/department shall, with reasonable justification and proper notice to the payee, refuse acceptance of the forgery affidavit if it is determined beyond reasonable doubt that any statement on the affidavit is perjured.
4. Forward, in triplicate, the acceptable affidavits and copies of the alleged forged check to:

   STO Item Processing Section
   P.O. Box 942809
   Sacramento, CA 94209–0001
5. Upon receipt by the STO, the first copy of the STO-CA-0034 shall be charged back to the applicable bank. The STO shall return the second copy to the agency/department with the charge-back date indicated on the front. The STO shall retain the third copy.
6. The bank has 30 days from the date of the charge-back to protest. The STO shall immediately notify agencies/departments of any action by the bank. Reissuance by the agency/department before 30 days from the date of charge-back to the bank is at the agency/department's own risk. For procedures on handling forged warrants, see SAM Section 8427.

## DELIVERY OF CHECKS - 8041.2

Checks shall be delivered directly to the payee by either:

- United States Postal Service mail
- Messenger service in a sealed envelope
- A person having no connection with either preparing or approving the claim or invoice

The person who prepared or approved the related travel expense claim or invoice shall not route, mail, or distribute the check.

## UNCASHED OR UNCLAIMED AGENCY CHECKS - 8042

Uncashed checks are checks issued by an agency/department but remain uncashed by the payee. Unclaimed checks are checks returned to an agency/department for which the payee cannot be located. Agency checks are checks issued from an agency/department's account that may have Revolving Fund Cash, General Cash, or Agency Trust Fund Cash.
Agency checks have a one-year period of negotiability. Agency Trust Fund Cash checks may have specific law provisions requiring a different period of negotiability.
Agencies/Departments shall submit a stop payment request using FI$Cal for all uncashed checks issued from the agency/department's centralized State Treasury System (CTS) checking account timed to arrive at least one week before the end of the period of negotiability. The State Treasurer's Office (STO) may stop the payment of stale dated checks only through the receipt of stop payment requests from agencies/departments. For stop payment procedures, see SAM Section 8045.
Agencies/Departments shall record cancellation transactions to the appropriate disbursement register or the revolving fund Cash Book. For information on the revolving fund Cash Book, see SAM Section 8150.

Agencies/Departments shall issue stop payment notices as the banking institution requires for those bank accounts outside the CTS.
Agencies/Departments shall perform the following for unclaimed checks or upon the STO confirmation of a stop payment request for uncashed checks:
Table content available in source manual.

Agencies/Departments shall maintain a subsidiary ledger of all amounts credited to and disbursed from the escheat revenue accounts.

Claims made by payees within two years of the check cancellation date shall be processed by filing a claim against an escheat revenue account. For those amounts credited in the current fiscal year, the claim shall be filed against the current year escheat revenue account. For those amounts credited in a prior fiscal year, the claim shall be filed against the prior year escheat revenue account. The State Controller's Office shall process the claims regardless of the balances in the escheat revenue accounts.
Expenditure claims made by payees more than two years after the check cancellation date shall be processed in the same manner as claims against a reverted appropriation. For information on paying from a reverted appropriation, see SAM Section 8422.12.
Revenue refund claims made by payees more than two years after the check cancellation date shall be processed in accordance with SAM Section 8240.

## DISHONORED CHECKS - 8043

Dishonored checks are items deposited at a depository bank and returned due to:

- Insufficient funds in the accounts the checks are drawn.
- Other reasons that prevent the bank from honoring the checks.

Depository banks attempt to clear checks twice before declaring them dishonored.

The depository bank will notify the agency/department when a check is dishonored. The agency/department shall remit payment to the affected account of the depository bank within ten business days of receiving the notification. The payment will reimburse the depository bank affected by the return of the dishonored check.

If the agency/department has been notified by the depository bank that counterfeit checks have been received, the agency/department will follow the appropriate reimbursement procedure and notify the California Highway Patrol.

Agencies/Departments shall track and maintain a monthly count of dishonored checks reimbursed to the depository banks. If deposits are made into more than one depository bank, agencies/departments should maintain a separate dishonored check count worksheet for each bank. A worksheet for tracking dishonored check data is available from the State Treasurer's Office (STO) for agencies/departments to use. To request this worksheet, e-mail the STO at Checks@treasurer.ca.gov. For more information on dishonored checks, see the STO website.

The STO uses the total count of dishonored checks by centralized State Treasury System (CTS) account to compensate the depository banks for handling these items. To ensure the depository banks are accurately compensated, agencies/departments shall report the following to Checks@treasurer.ca.gov:

- Non-Pre/Miscellaneous sorting agencies/departments - the total number of dishonored checks reimbursed for the previous fiscal year by the third Friday of July. The STO may request monthly dishonored check volume throughout the fiscal year as needed by contacting agencies/departments directly.
- Pre/Miscellaneous sorting agencies/departments - the total number of dishonored checks reimbursed by the 15th of each month.

Agencies/Departments shall endorse checks with identifiable information as a means for depositories to return dishonored checks. For endorsement instructions, see SAM sections 8034.1 through 8034.5.

Dishonored checks relating to deposits in banks outside the CTS will be returned in accordance with usual commercial practices. The bank will debit the account of the depositing agency/department.

## DISHONORED CHECK FEE - 8043.1

Government Code section 6157 authorizes agencies/departments to assess a charge for dishonored checks for a reasonable amount not to exceed the actual costs incurred for the processing and collection. Agencies/Departments may refrain from issuing licenses, permits, etc., or withhold services until the original check amount and the dishonored check fee are paid.

Agencies/Departments shall apply the dishonored check fee to the payer's account if the license, permit, etc., has been issued or the service rendered. If the payer has no account, a new account shall be established for the original check amount and the dishonored check fee.

As a result of a check being dishonored, the payer may be required to pay a penalty if the replacement payment is received after the penalty date. If a payer pays the amount of the license, permit, service, etc., plus penalty, agencies/departments need not pursue collection of the dishonored check fee.

Agencies/Departments shall account for the amount received from the dishonored check fee as miscellaneous revenue in the fund that primarily supports the cashiering and accounts receivable sections.

## NON-CONFORMING IMAGES - 8043.2

A non-conforming image is an item (e.g., checks, warrants, money orders, and other negotiable instruments) that was transmitted to the bank remotely and was unable to be processed. To redeposit a non-conforming image, agencies/departments shall retrieve and manually deposit the original item by one of the alternative methods described in SAM Section 8032.2 and use the proper endorsement. For information about proper endorsements, see SAM Section 8034.1.

## LOST OR DESTROYED AGENCY CHECKS - 8044

Lost or destroyed agency checks for which the amount has not been remitted to an escheat revenue account may be replaced with new checks and made payable to either:

- The payee of the lost or destroyed check who has requested replacement of the check.
- A person, other than the original payee, who has requested the issuance of a new check in lieu of the lost or destroyed check and who has certified that they are the legal owner or were in legal possession of the check at the time it was lost or destroyed.

For information on uncashed or unclaimed agency checks, see SAM Section 8042.
Agencies/Departments shall perform the following steps upon receipt of a request for the issuance of a check to replace a lost or destroyed check:

1. Submit a stop payment request using FI$Cal. For information on the stop payments, see SAM Section 8045
2. a. If the agency/department has received a letter from the owner or custodian of the check containing all facts required by the State Agency Trust Check Replacement Application form, STD 805A or STD 805B, and the request is for $100 or less, proceed to Step 3.
   b. If the agency/department has not received a letter from the owner or custodian of the check containing all the pertinent facts, or the request is for more than $100, the agency/department shall complete the applicable sections of the STD 805A or STD 805B and forward it to the person requesting a new or replacement check for completion of the certification or deposition section of the form.

Note: The STD 805A shall be used if it is to be executed within the State of California. The STD 805B shall be used if it is to be executed outside the State of California.

3. Release a new or replacement check to the person requesting such check only after the agency/department:
   a. Confirms in FI$Cal that the status of the stop payment request is “Complete” and not “Pending,” “Unsuccessful/Check Paid,” or blank.
   b. Receives and reviews the STD 805A or STD 805B form required by Step 2 to ensure the form has been completed properly.
      i. Reasonable variations between the signature and the inserted name or reasonable substitution of an initial for a first name will not necessarily invalidate the instrument. The owner or custodian of the check and the declarant or affiant signing the application must be the same person.
      ii. If the STD 805B is used, it must bear the seal of a notary public.
      iii. All spaces provided in the form must be completed or lined through.
      iv. All erasures, corrections, additions, or deletions must be initialed by the person making such changes or preferably by the notary public if the STD 805B is used.
4. Cross-reference the accounting records between the original and the new or replacement checks.

The agency/department shall retain the completed STD 805A or STD 805B form as a fiscal record.

## STOP PAYMENTS - 8045

Agencies/Departments shall submit a stop payment request using FI$Cal for agency checks that are:

- Lost or destroyed. Form information on lost or destroyed agency checks, see SAM section 8044.
- Uncashed one week before the stale date. The stale date is one year from the date of issuance. For information on uncashed or unclaimed agency checks, see SAM section 8042.

The State Treasurer's Office (STO) will receive the stop payment requests from FI$Cal after the system has verified that the requested checks have not been processed as paid. This verification occurs nightly on each business day. The STO does not determine whether an agency check has been cashed prior to processing the stop payment. Before issuing a replacement check, the agency/department must confirm the stop payment status in FI$Cal is marked as "Complete".

## OVERDRAFTS - 8047

Agencies/Departments shall make every effort to prevent overdrafts in their centralized State Treasury System (CTS) accounts. This includes the agency/department's bank balances and the State Controller's Office (SCO) balances.
Agencies/Departments shall observe the following principles to help prevent overdrafts:

- Deposit collections promptly. See SAM Section 8030.
- Complete and finalize deposits in a timely manner. Enter deposit slips into FI$Cal on the date of the deposit, or send appropriate hard copies of the Reports of Deposit (ROD) to the State Treasurer's Office (STO) and the SCO on the date of the deposit. The STO credits the agency/department's CTS accounts from the FI$Cal deposit slips or ROD copies rather than from records of the State Treasurer's depository banks, which maintain only consolidated Active Trust Accounts. For more information about ROD copies, see SAM Section 8033.2
- Do not draw checks against cash received but not yet deposited.
- Schedule claims for reimbursement of the revolving fund promptly. For information about the reimbursement of the revolving fund, see SAM Section 8422.108.

## LOSS OF BLANK CHECK STOCK - 8048

Agencies/Departments will immediately notify the State Treasurer's Office, Item Processing Section at 916-653-0060 or by email Item.Processing@Treasurer.ca.gov, with the following information whenever any blank check stock is determined to be missing:

- The missing check number(s)
- The centralized State Treasury System account number used
- The date the check(s) were determined to be missing

Agencies/Departments will notify the Department of Finance, Office of State Audits and Evaluations, the California State Auditor's Office, and the California Highway Patrol if there is any indication that the check(s) might have been stolen. For information on monitoring incidents of loss or errors, see SAM Section 20080.

## PAID AGENCY CHECKS - 8050

The State Treasurer's Office (STO) shall:

- Settle and clear all agency checks that pass validation and have been presented to the bank for payment. Agency checks are checks issued from an agency/department's general checking account (i.e., Revolving Fund Cash, General Cash, or Agency Trust Fund Cash).
- Retain paid check data in the STO's Agency Paid System for five years from the paid date.

Agencies/Departments can access and print images of their agency checks online through the Agency Paid System. Agencies/Departments shall complete the STO's User ID Assignment/Removal form, STO-IP 130, to obtain access to the Agency Paid System. Contact the STO Item Processing Section at itemproc@treasurer.ca.gov for this form and additional information.

## RECONCILING ACCOUNTS IN THE CENTRALIZED STATE TREASURY SYSTEM - 8060

Agencies/departments will reconcile all Centralized State Treasury Systems (CTS) accounts within 30 days of the preceding month. See SAM sections 7900, 7901, 7923, and 7967.

At the end of each period, the State Controller's Office (SCO) issues a CTS Statement for each CTS account. If there is an item on the statement that you cannot identify, contact the SCO for an explanation.

If an error is identified on the CTS statement, agencies/departments will notify the State Treasurer's Office (STO) Bank Reconciliation Section. **DO NOT NOTIFY THE BANK**.

CTS Statement Errors:

1. If an agency/department does not receive credit for a deposit, the agency/department will verify that all of the information on the Report of Deposit is complete and accurate. The agency/department will send a legible photocopy of the Report of Deposit to the STO using the address or email below. DO NOT send agency or bank copies.

2. If there is a discrepancy in the amount of credit, the agency/department will send photocopies of the Report of Deposit and the CTS statement with the item highlighted and a brief letter of explanation to the STO. A separate letter is required for each type of error. Email the requested information to CTSMD-BankRec@treasurer.ca.gov or by mail to:

   State Treasurer's Office
   Bank Reconciliation Unit
   915 Capitol Mall, C-15
   P. O. Box 942809
   Sacramento, CA 94209-0001

3. If it is determined there is an agency check error on the CTS statement, agencies/departments will notify the STO Item Processing Section by sending legible photocopies of the check, front and back, and the statement with a brief letter of explanation. A separate letter is required for each type of error. Email the requested information to item.processing@treasurer.ca.gov or by mail to:

   State Treasurer's Office
   Item Processing Section
   915 Capitol Mall, C-15
   P.O. Box 942809
   Sacramento, CA 94209-0001

## CASH OVERAGES AND SHORTAGES - 8070

State employees who receive and disburse money shall be held accountable for the money in their custody and shall be personally responsible for any cash discrepancies. Agencies/Departments are responsible for establishing performance standards for their employees and prescribing corrective actions when performance standards are not satisfied.

**Cash Overages**

A cash overage is cash received in excess of the amount an employee is accountable for. Agencies/Departments shall credit overages to Account No. 2090000 (Legacy Account No. 3710), Cash Overages, at the time of receipt.

Agencies/Departments may issue refunds, debiting the Cash Overages account, if the payer is identified and the overpayment is substantiated. Agencies/Departments shall remit all remaining cash overages as revenue or operating revenue at least once each quarter.

**Cash Shortages**

A cash shortage represents any moneys due to the state. Agencies/Departments shall follow the collection procedures outlined in SAM Section 8293. If all reasonable collection efforts do not result in payment, agencies/departments shall adjust the accounting records using the procedure applicable to the type of cash shortage. A discharge of accountability is not required for an accounts receivable that was established due to a cash shortage.

**Revenue, Reimbursement, or Abatement**

Agencies/Departments may adjust their accounting records for cash shortages involving revenue, reimbursement, or abatement items. Agencies/Departments shall submit a report explaining the cash shortage to the Department of Finance, Office of State Audits and Evaluations at the time of occurrence. No approval is required for the adjustment. Agencies/Departments shall include the following in the report:

- The total amount of the cash shortages and the period covered.
- Whether or not the person having custody of the money used due diligence and followed good practices in handling and safeguarding the money.
- Whether or not the cash shortage was reasonably expected to occur during the regular course of business and was not due to an employee's dishonesty, carelessness, or negligence.
- A copy of the police report if theft is involved.
- A detailed explanation including the date, place, and complete circumstances for the incident that caused the shortage. The explanation shall also include a statement about any corrective actions taken to prevent the error from reoccurring. If the shortage occurred due to a clerical error, the person responsible for the error shall sign the explanation. If the shortage is not the result of any person's error, the person in charge of the fund shall write an explanation. The supervisor shall review and sign the explanation to ensure the explanation is accurate, complete, and reflective of the situation that occurred.
- Any other facts explaining the circumstances creating the shortage.

Where appropriate, agencies/departments may group similar types of cash shortages in one report.

**Other Cash Shortages**

Agencies/Departments shall process all other cash shortages (e.g. amounts reflected in uncleared collections, depositor's trust, or advance collections) in accordance with the Department of General Services, Office of Risk and Insurance Management, and the legislative claim process. For a description of the legislative claim process, see SAM Section 8493.
For a description of revolving fund shortages, see SAM Section 8150.2.

## COUNTERFEIT CURRENCY - 8070.1

(Renumbered from 8072.1)
Banks will report cash shortages resulting from counterfeit currency to a United States Treasury agent, and agencies/departments shall remedy any cash shortages as outlined in SAM Section 8070. The United States Treasury agent's receipt or a letter on bank letterhead will include all pertinent information. A bank official, higher than a teller/cashier, must sign the letter.
Agencies/Departments shall use the receipt or letter as supporting documentation for the applicable approval or report requirements.

## CHECK SIGNING MACHINES - 8081

Agencies/Departments may purchase check signing machines when the average monthly volume of written checks exceeds 500.
The check preparer will maintain a daily log that includes:

- Check date
- Beginning check number
- Ending check number
- Number of checks used
- Voided check number(s)
- Number of checks forwarded for signature

The check reviewer (i.e., the person assigned to compare signed checks to authorization and supporting documents) will maintain a daily log that includes:

- Check date
- Number of machine signed checks reviewed
- Proper ending meter reading
- Number of hand signed checks reviewed
- Voided check number(s)
- Number of checks used

On a daily basis, the check reviewer or another assigned designee will compare the meter readings on the check signing machine with what it should be according to their log of checks reviewed and signed by the machine. If the assigned designee is tasked with the daily comparison, at least once each week, the check reviewer will compare the meter readings. The check reviewer will retain all voided checks throughout the month.
On a monthly basis, the assigned reconciler will reconcile the daily logs maintained by the check preparer and the check reviewer to ensure accuracy and accountability for all checks utilized. Following the reconciliation, the check reviewer will file all voided checks up to that date in the check file.
For information on the separation of duties, see SAM Section 7280.
If the check signing machine requires two keys, the operator will control one key, and the person whose signature the machine uses will control the other. If the check signing machine requires only one key, the person whose signature is used will control the

key. If the person whose signature is used is unavailable, the agency/department may assign a responsible person other than the operator to control the key.
The operator will lock the check signing machine and remove the key(s) whenever the machine is not in use. If the check signing machine is operated with two keys, the operator will promptly return the second key to the designated person when the machine is not in use.

## FACSIMILE SIGNATURES - 8082

Government Code section 5500 defines a facsimile signature as the reproduction by engraving, imprinting, stamping, or other means of the manual signature of an authorized officer. Government Code section 5501 requires that every authorized officer who uses a facsimile signature on any instrument of payment will file their manual signature, certified under oath, with the Secretary of State. A facsimile signature has the same legal effect as the use of a manual signature.

Agencies/Departments must ensure adequate safeguards are taken to prevent improper or unauthorized use of facsimile signatures. Rubber stamps must be locked in a secure place with the key in the custody of the authorized check signer. For more information on safeguarding signature plates, see SAM section 8081.

When an individual is no longer authorized to sign checks, agencies/departments will use any convenient method to destroy facsimile signatures so they are no longer usable. For rubber stamps, agencies/departments should remove the imprint from the stamp and cut it with scissors. Two persons, exclusive of the individual whose signature is involved, will witness and sign an acknowledgment of the destruction of the facsimile signature. One copy shall be given to the individual whose signature is involved, and one shall be retained and filed by the agency/department.

## E-Signatures for Check Signing - 8083

An electronic signature (e-signature) has the same force and effect as the use of a manual signature. Departments may use e-signatures for check signing when the department determines it to be feasible or necessary.

Departments shall ensure adequate internal controls are in place to prevent improper or unauthorized use of e-signatures.

For the types of e-signatures, see SAM Section 1710.

## GENERAL CASH - 8090

General Cash consists of cash collected by or temporarily on deposit in an agency/department's general checking account pending either:

- Remittance to the State Treasury
- Refund to payers, as authorized by law
- Reimbursement to banks for dishonored checks

## AGENCY TRUST FUND CASH - 8090.1

Agency Trust Fund Cash consists of cash relating to depositor trusts held on deposit by agencies/departments. These funds are not remitted to the State Treasury.

## REMITTANCES TO STATE TREASURY - 8091

Agencies/Departments shall deposit cash collected for revenue, reimbursements, or abatements into an approved depository bank within the centralized State Treasury System (CTS). For information on approved depository banks, see SAM Section 8031.
Agencies/Departments shall remit funds as follows:

- Cash deposits totaling less than $25,000 – within 15 days from the date the agency/department collected the funds unless more frequent remittances are required by law.
- Accumulated deposits of $25,000 or more – as soon as possible, but no later than the first day of the week following the collection.

Agencies/Departments may use the following methods to remit funds:

- Financial Information System for California (FI$Cal)
- The Electronic Fiscal Input Transaction System (eFITS)
- Report to State Controller of Remittance to State Account, CA 21A
- Report to State Controller of Remittance to State Treasurer, CA 21

**Remittance Advice**
Each CTS checking account must have its own agency/department assigned range of remittance advice (RA) numbers, which cannot be duplicated within the same fiscal year. Agencies/Departments may design their own RA form with the State Controller's Office (SCO) approval before its use. For additional information on completing the RA, including CA 21A and CA 21, see SAM Section 8091.1.
**FI$Cal**
Agencies/Departments using FI$Cal may remit funds through the Accounts Receivable module. The SCO issues a journal beginning with the prefix "CR$" to record the reduction of cash in the agency/department's CTS checking account and the corresponding increase to Cash in State Treasury.

**eFITS**

Agencies/Departments with authorization from the SCO may use the eFITS process to remit cash deposited in its CTS checking account to a fund in the State Treasury. Information on the eFITS method of remittance is available at: https://www2.sco.ca.gov/eFITS_Enterprise_ApplicationWeb/static/eFITSFAQ.pdf.

Agencies/Departments shall enter in the eFITS system their three-digit CTS checking account number and the five-digit RA number after the preprinted letter "R." Upon receipt, the SCO issues a Controller's Receipt beginning with the prefix "CRE" to record the reduction of cash in the agency/department's CTS checking account and the corresponding increase to Cash in State Treasury.

**CA 21A**

If FI$Cal or eFITS is not an option, agencies/departments shall use the CA 21A to remit cash deposited in its CTS checking account to a fund in the State Treasury. Agencies/Departments shall email the form to the SCO at SCOCashMgmt@sco.ca.gov.

Agencies/Departments shall enter their three-digit CTS checking account number and the five-digit RA number after the preprinted letter "R" on the CA 21A. Upon receipt of the CA 21A, the SCO issues a Controller's Receipt beginning with the prefix "CRA" to record the reduction of cash in the agency/department's CTS checking account and the corresponding increase to Cash in State Treasury.

**CA 21**

If FI$Cal, eFITS, or the CA 21A are not an option, or the single deposit total of state-issued items is $5 million or greater, agencies/departments shall use the CA 21. For more information about state-issued items totaling $5 million or greater, see SAM Section 8032.7.

Agencies/Departments shall submit the CA 21, identifying the appropriate fund to be increased, to the State Treasurer's Office (STO) at:

State Treasurer's Office
Financial Services Section
901 P Street, Room 213-B
Sacramento, CA 95814

Or by email at FinServ@treasurer.ca.gov.

If the cash has been deposited into the agency/department's checking account, an agency check payable to the STO shall be submitted along with the CA 21.

Agencies/Departments shall enter an RA number on the CA 21, consisting of two alphabetical characters assigned by the SCO and six numeric characters from the agency/department's own assigned range of RA numbers. Upon receipt of the CA 21, the SCO issues a Controller's Receipt beginning with the prefix "CR" to record the increase to Cash in State Treasury.

When cash is received directly into the State Treasurer's demand account (e.g., wire transfers or Automated Clearing House), agencies/departments shall complete the CA 21 and send the form, without an agency check, directly to the STO Financial Services Section at the above physical address, or by email to CTSMD_In_Out_Wires@treasurer.ca.gov.

## DETAIL TO BE SHOWN ON REPORT TO STATE CONTROLLER OF REMITTANCE TO STATE TREASURER - 8091.1

**General**

The Report to State Controller of Remittance to State Account, CA 21A, and Report to State Controller of Remittance to State Treasurer, CA 21, are also known as remittance advices (RA). All account coding shall be displayed on the RA without any attachments or schedules. The State Controller's Office (SCO) may consider exceptions to this procedure on an individual basis. For guidance on which form to use, see SAM Section 8091. For information regarding remittances of unclaimed trust money, see SAM Section 18424.5.

A single RA may include remittances to more than one fund in the State Treasury. In those instances, the name of each fund shall be entered in the "Description" column of the form, followed by the details of accounts and amounts applicable to each fund.

No information shall be entered in the "SCO" column of the form.

**Revenues**

Agencies/Departments shall report revenues on the RA by the fund using the legacy six-digit subsidiary revenue codes and titles as provided in the Uniform Codes Manual (UCM). Enter the revenue code title in the "Description" column and the amount remitted for each account in the "Amount" column.

**Reimbursements**

Agencies/Departments shall report reimbursements on the RA by the fund appropriation item, year of appropriation, reimbursement code title, and source fund. Agencies/Departments with budgeted reimbursement authority shall remit their funds as scheduled reimbursements. Agencies/Departments shall remit reimbursements collected in excess of their budget authority as scheduled reimbursements. Agencies/Departments with no budgeted reimbursement authority shall remit funds as unscheduled reimbursements.

Whether the reimbursement is scheduled or unscheduled, agencies/departments shall enter the legacy reimbursement code title as provided in the UCM in the "Description" column and the amount remitted for each receipt code in the "Amount" column. This information is required by the SCO to validate the category of reimbursements.

**Abatements**

Agencies/Departments shall report abatements on the RA by the fund, appropriation item, chapter, year of appropriation, and legacy abatement code title as provided in the UCM. Agencies/Departments shall enter the abatement code title in the "Description" column and the amount remitted for each type of abatement in the "Amount" column. Only those receipts authorized by SAM Section 8366 will be accounted for as abatements.

**Refunds to Reverted Appropriations**

Agencies/Departments shall report reimbursements and abatements to appropriations that have reverted as refunds to reverted appropriations. Agencies/Departments shall remit funds to the prior fiscal year, regardless of the actual year of the abatement or reimbursement.

**Operating Revenue**

Agencies/Departments shall include a description of receipts at an appropriate level of detail acceptable to the SCO and in accordance with the legacy coding structure provided in the UCM on remittances of operating revenue to Proprietary and Fiduciary Funds.

## REPORT OF COLLECTIONS - 8092

The report of collections is a listing of amounts collected from payers, not directly recorded in the Cash Receipts Register. The report of collections shall be the basis for a summary entry in the Cash Receipts Register. For more information on the Cash Receipts Register, see SAM Section 8093.
The report of collections should include the following information:

- For amounts without a written receipt:
    - Date of collection
    - Name of remitter
    - Amount received
    - Type of remittance (e.g., cash, check, or money order)
    - Distribution of amount received
- For amounts with a written receipt:
    - Beginning and ending receipt numbers
    - Amount represented by the receipts
    - Distribution of amount represented by the receipts

## CASH RECEIPTS REGISTER - 8093

The Cash Receipts Register is maintained to track General and Agency Trust Fund Cash received. Agencies/Departments shall enter transactions using separate registers for the different types of cash.
Agencies/Departments that do not prepare reports of collections should include the following in the register:

- For amounts without a written receipt:
    - Date of collection
    - Name of remitter
    - Amount received
    - Type of remittance (e.g., cash, check, or money order)
    - Distribution of amount received
- For amounts with a written receipt:
    - Beginning and ending receipt numbers
    - Amount represented by the receipts
    - Distribution of amount represented by the receipts

Agencies/Departments that prepare reports of collections shall record each report as a summary entry in the register by:

- Identifying the report of collections concerned
- Showing the amount represented by the report of collections
- Showing the distribution of the amount represented by the report of collections

For more information on the report of collections, see SAM Section 8092.

## CASH DISBURSEMENTS REGISTER - 8094

Agencies/Departments shall record cash disbursements from General Cash and Agency Trust Fund Cash daily in the cash disbursement register. General Cash and Agency Trust Fund Cash transactions shall have separate registers.
Agencies/Departments shall record individual checks or, depending primarily upon the volume of checks written, make a summarized entry for all the checks written daily. If a summarized daily entry is made, agencies/departments shall record the beginning and ending check numbers in the register.

## REFUNDS - 8095

Unless special provisions of law exist, agencies/departments may issue refunds from the General Cash account if the applicable collections have not been remitted to the State Treasury. For information about refunds of income, see SAM Section 8240.

## MAXIMIZATION OF INTEREST EARNINGS - 8099

The state's priority is to optimize its interest earnings, as every dollar gained from investments reduces the need for equivalent taxation or other income sources.

Agencies/Departments shall adhere to daily practices of sound cashiering, depositing, and other cash flow management practices to permit the state to achieve the maximum interest from the dollars that flow through the state. The state earns approximately $27 on each million dollars per calendar day for each one percent of interest earning rate.
The following SAM sections refer to practices that agencies/departments shall follow:
Table content available in source manual.

# Chapter - 8100

Sections for Chapter 8100

| Section | Subchapter |
|---|---|
| INTRODUCTION AND LIMITATIONS | 8100 |
| PERMISSIBLE USES | 8101 |
| ACCOUNTABILITY | 8102 |
| INSTITUTION CASH PAYMENT FUNDS | 8110 |
| CHANGE FUNDS | 8111 |
| CASH PURCHASE FUNDS | 8112 |
| DISCOUNT INVOICES | 8113 |
| PURCHASE OF FEDERAL PUBLICATIONS | 8114 |
| TRAVEL ADVANCES AND TRAVEL EXPENSES – REQUIREMENTS | 8116 |
| RECOVERY OF OUTSTANDING TRAVEL ADVANCES | 8116.1 |
| TRAVEL ADVANCES AND TRAVEL EXPENSES FOR ADVISORY BOARD OR COMMITTEE MEMBERS | 8116.2 |
| COMPLIANCE | 8116.3 |
| SALARY ADVANCES | 8118 |
| EXPENSE ADVANCES - INTRODUCTION | 8120 |
| INVOICES WITH DISCOUNTS | 8120.1 |
| PURCHASE OF PUBLICATIONS AND POSTAGE | 8120.2 |
| OUT-SERVICE TRAINING—REGISTRATION FEES | 8120.3 |
| BANK DRAFTS | 8123 |
| SYSTEM AUTHORIZATION | 8123.1 |
| PURCHASES | 8123.2 |
| ACCOUNTING – SUBSIDIARY RECORDS | 8150 |
| RECEIPTS AND DISBURSEMENT VOUCHERS | 8150.1 |
| SHORTAGES, REPLENISHMENT, AND REPORTING REQUIREMENTS | 8150.2 |
| ENDORSEMENTS | 8160 |
| CLAIMS | 8170 |

## INTRODUCTION AND LIMITATIONS - 8100

In accordance with Government Code section 16400, an agency/department for which an appropriation is made may draw from that appropriation to establish a revolving fund, commonly known as office revolving fund, subject to the following limitations:

- If the amount does not exceed three percent of the total appropriation, approval is not required.
- If the amount exceeds three percent but does not exceed ten percent of the total appropriation, approval from the Department of Finance budget analyst is required.
- If the amount exceeds ten percent of the total appropriation, approval from both the Department of Finance Program Budget Manager and the State Controller's Office (SCO) is required.

There are no limitations to the number of sub-revolving funds, such as change funds or cash purchase funds that may be established from each revolving fund appropriation. For information on sub-revolving funds, see SAM sections 8110–8112.

To establish or increase a revolving fund, an agency/department will prepare and submit a Claim Schedule form, STD 218, and a Remittance Advice form, STD 404C, to the SCO. The agency/department will enter its revolving fund as the payee on the STD

218. The SCO will issue and mail a warrant payable to the agency/department for the amount of the claim schedule. Upon receipt of the warrant, the agency/department will deposit the warrant into its checking account.

For information on revolving funds, see SAM Chapter 8100. For information on handling cash, see SAM Chapter 8000.

## PERMISSIBLE USES - 8101

In accordance with Government Code section 16401 (and unless otherwise allowed in statute), revolving funds drawn under the provisions of Government Code section 16400 may only be used for:

- Payment of compensation earned
- Travel expenses, travel expense advances
- Where immediate payment is otherwise necessary

In determining whether immediate payment is necessary, the determining factor is whether the payment can be made through the normal process of presenting claims and issuance of a State Controller's warrant.

Agencies/Departments must have sufficient spending authority in the Budget Act, constitution, statutes, or other spending authority for the related fiscal year of the revolving fund disbursement. For a Budget Act item or other spending authority not available during a budget impasse in a new fiscal year, revolving fund disbursements for the prior fiscal year are allowable; however, current year revolving fund disbursements are not.

SAM Sections 8110–8123.2 detail some of the most common uses of the revolving fund.

Renumbered from 8110

## ACCOUNTABILITY - 8102

The custodian is personally liable for the amount advanced from the revolving fund.

An employee other than the fund's custodian will complete a count in accordance with the following schedule and report the count to the Accounting officer.

Table content available in source manual.

Transfers of custody will occur after:

a. Employees directly concerned shall perform a personal audit of the fund.
b. The newly assigned custodian will provide a receipt to the custodian being relieved. The Accounting Officer shall receive a copy of the receipt signed by both parties.

Renumbered from 8111.2

## INSTITUTION CASH PAYMENT FUNDS - 8110

Each institution may establish one cash payment fund not to exceed $10,000. The institution may exceed $10,000 upon written approval from the Department of Finance, Fiscal Systems and Consulting Unit (FSCU). See SAM Section 7040, Request for FSCU Approval and Fiscal Policy Assistance. An institution refers to a facility that has inmates or patients with funds held in trust. The amount established by an institution should not exceed that institution's reasonable needs consistent with reimbursement at least weekly and is subject to review.

The cash payment fund must be placed in a safe or vault for safekeeping. See SAM Section 8024, Safes and Vaults. This fund will be withdrawn from the revolving fund and operated on an imprest basis. Funds are to be used to provide cash to persons paroled, discharged, or going on leave or visit. Fund disbursements are limited to (a) partial or full settlement of their trust accounts and (b) parole, discharge, leave, or visit allowances from state funds.

The persons to whom cash is disbursed must sign a properly completed disbursement voucher acknowledging receipt of the cash. Two distinctly different disbursement voucher forms will be used to disburse cash.

Revolving Fund Disbursement Voucher, STD 438, will be used when cash allowances from State funds are given to persons who are paroled, discharged, or going on leave or visit. These vouchers, properly signed by the persons leaving the institution, will be retained by the custodian of the Cash Payment Fund until they are exchanged for a Revolving Fund check weekly or at such times as may be necessary. The Revolving Fund will be reimbursed through the Revolving Fund claim procedure. See SAM Section 8170.

Depositors Disbursement Voucher, STD 567, will be used when cash is given to persons leaving the institution as either partial or full settlement of their trust accounts. The originals of these vouchers, properly signed by the persons leaving the institution, will be retained by the custodian of the Cash Payment Fund until they are exchanged for a Cash Trust check weekly or at such times as may be necessary.

See SAM Section 8102 for the accountability for cash payment funds.

Renumbered from 8121

## CHANGE FUNDS - 8111

An agency/department may establish change funds for the purpose of providing cash in denominations and amounts necessary to permit the making of change for its daily cash collection operations. This fund will be withdrawn from the revolving fund and operated on an imprest basis.

Agencies/Departments are authorized to have change funds exceeding $100 only if they have safes, vaults, or money chests adequate to safeguard cash.

Agencies/Departments must submit a request to establish a change fund in excess of $500 to the Department of Finance, Fiscal Systems and Consulting Unit (FSCU). See SAM Section 7040, Request for FSCU Approval and Fiscal Policy Assistance.

See SAM Section 8102 for the accountability for change funds.

## CASH PURCHASE FUNDS - 8112

Cash purchase funds (petty cash), will be withdrawn from the revolving fund and operated on an imprest basis to provide cash for purchases or services not to exceed $50 (exclusive of sales tax) per purchase or service.

The monthly reconciliation of revolving fund resources will show the total amount advanced rather than cash on hand. Resources consist of cash on hand, unreimbursed invoices, and uncashed revolving fund checks received in the reimbursement of invoices.

See SAM Section 8102 for the accountability for cash purchase funds.

**Limitations**

Cash purchase funds will not:

1. Exceed $200 for each fund, except that cash purchase funds of as much as $750 are authorized where:
   - A fund of lesser size would normally require replenishment more often than once a month
   - A safe, vault, or money chest adequate to safeguard cash is used.
2. Expand the list of types of items agencies/departments are allowed to buy unless otherwise approved by the Office of Procurement. See SAM Chapter 3500, Purchases.

**Disbursements**

Invoices received for cash payment for goods or services will be on one of the following:

- Disbursement Voucher form, STD 439, or on a vendor's form acceptable to the State Controller's Office.
- Travel Expense Claim form, STD 262, for travel expenses.

The agency/department will prepare the STD 439 in duplicate; the original will be attached to the claim for replenishment and the agency/department will retain the copy. A vendor must complete the Payee Data Record form, STD 204, before payment is issued by the agency/department. See SAM Section 8422.19 and 8422.190.

**Reimbursements**

The custodian will submit any invoices to the agency/department's accounting office at least once each month. Based upon these invoices, an agency check or a warrant will be issued to replenish the cash purchase fund.

## DISCOUNT INVOICES - 8113

Deleted, Renumbered to 8120.1

## PURCHASE OF FEDERAL PUBLICATIONS - 8114

Deleted, Renumbered to 8120.2

## TRAVEL ADVANCES AND TRAVEL EXPENSES – REQUIREMENTS - 8116

Agencies/Departments may issue a revolving fund check for a travel advance to an employee or reimburse the employee who uses personal funds for travel expenses while conducting official state business.
Requirements for issuance of travel advances and submission of travel expenses:

1. The agency/department will issue a travel advance within ten calendar days of when the anticipated expenses are to be paid or incurred. Agencies/Departments may issue travel advances within 20 calendar days of when the anticipated expenses are to be paid or incurred when the travel advance is required to be mailed to the employee.

2. The travel advance amount must be reasonably calculated not to exceed the estimated expenses to be paid or incurred on the trip. The person who authorizes the trip should review and approve the travel advance request to ensure that the travel advance amount is not excessive.

3. The employee must return the travel advance immediately for a canceled or indefinitely postponed trip.

4. The employee must submit a properly prepared Travel Expense Claim (TEC) no later than ten calendar days after the trip(s) to substantiate the travel expenses. If the travel advance exceeds the substantiated expenses, the employee must also submit a check or money order to return the excess travel advance amount. For employees who are not required to travel on more than one trip per month, additional advances will not be issued for future travel unless the outstanding advances have been cleared. Agencies/Departments may issue additional travel advances for employees required to travel on multiple trips within a month. Additional advances will not be allowed if the employee does not submit a TEC or return the excess advance amount within ten days of each trip.

5. If the substantiated expenses exceed the travel advance, the agency/department will pay the employee the difference with a revolving fund check or SCO warrant/direct deposit payment.

Agencies/Departments must comply with the above time requirements to avoid reporting travel advances as taxable wages discussed in SAM Section 8116.3.

## RECOVERY OF OUTSTANDING TRAVEL ADVANCES - 8116.1

Agencies/Departments shall comply with Government Code section 19838 and SAM Section 8293.2 regarding notification and collection of employee overpayments.

Agencies/Departments will follow the travel advance collection procedures below:

- Monthly, agencies/departments will notify employees who were issued a travel advance but have not submitted a Travel Expense Claim (TEC) to substantiate the travel expenses and/or have not returned any excess travel advance amount.

- If an employee does not submit a TEC to substantiate the travel expenses within 15 calendar days of the notification date, agencies/departments must deduct the total amount of outstanding advances from the employee's next regular payroll warrant(s).

- If an employee submits a TEC within 15 calendar days of the notification date but does not return the excess travel advance amount within the same 15 calendar days, agencies/departments must deduct the excess travel advance amount from the employee's next regular payroll warrant(s).

- If an employee does not return the travel advance for a canceled or indefinitely postponed trip immediately, agencies/departments must deduct the outstanding advance from the employee's next regular payroll warrant(s).
- If the amount of the revolving fund check paid to the employee exceeds the reimbursement from the State Controller's Office (SCO) (i.e., due to a claim correction by the SCO), the agency/department will notify the employee to reimburse the difference. The employee must return the amount owed to the revolving fund no later than 15 calendar days of the notification date. If the employee does not clear the outstanding amount, agencies/departments must deduct it from the employee's next regular payroll warrant(s).
- For employees with payroll direct deposit, the agency/department must inform the employee in the notification that if the outstanding travel advance amount is not returned within 15 calendar days of the notification, the direct deposit will be canceled, and the agency/department will deduct it from the employee's next regular payroll warrant(s). To cancel the payroll direct deposit, the agency/department accounting or personnel office must send a notification to the SCO by the 15th of the month.
- Payroll deductions to recover the travel advance due to non-compliance shall not exceed 25 percent of the employee's net disposable (i.e., gross minus mandatory deductions) monthly or semi-monthly salary.

Below is an example of the timeline for recovery of a travel advance:

Table content available in source manual.

Below is an example of actions for non-compliance:
Table content available in source manual.

## TRAVEL ADVANCES AND TRAVEL EXPENSES FOR ADVISORY BOARD OR COMMITTEE MEMBERS - 8116.2

Agencies/Departments may issue a revolving fund check as an advance for anticipated travel expenses to advisory board or committee members. This policy enables members to pay their travel expenses necessary to perform their official duties. The agency/department director will determine qualifying advisory boards and committees and the scope of travel involved in the members' official duties.
Agencies/Departments issuing temporary travel advances to advisory board or committee members will follow the procedures for travel advances and revolving funds outlined in SAM Sections 8100 to 8150.2. In addition, the following procedures are required:

- A strict accountability method will be established to ensure that travel advances are for official state business only.
- The member must submit a properly prepared Travel Expense Claim (TEC) to substantiate the travel expenses within ten calendar days after the official function or activity.
  - If the travel advance exceeds the substantiated expenses, the member must submit a check or money order with the TEC to return the excess travel advance amount.
  - If the substantiated expenses exceed the travel advance, agencies/departments will pay the member the difference with a revolving fund check.
- Only one travel advance per member will be approved per function or activity.
- Each member will be allowed only one outstanding travel advance at any given time.
- Maintain a special subsidiary record of these travel advances in sufficient detail to ensure compliance with the above provisions. This record should include:
  - Name of the member receiving the travel advance
  - Nature and date of the scheduled official function or activity
  - Amount of the travel advance
  - Date the TEC is due
  - Date and amount of substantiated travel expenses claimed
  - Any balance due
  - Date balance due is repaid and/or collection effort undertaken

## COMPLIANCE - 8116.3

The travel expense policies and procedures are intended to avoid reporting travel advances as taxable wages or compensation by deducting it from an employee's payroll warrant if the travel expense claim submission requirements are not met. A travel advance is never provided as additional wages or compensation, which is considered a gift of state funds. The Constitution of California prohibits the gift of state funds.
If an agency/department fails to satisfy these requirements, IRS penalties could occur. The agency/department will pay any IRS assessed penalties and interest for non-compliance from its support appropriation(s).

## SALARY ADVANCES - 8118

Agencies/Departments may issue a revolving fund check for a salary advance to an employee to compensate for time worked under the following conditions:

- Salary advances under the conditions provided in SAM Section 8595.
- Situations where the regular payroll warrant should not be issued to the employee. For example:
  - A department withholds amounts from an employee.
  - The regular payroll warrant is incorrect.

When the agency/department receives the employee's payroll warrant from the State Controller's Office for the salary advance period, the payroll warrant is deposited and applied to the salary advance.
If the payroll warrant is greater than the salary advance, the agency/department will disburse an additional revolving fund check to the employee for the difference. The salary advance plus the additional revolving fund check will net to zero when applied against the payroll warrant.
If the payroll warrant is less than the salary advance, the agency/department will notify the employee (in writing) of overpayments and provide an opportunity to respond and satisfy the amount due by payment in cash, check, or payroll deduction. See SAM Section 8293.2.
See SAM Section 8160 for the endorsement of salary warrants intercepted for reimbursement to the revolving fund.

## EXPENSE ADVANCES - INTRODUCTION - 8120

Agencies/Departments may use the revolving fund for expense advances where immediate payment is otherwise necessary. In addition to travel and salary advances, the agency/department may use revolving fund checks for advance payments under certain provisions.
State Administrative Manual Sections 8120.1 to 8120.3 show examples of common expense advances.

## INVOICES WITH DISCOUNTS - 8120.1

Invoices will be paid by revolving fund checks when all of the following conditions apply:

1. The discount percentage is at least one-half of one percent
2. A minimum discount amount of $7
3. The discount period is too short to permit payment by State Controller's Office (SCO) warrant

If time permits, agencies/departments should always submit claims to the SCO for payment by warrant. The SCO's processing time is within 15 days of receipt of a valid and correct claim, not exceeding 45 days from the agency/department's receipt date to avoid late payment penalty fees (see SAM Section 8474 for further information). Agencies/Departments may request the SCO to expedite a claim based on their interagency agreement with the SCO.
Daily issuance of revolving fund checks to pay discounted invoices may result in several revolving fund checks to the same vendor in the same day or week. To streamline the process, agencies/departments should accumulate discounted invoices and pay weekly, or less frequently than daily, without losing cash discounts. See SAM Section 8422.100 for additional information regarding invoices and vouchers.
Revised and renumbered from 8113

## PURCHASE OF PUBLICATIONS AND POSTAGE - 8120.2

Agencies/Departments will issue a revolving fund check to purchase publications whenever a remittance must accompany the order. For cash purchases, see SAM Section 3580.
Agencies/Departments will purchase postage by revolving fund check when the vendor requires payment at the time of purchase.
Agencies/Departments may prepay United Parcel Service metered accounts by revolving fund check. For additional information regarding parcel delivery service, see SAM Section 3836.

## OUT-SERVICE TRAINING—REGISTRATION FEES - 8120.3

Out-service training refers to training sponsored or coordinated by sources other than the State of California, e.g., courses, training sessions, conferences, conventions, workshops, and technology-based training. Agencies/Departments may pay registration fees for departmental approved out-service training with a revolving fund check. Claims for reimbursement must be supported by a receipt or certification listing names of employees attending and the amount of the fee for each.
Revised and Renumbered from 8120

## BANK DRAFTS - 8123

Bank drafts are payment instruments used by authorized agencies/departments to purchase goods and services under certain circumstances (see SAM Section 8123.2). Vendors who accept bank drafts, deposit them in their bank as they would checks. The bank drafts are then delivered through the banking system to an agency/department's contracted bank for payment.
Prior to being redeemed by the agency/department's bank, the bank drafts are delivered to the agency/department for review. The contracted bank pays all bank drafts not rejected by the agency/department within 24 hours after delivery to the agency/department. The contracted bank pays for the bank drafts out of a special agency/department account it maintains.
The custodian of the bank draft may be personally responsible for the amount advanced from the fund in treasury per Government Code section 822.

## SYSTEM AUTHORIZATION - 8123.1

Agencies/Departments will request approval from the Department of Finance, Fiscal Systems and Consulting Unit (FSCU) to establish the bank draft system and to exceed the $500 limit for bank draft purchases. Requests should include the following:

a. Intended use of and need for the bank draft system.
b. Expected number of cash purchase transactions that would be replaced annually by the system.
c. Average dollar amount per cash purchase transaction.
d. Expected dollar amount of cash purchase funds that would be returned to the agency/department revolving fund or reasons why the cash purchase funds should be maintained at the current level or a reduced level.
e. Expected dollar amount to be advanced from the revolving fund to an account maintained by the contracted bank.

The following certification is required:

> "I certify that the above information is true and correct and that the bank draft system, if approved, will not be used to circumvent the normal procurement process.
>
> _____
> Fiscal or Accounting Officer

If approved, FSCU will issue instructions for selecting a bank and for establishing and operating the system. When the agency/department finds a bank to contract with for bank draft services, the agency/department must also receive approval from FSCU for a bank account outside the Centralized Treasury System. (See SAM Section 8002.)

Approval of the bank draft system does not include delegation authority to make purchases in excess of $100. Agencies/Departments must obtain approval from the Department of General Services, Procurement Division. (See Public Contract Code section10308.)
Renumbered from 8125

## PURCHASES - 8123.2

Agencies/Departments with field operations where normal payment methods, particularly cash purchase funds, are difficult to maintain or impractical to use, may use the bank draft system.
Agencies/Departments may use bank drafts for purchases that have all of the following conditions:

a. Immediate payment is necessary.
b. Purchase is an over-the-counter transaction.
c. The vendor is reluctant to accept a purchase order or unable to accept the Department of General Services CAL-Card.
d. Alternative payment methods (e.g., the cash purchase fund or the revolving fund) are not available.
e. The dollar amount of the purchase is $500 (inclusive of taxes) or less. The Department of Finance, Fiscal Systems and Consulting Unit (FSCU) may approve an increase in the limit.

The following are improper uses of bank drafts:

a. Paying for multiple invoices and credit card purchases.
b. Mailing bank drafts to vendors.
c. Using bank drafts to avoid the use of purchase orders.
d. Allowing headquarters' accounting personnel to use bank drafts.
e. Splitting purchases to avoid the $500 limit or other FSCU approved limits.

Renumbered from 8124

## ACCOUNTING – SUBSIDIARY RECORDS - 8150

Each agency/department will maintain a revolving fund Cash Book and Receivables Ledger to account for all revolving fund transactions. At all times, the balance of the Cash Book plus the Receivables Ledger accounts should equal the amount advanced to the revolving fund from the fund or funds concerned.
The balance of Account No.1101200, Revolving Fund Cash (Legacy Account No. 1130), of the applicable fund or funds will show the amount advanced.
Employees are prohibited from authorizing revolving fund checks payable to cash or themselves. (See SAM Section 7280 for separation of duties.)
See SAM Sections 8072 and 8493 for cash shortages. See SAM Section 7922 for reconciliation of the revolving fund.

**Cash Book**

The revolving fund Cash Book is the amount of revolving fund cash in the agency/department's checking account. The agency/department records a revolving fund receipt (replenishment) as a debit and a check payment as a credit. See the 8150 Illustration for an example of the revolving fund Cash Book.

**Receivables Ledger**

The Receivables Ledger should include employee names, dates, and amounts issued for revolving fund advances. The Receivables Ledger should also record revolving fund reimbursements to identify the receivable balance for each employee.
Agencies/Departments will debit or credit receivable accounts as follows:
Table content available in source manual.

## RECEIPTS AND DISBURSEMENT VOUCHERS - 8150.1

Agencies/Departments will prepare receipts for reimbursements received by the revolving fund in accordance with SAM Section 8020.
Revolving Fund Disbursement Vouchers form, STD 438, will be made only if the vendor does not provide invoices for these purchases. The agency/department can prepare the STD 438 as a carbon copy of the revolving fund check. These vouchers for payments by revolving fund check are used in place of invoices in reimbursement claims filed with the State Controller's Office.
Agencies/Departments will not require employees to sign for receipt of revolving fund checks. See SAM Section 8112 for cash purchase fund disbursement vouchers.
Revised and renumbered from 8140

## SHORTAGES, REPLENISHMENT, AND REPORTING REQUIREMENTS - 8150.2

An agency/department's revolving fund may consist of change funds, cash purchase funds, or cash payment funds. For a description of the cash overages, see SAM Section 8070.

**Shortages**

A cash shortage represents any moneys due to the state. Agencies/Departments shall follow the collection procedures outlined in SAM Section 8293. Agencies/Departments shall establish an account receivable due from the custodian when identifying any cash shortages. Agencies/Departments shall prepare a Revolving Fund Disbursement Voucher form, STD 438, for the shortage, and issue a revolving fund check to reimburse the cash fund for the shortage. For the entry to record cash shortages, see SAM Section 10507.

**Replenishment**

Agencies/Departments must submit any revolving fund deficiencies to the Department of Finance, Office of State Audits and Evaluations (OSAE). The Director of Finance may approve replenishment from an existing appropriation that an agency/department designates for a deficiency or shortage in the revolving fund.
The revolving fund shall be made whole upon the receipt of moneys to replenish the cash shortage. To request replenishment, agencies/departments must complete a Claim for Reimbursement form, STD 27A. If an internal audit unit exists within the agency/department, the head of the audit unit must review and sign the claim. Agencies/Departments shall perform the following to submit a revolving fund deficiency claim for reimbursement for cash shortages:

- For an individual deficiency (shortage) of $1,000 or more, or multiple deficiencies claim which totals $2,500 or more, agencies/departments must submit an original and one copy of the STD 27A to OSAE. If approved, OSAE will return the STD 27A to the agency/department for submission to the State Controller's Office (SCO) through the manual claim process. The claim shall only include the deficiency claims. The SCO may pay the claim from an existing appropriation that the agency/department designates on the claim face sheet.

- For an individual deficiency of less than $1,000 or multiple deficiencies claim which totals $2,499.99 or less, agencies/departments are delegated the authority to submit the STD 27A directly to the SCO. Agencies/Departments shall present the STD 27A through the manual claim process. The claim shall only include deficiency claims. The SCO may pay the claim from an existing appropriation that the agency/department designates on the claim face sheet.

- For a deficiency in any amount for which the canceled check is not available or for a deficiency resulting from an unresolved SCO claim correction, agencies/departments must submit the STD 27A to OSAE. The processing of these types of claims is the same as that for an individual deficiency of $1,000 or more.

**Reporting Requirements**

Agencies/Departments shall prepare and submit a report of revolving fund deficiency claims for reimbursements each fiscal year. If no claims were filed during the fiscal year, the report shall contain the statement:

"No claims for reimbursement were filed during the fiscal year."

If claims were filed, the report shall detail the disposition of all claims for reimbursement. Agencies/Departments shall submit the report to OSAE, by September 30 and must include the following information:

- Agency/Department Name
- Report Title
- As of June 30, XXXX
- Claim number, date filed, claim amount, and date paid
- The amount of each Claim for Reimbursement
- The reason for each deficiency

An employee at the level of, or above, the accounting office manager must sign the report, and the report must contain the following certification:

I certify under penalty of perjury that the foregoing is true, correct, and complete. Subscribed and executed this_____ ____day of_____, XXXX.

OSAE will return any disallowed claims for reimbursement to the agency/department. Agencies/Departments should submit disallowed claims to the Department of General Services, Office of Risk and Insurance Management in accordance with the legislative claim process. For a description of the legislative claim process, see SAM Section 8493.

## ENDORSEMENTS - 8160

Pursuant to Government Code section 17050, any person authorized to make payments from a revolving fund may perform the following without requiring a power of attorney from the employee:

1. Endorse an agency check or a State Controller's Office warrant payable to an employee owing money to the department's revolving fund.
2. Deposit the check or warrant into the revolving fund as reimbursement.
3. Pay any remaining balance to the employee.

Departments shall not deposit salary warrants before their issue date. The State Treasurer's Office (STO) accepts salary warrants only on or after the issue date.

The STO authorizes the use of the following endorsement when endorsing a check or warrant, pursuant to Government Code section 17050:

_____
(Name of Payee)

By _____
(Title and Department)

Attorney in fact
Under the provision of California
Government Code section 17050

Departments will follow the above endorsement with the endorsement used to deposit checks and warrants in the centralized State Treasury System. For an example of the endorsement, see SAM Section 8034.1.

For information on deposits of erroneous warrants in the revolving fund, see SAM Section 8034.3.

TRACKED CHANGES VERSION

## CLAIMS - 8170

Agencies/Departments will process purchase and expense claims in accordance with the general instructions in SAM Section 8422.100.

There are two methods available to reimburse an agency/department's revolving fund through the claim process:

**Reimbursement claim**: Agencies/Departments will prepare a Claim Schedule form, STD 218 (Continuous), and a Remittance Advice form, STD 404C and enter their revolving fund as the payee on the face sheet. The State Controller's Office (SCO) will issue a warrant payable to the agency/department for the amount of the claim schedule. The agency/department will deposit the warrant into their checking account to reimburse the revolving fund.

**Replenishment claim:** Agencies/Departments will use a Replenishment Claim Schedule (Treasury Trust) form, STD 219TT, or an STD 218 (Continuous) and will enter their checking account number as the payee on the face sheet. The SCO will transfer the amount of the claim to the agency/department's checking account. Agencies/Departments will receive a journal entry (TC-48), which charges their appropriation and increases their checking account to replenish the revolving fund. The document number of the journal entry is the claim number. The monthly bank statement will list the journal entry number as a deposit.

For both types of claims, agencies/departments will submit the appropriate invoices and vouchers to the SCO, Division of Audits, Claim Audits Section. The revolving fund check numbers can be either listed on the claim schedule face sheet or posted on each invoice or voucher. Both forms are available from the Department of General Services' website at https://forms.dgs.ca.gov.

Table content available in source manual.

Agencies/Departments must provide information to the Franchise Tax Board when an agency/department's revolving fund makes a reportable payment. See SAM Section 8422.19.

# Chapter - 8200

Sections for Chapter 8200

| Section | Subchapter |
|---|---|
| INTRODUCTION | 8200 |
| GENERAL POLICY AND MANAGEMENT RESPONSIBILITY | 8201 |
| REVENUE | 8210 |
| REVENUE AND OPERATING REVENUE ACCOUNTS | 8213 |
| RECORDING REVENUE AND REIMBURSEMENTS COLLECTED IN ADVANCE | 8216 |
| RECORDING ACCRUALS – INCOME AND TRANSFERS | 8217 |
| REFUNDS OF REVENUE | 8240 |
| OVERPAYMENTS AND UNDERPAYMENTS | 8241 |
| ESCHEAT REVENUE - STATE CONTROLLER'S WARRANTS | 8281 |
| MISCELLANEOUS UNCLAIMED TRUST DEPOSITS | 8283 |
| INCOME FROM INVESTMENTS | 8284 |
| SUBROGATION RECEIPTS | 8285 |
| ACCOUNTING FOR AUDIT ASSESSMENTS | 8286 |
| REIMBURSEMENTS | 8287 |
| ABATEMENTS | 8288 |
| ACCOUNTS RECEIVABLE | 8291 |
| BILLING AND ACCOUNTING FOR RECEIVABLES | 8291.1 |
| PREVENTING DELINQUENT RECEIVABLES | 8292 |
| COLLECTING ACCOUNTS RECEIVABLE | 8293 |
| COLLECTING NON-EMPLOYEE ACCOUNTS RECEIVABLE | 8293.1 |
| COLLECTING EMPLOYEE ACCOUNTS RECEIVABLE | 8293.2 |
| COLLECTING FROM ANOTHER STATE AGENCY/DEPARTMENT | 8293.3 |
| OFFSET PROCEDURES | 8293.4 |
| DISCHARGING UNCOLLECTIBLE AMOUNTS AND WRITE OFF PROCEDURES-NON-EMPLOYEE ACCOUNTS RECEIVABLE | 8293.5 |
| RECONCILING AND REPORTING RECEIVABLES | 8294 |
| RECLASSIFYING OR ADJUSTING RECEIVABLES | 8295 |
| YEAR-END PROCEDURES | 8296 |

| | |
|---|---|
| GASOLINE TAX REFUNDS TO STATE AGENCIES/DEPARTMENTS | 8297 |
| DAMAGES TO STATE PROPERTY OTHER THAN MOTOR VEHICLES | 8298 |
| BILLING FOR SERVICES OF EMPLOYEES PAID ON A MONTHLY BASIS | 8299 |


## INTRODUCTION - 8200

As used in this chapter, the term “income” refers to revenue, reimbursements, or abatements, and receipts not otherwise classified. Instructions in this chapter apply to income of all funds unless another accounting treatment is provided for by law or special instructions issued by the Department of Finance, Fiscal Systems and Consulting Unit (FSCU).

## GENERAL POLICY AND MANAGEMENT RESPONSIBILITY - 8201

Income and receivable transactions are closely related, and many of the policies address both types of accounts. State agency/department management must ensure that all receipts are processed and deposited timely. Income and receivables should be recorded timely, with the correct amounts, and in the proper accounts. Management should review and monitor income and receivables in a timely manner. Billed and collected receivables should be monitored and significant variances should be analyzed. In addition to the policies in SAM, agencies/departments must develop internal policies and procedures to ensure that amounts due to the state are correctly identified, tracked, managed, and collected on a timely basis.

## REVENUE - 8210

Revenues provide the major source of financing for the state. Generally, revenues are derived from taxes, licenses, fees, fines, and receipts from the federal government or investment earnings.

**General Revenue Recognition Policy**

Revenues of governmental funds are recognized on a modified accrual basis of accounting. Under this basis of accounting, amounts must be earned, measurable, and available. Measurable is the ability to quantify the amount of the revenue and receivable and available means the amount is collectible within the next fiscal year.

Government Code section 13302 requires that an agency’s/department’s system of accounting provide, with respect to the General Fund and other governmental funds as follows:

- For the accrual of revenues at year-end if the underlying transaction has occurred as of the last day of the fiscal year,
- The amount is measurable, and the actual collection will occur either during the current period or after the end of the current period but in time to pay current year-end liabilities.

The method to record revenues is as follows:

a. During the fiscal year, an agency/department may account for revenues on a cash basis as of the date the remittances are received or amounts transferred from other funds are determined to be earned. Agencies/departments can also record revenue accruals on a monthly basis if it is appropriate to do so as long as it is done consistently, and the accruals at year-end are in accordance with the revenue accrual policies in the State Administrative Manual.

b. At fiscal year-end, agencies/departments will accrue revenue earned whether billed or unbilled, but not collected as of June 30, if they are measurable and estimated to be received within the next fiscal year.

c. Amounts earned but not estimated to be collected within the ensuing fiscal year will be fully deferred and will not be accrued as revenue.

Revenues of proprietary and fiduciary funds are recognized on a full accrual basis of accounting. Under this basis of accounting, amounts must be earned, regardless of when collection occurs. See SAM section 13400.

**Revenue Recognition Criteria-When Cash Received is Considered Earned**

Unless otherwise provided, cash received is earned as follows:

1. Fees for an original or renewal registration, license, permit, or certificate are earned upon registration or issuance unless a renewal receipt is issued in a fiscal year which precedes the first day of the renewal year. Agencies/departments will account for the issuance of renewal receipts as follows:
    a. Credit the revenue account of the fiscal year in which the renewal receipt is issued if the renewal receipt is issued in the same fiscal year as the renewal year.
    b. Credit a revenue collected in advance account if the renewal receipt is issued in a fiscal year which precedes the first day of the renewal year.
2. An application fee, filing fee, or other fees which by law or administrative practice is not subject to refund is earned when the remittance is received.
3. A fee for a specific service is earned upon the performance of the service.

## REVENUE AND OPERATING REVENUE ACCOUNTS - 8213

The state uses a uniform coding structure to identify the revenue and operating revenue accounts used to record revenues and operating revenue from different sources. These accounts are listed in the Uniform Codes Manual (UCM).

See SAM Chapter 7600, Structure of General Ledger Accounts for a detailed description of the statewide general ledger accounts and legacy codes. Refer to SAM section 7660, Inflow of Resources, for specific guidance on revenue accounts.

Entries to revenue accounts will be made from various subsidiary records and source documents.

## RECORDING REVENUE AND REIMBURSEMENTS COLLECTED IN ADVANCE - 8216

Revenue and reimbursements collected in advance received on or before June 30, but not earned as of that date will be accounted as revenue or reimbursement of the fiscal year in which it is earned. On or after July 1, an entry will be made crediting revenue or reimbursements account and debiting unearned revenue or unearned reimbursements.
If unearned revenue or unearned reimbursement is remitted to the State Treasury before July 1 of the fiscal year in which it is earned, it will be recorded as Account 2050000- Unearned Revenue or Account 2052000-Unearned Reimbursements (Legacy Accounts 3410, 3420, and or 3430). On or after July 1 of the fiscal year in which revenue and reimbursement so remitted is earned, agencies/departments will request the State Controller's Office (SCO) to transfer the applicable amount to the appropriate Revenue, Operating Revenue account, and or Reimbursements account.

## RECORDING ACCRUALS – INCOME AND TRANSFERS - 8217

New section and renumbered from sections 8290, et seq.

In addition to the revenue accruals described in SAM section 8210, the following accruals should be recorded.

**Interest on Investments**

Interest earned as of June 30 on investments will be recorded in accounts receivable and accrued as revenue as of that date. Interest earned by funds not used in their entirety by one agency/department will be recorded only by the State Controller's Office. Agency/departments that use funds in their entirety will record interest earned by such funds in the manner prescribed in SAM section 8284.

**Interest on Loans**

Interest earned as of June 30, but not received on loans to other funds, other governmental and external entities will be recorded in accounts receivable and will be accrued as of that date. For inter-fund loans, the agency/department recording the interest revenue will inform the borrowing agency/department of the amount it is to accrue as an expense of the fiscal year just ended.

**Interfund Transfers**

Amounts transferable as of June 30 and revenue that can be accrued as of June 30 but will be transferred to other funds when collected will be accrued to Account 6xxxxxx-Transfers (Legacy Account 9811 and 9812). Operating Transfers Out is the transferor fund and Operating Transfers In, by transferee fund.

**Accrual Reversal in the New Year**

As of July 1 each year, amounts accrued as of June 30 will be reversed as follows:

1. The full deferral will be re-established on accounts receivable adjusted in accordance with SAM section 8296, Year-End Procedures.
2. The net offsetting amount required in this reversing entry will be applied to Account 4180100- Prior Year Revenue Adjustments (Legacy Account 9892). See SAM section 10611, Entry A-9R, Entry A-9 Is Semi-Reversed.

## REFUNDS OF REVENUE - 8240

When payments collected and deposited by an agency/department are subsequently determined to be erroneous or excessive, the agency/department may refund the overpayment. Refund claims typically occur when the public has either overpaid for licenses, fees, or services or does not qualify to receive a service. These funds shall be returned to the payer. Refunds of amounts that were remitted in a previous fiscal year or as prior year revenue shall be filed against the prior year revenue account. Refunds of amounts that were remitted in the current fiscal year as current year revenue shall be filed against the current year.

**Issuing a Refund**

Government Code sections 13140-13144 permit refunds of erroneous amounts for any fee or excess payment. Refunds shall be made from one of the following:

- Any unremitted balance of receipts of the same nature in the agency/department's checking account.
- The revenue account in the fund where the original receipt was credited.

When possible, agencies/departments using FI$Cal shall follow the standard voucher process.

**Claims in Excess of $10,000 Made from a Revenue Account**

Prior to submission to the State Controller's Office, agencies/departments must obtain approval from the Finance Budget Analyst for individual refund claims in excess of $10,000 to be made from a revenue account. Agencies/Departments shall submit a PDF with a digitally certified signature of the written request on the agency/departmental letterhead with the required supporting documentation to the Finance Budget Analyst or mail the signed hardcopy to:

Department of Finance, IMMS A-15
Attn: Finance Budget Analyst
915 L Street
Sacramento, CA 95814

The request shall include all pertinent information to review and approve the request, such as:

- Agency/Department contact
- Fund
- Revenue account where the original receipt was credited
- Brief background/justification for the request, such as:
  - Reason for refund
  - Refund amount
  - When payer made the payment(s)
  - Government Codes, legal citations, budget authority (if applicable)

- Proof of payment, e.g., copy of cashed payer check(s)
- Applicable back-up documentation/calculation for refund

The request for approval shall include the following certification signed by an authorized agency/department officer:

> In accordance with Government Code sections 13140-13144, I hereby certify this claim is for a refund of an erroneous or excess payment, and sufficient funds exist for payment of this claim.

## OVERPAYMENTS AND UNDERPAYMENTS - 8241

An overpayment is when a payer's payment exceeds what is due or necessary. An underpayment is when a payer's payment is insufficient or less than what is due to the state. Below are the processes for handling overpayments and underpayments.

**Overpayments**

In accordance with applicable provisions of law, overpayments may be:

- Applied against other amounts due the state from the payers,
- Refunded automatically, or
- Held pending receipt of refund requests.

Government Code section 16302.1 permits state agencies/departments to remit overpayments of $10.00 or less to the Treasury as other taxes, penalties, interest, license, or other fees, or any other amount due to the state, subject to the right of the payer to make a claim for refund if otherwise authorized by law.

**Underpayments**

Government Code section 12438 authorizes state agencies/departments to refrain from collecting taxes, licenses, fees, and money owing to the state where the amount to be collected is $500 or less if the collection efforts have been exhausted, and all reasonable collection procedure do not result in payment. See SAM section 8293.5 for instructions regarding Discharging Uncollectible Amounts and Write off Procedures and 8293.1, Non-Employee Accounts Receivable.

## ESCHEAT REVENUE - STATE CONTROLLER'S WARRANTS - 8281

State Controller's Office (SCO) warrants that remain uncashed for one year will be canceled by the SCO and credited to an escheat revenue account in the fund from which they were drawn.

SCO warrants that have been returned as unclaimed and for which the claimant cannot be located will also be canceled and remitted to an escheat revenue account in the fund from which they were drawn.

Agencies/departments will maintain a ledger of all amounts credited to and disbursed from the escheat revenue accounts. Subsequent claims made by payees within two years of the date the warrant was canceled will be processed by filing a claim against an escheat revenue account.

For those amounts credited in the current fiscal year, the claim shall be filed against the current year escheat revenue account. For those amounts credited in a prior fiscal year, the claim shall be filed against the prior year escheat revenue account. The SCO will process the claims regardless of the balances in the escheat revenue accounts.

Expenditure claims made by payees more than two years after the cancellation date of the warrants will be processed in the same manner as claims against a reverted appropriation, see SAM section 8422.7, Invoice Payable from Reverted Appropriations. Revenue refund claims by payees more than two years after the cancellation date of the warrants will be processed in accordance with SAM section 8240, Refunds of Revenue.

## MISCELLANEOUS UNCLAIMED TRUST DEPOSITS - 8283

Unless otherwise provided by law, pursuant to Government Code section 16374, amounts of unclaimed money on deposit for two years in the unclaimed trust account of the Special Deposit Fund will be transferred by the State Controller's Office (SCO) to the General Fund. SCO will account for these transfers as General Fund revenue. Agencies/departments will not account for General Fund revenue arising from this source.

## INCOME FROM INVESTMENTS - 8284

Upon receipt of interest on investment securities, the State Controller's Office (SCO) will issue agencies/departments a receipt showing the amount of interest received and appropriate adjustments of the accrued interest purchased, premium, and discount. The agency/department will record the entry as of the date on the SCO receipt.

Early in July of each year, SCO will issue to agencies/departments adjusting journal entries to accrue income to June 30 of the prior year on both interest-bearing and noninterest-bearing securities. Agencies/departments will record these entries as of June 30.

(Separate arrangements have been made with departments accounting the State Compensation Insurance Fund, Legislators' Retirement Fund, State Employees' Retirement Fund, and Teachers' Retirement Fund.)

**Surplus Money Investment Fund**

Monies of various funds deposited in the State Treasury are transferred for investment purposes in the Surplus Money Investment Fund (SMIF). Interest on investments of the Surplus Money Investment Fund is apportioned to other funds quarterly by the SCO pursuant to Government Code section 16475. The administering agency/department for the funds receiving the interest will receive the SCO Notice of Transfer in the month following the end of the quarter. Upon receipt of the Notice of Transfer from SCO, agencies/departments will recognize the interest as revenue or operating revenue in the applicable funds, see SAM section 10532, Entry 32—Interest Earnings On Investments Of The Surplus Money Investment Fund And Condemnation Deposits Fund.

Agencies/departments will accrue the June 30 interest as described in SAM section 10605, Entry A-6, Receivables Due From Surplus Money Investment Fund and Condemnation Deposits Fund Are Accrued for Interest Earnings.

**Condemnation Deposits Fund**

Interest on investments of the Condemnation Deposits Fund is apportioned quarterly by the SCO pursuant to Government Code section 16429. Agencies/departments that have money deposited in the Condemnation Deposits Fund will account for interest

revenue transferred from that fund in the same manner as the Surplus Money Investment Fund.

## SUBROGATION RECEIPTS - 8285

(Revised and renumbered from 8775)
Subrogation is a legal right afforded to insurers (i.e., State Compensation Insurance Fund) to seek reimbursement for losses they have paid by billing or seeking legal action against the parties that caused the losses.
Pursuant to Labor Code Sections 3850–3865, the state may recover compensation benefits and other damages they have paid from a third party liable for the injury or death of a State employee. Amounts recovered by way of subrogation are the result of actions taken by the State Compensation Insurance Fund. Any amounts owing to employing agencies/departments will be credited to the proper appropriation as abatements. The restoration of leave credits to employee's records from third-party recoveries will be at the direction of the State Compensation Insurance Fund. See SAM section 8537.

## ACCOUNTING FOR AUDIT ASSESSMENTS - 8286

As a result of audit examinations, persons or other entities are often assessed amounts to be paid or returned to the state. Some statutes and/or administrative procedures provide for a period during which the audit finding may be protested. After resolving protests or after the protest period expires, the audit assessment becomes final.
Agencies/departments will establish a contingent receivable on the date the audit assessment is ready for formal communication to the entity/individual assessed. Once the audit assessment becomes final, reverse the contingent receivable and record as a valid receivable for the final amount. If the assessed amount is an abatement or reimbursement receivable, follow the instructions in SAM sections 8287, 8288, 10407, and 10408. Accrue revenue receivables per SAM section 8296, Year-End Procedures.

## REIMBURSEMENTS - 8287

Reimbursements are amounts received as a payment for the cost of services performed, or of other expenditures made for, or on behalf of, another entity (e.g., one department reimbursing another for administrative work performed on its behalf). Reimbursements represent the recovery of an expenditure. For budgetary purposes, reimbursements are generally available for expenditure up to the budgeted amount.
Unless otherwise provided by law, if the appropriation to which reimbursements is properly creditable has reverted, the credit will be to Refunds to Reverted Appropriations.

## ABATEMENTS - 8288

Abatements are specific types of receipts that are recorded as a reduction to an expenditure that has already been made. Examples of abatements include rebates from vendors for defective or returned merchandise, jury duty and witness fees, refunds from salary overpayments, and property damage or loss recoveries.
Unless otherwise provided by law, abatements should be credited to the appropriations from which they were drawn. If the appropriation to which an abatement is properly creditable has reverted, credit Refunds to Reverted Appropriations Account 5901000 (Legacy Account 9891) see SAM section 10473, Refunds To Reverted Appropriations.

## ACCOUNTS RECEIVABLE - 8291

(Revised 10/2020 and renumbered from 8776)

Accounts receivable (AR) is defined as a claim against a debtor, such as a person, business, or governmental entity for money owed to the state. A valid AR should be billed and recorded in the agency/department books in a timely manner.
Government Code section 13400-13407, State Leadership Accountability Act (SLAA) requires entity management to establish and maintain effective systems of internal controls. Proper controls over receipts and receivables include:

- Recording ARs accurately and timely
- Collecting ARs timely
- Reviewing the controls over ARs to ensure timely collections
- Using risk assessment, determine their vulnerabilities, and identifying the controls that are or should be in place. The risk assessment should include, but not be limited to, a review of the agency's/department's legal authority to impose fines and penalties.
- Ensuring that written policies and procedures are in place and followed to ensure that past due receivables are followed-up promptly and in a manner that is cost-effective. These procedures should include, but not limited to:
    - Collection procedures to be performed and a timeframe for completion of each procedure.
    - The roles and responsibilities for all staff involved in the process.
    - Supervisor and management review of delinquent accounts to ensure staff act timely on collection actions.

## BILLING AND ACCOUNTING FOR RECEIVABLES - 8291.1

(Content added from 8776)
**Billing for Receivables**
The invoice shall be sent to the debtor as soon as possible as practical and within 30 days after the event giving rise to the AR. When agencies/departments send an invoice or other form of a document requesting payment to the debtor, it must include, at a minimum, the following information:

- The name or description identifying the debtor
- Nature (description) of the event
- The dollar amount
- Where payment is to be made
- The expected due date for payment

To be considered a valid AR, the following common characteristics must be present:

- Legal authority exists to bill for the amount owed.
- Amount due is derived from an arithmetical calculation, schedule of fees, or other methods to arrive at the amount.
- Sufficient documentation exists to support the AR. For example, the agency/department must have the debtor name and an invoice or other document identifying the amount owed.

**Accounting for Receivables**
Agencies/departments should follow the guidelines below for accounting for ARs:

- Record ARs promptly and accurately within 30 days following the occurrence of the event that gave rise to the AR.
- For employee payroll ARs, establish procedures for the agency's/department's human resources unit to notify the accounting unit within the 30-day guideline for recording ARs.
- ARs are recorded based on receipt classification and type of debtor. The most common types of receipt classifications are abatements, reimbursements, and revenues. See SAM sections 7620 and 10407 - 10416 for general ledger account descriptions and 10506 for the standard journal entry. Agencies/departments must ensure proper recordkeeping is maintained. All efforts made toward the collection of receivables should be documented to include the dates and types of collection efforts (e.g., letters, offset, phone calls, e-mails). AR source documents (e.g., invoices), and documentation of collection efforts, payments, and any adjustments should be retained for at least four years after the receivable has been paid.

Government Code section 16302.2 provides that "Upon approval of the Director of Finance, any state agency with respect to any amount required to be shown on any form prescribed by the agency, or any amount of credit or refund, or any amount to be collected as a deficiency or underpayment of any tax, penalty, interest, license or other fee, or any other payment, may provide by regulation for the disregard of the fractional part of a dollar, unless it amounts to fifty cents ($0.50) or more, in which case it shall be increased to one dollar ($1)." Requests for approval should be sent to Finance, FSCU.

**Contingent ARs**
Contingent ARs are those ARs for which there is some uncertainty of the legal obligation but have a prospect of a favorable settlement. Generally, a contingency involves some future determination, e.g., judgment or settlement. Contingent ARs will be recorded in the accounting records at the time the AR arises to debit 1209400- Contingent Receivables (Legacy Account 1380) and Credit 1290000-Provision for Deferred Receivables (Legacy Account 1600).
Contingent ARs will be reversed if reclassified to another AR-type (e.g., AR- Revenue). This may occur when either a judgment or settlement is made or the disputed amount has been finalized. Also, it may be appropriate to reclassify an AR to a contingent AR. Such reclassification should be based upon the degree of uncertainty associated with the validity or amount of the AR. The reclassification should not be based solely on a debtor's action to contest an AR.

## PREVENTING DELINQUENT RECEIVABLES - 8292

Accounts Receivables (ARs) shall be considered delinquent if payment is not received by the due date. Agencies/departments may also consider the postmark date to determine if an AR is delinquent and shall be subject to collection procedures. Agencies/departments shall develop and implement procedures to adopt best practices to prevent delinquent receivables and ensure that receivables are collected in a timely fashion. A list of collection best practices are provided below:

1. Impose penalties, late fees, and interest charges as both a preventative and collection tool. The knowledge that agencies/departments can add additional fees may act as a deterrent.
    a. When preparing invoices/billing notices, agencies/departments should identify on the invoice/billing notice potential consequences of not paying timely, such as additional fees that may be incurred. Government Code section 16583.1 of the Accounts Receivable Management Act authorizes agencies/departments to impose a reasonable fee, not to exceed the actual costs, to recover the collection costs on a past due account.
    b. Utilize the agency/department's statutory authority, if any, to assess penalties, late fees, or interest on past due accounts.
    c. Impose a dishonored check fee. Government Code section 6157 authorizes the state to assess a fee for dishonored checks. Each agency/department determines the fee, not to exceed the actual cost to recover the processing and collection costs. See SAM section 8043.1, Dishonored Check Charge.
2. Obtain upfront payments before goods or services are provided, for example, permit, license, etc.
3. Make payment options as convenient as possible. Allow payments by credit cards and debit cards. Additionally, agencies/departments can utilize online secure electronic payment systems and local 24-hour drop boxes (e.g. USPS, Fed Ex drop box).
4. Use prepayment as an option when the agency/department provides reimbursable services to another agency/department. The terms of the advance payment must be specified in the reimbursable services contract between the agencies/departments. See SAM section 8453.
5. Agencies/departments should verify the driver's license/identification number exists on a pre-printed check, and whatever possible, verification of payment clearance should occur prior to providing goods or services.

## COLLECTING ACCOUNTS RECEIVABLE - 8293

Agencies/Departments shall immediately notify debtors and collect amounts owed to the state in the most effective and efficient manner. Agencies/Departments should have written policies and procedures in place to ensure that past due receivables are addressed promptly and in a manner that is cost-effective to the state as outlined in SAM Section 8291.

Accounts receivable (AR) collection procedures differ depending on the customer type of the receivable. The procedures are specified in the following SAM sections:

- Recovery Of Outstanding Travel Advances – SAM Section 8116.1.
- Collecting Non-Employee Accounts Receivable - SAM Section 8293.1.
- Collecting Employee Accounts Receivable - SAM Section 8293.2.
- Collecting From Another State Agency/Department - SAM Section 8293.3.

ARs include revolving fund advances issued to employees. The longer ARs and revolving fund advances remain outstanding, the greater the risk they may become uncollectible, resulting in the loss of state funds.

If an AR is from a separated state employee, agencies/departments shall follow the collection procedures for non-employee ARs. Agencies/Departments shall submit a Personnel Action Request form, STD 680A, to the State Controller's Office, Personnel and

Payroll Services Division (PPSD), and request notification if the separated employee reenters state service. For information on payroll accounts receivable recovery from separated employees, see SAM Section 8593.3.

**Collection Best Practices**

Agencies/Departments should use collection best practices that are cost-effective and consistent with their program goals and legal authority. Below are collection best practices to use when practical:

- Obtain identification numbers from customers when possible (e.g., federal identification number, driver's license number, or other taxpayer identification number).
- Contact the debtor as soon as the debt is due, but no later than 30 days.
- Send an invoice and three separate notices of nonpayment (i.e., dunning letters). The agency/department should send the first notice within 30 days of when the receivable arises and the remaining notices at 30-day intervals. Agencies/Departments may send notices at intervals sooner than 30 days if it improves the chances of receiving payment. The notices should include the potential consequences of not paying timely.
- Consider a payment plan that allows debtors to pay back their debt over time when the debtor is unable to pay in full.
- Withhold permits/licenses/registrations until outstanding receivables are paid.
- Offset amounts owed to a debtor by using it to pay outstanding receivables. For information on offset procedures, see SAM Section 8293.4.
- Consult with the agency/department legal staff to determine if legal action is appropriate and cost-effective.
- Consider using private collection agencies to supplement collection efforts if it is more cost-effective than internal collection efforts.
- Allow debts to be paid through electronic payments (e.g., credit cards, debit cards, and other online methods) when feasible.

**Statute of Limitations**

The statute of limitations to collect on different types of receivables varies. Agencies/Departments should be aware of the statute of limitations to collect on their specific receivables and monitor outstanding debts to allow sufficient time to conduct thorough collection efforts.

## COLLECTING NON-EMPLOYEE ACCOUNTS RECEIVABLE - 8293.1

(Revised and renumbered from 8776.6)
Agencies/department will follow the collection procedures and guidelines for amounts owed to the state from non-employees. These procedures are in accordance with the Accounts Receivable Management Act as provided in Government Code sections 16580-16586. Some agencies/departments may find it necessary to expand these procedures to fit their particular circumstances.

**Locating Debtor**

When the address of the debtor is unknown, agencies/departments will attempt to obtain a current address by using any of the following methods:

- Use the internet and/or a data research service.
- Perform a cost-benefit analysis to determine if procuring services to locate debtors would be cost-beneficial.
- Request the debtor's address from the Department of Motor Vehicles by completing a Gov't Agency Request for Driver License/Identification Record Information form, INF 254. For this alternative, the debtor's date of birth or driver's license/identification number is required.

**Collection Letters**
Three documented letters should be made to collect on non-employee delinquent accounts. However, agencies/departments have the option of making one documented letter before proceeding to the discharge of accountability process for non-employee accounts receivable of $25 and under. This threshold applies to the total amount owed by the debtor, not to each invoice. An agency/department will send a sequence of three collection letters at a minimum of 30-day intervals.

- If a reply or payment is not received within 30 days after sending the first letter, the department will send a second letter. This follow-up letter will reference the original request for payment letter and will be stated in a stronger tone.
- If a response is still not received from the debtor, a third letter will be sent 30 days later. This last letter will include references to prior letters and will state what further actions, including collection fees, may be taken in the collection process.

**Collection Fee**
Government Code section 16583.1 allows agencies/departments to charge a reasonable fee, not to exceed the actual costs incurred by the department, to recover the department's collection costs on past due ARs. If an agency/department plans to recover costs pursuant to this section, departments should consider actual costs incurred, including, but not limited to, staff time to send out collection letters, postage, equipment costs, and contingency fees for private collectors. The fee should be recorded in revenue Account 4171000, Cost Recoveries-Delinquent Receivables (Legacy source code 162100).
**Collection Actions Review**
If the three collection letters are unsuccessful, agencies/departments will prepare a cost benefit analysis to determine the most efficient and effective collection method by initiating one or more of the following actions:

1. Offset Procedures—an offset, is the interception and collection from amounts owed by other state departments to the debtor. For more offset information, see SAM section 8293.4.
2. Court Settlements—there may be instances where it would be cost-effective for departments to seek court judgments against debtors. Agencies/departments should consider the possibility of filing an action in small claims courts. For larger sums, department counsel should be consulted for advice.

**Collection Agencies**
Agencies/departments may consider contracting with another department that has a collection unit or with an outside collection agency.

- The State Contracting Manual, the Public Contract Code section applicable to contracts for services, and Government Code section 19130 should be reviewed when a department is considering contracting with a collection agency. Any contract made with a collection agency must specify that all funds collected on behalf of an agency/department will be remitted to that department. The collection agency can then be paid in one of several ways for its services - by a set fee per collection, on an hourly basis, or on a percentage basis, in arrears, based on services rendered.

- Prior to assigning the debt to a collection agency, agency/departments are required by law to notify the debtor in writing at the address of record that the alleged AR debt will be turned over for private collection unless the debt is paid or appealed within a specified time period.

- Sale of ARs—Agencies/departments are authorized to sell ARs to private persons or entities. Agencies/departments will record the net income from the sale in their accounting records. Specific accounting entries for the sale of ARs are detailed in SAM section 10536.

- Prior to selling the debt, agencies/departments are required by law to notify the debtor in writing, at the address of record, that the alleged AR debt will be turned over for private collection unless the debt is paid or appealed within a specified time period.

Agencies/departments will select the collection actions that are likely to generate the highest net income and do not compromise future state income collections. In addition, agencies/departments should consult with the Franchise Tax Board or any other state agency/department that has successfully established an effective AR collection system to develop methods for improving their collection rate.

## COLLECTING EMPLOYEE ACCOUNTS RECEIVABLE - 8293.2

Government Code (GC) section 19838 requires reimbursement to the state for overpayments made to employees. Employee overpayments can arise from revolving fund salary and travel advances issued by agencies/departments and payroll warrants issued by the State Controller's Office (SCO). For procedures on the recovery of outstanding travel advances, see SAM Section 8116.1.

For the purposes of this section, an amount owed to the state by an employee (i.e., an accounts receivable [AR]) is the equivalent of an overpayment. Agencies/Departments should use the following collection procedures, when applicable, to collect ARs due from employees.

Agencies/Departments shall initiate collection efforts (e.g., written notification of overpayment to the employee, withholding amounts owed to the state from an employee's final separation pay) within three years from the date of overpayment to collect, as provided in these procedures.

**Employee Overpayment Notification:** Agencies/Departments shall provide written notification to employees of overpayments. The overpayment notification should include the following items:

- Amount due
- Pay period affected if the overpayment relates to salary
- Reason for overpayment
- Response time afforded to the employee prior to collection action
    - Agencies/Departments will give the employee 15 calendar days to respond, orally or in writing. If the employee cannot be reached (e.g., vacation, sick leave, out-of-town assignments), the time afforded to the employee to respond should be adjusted accordingly.
    - Agencies/Departments will document and maintain the employee's response.
- Optional: proposed repayment plan and method of collection

**Employee Repayment:** Agencies/Departments shall negotiate a repayment plan acceptable to both parties. Repayments may be made by the following:

- Cash or check
- Payroll deduction installments to cover at least the same number of pay periods in which the overpayment occurred. When overpayments have continued for more than one year, agencies/departments may require full payment over the period of one year.
    - Payroll deduction to repay overpayments shall not exceed 25 percent of the employee's net disposable (i.e., gross minus mandatory deductions) monthly or semi-monthly salary, except from separating employees, as provided below. Mandatory deductions include taxes and garnishment/levy. For a complete listing of mandatory deductions, see the SCO Payroll Procedures Manual.
- The adjustment of appropriate leave credits or compensating time off, provided that the overpayment involves the accrual or crediting of leave credits (e.g., vacation, annual leave, or holiday) or compensating time off.

An agreed repayment plan must be in writing and signed by the employee. The signature block will include a statement similar to the following:

"I agree to the repayment schedule described above and acknowledge the gross amount set forth as a legitimate debt owed by me to the state."

If the employee does not agree to repay an overpayment or does not respond to the written overpayment notification by the afforded time, agencies/departments will collect overpayments in the manner set forth in the SCO Payroll Procedures Manual.

Collective Bargaining Unit contracts (e.g., Memorandums of Understanding) for represented employees may contain overpayment collection provisions. The provisions of these contracts supersede any other collection procedures. Agencies/Departments should review contracts carefully to identify overpayment collection provisions. For a listing of the contracts, see the California Department of Human Resources website.

**Separating Employees:** For separating employees, it may not be possible to provide written notification regarding overpayments. GC section 19838 authorizes the state to withhold an amount sufficient to provide full repayment to the state from an employee's final separation pay. For information on separating employee salary warrants, see SAM Section 8580.4.

**Revolving Fund Salary Advance in Lieu of an SCO Warrant:** These collection procedures do not affect procedures for the collection of revolving fund salary advances in lieu of an SCO warrant when the advance and warrant are in the same pay period. However, if the revolving fund advance is from a different pay period than the SCO warrant, the agency/department must follow the procedures outlined above. For information on salary advances, see SAM Sections 8118 and 8595.

**Replenishment of Revolving Fund for Salary and Travel Advances:** If an employee separates from state service and collection efforts are unsuccessful, agencies/departments must replenish their revolving fund for the uncollected advances. To request replenishment, agencies/departments must complete a Claim for Reimbursement form, STD 27A. For information on revolving fund replenishment, see SAM Section 8150.2.

These collection procedures do not apply to separated employees (for information on collecting non-employee ARs, see SAM Section 8293.1) or collection procedures for Industrial Disability Leave overpayments.

## COLLECTING FROM ANOTHER STATE AGENCY/DEPARTMENT - 8293.3

Pursuant to Government Code section 11255, an agency/department that provides services to another agency/department may recover outstanding receivables by submitting a transaction request to the State Controller's Office (SCO) through the Transaction Request Intake System (TRIS) to transfer funds from the debtor agency/department. This option shall be used on a limited basis, and only when the following conditions are met:

- The invoice was not paid by the requested due date.
- Nonpayment provisions are included in the interagency agreement between the agencies/departments.
- The invoice has not been disputed.
- A 30-day notice has been provided to the debtor agency/department that a transfer of funds will be initiated for nonpayment.

**Interagency Agreements Language**

Agencies/Departments will include the following when preparing interagency agreements:

- Specify the process for nonpayment.
- Cite Government Code section 11255 as the authority for processing a transaction request.
- The agency/department receiving the services (or debtor agency/department) shall provide the appropriation to charge if payment is not made timely.
    - The appropriation data must include the fund number, organization code, fiscal year, reference, and category or program. If applicable, element, component, and task.

It is the responsibility of the agency/department providing the services to ensure that no disputes exist before submitting a transaction request to the SCO.

**Submission Requirements to the SCO**

Agencies/Departments shall provide the following information when submitting transaction requests through TRIS:

- The debtor agency/department's appropriation data to charge, as identified in the interagency agreement.
- The initiating agency/department's appropriation data to credit the payment.
- A copy of the interagency agreement.
- A copy of the notification sent to the debtor agency/department informing them of the pending transfer.
- Applicable invoice(s)
    - If there are more than five invoices, a summarized list of invoice numbers and details may be submitted in lieu of the full invoice copies.

- Include the items below in the Legal Authority/Reason for Request box:
    - Legal authority for initiating the transfer: Government Code section 11255.
    - Interagency agreement number.
    - Invoice numbers and dollar amounts for which the agency/department is requesting a transfer. If the list is long, include an attached table with the invoice numbers, amounts, and appropriation string. Include the language "See attached" in the legal authority.

## OFFSET PROCEDURES - 8293.4

(Revised and renumbered from 8790)

Offsetting is the process where an amount owed to a debtor is used to pay an outstanding account of the debtor. Before offsetting, agencies/departments must ensure collection procedures have been followed in accordance with SAM section 8293.1, and agencies/departments must notify the debtor and provide them with an opportunity to present any valid objection to use the offset procedure.

The different types of offsets available to state agencies/departments are:

**Internal Offsets Within an Agency/Department**

Agencies/departments should collect outstanding advances from separating employees by offsetting their final paycheck from the agency/department. Similarly, when a vendor has both a credit invoice and an overdue receivable, the credit invoice that may otherwise create a refund should be offset by the amount the vendor owes to the agency/department.

**Franchise Tax Board (FTB) Intercept Program**

Individuals who have outstanding debts to the state may also receive FTB refunds, California State Lottery winnings, or Unclaimed Property. FTB has an Interagency Intercept Collections Program to intercept or "offset" these funds and pay the individuals' debts to participating departments if departments have a social security number for the debtor. This collection method should be used after three collection letters have not resulted in payment.
For more information regarding this program, departments may contact the FTB Interagency Intercept Collections Unit at (916) 845-5344.

**Offsets Against Payments Among Agencies/Departments**

The taxing departments (FTB, California Department of Tax and Fee Administration, and the Employment Development Department) regularly offset refunds for outstanding debts among taxing agencies/departments. Non-taxing agencies/departments that become aware that another state agency/department will be issuing payment to a debtor that owes their department should contact the other department to initiate the offset of the payment. The agency/department issuing payment will reduce (offset) the payment by the amount owed to the debtor agency/department. A separate no warrant claim schedule should be submitted for the offset amount to transfer that amount to the debtor agency/department.

**Offsets Against Payments to Local Governments**

The State Controller's Office (SCO) allocates money to cities and counties. These payments may be offset in limited situations. The majority of these payments are for specific purposes, for example, highway funds and public safety, and any request to offset these payments must be for the same purpose. Any agency/department requesting an offset must provide documentation to the SCO, demonstrating the agency/department meets the provisions of SAM section 8293.1. Each offset will be reviewed on a case by case basis by the SCO. For assistance in determining if offsets are feasible, agencies/departments may contact the SCO, Local Government Programs and Services Division at LGPSDLAS@sco.ca.gov.

## DISCHARGING UNCOLLECTIBLE AMOUNTS AND WRITE OFF PROCEDURES-NON-EMPLOYEE ACCOUNTS RECEIVABLE - 8293.5

Agencies/Departments may pursue collections until the statute of limitations expires. If all reasonable collection procedures do not result in payment, agencies/departments may request discharge from the accountability of uncollectable amounts due from private entities from the State Controller's Office (SCO). Agencies/Departments will review the accounts receivable (AR), no less than quarterly, to identify receivables for discharge. Discharging the receivables relieves the agencies/departments from pursuing collections; however, it does not relieve the debtor from the obligation. Agencies/Departments may continue to receive payments on the discharged debts.

**Discharging ARs $500 and Under**

Pursuant to Government Code section 12438, agencies/departments are not required to collect amounts of $500 or less if the collection efforts have been exhausted, and all reasonable collection procedures do not result in payment. However, this does not release the debtor from the debt owed to the state. For collection best practices and procedures, see SAM Section 8293. The $500 limitation applies to the total of all amounts owed by the debtor, not to each invoice. Agencies/Departments are not required to submit an Application for Discharge from Accountability form, STD 27, to the SCO for approval for amounts less than $500.

**Discharging ARs Over $500**

Agencies/Departments are required to submit the STD 27 to the SCO to request discharge of debtor amounts over $500 owed to the state. Discharge from accountability of uncollectible amounts of more than $12,500 will be filed separately from applications for amounts of $12,500 or less. The $12,500 amount applies to the total of all amounts owed by the debtor, not to each invoice. A manager of the accounting office should authorize the STD 27.

The STD 27 shall include:

- Agency/Department's information.
- Debtor's name and claim amount.
- Statement of the nature of the amount due.
- List of specific collection efforts made and estimated cost of further collection.
- Any other fact(s) supporting the request, including offset attempts. For information on offset procedures, see SAM Section 8293.4.
- If the discharge from accountability is due to bankruptcy, the supporting documentation must include a copy of the court's final discharge of the debtor and evidence that the specific agency/department is included in the petition for bankruptcy.
- Signature, email address, phone number, printed name, and title of the person completing the STD 27.
- Signature, email address, phone number, printed name, and title of the manager authorizing the STD 27.

Upon submission of the STD 27 to the SCO, agencies/departments will defer the AR if the AR is recorded in an account other than Account No. 1209900, (Legacy Account No. 1319) Accounts Receivable-Other. The agency/department will remove the receivable from the current receivable account and re-establish it in Account No. 1209900, (Legacy Account No. 1319) Accounts Receivable-Other with an offset to Account No. 1290000, (Legacy Account No. 1600) Provision for Deferred Receivables.

The agency/department will record an accounting entry to write off the receivable after the SCO approves the STD 27. For information on how to record the write-off of accounts receivable, see SAM Section 10509.

The California State Universities must refer to Education Code section 89750.5 for application limitations.

## RECONCILING AND REPORTING RECEIVABLES - 8294

Accounts Receivables (ARs) should be recorded in a manner that allows for aging analysis. The account balances of all receivables should be classified by the amounts due or past due by varying lengths of time that will allow agencies/departments to monitor and manage receivables. All agencies/departments are required to complete accounting, aging analysis, and reconciliation of receivables outstanding at the end of the month.
Agencies/departments should manage their receivables by following the guidelines below:

- Reconcile detailed accounts receivable subsidiary amounts with the general ledger control totals.
- Reconcile cash receipt postings to accounts receivable subsidiary records.
- Review and reconcile the employee ARs recorded in the agency's/department's books to the State Controller's Office (SCO) record.
- Review and reconcile ARs maintained in departmental records (e.g., program records, payroll records, etc.) with the accounting records.
- Prepare AR reconciliations monthly within 30 days of the preceding month.
- Review AR reports monthly to ensure there is ongoing collection activity.
- Ensure proper recordkeeping by documenting all efforts made toward the collection of receivables. Documentation should include the dates and types of collection efforts (e.g., letters, offset, phone calls, e-mails).
- AR source documents (e.g., Invoices), documentation of collection effort, and documentation of payments and any adjustments should be retained for at least four years after the receivable has been paid.

Government Code section 16583.2 requires an agency/department to submit accounts receivable information to the SCO detailing its accounts receivables. The detailed instructions are posted on the SCO website under the Accounts Receivable Reporting section.

## RECLASSIFYING OR ADJUSTING RECEIVABLES - 8295

Agencies/departments must perform an analysis of their Accounts Receivables (AR) to verify the correct amounts are recorded. ARs should be reclassified or adjusted in certain situations:

- Legal authority does not exist to bill for the amount owed.
- Sufficient documentation does not exist to substantiate the AR (e.g., debtor name and an invoice or other document identifying the amount owed).
- The validity or amount of the AR is disputed.

Agencies/departments may reclassify, increase, or decrease the amount of an AR to correct the classification or amount owed by making an adjusting entry with an appropriate description of the reason for the adjustment.

**Reclassifying ARs When an Appropriation Reverts**

Agencies/departments must reclassify the existing ARs when an appropriation reverts and is not cleared by June 30 to Account 1209900-AR-Other (Legacy Account 1319) and offset by Account 129000-Provision for Deferred Receivables (Legacy Account 1600). See SAM section 10603.

## YEAR-END PROCEDURES - 8296

Agencies/departments are responsible for ensuring Accounts Receivable (AR) balances are accurate by assessing the amounts owed to the agency/department. Agencies/departments must record accrual entries for amounts owed to the agency/department as of June 30, but not yet received. See SAM sections 10602, Accounts Receivable Abatements and Reimbursements are Accrued and 10610, Revenue is Accrued.

**Deferred Receivables**

As of June 30, agencies/departments must review their receivables and determine the amount that is not expected to be collected in the next fiscal year and defer those amounts in the accounting system.

To record deferred receivables at year-end, agencies/departments will record two entries:

1. An entry to reverse the original AR for the portion not expected to be collected in the next fiscal year and
2. An entry to record an AR with the offset to Account 1290000-Provision for Deferred Receivables (Legacy Account 1600).

## GASOLINE TAX REFUNDS TO STATE AGENCIES/DEPARTMENTS - 8297

(Revised and renumbered from 8745.1)
Revenue and Taxation Code sections 8101-8107 allows for a refund of the gasoline tax paid if the fuel is used for certain off-highway purposes. Some off-highway purposes may include farming, construction, landscaping, and utility providers.

The term "motor vehicle fuel" includes gasoline or similar inflammable liquid which is used in an explosion type of engine, but does not include diesel, kerosene, or liquefied petroleum gas. Gasoline tax refunds will be claimed when substantial quantities of fuel are used in equipment (except boats) of the following two categories:

1. Equipment not required to be licensed and registered for highway use by the Department of Motor Vehicles such as tractors, aircraft, lawnmowers, farming equipment, and engines used for pumping, air compressing, auxiliary power units, etc.
2. Equipment licensed and registered for highway use but which is substantially used off the highway such as dump trucks, fire trucks, pickups, etc.

The State Controller's Office (SCO) administers the Gasoline Tax Refund Programs for the State of California. The SCO website provides detailed information on the Program, including guidance, instructions for filing a claim, forms, and excise tax rate/refund rate.

**Records**
Original fuel purchase invoices must be submitted with the refund claim. The following records will be maintained to support the gasoline tax refund claimed:

1. Agency issue tags or requisitions for fuel pumped from the agency's storage tank. These documents will show the date the fuel was placed in the equipment, identification of the equipment, and gallons.
2. Trip tickets and working papers showing calculations based on reasonable data to support quantities of fuel used in motor vehicles operated both on and off the highway.
3. In cases where the fuel is delivered directly into equipment tanks by the vendor, the original invoice will constitute the usage record. Where the fuel is delivered by the vendor in drums or into an agency's/department's storage tank, issue tags and trip tickets or calculations are the usage records and will support the applicable original invoice.

**Refund Claims**
Refunds are calculated at the excise tax rates as specified in Revenue and Taxation Code section 7360 and are updated annually by the California Department of Tax and Fee Administration. The refund claims are required as follows:

- Agencies/departments must use the State Controller's Form SCGR-1 to file a refund.
- Agencies/departments may file one claim for each calendar year. However, if during the year the amount of gasoline paid exceeds $750, a claim may be filed at the end of that quarter, rather than waiting for the end of the year.
- Gasoline tax refund claims will be supported by original invoices. Monthly or other periodic billings covering several purchases will not be accepted in support of the refunds.
- When a claim for refund of motor vehicle fuel taxes is to be filed, the original invoice will be used to support this claim and a duplicate invoice used to support the claim to pay the vendor's bill. The duplicate invoice will bear the notation "Original invoice retained for use in filing claim for refund of motor vehicle fuel taxes." This procedure is acceptable to the State Controller's Office. The department may prepare a third copy of the invoice for its files.
- Refund claims must be filed within three years from the date of gasoline purchase.
- All documents relating to the refund claim will be retained for audit for four years after the refund claim is filed.

## DAMAGES TO STATE PROPERTY OTHER THAN MOTOR VEHICLES - 8298

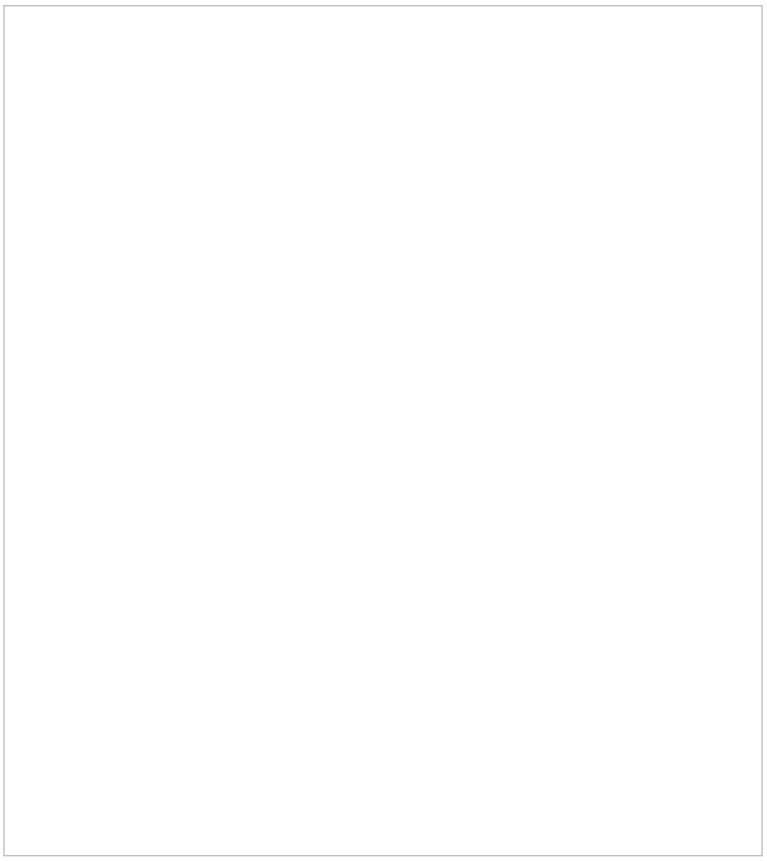
(Revised and renumbered from 8778)
Agencies/departments are responsible for determining when a claim against a third party for damages to state property (other than motor vehicles) becomes a contingent or valid receivable. An agency's/department's legal staff or the Office of the Attorney General should be consulted to establish guidelines and give advice in the processing of claims against third parties.

## BILLING FOR SERVICES OF EMPLOYEES PAID ON A MONTHLY BASIS - 8299

This section provides the methodology and formula for determining the hourly billing rate when a department bills for the services of employees paid on a monthly basis on or after January 1, 2026.

The hourly billing rate is computed using the total actual working time per year and the state's staff benefit contribution percentage. The total actual working time per year is determined by deducting the number of hours for Saturdays, Sundays, holidays, and other absences from the total hours for the calendar year. To determine other absences, departments will compile and calculate a separate average for each type of absence, such as vacation/annual leave and miscellaneous absences (e.g., Personal Leave Program (PLP), sick, informal time off, furlough, professional development leave).

The hourly billing rate formula provides billing based on actual hours worked. It does not include costs such as identifiable operating expenses incurred in rendering the service, charges for non-incidental use of equipment, overhead, and other costs. In addition, Workers' Compensation, Industrial Disability, Unemployment Compensation, and Life Insurance benefits are excluded from the formula as these expenses can vary substantially among departments. Such costs should be included in billing for services in accordance with SAM Sections 9211 and 9217.1.
Table content available in source manual.



*Statewide data is not available. Each department must compile the information for other absences, based on previous experience and expertise.

STATE'S STAFF BENEFIT CONTRIBUTION PERCENTAGES
(Effective January 1, 2026)

Table content available in source manual.



**The staff benefit contribution rate is applicable only to employees who are Miscellaneous Tier 1 members of the Public Employees' Retirement System. If an employee is not a Miscellaneous Tier 1 member, but is still contributing to OASDI (i.e., Social Security), their appropriate retirement contribution rate will be substituted for the 31.89 percent rate. Those employees who are not Miscellaneous Tier 1 members and do not contribute to OASDI will include their appropriate retirement, Medicare, and health, vision, and dental benefit rates. For example, the appropriate total rate to be used for members of the Safety Retirement Category who do not contribute to OASDI is as follows:

Table content available in source manual.



Departments with employee members in different retirement categories may use a composite employer contribution rate based on their experience. If more accurate rates can be determined through actual operations, departments may use other rates for OASDI, Medicare, and health, vision, and dental benefits.

**FORMULA FOR CALCULATING THE HOURLY BILLING RATE:**



The monthly salary rate should be adjusted as necessary to reflect (average) salary reductions for PLPs.

**FORMULA FOR CALCULATING THE DAILY RATE FOR 2,000 HOURS OR LESS PER YEAR:**

The number of working hours per month is not appropriate for employees not expected to work 2,000 hours per year, less vacation/annual leave and sick leave. In such instances, an estimate of actual working time per month or year, considering average holiday, vacation/annual leave, and sick leave should be used. For example, billing rates for academic year employees, such as college instructors, would be computed based on the number of workdays in a year, less the average of sick leave usage. Holidays and vacations are not considered in this instance since they are considered in determining the number of working days.



Tracked Changes Version

# Chapter - 8300

Sections for Chapter 8300

| Section | Subchapter |
|---|---|
| PURPOSE OF BUDGETARY ACCOUNTING | 8310 |
| BUDGETARY CONTROL | 8311 |
| APPROPRIATIONS – PURPOSE AND REQUIREMENTS | 8320 |
| APPROPRIATION AVAILABILITY | 8325 |
| TYPES OF APPROPRIATION | 8326 |
| ENCUMBRANCES | 8340 |
| ENCUMBRANCES - PERSONAL SERVICES | 8341 |
| ENCUMBRANCES - OPERATING EXPENSES AND EQUIPMENT | 8342 |
| ENCUMBRANCES - CAPITAL OUTLAY | 8343 |
| EXPENDITURES | 8360 |
| REIMBURSEMENTS | 8365 |
| ABATEMENTS OF EXPENDITURES | 8366 |
| PRIOR YEAR APPROPRIATION ADJUSTMENTS | 8367 |

## PURPOSE OF BUDGETARY ACCOUNTING - 8310

Budgeting is an essential element of the financial planning, control, and evaluation processes of governments. The purpose of budgetary accounting is to monitor and control the state's financial activities to the level and purpose specified in the annual Budget Act and other pertinent legislation. The primary objective is to ensure that expenditures stay within the legal limits provided in the Budget Act and other authorizing legislation. To ensure budgetary control, an agency/department must be able to determine, on an ongoing basis, the balance of resources available for spending for a given purpose and ensure that actual spending does not exceed authorized spending.

State Administrative Manual (SAM) Chapter 6000, Budgeting, describes the state's budget process, which consists of the development of the Governor's Budget, the Legislature's enactment of a budget, and the executive branch's administration of the budget.

Agencies/departments must understand the relationship between budgeting and accounting and the statutory links between these two fiscal disciplines. For additional information about the relationship and statutory links, refer to the Department of Finance, Budget Analyst Guide.

The Government Code (GC) sections below require specific linkage between budgeting and accounting:

- GC 13320 requires every state agency/department and court for which an appropriation has been made, to submit for approval to the Department of Finance, a completed and detailed budget with proposed expenditures and estimated revenues for the ensuing fiscal year. The state's budget format primarily follows the program budget concept.
- GC 13344 requires state agencies/departments to maintain accounting data for inclusion in the Governor's Budget, Budget Act and related documents and the Budgetary Legal Basis Annual Report according to the methods and bases in regulations, budget letters and other directives of the Department of Finance.
- GC 12460 requires the Controller to submit an annual report to the Governor containing a statement of the funds of the state, its revenues, and the public expenditures during the preceding fiscal year. The annual report shall be known as the Budgetary-Legal Basis Annual Report and prepared in a manner that will account for prior year adjustments, fund balances, encumbrances, deferred payroll, revenues, expenditures and other components on the same basis as that of the applicable Governor's Budget and the Budget Act, as determined by the Director of Finance in consultation with the Controller.

SAM section 7650, describes the Budgetary Accounts. The budgetary ledger in FI$Cal, also known as Commitment Control, is used to track appropriation, encumbrance, expenditure and reimbursement balances.

## BUDGETARY CONTROL - 8311

Agencies/departments will maintain budgetary control at the level at which resources are appropriated and keep expenditures within spending limitations. After the appropriations are established, agencies/departments will control the unexpended or unencumbered balance of an appropriation by tracking and reporting expenditures and unliquidated encumbrances. As stated in SAM section 7110, a key requirement of an agency's/department's system of accounting is to provide the capability to reconcile appropriation balances.

The table below illustrates the budgetary control elements that should be tracked by agencies/departments and the type of transactions that increase or decrease the appropriation, expenditure, encumbrance and the remaining appropriation balance. The table provides a high level view of how transactions will impact the Final Budget Report.

Table content available in source manual.

## APPROPRIATIONS – PURPOSE AND REQUIREMENTS - 8320

**Purpose**

An appropriation is a legal authority granted to a state agency/department to make disbursements or incur liabilities from a specific fund for a specified purpose, period and amount. Unless stated otherwise, an appropriation is available for expenditure only during a limited period of time. Appropriations are not interchangeable and must be used only for the particular purpose defined in the act making the appropriation. Appropriations are made by law in the Budget Act, the State Constitution, legislation (for ongoing continuous appropriations) and ballot measures such as bond authorizations. The Budget Act is the predominant method by which appropriations are made. See California Code of Regulations, Title 2, Division 2, Chapter 1, Article 2, Section 613.

**Agency/Department Requirements**

Every agency/department should have in place a system of accounting that provides adequate and effective processes to ensure that:

1. Appropriations are maintained to the same degree as shown in the Budget Act and constitutional, statutory and other provisions. Agencies/departments, however, may maintain appropriations at the degree necessary to meet their budgetary control requirements.
2. Appropriations are established in their accounting system in the fiscal year in which the funds are appropriated by law.
3. Disbursements and claims for payment are prepared and posted using the proper appropriation codes to identify the authorization for disbursements.
4. Appropriation adjustments (Budget Revisions) and Executive Orders are recorded at the same time as they are recorded in the Controller's accounts.
5. The appropriation availability period is monitored to determine when the appropriation spending authority expires.
6. The status of each appropriation is monitored and reconciled to the Controller's records. The State Controller is required to establish separate accounts for each appropriation. At the end of the availability period for liquidation of encumbrances, the unliquidated balance remaining in an appropriation reverts to the unappropriated balance of the fund from which it was made.
7. Unobligated balances of budget authority are carried over and used in the next year when permitted.
8. A uniform appropriation coding structure is used which includes a series of codes:

    - Business Unit (Organization Code in Legacy)
    - Reference code to indicate if the item is a Budget or non-Budget Act item and the category of expenditure (e.g., State Operations, Local Assistance, or Capital Outlay).
    - Fund code

## APPROPRIATION AVAILABILITY - 8325

The availability period in which an appropriation may be encumbered or expended is usually specified in the law creating the appropriation. For example, the appropriation availability provisions in the Budget Act, and Government Code are as follows:
Control Section 1.80 of the Budget Act provides:

- Budget Act appropriations are generally available for encumbrance or expenditure during the first fiscal year, beginning July 1 and ending June 30 and shall be available for liquidation of encumbrances in accordance with section 16304.1 of the Government Code.
- Capital outlay appropriations are available for encumbrance and expenditure for three years, unless otherwise specified.

Appropriation availability may be extended for encumbrance and expenditures beyond the limits described in Control Section 1.80 if additional provisions are mentioned in the budget act or comply with GC 16304 allowing sums of money to transfer across fiscal years and /or characters of appropriations.
Section 16304 of Government Code provides:

- An appropriation shall be immediately available for encumbrance or expenditure during the period specified therein, or, if not otherwise limited by law, for three years after the date upon which it first became available for encumbrance or expenditure.
- An appropriation containing the term "without regard to fiscal years" shall be available for encumbrance from year to year until expended.
- An appropriation shall be deemed to be encumbered at the time and to the extent that a valid obligation against the appropriation is created. However, a state agency/department may estimate encumbrances consistent with the authority of the appropriation, and may make corrections or adjustments to any encumbrance or estimated encumbrance during the liquidation period described in Section 16304.1.
- As used in this code and in every other statute heretofore or hereafter enacted, the term "unexpended balance" shall be construed to mean "unencumbered balance."

Section 16304.1 of Government Code provides:

- Disbursements in liquidation of encumbrances may be made before or during the two years following the last day an appropriation is available for encumbrance, except in the case of a fund made up of federal funds.

- Disbursements in liquidation of encumbrances may be made before or during the four years following the last day an appropriation of federal funds is available for encumbrance.
- Whenever, during either liquidation period, the Department of Finance determines the purpose for which the appropriation was made is completed and a portion of the appropriation is deemed not necessary, that portion shall, upon order of the Finance, revert to and become a part of the fund from which the appropriation was made.
- Upon the expiration of two years, or four years in the case of a fund made up of federal funds, following the last day of the period of its availability for encumbrance, the balance in any appropriation shall revert to and become a part of the fund from which the appropriation was made.
- After reversion, any unpaid encumbrance against the appropriation may be paid from any current appropriations available for the same purposes.

## TYPES OF APPROPRIATION - 8326

Agency/department accounting staff should be familiar with the types of appropriations and appropriation terminology to ensure that budget information is properly reflected in the accounting records.

**Standard Appropriation**

A regular Budget Act appropriation is an authorization for a specific agency/department to make expenditures or create obligations from a specific fund for a specific purpose. It is usually limited in amount and period of time during which the expenditure is to be recognized.

**Continuing Appropriation**

A multi-year appropriation for a set amount that is available for more than one year.

Continuing appropriations are available for encumbrance during more than one fiscal year (typically capital outlay appropriations or certain items within Control Section 2.00 of the Budget Act containing provisional language allowing for extended availability). For the first year of availability, agencies/departments will record the entire appropriation. At the beginning of each subsequent year that the appropriation is available for encumbrance, agencies/departments may:

1. Record the previous year's ending unencumbered balance as the new appropriation.
2. Reverse the previous year's accrued expenditures and accrued accounts payable entry, and
3. Record amounts for encumbrance and reserve for encumbrance equal to the accrued expenditures. The reversal of prior year accruals will create a negative balance (credit) in the expenditures. This negative expenditure balance will equal the unliquidated encumbrance total. This procedure will also make the beginning unencumbered balance equal to the previous year's ending unencumbered balance.

**Continuous Appropriation**

A multi-year appropriation that is renewed each year without further legislative action. The amount available may be a specific, recurring sum each year; all or a specified portion of the proceeds of specified revenues that have been dedicated permanently to a certain purpose; or, whatever amount is designated for the purpose as determined by formula, e.g., school apportionments. Control Section 30.00 of the annual Budget Act traditionally extends the continuous appropriations for one additional fiscal year.

**Reappropriation**

A reappropriation is the authorization to extend an appropriation's availability for encumbrance and/or expenditure beyond its set termination date and/or for a new purpose. Reappropriations are typically authorized by statute for one year at a time, but may be for some greater or lesser period. Generally, the purpose of the appropriation remains unchanged.

**Reverted Appropriation**

An appropriation that reverts to its fund source when the period of availability for expenditures and encumbrances has expired, and it is no longer available for use. Government Code section 16304.1 provides that after reversion, any unpaid encumbrance against the appropriation may be paid from any current appropriations available for the same purposes. For example, a claim against a reverted support appropriation may be paid from a current support appropriation.

**Carryover Appropriations**

The balance of appropriations available for expenditure in years subsequent to the year of enactment.

**Appropriations not in Budget Act or Executive Orders**

Appropriations not contained in the Budget Act and Executive Orders that do not augment an appropriation may be maintained at sufficient detail to meet the requirements of the agency/department. There are some Non-Governmental Cost Funds that are required to submit annual budgets for approval, and subsequent quarterly budget reports, but that operate out of their own operating funds and do not receive specific appropriations or executive orders. The budgets of these funds are shown in the appendix to the Governor's Budget but are not included in the Budget Act.

Appropriations may be maintained without a Controller's Journal Entry officially establishing the budget. Some agencies/departments may not be required to submit Budget Revisions or Transfers of Budget Allotment. In those cases, appropriations will be recorded and adjusted by internal documents only.

**Other Appropriation Related Processes**

**Augmentation**

An increase to a previously authorized appropriation. This increase can be authorized by Budget Act provisional language, control sections, or other legislation. Usually, a Budget Revision or an Executive Order is processed to the State Controller's Office to implement the increase.

**Budget Revisions**

A Budget Revision (BR) document prepared by the agency/department that cites a legal authority to authorize a change in an appropriation. A BR must be approved by the Department of Finance. Typically, BRs either increase the appropriation or make adjustments to the categories or programs within the appropriation as scheduled. Agencies/departments are permitted to encumber or expend against pending requests to increase appropriation only if the encumbrance or expenditure is made pursuant to an encumbrance document or other written document approved by Finance.

**Executive Order**

An Executive Order (EO) is a budget document issued by Finance requesting the State Controller's Office to make an adjustment in their accounts. The adjustments are typically authorized by Budget Act provision language, Budget Act control sections, and

other statutes. An EO is used when the adjustment makes increases or decreases on a state-wide basis, involves two or more appropriations, or makes certain transfers or loans between funds.

## ENCUMBRANCES - 8340

**Purpose**

Encumbrances are obligations of all or part of an appropriation. Outstanding encumbrances are the recognition of commitments related to unfulfilled purchase orders or outstanding contracts which will subsequently be recognized as expenditures when goods and services are received.

The purpose of accounting for encumbrances is to prevent the overspending of an appropriation. Encumbrances reserve a portion of an appropriation representing an obligation that has not been paid, or commitments related to unperformed contracts for goods and services.

An available appropriation represents the amount of the appropriation that can still be obligated or spent within the availability period allow in the Budget Act. The available appropriation is determined by subtracting actual expenditures and outstanding commitments from the appropriated amount.

**Encumbering Method**

Appropriations are encumbered by Purchase Orders, purchase estimates (provided the Department of General Services (DGS) Purchase Order is dated prior to the date the appropriation encumbrance availability ceases), printing requisitions, payroll estimates, leases, standard agreements, Public Works Project Authorization and Transfer Requests, encumbrance estimate, or other documents.

Agencies/departments will consider the necessity for encumbering small transactions that comprise a small percentage of total expenditures. For example, individually encumbering small purchases can be time consuming; therefore, the average amount of small purchases outstanding may be included in the encumbrance estimate. (See SAM Section 8342.)

**Fiscal Year to Which an Encumbrance/Expenditure is Charged**

Unless a specific law states otherwise, agencies/departments must apply the provisions of California Code of Regulations, title 2, division 2, chapter 1, Article 2, Section 610. The California Victim Compensation Board Rule 610 provides that the issue date of an agreement determines the fiscal year appropriation to which the encumbrance /expenditure for goods or services is charged. The issue date of an agreement is the date it is “made and entered into.”

Any required control agency approvals are retroactive to that date. However, agencies/departments must meet the deadlines for submitting procurement documents as specified by the DGS.

For support and local assistance appropriations, encumbrances/expenditures are charged to the fiscal year in which the agreement was issued when the delivery date of the goods/services is in the same fiscal year or the delivery date is interpreted to mean deliver as soon as possible. As soon as possible includes a delivery date that is:

- Not identified or specific
- Specific but not a requested delay in delivery
- Specified as 10 days, 30 days, or the like

The following exceptions may apply:

- Encumbrances/expenditures are charged to the fiscal year that the goods/services are received when the purchase agreement stipulates that goods/services be delayed until requested or delayed until on or after a specific date (e.g., agreement issued in June for which the agency/department requests equipment maintenance during the next fiscal year).
- Goods purchased and received in the months of May or June for use during the subsequent fiscal year may be paid from the appropriation for such subsequent fiscal year. Invoices covering such purchases shall be marked as follows: "Purchased in ___F.Y. for use in ___F.Y." Payments for such invoices may not be made until enactment of the subsequent fiscal year budget.
- Multi-year Agreements – Agreements which span more than one fiscal year may be charged (1) totally to the first year of appropriation covered by the agreement, or (2) to more than one fiscal year's appropriation, depending on the:
  - Appropriation authority – Sufficient spending appropriation authority must exist.
  - Details of the agreement.

  Agencies/departments will determine the budgetary plan for charging the encumbrance and subsequent expenditure when issuing a multi-year agreement. The budgeted amount will be reflected in the agreement total. Agencies/departments have discretion as to which fiscal year appropriation to charge; however, the budgetary plan is the key factor in making this determination.

  The certificate of funds availability must be signed by the agency’s/department’s designated approver after ensuring that funds are available.

  **Recording Encumbrances**

  Encumbrances will be recorded in the agency's/department's accounting system. An encumbrance is not recognized as an expenditure when recorded as the items or services have not been received. An encumbrance will increase the unliquidated encumbrance amount and decrease the unencumbered balance.

  As expenditures are recorded, amounts will be posted to reduce the related encumbrance amount. For partially received orders, many accounting systems will liquidate the encumbrance for the same amount as the expenditure. However, if it is determined that encumbrance amounts are materially misstated, either over or underestimated, adjustments will be recorded to more accurately reflect the expected expenditure. The encumbrance is fully liquidated when the order is fully satisfied.

  **Liquidating Encumbrances**

  Agencies/departments will closely monitor encumbrances to effect prompt delivery of requested goods or services and to ensure timely disencumbrances in instances where it is determined the goods or services will not be received or will cost less than originally estimated.

  At year-end, agencies/departments should review encumbrances and liquidate reverting year encumbrances.

  **Accounting for Encumbrances at Year-End**

  Agencies/departments will reconcile encumbrance balances to subsidiary reports and supporting documents at least monthly during the year. At year-end, encumbrance balances must be reconciled with supporting procurement and other documents to validate the amount of valid encumbrances and obligations at year-end. Liquidation of encumbrances

resulting from year-end accruals of expenditures, and reimbursements will be posted to the applicable appropriations. See SAM sections 10602 and 10608 for accrual procedures.

Encumbrances are treated as expenditures under the state's budgetary basis of accounting and reported as such in the agency's/department's year-end financial reports and in the Governor's Budget for most governmental cost funds. Encumbrances and expenditures in the agencies/departments year-end financial reports must be accounted the way they were budgeted.

Encumbrances are not included in liabilities or expenditures in the Controller's Budgetary/Legal Basis Annual Financial Report; encumbrances are reported as a reserve for encumbrance against the fund balance. Note: encumbrances are not classified as expenditures under the GAAP basis of accounting.

## ENCUMBRANCES - PERSONAL SERVICES - 8341

Quarterly salaries and wages estimates will be encumbered at the beginning of each fiscal year for amounts expected to be expended each quarter with respect to positions carried forward from the preceding fiscal year. These amounts are determined by analyzing Budget Schedule 8, Supplementary Schedule of Salaries and Wages (see SAM Chapter 6448). Change in Established Positions, STD. Form 607 (see SAM Section 8531), will be used to encumber blanket positions and new positions authorized in the current fiscal year and to disencumber positions abolished.

## ENCUMBRANCES - OPERATING EXPENSES AND EQUIPMENT - 8342

The manner of recording encumbrances for the operating expense and equipment category varies, depending upon the type of expenditure involved. Explanations below are intended to clarify the manner of accounting for various types of expenditures.

**Traveling-in-State or (In-State Travel)**

Agencies/departments may encumber at the beginning of each fiscal year an amount equal to their best estimate of the amount of expenses actually incurred as of the end of a month but not reflected on the records because the traveling expense claims either have not been submitted or having been invoiced, but not processed for payment.

**Utilities**

Agencies/departments may encumber at the beginning of each fiscal year an amount equal to their best estimate of the amount of expenses actually incurred as of the end of a month but not reflected on its records because the bills either have not been received or, having been received, have not been processed for payment.

**Rent-Building Space**

Agencies/departments may encumber, either at the beginning of each fiscal year or on an as-needed basis, an amount equal to commitments made for that fiscal period, as shown on the rental or lease agreement. Encumbrance may be made to reserve funds for renewal of leases containing such an option if the agency/department intends to exercise this right of renewal.

**General Expense and all other types of expenditures where commitments are made**

Agencies/departments may encumber at the beginning of each fiscal year an estimate of the amount of expenses actually incurred at the end of the month for which specific encumbrance documents have been issued and which are not reflected, due to the delay in receiving invoices and scheduling claims for payment.

Agencies/departments shall encumber estimated expenses for each item or service of $500,000 or greater. However, if the full amount is payable within 90 days the expense does not need to be encumbered.

**Estimating Encumbrances**

While many types of expenditures can be encumbered from purchase estimates, printing estimates, leases, contracts, etc., many cannot. Unencumbered balances of certain appropriations would be over-stated if charges to appropriations were made at the time invoices were filed for payment. For the unencumbered balances shown in accounts and on reports to accurately reflect the true financial condition of the appropriations, agencies/departments may encumber certain types of expenditures at the beginning of each fiscal year. These amounts should represent their best estimates of obligations outstanding as of the end of an average month but not otherwise encumbered by estimates, leases, etc.

This estimated amount may be encumbered using an internal departmental requisition, purchase order or other purchasing documentation with the appropriate explanation stated thereon. Agencies/departments will prepare the estimates using internal documentation.

The amount of the estimate will vary among appropriations within an agency/department and among agencies/departments depending on promptness in receiving and processing invoices for payment.

Agencies/departments will be responsible for determining the proper encumbrance estimate to meet their own circumstances. Agencies/departments will make revisions, as required, based on experience. Agencies/departments that account appropriations on a quarterly basis, for management purposes, may encumber the estimate at the beginning of each quarter and reverse it on the first day of the subsequent quarter. Reversal of the estimate has the effect of disencumbering estimated amounts, thereby increasing unencumbered balances to permit charging invoices to appropriations after the end of the quarter.

## ENCUMBRANCES - CAPITAL OUTLAY - 8343

These appropriations usually will be encumbered by individual encumbrance documents.

Usually purchases of real property are subject to the provisions of the Property Acquisition Act. (See SAM section 8705.) Agencies/departments may encumber the estimated amounts of such expenditures by using a Purchase Order/Estimate Change (STD. 96) as an internal accounting document. For FI$Cal agencies/departments, a Purchase Order is used.

For projects conducted by the Division of the State Architect, Controller's Transfers supported by Public Works Project Authorization and Transfer Requests will be posted to the applicable appropriations.

## EXPENDITURES - 8360

**General**

Expenditures are normally classified at the same level as budget appropriations and must be recorded in accordance with the state's accounting policies. Expenditure accounts will be maintained on an appropriation expenditure basis to provide detailed budget reports reflecting transactions impacting the appropriations. See SAM section 8311 for the budgetary control elements.

Refer to SAM section 8340 Encumbrances, for more information on how encumbrances are treated as expenditures at year-end.

**Personal Services**

Salaries and wages, and contributions for OASDI, health, dental, and vision care benefits paid under the Uniform State Payroll System may be recorded in the appropriation from the Payroll Expenditure Register or from the documents that support the register, such as the Notices of State Payroll Revolving Fund Transfers and the Payroll Warrant Registers.

**Operating Expenses and Equipment**

All items scheduled for payment will be posted to the appropriation from the amounts shown on the invoices included in claims presented to the State Controller's Office (SCO). Expenditures resulting from SCO's transfer will be recorded from individual journal entries.

**Abatements**

A reduction to an expenditure that has already been made. Only specific types of receipts are accounted for as abatements. See SAM section 8366 Abatements of Expenditures, for a list of receipts that may be accounted for as abatements.

Abatements are normally posted to the appropriation from various subsidiary records and source documents. The amount applicable to each appropriation is recorded as a credit amount in the expenditures. This entry will decrease the expenditure total and increase the unencumbered balance. The unliquidated encumbrance will be affected only if an encumbrance must be re-established.

**Year-End Accruals**

Expenditures and reimbursement accrued as of June 30, and liquidations of encumbrances resulting from such accruals will be posted to the applicable appropriations. See SAM sections 10602 and 10608 for accrual procedures.

## REIMBURSEMENTS - 8365

Amounts received as a payment for the cost of services performed/to be performed, or of other expenditures made for, or on behalf of, another entity (e.g., an agency/department reimbursing another for administrative work performed on its behalf).

Reimbursements represent the recovery of an expenditure. Reimbursements are available for expenditure up to the budgeted amount (scheduled in an appropriation), and a budget revision must be prepared and approved by the Department of Finance before any reimbursements in excess of the budgeted amount can be expended.

The amount applicable to each appropriation will be recorded as a minus amount in the expenditures. This entry will increase the unencumbered balance and decrease the expenditures.

## ABATEMENTS OF EXPENDITURES - 8366

(Revised and renumbered from 10220)

An abatement is a reduction of an expenditure that has already been made from an appropriation. Only the following types of receipts will be accounted for as abatements:

1. Refunds of overpayments of salaries (including (a) temporary disability receipts described in SAM section 8536 received either directly from the employee, or from the State Compensation Insurance Fund, and not given to the employee because to do so would result in an overpayment and, (b) employing state agency subrogation receipts described in SAM section 8285).
2. Rebates from suppliers or from third parties for defective merchandise, return of merchandise, return of empty containers, promotional purposes (e.g., incentives to purchase goods or services), or other reasons.
3. Jury duty and witness fees
4. Property damage or loss recoveries.
5. Sales tax collected—where an agency/department is supported by a legislative appropriation specific in amount, otherwise, the collection is to be credited to Other Current Liabilities, account 2090500 (Legacy account 3790) (see SAM section 8487);
6. Sales of items which were budgeted as an abatement (all other receipts from sales of items will be credited to revenue).
7. Merit award payments received from another agency or fund;
8. Employee payments for the private use of state resources such as personal long- distance telephone charges.
9. Denied boarding compensation payments from airline companies to individuals who are denied boarding on a flight. Such payments are to be credited to the travel expense allotment.
10. Repayments from employee organizations to reimburse agencies/departments for employee leave of absence time spent on collective bargaining issues (see SAM section 8594.4 and SAM section 8299).
11. Other abatements—Agencies/departments must obtain written approval from the Department of Finance, Fiscal Systems and Consulting Unit for situations not classified above.

Agencies/departments at times are reimbursed by other agencies/departments, persons, etc., for goods or services furnished or for payments made to others on their behalf. Such items are not to be accounted as abatements; these are considered reimbursements.

Credit abatements to the appropriation from which they were originally drawn (or to Refunds to Reverted Appropriations if the original appropriation has reverted except for:

1. Receipts from sales of items which were budgeted as abatements will be abated to the appropriations from which the replacement items are purchased;
2. Sales tax collections ( SAM section 8487); and
3. Rebates from vendors for return of empty containers will be abated to the current year expenditure account and augment the current year appropriations, unless the rebates are large amounts, result from transactions which are not of a regular recurring nature, and can be identified as an expenditure from a specific appropriation

## PRIOR YEAR APPROPRIATION ADJUSTMENTS - 8367

(Revised and renumbered from 10240)

Agencies/departments will accrue all items that have been recognized but not received or disbursed as of June 30 that eventually will be credited or charged to appropriations and executive orders of the fiscal year just ended.

Adjustments due to differences between the amount of expenditures, abatements, or reimbursements accrued and actual expenditures, abatements, or reimbursements as of June 30, will be debited or credited to Prior-Year Appropriation Adjustments account 5802000 (Legacy account 9893) in the current fiscal year.

The adjustment above will not apply to appropriations available for more than one fiscal year unless the period of availability has expired. For such appropriations, adjustments will be accounted as current fiscal year expenditures and reimbursements if they

occur during the period of availability of the appropriation.
Accruing expenditures and reimbursements as of each June 30 and accounting for the actual transactions as prior year appropriation adjustments allows the June 30 expenditure and reimbursement figures to be considered final upon closing the fiscal year. This eliminates the need to re-open accounts and prepare new statements because of minor differences between the accrual amounts and actual amounts. Agencies/departments are required to exercise sound judgment and care when accruing expenditures and reimbursements to prevent significant variations.

# Chapter - 8400

Sections for Chapter 8400

| Section | Subchapter |
|---|---|
| TERMS AND DEFINITIONS | 8401 |
| GENERAL DISBURSEMENT POLICIES | 8402 |
| DISBURSEMENT METHODS | 8403 |
| VERIFYING THE ACCURACY AND VALIDITY OF INVOICES | 8422.050 |
| SUBMITTING CLAIMS AND VOUCHERS FOR PAYMENT | 8422.100 |
| FREIGHT AND TRANSPORTATION INVOICES | 8422.101 |
| GASOLINE AND OIL INVOICES | 8422.102 |
| CONTRACT/LEASE INVOICES | 8422.104 |
| TELEPHONE INVOICES | 8422.106 |
| REVOLVING FUND INVOICES | 8422.108 |
| PRIOR FISCAL YEAR CHARGES | 8422.109 |
| LOCAL GOVERNMENT UTILITY USERS TAX | 8422.111 |
| TRAINING INVOICES | 8422.113 |
| AIRLINE INVOICES | 8422.114 |
| AUTOMOBILE RENTAL AND TRANSPORTATION INVOICES | 8422.115 |
| PAYING INVOICES FROM REVERTED APPROPRIATIONS | 8422.12 |
| INDEPENDENT CONTRACTOR REPORTING | 8422.18 |
| ANNUAL INFORMATION RETURNS – REPORTABLE PAYMENTS | 8422.19 |
| OBTAINING PAYEE INFORMATION (STD. 204) | 8422.190 |
| ANNUAL INFORMATION RETURNS (FORM 1099) - REPORTING | 8422.191 |
| ANNUAL INFORMATION RETURNS (FORM 1099) – CORRECTING | 8422.192 |
| CONSEQUENCES OF INCORRECT INFORMATION REPORTING | 8422.193 |
| BACKUP WITHHOLDING NOTICES (B-NOTICES) | 8422.194 |
| FEDERAL AND STATE BACKUP INCOME TAX WITHHOLDING | 8422.195 |
| REMITTING AND REPORTING INCOME TAX WITHHELD | 8422.196 |
| CLAIM SCHEDULES – GENERAL REQUIREMENTS | 8422.20 |
| STOCK RECEIVED REPORTS | 8422.201 |
| INVOICES CHARGEABLE TO MORE THAN ONE FUND OR APPROPRIATION | 8422.202 |
| ELECTRONIC CLAIMS | 8422.203 |
| LOCAL AGENCY CLAIMS | 8422.204 |
| REMITTANCE ADVICE - PURPOSE | 8422.30 |
| REMITTANCE ADVICE DETAILS | 8422.301 |
| CLAIM CORRECTIONS | 8422.50 |
| DELIVERY/HANDLING OF NON-PAYROLL WARRANTS | 8422.6 |

| | |
|---|---|
| CLAIM FOR DAMAGE TO OR STOLEN EMPLOYEES' PERSONAL PROPERTY | 8423 |
| REFUND CLAIMS | 8424 |
| CLAIMS TO ESTABLISH REVOLVING FUND ADVANCES | 8425 |
| STOP PAYMENT OF ERRONEOUSLY ISSUED WARRANTS | 8426 |
| LOST, STOLEN, OR DESTROYED WARRANTS | 8426.1 |
| LOST OR DESTROYED PAYROLL WARRANTS | 8426.2 |
| WARRANTS—FORGERIES | 8427 |
| PLAN OF FINANCIAL ADJUSTMENT - PURPOSE | 8452 |
| PLAN OF FINANCIAL ADJUSTMENT – PREPARATION | 8452.1 |
| PLAN OF FINANCIAL ADJUSTMENT - APPROVAL | 8452.2 |
| ADVANCE PAYMENTS FOR REIMBURSEMENT SERVICES CONTRACTS | 8453 |
| INTER-DEPARTMENTAL DISBURSEMENTS | 8471 |
| INTEREST ON LIQUIDATED CLAIMS | 8473 |
| INTEREST ON CONSTRUCTION CONTRACT CLAIMS | 8473.1 |
| LATE PAYMENT PENALTIES | 8474 |
| DEFINITION OF TERMS | 8474.01 |
| ADDITIONAL INFORMATION AND PROVISIONS | 8474.1 |
| PENALTY REQUIREMENTS | 8474.2 |
| PENALTY CALCULATION | 8474.3 |
| RELEASE OF FUNDS AND PROPERTY OF DECEASED PERSONS: GENERAL | 8477.1 |
| RELEASE OF WARRANTS OF A DECEASED STATE EMPLOYEE TO A PERSON DESIGNATED BY THE EMPLOYEE | 8477.2 |
| DESIGNATION | 8477.21 |
| CHANGE OF DESIGNEE | 8477.22 |
| REVOCATION OF DESIGNATION TO RECEIVE WARRANTS | 8477.23 |
| TRANSFER OF DESIGNATION FOR EMPLOYEE ACCEPTING EMPLOYMENT WITH ANOTHER STATE AGENCY | 8477.24 |
| RELEASE OF WARRANTS TO DESIGNEE | 8477.25 |
| IDENTIFICATION OF DESIGNEE | 8477-26 |
| ENDORSEMENT OF WARRANTS TO BE RELEASED TO DESIGNEE | 8477.27 |
| RELEASE OF PERSONAL PROPERTY OF DECEASED PERSONS PURSUANT TO THE PROBATE CODE GENERAL | 8477.3 |
| RELEASE OF PERSONAL PROPERTY PURSUANT TO PROBATE CODE SECTION 13100 | 8477.31 |
| RELEASE OF FUNDS AND PROPERTY OF DECEASED PERSONS PURSUANT TO LETTERS OF TESTAMENTARY OR LETTERS ADMINISTRATION | 8477.32 |
| SALES AND USE TAX-TERMS AND DEFINITIONS | 8481 |
| SALES AND USE TAX-STATE AGENCY/DEPARTMENT RESPONSIBILTY | 8482 |
| SELLER’S PERMIT | 8483 |
| NONTAXABLE SALES | 8484 |
| REPORTING SALES AND USE TAX | 8485 |
| PAYING SALES AND USE TAX | 8486 |
| ACCOUNTING FOR SALES AND USE TAX | 8487 |

| | |
|---|---|
| PERSONAL PROPERTY TAX | 8488 |
| FEDERAL MOTOR VEHICLES FUEL TAX | 8489 |
| CONTINGENT AND REAL LIABILITIES | 8491 |
| STATE COMPENSATION INSURANCE FUND CLAIMS | 8492 |
| GOVERNMENT CLAIMS | 8493 |
| TORT LIABILITY PAYMENT PROCEDURE | 8494 |

## TERMS AND DEFINITIONS - 8401

Listed below are the terms and definitions commonly used in the statewide accounting and fiscal policies and procedures in chapters 7000 to 19000 of the State Administrative Manual.

**Agency/Department:** Includes every state office, agency, department, division, bureau, board, and commission in the State of California.

**Accounts Payable:** Liabilities owed to individuals and business entities for goods and services received by the State. This does not include amounts due to governmental organizations.
**Appropriation:** An appropriation is an authorization from a specific fund to a specific agency/department to make expenditures or incur liabilities for a specific purpose, period and amount.
**Allotment:** A part of an appropriation, to be expended for a particular purpose during a specified time period. An allotment is generally authorized on a line item expenditure basis or by program.
**Claim:** A payment request prepared and submitted by a state agency/department to the Controller for payment to the claimant. A claim includes vouchers with supporting invoices and documents submitted in the FI$Cal system and claim schedule forms (STD. 218) submitted with supporting invoices and documents.

**Encumbrances:** The commitment of all or part of an appropriation. Encumbrances represent valid obligations related to unfilled purchase orders or outstanding commitments and contracts. Outstanding encumbrances are recognized as budgetary expenditures in the individual agency's/department's budget documents and their individual annual financial reports.

**The Financial Information System of California (FI$Cal)**: The state's integrated financial and administrative information technology system that supports accounting, budgeting, cash management, and procurement functions.

**Vendor:** A person or business entity that sells goods or services to the state. A vendor is also known as a supplier.

## GENERAL DISBURSEMENT POLICIES - 8402

The Disbursements chapter provides the policies and procedures for the preparation and submission of claims for funds disbursed from the State Treasury. State funds are disbursed for the following purposes:

- Expenditures for goods and services
- Refunds to payers
- Advances to revolving funds
- Transfers between funds
- Purchase of investments
- Withdrawal of trust deposits

The California Codes of Regulations, Title 2, Division 2, Chapter 1, Article 3, provides guidelines for presenting claims to the State Controller.

## DISBURSEMENT METHODS - 8403

Agencies/Departments should use the most cost-effective means available to minimize the cost of disbursements. To optimize cash management, agencies/departments should minimize early payments unless the early payments result in vendor discounts. The state disburses funds using the following methods:

- Controller's Warrants
- Revolving Fund Checks
- Automated Clearing House
- CAL-Card
- State Fleet Fuel Card

A warrant is an order drawn by the legislative body or an officer of a government upon its treasurer directing the latter to pay a specific amount to the person named or to the bearer. The State Controller's Office (SCO) prepares warrants and transfers for the payment of state expenditures. The SCO's warrants are treated like bank checks.

The SCO issues payroll warrants, which are supported by the Payroll Warrant Register. The SCO disburses payroll warrants from the State Payroll Revolving Fund after the transfer has been made from the agency/department's fund(s). For information on payroll warrant distribution, see SAM Section 8580.

A Controller's Transfer authorizes an increase or decrease of cash between funds or appropriations without disbursing a warrant. The SCO settles "No Warrant" claims by an SCO journal entry to reduce the agency/department advance or a transfer if no advance was made.

## VERIFYING THE ACCURACY AND VALIDITY OF INVOICES - 8422.050

**Purpose of an Invoice**

An invoice is a document issued by a supplier showing the invoice date, good/service, quantity, price, terms, nature of delivery, and other particulars of goods sold or of services rendered. All invoices should be processed using the State of California's standard payment terms unless a discount is offered. Payments should generally be made within 45 days of the receipt date. State agencies/departments shall pay penalties if a correct claim is not submitted to the Controller within 30 calendar days and payment is not issued within 45 calendar days. An invoice is a legally binding agreement showing both parties' consent to the quoted price and payment conditions (e.g., Net 30, 5% Discount). Invoices provide the following additional benefits:

- Maintaining Records - Provides a record of when goods or services were rendered, the recipient, and where and when the goods or services were received.
- Payment Tracking –Keeps track of payments and amounts owed for both the seller and the buyer.
- Legal Protection – Provides legal proof of an agreement between the buyer and seller.
- Receipting – Provides the date, the goods or service received.

**Requirements for a Valid Invoice**

State agencies/departments should determine that all invoices are valid, correct, and comply with California Code of Regulations, title 2, division 2, chapter 1, article 7, section 677 before submission to the SCO for payment. Agencies/departments will determine that:

1. Invoices that are not printed on business letterhead shall be signed by the vendor or person furnishing the goods or service.
2. The invoice must be properly itemized with the information listed below.
    - Accurate billing address as stated on the purchase order or contract
    - Supplier Invoice number
    - Invoice date
    - Company name and remittance address
    - Payment terms offered
    - Sales tax and or use tax
3. Goods or services invoiced have been received or provided, as evidenced by stock received reports or similar documents or staff verification.
4. Payment has not previously been made (this may be accomplished by referring to the agency's/department's remittance advice file or other departmental records).
5. Invoices comply with provisions of purchase orders, contracts, leases, service agreements, grants, etc.
6. Cash discounts have been taken, if applicable.
7. Authority exists to obtain the goods or services.
8. Freight charges of more than $50 must have supporting prepaid freight bills included in the claim to the SCO.
9. Freight charges of more than $500 have been approved by the Department of General Services (DGS), Transportation Management Unit (TMU) (see SAM section 3852 and State Contracting Manual FI$Cal Chapter 8 Topic 6 8.A6.1).
10. All invoices for goods sold to and services provided to the state shall be billed to the State of California or a particular agency/department.
11. Invoices for purchases charged to a prior fiscal year appropriation in which the delivery is received in the current fiscal year will need to be noted "ordered in prior fiscal year for immediate delivery."

## SUBMITTING CLAIMS AND VOUCHERS FOR PAYMENT - 8422.100

Agencies/departments will monitor and review transactions to ensure that claims and vouchers are proper and correct. The internal procedures of an agency/department should be designed to ensure timely, accurate, and cost-effective payment of obligations to vendors. Special attention should be given to the following:

**Making Timely Payments and Monitoring Vendor Due Dates**

Payments will be considered timely when an agency/department pays 95 percent or more of its obligations to vendors by the due date. Agencies/departments will maximize effective cash management by paying as close to the due date as workable. Vendor payments will be made by the due date. Due dates for payments are established by the terms of the purchase document, invoice, or contract between the agency/department and vendor(s). If the purchase document or contract is silent concerning terms or there is no written authorizing document, the terms are net 30 days. The 30 days, or other terms, begin upon receipt of the goods or services or a properly completed invoice, **whichever is later**.

As prescribed in SAM section 8474, agencies/departments are required to comply with the California Prompt Payment Act, which requires state agencies/departments to automatically calculate and pay late payments if they fail to make payment by the date required in the Act. See Government Code 927

**Evaluating Vendor Discounts**

Discounts offered by vendors are considered in evaluating competitive bids; failure to earn such discounts through prompt payment increases the effective price to the state. Agencies/departments are to pay all obligations in time to take advantage of the maximum discounts offered by vendors.

**Partial Payments**

When agencies/departments accept partial delivery of goods or services without reservation, prompt payment is to be made for the goods or services received upon receipt from the vendor of a properly completed invoice or per the purchase document or contract terms covering the partial delivery.

**Prompt Vendor Notifications (Disputes)**
Prompt and proper notification to a vendor of receipt of unsatisfactory goods or services or an incorrect invoice defers the due date. The due date is recalculated from the date the problem is resolved. Proper authorization is required when material changes are made.

Also, state agencies/departments will verify the calculation of discounts, if applicable, price extensions, and sales tax and the arithmetical accuracy of totals on all invoices, including travel expense claims.

**Document Numbers**
The document number providing the purchase authority (e.g., purchase order number, contract number, lease number) will be shown on original invoices submitted to the State Controller's Office (SCO).

**Corrected Invoices**
The agency/department may notify the vendor/claimant of any corrections to invoices by correspondence (e.g., letter, email) which should accompany the remittance advice on manual claims. For FI$Cal vouchers, a message can be added to the remittance advice indicating the correction. Whether the invoice is to be paid by FI$Cal voucher or manual claim, the agency/department **must send an Invoice Dispute Notification**, STD. 209, notifying the vendor/claimant **within 15 working days** from receipt of the invoice, as described in SAM section 8474.1.

**Utility Services Invoices**
Utility services invoices may contain a service period that overlaps two calendar months. This billing procedure does not cause any problems except at the end of a fiscal year. For uniformity, agencies/departments will charge utility invoices to the fiscal year in which the majority of the service falls. For example, if the service period is from June 10 through July 9, the total amount of the invoice will be charged to the fiscal year just ended. If the service period is from June 21 through July 20, the total amount of the invoice will be charged to the new fiscal year. If the period of service is of equal duration in each fiscal year, the invoice may be charged to either fiscal year.

**DGS Fleet Services Invoices**
Fleet services are billed by DGS on a calendar month basis. Occasionally minor amounts representing adjustments and delayed billings of the prior year are included in an invoice for the current year. Under these circumstances, the entire invoice may be charged to the current year appropriation.

**Submitting Invoices in FI$Cal**
Invoices processed in FI$Cal must be scanned in the PDF format and attached to the related voucher. Invoices cannot be consolidated into one voucher and submitted to SCO for payment request (e.g., many invoices to one voucher). If an invoice is marked as duplicate, it will need to be certified with the language below.

**Submitting Manual Claims**
If invoices are being submitted to the SCO through the manual claim process, the original invoices must be included with claim. If agencies/departments cannot obtain original invoices, the SCO will accept photocopies. Invoices marked as copies will include the same detailed information as provided on the original invoice, such as items purchased, quantity, delivery address, etc. In addition, the copies will be accepted by the SCO only if the following information is placed on the copy:

> This bill has been checked against our records and found to be the original one presented for payment and has not been paid. We have recorded this payment so as to prevent a later duplicate payment.
> Signed: _____
> Accounting Officer

## FREIGHT AND TRANSPORTATION INVOICES - 8422.101

All freight and transportation invoices must be submitted to the Department of General Services (DGS), Transportation Management Unit (TMU) for approval prior to scheduling payment through the State Controller's Office. See SAM sections 3851, 3852, and 1200 et seq., specifying the exact rates to be applied for the services and 8422.100, for the required documents to be submitted to the DGS, Transportation Management Unit for approval. See State Contracts Manual (SCM) Volume 2 Chapter 8, Topic 5, 8.5.0 and DGS Transportation Management website for more information

Refer to SAM section 3574.5 for applicability of sales and use taxes on transportation charges, which are separately stated on vendor invoices.

## GASOLINE AND OIL INVOICES - 8422.102

When the appointing power or designee authorizes employees to operate a privately owned vehicle on state business, reimbursement will be made at the Federal Standard Mileage Rate (FSMR). Mileage reimbursement expenses cover the maintenance and use of the vehicle, including but not limited to: gasoline, up-keep, wear and tear, tires.

To be reimbursed, employees must submit an STD 262 Travel Expense Claim along with receipt to claim reimbursement; no reimbursement will be paid without a receipt.

If an employee is authorized to use a state vehicle and purchases fuel using the state fuel card, they must submit receipts or invoices to their agency/department to reimburse the credit card company.

The original copies of invoices or receipts will be filed with the State Controller's Office in claims for payment of credit card purchases. In FI$Cal, the original invoices/receipts should be scanned and attached to the voucher. It is the responsibility of the agency/department to determine that invoices presented for payment are correct in all respects, the agency/department will audit the propriety of charges and correctness of invoices for credit card purchases before submission for payment.

Unless specifically required by the vehicle manufacturer, the purchase of midgrade or premium (supreme) unleaded gasoline is strictly prohibited. Employees will reimburse the state for unauthorized fuel purchases. The amounts collected for unauthorized purchases will be deposited in the agency's/department's general cash account (revolving fund account if the agency/department does not have a general cash account) pending their remittance to the vendor.

When using the state fuel card, employees must adhere to DGS Office of Fleet and Asset Management Voyager Policy and Procedures.

## CONTRACT/LEASE INVOICES - 8422.104

Invoices for contractual services and space rental will show the applicable contract or lease number, or other data, to allow positive identification of an existing contract or lease. The State Controller's Office (SCO) will examine the contracts to determine whether the payments are in accordance with the contract terms. Upon execution a copy of all contracts will be filed with SCO to verify correctness and validity of contract invoices submitted for payment. (See GC 925.6 and GC 12410)

Original authorizations by lessors to make payments to someone other than the lessor will be forwarded to the SCO prior to scheduling invoices requiring such payment. Leases subject to Department of General Services (DGS) approval will secure its notification of approval before scheduling invoices to the new payee.

Agencies/departments will attempt to obtain invoices in advance for all payments to be made under contracts or leases which provide for fixed monthly or quarterly payments, other than for space rentals. As each payment becomes due, the applicable invoice will be removed from the file and scheduled for payment. If the lessor or contractor's names are not on printed business letterhead, the invoice should be checked for signatures of the lessor or contractor. Remove remaining invoices for canceled contracts or leases.

California Code of Regulations, title 2, division 2, chapter 1, article 7, section 677(f) permits space rental lease payments without an accompanying invoice if the applicable lease is on file with the SCO. A listing of the lease payments to be made may be submitted instead of individual invoices. The listing must include the lease number, name of lessor/assignee, location of leased property, amount, period covered by payments, and due date of the payment. The listing format must be approved by the SCO, Audits Division prior to submitting the listing for payments.

Changes (e.g., payee, amount, address, etc.) to a space rental lease must be received by the SCO, Audits Division by the 22nd of the month in order to make the change effective by the first of the succeeding month.

Invoices for payment on oral agreements should describe fully the nature of the services rendered and the terms or conditions under which payment is to be made and a notation that there is no written agreement.

For one-time payment contracts, a copy of the contract will be attached to the invoice at the time the claim schedule is sent to the SCO. This will facilitate the audit and expedited payment of the claim.

## TELEPHONE INVOICES - 8422.106

Agencies/departments will submit telephone statements (in place of invoices) to the State Controller's Office (SCO) for payment.

Telephone companies will furnish agencies/departments with supporting details for long distance telephone calls. These documents should be retained by the agency/department together with a copy of the statement summary submitted to SCO. The SCO will request review of the statements and support details in any instance wherein it believes that such verification is required.

Telephone invoices usually have a service period other than the calendar month. These invoices will be charged the same way as other utilities as described in SAM section 8422.100.

Telephone statements, including credit card statements, will be approved by the employee making the calls and the employee's supervisor. Any unapproved charges will be collected from the employee.

Agencies/departments are not required to pay the surcharge imposed by the California Emergency Telephone Users Surcharge Law (911). If an agency/department receives an invoice from a telephone company which includes the surcharge, delete the surcharge amount and pay the balance. Agencies/departments should inform the telephone companies of the incorrect billings when surcharge assessments recur.

## REVOLVING FUND INVOICES - 8422.108

Any invoice being submitted to the State Controller's Office to reimburse an office revolving fund will show the applicable revolving fund check number on the face of the invoice. However if the revolving fund checks issued to pay invoices in a manual claim schedule are in consecutive numerical sequence and the invoices are in the same sequence, the following statement may be shown on the face sheet of the claim schedule (original and office copies) instead of writing the check number on each invoice or voucher:

"Paid by revolving fund check numbers _____to _____ inclusive."

If this is done, the vouchers and invoices contained in such claims will be stamped "Paid by Revolving Fund Check" or marked in some other manner to prevent duplicate payment unless the agency/department has other means to prevent this.

## PRIOR FISCAL YEAR CHARGES - 8422.109

Invoices for purchases by purchase orders and contracts charged to an appropriation of a fiscal year prior to the fiscal year in which delivery is received will be explained by noting on such invoices: "ordered in prior fiscal year."

## LOCAL GOVERNMENT UTILITY USERS TAX - 8422.111

Agencies/departments that receive utility bills which include a Utility Users Tax (UUT) assessed by California local governments will not pay such a tax. Agencies/departments will contact the utility and advise it that the State is not subject to the UUT.

## TRAINING INVOICES - 8422.113

Agencies/Departments shall develop a training authorization (e.g., training request, requisition, service agreement, contract, interagency agreement) in a manner that safeguards the state's interests. The training authorization should include pertinent details, such as:

- Amount of fees
- Date of class/course
- Vendor information
- Course details
- Important terms and conditions
- Funding information
- Agency/Department approval

Agencies/Departments must validate training invoices against an approved training plan and comply with the provisions of a training authorization.

Agencies/Departments presenting claims for payment/reimbursement of training invoices to the State Controller's Office (SCO) must include proof of completion. An approving officer's signature or other supporting information, dated on or after the training completion date, may be used in place of proof of completion. This will certify that services were rendered and authorizations were duly obtained. For information on verifying the accuracy and validity of invoices, see SAM Section 8422.050.

Payment/reimbursement claims for training invoices shall not be submitted to the SCO for payment prior to the start of the service period or training date(s).

Training invoices greater than $5,000 must be supported by a contract or interagency agreement. Refer to the State Contracting Manual for further guidance.

## AIRLINE INVOICES - 8422.114

The traveler's copy of an airline boarding pass or e-ticket printout will be submitted with the employee's Travel Expense Claim (TEC) for manual claims or uploaded to the California Automated Travel Expense Reimbursement System (CalATERS). The traveler's copy will be compared with the airline invoice to determine the propriety of the charge. Any unapproved charges will be collected from the employee.

All travel related expenses must be in compliance with the following California Department of Human Resources (CalHR) requirements. See CalHR's Human Resource Manual sections 2201, 2202 and 2203 for more information.

It is the agency's/department's responsibility to verify that the rates charge are correct and the services have actually been provided. Additional travel information can also be found in SAM Chapter 700.

## AUTOMOBILE RENTAL AND TRANSPORTATION INVOICES - 8422.115

When determining the mode of transportation, travelers shall use the most economical means of transportation (e.g., taxi, transportation network company (rideshare), rail, bus, air, state vehicle, commercial or privately-owned vehicle). If transportation rental is selected, the customer's copy of the rental agreement or invoice will be submitted with the employee's travel expense claim or as an attachment through CalATERS. The rental should be preapproved. Any unapproved charges will be collected from the employee.

## PAYING INVOICES FROM REVERTED APPROPRIATIONS - 8422.12

(Revised 10/2020 and Renumbered from 8422.7)

Pursuant to Government Code section 16304.1, after an appropriation has reverted, any unpaid encumbrance against the appropriation may be paid from any current appropriations available for the same purposes. For the purpose of this section, current appropriations include any current or prior year appropriations.

Invoices payable from a reverted appropriation, for which a current appropriation is available for the same purposes, will be assembled into a claim schedule containing only this kind of invoice. Reverted year invoices will not be commingled with other invoices.

The following statement will be placed on the original copy of the claim face sheet or on the voucher invoice.

> I hereby certify that the invoices contained herein are valid obligations of the State of California and were not paid before the applicable appropriation reverted. In accordance with Government Code section 16304.1, the invoices may be paid from this current appropriation which is available for the same purpose.
>
> Signed
>
> Title

The claim schedule will be submitted to the State Controller's Office for payment.

Invoices payable from reverted appropriations, for which no current appropriation is available for the same purposes, will be submitted to Department of General Services (DGS) in accordance with SAM section 8493 for government claims.

## INDEPENDENT CONTRACTOR REPORTING - 8422.18

(Renumbered from 8422.116)

Agencies/Departments shall report to the Employment Development Department (EDD) within 20 days when making payments of $600 or more or entering into a contract for $600 or more with an independent contractor (i.e., sole proprietors/individuals or single member LLCs) in any calendar year, whichever is earlier. For the calendar of reports, see SAM Section 7930.

For agencies/departments using FI$Cal, the State Controller's Office Supplier Management and Reporting Team (SMaRT) will report payments and contracts subject to independent contractor reporting of $600 or more to the EDD.

Agencies/Departments deferred/exempt from using FI$Cal must identify independent contractors subject to reporting as defined by the EDD and comply with all reporting requirements.

Agencies/Departments may be charged a penalty of $24.00 for each failure to report within the required time frames, unless the failure is due to a good cause. If the failure to report is intentional or if the report is falsified, a penalty of $490.00 may be charged.

Additional information, including reporting requirements and the Report of Independent Contractor(s) form, DE 542, is available on the EDD website.

## ANNUAL INFORMATION RETURNS – REPORTABLE PAYMENTS - 8422.19

The Internal Revenue Code (IRC) and associated regulations require filing Annual Information Returns for reportable payments made during the calendar year. Pursuant to IRC section 6041A and California Revenue and Taxation Code section 18631, the state is required to report certain payments made to individuals, medical and legal corporations, estates, trusts, and partnerships when such payments total at least $600 of miscellaneous income and $10 of interest income. IRC section 6045(f) requires the state to report any payment to an attorney (including legal corporations) made in connection with legal services, regardless if such services were performed for the payer. These payments include gross proceeds (e.g., lump-sum payments to attorneys that consist of legal fees and amounts awarded to the client).

Each agency/department that makes payments from the State Treasury trust and/or agency funds shall comply with the annual information reporting and income tax withholding requirements of the Internal Revenue Service (IRS) and the Franchise Tax Board. The agency/department head or designee is responsible for ensuring compliance with federal and state tax laws. State policy requires agencies/departments to identify and report payments through a combination of accounting processes, the state Uniform Codes Manual, and information provided in the Payee Data Record form, STD 204.

The FI$Cal and State Controller's Office Supplier Management and Reporting Team (FI$Cal/SCO SMaRT) processes, files, and mails Form 1099s through the State Reportable Payment Program (SRPP). Although the FI$Cal/SCO SMaRT may prepare and file 1099s on behalf of an agency/department using the SRPP, agencies/departments are responsible for ensuring the completeness of the data.

Agencies/Departments deferred/exempt from using FI$Cal may choose to integrate their reportable payment data into FI$Cal for reporting or develop and implement similar identification systems to report their own data. Agencies/Departments using FI$Cal to report shall report under a statewide FEIN. Agencies/Departments reporting their own data shall report under their own unique Federal Employer Identification Number (FEIN).

Agencies/Departments needing to file separate reports for certain programs shall apply for separate FEIN(s) for the appropriate program(s). An Application for Employer Identification Number, form SS-4, is available at the IRS website at https://www.irs.gov/forms-pubs/about-form-ss-4. Return the completed form to the IRS.

## OBTAINING PAYEE INFORMATION (STD. 204) - 8422.190

To file the Annual Information Returns correctly, below are the requirements for identifying and classifying reportable payments.

**Purpose of the Payee Data Record form, STD. 204**

The Payee Data Record form, STD. 204 must be completed by suppliers. The purpose of the STD. 204 form is to obtain payee information for income tax reporting and to ensure tax compliance with federal and state law. The STD. 204 is required for any non-governmental entity or individual entering into a transaction that may lead to a payment from the state. Therefore, a completed, dated, and signed STD. 204 with handwritten or electronic signature must be on file with the state before payments are disbursed.

Electronic signatures must meet the Secretary of State's requirements in the California Code of Regulations, Title 2 Division 7, Chapter 10, section 22003. The original form must also be available and provided upon request. More information on electronic signatures is provided in the California Civil Code sections 1633.1 through 1633.17.

A completed STD. 204 is necessary to determine what payments are reportable by the payee and must be attached to each contract. For non-contract transactions, a completed STD. 204 must be retained in the agency/department. A completed STD. 204 is also required for non-state employees authorized to receive travel expense reimbursements directly from agencies/departments before the reimbursement is paid.

The payee will provide the following information on the STD. 204 in accordance with IRC section 6109(a) and RTC sections 18646 and 18661. Instructions for the payee are provided on page 2 of the form.

**Completing the Payee Data Record form, STD. 204**

**Section 1-Payee Information**

Complete the name and mailing address of the payee doing business with the state. Enter the name that appears on the payee's federal tax return. The name provided shall be the tax liable party. The mailing address is where the payee will receive information returns. Use form STD 205, Payee Data Record Supplement to provide the payee's remittance address information if different than the mailing address on STD 204.

**Section 2-Entity Type**

Check the payee entity type box by following the instructions on page 2 of the STD. 204.

**Section 3-Tax Identification Number**

Enter the payee's Taxpayer Identification Number (TIN). The TIN must match the name given in Section 1-Payee Information. Refer to the instructions on page 2 of the STD. 204 for the TIN requirements. Payees must provide one of the following applicable TINs:

- Social Security Number (SSN)
- Individual Taxpayer Identification Number (ITIN)
- Federal Employer Identification Number (FEIN)

Refer to the IRS website for more information on TINs.

**Section 4-Payee Residency Status**

Enter the residency status of the payee by indicating resident or nonresident. Page 2 of the STD. 204 provides information for making this determination. For further information on nonresident withholding, see SAM section 8422.195.

**Section 5-Certification**

Complete name, title, e-mail address, telephone number, date, and handwritten or electronic signature of the payee's authorized representative. This signature certifies the accuracy of the information provided. All data on the submitted STD 204 must be unalterable including the signature.

If a payee does not properly complete and submit a STD. 204, then payment to the payee shall be reduced by the following:

- Federal backup withholding at a rate determined by the IRS. For more information, refer to the IRS Publication 1281, Backup Withholding for Missing and Incorrect Name/TIN(S). Additional resources include IRS Publication 15, Employer's Tax Guide, and IRS Publication 17, Your Federal Income Tax. For questions about federal backup withholding or information reporting, contact the IRS' Information Reporting Program Customer Service Section at (866) 455-7438.
- State backup withholding of 7 percent pursuant to RTC section 18664.

Payment may be subject to state income tax withholding if the payee indicates "nonresident" on the STD. 204. Under circumstances where both backup withholding and nonresident withholding apply, only backup withholding shall be required. Refer to Franchise Tax Board (FTB) website at www.ftb.ca.gov for further information.

Agencies/departments are liable for amounts not withheld, under-withheld, or not remitted to the FTB pursuant to RTC sections 18662(d) and 18668. Information on federal and state tax withholdings is provided in SAM section 8422.195. In addition, agencies/departments are responsible for sending additional requests to those payees that fail to provide their TIN, as described in SAM section 8422.193.

## ANNUAL INFORMATION RETURNS (FORM 1099) - REPORTING - 8422.191

**Reporting Payments on Form 1099**

At the end of each calendar year, reportable payments must be identified on Form 1099 to comply with the annual information reporting and income tax withholding requirements of the Internal Revenue Service (IRS) and the Franchise Tax Board (FTB).

Agencies/Departments must report the following payments:

- Compensation for services to medical corporations, legal service corporations, and non-corporate entities (except governmental units).
- Rents, royalties, prizes, awards, gross proceeds connected with legal services, fees, commissions, services not reported on Form W–2, and interest.

**Form 1099-MISC – Miscellaneous Information**

Payments must be reported on Form 1099-MISC (Miscellaneous Information) if all of the following conditions are met:

- Payment is within the course of your trade or business.
- Payment is at least $600 for rents, prizes, awards, and other income payments.
- Payment royalties of at least $10 or more or broker payments in lieu of dividends or tax-exempt interest are reportable.
- The payee is not a corporation.
  - Exception: All payments to medical corporations for services provided and attorneys or legal services corporations, including gross proceeds, are reportable.

The corresponding box numbers on the form are provided below:

Table content available in source manual.

**Form 1099-NEC - Nonemployee Compensation**

Payments must be reported on Form 1099-NEC (Nonemployee Compensation) if all of the following conditions are met:

- Payment to someone who is not your employee.
- Payment for services in the course of your trade or business.
- The payee is an individual, partnership, estate, or, in some cases, a corporation.
- Payments to the payee of least $600 or more during the year.

The corresponding box numbers on the form are provided below:

Table content available in source manual.

Payments not reported on Forms 1099-MISC and 1099-NEC include:

- Payments to governmental entities.
- Payments to most corporations for goods and services.
  - Exception: Payments to medical corporations and attorney or legal services corporations are reported.
- Payments for merchandise (including freight, storage, and similar charges) and utilities (e.g., electricity, gas, oil, water, telephone, and similar services).

- Payments of non-punitive damages (for physical injury or sickness) awarded by the courts.
  - Exception: Interest payments are reported.
- Salaries and wages paid from the State Payroll Revolving Fund or otherwise reported on Form W–2.
- Scholarships, fellowships, and stipends.
  - Exception: Whereas such payments are subject to the performance of services.
- Per diem and travel expense reimbursements are generally not considered reportable income.

**Form 1099-INT – Interest Income**
Payments must be reported on Form 1099-INT (Interest Income) if all of the following conditions are met:

- Interest income includes amounts of at least $10.
- Payment is within the course of your trade or business.

The corresponding box numbers on the form are provided below:
Table content available in source manual.
Table content available in source manual.

Payments not reported on Form 1099-INT include:

- Corporations
- Tax-exempt organization
- Individual retirement plan
- United States Government, a State, a State's political subdivision and any wholly-owned agency or instrumentality
- Foreign government and political subdivision of a foreign government
- Registered dealers in securities and commodities
- Financial institutions
- Custodians and nominees
- Brokers

**Payments that include Reportable and Non-Reportable Items**

The following conditions apply to Forms 1099-MISC, 1099-NEC, and 1099-INT:
- When a payment to an individual includes both reportable and non-reportable items, agencies/departments have the option of reporting the total payment or only the reportable portion.
- If the agreement is only for a lump sum, the full amount will be reported (including gross proceeds paid to an attorney in connection with legal services).
- When a payment includes both interest and non-reportable principal, only the interest will be reported.
- When a payment to an external consultant includes a stated amount for travel expenses, per diem, or other expenses, as well as an amount for services, the total amount will be reported.

Agencies/Departments who file Form 1099 through the State Reportable Payment Program (SRPP) should direct any issues or questions to the State Controller's Office, Supplier Management and Reporting Team (SMaRT) at FISCALSMaRT1099Help@sco.ca.gov.

**Form 1099 Reporting for Agencies/Departments Deferred/Exempt from Using FI$Cal**

Agencies/Departments deferred/exempt from using FI$Cal that do not utilize SRPP and the SMaRT as their reporting agent must directly file the Form 1099 in accordance with the IRS and the FTB reporting guidelines and furnish a copy to the payee. For annual reporting guidelines and regulatory changes related to electronic and paper filing rules, submission dates, and forms, refer to the IRS website and the FTB website. Agencies/Departments must ensure that reportable data is complete, accurate, and submitted on time.

For information and assistance, refer to the IRS homepage or contact the IRS Technical Services Operation at (866) 455-7438. For the FTB, refer to the FTB homepage or by emailing the FTB Information Returns Unit at IRPHelp@ftb.ca.gov.

## ANNUAL INFORMATION RETURNS (FORM 1099) – CORRECTING - 8422.192

The State Controller's Office, Supplier Management and Reporting Team (SMaRT) supports agencies/departments who participate in the State Reportable Payment Program (SRPP) with Form 1099 processing. Agencies/Departments are responsible for ensuring the accuracy of the information reported and contacting the SMaRT after all adjustments are completed. The SMaRT will only process and furnish a corrected Form 1099 to the payee(s) for the appropriate tax year when the original Form 1099 was issued through the SRPP.

Filing a corrected Form 1099 electronically through SRPP:

- Agencies/Departments will adjust the original Form 1099 amount(s) reported and notify the SMaRT to issue the corrected form to the payee.
- The SMaRT will electronically file (e-file) the corrected Form 1099 with the Internal Revenue Service (IRS) and the Franchise Tax Board (FTB) and furnish a copy to the payee.
- For additional information on filing a corrected Form 1099, e-mail the SMaRT at FISCALSMaRT1099Help@sco.ca.gov.

Agencies/Departments deferred/exempt from using FI$Cal that do not utilize SRPP and the SMaRT as their reporting agent must process the corrected Form 1099 to the IRS and the FTB and furnish a copy to the payee. For information on filing corrected returns, refer to the IRS website and the FTB website.

For information on the annual reporting of Form 1099, see SAM Section 8422.191.

## CONSEQUENCES OF INCORRECT INFORMATION REPORTING - 8422.193

If a payee fails to complete or provides incorrect information on the Payee Data Record form STD. 204, the agency/department will reduce the payee's payment by withholding the federal and state backup income tax portion. Under the Internal Revenue Code and the California Revenue and Taxation Code, an agency/department that fails to obtain the Tax Identification Number (TIN) or fails to file timely information returns can be assessed a federal backup income tax withholding and a 7 percent state backup withholding on amounts that were incorrectly reported or were not withheld. For current federal backup withholding rate, refer to the IRS website for Publication 1281, *Backup Withholding for Missing and Incorrect Name/TIN(S).*

Additional penalties, fines, and interest may be assessed by the IRS and/or Franchise Tax Board. In order for an agency/department to avoid a penalty for filing a return that omitted the payee's TIN, the agency/department must send the taxpayer a first annual request for the TIN by December 31 of the year in which the agency/department makes a reportable payment (for payments made before December) or January 31 of the following year (for payments made in the preceding December). If the payee does not provide a TIN after the first annual solicitation, a second annual request is also required by December 31 of the following year.

## BACKUP WITHHOLDING NOTICES (B-NOTICES) - 8422.194

Annual information returns reported to the IRS are subject to various computer matching analyses to determine, in part, whether the payee's name and Taxpayer Identification Number (TIN), as reported in the Form 1099, matches that in the taxpayer's account in the IRS computer files. If they do not match, the IRS will send the agency/department a CP2100 or CP2100A Notice, depending on the number of mismatches. The Notice will include a list of payees whose TINs (on Form 1099 filed by, or on behalf of, the agency/department) are missing, incorrect, or not issued.

When an agency/department receives a CP 2100 or CP 2100A Notice, the IRS Publication 1281, *Backup Withholding for Missing and Incorrect Name/TIN(s),* provides detailed instructions and requires the following:

Examine the Payee Data Record form STD. 204 and verify that if the:

1. TIN provided by the taxpayer matches that on the IRS Notice, the agency/department will:

   a. Send the payee a blank STD. 204 and the required "B" Notice which is a backup withholding notice within 15 business days. The "B" Notice will:
      i. Request a response date within 30 business days from the date the agency/department received the IRS notice.
      ii. Include date, taxpayer name, TIN, backup withholding rate, and return to information.
      iii. Be sent in an envelope that is clearly marked, "IMPORTANT TAX INFORMATION ENCLOSED" or "IMPORTANT TAX RETURN DOCUMENT ENCLOSED."

   b. Begin backup withholding no later than the 31st business day after receipt of the IRS Notice. Per RTC section 18664, payees who are subject to federal backup withholding are also subject to state backup withholding except for payments of interest and dividends and any release of loan funds made by a financial institution.

   c. Stop backup withholding when the payee provides the correct TIN on STD. 204.

   d. Keep track of each payee listed in the IRS Notice in order to determine when the same payee appears twice in three years. Upon receipt of another IRS Notice listing the same payee within three years, the agency/department will:

      i. Send a second "B" Notice as described above, and direct the taxpayer to contact the IRS or Social Security Administration to obtain the correct Name/TIN combination.
      ii. Begin backup withholding no later than the 31st business day after receipt of the second IRS Notice. Per RTC section 18664, vendors who are subject to federal backup withholding are also subject to state backup withholding except for payments of interest and dividends and any release of loan funds made by a financial institution.
      iii. Continue withholding until an official stop notice is received from the IRS.

If the taxpayer did not provide a TIN and the IRS Notice shows a missing TIN, the agency/department will:

   a. Ensure that the annual requests to the taxpayer for a TIN have been made in accordance with SAM 8422.193.

1. If the TIN provided by the taxpayer does not match that on the IRS Notice; do not write to the IRS. However, the agency/department will:

   a. Correct its records upon receipt of updated STD. 204 if they reported incorrect information to the IRS or if the information changed after they reported to the IRS.
   b. Note its records if the IRS misprinted the information, but do not take any further action.

Each agency/department is required to maintain a current copy of IRS Publication 1281, Backup Withholding for Missing and Incorrect Name/TIN(S), for reference in processing IRS Notices and "B" Notices. The publication is available at IRS website. In addition, SAM section 8422.195 provides further information and instructions on the withholding requirements. Furthermore, pursuant to RTC sections 18662(d) and 18668, agencies/departments are liable for amounts not withheld, under withheld, or not remitted to the FTB.

## FEDERAL AND STATE BACKUP INCOME TAX WITHHOLDING - 8422.195

Each agency/department is responsible for federal and state backup withholdings on reportable payments or state withholding on payments made to nonresidents, as defined in SAM Section 8422.190. Details and instructions for the withholding types are as follows:

**Federal Backup Withholding Requirements**

The IRC section 3406 states that reportable payments to payees are subject to backup withholding when:

1. Payee Data Record form STD. 204 has not been completed providing certification of correct TIN and exemption.
2. IRS notifies the agency/department that the payee is subject to backup withholding.
3. IRS notifies agency/department that the payee furnished an incorrect TIN.
4. Payee fails to certify exemption from withholding on interest and dividends per IRC section 3406(d).

**Computation of Federal Backup Withholding**

For each payee invoice or similar payment document that is subject to federal backup withholding, the agency/department shall compute the federal backup income tax to be withheld by multiplying the invoice amount by the federal backup withholding rate determined by the IRS. For the current rate and more information, refer to IRS website http://www.irs.gov for IRS Publication 1281, *Backup Withholding for Missing and Incorrect Name/TIN(S).* Additional resources include IRS Publication 15, *Employer's Tax Guide,* and IRS Publication 17, *Your Federal Income Tax.* The computation may be performed on the payee invoice(s) or on a separate computation sheet which should be attached to the invoice(s) and included with the voucher/claim schedule. The net amount (original invoice amount less the withholding amount) is the amount due to the payee.

**State Backup Withholding Requirements**

Payees who are subject to federal backup withholding are also subject to state backup withholding except for:

1. Payments of interest and dividends (reported on IRS Forms 1099-INT, 1099-DIV, 1099-OID, and 1099-PATR).
2. Any release of loan funds made by a financial institution in the normal course of business.

The RTC section 18664 states that reportable payments to payees are subject to state backup withholding at 7 percent. Under circumstances where both backup withholdings and nonresident withholding apply, only backup withholding shall be required. See below for computation.

**State Nonresident Income Tax Withholding Requirements**

Payments to nonresidents may be subject to withholding at 7 percent. A payee will be considered a nonresident when the nonresident box has been checked on the STD. 204. This form is required to be completed by all payees doing business with any agency/department as described in SAM section 8422.190.

Withholding is not required if:

1. The payments to the payee are $1,500 or less for the calendar year. If it is not known whether payments will exceed $1,500 for the calendar year, then withholding is optional at the discretion of the agency/department on the first $1,500 in payments made during the calendar year.
2. The payment is for goods/materials or interest.
3. The services were not performed in California.

The withholding rate may be reduced or waived by the FTB; however, it is the responsibility of the payee to contact the FTB to request a reduced withholding amount or waiver. If the FTB approves the request, the payee shall provide a copy of FTB's approval letter to the agency/department for filing with the payee's STD. 204. Without an approval letter on file, the agency/department must apply the 7 percent withholding rate to the payee's payment.

The withholding agency/department should obtain a completed and signed California Form 587 *Nonresident Withholding Allocation Worksheet* from the nonresident before a payment is made. Form 587 is used to determine if withholding is required and the amount of California source income is subject to withholding. The withholding agency/department must retain Form 587 for a minimum of five years and must provide it to the FTB upon request.

**Computation of State Backup and Nonresident Income Tax Withholding**

For each payee invoice or similar payment document that is subject to state backup or nonresident income tax withholding, the agency/department shall compute the tax to be withheld by multiplying the invoice amount by the 7 percent withholding rate (or the FTB approved reduced withholding amount for nonresident payees, if applicable). This computation may be performed on the payee invoice(s) or on a separate computation sheet which should be attached to the invoice(s) and included with the voucher/claim schedule. The net amount (original invoice amount less the withholding amount) is the amount due to the payee.

Agencies/departments are advised to maintain a current copy of the FTB Publication 1017, *Resident and Nonresident Withholding Guidelines*, for reference in determining the state's withholding requirements. The publication and further information is available at www.ftb.ca.gov. For expense reimbursement payments to nonresidents, see FTB Publication 1017 on Income Subject to Withholding.

## REMITTING AND REPORTING INCOME TAX WITHHELD - 8422.196

**Federal Backup Withholding**

1. **Remitting Federal Backup Amount(s) Withheld**
   The agency/department shall prepare a voucher/claim schedule with the "Internal Revenue Service" (IRS) as payee. Supporting documentation for the voucher/claim schedule shall include a worksheet showing the claim schedule number, invoice number, payee name, invoice amount, and the amount subject to withholding. The Remittance Advice shall show the payee name and address as: Internal Revenue Service, P.O. Box 932300, Louisville, KY 40293-2300. Enter Federal Employee Identification Number, date, and amount paid in the right-hand box (reserved for payee invoice information) of the remittance advice. Also, the Annual Return of Withheld Federal Income Tax Payment Voucher, IRS Form 945-V, shall be attached to the remittance advice.
2. **Reporting Federal Backup Amounts Withheld**
   The agency/department shall file the Annual Return of Withheld Federal Income Tax, IRS Form 945. Line 2 of this return reports the total amount of federal backup income tax withheld and remitted.
3. **Reconciliation of Withholding, Remittances, and Information Returns**

   Agency/department accounting staff are encouraged to perform reconciliations, for internal use only, of the backup amounts withheld and remitted per the IRS Form 945-V, and the amounts reported per the IRS Form 945, and Form 1099.

   Neither the IRS Form 945-V nor the IRS Form 945 provides for payee information. That information is provided only in the Annual Information Return, Form 1099. The IRS performs the necessary reconciliation between the IRS Form 945-V, IRS Form 945, and Form 1099 data for their internal review purposes.

For more information, refer to the IRS website https://www.irs.gov/ for Publication 1281, *Backup Withholding for Missing and Incorrect Name/TIN(S)* and Publication 15, *Employer's Tax Guide.* For questions about federal backup withholding or information reporting, contact the IRS Information Reporting Program Centralized Customer Service Site at (866) 455-7438 or by E-Mail at mccirp@irs.gov.

**State Backup Withholding and Nonresident Income Tax Withheld**

1. **Remitting State Backup and Nonresident Taxes Withheld**

State backup and nonresident income tax withheld shall be remitted to the FTB with Form 592-V, Payment Voucher for Resident and Nonresident Withholding, at the address shown on the form. Form 592-V is only required with check or money order and shall be made quarterly and no later than 15 days following each quarter ended. For each quarter, the agency/department shall prepare a voucher/claim schedule of the state tax withheld with the "Franchise Tax Board" as the payee. Supporting documentation for the voucher/claim schedule is a copy of the FTB Form 592 with a statement and signature certifying the copy of the form (see SAM section 8422.100). Also, the Form 592-V shall be attached to the Remittance Advice STD. 404c.

Form 592, Resident and Nonresident Withholding Statement information must be filed with the FTB to identify the payee, the income, and the withholding amount. This schedule will allow the FTB to allocate the withholding payments to the payee upon receipt of the complete Form 592. Agencies/departments must file electronically using FTB's Secure Web Internet File Transfer instead of paper when the number of payees on Form 592 Schedule of Payees are 250 or more. For the electronic filing requirements, see FTB Publication 923, Secure Web Internet File Transfer (SWIFT) Guide for Resident, Nonresident, and Real Estate Withholdings. Form 592 can be mailed to FTB for payees numbering less than 250.

2. **Reporting State Backup and Nonresident Taxes Withheld**

For residents and nonresidents whose California income taxes were withheld by the state agency/department, the Resident and Nonresident Withholding Tax Statement, FTB Form 592-B, will be sent annually to each payee to report both the total amount subject to withholding and the total amount withheld for the entire prior calendar year. Form 592-B shall be sent to the payee (for filing a California tax return) no later than January 31. Agencies/departments shall retain a copy for their records. Refer to the instructions on FTB Form 592 and 592-B for additional information on the remittance and reporting of backup and nonresident income tax withheld. FTB Publication 1017, *Resident and Nonresident Withholding Guidelines*, also provides information on the state's withholding requirements. The publication and the forms are available at www.ftb.ca.gov. For additional information, agencies/departments may contact the FTB, Withholding Services and Compliance Section at:

Franchise Tax Board
Withholding Services and Compliance Section MS F182
P.O. Box 942867
Sacramento, CA 94267-0651
Telephone: (888) 792-4900 or (916) 845-4900, Fax: (916) 845-9512
E-mail (non-confidential): WSCS.GEN@ftb.ca.gov

## CLAIM SCHEDULES – GENERAL REQUIREMENTS - 8422.20

A claim schedule (claim) is a payment request document used to submit invoiced claims to the State Controller's Office (SCO) for disbursement. The claim process is a manual process where an agency/department inputs the required information on the Claim Schedule form, STD 218, and attaches all supporting documents.

Agencies/Departments will display the following on the STD 218:

- **Payable From Section:** Fund, subfund (as applicable), fund name, agency number, and agency name.
- **Appropriation Section:** Appropriation information.
- **P.O. NO. or "C" Column:** When applicable, purchase order number or identify contracts and lease payments by entering the letter "C."
- **Claimant and Amount Columns:** Payees. If more than one invoice is paid by a single warrant, list the payee only once and show the total amount to be paid to the payee.
- **Reportable Payments per SAM Section 8422.19**: When applicable, the number and amount of reportable payments. The number of reportable payments for this purpose is the number of warrants or revolving fund checks paid, not the number of invoices that are being paid. For information on reportable payments, see SAM Section 8422.19.

Agencies/Departments shall arrange claims in the following order before submitting to the SCO:

1. Original and one copy of the STD 218.
2. Original invoices, or acceptable copies, in the same order as the payees listed on the STD 218. For information on submitting claims for payment, see SAM Section 8422.100.
3. Calculator machine tape or spreadsheet attached to the first invoice of the payee when more than one invoice from the same payee is included in a claim. The tape or spreadsheet will list all payee invoices.
4. Remittance advice envelope containing Remittance Advice forms, STD 404C, and any other material firmly attached thereto, arranged in the same order as the payees listed on the STD 218. For remittance advice specifications, see SAM Section 8422.301.

Invoices and vouchers filed to reimburse office revolving funds may be included in claims filed to obtain warrants payable directly to claimants furnishing goods or services. Agencies/Departments shall not list the names of payees paid from the revolving fund on the claim. Agencies/Departments shall place the invoices at the end of the claim and attach a calculator machine tape or spreadsheet supporting the amount shown on the claim as payable to the revolving fund.

Agencies/Departments shall bind all documents in a claim with a string or cord passed through the holes punched in the document(s) and tied in a bow knot at the top back. This will permit easy removal for audit, correction, and any required central mailing of documents by the SCO. Agencies/Departments shall ensure that necessary information (e.g., vendor's name, address) is not damaged or destroyed when documents are hole punched. Agencies/Departments may use backing sheets (e.g., 8.5 inch by 11 inch, white letter-size paper) for small size invoices and for those where necessary information would be damaged or destroyed if hole punched.

Personnel responsible for signing STD 218s shall be identified on a Voucher/Claim Schedule Signature Authorization form, AUD 15. A person listed on an AUD 15 shall not sign claims that include an invoice from that person. Another authorized person shall sign the STD 218, whether it's for direct payment to the person or revolving fund reimbursement. Contact the SCO, Division of Audits, for the current version of the AUD 15 form.

Agencies/Departments should file duplicate copies of the STD 218 and the supporting invoices numerically by claim number.

## STOCK RECEIVED REPORTS - 8422.201

(Revised and Renumbered from 8422.20)

The STD 106 Stock Received Report is not required for FI$Cal agencies/departments. These agencies/departments must create a Receipt ID against the Purchase Order ID in the FI$Cal system. The Receipt ID is required for Non-IT Goods, IT Goods, Non-IT Services and IT Services acquisition types.

The STD. 106 is required for agencies /departments exempt/deferred from using FI$Cal.

Whenever goods are supplied to an agency/department, the receiving unit of that agency/department will prepare Stock Received Reports, STD. 106, or Receipt Delivery Detail Report, or use an approved Purchase Order document to record receiving information at the time goods are received. The following should be observed:

- For partial deliveries, a photocopy of the approved purchase order may be used as a stock received report.
- The last Stock Received Report for an order should be stamped "Complete" when the order is completely filled.
- Prepared reports only after carefully checking the quantity, description, and condition of the goods and signed by the person responsible for checking and taking custody of the goods.
- When stock received reports are prepared or signed by a person other than the designated departmental receiver, the person signing the report should take precautionary measures to assure that the goods were actually received and checked.

The agency/department inventory clerk or designated receiver will write in the date received, the quantity received, and note any defect in condition on the purchase order that is used as a stock receive report. The same procedure will be used to acknowledge receipt of services other than regular recurring services, such as utilities. If goods are to be returned to the vendor, agencies/departments will prepare a Returned Stock Report, STD. 108.

The original stock received report, or signed copy of the order used as a stock received report will be forwarded directly to the accounting office on the day the goods are received

These documents will provide the accounting officers with information as to the identity, condition, and net quantities of goods received. The accounting officer will compare the stock received report to the purchase order and invoice. If these documents are not available for comparison, claims will not be processed for payment. The accounting office will indicate on its copy of the stock received report:

1. The claim schedule number, and
2. The Fiscal Year of the claim.
3. File stock received reports with the accounting office copies of orders and estimates, unless other methods of filing are prescribed or are more convenient with respect to individual agencies/departments.
4. To determine whether all goods and services ordered are actually received, the agency/department shall develop procedures to follow up on open purchase documents/contracts. *(See SAM Sections 3861–3867 concerning short or damaged shipments and SAM Section 10821 for additional procedures relating to agencies/departments performing stores accounting.)*

## INVOICES CHARGEABLE TO MORE THAN ONE FUND OR APPROPRIATION - 8422.202

(Revised and Renumbered from 8422.201)

When an invoice must be paid against more than one fund or appropriation because no Plan of Financial Adjustment or re-billing procedure exist, the agency/department will submit the necessary number of claim schedules with the State Controller's Office with the invoice in one claim and cross-references in the other claims. The agency/department will not dispute and return the invoice(s) to the vendor to simply match the appropriations. Instead, the invoice can be photocopied and certified as an original in the various claim schedules. This section does not apply to FI$Cal vouchers. A FI$Cal voucher can charge multiple funds/appropriations and distribution lines.

## ELECTRONIC CLAIMS - 8422.203

(Revised and Renumbered from 8422.202)

Agencies/departments, with the approval of the State Controller’s Office (SCO), may submit claims recorded on electronic tape. (See 2 CCR § 622.1 Claims Recorded on Electronic Tape). Claims which have the following characteristics will be considered for submittal in this manner:

- Large volume of payees;
- Similar in nature or purpose;
- Subject to repetitive handling and processing.

Agencies/departments should contact the State Controller's Office, Division of Audits for additional information and assistance.

## LOCAL AGENCY CLAIMS - 8422.204

(Revised and Renumbered from 8422.25 and 8422.26)

**Warrants Payable to and Agency/Department**

When a warrant is payable to a state agency/department, the Division of Administration and Disbursements Bureau of the State Controller's Office (SCO) will credit to the agency's/department's office revolving fund account in the Centralized State Treasury System.

**Warrants Payable to Counties**

Whenever a payment is to be made to a county, or an agency or office of a county, the payment will be made to the County Treasurer (unless there is a statutory basis to do otherwise). Where a payment is made to the County Treasurer, the filing agencies/departments will forward the following to the SCO:

1. A copy of Remittance Advice (STD. 404C), or a customized form approved by State Controller's Office–Division of Disbursements and General Services Forms Management, see SAM section 1725) for mailing the warrant to the County Treasurer.

2. An extra copy of the Remittance Advice or other approved customize form for the County Auditor. Use a separate legal-size plain envelope marked "County Auditor's Copy", and stapled to the Remittance Advice, STD. 403 to forward this extra copy to the SCO.

3. The Remittance Advice will show the name of the State agency/department filing the claim and properly identify the payment by referencing the invoice, agreement, or subvention program with a legal reference, if pertinent, and subvention program account code. Appropriate abbreviations may be used.

4. According to Government Code 26903, when agencies/departments transmit money or credits to the county treasurer, at the time of transmission, they will also transmit a notice to the county auditor providing the following information:

a. The amounts of money or credits or evidences transmitted.

b. The mode of transmission and the date when the agency/department placed the money or credits, or evidences thereof with the county treasurer.

c. A description of the money or credits, or evidences thereof, and the purpose for which transmitted.

## REMITTANCE ADVICE - PURPOSE - 8422.30

(Revised and Renumbered from 8422.3)

Whenever the State Controller's Office (SCO) or the agency/department disburse payment a Remittance Advice (RA) must accompany the disbursement. The RA's function is to identify the purpose, amount and reference information (e.g., invoice number) of payment.

A Remittance Advice should contain the following elements:

1. Agency/department name
2. Business Unit Code
3. Voucher or Claim Schedule Number
4. Invoice date
5. Invoice number. (if there is no invoice number, use the purchase order/contract number)
6. Invoice amount
7. Total payment amount
8. Agency/department inquiry contact phone number

**Purpose of Remittance Advice**

The purpose of the RA is to assist the vendor in identifying payment against their outstanding receivables which are pending payment. The RA prevents the vendor from needlessly contacting the agency/department to identify payment.

**FI$Cal Remittance Advice**

FI$Cal Remittance Advices comes attached to the check or warrant.

- For SCO Warrants, the RA is created after the voucher is approved the SCO, Audits Division.
- For agency/department Office of Revolving Fund checks, the RAs are created at the same time the check is printed.

**Non-FI$Cal Remittance Advice (STD. 404C)**

Agencies/departments deferred/exempt from using FI$Cal will use STD. 404C which must be manually completed and submitted with the claim.

## REMITTANCE ADVICE DETAILS - 8422.301

Agencies/Departments shall prepare a Remittance Advice (RA) form, STD 404C, for each payee listed on a claim schedule. Agencies/Departments that want to use a customized RA form instead of an STD 404C, must have their customized form design reviewed and approved by the State Controller's Office (SCO) before it is used.

Agencies/Departments shall include each original RA copy, in the same order as the payees listed on the claim schedule, in an RA envelope. The agency/department shall file the duplicate copy in its accounting office.

Agencies/Departments shall attach an RA envelope with each claim submitted. The agency/department shall attach the envelope to the back of the claim by a securely tied string or cord. For replacement of the RA envelope, agencies/departments shall purchase 6 inch by 9 inch brown manila envelopes in 28lb weight or greater. The envelopes shall be labeled with the agency/department's name and return address, hole-punched, and tied to the claim before submitting to the SCO.

Agencies/Departments shall complete the federal tax ID No. or social security account No. (SSAN), reportable payment (RP) type, tax year, and total reported to IRS boxes at the bottom of the RA when a payment is considered reportable. For more information on reportable payments, see SAM Section 8422.19. Warrant numbers shall not be shown on any copies of the RA. Reference to invoice dates, numbers, and amounts (items 4, 5, and 6 in SAM Section 8422.30) may be omitted where some other means of notifying the payee is provided.

The SCO shall mail the original RA and the applicable warrant to the payee. For more information on the delivery and handling of non-payroll warrants, see SAM Section 8422.6. After processing and distributing warrants, the SCO shall return the RA envelopes to the agencies/departments in the Sacramento area by courier and to those outside the area by U.S. mail for future use.

Agencies/Departments shall make payments to payees outside of the United States by following the claim schedule and RA process.

RA forms addressed to payees outside of the United States require the wording "FOREIGN MAIL" to be stamped in red ink on the face of the RA. The bottom line of the address must show only the full name of the country in capital letters. For example:

| | | |
|---|---|---|
| Mr. John Smith<br>123 Russell Drive<br>London W1p6HQ<br>ENGLAND MEXICO | or | Ms. J Smith<br>Apartado 3068<br>46807 Puerto Vallarta |

In the case of split payments (i.e., one part paid by SCO warrant and another part by agency check), agencies/departments shall either:

- Clip the check to the back of the RA accompanying the claim schedule. The SCO will mail the check with the warrant.
- Mail the check to the payee with an explanation that the balance paid by the warrant is being or has been transmitted separately. The RA accompanying such check will be cross-referenced to the partial payment by warrant. The RA accompanying the warrant will indicate that partial payment has been or will be made by check.

If there is an adjustment in the amount being paid, the agency/department shall attach correspondence to the RA stating the reason.

## CLAIM CORRECTIONS - 8422.50

(Revised and Renumbered from 8422.5)

The State Controller's Office (SCO), Audits Division will return or reject vouchers entered incorrectly in FI$Cal to the agency/department for review and correction using the automated system. In the case of paper claims, the SCO will send a claim correction or return letter along with supporting documentation to the agency/department for review and correction.

If the invoice to be returned is one of several for the same payee in one claim, the SCO, Audits Division will correct the Remittance Advice and will send only the invoice back to the agency/department. The corrected Remittance Advice STD 404C will be mailed with the warrant paying the adjusted amount. The agency/department will correct its own copy of the remittance advice.

## DELIVERY/HANDLING OF NON-PAYROLL WARRANTS - 8422.6

The State Controller's Office (SCO) will mail non-payroll warrants directly to the payees using envelopes bearing the SCO's address as the return address. See SAM section 8580 for the distribution of payroll warrants.

A warrant for travel expenses will not be routed through the person who prepares or approves the related travel expense claim. Warrants inadvertently received by an agency/department will be returned immediately to the SCO, Division of Administration and Disbursements. Agencies/departments will instruct payees to return warrants to the SCO if the warrant was issued incorrectly.

If a warrant is returned to the SCO because of incorrect or insufficient address, the SCO will contact the agency/department to determine the correct address. If a warrant is returned to an agency/department by a payee due to an incorrect or duplicate payment, it will be forwarded immediately to the SCO, Division of Administration and Disbursements, with a written request for appropriate changes. A copy of the request will be retained by the agency/department in a suspense file pending notification from the SCO of any adjustments to the agency's/department's records.

The SCO notifies agencies/departments of warrant information through the Notice of Claim Paid, (CD–102) form, for the claims. FI$Cal agencies/departments locate warrant information in the FI$Cal's Accounts Payable module. Agencies/Departments will review monthly warrant information against their records and contact the SCO if there are discrepancies.

For emergency payments, extenuating circumstances, or unusual types of transactions, agencies/departments may require that warrants be hand delivered to them instead of the normal mailing process to the payees. Delivery of the warrant may be requested by the agency/department under a special handling process.
Special handling requests will be kept to a minimum and approved only when necessary or in expedite situations where central mailing is not practical. FI$Cal agencies/departments will follow the FI$Cal procedures for special handling requests. However, the special handling process for manual claims and hand delivery of warrants includes the following general steps:

- The agency/department completes the Special Handling Request, STD. 8, form that includes their courier's name and signature.
- The STD. 8 form and Claim Schedule, STD. 218, are submitted to the SCO without the Remittance Advice, STD. 404C.
- The courier picks up the warrant and forwards it to the accounting office when it is available.
- The agency/department will arrange the delivery of the warrant to the payee.

Once a payment request has been submitted, the requests for special handling of warrants, corrections, or deletions of invoices may be made to the SCO by telephone or other methods. Telephone "stop requests" will be made to the SCO, Audits Division, Claim Audits. The “stop requests” will be approved only for valid reasons.

## CLAIM FOR DAMAGE TO OR STOLEN EMPLOYEES' PERSONAL PROPERTY - 8423

Government Code section 19849.8 permits agencies/departments to pay for the repair or replacement of damaged personal property worn or used by an employee in the course of employment (e.g., eyeglasses, hearing aids, dentures, watches, or articles of clothing). Government Code section 19850.6 permits agencies/departments to reimburse or provide an employee with the replacement of stolen personal property required for the performance of work. See California Code of Regulations, Title 2, Division 1, Chapter 3, Subchapter 1, Article 8, section 599.725.

When employees bring personal property to the workplace for personal use and it is damaged or stolen, the repair, replacement, or reimbursement of property is not considered to be the state’s responsibility.

If personal property approved for the workplace is stolen without fault of the employee, the choice of reimbursement or replacement is up to the employee's agency/department, but the employee's preference must be considered before making a decision. Employees required to use their personal tool or equipment, as a condition of employment, must provide their agency/department with an inventory list of all personal property used on the job prior to the loss. The local law enforcement agency having jurisdiction over the area where the crime occurred must be notified and a copy of the police report shall accompany the claim. Any claims of $500 and above for stolen property must have the prior approval of the California Department of Human Resources.

Agencies/departments will approve claims under this section only when the circumstances of such loss clearly indicate that reimbursement is proper. Each claim for damage to or stolen personal property will include:

1. An incident report describing the cause of the damage or the circumstances surrounding the theft.
2. A receipt for repairs of damaged items. If the article is damaged beyond repair, a statement of the of the article’s value at the time of damage and the reason it could not be repaired.
3. A statement that the stolen property’s value was verified by inspecting the original sales records, current price lists, or other appropriate methods.
4. A certification by the employee that:
    a. The item was required for employment.
    b. The loss or damage occurred at the worksite, the workbase, or en route.
    c. There was no employee carelessness or negligence and all foreseeable precautions were taken.

    All three stipulations in this certification must be made or the claim will not be approved. If they are met, an agency/department may pay the cost of replacing, repairing, or reimbursing the item’s value.
5. Approval by the employee's supervisor including:

    a. Confirmation of the facts stated by the employee.
    b. Recommendation for reimbursement or replacement.
    c. A statement of measures taken to prevent the recurrence of the theft or damage.

Payments should not be made when recovery is possible under worker's compensation laws.

## REFUND CLAIMS - 8424

Refund claims may be issued in the event fees or other payments collected and deposited by an agency/department are subsequently determined to be erroneous or more than the amount due. Agencies/departments will present refund claims to the State Controller’s Office on the Claim Schedule form, STD. 218 (Continuous) or a voucher from FI$Cal. The claim will contain the claimant/payee, the statutory authority for the refunds, and a statement of the reason for refunding each claim.
See the procedures in SAM sections 8240, 8422.301, 8422.50, and 8422.6 relating to refunds of income, remittance advice, claim corrections, and delivery of warrants.

## CLAIMS TO ESTABLISH REVOLVING FUND ADVANCES - 8425

To establish revolving fund advances, an agency/department will submit a Claim Schedule, STD. 218 (Continuous) to the State Controller’s Office (SCO). The agency/department will deposit the SCO warrant in the agency’s checking account to establish the Office Revolving Fund (ORF). In lieu of withdrawing advances from each new appropriation and repaying the last preceding appropriation, the ORF advance will roll forward to the new appropriation after the budget is approved at the beginning of each fiscal year.

## STOP PAYMENT OF ERRONEOUSLY ISSUED WARRANTS - 8426

Government Code section 17051.5 assigns the responsibility to stop payment on state warrants to the agency/department that initiated the warrant.

To initiate a stop payment on warrants erroneously issued to the wrong payee or in the wrong amount and warrants which the authorizing agency/department deems necessary to withhold payment, the agency/department must submit a written request to stop payment to the SCO, Division of Administration and Disbursements, P.O. Box 942850, Sacramento, CA 94250-5871. The request must include the following:

a. Agency/department name
b. Contact person and phone number
c. Agency/department address
d. Warrant number
e. Issue date
f. Dollar amount
g. Payee name
h. Fund number (four digit)
i. Reason for stop payment

The State Controller's Office (SCO) will accept a fax memorandum; however, the original must be sent to the SCO immediately. The supervisor of the SCO Post Issuance Unit will accept a verbal stop payment request in urgent situations.

Upon receipt of the request, the SCO will verify the status of the original warrant:

a. If the warrant has been cashed, the SCO will send a photocopy (front and back of the warrant) with the request to the authorizing agency/department.
b. If the warrant is still outstanding, SCO will place a stop payment on the original warrant. The authorizing agency/department will receive a journal entry to show the redeposit of funds.

## LOST, STOLEN, OR DESTROYED WARRANTS - 8426.1

Agencies/departments will use a Request for Duplicate Controller's Warrant/Stop Payment form, STD. 435, to request a duplicate warrant and replace a lost, stolen, or destroyed warrant. Agencies/departments will not issue an office revolving fund check to replace a lost, stolen, or destroyed warrant except for a payroll warrant.

The agency/department that authorized the original warrant (authorizing agency/department) will complete the top portion of the STD. 435. The pertinent data should be typed or legibly printed. If the information is not legible, the State Controller's Office (SCO) will return the form to the agency/department.

The authorizing agency/department will mail the STD. 435 to the payee to complete the certification. The payee shall be instructed to use a non-black, ballpoint ink pen to sign the STD. 435 form. This is to ensure that the SCO receives the STD. 435 with original signatures. If it cannot be ascertained whether an original signature is affixed to the STD. 435, the SCO will return the form to the authorizing agency/department. Upon completion, the payee will mail the completed STD. 435 to the SCO, Division of Administration and Disbursements.

Upon receipt of the properly executed STD. 435, the SCO will verify the status of the original warrant.

a. If the warrant has been cashed, the SCO will send a photocopy (front and back) with the STD. 435 to the authorizing agency/department.
b. If the warrant is still outstanding, the SCO will place a stop payment on the original warrant and issue a duplicate warrant within 10 working days. The duplicate warrant will be mailed directly to the payee.

If the authorizing agency/department wants notification that the duplicate warrant was issued and mailed, the authorizing agency/department must complete page 3 of the STD. 435, Agency Acknowledgement of Issuance of Duplicate Warrant. The SCO will date stamp the acknowledgment when the duplicate warrant is issued and mailed to the payee and forward it to the authorizing agency/department.

In cases of lost or stolen warrants, the authorizing agency/department will complete the STD. 435 as instructed above. The authorizing agency/department will mail or fax STD. 435 to the payee and fax a copy to the SCO. A stop payment will be placed immediately to prevent the redemption of the original warrant. The authorizing agency/department must instruct the payee that if the original warrant is recovered, it must **not** be cashed. The original warrant will not clear the banking system.

Agencies/departments will use this process only when the payee has reported the theft of a warrant, and they must call the SCO at 916-445-3903 to place an immediate stop payment.

See Government Code sections 17090-17097 regarding lost, stolen, or destroyed warrants.

## LOST OR DESTROYED PAYROLL WARRANTS - 8426.2

Agencies/departments may issue office revolving fund checks to replace lost or destroyed payroll warrants but only after completing the forms as required below.

If a payroll warrant is lost or destroyed:

a. Prior to an employee receiving a payroll warrant, the agency/department must complete a Proof of Lost or Destroyed Payroll Warrant and Request for Issuance of Duplicate Warrant form, CD 113 A or B. Detailed instructions are in the Payroll Procedures Manual, Chapter I, Section 320. The duplicate warrant will be mailed to the agency/department.
b. After an employee received a payroll warrant, the employee must complete the certification on a Request for Duplicate Controller's Warrant/Stop Payment form, STD. 435. The agency/department will complete STD. 435 with the agency/department address in the upper left-hand box. This process will ensure the duplicate warrant is sent to the agency/department.

The duplicate warrant will be deposited to reimburse the office revolving fund.

If an employee overpayment occurs, agencies/departments must follow the collection procedures in SAM section 8293.2.

## WARRANTS—FORGERIES - 8427

When a payee maintains that a state warrant was not received, the payee must contact the agency/department that authorized the payment. The agency/department will prepare a Request for Duplicate Controller's Warrant/Stop Payment (STD. 435) with the original warrant number, issue date, and dollar amount. The STD. 435 will be completed and signed by the payee. If there

are multiple payees, each must sign. The State Controller's Office (SCO), Division of Administration and Disbursements, will furnish copies of both sides of the warrant to the payee,so they can verify the endorsement or signature block on the back of the warrant.

If the payee alleges that the endorsement is a forgery, the payee must write a letter to the SCO and request a forgery investigation. The request letter will include but not be limited to the following items:

- On the subject line, indicate "Request to Start a Forgery Investigation on Warrant# xx-xxxxxx".
- In the letter, add the following statements:
    - You or your company never received warrant# xx-xxxxxx dated xx/xx/xxxx in the amount of $_____.
    - State that the signature or endorsement stamp on the back of the warrant is not yours and attach an example of your normal endorsement signature or stamp for the SCO's comparison.
    - State that you would like a warrant reissued and mailed to the specific address provided in the letter.
    - Include your contact information (e.g., your company address, e-mail address, phone number).
- Attach a copy of the cashed warrant with the letter.
- Mail or fax the letter to the SCO:

State Controller's Office
Administration and Disbursements Division
Attention: Forgery Desk
P.O. Box 942850
Sacramento, CA 94250-5871
Tel: (916) 445-7789
Fax: (916) 445-5759

The SCO will analyze the documents, and if it appears that the endorsement is a forgery, the SCO will forward all pertinent documents to the State Treasurer's Office (STO), Item Processing Section.

The STO will then send three copies of the Forged Endorsement Affidavit, Form STO- CA-0034, to the payee to sign. The payee must ensure the following requirements:

- All three copies must be signed in ink.
- The payee's signature must be either witnessed by two disinterested parties or notarized.
- Witnesses must sign all three copies; one notarized copy will suffice.
- The payee is to return all three copies to the STO.

Upon receipt of the completed affidavits, the STO will compare the signatures on the affidavits with the endorsement signature on the warrant as a final check before requesting repayment of the money from the applicable bank. After receiving the funds from the bank, the STO will authorize the SCO to reissue the warrant. See SAM section 8041.1 for procedures for handling altered or forged agency/department checks.

## PLAN OF FINANCIAL ADJUSTMENT - PURPOSE - 8452

A Plan of Financial Adjustment (PFA) is a plan proposed by a state agency/department to allocate costs paid from one fund or appropriation to other funds or appropriations. The purpose of a PFA is to eliminate the use of multiple claims for an invoice or payroll charge applicable to more than one fund or appropriation. For instructions on preparing the PFA and requesting a new clearing program, see SAM Section 8452.1. For approval of a PFA, see SAM Section 8452.2.

Approved PFAs are used as the authority to transfer expenditures (financial adjustment) between appropriations of the same fund or between appropriations of different funds. For example, an agency/department will use a disbursement account (e.g., a clearing program) throughout the month to pay invoices, payroll, and direct transfers that are chargeable to multiple appropriations. The use of a single disbursing/clearing program eliminates the need for multiple claims.

The clearing program is established in the agency/department's primary appropriation and must be approved by Finance and the State Controller's Office (SCO). Agencies/Departments can seek approval to establish a new clearing program by adding language to the PFA letter. For examples of new clearing program requests, see SAM Section 8452.1 illustrations.

At month end, the agencies/departments will perform cost allocation/fund split and record the expenditures in the ultimate funds. Once a month, agencies/departments shall transfer expenditures from the clearing program in accordance with the approved PFA but could be more frequent if needed. The clearing program must be able to support the PFA covered expenditures for the month. Transfers should be for a one-month period, and months should not be combined. The transaction should specify whether the transfer is for actual or estimated expenditures.

Agencies/Departments deferred or exempt from using FI$Cal shall utilize the Transactions Request Intake System (TRIS) to transfer expenditures in accordance with the agency/department's approved PFA authority. The SCO will issue a journal entry to the agency/department for the financial adjustment.

PFAs will not be used to provide working capital advances, overcome cash flow problems, or distort interest earnings between funds. Transfer of expenditures between funds will be made on an estimated basis when a material interest earnings loss will occur in the fund from which payments are made.

In accordance with the law and principles of governmental accounting, agencies/departments are required to maintain separate accountability for each fund and/or appropriation covered by the PFA. All PFAs, expenditure transfers, and supporting

documentation are subject to audit by the California State Auditor and the SCO, Audits Division.

## PLAN OF FINANCIAL ADJUSTMENT – PREPARATION - 8452.1

A Plan of Financial Adjustment (PFA) request must follow its respective illustration format and preparation process. A proposed PFA with incorrect or missing information will be returned to the agency/department for correction. The three types of PFA, with their statutory authority, are listed below.

**General PFA**
Government Code section 11251 authorizes the use of a general PFA for agencies/departments supported by a special fund or a separate appropriation from the General Fund. Agencies/Departments requesting a general PFA shall follow the format shown in 8452.1 Illustration 1.

**Federal PFA**
Government Code section 16365 authorizes the use of a federal PFA for the Federal Trust Fund. Agencies/Departments requesting a federal PFA shall follow the format shown in 8452.1 Illustration 2.

**Combination PFA**
This PFA type incorporates both general and federal authorizing statutes provided above. Agencies/Departments requesting a combination PFA shall follow the format shown in 8452.1 Illustration 3.

**Required Information**
Agencies/Departments must include the following information in a PFA:

- The request for approval and statement of the PFA's effective period. The effective period can be limited (e.g., one, two, three years) or continuous. Agencies/Departments may seek approval to establish a new clearing program by adding language to the PFA.

- Identification of the funds and appropriations covered and displayed under the following conditions:
  - Use the 11-digit item code (e.g., 8860-001-0001) of a support appropriation to identify a yearly support appropriation.
  - Provide the year and chapter for any appropriation established by authority other than Budget Act legislation.
  - If more than one fund or appropriation is included, complete the PFA table workbook titled, PFA Letter Special Appropriations, located on the Department of Finance's website and attach to the PFA letter.

  If the PFA includes a continuing appropriation as defined in SAM Section 8326, the continuous PFA is effective until the appropriation availability end date or when the agency/department amends or rescinds the existing PFA, whichever is earliest.
  - Frequency of transfer requests between funds and/or appropriations covered. Transfers should be on a monthly basis but can be more frequent if needed. Transfers should be for a one-month period, and months should not be combined. The transfer request should specify whether it is for actual or estimated expenditures.
  - Certification by an authorized agency/department officer.

Agencies/Departments shall review their PFA each fiscal year and update as necessary. If the PFA is no longer needed, the agency/department must notify the State Controller's Office and the Department of Finance, Fiscal Systems and Consulting Unit (FSCU) by agency/department memo.

For additional information on PFA, contact FSCU at PFARequests@dof.ca.gov.

For approval of the PFA, see SAM Section 8452.2.

## PLAN OF FINANCIAL ADJUSTMENT - APPROVAL - 8452.2

Agencies/departments will submit their original proposed PFA to the Department of Finance, Fiscal System and Consulting Unit (FSCU). Finance will review the PFA to validate that the appropriation items are consistent with authorized legislation for expenditures (e.g., the Budget Act, special appropriations, and/or an agency's/department's legislative authority) and approve the original proposed PFA. Once approved, FSCU will forward the signed original PFA to SCO for final approval and distribution.

For all approved PFAs, the SCO will return an approved copy of the PFA to the submitting agency/department and FSCU.

For additional inquiries related to the PFA, contact FSCU at PFArequests@dof.ca.gov.

## ADVANCE PAYMENTS FOR REIMBURSEMENT SERVICES CONTRACTS - 8453

Charges for services to be performed by a state agency/department may be paid in advance by the entity to receive such services. The agency/department which performs the services will account for the payment as a reimbursement to their appropriation. Advance payments may be used to alleviate cash flow or collection problems. Terms of the advance payment must be specified in the reimbursement services contract. See Government Code section 11257.

## INTER-DEPARTMENTAL DISBURSEMENTS - 8471

**General**
An agency/department may provide services, materials, or equipment to, or perform work for other agencies/departments subject to the approval of the Department of General Services (DGS), see Government Code section 11256. The DGS State Contracting Manual (SCM) and SAM Chapter 1200-Contracts also provides the provision and exemption information for contracts and interagency agreements between two or more agencies/departments.
With specific statutory authority, an agency/department may request the State Controller's Office (SCO) to make the electronic funds transfer payments between the agencies/departments appropriations, see Government Code section 11255.

Amounts representing advances to the Architecture Revolving Fund, State Highway Account, State Transportation Fund, and Water Resources Revolving Fund will be fully reserved.

**Inter-Departmental Services Provided by the DGS**

The DGS may provide services, materials, or equipment to state agencies/departments based on interagency agreements. To engage services from the DGS, a state agency/department must establish a Customer Account Number (CAN) in advance. The DGS will use the six-digit numeric CAN code for billing purposes. Information on how to obtain a CAN is available on the DGS-Office of Fiscal Services website.

**Advances to the DGS for Services Provided**

Agencies/departments using the DGS's services will make advances from any fund and appropriation available to assist in financing these services. Per Government Code section 11257, these advances are at the DGS's discretion to transfer. The DGS will calculate the advance amount equal to the estimated charges or in an amount determined by the Director of General Services, and the State Controller shall transfer any amounts authorized or determined. See Government Code sections 11256 - 11263, 11290, and 11370.4 for more statutory authority regarding advances.

**The DGS Advance and Return Process**

No advances or portions thereof will be returned until the following fiscal year budget has been passed, and all prior year's invoices have been paid. Agencies/departments will keep subsidiary records by fund, agency, and appropriation to record the original advance amount and the subsequent return of the advance. Agencies/departments may submit a request to the DGS to reduce or return the advance to resolve insufficient cash flow situations. The DGS will submit to the SCO fund transfer requests to return unused prior-year advances and to setup current fiscal year advances. The SCO will issue the following Journal Entries (JEs) for the DGS and agencies/departments to reflect the appropriate transactions in their books.

Prior Fiscal Year Advance Return JEs:

- The DGS and agencies/departments will record the returned advance.

Current Fiscal Year Advance JEs:

- The DGS will record the advance as Prepayment from Other Funds or Appropriations in account 2012000 (Legacy account 3120).
- Agencies/Departments record the advance as Prepayments to Other Funds or Appropriations in account 1309200 (Legacy account 1730).

**The Electronic Fund Transfer Process for DGS Invoices**

DGS may bill state agencies/departments using one of two methods:

- Non-Direct Transfer – DGS will issue an invoice for goods/services provided. Agencies/departments will process the invoice payment as normal.
- Direct Transfer – DGS will submit a direct transfer request to SCO for monthly invoices or annual advances against the agency's/department's appropriation using the Electronic Fund Transfer (EFT) process.

The DGS uses the EFT system to submit monthly direct transfer requests to the SCO. The EFT system streamlines the invoice payment process and eliminates the need for agencies/departments to prepare and submit claims to the SCO. The EFT process transfers money from the agency's/department's appropriation to the DGS.

Per Government Code sections 11258-11260, the use of Direct Transfer and the Electronic Fund Transfer process is at the DGS's discretion. Requests for exceptions may be submitted to the DGS and at the DGS's discretion for approval.

Below is a summary description of the EFT process:

1. The DGS prepares invoices for the prior month's goods and services provided to agencies/departments. These invoices are available on the DGS-Office of Fiscal Services website after the first week of the following month. Agencies/departments can e-mail the DGS at SRFFiscalServices@dgs.ca.gov and set up an account to view these invoices or inquire about the EFT system.

2. The DGS compiles the Notice of EFT into one electronic file and submits it to the SCO by the 3rd working day of the following month.

3. The SCO audits the EFT file and issues the Notice of Transfer JEs for the fund transfer by the middle of the month.

4. The DGS and agencies/departments reconcile the JEs against the invoices and record the JEs.

Refer to the DGS's EFT Adjustment Procedure for information on adjustment requests.

**Delinquent DGS Invoices**

An invoice is delinquent if it is not paid within 60 days from the date of the invoice unless the total amount due is less than $10 or if the agency/department disputes the invoice (See Government Code section 926.10). If the agency/department refuses to pay the invoice, the DGS will collect payments for the delinquent invoice per Government Code section 11291. The DGS may submit an EFT request to the SCO, and the SCO will transfer the payment from the agency's/department's appropriation.

**Disputed DGS Invoices**

If the DGS billed an agency/department for goods and services that were not performed or services that are not in accordance with an interagency agreement, the agency/department should notify the DGS within 60 days of the invoice date. The

agency/department shall submit an STD. 209, Invoice Dispute Notification form, directly to the contact information indicated on the invoice. The absence of an interagency agreement does not preclude the payment of valid invoices for goods and services received.

**Inter-Departmental Services Provided by the Prison Industry Authority**

California Prison Industry Authority (CALPIA) produces and sells various goods to state agencies/departments. State agencies/departments planning to purchase from CALPIA must complete and submit Purchase Order (STD 65) to CALPIA.

The CALPIA collects payments through the electronic fund transfer requests submitted to the SCO. The SCO audits the request and issues the Notice of Transfer journal entries for the CALPIA and agencies/departments to reflect the transactions in their books.

## INTEREST ON LIQUIDATED CLAIMS - 8473

A liquidated claim is a claim made for an amount that all parties have agreed upon or a claim that can be precisely determined by the operation of law or by the terms and conditions of the agreement made by the parties.

Government Code (GC) section 926.10 provides that claimants are entitled to interest on liquidated claims filed with public entities if the claims are not paid within 60 days. The public entity shall pay interest to the claimant at 6 percent per year. For GC section 926.10 to apply, there must be no disagreement over the claim's validity, and the claim must be due and payable.

GC section 926.10 does not apply to the following:

- Claims between state agencies/departments.
- Claims of the federal government.
- Claims filed pursuant to construction contracts. For information on construction contract claims, see SAM Section 8473.1.

Agencies/Departments will add interest to claims 60 days after one of the following dates, whichever occurs later:

- The date goods or services are received.
- The date the claim is received by the agency/department.
- The date of completion of an engineering, legal, post-audit, or other review, if required, to determine the validity of questionable claims. A claim is not considered valid until all disputes are settled.

Generally, agencies/departments will pay the liquidated claims and their related interest charges through the claim process. On an exception basis, agencies/departments may avoid late payment interest penalties by making payments through the revolving fund or utilizing the State Controller's Office (SCO) claim expedite services. When preparing a claim, agencies/departments shall calculate interest based on the payment due date of the claim submitted for payment. Agencies/Departments will show interest paid as follows:

"Interest pursuant to Government Code section 926.10"

$_____

Interest is payable from the same appropriation from which the claim is paid.

## INTEREST ON CONSTRUCTION CONTRACT CLAIMS - 8473.1

Public Contract Code (PCC) section 10261.5 provides for the payment of interest on construction contracts at an annual rate set forth in Code of Civil Procedure (CCP) section 685.010 when an agency/department fails to pay a construction contractor's properly submitted and undisputed payment request within 30 days of receipt of such request.

Agencies/Departments shall pay interest in accordance with PCC section 10261.5, at the rate specified in CCP section 685.010 if:

- The agency/department independently calculates the amount due on a progress payment, and the payment is not made within 30 days of the contractor's first submittal of the payment request.
- The State Controller's Office (SCO) has processed the payment within 15 days or less of receipt of a properly submitted and undisputed contractor's request, and payment is not made within 30 days.

The SCO shall pay interest in accordance with PCC section 10261.5, at the rate specified in CCP section 685.010, if all of the following conditions are met:

- Payment is not made within 30 days of receipt of a properly submitted and undisputed contractor's request.
- The contracting agency/department has filed the payment request within 15 days of receipt, and the SCO has accepted the payment request.
- The SCO processed the payment after 15 days of the receipt of the request.

## LATE PAYMENT PENALTIES - 8474

Government Code chapter 4.5, sections 927-927.13, also known as the California Prompt Payment Act (the Act), requires agencies/departments to automatically calculate and pay late payment penalties if they fail to make payments by the date required in the Act for the following:

- Properly submitted, undisputed invoices.
- Grant claims for victim services or prevention programs.
- Refunds or other undisputed payments due to individuals.

Unless otherwise specified in the contract or grant, the payment due date required in the Act is 45 calendar days after receipt of a properly submitted, undisputed invoice. In the case of refunds, the payment due date is 45 calendar days after notification of the refund to the payee or other payments due to individuals.
Payment means any form of the act of paying, including, but not limited to, the issuance of a warrant or a registered warrant by the State Controller's Office (SCO), or the issuance of a revolving fund check by an agency/department. Late payment penalties shall not be paid when payees elect to return registered warrants to the state.
The responsibility for paying penalties are as follows:

1. Agency/Department – The correct claim is not submitted to the SCO within 30 calendar days and payment is not issued within 45 calendar days.
2. Department of FISCal – The FI$Cal system delays the delivery of a correct claim from the agency/department to the SCO, preventing the SCO from making the payment within 15 calendar days and payment is not issued within 45 calendar days.
3. SCO – The payment is not issued within 15 calendar days of receipt of a correct claim and payment is not issued within 45 days.

On an exception basis, agencies/departments may avoid late payment penalties by making payments through the revolving fund or utilizing the SCO's claim schedule expedite service.
The Department of General Services will not approve contracts with invoice payment terms exceeding 45 days.

## DEFINITION OF TERMS - 8474.01

**(Renumbered from 8474.4)**

**Agency/Department:** Refers to all agencies/departments, offices, boards, commissions, institutions, colleges, and special organizational entities within state government.
**Claim:** A bill, invoice, or written request for payment provided by the claimant. Written requests include contracts as cited in the grant definition below.
**Contract:** Any enforceable agreement, including purchase orders, sub-purchase orders, delegated purchase orders, service agreements, or rental and lease agreements of real and personal property.
**Disputed Invoice:** An improperly executed invoice or an invoice that requires additional evidence of its validity. Agencies/Departments must notify the claimant in writing of a disputed invoice within 15 working days of receipt of the invoice using Invoice Dispute Notification, STD 209.
**Grant:** A signed final agreement between any agency/department and a local government agency or organization authorized to accept grant funding for victim services or prevention programs administered by any agency/department, or restoration activities performed by a resource conservation district.
**Invoice:** A bill or claim that requests payment on a contract under which an agency/department acquires property or services, or a claim pursuant to a grant for victim services and prevention programs.
**Medi-Cal Program:** The program established pursuant to Welfare and Institutions Code section 14000.
**Nonprofit Public Benefit Corporation:** A corporation, as defined in Corporations Code section 5046, that has registered with the Department of General Services as a small business.
**Payment:** The issuance of a warrant or a registered warrant by the Controller, or the issuance of a revolving fund check by an agency/department, to a claimant in the amount of an undisputed invoice.
**Reasonable Cause:** A determination by an agency/department that any of the following conditions are present:

- A discrepancy exists between the invoice or claimed amount and the provisions of the contract.
- A discrepancy exists between the invoice or claimed amount and either the claimant's actual delivery of property or services to the state or the state's acceptance of those deliveries.
- Additional evidence supporting the validity of the invoice or claimed amount is required to be provided to the agency/department by the claimant.
- The invoice has been improperly executed or needs to be corrected by the claimant.
- A discrepancy exists between the refund or other payment due as calculated by the person to whom the money is owed and by the agency/department.

**Received by an Agency/Department**: The date an invoice is delivered to the agency/department location or party specified in the contract or, if an agency/department location or party is not specified in the contract, wherever otherwise specified by the agency/department.
**Resource Conservation District:** A resource conservation district established pursuant to the Public Resources Code, Division 9; commencing with section 9001.
**Revolving Fund:** A fund established pursuant to Government Code (GC) section 16400.
**Small Business:** A business certified in accordance with requirements of GC section 14837.
**Small Business and Nonprofit Organization Medi-Cal Providers:** In reference to providers under the Medi-Cal program, a business or organization that meets all of the following criteria:

- Principal office is located in California.
- Officers, if any, are domiciled in California.
- If a small business, it is independently owned and operated.
- Business or organization is not dominant in its field of operation.
- Together with any affiliates, the business or organization has gross receipts from business operations that do not exceed $3,000,000 per year, except that the Director of the Department of Health Care Services may increase this amount if the Director deems that this action would be in furtherance of the intent of the Act.

**Undisputed Invoice:** An invoice executed by the claimant and for which additional evidence is not required to determine its validity. Undisputed invoices include:

- A once disputed invoice which has been corrected or for which additional evidence of its validity has been provided and received by the agency/department.

- An improper invoice where goods and services have been received by the contracting agency/department, but the agency/department fails to notify the claimant that the invoice is improper within 15 working days of receipt of the invoice.

## ADDITIONAL INFORMATION AND PROVISIONS - 8474.1

**No Additional Invoice Required for Penalty Amount**: Agencies/Departments shall pay the applicable penalties without requiring a separate vendor invoice for the penalty amount.
**Penalty Shall Not Be Waived**: Except for the 30-day extensions granted in the event of emergencies during a declared fire season (see Calamities, Disasters, and Criminal Acts definition below), the late payment penalties specified in the California Prompt Payment Act (Act) may not be waived, altered, or limited by the following:

- An agency/department that acquires property or services pursuant to a contract or that awards a specific grant.
- Any person or business that contracts with an agency/department to provide property or services or that is a recipient of a grant for victim services and prevention programs.

**Nonprofit Organizations**: A nonprofit organization shall only be eligible to receive a penalty payment if it has been awarded a contract or grant for victim services and prevention programs in an amount less than $500,000.
**No Additional Appropriation**: Agencies/Departments shall not seek any additional appropriation to pay late payment penalties. Any agency/department that requests a deficiency appropriation from the Legislature shall identify the portion, if any, of the requested amount attributable to penalties incurred.
**Subcontractors**: Agencies/Departments shall encourage contractors to promptly pay their subcontractors and suppliers, especially small businesses. Agencies/Departments shall utilize expedited payment processes to enable faster payment by prime contractors to their subcontractors and suppliers and shall promptly respond to any subcontractor or supplier inquiries regarding the status of payments made to prime contractors.
**Fire Season Emergencies**: Except in the case of a contract with a resource conservation district, a certified small business, a nonprofit organization, or a nonprofit public benefit corporation, if an invoice from a business under a contract with the Department of Forestry and Fire Protection would become subject to late payment penalties during the annually declared fire season, then the required payment approval date shall be extended by 30 calendar days.
**Budget Enactment Delays**: During a budget impasse, late payment penalties continue to accrue until the payment is made, except for penalties incurred to nonprofit public benefit corporations, or for refunds or other payments due to individuals.
**Calamities, Disasters, and Criminal Acts**: If the Department of Finance (Finance) determines that an agency/department or the Controller is unable to promptly pay an invoice, as required, due to a major calamity, disaster, or criminal act, the otherwise applicable late payment penalty provisions shall be suspended except as they apply to a claimant which is either a resource conservation district, a certified small business, a nonprofit organization, a nonprofit public benefit corporation, or a small business or nonprofit organization that provides services or equipment under the Medi-Cal program. The suspension shall remain in effect until Finance determines that the suspended late payment penalty provisions of this section should be reinstated.
**Liquidated Claims**: Government Code section 926.10, regarding interest on liquidated claims filed against public entities, shall not apply to any contract covered by the Act. For more information on liquidated claims, see SAM Section 8473.
**Invoice Dispute Notification:** Agencies/Departments may dispute an invoice for reasonable cause. To dispute an invoice, the agency/department must notify the claimant within 15 working days from receipt of the invoice, or delivery of the property or services, whichever is later. State employees shall not dispute an invoice based upon minor or technical defects to avoid late payment penalties. The latest Invoice Dispute Notification form, STD 209, is on the Department of General Services (DGS) website.
**Notice of Refund Dispute:** Agencies/Departments may dispute a refund request for reasonable cause. To dispute a refund, the agency/department must notify the claimant within 15 working days after receiving notice from the individual that the refund is due.
**Medi-Cal Program**: Late payment penalty provisions shall not apply to claims for reimbursement of health care services provided under the Medi-Cal program, unless the Medi-Cal health care services provider is a small business or nonprofit organization. In applying these provisions to claims submitted to the state or its fiscal intermediary, by providers of services or equipment under the Medi-Cal program, payment for claims shall be due 30 calendar days after a claim is received by the state or its fiscal intermediary, unless reasonable cause for nonpayment exists. Regarding Medi-Cal claims, reasonable cause shall include a review of claims to determine medical necessity, a review of claims from providers who are subject to special prepayment fraud and abuse controls, and a review of claims by the fiscal intermediary or the Department of Health Care Services due to special circumstances. Claims requiring special review, as specified above, shall not be eligible for a late payment penalty.
**Reporting Requirement**: Agencies/Departments shall annually report to DGS, by September 30, the amount of late payment penalties paid during the preceding fiscal year. The report shall separately identify the total number and dollar amount of late payment penalties paid to small businesses, other businesses, and refunds or other payments to individuals.
Agencies/Departments may, at their own initiative, provide DGS with other relevant performance measures. DGS shall prepare a report separately listing the total number and dollar amount of all late payment penalties paid to small businesses, other businesses, and refunds and other payments to individuals by each agency/department during the preceding fiscal year, together with other relevant performance measures, and shall make the information available to the public. Inquiries regarding additional information on this reporting requirement should be directed to the Prompt Payment Coordinator, DGS, Procurement Division, at osdshelp@dgs.ca.gov.
**Other Penalties**: Agencies/Departments shall pay other legally authorized late payment penalties. These include the California Public Utilities Commission (PUC) approved late payment charges in invoices from utilities operating under the authority of the PUC. When agencies/departments pay other authorized penalties, they must take care to do so in lieu of the penalties authorized in the Act.

## PENALTY REQUIREMENTS - 8474.2

**Small Businesses and Nonprofits**
If the claimant is a resource conservation district, a certified small business, a nonprofit organization, a nonprofit public benefit corporation, or a small business or nonprofit organization that provides services or equipment under the Medi-Cal program, the agency/department or Controller shall pay the claimant a penalty at a rate of 10 percent above the United States Prime Rate on June 30 of the prior fiscal year. A nonprofit organization shall only be eligible to receive a penalty payment if it has been awarded

a contract or grant for victim services and prevention programs in an amount less than $500,000. If the amount of the penalty is ten dollars ($10) or less, the penalty shall be waived and not paid by the agency/department nor the Controller.
Agencies/Departments shall verify the entity is a certified small business.
The Department of General Services (DGS) Office of Small Business and Disabled Veteran Business Enterprise Services (OSDS) shall verify which firms qualify as "small business" under the general provisions of California Code of Regulations, Title 2, Division 2, Chapter 3, Subchapter 8, section 1896 et seq. Any questions regarding whether a particular vendor contractor or service firm is a certified small business should be directed to the OSDS at osdshelp@dgs.ca.gov. This information may also be accessed by using the OSDS search engine located on the DGS website.
The Department of Health Care Services (DHCS) shall verify which providers under the Medi-Cal program qualify as a "small business." For more information on small business and nonprofit organization Medi-Cal providers criteria, see SAM Section 8474.01.

**Other Businesses and Defined Grantees**

For all other businesses and victim services and prevention program grantees, the agency/department or the Controller shall pay a penalty at a rate of 1 percent above the Pooled Money Investment Account daily rate on June 30 of the prior fiscal year, not to exceed a rate of 15 percent. If the amount of the penalty is $100 or less, the penalty shall be waived and not paid by the agency/department nor the Controller.

**Refunds and Other Payments to Individuals**

For refunds or other payments due to individuals, the agency/department or the Controller shall pay a penalty at a rate equal to the Pooled Money Investment Account (PMIA) daily rate on June 30 of the prior fiscal year minus 1 percent. If the amount of the penalty is ten dollars ($10) or less, the penalty shall be waived and not paid by the agency/department nor the Controller.
This section requires:

- No penalty shall accrue on any refund or payment due to individuals that is the result of a federally mandated program or directly depends upon the receipt of federal funds.

This section does not apply to:

- Late payments for goods and services covered under SAM Sections 8473 and 8473.1.
- Income tax payments, refunds, or credits.
- Reimbursement for health care services or mental health services provided under the Medi-Cal program, pursuant to the Welfare and Institutions Code section 14000 et seq.
- Benefit payments to participants of public social service or public health programs.
- Claims to the DGS.
- Payments made by the Commission on State Mandates.
- California Department of Human Resources payments pursuant to Government Code section 19823.

## PENALTY CALCULATION - 8474.3

Whenever an agency/department or the Controller determines a penalty is due, the rate for resource conservation districts, small businesses and nonprofits shall be a rate of 10 percent above the United States Prime Rate on June 30 of the prior fiscal year. The rate for all other businesses including grantees that provide victim services or prevention programs shall be 1 percent above the Pooled Money Investment Account (PMIA) daily rate on June 30 of the prior fiscal year, not to exceed 15 percent. The rate for refunds or other payments due to individuals is 1 percent below the PMIA daily rate on June 30 of the prior fiscal year. These rates change annually; therefore, the PMIA rate is communicated to agencies/departments via a Finance Budget Letter (BL). For the latest BL on late payment penalty rates, refer to the Finance website.

The penalty will be calculated as follows:

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For samples of late payment penalty calculations, see Illustration 1 below.

When a late payment penalty is incurred, a completed Penalty Calculation form, STD 208 must be attached to the related invoice submitted to the Controller.

Agencies/Departments shall be responsible for penalties if a correct claim is not submitted to the Controller within 30 calendar days and payment is not issued within 45 calendar days.

Table content available in source manual.
Table content available in source manual.

1/ The payment date specified in the contract, or 30 calendar days after the date the department receives an undisputed invoice.
2/ Use the current penalty interest factor per day provided annually in a Finance BL.
3/ Count the number of days beyond the payment due date the claim was submitted to the SCO.
4/ Minimum late penalty payments: Small business - $10 / Other business - $100

## RELEASE OF FUNDS AND PROPERTY OF DECEASED PERSONS: GENERAL - 8477.1

State employees may designate an individual and up to three contingent persons to receive and negotiate SCO warrants payable to that employee if the employee is deceased. See Government Code section 12479. Instructions relating to this procedure are in SAM section 8477.2.
The Probate Code 13100-13117 also provides for the release of funds and property of deceased persons. Instructions relating to this procedure are in SAM section 8477.32.

## RELEASE OF WARRANTS OF A DECEASED STATE EMPLOYEE TO A PERSON DESIGNATED BY THE EMPLOYEE - 8477.2

Government Code Section 12479 states the following:

1. Notwithstanding any other law, an employee of the state may file with their appointing power a designation of a person or persons for receipt of employee warrants upon death. The designation shall control who is entitled to receive the warrants that would have been payable to the decedent had they survived.
2. An employee may designate a primary person and up to three contingent persons pursuant to this section. The first-designated person shall be the designated person that receives the warrants. If the first-designated person predeceases the employee, the next-listed designated person who survives the employee shall be the designated person that receives the warrants.
3. The appropriate designated person shall claim the warrants from the appointing power. Upon sufficient proof of identity, the appointing power shall endorse and deposit the warrants in the manner provided in Section 17051 and shall issue a revolving fund check in the original amount payable to the designated person.
4. The employee may change the designation from time to time.
5. For purposes of this section, "person" includes, but is not limited to, a corporation, a trust, or an estate.

Agencies/Departments will ensure that employees are advised of this right and are afforded an opportunity to make such a designation. State Controller's Office (SCO) warrants for payment of death benefits and refunds of employee retirement contributions cannot be released pursuant to this designation.

Agency/Department questions regarding the legality of the release of the SCO's warrants to a designee shall be referred to the agency/department's attorney or the Office of the Attorney General.

## DESIGNATION - 8477.21

Employees will be advised that a designation made pursuant to Government Code section 12479 will remain in effect throughout their employment with the state unless the designation is superseded by any the following events:

1. By the filing of a new designation that discussed in SAM section 8477.22.
2. The designation is revoked that discussed in SAM section 8477.23.
3. The designation automatically terminates on the date of the employee's separation from state employment that discussed in SAM section 8477.24.

Designations will be obtained on the Designation of Person(s) Authorized to Receive Warrants, STD. 243. Instructions for completion are on the form. The agency/department will immediately review the completed STD. 243 for correctness and write the date reviewed by the agency/department and the name of the reviewing agency/department employee on both copies. The agency/department will retain the original copy of the STD. 243 and return the duplicate copy to the employee.

## CHANGE OF DESIGNEE - 8477.22

A designation made on a Designation of Person(s) Authorized to Receive Warrants, STD. 243, may be changed by receipt of a new STD. 243 showing thereon the name of the new designee. The agency/department will review and route the form in the same manner described in SAM section 8477.21.
In addition, the agency/department will draw a diagonal line across the face of the revoked STD. 243 and write thereon "Superseded by STD. 243 received (date)." The duplicate copy of the new STD. 243, together with the original of the superseded STD. 243, will be returned to the employee.

## REVOCATION OF DESIGNATION TO RECEIVE WARRANTS - 8477.23

An employee may revoke all designations at any time by submitting either of the following documents with an original signature:

1. A new STD. 243, Designation of Person(s) Authorized to Receive Warrants indicating "NONE" for the primary designee name and will be processed in the same manner as in a change of designee.

2. A signed letter to the employee's current agency/departmentr. Upon the receipt of such a letter, the agency/department will draw a diagonal line across the face of the revoked STD. 243, write thereon "Revoked by letter dated___," retain the original of the letter and return the revoked STD. 243, together with the duplicate copy of the letter to the employee.

## TRANSFER OF DESIGNATION FOR EMPLOYEE ACCEPTING EMPLOYMENT WITH ANOTHER STATE AGENCY - 8477.24

Designation made on an STD. 243, Designation of Person(s) Authorized to Receive Warrants filed by an employee will continue in effect until revoked in writing by the employee or the employee separates from state service. Therefore, a designation on file from an employee that transfers to or accepts employment with another state agency/department will be forwarded with the employee's other personnel documents to the new employing agency/department.

## RELEASE OF WARRANTS TO DESIGNEE - 8477.25

Upon the death of an employee for which the agency/department has on file an unrevoked Designation of Person(s) Authorized to Receive Warrants, STD. 243, the agency/department will immediately do the following:

1. Initiate a "stop request" with the State Controller's Audits Division (SAM section 8422.6) for any requested warrants payable to the deceased employee and request that these warrants be delivered to the agency/department.
2. Initiate reasonable efforts to contact the designee to deliver the warrants due to the deceased employee to the designee.

Warrants will be released to a designee only if an unrevoked designation, STD. 243, is on file with the agency/department and in accordance with the designation. Agencies/departments will not release warrants to a purported designee based on an STD. 243 presented by the designee, which the agency/department does not have in its official files.
Warrants due to a deceased employee can be released only to a designee or claimant who is 18 years of age or older.

Warrants requested from the State Controller's Office (SCO) for amounts due to a deceased employee which are to be released to a designee, will name the deceased employee as payee. For amounts owed an employee from the agency/department revolving fund, agencies/departments must submit a claim to the SCO and pay by warrant.

Agencies/departments may release warrants payable to a deceased employee under the following circumstances:

1. To the designee, if designee is located within 60 days following the death of the employee and if no other claim or request for delivery of these warrants is made orally or in writing to the agency/department.
2. To a proper claimant under the provisions of the Probate Code (SAM section 8477.32) if the agency/department is unable to locate the individual designated by the employee within 60 days following the death of the employee or if the employee did not designate an individual to receive the warrants.
3. To the designee or another claimant if the individual designated by the deceased employee to receive the employee's warrants is located within the required 60-day period but another individual orally or in writing also has requested the warrants under the provisions of the Probate Code (SAM section 8477.32) provided either the designee or the other claimant agrees to this release of the warrants to the other individual by signing the following statement:

CONSENT AND WAIVER

I hereby consent to the delivery of California State Controller's Warrant(s) numbered____to (Recipient), and I hereby waive and release any and all of my right, title, and interest in and to said warrant(s).

(Signature)_____ Date_____

(Witness) _____ Address)_____

This signed statement will be retained by the state agency/department and filed in the deceased employee's personnel folder. Under all other circumstances, warrants due to a deceased employee will be released only upon receipt of instructions from the agency's/department's attorney or the Office of the Attorney General.
Warrants of a deceased employee will be released to the designee only upon receipt by the agency/department of a completed Request for Delivery of Warrants of a Deceased Employee. (See SAM section 8477.25 Illustration.) This form is not available from the Department of General Services, Procurement Division and will be typed by the agency/department as needed. If the request is signed in person by the designee at the agency's/department's office, the request will be typed in duplicate by the agency/department as shown in 8477.25 Illustration. If the request is not signed in person by the designee at the agency's/department's office, the request will be typed by the agency/department as shown except that the following notary public's acknowledgment will be typed on the form in lieu of the "DESCRIPTION OF IDENTIFICATION OF DESIGNEE" section of the form:

CERTIFICATE OF ACKNOWLEDGMENT
State of )

County of )

On this day of , before me, the undersigned notary public, personally appeared , known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he (she) executed the same. In witness whereof, I have hereunto set my hand and affixed my official seal the day and year last above written.
Notary Public in and for the (City and)
County
(NOTARIAL SEAL) of , State of
All spaces provided on the Request for Delivery of Warrants of Deceased Employee form must be completed. The original completed and signed copy of the form will be retained by the agency/department in the deceased employee's personnel file as the agency's record of and authority for release of the warrants. The duplicate copy of the form may be given to the designee.
Upon the release of warrants to the designee, the agency/department will note on the request for delivery of warrants form the dates, numbers, and amounts of the warrants released.

## IDENTIFICATION OF DESIGNEE - 8477-26

Sufficient identification must be presented by the designee to reasonably assure the agency/department that the applicant is the named designee.
If the designee submits the Request for Delivery of Warrants of a Deceased Employee form by mail, or other than in person, at the agency's/department's office, the notary public's acknowledgment identifying the designee will be sufficient identification of the designee.
If the designee personally appears at the agency's/department's office, the agency/department will complete the "Description of Identification of Designee" section of the form, describing therein the identification presented. The form normally does not need to be notarized. Two or more documents such as a social security card, driver's license, credit cards, state identification card, passport, etc., normally should be sufficient for identification. The designee's signature on such documents may be compared with the designee's signature on the request for the delivery of warrants. Also, the designee's stated age and relationship may be compared to that shown on the designation form and that address compared with the designee's address on the designation form.

A current employee or any other well-known person may provide a statement to confirm a designee's identity. The department will note such statement in the "Description of Identification of Designee" section of the request for delivery of warrants form
A department may require a designee to obtain a notary public's acknowledgment if in doubt that a designee has not provided sufficiently reasonable identification.

## ENDORSEMENT OF WARRANTS TO BE RELEASED TO DESIGNEE - 8477.27

Warrants payable to a deceased employee can be negotiated by a designee only if the agency/department releasing the warrants to the designee provides a special endorsement on each such warrant. This endorsement may be typed on the reverse side of each warrant. The endorsement will read:

> The undersigned agency/department hereby certifies that pursuant to Section 12479 of the Government Code of California, the payee has designated
> (Name of Designee)
> to receive and negotiate this warrant, and that said designation is filed with this agency/department
> (Name of Agency/Department)
>
> by:(Signature of Agency/Department Representative)
>
> Title:

The agency/department will insert the full name of the designee and the name of the agency/department in the spaces indicated. The authorized agency/department representative, whose title will be included in the endorsement, personally must sign each such endorsed warrant. The designee will be instructed to endorse the warrant at the time of negotiation exactly as shown in the agency's/department's endorsement of the warrant.

## RELEASE OF PERSONAL PROPERTY OF DECEASED PERSONS PURSUANT TO THE PROBATE CODE GENERAL - 8477.3

State Controller's warrants due to deceased state employees, which are not released under authority and procedure described in Government Code section 12479 and SAM section 8477.2, and other personal property of deceased persons may be released to the successor of the decedent's estate (SAM section 8477.32).

## RELEASE OF PERSONAL PROPERTY PURSUANT TO PROBATE CODE SECTION 13100 - 8477.31

Probate Code section 13100 provides for the collection or transfer of a decedent's personal property without the administration of the estate or probate of the will. To effect the transfer of the decedent's personal property, the successor of the decedent must furnish an affidavit or declaration under penalty of perjury under the laws of this state (declaration), to the holder of the decedent's personal property.
Agencies/departments may prepare a request form similar to SAM section 8477.32 Illustration I that, when completed by the successor of the decedent, may serve as the declaration. The final form is left up to the discretion of the agency/department as long as the form is typed and includes, as a minimum, the information in Probate Code section 13101
The state agency/department holding a decedent's personal property will verify that the affidavit or declaration is in accordance with Probate Code section 13101 and that a copy of the inventory and appraisement of the decedent's real property is attached Probate Code section 13103 .
Disposition of the original affidavit or declaration and necessary copies will be as follows:

1. Retain the original as the agency's/department's record of and authority for releasing the decedent's personal property.
2. Attach a copy to checks or warrants payable to the decedent when released.
3. Attach a copy to each claim submitted to the State Controller's Office requesting the issuance of a warrant payable to the successor of the decedent.

Funds due to a decedent may be released to the successor of the decedent in the form of checks or warrants made payable (1) to the successor of the decedent or (2) to deceased employees. Agencies/departments will not release funds due to a deceased state employee pursuant to this section when the agency/department has on file an unrevoked Designation of Person(s) Authorized to Receive Warrants, STD. 243, except as provided for in SAM section 8477.25.
Checks drawn or warrants claimed that are to be made payable to the successor of the decedent will show the payee as follows:

> (Name of Successor of Decedent)–Successor of Decedent
>
> (Name of Decedent)–Deceased

Before the decedent's personal property is released, the successor shall present to the agency/department:

1. Reasonable proof of his or her identity (Probate Code section 13104).
2. Evidence of the decedent's ownership in the property, if available (Probate Code section 13102).

Questions regarding the submission of affidavits or declarations may be referred to the State Treasurer's Office. However, questions regarding the decedent's ownership or interest in real or personal property should be referred to an attorney.

## RELEASE OF FUNDS AND PROPERTY OF DECEASED PERSONS PURSUANT TO LETTERS OF TESTAMENTARY OR LETTERS ADMINISTRATION - 8477.32

Funds and property of deceased persons may be released to the executor or administrator of the estate of a decedent upon receipt of certified copies of letters of testamentary or letters of administration. Agencies/departments will:

1. Retain a copy of the certified letters of testamentary or letters of administration as the agency's/department's record of authority for releasing funds and property of deceased persons.
2. Attach to each claim submitted to the State Controller's Office a copy of the letters of testamentary or letters of administration in addition to the other documentation normally required to support payments claimed. A duplicated copy of

the letter will be sufficient.

3. Note, on the agency's/department's copy of the letters of testamentary, or letter of administration, the dates, numbers, and amounts of any check(s) or warrant(s) drawn to the decedent as a payee and the description of any property released.

Funds due to a decedent may be released to persons designated in letters of testamentary or letters of administration in the form of checks or warrants made payable (1) to the persons designated in the certified copies of letters of testamentary, or letters of administration or (2) to the deceased employee or other deceased person as the payee.
Checks drawn, or warrants claimed that are to be made payable to the person designated in the certified copies of letters of testamentary, or letters of administration will show the payee as follows:

1. Where the payee is the executor
   (NAME OF EXECUTOR) EXECUTOR OF THE LAST WILL AND TESTAMENT OF (NAME OF DECEDENT) DECEASED
2. Where the payee is the administrator

   (NAME OF ADMINISTRATOR) ADMINISTRATOR OF THE ESTATE OF (NAME OF DECEDENT) DECEASED

Agencies/departments will instruct recipients of checks or warrants drawn to deceased employees or other deceased persons as payees to endorse such checks and warrants as follows:

(NAME OF PAYEE)
by: (SIGNATURE OF EXECUTOR OR ADMINISTRATOR)
(USE APPLICABLE TITLE*)
(EXECUTOR OF THE LAST WILL AND TESTAMENT OF DECEASED PAYEE)
*(ADMINISTRATOR OF THE ESTATE OF THE DECEASED PAYEE)

REQUEST FOR FUNDS AND/OR PROPERTY OF A DECEDENT

Pursuant to Probate Code section 13100 of the State of California, I the undersigned, an adult, hereby request the State Treasurer to pay and deliver to me the money and/or other personal property on deposit as described below.

==========

I state the following facts within this request:

1. _____died in the City of_____ in the State of _____, on or about the day of
   _____,20____;

2. At least 40 days have elapsed since the death of the decedent, as shown in a certified copy of the decedent's Death Certificate attached to this affidavit or declaration.

3. No proceeding is now being or has been conducted in California for the administration of the decedent's estate.

4. The gross value of the decedent's real and personal property in California, excluding the property described in California Probate Code section 13050 (see reverse), does not exceed one hundred sixty-six thousand two hundred fifty dollars ($166,250).

5. Check one:
   I am the successor of the decedent (as defined in California Probate Code section 13006) (see reverse) to the decedent's interest in the described property.
   I am authorized under California Probate Code section 13051 (See reverse) to act on behalf of the successor of the decedent (as defined in California Probate Code section 13006 of the California Probate Code) with respect to the decedent's interest in the described property.

6. No other person has a right to the interest of the decedent in the described property.
7. Please complete A or B:

   A. At the time the decedent died, said decedent had funds held in trust in the sum of $_____or property as follows:

---

   B. At the time the decedent died, said decedent was the owner of certain warrant/s issued by the State of California;
   No. Dated Amount $
   No. Dated Amount $

==========

I hereby certify under penalty of perjury that the foregoing is true and correct.
Executed at_____, California, this_____day of
_____, 20____.

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SECTION 13006—PROBATE CODE

The successor of the decedent means:

a. If the decedent died leaving a will, the sole beneficiary or all of the beneficiaries who succeeded to a particular item of property of the decedent under the decedent's will. For the purposes of this part, a trust is a beneficiary under the decedent's will if the trust succeeds to the particular item of property under the decedent's will.

b. If the decedent died without a will, the sole person or all of the persons who succeeded to the particular item of property of the decedent under sections 6401 and 6402 or, if the law of a sister state or foreign nation governs succession to the particular item of property, under the law of the sister state or foreign nation.

SECTION 13050—PROBATE CODE

a. For the purposes of this part:

1. Any property or interest or lien thereon which, at the time of the decedent's death, was held by the decedent as a joint tenant, or in which the decedent had a life or other interest terminable upon the decedent's death, or which was held by the decedent and passed to the decedent's surviving spouse pursuant to section 13500, shall be excluded in determining the property or estate of the decedent or its value. This excluded property shall include, but not be limited to, property in a trust revocable by the decedent during his or her lifetime.

2. A multiple-party account to which the decedent was a party at the time of the decedent's death shall be excluded in determining the property or estate of the decedent or its value, whether or not all or a portion of the sums on deposit are community property, to the extent that the sums on deposit belong after the death of the decedent to a surviving party, P.O.D. payee, or beneficiary. For this paragraph, the terms "multiple-party account," "party," "P.O.D. payee," and "beneficiary" are defined in Article 2 (commencing with section 5120) of Chapter 1 of Part 2 of Division 5.

b. For the purposes of this part, all of the following property shall be excluded in determining the property or estate of the decedent or its value:

1. Any vehicle registered under Division 3 (commencing with section 4000) of the Vehicle Code or titled under Division 16.5 (commencing with section 38000) of the Vehicle Code.

2. Any vessel numbered under Division 3.5 (commencing with section 9840) of the Vehicle's Code.

3. Any manufactured home, mobile home, commercial coach, truck camper, or floating home registered under Part 2 (commencing with section 18000) of Division 13 of the Health and Safety Code.

c. For the purposes of this part, the value of the following property shall be excluded in determining the value of the decedent's property in this state:

1. Any amounts due to the decedent for services in the armed forces of the United States:

2. The amount, no exceeding sixteen thousand six hundred twenty-five dollars ($16,625), of salary of other compensation, including compensation for unused vacation, owing to the decedent for personal services from any employment.

SECTION 13051—PROBATE CODE

For the purposes of this part:

a. The guardian or conservator of the estate of a person entitled to any of the decedent's property may act on behalf of the person without authorization or approval of the court in which the guardianship or conservatorship proceeding is pending.

b. The trustee of a trust may act on behalf of the trust. In the case of a trust that is subject to continuing jurisdiction of the court pursuant to Chapter 4 (commencing with section 17300) of part 5 of division 9, the trustee may act on behalf of the trust without the need to obtain approval of the court.

c. If the decedent's will authorizes a custodian under the Uniform Gifts to Minors Act or the Uniform Transfer to Minors Act of any state to receive a devise to a beneficiary, the custodian may act on behalf of the beneficiary until such time as the custodianship terminates.

d. A sister state personal representative may act on behalf of the beneficiaries as provided in Chapter 3 (commencing with section 12570) of part 13 of division 7.

e. The attorney in fact authorized under a durable power of attorney may act on behalf of the beneficiary giving the power of attorney.

INSTRUCTIONS

1. The Request for Personal Property of a Decedent is the suggested form to be completed by claimants under Probate Code section 13100. This form is to be used only if applicable under the provisions of this section of law.

2. A certified copy of the decedent's Death Certificate must be attached to the request form.

3. Claimants must certify under penalty of perjury to the facts included on the request form.

4. The original of the request form and copy of the Death Certificate should be presented with the warrant to support the endorsement of the warrant. Endorsement of the warrant should be substantially as follows:

_____

(Name of Payee)

_____

(Beneficiary (ies))

*"As per Section 13100 of the Probate Code"*

If there is more than one beneficiary, all should join in certifying the request form, and in the endorsement of the warrant. The warrant should be deposited in your local bank in the usual manner, along with all attachments. When it is presented to the State Treasurer through the usual channels, if found to be in order, it will be paid.

## SALES AND USE TAX-TERMS AND DEFINITIONS - 8481

The California Department of Tax and Fee Administration (CDTFA) administers the state's sales and use tax program and numerous other special tax and fee programs that fund specific state and local programs. The CDTFA website provides detailed information on sales and use tax, including guides, manuals, and forms. Some commonly used CDTFA terms and definitions are:

**Sales tax** is a tax imposed on the retail sale of tangible personal property in California. The retailer of tangible personal property must pay sales tax to the CDTFA, not the purchaser. The retailer may collect reimbursement of the sales tax from the purchaser during retail sales transactions.

**Use tax** generally applies to the storage, use, or other consumption of tangible personal property in California. Use tax is a companion to the sales tax. Persons, or businesses, generally owe use tax when they use, store, give away, or consume physical products in California if they did not pay California sales tax on their purchase. Use tax may also apply to purchases shipped to a California consumer from another state, including purchases made by mail order, telephone, or the Internet. Use tax generally applies to untaxed purchases from out-of-state sellers. The use tax rate for a California location is the same as the sales tax rate.

A **Seller's Permit** must be obtained by every person desiring to engage in business as a seller of tangible personal property, subject to sales tax.

**State Government** entities, other than California state and local government entities, are not "persons" for sales and use tax purposes. Sales by and purchases from such governmental entities are not subject to tax. The use of property in California by other states is not taxable. However, sales in California to other states are subject to sales tax. See CDTFA Sales and Use Taxes: Exemptions and Exclusions publication 61.

## SALES AND USE TAX-STATE AGENCY/DEPARTMENT RESPONSIBILTY - 8482

(Revised and renumbered from 8720)

Each agency's/department's responsibility is to comply with the California Department of Tax and Fee Administration (CDTFA) rules and regulations. Agencies/departments are required to do the following:

1. Obtain seller's permits from the CDTFA if selling tangible personal property.
2. Collect sales tax if a transaction is taxable as defined by the CDTFA.
3. File timely sales and use tax returns based on the filing frequency assigned by the CDTFA (quarterly, calendar year, or fiscal year, etc.).
4. Make payments or prepayments of sales and use tax to the CDTFA on a timely basis.

## SELLER'S PERMIT - 8483

(Revised and renumbered from 8721)

Agencies/departments must obtain seller's permits by applying to the California Department of Tax and Fee Administration (CDTFA) before selling or leasing tangible personal property that is subject to sales tax sold at retail. Agencies/departments with multiple locations may obtain a consolidated permit or a separate permit for each location. Agencies/departments reporting both sales and use tax will do so under the seller's permit.

A seller's permit can be obtained by registering online through the CDTFA Taxpayer Online Services Portal.

## NONTAXABLE SALES - 8484

(Revised and renumbered from 8722)

Some sales transactions are not subject to sales tax when supported by exemption certificates, resale certificates, shipping documents, or other evidence. Nontaxable sales include but are not limited to the following sales transactions:

- Sales to the United State Government and its agencies
- Sales to the purchaser for resale
- Sales made in interstate commerce
- Sales of food products for human consumption or feed for animals

Agency/department sales of used vehicles that require vehicle registration under the California Vehicle Code Division 3, Chapter 3, section 4000 et seq. (typically cars and trucks for highway use) are not subject to sales tax. The purchaser must pay use tax to the California Department of Motor Vehicles, who acts on behalf of the California Department of Tax and Fee Administration (CDTFA) when the purchaser registers the vehicle.

Sales to political subdivisions of the State are subject to sales tax.

A transfer of tangible personal property between agencies/departments is not considered a sale and not subject to tax since title to the property remains with the State of California.

Refer all sales tax questions to the CDTFA Customer Service Center at 1-800-400-7115, through the CDTFA website or by mail to the California Department of Tax and Fee Administration, P.O. Box 942879, Sacramento, CA 94279-0040.

## REPORTING SALES AND USE TAX - 8485

(Revised and renumbered from 8730, 8734.1, 8734.3, 8734.5, 8735, 8735.1, 8735.2, 8735.3, 8735.4)

**What is Use Tax?**

Use tax is a tax on purchases made from outside of the State of California for taxable items that will be used, stored, or consumed in California and on which no state sales tax was collected. For a detailed description of use tax, see CDTFA's California Use Tax Information webpage.

**When to Report Use Tax**
Agencies/departments will report and pay California use tax due on purchases from a retailer outside of California whether made by telephone, over the Internet, by mail, or in person if the following criteria apply:

- The seller does not collect California sales or use tax. To determine if sales or use tax is to be reported and remitted to CDTFA, agencies/departments must review the purchase invoice or receipt to verify if the seller added the tax.
- The agency/department uses, gives away, stores, or consumes the item in California. Report purchases of goods that would have been taxable if purchased from a California retailer.

Generally, if sales tax would apply to physical merchandise purchased in California, use tax applies when a similar purchase is made without tax from a business located outside the state.

Use tax would be included on purchases of equipment, supplies, and books.

Purchases not subject to use tax include food for human consumption. Also, electronically downloaded software, music, digital books (e-books), mobile applications, and games are not subject to use tax if no tangible storage media (e.g., USB flash drive, DVD, CD-ROM, Secure Digital Card) is obtained. See the California Department of Tax and Fee Administration (CDTFA) California Use Tax Information website for more information.

**Preparing Use Tax Return**

Agencies/departments can file returns online by going to the CDTFA Taxpayer Online Service Portal and selecting File a Return. When permissible, online taxpayer returns
can be paid by credit card, paper check, or electronic check (ACH Debit).

**When is the Use Tax due?**
The CDTFA requires agencies/departments to file their sales and use tax return on either a quarterly, calendar year, or fiscal year basis, depending upon the volume of transactions per month generated by the agency/department. CDTFA may apply a late payment penalty charge if an agency/department is late in paying use tax.

**Foreign Purchases**
Use tax is applicable to tangible personal property purchases made outside the United States and brought or shipped into California for storage, use, or other consumption. Examples of items purchased by individuals that are brought or shipped into California for use include artwork, antiques, furniture, jewelry, and clothing. However, there are certain exceptions. Refer to the CDTFA California Use Tax-Foreign Purchases website for additional information.

**Local Sales and Use Taxes**
Agencies/departments making sales of tangible personal property are required to report and pay to the CDFTA a one percent uniform local sales tax on sales. If a purchase is made without sales tax from a business located outside the state, the agency/department must report and pay use tax.

**Agency District Use Tax**
Numerous counties have enacted ordinances establishing special taxing districts that impose sales and use taxes on the sales or purchases of tangible personal property in or for use within the district. Various laws authorize counties to establish districts for transportation, jails, and for other governmental services. See SAM Section 3574.3.

District sales and use taxes do not apply to fixed price sales contracts executed before the ordinance's effective date if neither party has the unconditional right to terminate the contract.

Agencies/departments pay the district use tax applicable to purchases in the same manner as prescribed for reporting the state use tax to CDTFA. The district use tax applies to purchases of tangible personal property utilized within the district, but purchased from vendors located outside the district who do not hold certificates of authority to collect use tax.

**District Use Tax on Temporary Storage**
Transit district use tax does not apply to storing, keeping, retaining, processing, fabricating or manufacturing of tangible personal property for later use solely outside the state or for later use solely outside the district imposing a use tax. The tax does apply when purchases are removed from storage for use within the transit district.

**Agency/Department Collection of District Sales Tax**
Agencies/departments selling tangible personal property within a district for use within the district will collect the appropriate sales and use taxes from the consumers. Agencies/departments selling and delivering personal property from locations in one county to counties with district taxes are required to report and pay to the CDTFA the transactions and use taxes applicable in the county of delivery.

Delivery charges subject to the state sales tax are also subject to the district transactions tax.

The tax on tangible personal property sold within the district will consist of the appropriate district transactions tax, the 1 percent uniform local tax, the 1/4 percent county transportation tax, and the state sales tax.

**Procedures for Reporting and Remitting Sales and Use Taxes**
Agencies/departments reporting and paying the state sales and use taxes to the state-administered uniform local sales, use, and district taxes will apply the procedures in SAM sections 8481-8486. Agencies/departments reporting local tax on sales or property used at multiple locations will allocate the local tax to the places of sales or places of use on the State, Local, and District Consumer Use Tax Return form, CDFTA 401-A For detailed information relating to district taxes, see CDTFA Publication 44.

Agencies/departments filing invoices for the local use tax due in the same claim as the vendor's invoice to which the tax applies will use Consumer Use Tax Form as prescribed in SAM section 8486.

## PAYING SALES AND USE TAX - 8486

(Revised and renumbered from 8731, 8732)

Usually, sales tax and use tax is collected by California retailers and paid to the California Department of Tax and Fee Administration (CDTFA) on taxable items. When an out-of-state or online retailer does not collect the sales tax on taxable items delivered to California, the purchaser may owe use tax, which is simply a tax on the use, storage, or consumption of personal property in California.

This section addresses the Consumer Use Tax procedure for agency/department purchases on taxable items where sales tax is not collected. The agency/department must pay the use tax to the CDTFA.

Agencies/departments will identify payments subject to the consumer use tax. Agencies/departments not using FI$Cal will enter an asterisk on the Claim Schedule STD. 218 line immediately to the right of the "Amount" column. The agency/department will enter the total net purchase price of all items in the claim subject to use tax will be entered in the box titled “Total Subject to Use Tax.” If the claim is to reimburse an agency’s/department’s revolving fund (Replenishment Claim Schedule, STD. 219TT), the asterisk will be entered after the applicable item on the calculator machine tape or spreadsheet for revolving fund invoices accompanying the claim.

The amount of use tax payable will not be included in the total claimed on the Claim Schedule, STD. 218. Do not increase the vendor’s invoice by the amount of the use tax due. After scheduling the vendor payment, the agency/department will file the CDTFA-401-E, *State, Local, and District, Consumer Use Tax Return*, online. When scheduling a use tax payment, it is best to have the State Controller’s Office return the warrant and payment voucher to the agency/department through the special handling process. This will ensure that all necessary paperwork is attached and mailed to the CDTFA.

For use tax payments made through FI$Cal, the agency/department will Submit a regular FI$Cal voucher to the SCO with a special handling request for the warrant to be returned to the agency/department. Upon receipt, the agency/department will mail the warrant and the supporting documents to CDTFA.

For each claim or voucher containing supplier invoices subject to the use tax, agencies/departments will complete for their files a Consumer Use Tax Return form (CDTFA-401-E) along with a spreadsheet that include the following information:

- Reporting period
- Agency/department name
- Fund code
- Title of fund
- State fiscal year
- Appropriation item number
- Claim schedule number (if applicable
- Date
- Items purchased (brief description)
- Net purchase price
- County to which the use tax is due.

Agencies/departments must identify payments subject to use tax. To do so, the agency/department will use reports that provide details of sales or use tax not collected on out of state purchases, in which the seller did not collect sales or use tax.

In the event of multi-funded purchases that require use tax, the agency/department will submit a separate Consumer Use Tax form for each fund, appropriation, and reporting period. The tax amount due will not be computed by the agency/department or shown on each Consumer Use Tax Return form. The Consumer Use Tax Return form will be retained by the agency/department until a State, Local, and District Consumer Use Tax Return, CDTFA-401-E, is filed online through the CDTFA’s online filing system.

Consumer Use Tax Return forms will be scheduled for payment of use tax to the California Department of Tax and Fee Administration (CDTFA) by the agency/department simultaneously with the online filing of the State, Local, and District Consumer Use Tax Return (Consumer Use Tax Return), CDTFA–401-E. Agencies/departments not using FI$Cal should do the following:

- Submit a separate claim for each fund and appropriation from which payment will be made. Do not submit copies of the Consumer Use Tax Return form to the CDTFA.
- Enclose a copy of the confirmation page from the online filing of the Consumer Use Tax Return with the claim and include the payment voucher in a remittance advice envelope.
- Prepare as an additional enclosure a list of vendors, including name and address, from which frequent purchases are made, which are subject to use tax.
- Attach duplicate copies of the Consumer Use Tax Return form to the agency’s/department’s copy of the claim.
- Type or write the claim schedule (if applicable) on the copy of the Consumer Use Tax Return, CDTFA-401-E online confirmation page.

If more than one Claim Schedule, STD 218 is submitted to pay the total tax due, the Consumer Use Tax Return form, CDTFA-401-E, online confirmation page and payment voucher will be placed in a remittance advice envelope attached to one of the claim schedules. A special mailing request stating, “Please mail warrant in payment of our Claim Schedules numbers _____, _____, and _____, with the payment voucher and confirmation page accompanying claim schedule number_____," will be attached to the remittance advice envelope accompanying each of the related claim schedules. All claim schedules requesting payment of use tax due relating to the Consumer Use Tax Return form, CDTFA-401-E, will be clipped together and will have a note attached by the agency/department requesting that the Claim Schedules be kept together until audited by the State Controller’s Office.

Agencies/departments using FI$Cal will do the following:
Submit a regular FI$Cal voucher, which may include multi-funding along with special handling instructions to have the warrant returned to the agency/department.
The agency/department will attach the payment voucher and the warrant and mail it to the CDTFA.

## ACCOUNTING FOR SALES AND USE TAX - 8487

(Revised and renumbered from 8725, 8733)

Sales tax will be accounted for within the appropriation available for State operations at the time of sale. The sales tax billed or collected amount (accrual basis) is calculated at the end of each reporting period (i.e., monthly, quarterly, or yearly). Payment for the amount of sales tax liability computed on the sales and use tax return will be made to the California Department of Tax and Administration (CDTFA).

Use tax paid to the CDTFA for items purchased from support appropriations will be accounted for in the same appropriation as that from which the item was purchased.

## PERSONAL PROPERTY TAX - 8488

(Revised and renumbered from 8736)

Agencies/departments are exempt from property taxation under California Constitution Article XIII, Section 3(a). Any obligation for property tax on state leased equipment would exist, if at all, only as a result of an express provision of the lease agreement. Payments would not be made directly to taxing authorities, if the lease obligation existed but would be limited to reimbursing the lessor for actual tax payments which the lessor could prove had been made.

Agencies/department must review each lease agreement under which reimbursement of property taxes is claimed to determine whether reimbursement should be made. Provisions in a lease adding "applicable state and local taxes" to the monthly rental relate to sales and use taxes and do not include personal property taxes.

Any lease clause, which requires the agency/department to reimburse the lessor for personal property taxes is not valid. For a lease to be legally binding, the lease order form or document must be included in the lease when approved or is executed by the state and approved in the same way as the original lease.

If a copy of a personal property tax bill is received, the bill must be forwarded to the lessor named in the bill for payment. **No payment should be made by the State**. If, after payment of the taxes, the lessor submits a properly documented claim for reimbursement and the lease so provides, the lessor can be reimbursed for the taxes applicable to the lease term.

In some instances, personal property tax bills will be received on equipment which was on lease but which was purchased by the state prior to the tax lien date of March 1st. In such a case, the property would be tax-exempt, and the bill should be returned to the taxing authority with a letter notifying it of the change in ownership. Such notice should include the date on which the state's purchase was made.

## FEDERAL MOTOR VEHICLES FUEL TAX - 8489

(Revised and renumbered from 8745.5)

A federal fuel tax is excised/levied on gasoline, diesel, and gasohol purchased in the United States. Agencies/departments are exempt from Federal Excise Tax on motor and diesel vehicle fuel. See IRS Publication 510 for more information.

## CONTINGENT AND REAL LIABILITIES - 8491

(Revised and renumbered from 8751)

A contingent liability is defined as an obligation relating to a past transaction or event that may be payable in the future. It is a potential liability that may or may not become an actual liability (e.g., audit exception, pending litigation).

The distinction between a real liability and a contingent liability depends on the certainty of the payment to be made. A real liability exists when it is probable that the payment will be made. A contingent liability exists when it is only possible that the payment will be made. A contingent liability is recorded if the contingency is likely and the amount of the liability can be reasonably estimated.

Real liabilities payable from an existing appropriation must be recognized at year-end even though the amount may be estimated in whole or part. Real liabilities not properly payable from an existing appropriation will be reported as payable from a future appropriation.
State agencies/departments are required to prepare a statement of all contingent liabilities and liabilities payable from a future appropriation at year-end. Use Year-End Report No. 22, Statement of Contingent Liabilities to report these liabilities. See SAM section 7980. Agencies/departments will establish appropriate memorandum accounts as a record of these liabilities.

## STATE COMPENSATION INSURANCE FUND CLAIMS - 8492

(Revised and renumbered from 8780 and 8780.1)

The State Compensation Insurance Fund (State Fund) is a self-supporting, non-profit enterprise that provides workers' compensation insurance to California employers. It will pay all claims for medical expenses and compensation benefits in the first instance. Legally uninsured agencies/departments (all agencies/departments not covered by workers' compensation insurance policies) will be billed for the benefits paid plus a charge for administrative services of State Fund. The latter charges are allowed under a master agreement for all legally uninsured agencies/departments negotiated by the California Department of Human Resources (CalHR) and State Fund. These bills are payable by legally uninsured agencies/departments from the fund or funds from which the injured or deceased employee's salary or wages were payable at the time of injury or death. In case of agencies/departments operating under plans of financial adjustment, "fund or funds" above means the fund or funds from which the employee's salary or wages were ultimately payable, as adjusted through the plan of financial adjustment.

The master agreement mentioned above also provides that each legally uninsured agency/department place a deposit with State Fund. The service fees for agencies/departments will be billed in twelve (12) equal monthly installments for its percentage of the total service fee. A deposit into the working capital account for agencies/departments, except the California Department of Corrections and Rehabilitation (CDCR) and Department of Developmental Services (DDS), will be a contribution amount equal to 9.6 percent of the annual benefit cost during the preceding July through June 30th. The contribution for CDCR and DDS will be equal to 16.7 percent. Deposits of an agencies/department's estimated annual cost, will be used by State Fund to pay claims as they arise. It is important these deposits, as well as the normal semi-monthly billings, be paid immediately.

If an agency/s/department's contribution to the working capital account is not enough to cover the actual monthly benefit billing charges in June, State Fund will provide the State Controller's Office (SCO) the file to debit each agency's/department's appropriation for the additional expenditures and to credit State Fund's operating revenue. If the agency's/department's contribution is in excess of the actual charges for June, the remaining balance will be used to offset any other benefit billing charges incurred during the same fiscal year. If the agency's/department's contribution is in excess of the actual charges during the same fiscal year. If the agency's/department's contributions is in excess of the actual charges during the same fiscal year, the SCO will return the excess contribution.

**PAYMENT AND AUDIT**

The State Fund will bill agencies/departments twice a month (on the 15th and 30th or 31st). Agencies/departments must use the correct agency payroll code on the State Fund Form e3067. The invoices submitted to agencies/departments will also include the agency payroll code. This code will assist in distributing the Workers' Compensation charges among the agency's/department's subunits as needed.

It is imperative that Workers' Compensation invoices be paid immediately. Any amount outstanding after 35 calendar days from the date of State Fund's transmission to the State Controller's Office (SCO) is subject to an interest charge. All invoices for reimbursement of expenditures on claims will be billed and paid electronically through the SCO. At the same time, State Fund will provide each agency/department with an itemized invoice which shows the expenditures for which reimbursement is claimed. Discrepancies will be reported promptly to State Fund, and they will make the necessary adjustments on subsequent invoices. State Fund will notify the CalHR monthly of any payments that remain unpaid.

## GOVERNMENT CLAIMS - 8493

(Revised and renumbered from 8710)

Claims for money or damages against the state are presented to and acted on by the Department of General Services (DGS).

The Annual Budget Act contains appropriations to pay any claims approved by DGS, and DGS records the associated expenditures.

DGS also handles legislative claims (also known as omnibus claims) which include:

- Claims against the state,
- Specific cash deficiencies (SAM section 8072), and
- Invoices payable from reverted appropriations for which no current appropriation exists for the same purpose. See SAM section 8422.12.

Information for the claim filing process is available at DGS' Office of Risk and Insurance Management website.

Agencies/departments will receive a Controller's journal entry if payment of the DGS claim affects the agency's/department's accounts or appropriations.

## TORT LIABILITY PAYMENT PROCEDURE - 8494

(Revised and renumbered from 8712)

Tort liability can occur as a result of intentional acts, a negligent act, and a failure to act when an individual or entity had a duty to do so. Tort liability can also occur when there is a violation of statutes or laws.

This section describes the procedures related to tort liability arising from other than motor vehicles. Tort liability payment procedures related to motor vehicle insurance, accidents, and suits are described in SAM sections 2440-2464.

Government Code sections 965-965.9 provide broad guidelines for administering and paying tort liability claims against the state.

In general, claims against the State of California are presented to the Department of General Services (DGS) and, if approved, are paid by the Department of Justice (DOJ). If a claim is not approved, the claimant may bring court action against the state agency/department involved or its officers or employees to obtain settlement. If legal action occurs, the head of the state agency/department concerned, upon recommendation of the Attorney General or other attorney authorized to represent the state, may settle, adjust, or compromise the claim under provisions of Government Code section 948 and SAM section 6472. The claim will then be paid by the DOJ.

Judgments and/or costs of suits are not to be paid out of feeder funds. A specific amount is appropriated from the General Fund to be available to the DOJ for agencies/departments supported from that fund. Unspecified amounts are also appropriated to each special fund sufficient for agencies/departments supported by those funds.

The appropriation is made to the Department of Finance for expenditure or allocation at its discretion. Accordingly, it has established the following concerning tort liability payments:

**General Fund**

The DOJ pays claims approved by the DGS, and pursuant to Government Code section 948, the DOJ also pays claims that have been denied by the DGS but have been settled by the Attorney General and approved by the agency/department. The DOJ is authorized to pay claims and judgments up to $35,000 in principal amounts without Finance approval.

Finance approval is required for all claims that exceed $35,000 in the principal amount which have been approved by the DGS, claims settled pursuant to Government Code section 965.65, or judgments awarded by the courts. The $35,000 limitation applies to the principal only. The court awarded interest and court costs, if any, are additional.

Each approved settlement or judgment whose principal exceeds $70,000 shall be paid from special appropriation legislation.

**Special Funds**
The DOJ shall pay claims and judgments under the following conditions for all special fund agencies/departments, except the Department of Transportation.

1. Up to $50,000 in principal amount for settlements made by the DGS. Advance approval is given by Finance. See Government Code section 965.1
2. Settlements under Government Code section 948 up to $35,000 in principal amount. Advance approval is given by Finance.
3. Finance approval will be required for each settlement in excess of $35,000 in principal amount. Prior to Finance approval, the DOJ will have obtained assurance from the agency/department that funds are available.
4. Each approved settlement or judgment whose principal exceeds $70,000 shall be paid from special appropriation legislation.

Each special fund agency/department shall forward to the DOJ written authorization to pay tort liability claims. These authorizations shall be effective until revoked. They should be submitted in duplicate and should be in the following format:

AUTHORIZATION TO PAY TORT LIABILITY CLAIMS
AGAINST SPECIAL FUND

The (Agency, Department, Board or Commission) hereby authorizes the Attorney General to file a claim schedule with the State Controller requesting payment of all claims approved by the Department of General Services arising under Chapter 1681,Statutes of 1963 and of all settlements, adjustments, compromises of any pending actions concluded pursuant to Government Code section 948, or judgments pertaining to the activities of said agency/department and payable from the _____ Fund; provided that prior to the filing of claims schedules the (Agency, Department, Board or Commission) will certify that funds are available.

(Agency/department Head) (Date)

The Department of Justice (DOJ) will retain one copy of the authorization and forward the second to the State Controller (SCO).

The DOJ shall forward the claim schedule to the SCO and retain an extra copy in a holding file. Upon receipt of the Notice of Claim Paid, the DOJ will send a copy of the claim, along with a copy of the Notice of Claim Paid, to the agency/department involved as notification that a claim has been filed and paid.

The DOJ will retain one copy of the authorization and forward the second to the SCO.

The DOJ shall forward the claim schedule to the SCO and retain an extra copy in a holding file. Upon receipt of the Notice of Claim Paid, the DOJ will forward a copy of the claim schedule, along with a copy of the Notice of Claim Paid, to the agency/department involved as notification that a claim has been filed and paid.

# Chapter - 8500

Sections for Chapter 8500

| Section | Subchapter |
|---|---|
| CENTRAL SERVICE ROLES FOR PAYROLL PROCESS | 8500 |
| STATE PAY PLAN (PAY FREQUENCY) | 8510 |
| BEGINNING AND ENDING DATES OF PAY PERIOD | 8512 |
| SUMMARY OF CONTROLLER'S PAYROLL FUNCTIONS | 8520 |
| PERSONNEL PROCEDURES - ESTABLISHED POSITIONS | 8531 |
| PERSONNEL PROCEDURES - POSITION NUMBERS | 8533 |
| PERSONNEL PROCEDURES - LEAVE BALANCES RECORD | 8534 |
| PERSONNEL PROCEDURES - ATTENDANCE RECORD | 8534.1 |
| PERSONNEL PROCEDURES - OVERTIME | 8534.2 |
| COMPENSATION AND DISABILITY INSURANCE - UNEMPLOYMENT INSURANCE | 8535 |
| COMPENSATION AND DISABILITY INSURANCE - TEMPORARY DISABILITY | 8536 |
| COMPENSATION AND DISABILITY INSURANCE - THIRD PARTY RECOVERIES | 8537 |
| COMPENSATION AND DISABILITY INSURANCE - NONINDUSTRIAL DISABILITY INSURANCE | 8538 |

| | |
|---|---|
| TAX WITHHOLDING AND REPORTING - FRINGE BENEFITS AND EMPLOYEE BUSINESS EXPENSES | 8572 |
| TAX WITHHOLDING AND REPORTING - MOVING EXPENSES | 8572.1 |
| TAX WITHHOLDING AND REPORTING - LONG-TERM TRAVEL EXPENSES | 8572.2 |
| TAX WITHHOLDING AND REPORTING - PERSONAL USE OF STATE-PROVIDED VEHICLES | 8572.4 |
| TAX WITHHOLDING AND REPORTING - UNIFORM ALLOWANCES | 8572.5 |
| SALARY WARRANTS - DISTRIBUTION | 8580 |
| SALARY WARRANTS - SEPARATION OF DUTIES | 8580.1 |
| SALARY WARRANTS - RELEASE OF SALARY WARRANTS | 8580.2 |
| SALARY WARRANTS - RETURN OF SALARY WARRANTS | 8580.3 |
| SALARY WARRANTS - EMPLOYEE SEPARATIONS | 8580.4 |
| SALARY WARRANTS - UNDELIVERED SALARY WARRANTS | 8580.5 |
| PAYROLL ACCOUNTING - OVERVIEW | 8590 |
| PAYROLL ACCOUNTING OVERVIEW - PAYROLL ACCOUNTS RECEIVABLE | 8593 |
| PAYROLL ACCOUNTING - RECOVERY BY CASH COLLECTION | 8593.1 |
| PAYROLL ACCOUNTING - RECOVERY BY PAYROLL DEDUCTION | 8593.2 |
| PAYROLL ACCOUNTING - RECOVERY FROM SEPARATED EMPLOYEES | 8593.3 |
| MANAGING AND REPORTING ABSENCES - JURY DUTY | 8594 |
| MANAGING AND REPORTING ABSENCES - COURT SUBPOENAED WITNESS | 8594.1 |
| MANAGING AND REPORTING ABSENCES - EXPERT WITNESS | 8594.2 |
| MANAGING AND REPORTING ABSENCES – REPORTING REQUIREMENT FOR WITNESSES | 8594.3 |
| MANAGING AND REPORTING ABSENCES - COLLECTIVE BARGAINING ACTIVITIES | 8594.4 |
| SALARY ADVANCES | 8595 |
| RECOVERY OF LUMP SUM PAYMENTS | 8596 |
| SERVICES FURNISHED TO EMPLOYEES | 8599 |

## CENTRAL SERVICE ROLES FOR PAYROLL PROCESS - 8500

This chapter provides statewide policies, regulations, and procedures on payrolls for state civil service employees. Agency/department human resources offices can provide additional guidance in these areas. Below is the description of the roles of the central service agencies/departments within the payroll processes:

- The State Personnel Board (SPB) was established by the California State Constitution to administer the state's civil service system, which includes a merit-based selection process for hiring state employees and provides direction to agencies/departments through the board's decisions, rules, and policies. The SPB reviews agency/department personnel practices for compliance with the merit system. The SPB also investigates and resolves alleged violations of the law that are filed by employees, applicants, and members of the public and reviews disciplinary actions brought against state employees.

  The SPB administrative actions are governed by Article VII of the California Constitution and the State Civil Service Act (Government Code sections 18500-19799). These provisions are made more specific by the SPB rules (California Code of Regulations, Title 2, Division 1, Chapter 1).

- The California Department of Human Resources (CalHR) is responsible for managing the state's personnel functions and represents the Governor as the "employer" in all matters concerning state employer-employee relations. These include all issues related to salaries and benefits, job classifications, civil rights, training, exams, recruitment, and retention. For most employees, many of these matters are determined through the collective bargaining process managed by CalHR.

  CalHR administers its programs under Government Code sections 19815-19999.7. These provisions are made more specific by CalHR rules (California Code of Regulations, Title 2, Division 1, Chapter 3). For the rank and file employees, these laws and rules may be superseded by a Memorandum of Understanding (MOU) negotiated under the State Employer–Employee Relations Act. In certain areas, the Human Resources Manual provides detailed guidelines and procedures.

- The State Controller's Office (SCO) is responsible for administering the Uniform State Payroll System and processing all personnel and payroll transactions. Procedural information is available in the SCO's Payroll Procedures Manual and the Personnel Action Manual. See SAM section 8520 for a summary of SCO's payroll functions.

- The Department of Finance (Finance) approves positions through the budgetary control of salaries and wages coordinated with personnel procedures.

## STATE PAY PLAN (PAY FREQUENCY) - 8510

In accordance with the California Code of Regulations, Title 2, section 633.2, an employee whose salary is established on a monthly basis shall receive their monthly salary based on 12 nearly equal pay periods each year.

- The pay period, referred to as a calendar month, will contain either 21 or 22 normal workdays. Normal workdays are Monday through Friday, including holidays during the week. If there are more than 22 or fewer than 21 normal workdays in a month, the pay period may end one day before or after the end of the calendar month. On rare occasions the pay period may end two days before the end of the calendar month.
- The end of the third monthly pay period, in each quarter, will always coincide with the end of the calendar quarter.
- Annual salary rates are divided among twelve full pay periods of employment.
- Hourly rate employees will be paid for the same pay periods as prescribed for monthly rate employees.
- The California Code of Regulations, Title 5, and the State Controller's Office's Payroll Procedure Manual prescribe special procedures for academic-year employees and ten-month academic employees in state universities.

## BEGINNING AND ENDING DATES OF PAY PERIOD - 8512

The Department of Finance (Finance), Fiscal Systems and Consulting Unit, prescribes the beginning and ending pay period dates. A schedule of 14 patterns that repeat within a 28-year cycle will be used. Table 1 below shows the 28 calendar years from 2019 to 2046 and the corresponding pattern number that will be used for that year. Table 2 shows the patterns from 1 to 14, the related pay period dates, and the number of workdays for that pattern.

**Table 1: Calendar Year and Corresponding Pattern Number**

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**Table 2: Pattern Number, Pay Period Dates, and Number of Workdays**

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## SUMMARY OF CONTROLLER'S PAYROLL FUNCTIONS - 8520

Per Government Code sections 12470-12481 and 16390-16395 and California Code of Regulations, Title 2, sections 633.7 and 633.8, the State Controller's Office (SCO) is responsible in the administering of the Uniform State Payroll System.

The SCO's Personnel and Payroll Services Division (PPSD) performs the following major functions:

- Audits, adjusts, and processes all personnel and payroll transactions for state civil service, exempt, state court, and California State University employees.
- Distributes payroll warrants to all state employees.
- Provides information and training required to manage the human resources of the state.
- Accounts for salary and wage expenditures.
- Provides data to the retirement systems for the calculation of employee retirement benefits.

Refer to the PPSD webpage for additional resources related to payroll and personnel processes/procedures.

## PERSONNEL PROCEDURES - ESTABLISHED POSITIONS - 8531

**Established Positions**

Established positions are assigned and approved by the Department of Finance (Finance) through the budgetary control of salaries and wages process. No employee may be appointed to a position unless the position is properly established and approved by Finance. Position not previously established on a continuing basis through the budgetary control of salaries and wages process must be established by submitting a Change in Established Positions form, STD. 607, to Finance. Form STD. 607 is used to change or abolish positions. Encumbrance increases and disencumbrance decreases are recorded on STD. 607, against current budget and indicated in the estimates register and expenditure accounts.

**Blanket Positions**

With the approval of Finance, blanket positions may be established for temporary or seasonal help, overtime, and other purposes. Any number of persons may be employed within budgetary limits as to the amount of money budgeted in the blanket position allotments. Form STD. 607 is used to report amounts encumbered against the blanket position allotments. The State Controller's Office (SCO) will summarize expenditures from blanket positions as of the tenth of each month. It will withhold any subsequent warrants for positions shown by such summary to be over-expended. Such warrants will be released upon receipt of STD. 607 increasing the approved encumbrance for those positions.

**Interchangeable Classifications**

To promote the policy of recruiting employees at the entry or "trainee" level and subsequently advancing these employees to the journey-person level when qualified, without further budgetary action, certain classifications are established interchangeably with the approval of Finance.

The form STD. 607 applicable to these positions will show the appropriate combination of "trainee/journey-person" titles with the class code at the "journey-person" level and the other class code(s) in parentheses. The positions will be reflected in the SCO's file with the "journey-person" class code and will not be changed when the class of the incumbent is changed.

Refer to Payroll Procedure Manual section C305 for more information on interchangeable classes.

## PERSONNEL PROCEDURES - POSITION NUMBERS - 8533

Positions numbers are a 13-digit number to identify established positions. The position number consists of agency code, reporting unit code, class code, and serial number.

**Agency Code**

Three-digit code identifying the agency or major subdivision for personnel/payroll use, and the fund from which salaries are payable. The agency code is assigned by the State Controller's Office (SCO).

**Reporting Unit Code**

Three-digit code identifying the budgetary function and the location of attendance reporting units within the agency code. When positions are authorized to be used in any of several attendance reporting units, STD. 607 may show budget function codes instead of reporting unit codes to identify a group of reporting units. These codes are assigned by the agency/department to conform with the organizational structure, with the approval of the Department of Finance and the SCO.

**Class Code**

Four-digit code identifying the civil service class or exempt position title, as shown in the Civil Service Pay Scales or Exempt Pay Scales.

**Serial Number**

Three-digit code identifying the individual position within the class and function. Serial numbers in the seven and eight hundred series identify employees in interchangeable classes, and the nine hundred series identifies blanket positions. Refer to Payroll Procedure Manual section C300 for more information.

## PERSONNEL PROCEDURES - LEAVE BALANCES RECORD - 8534

Agencies/departments will be required to maintain all leave balance records for each employee.

- Monthly Employee Leave Record, STD. 642 or an equivalent form will be used to maintain individual sick leave and vacation credit balances.
- Absence and Additional Time Worked Report, STD. 634, or an equivalent form will be used to report monthly leave usage (e.g., sick leave, vacation, professional development day, etc.).
- An annual statement of leave will be distributed by the agency/department human resources office to each employee.
- Leave balance records and other supporting documents will be securely protected and will not leave the premises.

## PERSONNEL PROCEDURES - ATTENDANCE RECORD - 8534.1

(Renumbered from 8539)

In accordance with the California Code of Regulations, Title 2, section 599.665, agencies/departments are responsible for maintaining accurate and timely leave accounting records for their employees. Agencies/departments shall create an audit process to review and correct leave input errors on a monthly basis. Refer to the Human Resource Manual section 2101.

**Certify Employee Individual Time Record**

Individual time records are maintained by employees, signed by both the employees and the employees' supervisor, and submitted to the agency/department human resources office (HR) for the record.

**Certify Attendance Records to State Controller's Office**

- Agency/department HR offices receive the original copy of the Time and Attendance Report, Form 672, from the State Controller's Office (SCO).
- HR offices verify information on Form 672 against individual time records of employees. The completed Form 672 maintained at the agency/department will be signed only by those authorized per the signature on file at the SCO.
- HR offices maintain lists of persons authorized to approve attendance documents supporting the Form 672.
- Agency/department must certify attendance to the SCO after the close of each pay period in the manner prescribed by the SCO.

**General Certification Rules**

- Agencies/departments may designate specific individuals to certify attendance to their HR office. If specific individuals are not designated, an employee's supervisor will certify the attendance. Authorizing signatures will be compared to the authorized persons list maintained by the HR office, which will be continuously updated.
- The person certifying attendance reports cannot certify their own attendance report.

Refer to Payroll Procedure Manual section D003 for procedure and instruction on Form 672.

## PERSONNEL PROCEDURES - OVERTIME - 8534.2

(Renumbered from 8540)

**Approve Overtime**

Overtime is compensated either by cash payment or Compensated Time Off (CTO). All overtime should be approved by a designated supervisor. Overtime should be authorized and issued in accordance with bargaining unit agreements. Due to the nature of work carried out by an agency/department, management can retroactively approve overtime compensation.

**Record Overtime**

Care should be exercised in recording the overtime hours on the monthly attendance reports and overtime records of the agency/department.

## COMPENSATION AND DISABILITY INSURANCE - UNEMPLOYMENT INSURANCE - 8535

Unemployment Insurance (UI) is an employer-paid program that provides partial income replacement when an employee becomes unemployed or has their hours reduced and meet all eligibility requirements as defined by the Employment Development Department (EDD).

In accordance with the Unemployment Insurance Code (UIC) sections 135 and 605, all service (with some exceptions) performed in the employment of a state agency/department is covered employment for UI compensation benefit purposes. The agencies/departments that employed the claimant during the previous 12-month period (the base period) are directly liable to the Unemployment Insurance Fund for all benefits paid.

The EDD's Tax Branch processes the billing invoices to agencies/departments on a quarterly basis. Payment of these invoices is due within thirty (30) days of the invoice date. The amount due will be subject to a late payment penalty of 10 percent plus daily interest at the adjusted annual rate under UIC section 803(f). Payment will be accounted for as a "Personal Services" expenditure from the appropriation in which the payment is made.

Each agency/department head will designate staff that will administer UI in their respective agency/department.

The EDD's Unemployment Insurance Branch should be the initial contact for all agencies/departments with questions regarding UI eligibility.

## COMPENSATION AND DISABILITY INSURANCE - TEMPORARY DISABILITY - 8536

Temporary Disability (TD) payments are issued by the State Compensation Insurance Fund (State Fund). Specific instructions on payroll processing relating to TD and Industrial Disability Leave (IDL) are administered by the State Controller's Office (SCO). Refer to sections E300 and E400 of the Payroll Procedures Manual (PPM).

Most agencies/departments are legally uninsured and participate in the Master Agreement with State Fund; relatively few agencies/departments purchase an insurance policy from State Fund. State Fund processes all disability claims for agencies/departments.

Additionally, State Fund issues all TD payments that are sent directly to the claimant. TD benefits are paid when an employee is ineligible for or has exhausted their eligibility for the following:

- Industrial Disability Leave (IDL)
- Enhanced Industrial Disability Leave (EIDL) – see PPM section E400 for EIDL eligibility
- Benefits provided by Labor Code section 4800 or 4800.5.

If a claimant receives TD and the employing agency/department is covered under the Master Agreement, State Fund will bill the employing agency/department for the compensation payment and associated administrative costs. If the agency/department is insured, it is entitled to the service and support without charge. For details regarding the Master Agreement and accounting of State Fund, see SAM sections 8780 and 8780.1.

When a claimant receives IDL, State Fund will send the employing agency/department a Notification of Approval form 3290 to verify benefits paid. Once the agency/ department receives approval, the human resources office documents and keys a

Miscellaneous Payroll/Leave Actions form, STD 671, into SCO's Payroll Input Process (PIP) Miscellaneous Detail screen. Instruction for PIP exceptions and form STD. 671 completion requirements are found in sections E006 and E007 of the PPM.
An employee may use leave and holiday credits to supplement TD payments. For details, refer to the PPM section E301. Government Code section 19863.1 prohibits TD in addition to supplementation payments from exceeding an employee's full salary. If, at any time, the amount of the TD payment plus the amount of supplementation paid to the employee exceeds the employee's regular full salary, the excess supplementation amount must be recovered from the employee by the employing agency/department.

## COMPENSATION AND DISABILITY INSURANCE - THIRD PARTY RECOVERIES - 8537

Pursuant to Labor Code sections 3850-3865, the state may recover compensation benefits and other damages from a third party liable for the injury or death of a state employee. Amounts recovered by way of subrogation are the result of actions taken by the State Compensation Insurance Fund (State Fund).

The State Fund shall notify an agency/department in writing when a subrogation case has been settled. Any amounts owing to the employing agency/department will be credited to the proper appropriation as an abatement. The restoration of leave credits to an employee's records from third party recovery will be at the direction of the State Fund.

For any questions, contact the Department of General Services, Office of Risk and Insurance Management, or the State Fund office which handled the claim.

## COMPENSATION AND DISABILITY INSURANCE - NONINDUSTRIAL DISABILITY INSURANCE - 8538

Per the Human Resources Manual section 1411, the Employment Development Department (EDD) has administrative responsibility of the Nonindustrial Disability Insurance (NDI) Program for state employees. The EDD shall be reimbursed for its NDI related administrative costs by the agencies/departments employing individuals receiving NDI benefits.

The EDD has developed procedures for ongoing reimbursement of its administrative costs from agencies/departments, based on actual costs for the number of employees paid benefits in respective periods. The Fiscal Programs Division of the EDD will process billing invoices for NDI program administrative costs to participating agencies/departments through the State Controller's Office (SCO) on a quarterly basis. The SCO will make the reimbursement payments by a transfer from the appropriate agency/department operating account to the Unemployment Compensation Disability Fund.

Per control section 3.50 of the annual Budget Act, NDI benefit costs and administrative costs are to be charged to the appropriation from which salaries and wages are paid by agencies/departments.

## TAX WITHHOLDING AND REPORTING - FRINGE BENEFITS AND EMPLOYEE BUSINESS EXPENSES - 8572

Employment taxes (federal and state income, Social Security, and Medicare) apply to various employer payments, fringe benefits (FB), and employee business expense (EBE) reimbursements.

**Fringe Benefits**

Fringe benefits are generally cash, goods, property, or services received from the employer in addition to an employee's regular pay. Fringe benefits are reportable and taxable income unless expressly excluded by federal and state tax laws, rules, regulations, etc.

**Employee Business Expense (EBE) Reimbursements**

Employer reimbursements for EBEs (e.g., moving expenses, long term travel expenses, personal use of state-provided vehicles, uniform allowances, etc.) are taxable and reportable income when the sponsoring employer's expense reimbursement arrangement does not satisfy all of the Internal Revenue Services (IRS) Accountable Plan provisions and any unique requirements applicable per federal and state tax laws, rules, regulations, etc.

**Accountable Plan Provisions**

- Expenses must be job-related–the expenses would be deductible on an employee's personal income tax return.
- The employee must provide, and the sponsoring employer must validate a detailed accounting of the expenses (including time, business purpose, place, and amount supported by receipts).
- Excess payments must be promptly returned to the employer.

Employee business expenses must satisfy other specific requirements. For example, uniforms must satisfy federal and state definitions of what constitutes a uniform as well as be provided under an accountable plan before reimbursements qualify as non-taxable.

Employee business expenses reimbursements failing to meet either an accountable plan or other mandated requirements are considered a non-accountable plan and are reportable and taxable income.

**Tax Withholding**

Taxation is based upon the actual reimbursement amount. For non-cash benefits such as personal use of a state-provided vehicle, the fair market value is generally used to determine the tax liabilities.

The State Controller's Office (SCO) processes applicable tax withholding as follows:

Table content available in source manual.

See Payroll Procedures Manual (PPM) section N171.

Taxes are due (payable) and reportable upon constructive receipt of the EBE reimbursement or the FB by the employee. Employers must report taxable EBE reimbursement and FBs monthly to the SCO no later than the 10th of the month following the month of receipt. Applicable taxes are withheld from the affected employee's next regular payroll warrant. For example, taxable overtime meal reimbursements/value of overtime meals received by the employee in March must be reported to the SCO by April 10. Failure to report timely violates legal requirements and subjects agency/department (including third parties such as an employee's supervisor) to civil and criminal actions.

The following EBE reimbursements and FBs have taxable/reportable requirements that mandate timely employer reporting, as outlined in the PPM section N.

Taxable employer payments include but are not limited to the following:

- Personal use of state-provided vehicles and aircraft
- Awards, bonuses, incentives
- Bicycle and car mileage
- Entertainment expenses
- Educational assistance, scholarships
- Electronic devices
- Housing
- Life insurance
- Loan programs
- Long term travel
- Meals (travel and non-travel status), per diems, lodging
- Moving or mileage expenses
- Outplacement
- Dues and memberships
- Tickets, tips, gratuities
- Tool and uniform allowances

Refer to the SCO's Payroll Letters for additional instructions. Payroll Letters provide interim procedures that may not yet be reflected in the PPM.

## TAX WITHHOLDING AND REPORTING - MOVING EXPENSES - 8572.1

Federal and state laws require that all payments for moving expenses be reported for income tax purposes.

Agencies/departments will report moving expense payments to the State Controller's Office. Refer to the Payroll Procedures Manual (PPM) section N147, et seq. Where applicable, payments will be included on the employee's W-2 form.

Federal and state laws require the withholding of income, Social Security, and Medicare taxes from certain moving expense payments. **The employee must be notified in writing, prior to moving, that certain moving expenses payments are subject to withholding.**

**Resources on Moving Expenses**

- For reimbursement, refer to the California Code of Regulations, Title 2, sections 599.714 to 599.724.1.
- For tax advice on moving expenses, refer to the Internal Revenue Service (IRS) Publication 521 – Moving Expenses, or any local IRS office.
- For federal income, Social Security, and Medicare tax questions, refer to the IRS.
- For state income tax questions, refer to the Franchise Tax Board.

## TAX WITHHOLDING AND REPORTING - LONG-TERM TRAVEL EXPENSES - 8572.2

Per the California Code of Regulations, Title 2, section 599.619, an agency/department may reimburse employees for expenses incurred on a long-term field assignment at a job site away from its headquarters location.
Based on federal and state tax law (refer to the Internal Revenue Service publication 463), long-term per diem (for continuous, indefinite field assignment anticipated to last more than one year) is subject to withholding of employment taxes (federal and state income, Social Security, and Medicare).
**The employee must be notified in writing by their supervisor/manager, prior to starting the assignment that such reimbursements are subject to withholding.** (Refer to the Payroll Procedures Manual section N141, et seq.)

## TAX WITHHOLDING AND REPORTING - PERSONAL USE OF STATE-PROVIDED VEHICLES - 8572.4

The Internal Revenue Service (IRS) and the Franchise Tax Board regulations consider the value of all personal use of a state-provided vehicle as taxable compensation. (Refer to the IRS publication 15-B – Employer's Tax Guide to Fringe Benefits and the Payroll Procedures Manual section N129 et seq.)

Employees are required to provide monthly records on the use of state vehicles, both personal and business, to their supervisor consistent with the law and departmental requirements.

## TAX WITHHOLDING AND REPORTING - UNIFORM ALLOWANCES - 8572.5

In accordance with the California Code of Regulations, Title 2, sections 599.726-599.734, the state may make an allowance for uniforms replacement. In addition to the income reporting requirements, some uniform allowances are subject to withholding for retirement contributions. If applicable, the provisions for retirement contributions will be included in the employees' Memorandum of Understanding (MOU). The MOUs can be located within each bargaining unit contract.

**Allowance Subject to Retirement Contributions**

If the MOU stipulates that the uniform allowance be subject to retirement contributions, agency/department accounting offices will not make uniform allowance payments to employees. Agency/department human resources offices will request a payroll warrant be issued through the State Controller's Office (SCO) payroll system. The payroll system will contribute the state's share and withhold the employee's share of the retirement contributions. If applicable, the benefit will be reported and the employment taxes will be withheld.

**Allowance Not Subject to Retirement Contributions**

Agency/department accounting offices may pay uniform allowances not subject to retirement contributions. Payment may be made by issuing a revolving fund check or presenting a claim to the SCO. However, these payments are subject to the withholding and reporting requirements as provided in SAM Section 8572.

## SALARY WARRANTS - DISTRIBUTION - 8580

The State Controller's Office (SCO) will release salary warrants, Payroll Warrant Register forms, CD 38, and Payroll Exceptions Report forms, STD 666, to designated individuals. The SCO will require the individual to sign an acknowledging receipt.

To designate an individual, agencies/departments must submit a letter to the SCO on agency/department letterhead with an executive signature stating the individual's permission to collect salary-related documents.

For information on separation of duties, see SAM Section 8580.1.

For information on signature authorization, see Payroll Procedures Manual sections I 500-501.

## SALARY WARRANTS - SEPARATION OF DUTIES - 8580.1

Agencies/Departments will observe the following separation of duties in designating individuals who can certify or process personnel documents to the State Controller's Office (SCO), Personnel and Payroll Services Division.

Individuals designated by agencies/departments to receive salary warrants from the SCO, distribute salary warrants to employees, or handle salary warrants for any other purpose will not be authorized to process or sign any of the following personnel documents:

- Proof of Lost or Destroyed Payroll Warrant and Request for Issuance of Duplicate Warrant form, CD–113A and B.
- CSU Personnel/Payroll Transaction form, STD 456–A
- Absences Without Pay Report form, STD 603
- Absence and Additional Time Worked Report form, STD 634
- Payroll Exceptions Report form, STD 666
- Time and Attendance Report form, STD 672
- Miscellaneous Payroll/Leave Actions form, STD 671
- Payroll Adjustment Notice form, STD 674
- Personnel Action Request form, STD 680A

Agencies/Departments will review duties of the designated individuals at least semiannually or more often if necessary to comply with this section.

## SALARY WARRANTS - RELEASE OF SALARY WARRANTS - 8580.2

When a pay period ends on a normal workday (Monday through Friday), agencies/departments may release salary warrants anytime on that day **after the employee has completed the final workday for the pay period**.

- For employees who complete their shift at 5:00 p.m. on the last day of the pay period, agencies/departments may release salary warrants up to two hours prior to the end of the shift for administrative ease.
- When the pay period ends on a Saturday, a Sunday, or a holiday, agencies/departments may release salary warrants anytime on the last preceding normal workday (Monday through Friday) **provided the employee has completed the final workday for the pay period**.

If employees are going to deposit or cash their warrants prior to the issue date, they should be cautioned to do so just before bank closing time, or 4:00 p.m. on those days when the banks are open until 6:00 p.m. Following this procedure will ensure that the warrant will not be presented to the State Treasurer's Office prior to the issue date since it cannot accept warrants from a bank before the issue date of the warrant.

Salary warrants will not be distributed to employees until the following have been performed:

- The time paid for, as shown on the Payroll Warrant Register, has been verified with the attendance reports.
- A verification is made to ensure that the warrants should not be withheld because of amounts due to the agency revolving fund or judgment creditors.
- Supplemental Payroll Warrant Registers will be checked against:
  - Uncleared reports of exceptions,
  - Adjustment notices,
  - Other payroll records to ensure against release of duplicate or otherwise improper payments.
- Agencies/departments having maintenance deductions, (e.g., housing charges) will check final payments for separating employees to ensure that all maintenance charges have been collected.

Salary warrants will not be mailed for employee convenience. If employees are absent due to an approved nonrecurring condition, such as travel, sickness, or training, and prior arrangements have been made, warrants may be mailed.

## SALARY WARRANTS - RETURN OF SALARY WARRANTS - 8580.3

Agencies/departments will not verify the computations of gross and net pay made by the State Controller's Office (SCO). However, agencies/departments must withhold and return to the SCO, Administration and Disbursements Division, warrants that result in overpayments because of incorrect documents submitted.

Warrants for less than the amount due should be given to the employees so that they may receive partial payment pending receipt of supplemental warrants.

The handling of overpayments and underpayments should be done in accordance with bargaining unit agreements. Refer to the California Department of Human Resources for bargaining unit agreements.

## SALARY WARRANTS - EMPLOYEE SEPARATIONS - 8580.4

Agencies/departments are responsible for ensuring that payments to separating employees are in accordance with Labor Code sections 201 and 202.
When an employee is separating, wages earned and unpaid are due immediately at the time of discharge. When an employee resigns from employment (i.e., employee-initiated) without prior notice, wages earned and unpaid are due within 72 hours of discharge.
Salary warrants will not be distributed to separating employees until the agency/department has verified that all amounts due to the state have been paid (cleared). The verification must be provided by staff who process revolving fund advances. See SAM section 8595.
It is recommended that a checkout list acknowledging the return of state-owned items such as credit cards, keys, state records, and equipment be completed for separating employees prior to the release of the final warrant. The checkout list may also include the verification from the staff who process employee accounts receivable and revolving fund advances that there are no outstanding amounts owed.
Government Code section 19838 (b) and (c) authorizes the state to withhold any amounts owed the state from an employee's final separation pay.
If, after the checkout process, the separating employee leaves owing the agency/department money, it is the responsibility of the agency/department to pursue collections as described in SAM section 8776.6.

## SALARY WARRANTS - UNDELIVERED SALARY WARRANTS - 8580.5

All salary warrants not picked up/delivered to employees within five days of receipt must be returned to the office within the agency/department responsible for distributing salary warrants. A written record of all undelivered warrants will be maintained and a copy given to the human resources office.
Warrants not delivered within 90 calendar days of receipt must be deposited by the agency/department and remitted to an escheat revenue account in the original fund that provided the resources to the State Payroll Revolving Fund.
Agencies/departments will maintain a record of all amounts credited to and disbursed from the escheat revenue accounts to keep track of amounts owed to payees. See SAM section 8281.

**Request for Payment from Escheat Revenue Account for Salary Warrants**

Employees can claim their unclaimed salaries from the agency/department within two years of the date the warrant was credited to the escheat revenue account, and the agency/department will initiate the process by creating a claim against an escheat revenue account. See Government Code section 17096.1.

- For those amounts credited in the current fiscal year, the claim shall be filed against the current year escheat revenue account.
- For those amounts credited in a prior fiscal year, the claim shall be filed against the prior year escheat revenue account.
- The State Controller's Office will process the claims regardless of the balances in the escheat revenue accounts.

## PAYROLL ACCOUNTING - OVERVIEW - 8590

The State Controller's Office (SCO), Uniform State Payroll System, will process each state agency's/department's payroll transactions entered by their human resources office and generate the following:

- Payment History File - available to the agency/department monthly
- Payroll expenditures and recoveries - posted to each agency/department appropriation in the SCO's Fiscal System
- Payroll warrants and direct deposits - printed and distributed
- Notice of State Payroll Revolving Fund Transfer, form SM62 (SM62) - printed and distributed

Payroll expenditures listed on the SM62 consist of gross salary plus the state contributions. The state's contributions include:

- Retirement
- Old-Age, Survivors, and Disability Insurance (OASDI)
- Miscellaneous benefits
- Premium
- Dental and health
- Administration fees

Recoveries to payroll occur when warrants are voided or re-deposited or when overpayments are collected.
The SM62 reports payroll transactions for the agency/department. See SAM section 10504 for accounting entries to record payroll expenditures.

**Payroll Clearance Type Codes**

The SM62 reflects Clearance Type (CT) codes indicating transfers in or out of the State Payroll Revolving Fund (SPRF).
Transfers in the SPRF that increase departmental expenditures are processed using the following CT codes:

- CT 1: Issue Payment - Registers of warrants issued
- CT 7: Transfer of Funds (Add position) - Registers of payroll adjustments
- CT 9: Reverse Accounts Receivable - Corrections of previous transfers

Transfers out of the SPRF that decrease expenditures are processed using the following CT codes:

- CT 4: Redeposit - Register of warrants re-deposited
- CT 5: Accounts Receivable - Transfers of amounts collected on overpayments
- CT 6: Transfer of Funds (Delete Position) - Registers of payroll adjustments

Payroll transfers will be distributed to the appropriate expenditure accounts. The month during which the expenditures were incurred will generally be indicated by the date on the Controller's Transfer. An exception to this procedure occurs when the month indicated by the transfer date is different from the month the expenses were incurred. Then post the payroll transfer to the matching month. If the payroll period and the transfer date are in different fiscal years, the transfer date takes precedence.
Note: In automated systems, the Payroll Expenditure Register is automatically produced as a by-product of the labor distribution system, and these entries are not applicable.

## PAYROLL ACCOUNTING OVERVIEW - PAYROLL ACCOUNTS RECEIVABLE - 8593

Whenever an employee is overpaid, the State Controller's Office (SCO) processes an adjustment notice to notify the employee of the amount overpaid. The SCO will send a Notice of Payroll Accounts Receivable (PAR) to the agency/department.

The PAR contains the following information:

- Total and gross overpaid amount of the salary
- Payment type
- Amount of overpayment of the employer's share of contributions for employees' retirement, OASDI, and other benefits
- Employee deductions that will be recovered by the SCO
- Amount of the overpayment to be recovered from the employee
- Collection method, i.e., payroll deduction or agency collection

The gross amount and state share amounts of benefits of the PAR will be entered as a credit to expenditures, Account 51XXXXX (Legacy Account 9000) and a debit to Accounts Receivable-Abatements, Account 1200100 (Legacy Account 1311). See SAM section 10504. The PAR represents salary overpayment and will show the amount to be collected from the employee. The PAR is an open file pending full recovery. The recovery from the employee can be through payroll deduction or agency collection. The amount collected from the employee will be transferred to the department appropriation and/or fund.
For overpayments collected directly from the employee by agency collection, see SAM section 8593.1.
For overpayments collected through payroll deduction, see SAM section 8593.2.
The SCO will make the following Journal Entries for payroll accounts receivable:

- The ARO Notice of Transfer (TC38) records the total state share and employee deduction on the PAR Notice.
- The APO Notice of Transfer (TC-38) records the amount of the employee payroll deduction.
- The APC Notice of Transfer (TC-38 or TC-35) is a manual correction to the APO.

Note: A reversal to an overpayment is also identified as an ARO (TC-38) and is titled as Notice of Payroll Accounts Receivable Reversal on the PAR Notice.

## PAYROLL ACCOUNTING - RECOVERY BY CASH COLLECTION - 8593.1

This section provides accounting procedures to agencies/departments for the Payroll Accounts Receivable (PAR) recovery by cash collection.

When cash is received from the employee for the net amount overpaid, the amount collected will be applied to the receivable by debiting General Cash, Account 1101000 (Legacy Account 1110) and crediting Accounts Receivable – Abatement, Account 1200100 (Legacy Account 1311).

The amount collected will be remitted to the appropriation that incurred the payroll expenditures. If the collection is for a reverted appropriation, the collection will be remitted to Refunds to Reverted Appropriations, Account 5901000 (Legacy Account 9891). Upon remittance to the State Treasury, the amount will be debited to Cash in State Treasury, Account 1104000 (Legacy Account1140) and credited to General Cash, Account 1101000 (Legacy Account 1110).

## PAYROLL ACCOUNTING - RECOVERY BY PAYROLL DEDUCTION - 8593.2

This section provides accounting procedures to agencies/departments for the Payroll Accounts Receivable (PAR) recovery by payroll deduction.

When overpayments are deducted from subsequent payrolls, the State Controller's Office (SCO) will deposit the amount deducted in the State Payroll Revolving Fund (SPRF) and notify the agency/department through the SCO Journal Entry APO Notice of Transfer. The transaction should be noted on the Controller's Accounts Receivable Register, clearing the portion of the overpayment due from the employee and increasing the amount due from the SPRF.

The total amount of the overpayment recovered will be transferred by the SCO to the agency/department fund and appropriation. The transfer will be entered as a debit to Cash in State Treasury, Account 1104000 (Legacy Account 1140) and credit to Accounts Receivable – Abatement, Account 1200100 (Legacy Account 1311).

## PAYROLL ACCOUNTING - RECOVERY FROM SEPARATED EMPLOYEES - 8593.3

This section provides accounting procedures to agencies/departments for the Payroll Accounts Receivable (PAR) recovery from separated employees.
Agencies/departments will request the State Controller's Office, Personnel and Payroll Services Division (PPSD) to flag its records to notify the agency/department if a separated employee returns to state service if the following conditions are met:

1. The agency/department is unable to collect the amount owed after three months from the date of separation, and
2. The employee is not prohibited reentry to state service.

Requests will be made by submitting a Personnel Action Request form, STD 680A, prepared in accordance with instructions contained in the Personnel Action Manual.
The PPSD will notify the agency/department of the date the employee returns to state service, the name of the employing agency/department, and the location of employment. Upon receipt of this information, the agency/department will take necessary action to recover amounts owed.
See SAM section 8776.6 for recovery from separated employees who do not return to state service.

## MANAGING AND REPORTING ABSENCES - JURY DUTY - 8594

State employees may be required to serve as a juror for the following:

- Civil or criminal trial
- Grand jury

- Jury of inquest

Employees who receive regular compensation while serving as a trial juror on a civil or criminal case will not be paid an attendance fee, pursuant to Code of Civil Procedure section 215.
Jurors serving on a grand jury or jury of the inquest may receive an attendance fee. If employees elect to retain these attendance fees, such jury duty time off is not compensable. The employee must charge absence without pay, or if a sufficient balance exists, vacation, annual leave, or compensated time off on the Absence and Additional Time Worked Report form, STD. 634.
If employees do not elect to retain the attendance fees, such jury duty time off is compensable, and employees must remit the attendance fees to the state. This will be reported on the STD. 634. The human resources office will submit a copy of the STD. 634 to the accounting office. The form will serve as a source document for recording an accounts receivable – abatement.
When serving as any type of juror, employees may be reimbursed for mileage by the governing body (e.g., court, city, or county). Any mileage reimbursement shall be retained by the employee.

## MANAGING AND REPORTING ABSENCES - COURT SUBPOENAED WITNESS - 8594.1

If an employee is requested to appear as a witness, the employee will confer with the court or attorney to determine if certified copies of appropriate documents would be suitable to eliminate the need for a court appearance. If a court appearance waiver is not approved, the employee will request a subpoena and whatever fees and travel allowances that may be allowed by law from the party requesting the employee's appearance. Government Code (GC) section 1230.1 requires a compensable absence be granted to subpoenaed employees unless he/she is an expert witness (SAM section 8594.2) or is a party to the suit. GC sections 68093-68097.10 govern witness fees for a civil trial; Penal Code sections 1329-1329.1 govern witness fees for a criminal trial.

The treatment of attendance fees and travel expenses of an employee serving as a subpoenaed witness depends on whether the appearance is in the interest of the state.

**Court Appearance in the Interest of the State**

The employing agency/department will pay the employee his/her regular salary in addition to any actual necessary and reasonable traveling expenses incurred by the employee in complying with the subpoena. The employee must remit to the state all fees received for court attendance and travel. The employee's absence as a court witness is authorized time off with pay. Vacation, annual leave, or compensating time off will not be charged.

For civil actions, the party requesting the subpoena shall provide, together with the subpoena, $275 for each day the employee's attendance is required, in accordance with GC section 68097.2 (b). This amount must be given to the person accepting the subpoena: the subpoenaed party, his/her immediate supervisor, or an agent designated by the supervisor.

After the employee's appearance, the agency/department will calculate the employee's personal services costs in accordance with the SAM section 8740. If the total costs are less than the amount remitted, the difference shall be refunded in accordance with the cost recovery principles of the state (SAM section 8752-8752.1). If the total costs are greater than the amount remitted, the difference shall be paid by the party who requested the subpoena.

**Court Appearance Not in the Interest of the State**

The employing agency/department will pay regular salaries to the employee for the period of absence, providing the employee remits to the state all attendance fees received. Any court travel allowance may be retained by the employee. Travel expenses, if any, will not be paid by the state.

If the employee elects to retain the attendance fees, the subpoenaed witness time off is not compensable. The employee may charge absence without pay or if a sufficient balance exists, vacation, annual leave, or compensating time off.

When an employee is subpoenaed as a witness and is a party to the suit, the employee must use vacation, annual leave, compensating time off, or be charged dock time for the period of absence. Attendance fees and travel allowances may be kept by the employee; travel expenses will not be paid by the state.

## MANAGING AND REPORTING ABSENCES - EXPERT WITNESS - 8594.2

An expert witness testifies at a trial, hearing or arbitration due to their specialized knowledge or proficiency in a particular field that is relevant to a dispute. An employee, when called as an expert witness, is not bound by any court limitation on fees but is free to negotiate any reasonable amount agreeable to the employee (or the state) and the party requesting the testimony (Government Code section 68092.5). Normally, an expert witness gives testimony by arrangement or negotiation and is not subpoenaed.

The treatment of fees and travel expenses of an employee serving as an expert witness depends upon whether the employee testifies on behalf of the state or not on behalf of the state.
The following are payment and leave instructions to be used by the employing agency/ department when an employee serves as an expert witness.
**Testimony on Behalf of the State**

For the purposes of cost recovery, the employing agency/department will bill the party or court requesting the appearance for all costs in accordance with SAM sections 8752-8752.1 (e.g., preparation, travel, appearance, and indirect cost). The hourly rate of the employee's salary will be calculated in accordance with SAM section 8740. The employee's absence as an expert witness is authorized time off with pay; vacation, annual leave, or compensating time off will not be charged. The employee will submit a Travel Expense Claim form, STD.262, manually or a CalATERS Expense claim for travel expenses. The employee must remit to the state all court fees.

**Testimony Not on Behalf of the State**

When an employee appears as an expert witness not on behalf of the state, the employee must use vacation, annual leave, compensated time off, or be charged dock time for the period of absence. The employee will retain all negotiated attendance and travel fees.

If the employee's expertise has been gained from state employment, the employee should check with the agency's/department's human resources office to determine whether a conflict of interest exists regarding the retention of fees.

## MANAGING AND REPORTING ABSENCES – REPORTING REQUIREMENT FOR WITNESSES - 8594.3

An Absence and Additional Time Worked Report form, STD. 634, will be used to report compensable absences as a subpoenaed witness or an expert witness. One copy of the STD. 634 will be prepared for the accounting office to serve as a source document for recording an accounts receivable-abatements if the absence is compensable and fees are due to the state from the employee or others.

STD 634 is required to support time off reported for witness appearance to the Time and Attendance Report, Form 672.

## MANAGING AND REPORTING ABSENCES - COLLECTIVE BARGAINING ACTIVITIES - 8594.4

Certain designated employees are allowed to take paid leaves of absence to participate in employer/employee collective bargaining activities. Employee organizations will repay the state for the paid leave of absence time employees spend away from work on collective bargaining issues.

The agency/department Labor Relations Officer (LRO) will notify the accounting office of all approved leaves of absences for collective bargaining activities. A copy of each approved leave of absence will be sent to the accounting office.

Employee time spent on collective bargaining issues will be kept by the employee's collective bargaining organization. Paid collective bargaining leave time will be accounted in whole day increments. Employee organizations will notify the agency/department LRO of the number(s) of days spent by each employee on collective bargaining issues during each calendar month. The notification will be made by the fifth working day of the following month.

The LRO will compare the names of employees listed by the employee organization with the file of employees who have approved collective bargaining leaves of absences. The LRO will also reconcile the employee time spent on collective bargaining issues kept by the employee organization against the time kept by the agency/department. After the reconciliations are complete, the LRO will notify the accounting office of the number of paid collective bargaining leave days for each employee.

The accounting office will compute billings in accordance with SAM section 8740 unless the Memorandum of Understanding (MOU) specifies otherwise. If there is a conflict between SAM and the MOU, the MOU shall have precedence. These billings will be invoiced monthly. Amounts billed shall be accounted as abatements.

## SALARY ADVANCES - 8595

Agencies/departments may only issue salary advance checks to employees for salary earned when:

- Errors or delays in submitting or processing documents making it impossible for the State Controller's Office (SCO) to prepare and deliver proper salary warrants within a reasonable time, or
- Separating employees are in immediate need of their final salary payments. See Labor Code section 202(a).

Agencies/departments at their discretion may make payments of salaries earned when this is necessary to alleviate serious, unforeseeable hardship. Agencies/departments will prepare criteria for advances, including the procedures that must be followed before advances are given. The specific reason for the advance must be written on the request.
Salary advances shall be issued for amounts as close as possible to the actual net pay. Upon receipt of the SCO warrant for the full salary payment, agencies/departments shall pay the difference between the employee's warrant and the salary advance. Refer to SAM section 8160 for endorsement of SCO warrants.
If the SCO warrant is not received by the agency/department within 30 calendar days following the issuance of the revolving fund advance, the agency/department must report the amount of the advance, compute withholdings on the advance, and remit to the SCO.

## RECOVERY OF LUMP SUM PAYMENTS - 8596

Upon separation from state service, with no fault on the part of the employee, a person may be entitled to a lump sum payment for annual vacation and compensating time off. See Government Code section 19839. If a person receives a lump sum separation payment and subsequently returns to state service, the person may repurchase the vacation and/or compensating time off for which payment has been received covering the period that exceeds the person's break in service. The employee will then have the balance of vacation and/or leave credit restored to what they would have been if the employee had remained in state service and taken time off.

Repayments will be recovered directly from the employee. See SAM section 8593.1. The amount of such repayments received by agencies/departments will be remitted to the State Controller's Office to the credit of the fund and the appropriation from which the lump sum payment was made and will be accounted as abatement.

## SERVICES FURNISHED TO EMPLOYEES - 8599

(New, renumbered from 11000, 11010, 11020, 11030 and 11040)
This section provides information and guidance to agencies/departments that may furnish services such as meals, laundry services, dry cleaning, and rental of living quarters to employees.
Per Government Code sections 19815.4 (d) and 19822, the Department of Human Resources (CalHR) shall determine the fair and reasonable value of maintenance, living quarters, housing, meals, food, and other services furnished by the state as an employer to its employee. All services furnished to employees must comply with the California Code of Regulations, Title 2, Division 1, Chapter 3, Subchapter 1, Article 3, sections 599.640 - 599.652.
Payment shall be made or payroll deduction shall be arranged when the service is received. Form STD. 650 is used to set up maintenance deduction. Form STD. 650 is also used when a credit is owed to an employee and requires approval from the designated employee or manager. Refer to the State Controller's Office Payroll Procedure Manual, section H650 for instruction.

Payments from employees will be entered as a credit to expenditures, Account 5XXXXXX (Legacy Account 9000) and remitted to the support appropriation current at the time the employee received the services, unless otherwise specified by law.

If cash is used in exchange for services such as purchasing a meal, internal control principles for cash shall be followed. See SAM sections 8080.1 and 20060. Agencies/departments will collect sales tax on meals and food products unless exempt according to Revenue and Taxation Code section 6363.

In applying rental rates there is a tax liability if the employee is paying rent below fair market value. Refer to CalHR Human Resources Manual section 2301 for information regarding the reporting and tax withholding requirements associated with employer-provided housing/lodging.

Agencies/departments shall ensure that adequate records for services furnished to employees are retained in accordance with the agencies'/departments' records retention schedule. See SAM Chapter 1600.

# Chapter - 8600

Sections for Chapter 8600

| Section | Subchapter |
|---|---|
| PURPOSE AND OBJECTIVE OF PROPERTY ACCOUNTING | 8600 |
| PURPOSE AND DEFINITION OF PROPERTY ACCOUNTING - TERMS AND DEFINITIONS | 8600.1 |
| CLASSIFYING PROPERTY – MAJOR CLASSES | 8601 |
| CLASSIFYING PROPERTY - CAPITALIZED PROPERTY | 8602 |
| CLASSIFYING PROPERTY - NON-CAPITALIZED PROPERTY | 8603 |
| CLASSIFYING PROPERTY - LAND | 8610.1 |
| CLASSIFYING PROPERTY - BUILDINGS AND BUILDING IMPROVEMENTS | 8610.2 |
| CLASSIFYING PROPERTY - IMPROVEMENTS OTHER THAN BUILDINGS (LAND IMPROVEMENTS) | 8610.3 |
| CLASSIFYING PROPERTY - LEASEHOLD IMPROVEMENTS | 8610.4 |
| CLASSIFYING PROPERTY - EQUIPMENT | 8610.5 |
| CLASSIFYING PROPERTY - INFRASTRUCTURE | 8610.6 |
| CLASSIFYING PROPERTY - CONSTRUCTION WORK IN PROGRESS | 8610.7 |
| CLASSIFYING PROPERTY - COLLECTIONS | 8610.8 |
| INTANGIBLE ASSETS | 8615 |
| INTANGIBLE ASSETS - COMPUTER SOFTWARE | 8615.1 |
| INTANGIBLE ASSETS - LAND USE RIGHTS | 8615.2 |
| INTANGIBLE ASSETS-INTERNALLY GENERATED INTANGIBLE ASSETS | 8615.3 |
| INTANGIBLE ASSETS – RIGHT-TO-USE LEASE ASSET | 8615.4 |
| INTANGIBLE ASSETS – RIGHT-TO-USE SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITA) | 8615.5 |
| DEPRECIATION AND AMORTIZATION | 8616 |
| USEFUL LIFE | 8617 |
| VALUING PROPERTY | 8618 |
| VALUING PROPERTY - IMPROVEMENTS | 8618.1 |
| VALUING PROPERTY - REPAIRS AND MAINTENANCE | 8618.2 |
| VALUING PROPERTY- IMPAIRMENT OF CAPITAL ASSETS AND RELATED INSURANCE RECOVERIES | 8618.3 |
| ACCOUNTING FOR PROPERTY ACQUISITIONS | 8630 |
| ACCOUNTING FOR PROPERTY ACQUISITIONS - PURCHASE | 8631 |
| ACCOUNTING FOR PROPERTY ACQUISITIONS - LEASES AND CONTRACTS THAT TRANSFER OWNERSHIP (FINANCED PURCHASE) | 8632 |
| ACCOUNTING FOR PROPERTY ACQUISITIONS – RIGHT-TO-USE SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITA) | 8632.1 |

| | |
|---|---|
| ACCOUNTING FOR PROPERTY ACQUISITIONS - TRANSFER | 8633 |
| ACCOUNTING FOR PROPERTY ACQUISITIONS - GIFT | 8634 |
| ACCOUNTING FOR PROPERTY ACQUISITIONS - INTERNALLY GENERATE INTANGIBLE ASSETS | 8635 |
| ACCOUNTING FOR PROPERTY ACQUISITIONS - INTERNALLY CONSTRUCTED TANGIBLE ASSETS | 8636 |
| ACCOUNTING FOR PROPERTY ACQUISITIONS – WARRANTY REPLACEMENTS | 8637 |
| ACCOUNTING FOR PROPERTY DISPOSITIONS | 8640 |
| ACCOUNTING FOR PROPERTY DISPOSITIONS - SALE OF PROPERTY | 8641 |
| ACCOUNTING FOR PROPERTY DISPOSITIONS - TRADE-IN OF PROPERTY | 8642 |
| ACCOUNTING FOR PROPERTY DISPOSITION - LOST, STOLEN, OR DESTROYED PROPERTY | 8643 |
| MAINTAINING PROPERTY RECORDS | 8650.1 |
| RECORDING PROPERTY DETAILS | 8650.2 |
| SENSITIVE NON-CAPITALIZED PROPERTY | 8650.3 |
| ACCOUNTING AND RECONCILING CAPITALIZED PROPERTY RECORDS | 8650.4 |
| IDENTIFICATION AND TAGGING | 8651 |
| INVENTORYING PROPERTY | 8652 |
| CAPITAL ASSET ACCOUNTING AND REPORTING RULES BY FUND | 8670.1 |
| FINANCIAL STATEMENT REPORTING REQUIREMENTS | 8670.2 |


## PURPOSE AND OBJECTIVE OF PROPERTY ACCOUNTING - 8600

Legal Authority

Government Code sections 13300 and 13310

Definitions

None.

Policy

Property accounting policies and procedures establish uniform accountability for the management, control, accounting, and recordkeeping of state property and provide guidance for its acquisition, maintenance, control, and disposition.

Responsibilities

Departments must establish and maintain accurate accounting records and strong internal controls to prevent and detect unauthorized use of state property.

Management is responsible for implementing and ensuring that property accounting procedures and internal controls are in place.

Departments purchasing property with federal funds should obtain federal pre-approval of state property accounting procedures if state procedures differ significantly from federal regulations.

### Resources

None.

Tracked Changes Version

## PURPOSE AND DEFINITION OF PROPERTY ACCOUNTING - TERMS AND DEFINITIONS - 8600.1

**Capital Assets/Property:** may be capitalized or non-capitalized. The term capital assets/property is used interchangeably in SAM Chapter 8600 and includes all tangible and intangible assets.

**Capitalized Asset:** is a capital asset whose estimated useful life and cost to acquire, construct, or improve exceeds a predetermined amount (capitalization threshold). The accounting and reporting for capitalized assets using the economic resources measurement focus and the accrual basis of accounting require that costs are not recognized immediately as an expense when incurred. Instead, costs are capitalized (deferred) and allocated over the estimated useful life of the capital asset in the form of depreciation or amortization expense.

**Capitalization Threshold:** the state's policy that identifies the estimated useful life, cost requirement, and use a capital asset must meet in order to be capitalized.

**Legacy:** refers to Uniform Codes Manual accounts or reporting processes that came before the state's transition to the Financial Information System for California (FI$Cal).

**Non-Capitalized Asset:** assets whose cost to acquire, construct, or improve is below the capitalization threshold.

**Personal Property:** are tangible capital assets/property that are moveable, unlike land or buildings. Examples include equipment, vehicles, computers, etc. SAM section 8634 includes intangible assets not related to land and liquid monetary assets such as cash in this definition to administer gifts received by the state.

**Property:** see Capital Assets/Property above.

**Property Register:** an inventory listing of all property, both capitalized and non-capitalized. The property register will contain the description and cost for each item of property, details of depreciation or amortization expense and accumulated depreciation or amortization.

**Real Property:** are tangible capital assets/property that are fixed, principally land, and buildings. Examples include land, buildings, roads, and other infrastructure. SAM section 8634 includes intangible assets related to land in this definition to administer gifts received by the state.

## CLASSIFYING PROPERTY – MAJOR CLASSES - 8601

Capital assets/property refers to all assets used in governmental operations. This includes both tangible and intangible capital assets/property in the following major classes:

**Tangible Assets**

- Land
- Buildings and Building Improvements
- Improvements Other Than Buildings (Land Improvements)
- Leasehold Improvements
- Equipment
- Infrastructure
- Construction Work in Progress
- Collections

**Intangible Assets**

- Computer Software
- Land Use Rights
- Right-to-Use Lease Assets (Land, Buildings, and Equipment)
- Right-to-Use Subscription-Based Information Technology Arrangements (SBITA)
- Internally Generated Intangible Assets

The accounting and reporting between tangible and intangible assets are treated similarly, although classified separately.

For a definition of each class of property, see SAM Sections 8610.1 through 8615.5.

## CLASSIFYING PROPERTY - CAPITALIZED PROPERTY - 8602

Property is capitalized for accounting purposes when certain conditions are met. Capitalization means to record the property in the accounting records as capital assets if they meet predetermined criteria, commonly known as the capitalization threshold.

Agencies/Departments shall capitalize the asset/property that meets the capitalization threshold at the time of acquisition. Agencies/Departments will retain acquisition source documents to maintain a satisfactory system of internal control as required by the State Leadership Accountability Act. For information on the State Leadership Accountability Act, see Government Code sections 13400-13407.

Tangible and intangible capital assets must meet the following three requirements to be capitalized:

- Have an expected useful life of greater than one year.
- The purchase cost or internally generated cost of each unit must meet the capitalization threshold of $5,000 or more (e.g., four identical assets that cost $3,000 each, for a total of $12,000, would not meet the requirement).
- Are used to conduct state business.

Capitalized costs include the purchase price or construction cost and the related costs incurred that are necessary to place the asset in its intended location and in a condition where it is ready for use. Related costs will depend on the nature of the asset acquired or constructed. For information on tangible and intangible capital assets, see SAM Sections 8610.1 through 8615.5.

When the above three requirements are not met, the property will be recorded as an expenditure and not a capital asset in the general ledger. For information on non-capitalized property, see SAM Section 8603.

**Right-to-Use Lease Assets**

Right-to-use lease assets must meet the following three requirements to be capitalized:

- Right-to-use lease contracts with $100,000 or more in total future lease payments over the lease term.
- Have a lease term greater than 12 months.
- The underlying tangible capital asset for financed purchases will retain the current capitalization threshold of $5,000 per unit.

For a description of right-to-use lease assets, see SAM Section 8615.4.

**Right-to-Use Subscription-Based Information Technology Arrangement (SBITA) Assets**

Right-to-use SBITA assets must meet the following requirements to be capitalized:

- The contract conveys control of the right to use another party's (i.e., a SBITA vendor's) IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction
- The minimum noncancelable contract term is greater than 12 months.
- Right-to-use SBITA contracts with $50,000 or more in total upfront or future subscription payments over the subscription term.
- The underlying IT assets are used to conduct state business.

For a description of right-to-use SBITA assets, see SAM Section 8615.5.

## CLASSIFYING PROPERTY - NON-CAPITALIZED PROPERTY - 8603

Property that does not meet the capitalization threshold in SAM section 8602 is considered non-capitalized property. Acquisition of non-capitalized property will be recorded in the property register, accounted for as an expenditure in the period acquired, and recorded in the general ledger as a non-capital asset.

The record-keeping, identifying, and tagging of non-capitalized property shall be in accordance with SAM sections 8650-8652.

Agencies/departments will maintain adequate control over sensitive and high-risk items that are prone to theft/loss, misuse, and may contain sensitive data. See SAM section 8650.3, Sensitive Non-Capitalized Property.

## CLASSIFYING PROPERTY - LAND - 8610.1

(Revised 10/2020 and renumbered from 8611)

Land is real property and includes natural elements that are attached with an indefinite useful life. The amount recorded as land is the purchase price plus all the related costs to prepare the land for its intended use. Land is recorded as a separate capital asset, even if it is closely associated with another capital asset. For example, the land under a building or highway must be classified as land rather than as part of the cost of the building or highway.

Examples of related additional costs include:

- Legal and title fees
- Professional fees of engineers
- Attorney fees
- Appraisers fees
- Financial advisors
- Easements
- Cost of demolition or removal of unwanted structures
- Closing costs
- Appraisal and negotiation fees
- Surveying fees
- Damage payments
- Excavation, filling, and grading

**Reporting Land Use Rights**

Easements or mineral, timber and water rights acquired with the purchase of the underlying land should be included in the total cost of the land. If land use rights are purchased separately, do not include these land use rights as part of the cost of land. Instead, record the land use rights as an intangible asset. See SAM section 8615.2, Land Use Rights.
Record Land in Account 1600000 (Legacy Account 2310).

## CLASSIFYING PROPERTY - BUILDINGS AND BUILDING IMPROVEMENTS - 8610.2

(Revised 10/2020 and renumbered from 8612)

**Buildings**

Buildings are structures that provide workspace, storage space, or are used in some other capacity for state activities. Buildings are recorded as a separate capital asset, even if it is closely associated with another capital asset. For example, the land under a building must be classified as land rather than included as part of the cost of the building. The appropriate cost must be assigned to each capital asset (i.e., land and building). Buildings are capitalized if costs meet the capitalization threshold in SAM section 8602.

The amount capitalized as building costs includes the purchase price or construction cost plus all other related costs incurred to place the building in its intended location and condition for its intended use. Examples of related costs are listed below:

- Legal and title fees
- Professional fees of engineers
- Attorney fees
- Appraisers fees
- Financial advisors
- Closing costs
- Appraisal and negotiation fees
- Damage payments
- Cost of fixtures permanently attached to a building or structure

Buildings do not include furniture, fixtures, or equipment which are not integral parts of the building.

**Building Improvements**

Building improvements include additions, improvements, or betterments. Additions are extensions of existing structures (i.e., increase to useful space). Improvements and betterments ordinarily do not increase the physical size of the asset. Instead, they make the existing asset better than its previous condition. For example, remodeling, adding loading docks, and replacing HVAC.

Additions, improvements and betterments provide additional value and should be capitalized if the capitalization threshold in SAM section 8602 is met and if at least one condition in SAM section 8618.1 is met. In contrast, repairs and maintenance retain value rather than provide additional value. See SAM section 8618.2.

See SAM section 8610.7 for more detail on constructing assets.
Record Building and Building Improvements in Account 1601000 (Legacy Account 2321).

## CLASSIFYING PROPERTY - IMPROVEMENTS OTHER THAN BUILDINGS (LAND IMPROVEMENTS) - 8610.3

(Revised 10/2020 and renumbered from 8613)

Improvements other than buildings (land improvements) consist of permanent improvements that add value to land but do not have an indefinite useful life. The improvements may be associated with a specific building, but would not be an improvement of the building itself. Improvements other than buildings (land improvements) are capitalized if the capitalization threshold in SAM section 8602 is met.

Examples of land improvements include:

- Fences
- Retaining walls
- Parking lots
- Most landscaping

Record Improvements Other than Buildings in Account 1603000 (Legacy Account 2331).

## CLASSIFYING PROPERTY - LEASEHOLD IMPROVEMENTS - 8610.4

Legal Authority
SAM sections 8602 and 8618.1

Definitions
Leasehold improvements are additions, improvements, or betterments made by the department to leased property not owned by the state.

Policy
Departments will capitalize leasehold improvements when costs meet the capitalization threshold in SAM Section 8602 and add value or increase space as outlined in SAM Section 8618.1.

Responsibilities
Departments will record record leasehold improvements in Account No. 1604000, Leasehold Improvements - Depreciable.

Departments will not record leasehold improvements paid by the lessor.

Resources
None.

Tracked Changes Version

## CLASSIFYING PROPERTY - EQUIPMENT - 8610.5

(Revised 10/2020 and renumbered from 8614)

All other tangible capital assets/property are recorded in the general ledger as equipment. Equipment costs are capitalized when the capitalization threshold in SAM section 8602 is met.

Examples include:

- Computers
- Vehicles
- Tools
- Machinery
- Furniture, fixtures, and similar movable items

Modular furniture systems, including desktops, shelves, partitions, storage, etc., should be capitalized if the individual component cost is $5,000 or more.

The cost of equipment includes the purchase price plus all related costs to acquire, install and prepare the equipment for its intended use in its intended location (e.g., freight charges, sales tax and installation costs).

Record Equipment in Account 1605000 (Legacy Account 2341).

## CLASSIFYING PROPERTY - INFRASTRUCTURE - 8610.6

(Revised 10/2020 and renumbered from 8610)

Infrastructure assets are long-lived capital assets/property that typically are stationary in nature and can be preserved for a significantly greater number of years than most capital assets.

Examples of infrastructure assets include:

- Roads
- Bridges
- Tunnels
- Drainage systems
- Water and sewer systems
- Dams
- Lighting systems

The capitalized costs include the purchase price or construction cost and the related costs incurred that are necessary to place the asset in its intended location and in a condition where it is ready for use. The related costs include:

- Professional fees of engineers
- Attorneys
- Appraisers
- Financial advisors
- Survey fees
- Appraisal and negotiation fees
- Damage payments
- Site preparation costs
- Cost related to the demolition of unwanted structures

Land associated with an infrastructure asset must be reported separately as land. Buildings associated with infrastructure should be reported as buildings unless they are purely related to an infrastructure network or system (e.g., rest area facilities for a state highway or water pumping stations associated with water systems).

The state uses the modified approach to report the cost of its highway infrastructure assets. Under the modified approach, the state capitalizes all costs that add to the capacity and efficiency of state-owned roads and bridges and meet the capitalization threshold in SAM section 8602. All maintenance and preservation costs are expensed and not capitalized.

Record Infrastructure that uses the modified approach for reporting cost in Account 1606000 (Legacy Account 2361).
Record Infrastructure not using the modified approach for reporting cost in Account 1606590 (Legacy Account 2362).

## CLASSIFYING PROPERTY - CONSTRUCTION WORK IN PROGRESS - 8610.7

Construction work in progress is used to accumulate costs incurred to construct or develop a tangible capital asset before it is substantially ready to be placed into service (at which time the costs would be reclassified into the appropriate major classification). Depreciation cannot begin until the capital asset is substantially ready to be placed into service.

In addition to direct costs of construction, certain indirect costs can or cannot be attributed to the acquisition cost of a capital asset and ultimately be capitalized.

1. Costs directly related to the acquisition of a specific asset should be capitalized (e.g., salaries and wages of construction employees, materials).
2. Costs related to the acquisition of capital assets, but not to specific projects, should still be capitalized (e.g., construction administration, legal fees, cost accounting, and design fees).
3. General and administrative costs should never be capitalized (e.g., use of office facilities, executive management, accounting, human resources).

Furniture, Fixtures and Equipment (FFE) should never be included in construction work in progress. FFE should be classified as equipment and recorded separately from the asset being constructed.
Record Construction Work in Progress in Account 1608000 (Legacy Account 2350).

## CLASSIFYING PROPERTY - COLLECTIONS - 8610.8

Collections include a grouping of works of art, historical treasures, or similar items whose purpose is public exhibition, education, or research. Agencies/departments are not required to capitalize a collection (and all additions to that collection), whether donated or purchased, that meets all of the following three conditions:

1. Held for public exhibition, education, or research in furtherance of public service, rather than financial gain.
2. Protected, kept unencumbered, cared for, and preserved.
3. Subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.

Collections that meet the above three criteria are considered inexhaustible and are not depreciated.

A collection that does not meet the above conditions is capitalized in accordance with SAM section 8602.

Capitalized collections or individual items that are exhaustible, such as library collections, or exhibits whose useful lives are diminished by display or educational or research applications, should be depreciated over their estimated useful lives.
Record Collections in Account 1609000.

## INTANGIBLE ASSETS - 8615

An intangible asset is an asset that possesses *all* of the following characteristics:

a. Lacks physical substance. It may be contained in or on an item with physical substance (e.g., software stored on a compact disc), or it may be closely associated with another item that has physical substance (e.g., the underlying land in the case of right-of-way easements).

b. Is nonfinancial in nature. Not in a monetary form similar to cash and investment securities. It does not represent a claim or right to assets in a monetary form similar to receivables. Is not a prepayment for goods and services.

c. Is identifiable. An intangible asset is considered identifiable when either of the following conditions is met:

- The asset is separable. The asset is capable of being separated or divided from the agency/department and sold, transferred, licensed, rented, or exchanged, either individually or together with a related contract, asset, or liability.
- The asset arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the agency/department or from other rights and obligations.

Intangible assets are recorded at cost. Typical intangible asset costs include the purchase price, development costs associated with internally generated intangible assets (see SAM section 8615.3), legal fees, and other costs incurred to obtain title to the asset. Capitalize intangible assets that meet the capitalization threshold in SAM section 8602 and do not have an inexhaustible useful life.

Three types of intangible assets are excluded from policy:

1. Intangible assets acquired or created primarily for obtaining income or profit. These assets should be recorded as an investment.
2. Assets resulting from capital lease transactions reported by lessees.
3. Goodwill created through the combination of another entity and a state department.

Other Intangible assets are recorded in the following accounts:

- Patents, Copyrights, and Trademarks in Account 1620600 (Legacy Account 2413) or 1625600 (Legacy Account 2423)
- Other Intangible Assets in Account 1620900 (Legacy Account 2414) or Account 1625900 (Legacy Account 2424)

## INTANGIBLE ASSETS - COMPUTER SOFTWARE - 8615.1

Agencies/Departments shall capitalize costs for purchased software licenses if they meet the capitalization threshold in SAM Section 8602. For information on internally generated intangible assets, see SAM Section 8615.3.

Agencies/Departments shall record capitalized computer software in Account No. 1620200, (Legacy Account No. 2411) Computer Software - Amortizable.

## INTANGIBLE ASSETS - LAND USE RIGHTS - 8615.2

Land use rights include easements or mineral, timber, and water rights. Land use rights acquired in a transaction that does not involve acquiring the associated land should be reported as an intangible asset. In contrast, land use rights acquired with a land purchase are reported as land. Land use rights are amortizable if their estimated useful life is limited by contract, law, or regulation. See SAM section 8610.1, Land.

Record Land Use Rights in Accounts 1620400 (Legacy Account 2412) or 1625400 (Legacy Account 2422).

## INTANGIBLE ASSETS-INTERNALLY GENERATED INTANGIBLE ASSETS - 8615.3

Intangible assets are considered internally generated if they are created or produced:

- By an agency/department.
- An entity contracted by the agency/department.
- If they are acquired from a third party but require more than a minimal incremental effort on the part of the agency/department to achieve their expected level of service capacity.

For internally generated intangible assets, see SAM section 8635 for additional capitalization requirements.
Record Internally Generated Intangible Assets in Progress in Account 1629000 (Legacy Account 2430).

## INTANGIBLE ASSETS – RIGHT-TO-USE LEASE ASSET - 8615.4

A right-to-use lease asset is an intangible capital asset. The asset represents the right to use an underlying asset identified in a lease contract, as specified for a period of time.

Agencies/Departments will recognize the intangible right-to-use lease asset when:

1. The contract conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction.
2. The minimum noncancelable contract term is greater than twelve months.

3. The contract does not transfer ownership of the underlying asset.
4. There is $100,000 or more in total future lease payments.
5. The underlying asset is used to conduct state business.

Agencies/Departments will recognize the right-to-use lease assets using the same criteria above when an aggregate of similar assets are consolidated into one lease, but only when they are leased at the same time with an identical vendor.

Leases excluded from this policy:

- Leases of intangible assets
- Leases of biological assets
- Leases of inventory
- Service concession arrangements (as specified in GASB Statement No. 60)
- Leases of assets financed with outstanding conduit debt
- Supply contracts
- Leases of assets that are investments
- Certain leases subject to external laws, regulations, or legal rulings

**Measurement of Right-To-Use Lease Assets**

Agencies/Departments will measure and record the right-to-use lease asset at the present value of payments expected to be made during the lease term, discounted using the implicit interest rate stated by the lessor or in the lease contract. If the implicit interest rate is not stated, use the Governmental Accounting Standards Board Statement No. 87 (GASB 87) incremental borrowing rate on the State Controller's Office (SCO) website. Related costs include payments made to the lessor at or prior to the commencement of the lease, less any incentives, or initial direct costs related to placing the lease asset into service. Agencies/Departments should amortize the right-to-use lease asset over the shorter of the lease term or the useful life of the underlying asset.

**Accounting for Right-To-Use Lease Assets**

Record right-to-use lease assets using the following accounts:

- 1623200 – Right-To-Use Leased Land – Amortizable (Legacy Account 2415)
- 1623400 – Right-To-Use Leased Buildings – Amortizable (Legacy Account 2416)
- 1623600 – Right-To-Use Leased Equipment – Amortizable (Legacy Account 2417)

See the SCO's reporting website for detailed information on accounting and reporting leases in compliance with the GASB 87.

See SAM Section 8632, Accounting for Property Acquisitions – Leases and Contracts That Transfer Ownership (Financed Purchase), for a description of leases.

## INTANGIBLE ASSETS – RIGHT-TO-USE SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITA) - 8615.5

Governmental Accounting Standards Board (GASB) Statement No. 96 establishes uniform accounting and financial reporting requirements for subscription-based information technology arrangements (SBITAs). A SBITA that meets the scope of GASB Statement No. 96 results in a right-to-use SBITA asset, an intangible capital asset. The asset represents the right to use an information technology (IT) asset identified in a SBITA contract. For information on internally generated intangible assets, see SAM Section 8615.3.

Agencies/Departments shall recognize the intangible right-to-use SBITA asset when:

- The contract conveys control of the right to use another party's (i.e., a SBITA vendor's) IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.
- The minimum noncancelable contract term is greater than 12 months.
- There is $50,000 or more in total upfront or future subscription payments.
- The underlying IT assets are used to conduct state business.

Agencies/Departments will recognize right-to-use SBITA assets using the same criteria above when an aggregate of similar assets are consolidated into one SBITA, but only when they are subscribed at the same time with an identical vendor.

The following SBITAs are excluded from this policy:

- Contracts that convey control of the right to use another entity's combination of IT software and intangible capital assets that meet the definition of a lease in GASB Statement No. 87, in which the software component is insignificant when compared to the cost of the underlying asset. For information on right-to-use lease assets, see SAM Section 8615.4.
- Governments that provide the right to use their IT software to other entities through SBITAs (e.g., interagency agreements or obtaining the software through another state department).
- Contracts that meet the definition of Public-Private and Public-Public Partnerships in GASB Statement No. 94.
- Licensing arrangements that provide a perpetual license. For information on leased software licenses, see SAM Section 8615.1.
- A short-term SBITA that has a maximum possible term of 12 months at the commencement of the subscription term, including any options to extend, regardless of their probability of being exercised. Payments for short-term SBITAs are expensed in the period incurred.

For detailed information on accounting and reporting SBITAs in compliance with the GASB Statement No. 96, see the SCO's GASB 96 Reporting Instructions webpage.

**Measurement of Right-To-Use SBITA Asset**

Agencies/Departments shall measure and record the right-to-use SBITA asset at the present value of payments expected to be made during the subscription term, discounted using the implicit interest rate stated by the SBITA vendor or in the SBITA contract. If the implicit interest rate is not stated, use the GASB Statement No. 96 incremental borrowing rate on the State Controller's Office (SCO) website. Related costs include payments associated with the SBITA contract made to the SBITA vendor prior to or at the commencement of the subscription term or capitalizable initial implementation costs, related to placing the SBITA asset into service, less any incentives. For costs incurred during the application development stage of internally generated or modified computer software, see SAM Section 8635. Agencies/Departments should amortize the right-to-use SBITA asset over the shorter of the subscription term or the useful life of the underlying IT assets.

**Accounting for Right-To-Use SBITA Asset**

Agencies/Departments shall record the right-to-use SBITA asset using Account No. 1624100, (Legacy Account No. 2418) Right-To-Use Subscription-Based Information Technology Arrangements (SBITA) - Amortizable. For further information on accounting for right-to-use SBITAs, see SAM Section 8632.1.

## DEPRECIATION AND AMORTIZATION - 8616

(Revised and renumbered from 8617)

**Depreciation**

Depreciation is the mechanism used to allocate the cost of a tangible asset over the estimated useful life of the asset. The cost of capitalized tangible assets is equitably allocated as an expense to each of the benefitting periods through the depreciation process.

**Amortization**

Amortization is the mechanism used to allocate the cost of an intangible asset over the estimated useful life of the asset. The cost of capitalized intangible assets is equitably allocated as an expense to each of the benefitting periods through the amortization process.

For legacy agencies/departments, depreciation/amortization is performed only by those proprietary funds which conduct enterprise or internal service fund operations. FI$Cal agencies/departments will perform depreciation/amortization for assets of all funds.

**Depreciation/Amortization Method**

The depreciation/amortization method used by the state is the straight-line method with no salvage value of capital assets.

**Annual Depreciation = Cost / Asset Useful Life**

The state uses the modified approach to report the cost of its highway infrastructure assets. See SAM section 8610.6.

**Depreciation/Amortization Requirements**

The following requirements should be followed when recording and reporting depreciation/amortization expense:

- Depreciation/amortization begins when an asset is placed in service.
- Depreciation/amortization ends when an asset is removed from service, or its capitalized cost has been entirely expensed.
- Source documents supporting the in-service date should be retained and used consistently to maintain a satisfactory system of internal controls as required by the State Leadership Accountability Act. See Government Code sections 13400-13407.
- Internally generated intangible assets in progress and internally constructed tangible assets in progress should not be amortized or depreciated. See SAM sections 8635-8636.

Land, certain infrastructure, certain collections, and certain intangibles have infinite useful lives (inexhaustible) and should not be depreciated/amortized. See SAM sections 8610.1-8615.3.

## USEFUL LIFE - 8617

Useful life is the period of time during which a capital asset/property provides service.

Capital assets/property for state agencies/departments using FI$Cal have standard estimated useful lives for all asset classifications.

For agencies/departments deferred/exempt from using FI$Cal, the State Controller’s Office (SCO) will continue to set estimated useful lives for capital assets for governmental funds. Agencies/departments will continue to set estimated useful lives using their existing process for non-governmental funds.

Changes to the useful life of an asset requires recalculation of depreciation/amortization expense for the remainder of the useful life.

**Useful Life of Intangible Assets**

Intangible assets are amortized over the estimated useful life of the asset. The estimated useful life of an intangible asset that arises from contractual or legal rights should be the shorter of the rights or estimated useful life of the underlying asset.

Renewal periods should be considered in determining the estimated useful life of the intangible asset if the agency/department plans to seek a renewal and the anticipated costs of the renewal are nominal in relation to the level of service capacity expected to be obtained through the renewal. Otherwise, the agency/department must account for the renewal as a replacement of the old intangible asset with a new intangible asset.

An intangible asset should be considered to have an indefinite useful life if there are no legal, contractual, regulatory, technological, or other factors that limit the useful life of the asset. For example, a permanent right-of-way easement is an intangible asset with an indefinite useful life. Intangible assets with an indefinite useful life are classified as non-amortizable.

## VALUING PROPERTY - 8618

Capital assets/property acquired through purchase or internally built/generated, will be reported at the historical cost (i.e., the cost of the asset, and the related costs necessary to place the asset in its intended location and condition for use). Gifts, warranty replacements, and certain transfers of capital assets/property are reported at the acquisition value (i.e., the price that the agency/department would have had to pay to purchase an equivalent asset on the date of acquisition).
Agencies/departments may incur significant costs in connection with existing capital assets in periods subsequent to their initial acquisition. In these instances, agencies/departments must distinguish between two different types of costs:

- Improvements, betterments and additions
- Repairs and maintenance

See SAM sections 8618.1 and 8618.2.
Agencies/departments may experience a significant decline in the estimated useful life of an existing capital assets in future periods. In these instances, agencies/departments may need to record an impairment. See SAM section 8618.3.

## VALUING PROPERTY - IMPROVEMENTS - 8618.1

Improvements, betterments and additions are costs that add value to an existing capital asset/property. An improvement that meets the capitalization threshold in SAM section 8602 is required to meet the criteria of this section. The improvement should have an estimated useful life that is representative of the improvement's longevity. The improvement should be closely associated with the underlying capital asset/property.

An improvement or betterment adds value to the existing asset. An addition is an extension of an existing structure (i.e., increase to useful space). Added value or increased space is achieved by either:

1. Extending the estimated useful life of the existing capital asset beyond its original estimated useful life.
2. Increasing the effectiveness or efficiency of an existing capital asset.
3. Substantially improving the quality of output or a reduction in previously assessed operating costs.

For example:

- A building has an estimated useful life of 40 years. A replacement of the HVAC system in year 25 is required. The new HVAC system has an estimated useful life of 25 years. As an integral part of the building, the estimated useful life of the building will be extended 10 years longer than its 40 years estimated useful life. Therefore, capitalization of the HVAC system is appropriate (i.e., extend useful life).
- Widening a state highway from two lanes to four lanes would significantly increase the effectiveness and efficiency of moving traffic. Therefore, capitalization of infrastructure costs is appropriate (i.e., an increase in the effectiveness and efficiency of an existing asset).
- A building has operating costs of $10,000 per month for electrical service. Solar panels are installed. The electrical service for one month is reduced to $500. A substantial reduction in operating costs has resulted. Therefore, capitalization of building improvements is appropriate (i.e., substantial reduction in previously assessed operating costs).

See SAM section 8618.2, Repairs and Maintenance, for non-capital costs.

## VALUING PROPERTY - REPAIRS AND MAINTENANCE - 8618.2

(Revised and renumbered from 8618)
In contrast to improvements, repairs and maintenance retain value rather than provide additional value. Maintenance activities keep an asset in good working condition or make it possible for the asset to be utilized for its estimated useful life. Repair and maintenance costs should be expensed in the period in which the costs are incurred.

For example:

- A building has an estimated useful life of 40 years. In year 5, repairs to electrical wiring in several rooms is required. The cost is greater than $5,000. The repairs will be warrantied for one year. The repairs would not be capitalized because the repairs simply return the building to good working condition and do not extend the building's initial estimated useful life.
- A building has an estimated useful life of 40 years. In year 15, replacement of the roof is required to keep the building in good working order. The roof replacement will be warrantied for 15 years at the cost of $200,000. The building would require another roof replacement 10 years before the end of its estimated useful life. The roof replacement would not be capitalized as it does not extend the building's initial estimated useful life.
- A vehicle is estimated to have a five-year useful life. In year 4, the vehicle requires a $5,500 transmission replacement. The transmission replacement will return the vehicle to good working condition. The repair should not be capitalized as it does not extend the initial estimated useful life nor improve the efficiency of the vehicle.

See SAM section 8618.1, Improvements, for capital costs.

## VALUING PROPERTY- IMPAIRMENT OF CAPITAL ASSETS AND RELATED INSURANCE RECOVERIES - 8618.3

(Revised and renumbered from 8619)
**Defining Impairment**
A capital asset/property is considered impaired when its service utility has declined significantly and unexpectedly. The service utility of a capital asset/property is the expected usable capacity at acquisition. A capital asset/property may be impaired due to events or changes in circumstances, such as:

- Physical damage
- Obsolescence or changes in technology
- Enactment or approval of laws or regulations or other changes in environmental factors
- Change in manner or duration of use
- Construction stoppage

**Evaluating Impairment**

A capital asset/property generally should be considered impaired if both:

a. The decline in service utility of the capital asset is large in magnitude.
b. The event or change in circumstance is outside the normal life cycle of the capital asset/property.

Agencies/departments are required to evaluate prominent events or changes in circumstances affecting capital assets/property to determine whether impairment of a capital asset/property has occurred. A prominent event would be conspicuous or known to the agency/department. It would be an event or circumstance that has prompted discussion by the governing board, management, or the media. Absent of any such event or circumstance, agencies/departments are not required to perform additional procedures to identify potential impairment of capital assets/property beyond those already performed as part of their normal operations.

If a prominent event or change in circumstance has occurred and there is a potential impairment of capital assets/property, please contact the State Controller's Office, GAAP Reporting Section (SCO), for additional instructions. The SCO will help agencies/departments identify whether impairment has occurred, measure the impairment loss, and account for the impairment loss and any insurance recoveries.

**Measuring Impairment**

Impaired capital assets/property that will no longer be used by an agency/department should be reported at the lower of net book value or fair value (i.e., additional depreciation expense and accumulated depreciation would be recorded in the year of the impairment to bring the net book value down to the lower fair value of the asset's current condition).

Impairment losses on capital assets/property that will continue to be used by the agency/department should be measured using one of three methods prescribed by the Governmental Accounting Standards Board Statement 42 that best reflects the diminished service utility of the capital asset/property. The prescribed methods are:

1. The restoration cost approach.
2. The service units approach.
3. The deflated depreciated replacement cost approach.

Impairment losses are generally reported as a direct expenditure to the program that uses the impaired capital assets.

**Recording Insurance Recoveries**
Insurance recoveries related to impaired assets are reported net of the related loss when the recovery is realized or realizable in the same fiscal year as the loss.

## ACCOUNTING FOR PROPERTY ACQUISITIONS - 8630

There are seven ways to acquire capital assets/property:

1. Purchase
2. Installment purchase/capital lease
3. Transfer
4. Gift
5. Internally generate
6. Internally construct
7. Warranty replacement

Accounting for each method is explained in SAM sections 8631-8637.
All additions to capital assets/property, except transfers, should be recorded in the year of acquisition as current year additions. Capital assets transferred to governmental funds are recorded as adjustments to the beginning balance of the year. The information needed for the property register should be collected in the process of recording each addition. The property register should provide information such as the description, cost (including related charges), and the date of acquisition.

## ACCOUNTING FOR PROPERTY ACQUISITIONS - PURCHASE - 8631

Purchased capital assets/property are recorded at historical cost. Historical cost is the purchase price plus all related costs incurred to put the asset into place and make ready for its intended use.

## ACCOUNTING FOR PROPERTY ACQUISITIONS - LEASES AND CONTRACTS THAT TRANSFER OWNERSHIP (FINANCED PURCHASE) - 8632

Governmental Accounting Standard Board (GASB) Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Prior to GASB No. 87, leases were classified as capital leases or operating leases. GASB No. 87 classifies these financings as short-term leases, leases, or contracts that transfer ownership (financed purchase). See the State Controller's Office's reporting website for detailed information on reporting leases and financed purchases.

**Short-Term Lease**
A short-term lease is a lease that, at the commencement of the lease term, has a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. Because the

term is 12 months or less and there is no transfer of ownership, no capital asset is recognized and the lease payments are expensed in the period incurred.

**Lease**

A lease is a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset), as specified in the contract for a period of time in an exchange or exchange-like transaction. A lease has a minimum noncancelable contract term greater than 12 months. The asset in a lease contract is the right-to-use lease asset, not the underlying asset. See SAM Section 8615.4, Intangible Assets – Right-To-Use Lease Asset for information about the measurement and recognition of the right-to-use lease asset.

**Contracts That Transfer Ownership (Financed Purchase)**

A financed purchase is a contract that transfers ownership of the underlying asset to the purchaser by the end of the contract and does not contain termination options. The contract may contain a fiscal funding or cancellation clause that is not reasonably certain of being exercised. The mere inclusion of a bargain purchase option does not qualify as a transfer of ownership. Account for a financed purchase as if an asset was purchased at the inception of the lease. Compute depreciation/amortization over the estimated useful life of the asset. See SAM Chapter 8600 for additional information on property accounting.

## ACCOUNTING FOR PROPERTY ACQUISITIONS – RIGHT-TO-USE SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITA) - 8632.1

Governmental Accounting Standards Board (GASB) Statement No. 96 establishes uniform accounting and financial reporting requirements for subscription-based information technology arrangements (SBITAs). GASB Statement No. 96 reporting is effective for the fiscal year ending June 30, 2023. For information on SBITAs, see SAM Section 8615.5. For detailed information on reporting SBITAs, see the State Controller's Office's GASB 96 Reporting Instructions webpage.

**Short-Term SBITA**

A short-term SBITA is a SBITA that, at the commencement of the subscription term, has a maximum possible term under the lease contract of 12 months or less, including any options to extend, regardless of their probability of being exercised. Because the term is 12 months or less, no capital asset is recognized, and the subscription payments are expensed in the period incurred.

**SBITA**

A SBITA is a contract that conveys control of the right to use another party's (i.e., a SBITA vendor's) IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. A SBITA has a minimum noncancelable contract term greater than 12 months. For information about the measurement and recognition of the right-to-use SBITA asset, see SAM Section 8615.5.

## ACCOUNTING FOR PROPERTY ACQUISITIONS - TRANSFER - 8633

State agencies/departments (transferees) which acquire capital assets/property free of charge or significantly discounted from other state agencies/departments (transferors) will record the capital asset/property at the same historical cost as that recorded on the books of the transferor agency/department. If the historical cost is not available, the acquisition value price should be used (i.e., the price that the agency/department would have had to pay to purchase an equivalent asset on the date of the transfer). The transferee will record the asset as a beginning balance adjustment (for transfers to governmental funds) and submit the Report 18 Beginning Balance Differential Report (SAM section 7977 Illustration 2) with their year-end financial reports.

**Assets of Abolished Funds**

Per Government Code section 16346, when a fund is abolished, the assets, liabilities and surplus of that fund become part of the successor fund identified in the abolishing statute. If language is absent identifying a successor fund, the fund will become part of the General Fund. In the event that a fund is abolished, the capital assets of that fund should be transferred to the successor fund identified in the Manual of State Funds. Capital assets transferred to a governmental fund will be reported as a restatement of beginning balance and agencies/departments will submit the Report 18 Beginning Balance Differential Report (SAM section 7977 Illustration 2) with their year-end financial reports.

## ACCOUNTING FOR PROPERTY ACQUISITIONS - GIFT - 8634

Gifts are normally either real property and intangibles or personal property, such as equipment and cash. Retain receipts, letters, stock received reports, or other documents as evidences of gifts. Government Code sections 8647, 11005, and 16302 pertain to the state's acceptance of gifts.

Record capital assets/property acquired by gift from persons or entities other than state agencies/departments at the acquisition value plus related costs (i.e., the price the agency/department would pay to acquire an equivalent capital asset/property on the date the gift was received).

The following procedures apply to the acceptance of gifts.

1. Real Property and Intangibles
   A gift of real property may be tangible (e.g., land or building) or intangible (e.g., easements or land use rights related to real property). A gift of real property must be approved by both the Department of General Services (DGS) and the Department of Finance (Finance) before it can be accepted. See SAM section 1314.1.
   A. Agencies/departments must prepare and submit to the DGS the following materials as appropriate for real property:
      1. Part I of DGS Form RES–212 Gift Deed Summary
      2. Contract Transmittal STD. 15
      3. Certificate of Acceptance
      4. Environmental Document
      5. Certificate of Inspection
      6. Summary of title report exceptions

7. Copy of title report
8. Map of property or description of the gift

B. The DGS will review the materials submitted by the agency/department. Based on this review, the DGS will prepare and submit the following to Finance:
1. Copies of information submitted by the agency/department.
2. Cover memo requesting acceptance of the gift based on the findings of the review.

C. Finance will accept or reject the gift after reviewing all data submitted by the DGS and the requesting agency/department. The DGS will then forward to the requesting agency/department:
1. Copy of Finance's acceptance or rejection of the gift.
2. If the gift is accepted, a copy of the deed, policy, and invoice (for title policy).

If the DGS rejects the proposed gift, they will advise the agency/department of the reason for the rejection. Finance will not be forwarded information unless the DGS recommends acceptance of the gift.

2. Personal Property

Gifts of personal property may include tangible items (e.g., vehicles, equipment, or cash) or intangible items (e.g., patents, copyrights, or trademarks). Agencies/departments cannot accept gifts of personal property unless they have specific statutory authority to do so. If an agency/department is not permitted by law to accept a gift, the agency/department will notify Finance so that the Director of Finance (Director) can accept the gift on behalf of the state, pursuant to Government Code section 11005.1.

All agencies/departments authorized by law to accept gifts are required by Government Code section 11005 to secure the approval of the Director before a gift of personal property can be accepted, unless:

a. The gift is an unconditional gift of money (i.e., it does not require a specific outcome or action to accept).
b. Statutes specifically provide that such approval is not necessary.

For example, a donation for the General Fund would identify the purpose of the gift without a specific outcome or requirement to be conditional.

The Director gives advance approval to accept gifts of money if the only condition of the gift is to specify that it is for an existing fund in the Treasury.

If agencies/departments need approval to accept a gift of personal property, they will notify their Finance Budget Analyst by letter. The Finance Budget Analyst will either approve or reject the acceptance of the gift.

The agency/department will record Finance-approved gifts of equipment or real property in the property register and asset accounts.

Agencies/departments will deposit in the Treasury and remit gifts of cash to the fund or appropriation specified by the donor.

If the money is for a specific purpose, but the donor did not specify a fund or appropriation, and no existing fund fulfills the purpose, the money will be deposited in the Special Deposit Fund. See SAM section 18420.

If the money is donated but the donor states no fund, appropriation, or specific purpose, the money will be deposited in the State School Fund. See Government Code section 16302.

The Director gives advance approval for the receipt of anticipated grants, which will be included in the approved Governor's Budget. Unbudgeted grants must have Finance approval before acceptance. See SAM section 0912.

## ACCOUNTING FOR PROPERTY ACQUISITIONS - INTERNALLY GENERATE INTANGIBLE ASSETS - 8635

Intangible capital assets/property are considered internally generated if they are created or produced:

- By the agency/department.
- An entity contracted by the agency/department.
- If they are acquired from a third party but require more than minimal incremental effort on the part of the agency/department to achieve their expected level of service capacity.

Examples of common internally generated intangible assets include computer software, patents, trademarks, and copyrights. Specific guidance on computer software is given below.

Outlays incurred in the development of an internally generated intangible asset that are identifiable should be capitalized only upon the occurrence of all of the following:

a. Determination of the specific objective of the project and the nature of the service capacity that is expected to be provided by the intangible asset upon the completion of the project.
b. Demonstration of the technical or technological feasibility for completing the project so that the intangible asset will provide its expected service capacity.
c. Demonstration of the current intention, ability, and presence of effort to complete or, in the case of a multiyear project, continue development of the intangible asset.

Only outlays incurred subsequent to meeting the above criteria should be capitalized. Outlays incurred prior to meeting those criteria should be expensed as incurred.

**Internally Generated Computer Software**

Computer software is a type of intangible asset that is often internally generated. Computer software should be considered internally generated if it is:

- Developed in-house by agency/department personnel.
- By a third-party contractor on behalf of the agency/department.
- Commercially available software purchased or licensed by an agency/department which requires modification using more than incremental effort before being put into operation.

The activities involved in developing and installing internally generated computer software can be grouped into the following stages:

1. Preliminary Project Stage—Costs incurred during this stage are not capitalized.
   These costs include the following activities:
   - Conceptual formulation of alternatives
   - Evaluation of alternatives
   - Determination of existence of needed technology
   - Final selection of alternatives for development
2. Application Development Stage—Costs incurred during this stage involve both internal and external costs incurred to develop the software and are capitalized.

   These costs include the following activities:
   - Design of chosen path, including software configuration and software interfaces
   - Coding
   - Installation to hardware
   - Testing, including the parallel processing phase
   - Data conversion— only to the extent that the data is necessary to make the computer software operational
3. Post-Implementation/Operation Stage—Costs incurred during this stage are not capitalized.

   These costs include the following:

   - Training
   - Application maintenance
   - Data conversion— data, such as historical, not necessary to make the software operational, but desirable from a management perspective

For internally generated computer software, the criteria for internally generated intangible assets should be considered to be met only when *both* the following occur:

a. The activities noted in the Preliminary Project Stage are completed.
b. Management implicitly authorizes and commits to funding, at least currently in the case of a multiyear project, the software development project.

Once the criteria for internally generated computer software have been met, outlays related to activities in the Application Development Stage should be capitalized. Capitalization of such outlays should cease no later than the point at which the computer software is substantially complete and operational.

Outlays associated with activities in the Post-Implementation/Operation Stage should be expensed as incurred.

Record Internally Generated Intangible Assets in Progress in Account 1629000 (Legacy Account 2430).

**Internally Generated Modification of Computer Software**

Outlays associated with an internally generated modification of software that is already in operation should be capitalized when all internally generated computer software assets criteria have been met if the modification results in any of the following:

a. An increase in the functionality of the computer software, that is, the computer software is able to perform tasks that it was previously incapable of performing.
b. An increase in the efficiency of the computer software, that is, an increase in the level of service provided by the computer software without the ability to perform additional tasks.
c. An extension of the estimated useful life of the computer software.

If the modification does not result in any of the above outcomes, the modification should be considered maintenance, and the associated outlays should be expensed as incurred.

The following costs should be expensed as incurred:

- Internal and external costs during the preliminary project stage.
- Training during all project stages.
- Data conversion costs are normally considered part of the post-implementation/operations stage unless they are determined to be necessary to make the computer software operational.

- Internal costs incurred for maintenance.
- General, administrative, and overhead costs.
- Maintenance costs in post-implementation/operation stage.

The following costs should be capitalized and amortized over the useful life:

- Internal and external costs incurred to develop internal-use computer software during the application development stage.
- External direct costs of materials and services consumed in developing or obtaining software. Examples include fees to third parties for services provided to develop the computer software during the application development stage, costs incurred to obtain computer software from third parties, and travel expenses incurred by employees in their duties directly associated with developing computer software.
- Payroll and payroll-related costs such as benefits for employees who are directly associated with and who devote time to the computer software project, to the extent of the time spent directly on the project. Examples include coding and testing during the application development stage.

Methods for determining total cost should be retained as a record of the asset value.

## ACCOUNTING FOR PROPERTY ACQUISITIONS - INTERNALLY CONSTRUCTED TANGIBLE ASSETS - 8636

(New and renumbered from 8454 and 8705)

Tangible capital assets/property are considered internally built if:

- They are created or produced by the agency/department.
- An entity contracted by the agency/department.
- If they are acquired from a third party but require more than minimal incremental effort on the part of the agency/department to begin to achieve their expected level of service capacity.

Examples of tangible assets internally constructed are:

- Buildings
- Parking Garage
- Central Utility Plant
- Lab Equipment
- High-Speed Rail System

Costs incurred in the development and construction of an internally built tangible capital asset are recorded in Construction Work in Progress (CWIP), Account 1608000 (Legacy Account 2350). See SAM section 8610.7 for details of eligible costs.
Costs should be capitalized in the major asset class only upon the completion of the asset in progress. A tangible asset in progress is considered complete when the asset is approved for occupancy or is substantially ready to be placed into service.

**Public Works Projects**

Labor Code section 1720 defines public works as construction, alteration, demolition, installation, or repair work done under contract and paid for in whole or in part out of public funds.

**Responsibilities for Accurate Reporting**

Communication is critical for the accurate reporting of capital assets in progress. Agency/Department Facilities/Business Services and Accounting Units, the Department of Finance (Finance), the Department of General Services (DGS), and the State Controller's Office (SCO) all perform key roles in the capital outlay process. For more information on the detailed capital outlay budgeting and financing process, see SAM sections 6801-6899, Budgeting.

a. Agency/Department Facilities/Business Services Unit
   - Work with the Accounting Unit to establish a joint Memorandum Of Understanding, which will provide a forum for collaboration, interaction, and communication between the parties involved in the construction process. Develop internal policies and procedures to ensure the Accounting Unit is informed of the important forms, reports, and events as they occur.
   - Ensure that documents and reports of project costs and activities are tracked and shared with the Accounting Unit so that encumbrances and project costs are accurately recorded.
   - Communicate with the Accounting Unit when the project has reached occupancy or completion, whichever is first. Ensure documentation for project occupancy or completion is submitted to the Accounting Unit.

b. Agency/Department Accounting Unit
   - Work with the Facilities/Business Services Unit to establish a joint Memorandum Of Understanding, which will provide a forum for collaboration, interaction, and communication between the parties involved in the construction process. Develop internal policies and procedures to ensure the Facilities/Business Services Unit is queried for any important forms, reports, or events until the project is complete.
   - Ensure that the Facilities/Business Services Unit is aware of the forms, reports, and events that will trigger accounting transactions and reporting.
   - Record project funding agreements as an encumbrance in the accounting system. Record all project costs and funding transfers as expenditures incurred during the period and accumulate associated CWIP in the asset accounts.
   - Communicate to the Facilities/Business Services Unit when CWIP has been recorded and provide source documentation used to record the costs.
   - The Facilities/Business Services Unit will notify the Accounting Unit when a project reaches occupancy (Certificate of Occupancy) or completion (Notice of Completion), whichever is earliest. A review of all project costs should be reconciled to the CWIP account prior to reclassifying CWIP to a capital asset classification.
   - Report real property to the Statewide Property Inventory (SPI) system and reconcile SPI records to the accounting records for real property assets.
   - Real property includes land, buildings (structures), building improvements, and land improvements; whether owned or leased.

- Certify that on July 1 annually, the agency/department has accurately and completely reported and updated all real property information in the SPI for the prior calendar year.
- SPI records shall reflect the details and dollar amounts found in the agency/department property register for real property.
- Do not report CWIP to SPI.
- Ensure that year-end financial statements reflect all capital assets and CWIP costs.

c. Department of Finance
- Reviews agency's/department's requests for capital outlay project funding through Capital Outlay Budget Change Proposals.
- Reviews legislation proposing capital outlay projects and capital lease projects.
- Works with the State Public Works Board and the State Treasurer's Office to provide interim and long-term financing for projects.
- State Public Works Board acquires property for the state and approves preliminary plans and reviews performance criteria of capital outlay projects.

d. Department of General Services
- The Real Estate Services Division (RESD) acts as the project manager for large capital outlay projects for the state. SAM section 6805 identifies eight departments whose purview is outside of RESD.
- RESD is hired by the agency/department to manage the capital outlay project. RESD is accountable to the agency/department to provide pertinent information needed to record and report all project costs.
- The DGS will provide access to CWIP reports for agencies/departments to record ongoing project costs.
- The Asset Management Branch (AMB) administers a centralized inventory system that is the repository for all real property information in the state, whether owned or leased.
- The AMB may provide an annual inventory subsidiary report of real property recorded in the SPI to the SCO for the preparation of the Comprehensive Annual Financial Report (CAFR).

e. State Controller's Office
- May compare the real property activity and balances reported in the agency's/department's Reports 18 and 19 to prior year information.
- May communicate discrepancies between the two reports to the agency/department and provide a due date for submitting corrected reports.
- May use the SPI and the agency's/department's Reports 18 and 19 to support the real property balances reported in the CAFR.

**Architecture Revolving Fund Transfers**

An agency/department can submit a Fund Transfer Request Form to the DGS in one of two ways:

a. Customer Requests: Upgraded Information Sharing Environment (CRUISE) Request – new projects only; this online form can be found in DGS Global CRUISE system as a required document when the request is for an Architecture Revolving Fund funded project.

b. Directly to the assigned DGS Project Manager overseeing the project – existing projects already in progress.

Upon receipt, the assigned DGS Project Manager reviews the request to ensure all required information has been populated and routes the request to a DGS analyst for processing. The assigned DGS analyst generates the funding agreement and routes it within the DGS for signatures. The DGS routes the original copy to the agency/department for review/approval along with a routing slip. The agency/department signs and routes to Finance for review/signature. Finance signs the original, routes the approved copy to the SCO for processing, and will send an electronic copy of the funding agreement to the recipients on the routing slip. The SCO will issue a journal entry to notify the agency/department and the DGS of completion. The DGS will then key the fund transfer to the Architecture Revolving Fund project shown on the journal entry. The RESD will initiate a Standard Agreement, STD. 213 for projects whose scope will require more than one DGS-RESD Form 22 to transfer funds as needed.

**Capital Assets Constructed Using Lease Revenue Bonds**

The State Public Works Board (SPWB), as the lessor, will record project costs that use resources of lease revenue bonds as CWIP until an authority has issued a Certificate of Occupancy or insurance is in place, and lease payments begin. Upon lease inception, SPWB will notify the lessee agency/department in writing of the CWIP amount being transferred from SPWB books to the agency/department books.
The lessee agency/department will record project costs from all resources as CWIP. The lessee agency/department should accumulate the total CWIP costs, including those transferred from SPWB, and record the capital asset in the fund that will pay the lease payments. The lessee agency/department will record project costs incurred after lease inception as CWIP. When the additional project costs are complete, the agency/department will reclassify CWIP to the appropriate major asset class.

## ACCOUNTING FOR PROPERTY ACQUISITIONS – WARRANTY REPLACEMENTS - 8637

Capital assets/property which are replaced with new capital assets/property under a warranty contract should be accounted for as follows:

a. The old capital asset/property and any related accumulated depreciation should be reversed from the asset accounts.
b. The replacement capital asset/property should be recorded at the acquisition value plus related costs (i.e., the price that the agency/department would have had to pay to purchase an equivalent capital asset/property on the date received). Depreciation should begin when the replacement capital asset is placed in service.

## ACCOUNTING FOR PROPERTY DISPOSITIONS - 8640

Government Code sections 14673, 14674, and 14675 authorize the Director of General Services to approve the sale, exchange, or transfer between agencies/departments of real or personal property owned by the state if the sale, exchange, or transfer is in the best interest of the state. Before disposing of real or personal property (e.g., sale, transfer, trade-in, etc.),

agencies/departments must receive approval from the Department of General Services, Surplus Property and Reutilization program.

**Disposal of Surplus Property**

Refer to the Department of General Services' procedures in SAM section 3520 for specific instructions regarding the necessary approvals required – prior to the disposal of surplus property.

Approval is obtained by:

- Submitting a Property Survey Report, STD. 152, electronically requesting direction and approval prior to disposing of any state-owned surplus property, regardless of whether the property was capitalized for accounting purposes.
- Final disposition, which includes sale, trade-in, disposal or transferring the property to the Surplus Property and Reutilization program, may not occur until the Department of General Services has approved the disposition.

**Transfer of Surplus Property**
Approval is required when an agency/department proposes to transfer state-owned, nonexpendable surplus property to another agency/department or to a unit within the same agency/department. Approval must be obtained from the Department of General Services.
Approval is obtained by:

- Submitting a Property Transfer Report, STD. 158.

**Timely Disposition of Property**
The agency/department will retain the original copy of the approved STD.152 or STD. 158 in a suspense file pending disposition of the property. Property listed on approved STD. 152 or STD. 158 will be disposed of without delay, and items held in the suspense file for more than 30 days will be reviewed by an asset manager to determine why the disposition has not been completed. All dispositions of capital assets/property, regardless of disposition type, should be recorded in the year of disposition as current year deductions and be removed from the asset accounts and property register.

## ACCOUNTING FOR PROPERTY DISPOSITIONS - SALE OF PROPERTY - 8641

Accounting for capital assets/property sales differs depending on the Generally Accepted Accounting Principles (GAAP) classification of the owner fund.

1. **Governmental Funds**
   Capital assets/property sold by governmental funds are removed from the asset accounts of the governmental fund (Legacy-Capital Assets Group of Accounts). Sale proceeds are recorded as miscellaneous revenue.
2. **Proprietary Funds**
   Capital assets/property sold by proprietary funds are depreciated up to the date of sale and removed from the asset accounts of the proprietary fund. Gains and losses are recognized to the extent that sales proceeds are more or less than the net book value of the asset.
3. **Fiduciary Funds**
   Capital assets/property sold by fiduciary funds are removed from the asset accounts of the fiduciary fund. Sale proceeds are recorded as miscellaneous revenue.

Per SAM section 10220, sale proceeds from capital assets/property budgeted to be sold and replaced with new capital assets/property may be accounted for as an abatement. The replacement asset is recorded in the asset accounts at historical cost with no reduction for sales proceeds.

## ACCOUNTING FOR PROPERTY DISPOSITIONS - TRADE-IN OF PROPERTY - 8642

Agencies/departments which plan to trade in capital assets/property should first receive approval from the Department of General Services, Surplus Property and Reutilization program. The Surplus Property and Reutilization program will determine whether the property being traded-in should be acquired by another state agency/department. See SAM section 8640, Accounting for Property Dispositions.

The asset accounts and any related accumulated depreciation will be reversed from the agency's/department's general ledger and property register. Replacement property will be recorded at the acquisition cost which would be required to be paid had a trade-in not occurred.

See SAM section 8641, Sale of Property, for disposal by fund classification.

## ACCOUNTING FOR PROPERTY DISPOSITION - LOST, STOLEN, OR DESTROYED PROPERTY - 8643

Agencies/departments will prepare a Property Survey Report form, STD. 152 whenever property is lost, stolen, or destroyed. The agency/department will adjust its property register and asset accounts to remove the asset and any accumulated depreciation. See SAM section 8641, Sale of Property, for treatment by fund classification.
Agencies/departments should retain the Property Survey Report as documentation. The report will contain:

a. A description of the events.
b. Precautions to be taken to prevent repeat situations.
c. A statement that the California Highway Patrol has been notified (Government Code section 14613.7) using an STD.99, Report of Crime or Criminally Caused Property Damage on State Property.

**Agency/Department Action**

Report losses of state property due to fraud or embezzlement to the Department of Finance, Office of State Audits and Evaluations, and the California State Auditor's Office. See SAM section 20080.

Employees will be charged with any loss and damages to state property due to their negligence or unauthorized use.

Agency/department management must promptly investigate incidents involving loss, damage, or misuse of information assets. Agencies/departments shall immediately notify the California Highway Patrol upon discovery of all Information Technology security incidents and computer-related crimes. See SAM sections 5340.1-5340.4.

Each agency/department having ownership responsibility for information must complete an incident report to the California Information Security Office within ten working days of becoming aware of an incident involving the theft of such information, including information stolen in conjunction with the theft of a computer or data storage device. The report should be submitted through the California Compliance and Security Incident Report System (Cal-CSIRS).

## MAINTAINING PROPERTY RECORDS - 8650.1

(New and renumbered from 7821 and 8650)

**Property Inventory System**

To maintain accountability of capital assets/property, agencies/departments will maintain a record of all property, whether capitalized or not, in a property accounting or inventory system. This system may be automated or manual.

**Property Register**

The property information for each item of property constitutes the property register (i.e., an inventory listing of all property). It shall include both capitalized and non-capitalized property. The capitalized segment shall serve as the subsidiary ledger for the Capital Assets Group of Accounts and for the capital asset accounts of Proprietary and Fiduciary funds. For agencies/departments that account for depreciation of tangible assets and amortization of intangible assets, the detailed records should show the amount of accumulated depreciation/amortization.

## RECORDING PROPERTY DETAILS - 8650.2

(New and renumbered from 8650)

When capital assets/property is acquired, agencies/departments will record the following information:

- Date acquired.
- Property description.
- Property identification number (tag).
- Historical cost or other basis of valuation.
- Owner fund(s).
- Estimated useful life, if applicable.

## SENSITIVE NON-CAPITALIZED PROPERTY - 8650.3

(New and renumbered from 8603.)

Agencies/departments will maintain adequate control over sensitive and high-risk items that are prone to theft/loss, misuse, or may contain sensitive data.

Examples of sensitive and high-risk items include:

- Computers, printers, scanners
- Smartphones, tablets, other handheld devices
- Devices or media capable of storing or processing information
- TVs, audiovisual equipment, cameras
- GPS devices
- Weapons
- Power tools
- Works of art
- Software

Agency/department heads will determine if additional items should be designated and tracked as sensitive and high-risk items. See SAM section 8643, Lost, Stolen, Or Destroyed Property, for mandatory reporting for sensitive and high-risk items.

## ACCOUNTING AND RECONCILING CAPITALIZED PROPERTY RECORDS - 8650.4

(New and renumbered from 8650)

The capitalized section of the property register shall serve as the subsidiary ledger for the assets of the owner fund.

Reconciliation of the capital asset subsidiary ledger to the assets of a fund and capital expenditures should be performed monthly or at least quarterly in accordance with the requirements in SAM section 7924, Property Reconciliation.

Additions to capital assets should be recorded in the year of acquisition as capital asset additions. Transfers-In should be recorded as a beginning balance restatement. See SAM section 8630, Accounting for Property Acquisitions.

Disposition of capital assets should be recorded in the year of disposition as capital asset deductions. The asset record should be removed from the property register. See SAM section 8640, Accounting for Property Dispositions.

## IDENTIFICATION AND TAGGING - 8651

**Tagging Property**

Agency/department heads are responsible for safeguarding the state's assets. All property will be logged in the property register and entered into a property inventory system. Agency/department heads should establish an internal policy that takes into consideration the cost versus benefit of the property which will be required to be tagged. This policy should include property which is sensitive or high-risk, in addition to property which does not meet the state's capitalization requirements. See Government Code sections 13400-13407 on the State Leadership Accountability Act.

The purpose of tagging property is to:

- Designate the property as belonging to the state.
- Facilitate accounting for the property.
- Aid in the identification if the property is lost or stolen.

- Discourage theft.

**Tags**
Tags will be placed so that they are in plain sight and easy to read. To the extent possible, property will be tagged on the front, left-hand corner. The identification number will not be changed when property is moved within the agency/department. At a minimum, all tags shall include “State of California,” the agency/department name, and tag number.

## INVENTORYING PROPERTY - 8652

### Taking Physical Inventory

Agencies/departments will make a physical count of all property and reconcile the count with the accounting records at least once every three years. Inventory counting does not need to be performed at one time for an entire agency’s/department’s capital assets/property. Agencies/departments may take a rotating inventory according to an inventory calendar.

### Inventory Plan

Agencies/departments are responsible for developing and carrying out an inventory plan which will include:

1. Inventory Taking
    a. Time schedule.
    b. Count procedure (type of listing or count sheet to be used).
    c. Count assignment (statement of who will take the inventory at the times and locations scheduled).
2. Internal Control
    a. Inventories will not be exclusively controlled by the custodian of the property records.
    b. Worksheets used to take inventory will be retained for audit and will show the date of inventory and the name of the inventory taker.
    c. Inventory records will be retained in accordance with provisions of SAM Chapter 1600.
    d. The person in charge of the stockroom, if one is used, will not be in charge of maintaining the inventory records nor the taking of physical inventories.
3. Reporting and Approval of Inventory Adjustments
    a. Adjustment and reconciliation of the records will take place after the physical count has been completed.
    b. Review and approval of all inventory adjustments will be made by the agency/department director or the director’s designee. This review and approval will be documented on a Property Inventory Listing Adjustment Sheet (STD. 157).

## CAPITAL ASSET ACCOUNTING AND REPORTING RULES BY FUND - 8670.1

(New and renumbered from 8620, 8621, and 8622)

Capital asset accounting and reporting requirements differ depending on the owner fund's classification and the measurement focus used.

State funds classified on a Generally Accepted Accounting Principles (GAAP) basis include the following:

1. Governmental
2. Proprietary
3. Fiduciary

State funds classified on a Budgetary/Legal basis include the following:

1. Governmental Cost
2. Non-Governmental Cost

See the Manual of State Funds for the classifications of each state fund.

### GAAP Basis

1. **Governmental Funds**
    - Capital assets acquired with governmental fund resources are not capitalized in the governmental fund financial statements. Instead, capital assets are reported in the Capital Assets Group of Accounts.
    - Capital assets do not appear in governmental fund financial statements because they are presented using the current financial resources measurement focus and modified accrual basis of accounting.
    - Capital assets purchased or constructed with governmental fund resources are expensed in the period they are acquired.
2. **Proprietary Funds**
    - Capital assets acquired with proprietary fund resources are capitalized and depreciated/amortized within those funds over their estimated useful lives.
    - Capital assets do appear in proprietary fund financial statements because they are presented using the economic resources measurement focus and the accrual basis of accounting.
3. **Fiduciary Funds**
    - Capital assets acquired with fiduciary fund resources, other than some agency funds, are capitalized and depreciated/amortized within those funds over their estimated useful lives.
    - Capital assets do appear in fiduciary fund financial statements because they generally follow the same measurement focus and basis of accounting as do proprietary funds.

### Government-Wide Financial Statements

In the government-wide financial statements, capital assets are capitalized and depreciated/amortized over their estimated useful lives. Capital assets relating to governmental activities are recorded only in the government-wide financial statements whose

measurement focus is all economic resources and liabilities of the state.

**Budgetary/Legal Basis**

1. **Governmental Cost Funds: (Bond Funds; Federal Funds, and some Trust Funds)**
   - Capital assets acquired with governmental cost fund resources are not capitalized in the governmental fund financial statements. Instead, capital assets are reported in the Capital Assets Group of Accounts.
   - Capital assets do not appear in governmental cost fund financial statements because they are presented using the current financial resources measurement focus and modified accrual basis of accounting.
   - Capital assets purchased or constructed with governmental cost fund resources are expensed in the period they are acquired
2. **Non-Governmental Cost Funds: (Working Capital and Revolving Funds; Public Service Enterprise Funds; Retirement Funds; some Trust Funds [non-federal])**
   - Capital assets acquired with non-governmental cost fund resources are capitalized and depreciated/amortized within those funds over their estimated useful lives.
   - Capital assets do appear in non-governmental cost fund financial statements because they are presented using the economic resources measurement focus and the accrual basis of accounting.

### FINANCIAL STATEMENT REPORTING REQUIREMENTS - 8670.2

Capital assets will be included in year-end financial reports. Accounting units must work closely with the property controller to ensure the inventory and the property register tie to the capital asset accounts in the general ledger. Agency/department heads are required to certify the real property balances reported for the prior calendar year to the Statewide Property Inventory (SPI) are correct by the July 1st of each year per Government Code section 11011.15.

Proprietary funds will report capital assets and accumulated depreciation/amortization within the fund.

Fiduciary funds will report capital assets and accumulated depreciation/amortization within the fund.

Agencies/departments will prepare a Statement of Changes in Capital Assets Group of Accounts–Report 18 and a Statement of Capital Assets Group of Accounts–Report 19.

**Preparing Report 18**

The Statement of Changes in Capital Assets Group of Accounts must be prepared for each fund, except fiduciary funds, with capital asset records. This report will detail the changes from the prior-year ending period to the current period capital asset account balances.

Report 18 contains the following information:

a. Asset account beginning balances listed in General Ledger Account Number order (e.g., land, buildings, computer software, etc.). Asset account beginning balances must agree with the prior year ending balances. Any variances must be documented and explained in the Statement of Changes in Capital Assets Group of Accounts-Report 18, Beginning Balance Differential Report. See SAM section 7977 Illustration 2.
b. Asset additions.
c. Asset deductions.
d. Asset ending balances.
e. A footnote that any differences between the beginning asset balances and prior year ending balances are documented and explained in the Statement of Changes in Capital Assets Group of Accounts–Report 18, Beginning Balance Differential Report.
f. A footnote that the asset ending balances equal the debit balances on Report 19 for each asset type.
g. Capital assets previously unreported or transferred in from another state agency/department, should be reported as a restatement of the beginning balance, not as an addition. A description of the adjustment and the amount of the adjustment should be included in the differential report.

See SAM section 7977 Illustrations 1 and 2 for the required report format.

**Preparing Report 19**

The Statement of Capital Assets Group of Accounts–Report 19 must be prepared for each agency/department. This report consolidates the information in each Report 18 and contains the following:

a. Asset account ending balances in General Ledger Account Number order (e.g., land, buildings, computer software, etc.).
b. The Investment in Capital Assets detail of funds used to acquire capital assets.
c. A footnote that inventories of property were conducted in accordance with SAM section 8652.
d. A footnote that inventory and property register records of capital assets are in agreement with the capital asset accounts. See SAM section 8650.4, Accounting and Reconciling Capitalized Property Records.
e. A footnote stating that all real property has been reported to the Statewide Property Inventory (SPI) system per Government Code section 11011.15 and SAM section 1311.3.

See SAM section 7978 Illustration for required report format.

## Chapter - 8700

Sections for Chapter 8700

| Section | Subchapter |
|---|---|
| RECORD OF CREDIT CARDS | 8711 |
| BLOCK GRANT FISCAL REPORTING REQUIREMENTS | 8760 |
| ACCOUNTING FOR INVESTMENT SECURITIES | 8770 |
| ACCOUNTING FOR WITHHELD PAYMENTS | 8795 |

### RECORD OF CREDIT CARDS - 8711

(Revised and Renumbered from 8711.1.)
Agencies/Departments will designate an accounting officer responsible for overseeing credit cards issued to employees. The accounting officer will maintain a record of all credit card accounts. The cardholder shall immediately notify the credit card company and the accounting officer if a credit card is lost, stolen, or fraudulently used. Agencies/Departments are responsible for ensuring that credit cards are returned when employees no longer have a need or authorization to use them.

For more information regarding credit cards, see SAM sections 3590.1 through 3590.5.

## BLOCK GRANT FISCAL REPORTING REQUIREMENTS - 8760

The federal government awards certain block grant funding to the state for various social service programs. The federal block grants include, but are not limited to, the following:

- Low-income home energy assistance
- Preventive health and health services
- Maternal and child health services
- Substance abuse prevention and treatment
- Community mental health services
- Social services, empowerment zones, and enterprise communities
- Community services

The state assumes certain fiscal administrative responsibilities for the block grants. The federal agencies that administer block grants require recipients to comply with specific fiscal requirements:

- Complete the Federal Financial Report form, SF-425.
- Submit the SF-425 according to the due date set by the administering federal cognizant.
    - Failure to submit required reports in a timely manner may result in the federal cognizant taking appropriate action, including canceling or withdrawing the grant.

- Maintain detailed accounting records that form the basis for the SF-425.
- If required, provide additional information/reports to the administering federal cognizant to supplement the information contained in the SF-425.
- Retain the grant reports based on the department's record retention schedule for fiscal management, audits, and control purposes.

Grant subrecipients requirements:

- Submit the grant reports by the due date set by the grant recipient.
- Maintain detailed accounting records that form the basis for the grant reports.
- Retain and have the accounting records available for audit.

Tracked Changes Version

## ACCOUNTING FOR INVESTMENT SECURITIES - 8770

Securities purchased as fund investments will be recorded as assets of the fund using the date on the Completed Investment Activity Report for Purchases (Report) provided by the State Treasurer's Office. The transaction will be accounted for on the same date as the Report and the State Controller's Office investment memorandum. Claims prepared for the purchase of securities will not be recorded in the agency/department accounts since no liability is incurred nor is there any change in the fund assets until the securities are purchased. Such claims shall serve as memorandum records pending the completion of the transaction, as evidenced by the Report.
Agencies/Departments that maintain savings accounts outside the centralized State Treasury System or have investments which they manage may receive requests from depository banks and other payers of interest for a Taxpayer Identification Number (TIN). The Internal Revenue Service (IRS) does not require a TIN for accounts of funds owned or controlled by the state. Agencies/Departments receiving such requests shall inform the requestor about the nature of the entity for which the investment or savings account is held. Agencies/Departments should not request a TIN from the Social Security Administration or IRS.

## ACCOUNTING FOR WITHHELD PAYMENTS - 8795

Rule, regulation, law or agency practice may require that a certain amount be withheld from amounts owing a person or entity. Unless otherwise provided by law, when payments are made and an amount is withheld an entry will be made in the records to record such amount withheld, except that amounts representing contingent liabilities will be reported as prescribed in SAM Section 8751. When withheld amounts are paid or written off, the debit portion of the entry will be to the accounts payable account. An illustration follows:

1. Amounts withheld:
Debit
9000 Appropriation Expenditures a/
9893 Prior Year Appropriation Adjustments b/
Credit
3010 Accounts Payable c/
3020 Claims Filed d/

a/ Portion of c + d applicable to current year expenditures
b/ Portion of c + d applicable to prior year expenditures
c/ Amount withheld
d/ Total amount of claim less amount withheld

2. Amount withheld written off
Debit
3010 Accounts Payable a/
Credit
9000 Appropriation Expenditures b/
9893 Prior Year Appropriation Adjustments c/

a/ Amount withheld being written off
b/ Amount being written off which was withheld and charged to the current year appropriation
c/ Amount being written off which was withheld and charged to a prior year appropriation

3. Amount withheld paid:
Debit
3010 Accounts Payable
Credit
3020 Claims Filled
Agencies will apply consistently from year to year the basis for determining what portion of withheld payments are real liabilities and what portion are contingent liabilities. Any change in such basis will be made only in accordance with SAM Section 8793

# Chapter - 8800

Sections for Chapter 8800

| Section | Subchapter |
|---|---|
| PURPOSE OF THE CENTRAL FUND ACCOUNTS | 8800 |
| STATE CONTROLLER'S FUND LEDGER | 8810 |
| STATE CONTROLLER'S CENTRALIZED TREASURY SYSTEM LEDGER | 8820 |
| STATE CONTROLLER'S POSTING DOCUMENTS | 8830 |
| CASH ACCOUNTABILITY OF THE STATE TREASURY | 8835 |
| STATE TREASURER'S CUSTODIAL AND TRUSTEE ACCOUNTS | 8870 |

## PURPOSE OF THE CENTRAL FUND ACCOUNTS - 8800

The State Controller's Office (SCO) and the State Treasurer's Office (STO) perform certain central services for all state agencies/departments. The SCO maintains central accounts for all funds in the State Treasury, including appropriation account balances. The STO provides banking services for all state agencies/departments through the Centralized Treasury System (CTS) and the use of accountability accounts. These interrelated accounting and banking functions of the SCO and the STO require adequate coordination to ensure effective state government operations. State Administrative Manual sections 7320 and 7330, include summary information related to the broad duties of the SCO and the STO, respectively.

This chapter provides an overview of the SCO's responsibilities over the state's central fund accounts, its' coordination with agency/department's accounts, and a description of the Treasurer's CTS management and accountability.

### THE STATE CENTRAL FUND ACCOUNTS

The State Controller's Office (SCO) maintains the central fund accounts of the state. During the fiscal year, the SCO posts to the accounts when cash is received, transferred, or disbursed from the fund to keep the accounts on a cash basis and provide the SCO with the following information to the degree applicable for each fund:

- Cash
- Investments
- Appropriation balances
- Disbursements (by appropriation if the fund is appropriated by specific appropriations)
- Receipts by source.

The information ensures that money and, where applicable, specific appropriations for its expenditure exist whenever claims are presented for payment, and to prepare periodic financial reports.

At the end of the fiscal year, each agency/department operating from a governmental cost fund or a bond fund sends the SCO a Report No. 1, Report of Accruals to Controller's Accounts, for each fund from which it operates. See State Administrative Manual (SAM) Section 7952 for information and illustrations on the preparation of Report No. 1.

The SCO's posting of the accrual reports to the central accounts results in a consolidation of all assets, liabilities, and net position for each governmental cost fund on a modified accrual basis. Refer to SAM Section 7440 for more information about the basis of

accounting. This brings the central accounts to the same basis, for reporting purposes, as the agency/department's detailed accounts as of June 30.

In addition to the Report No. 1, agencies/departments will submit required financial reports to the SCO for each fund, at the end of the fiscal year. The SCO will check the balances of the accounts it keeps to the balances of such accounts as shown on these reports and incorporate the data into the annual reports the SCO publishes.

**NUMBERING OF CENTRAL FUND ACCOUNTS**

The State Controller's Office (SCO) uses central account codes to record fund activities. The central accounts are identified by code numbers divided into code fields as shown below:

Table content available in source manual.

1. Fund Number (4 digits + 3 additional digits may be added for sub-fund identification)
2. Agency Code Number (4 digits)
3. Year of Enactment/Fiscal Year (4 digits)
4. Reference Item Number (3 primary digits + 3 additional for reference)
5. Federal Catalog Number (5 primary digits + 3 additional for subsidiary coding)
6. Category (2 digits)
7. Program (2 digits), Element (2 digits), Component (3 digits), and Task (3 digits)
8. Account Code (4 digits)
9. Revenue/Object Code (6 digits)

## STATE CONTROLLER'S FUND LEDGER - 8810

Fund ledger accounts are maintained on a fiscal year basis. All transactions, except year-end accruals, are posted in the fiscal year ledger account current as of the date of posting. Accrual entries are posted on and after July 1 each year to the ledger account for the fiscal year ended on the preceding June 30.

As of July 1 each year, the State Controller's Office (SCO) stablishes new ledger accounts for each appropriation and category included in the Budget Act. The SCO establishes control and subsidiary accounts for estimated revenues (or operating revenues) and fixed charges based upon the Governor's Budget.

## STATE CONTROLLER'S CENTRALIZED TREASURY SYSTEM LEDGER - 8820

(Revised and renumbered from 8890: 06/2023)

The State Controller's Office (SCO) maintains a separate ledger account for each agency checking account in the Centralized Treasury System (CTS). These accounts consist of agency/department's general cash, trust fund cash, and revolving fund cash. Some agencies/departments have separate accounts in the CTS for one or more of the types of cash they handle.

The SCO debits CTS accounts when cash is increased, e.g., deposits, and credits the accounts when cash is decreased, e.g., redeemed checks or remittances.

## STATE CONTROLLER'S POSTING DOCUMENTS - 8830

Postings to these central accounts are normally based on the following transaction documents:

- Appropriation Set Up/Adjustments–(TC-23/24)
  - TC-23 is a document used by the State Controller's Office (SCO) to set up the Budget Act and special legislation appropriating funds to the state agencies/departments. TC-24 is used to effect budget adjustments.
- Surplus Money Investment Fund Transfer–(TC-29)
  - A document used by the SCO to record deposits to and withdrawals from the Surplus Money Investment Fund.
- Report to SCO of Remittance to State Treasurer –(TC-30)
  - A document used by the SCO to order a remittance received by the State Treasurer's Office (STO) into the proper fund and to the credit of the proper account or accounts in the SCO Fiscal System.
- Notice of Cancellation of Warrants–(TC-33)
  - A document prepared by the SCO to cancel an outstanding warrant in accordance with provisions of law covering such cancellations. Warrants are valid for one year and are canceled thereafter.
- General Journal–(TC-35)
  - A document used by the SCO to record adjustments affecting the accounts within the same state fund.
- Plan of Financial Adjustment Transfer–(TC-36)
  - A document used by the SCO to re-distribute expenditures previously paid from an agency/department's primary appropriation to the proper appropriations.
- State Payroll Revolving Fund Transfer–(TC-37)
  - A document used by the SCO to record payroll transactions.
- General Transfer–(TC-38)
  - A document used by the SCO to effect the transfer of moneys between state funds, other than those processed through other TC documents.
- No Warrant/Direct Transfer Transaction–(TC-39)

    - A document used by the SCO, in lieu of issuing a warrant, to record expenditures normally between state agencies/departments.

- Reserved Appropriation Advance–(TC-40)
    - A document used by the SCO to record appropriation advances, generally to Department of General Services for printing/other services and State Compensation Insurance Fund for benefits, administrative costs, or both.

- Architecture Revolving Fund Transfer–(TC-41)
    - A document used by the SCO to effect transfer from the agency/department's appropriation to the Architecture Revolving Fund for capital outlay projects.

- Treasury Trust Journal – (TC-45)
    - A document used by the SCO to record daily total deposits credited and checks paid for the agency/department's checking account as reported by the STO.

- Controller Remittance Advice – (TC-47)
    - A document used by the SCO for a transfer of funds from an agency/department's checking account to a state fund.

- Replenishment Claim Schedules – (TC-48)
    - A document used by the SCO to replenish the agency/department's checking account by decreasing the agency/department's appropriation and increasing their checking account.

- Claim Schedule Reversion–(TC-49)
    - A document used by the SCO to record the voiding or reversion of a claim schedule (TC-50) due to insufficient cash and/or appropriation authority.

- Agency/Department Claim Schedule– (TC-50)
    - A formal document presented to the SCO on which the duly authorized officer of a state agency/department makes a formal request for payment of expenditures incurred.

### CASH ACCOUNTABILITY OF THE STATE TREASURY - 8835

(Revised and renumbered from 8880: 06/2023)
Government Code section 12413 requires the State Controller to maintain a record of the cash accountability of the State Treasurer. As transactions are posted to and from the Centralized Treasury System and state funds, they are also recorded in the cash accountability accounts. This accountability is reflected in the following group of self-balancing accounts:
Table content available in source manual.

The titles of most of the above accounts are self-explanatory. The Sacramento Clearing House Current Account shows the amount, receivable from (debit balance) or payable to (credit balance) the Clearinghouse depending on the amount paid by the State Treasurer's Office (STO), for a clearinghouse request for payment for state warrants and checks delivered, exceeds or is exceeded by the amount of state warrants and checks actually accepted by the STO after their review for drawer, stop payments, and other factors pertinent to their being accepted or rejected and returned to the Clearinghouse.

The ledger accounts the SCO uses for the cash accountability functions are listed on the Chart of Accounts – SCO/STO Use Only Accounts located on the Department of Finance website.

### STATE TREASURER'S CUSTODIAL AND TRUSTEE ACCOUNTS - 8870

As the custodian of state moneys, trustee for securities, and banker to state agencies/departments, the State Treasurer's Office (STO) accounts for two main classes of transactions:
1. Transactions common to all state agencies/departments.
2. Transactions of a fiscal nature mostly concerned with the state's central accounts.

In accounting for these two classes of transactions, the STO uses the three self-balancing groups of accounts below:
1. The Cash Group—consists of those accounts used to record and report cash transactions in its capacity as the custodian of state moneys.
2. The Securities Group—consists of those accounts used to record and report transactions in its capacity as the trustee for securities and other personal property.
3. The State Bonds Group—consists of those accounts used to record and report the state's bonded indebtedness.

The ledger accounts the STO uses for its functions are listed on the Chart of Accounts - SCO/STO Use Only Accounts located on the Department of Finance website.

## Chapter - 8900

Sections for Chapter 8900

| Section | Subchapter |
|---|---|
| CASH GROUP OF ACCOUNTS | 8910 |
| SECURITIES GROUP OF ACCOUNTS | 8920 |
| STATE BONDS GROUP OF ACCOUNTS | 8930 |

### CASH GROUP OF ACCOUNTS - 8910

### SECURITIES GROUP OF ACCOUNTS - 8920

(Renumbered 2/1965)

## STATE BONDS GROUP OF ACCOUNTS - 8930

(Renumbered 2/1965)

# Chapter - 9200

Sections for Chapter 9200

| Section | Subchapter |
|---|---|
| ALLOCATION OF COSTS – INTRODUCTION | 9200 |
| ALLOCATION OF INDIRECT COSTS | 9202 |
| RATE DETERMINED BY PERSONAL SERVICES AND/OR TOTAL COSTS | 9202.1 |
| ALLOCATION DOCUMENTATION | 9203 |
| COST ALLOCATION PROCESS | 9204 |
| TIME REPORTING | 9205 |
| FULL COST RECOVERY - POLICY | 9210 |
| FULL COST RECOVERY - COST ELEMENTS | 9211 |
| FULL COST RECOVERY - ACCOUNTING FOR COSTS | 9212 |
| ALLOCATION OF COSTS – INTRODUCTION | 9213 |
| ALLOCATION OF COSTS - INDIRECT COST RATE DETERMINATION METHODOLOGY | 9213.1 |
| ALLOCATION OF COSTS – PROCESS | 9213.2 |
| ALLOCATION OF COSTS - TIME REPORTING | 9213.3 |
| ALLOCATION OF COSTS – PLAN DOCUMENTATION | 9214 |
| CENTRAL SERVICE COSTS RECOVERY – INTRODUCTION TO CENTRAL SERVICE COSTS | 9215 |
| CENTRAL SERVICE COSTS RECOVERY–RECOVERIES THROUGH PRO RATA | 9215.1 |
| CENTRAL SERVICE COSTS RECOVERY–RECOVERIES THROUGH SWCAP | 9215.2 |
| FEDERAL COST RECOVERY - INTRODUCTION | 9216 |
| FEDERAL COST RECOVERY – INDIRECT COST RATE/COST ALLOCATION RECOVERIES | 9216.1 |
| FEDERAL COST RECOVERY - INDIRECT COST RATE PROPOSAL AND COST ALLOCATION PLANS | 9216.2 |
| NON-FEDERAL RECOVERIES – COST RECOVERY | 9217 |
| NON-FEDERAL RECOVERIES - INTERAGENCY SERVICES | 9217.1 |
| NON-FEDERAL RECOVERIES - PROVISION REQUIRED | 9217.2 |
| NON-FEDERAL RECOVERIES - COST ACCOUNTING | 9217.3 |

### ALLOCATION OF COSTS – INTRODUCTION - 9200

Renumbered to 9213.

### ALLOCATION OF INDIRECT COSTS - 9202

Renumbered to 9213.1.

### RATE DETERMINED BY PERSONAL SERVICES AND/OR TOTAL COSTS - 9202.1

Deleted; consolidated under section 9213.1.

### ALLOCATION DOCUMENTATION - 9203

Renumbered to 9214.

### COST ALLOCATION PROCESS - 9204

Renumbered to 9213.2.

### TIME REPORTING - 9205

Renumbered to 9213.3.

### FULL COST RECOVERY - POLICY - 9210

(Revised and renumbered from 8752 01/2022)

The state's policy is to recover full costs whenever agencies/departments provide goods or services for others. See the requirements for General Fund agencies/departments in Government Code sections 11010 and 11270. This policy applies to all agencies/departments, regardless of funding sources, except where statutes prohibit full cost recovery.
The full cost of goods or services includes all direct costs attributable to the activity plus a fair share of indirect costs, including central service costs that can be reasonably attributed to the good or service provided. See SAM section 9211 for more information on the cost elements.
This chapter describes the methodology and required documentation for the recovery of costs through an Indirect Cost Rate Proposal and/or a Cost Allocation Plan.

## FULL COST RECOVERY - COST ELEMENTS - 9211

(Revised and renumbered from 8752.1)
Include the following cost elements in the charges for goods and services provided to others:

**Direct Costs**

Direct costs are identified specifically to activities or services that benefit specific projects/programs. Since these activities/services are easily traced to projects/programs, their costs may be charged to programs directly as incurred.
Agency/department direct costs include:

a. Personal services costs incurred in meeting the cost objective which include the state's staff benefit contribution percentage as prescribed in SAM section 8299.
b. Operating expenses and equipment costs incurred in meeting the cost objective, such as the cost of contracts, travel expenses, materials required for a particular activity, etc.

**Indirect (Overhead) Costs**

Indirect (overhead) costs are incurred for services or activities that cannot be easily identified to a specific cost objective (e.g., program/projects, cost objective/organizational unit), but it is used for a common or joint purpose. These costs are accumulated and allocated periodically to the programs/projects or cost objective/organizational units which benefit from the support activity/function. Cost allocation is the assignment of indirect (overhead) costs to one or more programs using a reasonable and equitable formula.
Agency/department indirect costs include:

a. Personal services costs of unit, bureau, division, and agency/department administrative, supervisory, and executive staff which provide services for multiple projects/programs.
b. Personal services costs of support units, including clerical support staff, accounting, human resources, etc.
c. Operating expenses and equipment costs not included as part of agency/ department direct costs (e.g., rent, utilities).

**Central Service Costs**

Central service costs are costs incurred by central service agencies/departments (e.g., Department of Finance, State Controller's Office, State Personnel Board, etc.) for the benefit of state agencies/departments. See SAM section 9216 for more information on central service costs.

## FULL COST RECOVERY - ACCOUNTING FOR COSTS - 9212

(Revised and renumbered from 8757)
Agencies/departments will account for reimbursements, including receipts from the federal government, according to the following cost categories:

- Direct Costs
- Departmental Indirect Costs
- Central Service Costs

Accountability by these cost categories encourages full cost recoveries, including a fair share of central service costs.
Agencies/departments will establish subsidiary accounts for:

- Direct Cost Recoveries
- Departmental Indirect Cost Recoveries
- Central Service Cost Recoveries

These accounts will be subsidiary to Federal Grants and Contracts, or Reimbursements, depending on the fund in which these monies are accounted.

## ALLOCATION OF COSTS – INTRODUCTION - 9213

(Revised and renumbered from 9200)
This section provides the definition, methodology, and required documentation for the allocation of agency/department costs to their program budgets.

- Allocation is the process of assigning and distributing a cost or group of costs to one or more cost objectives in reasonable proportion to the benefit provided or other equitable relationship. The process may entail assigning a cost(s) directly to a final cost objective or through one or more intermediate cost objectives.

- All budgets are required to be in a program appropriation format. Agencies/departments with budgets in a category format must convert traditional line-item costs to the required program budget levels as displayed in the Governor's Budget. Any budget which remains in a category format must be approved by the Department of Finance.

- Agencies/departments that receive federal funds should refer to SAM sections 9210-9212 for information regarding Indirect Cost Rate Proposals (ICRPs) or Cost Allocation Plans (CAPs). ICRPs and CAPs identify the methods in which the federal government allows agencies/departments to request and receive federal funds.

- Costs with one or more characteristics in common are accumulated into cost pools. A cost pool is a grouping of individual costs by an agency/department. Cost pools are then assigned to one or more programs. Costs assigned to a program are either direct or indirect. Refer to SAM section 9213.3 for information regarding time reporting.

- Direct costs are costs that can easily be identified to a program. Examples of direct costs are personal services for project staff, consultants, travel, and training.

- Indirect (overhead) costs do not have a direct relationship to the program and are assigned through the use of a formula. Examples of indirect costs are costs for administration and legal units; and unassigned utilities or rent.

- Personal services and operating expenses and equipment (OE&E) can be either direct or indirect costs. Personal services and OE&E for administration are indirect costs, but personal services for program staff are direct costs. Materials purchased in bulk for agency/department-wide use are typically handled as indirect costs, while materials required for specific projects are charged as direct costs. Some OE&E costs, e.g., telephone costs, may be direct or indirect costs depending upon whether those costs can be assignable to a specific project or program.

- Some organizational units, e.g., information systems, data processing, and reproduction, etc., provide services to other units in the department. These service units differ from the staff support organizational units (e.g., accounting, budgeting, personnel, etc.) in that they have readily measurable products. Service unit costing is the procedure used to determine the cost per unit of the service rendered. **Service unit costs may be direct or indirect, depending on how their costs are allocated.**

Regardless of the type of cost, all costs should be allocated according to the most equitable basis practical. In addition, costs should be allocated consistently throughout the fiscal period.

## ALLOCATION OF COSTS - INDIRECT COST RATE DETERMINATION METHODOLOGY - 9213.1

(Revised and renumbered from 9202)
Indirect (overhead) costs are incurred for services or activities that benefit one or more programs. Cost allocation is the assignment of indirect (overhead) costs to one or more programs according to a formula. Indirect costs are assigned to the programs they benefit according to a methodology that represents a reasonable and equitable distribution.
The following should be considered when developing a cost allocation process:

- Timeliness—the cost allocation process must produce program cost data on a timely basis.
- Consistency—the cost identification and distribution methods selected must be applied consistently throughout the accounting period.
- Accuracy—the information provided shall be as accurate as possible.
- Auditability—program costs must be fully auditable; e.g., working papers, reports, or system documentation must be retained showing program cost identification, accumulation, and distribution methods.

There are many ways to distribute indirect costs. Some agencies/departments may use one method for a specific type of cost, while others may use another method for the same type of cost. Below are three of the most common methods of distributing indirect costs.
**Method A** distributes indirect costs using a rate that includes personal services or total costs. This method is typically used for distributing administration (personal services and OE&E) and some other OE&E costs.
Administration costs include all costs for executive staff and staff support organizational units. Examples are executive policy and planning, general administration, budgeting, accounting, personnel, business services, management analysis, training, and legal. Administration costs are distributed to the programs based on the most appropriate method for the work activity.
OE&E indirect costs distributed by method A may include miscellaneous office supplies, postage and printing, equipment rental, telephone charges, and utilities.
The allocation percentage rate for method A is determined by dividing (1) personal services costs for a program by the total personal services costs for all programs or (2) total costs for a program by total costs for all programs.
For example, if the share of the Program 10's personal services is $1,000 out of the $10,000 total personal services cost for all programs, then Program 10's allocation percentage of the total personal services cost would be 10%. 10% of the indirect costs would be charged to Program 10.
**Method B** distributes indirect costs by a rate calculated by hours. This method is typically used for distributing service unit costs. The allocation percentage rate for method B is determined by dividing the total hours required to provide services for a program (Program 10) by the total hours required to provide services for all programs (Programs 10, 20 & 30).
For example, if a reproduction unit spent 132 hours providing services for Program 10 and a total of 176 hours providing services for all programs, the allocation percentage would be 75%. 75% of the service unit's costs would be charged to Program 10.
**Method C** distributes indirect costs by a rate calculated by usage. This method may be used for distributing rent, telephone, or other utilities using square footage, number of employees, or other equitable distribution base. For each distribution base, an allocation percentage is determined for each organizational unit. The allocation percentage rate for this method is determined by dividing Program 10's square footage by the total square footage occupied by all programs (Programs 10, 20 & 30).
For example, if Program 10 staff occupies 10,000 square feet of the total 20,000 square feet of the building, Program 10's allocation percentage of the space would be 50%. 50% of the rent would be charged to Program 10.
Refer to Illustration 9213.1 for the three methods of distributing costs.

## ALLOCATION OF COSTS – PROCESS - 9213.2

Each agency/department shall ensure that all costs recorded in the general ledger as of June 30 have been allocated by reconciling the total costs allocated with the total expenditures reflected in the appropriation expenditures account (including accrual expenditures).
Illustrations 9213.2 (a) through (d) display the cost allocation process of personal services, service unit and administration, operating expenses and equipment, and reconciliation of program costs to the general ledger. Agencies/Departments must

allocate costs to the program level required by their program budget.

Illustration 9213.2 (a), Allocation of Personal Services Costs

Illustration 9213.2 (b), Allocation of Service Unit and Administration Costs to Programs
Illustration 9213.2 (c), Allocation of Operating Expenses and Equipment Costs
Illustration 9213.2 (d), Reconciliation of Program Costs

## ALLOCATION OF COSTS - TIME REPORTING - 9213.3

(Revised and renumbered from 9205)
Time may be reported by one or more of the following methods:

1. Continuous Positive Time Reporting
   The employee prepares a time report in which they identify how they used all of their time during the period.

2. Continuous Exception Time Reporting
   The employee identifies only the time they spend other than on their normal work.

3. Sample Time Reporting
   During a time period which is representative of the organizational unit's work mix, each employee prepares a positive time report or an exception time report. Based on a tabulation of these time reports, a time charging pattern is derived which is used until it is considered appropriate to take another sample, i.e., when the time charging pattern is no longer deemed to be representative of the organizational unit's work mix.

4. Other- Selective Exemptions
   An agency/department may wish to exempt certain employees or employees in an organizational unit from preparing time reports when their total effort is spent on a single program. In these situations, personal services may be charged directly to the program benefiting from employee activities.

## ALLOCATION OF COSTS – PLAN DOCUMENTATION - 9214

(Revised and renumbered from 9203)
All state agencies/departments will document and retain their cost allocation procedures and methodology in a Cost Allocation Plan (CAP). Each CAP will contain detailed information regarding the costs being allocated, the allocation methodology, and the following information:

- The frequency of allocating various costs to programs
- The foundation for selecting an allocation base
- How often the allocation base is evaluated to determine its continued accuracy
- Anticipated changes in the bases used to allocate costs

All CAPs should be supported by appropriately cross-referenced working papers or system documentation, updated periodically, and retained for reference and audit purposes. A sample outline of a CAP is displayed below:
PROGRAM COST ACCOUNTING, COST ALLOCATION PLAN

I. Purpose/Scope/General Overview
II. Definitions
III. Budget Structure
IV. Methodology
   Allocation of Indirect Cost Pools-Explain the basis for the allocation of administration costs
      a. Include a description of costs charged to administration.
      b. Describe the method or methods for allocating each type of cost to programs.
V. Allocation Sequence
VI. Program and Organization Charts in Picture Form Displaying Roll-Up Levels and Coding Schemes

Illustration 9214 displays a sample Cost Allocation Plan.

## CENTRAL SERVICE COSTS RECOVERY – INTRODUCTION TO CENTRAL SERVICE COSTS - 9215

(Revised and renumbered from 8753)
Central service costs are those amounts expended by central service agencies/departments and the Legislature for the overall administration of state government and for providing centralized services to state agencies/departments. These functions are necessary for state operations and are centralized to provide efficient and consistent statewide policy and services. Central service agencies/departments include:

- California State Auditor’s Office
- California State Library
- Department of Technology
- Department of Finance
- Department of Human Resources
- Department of Justice
- Department of FISCal
- Governor’s Office
- Department of General Services
- Legislative Counsel Bureau
- California State Legislature
- Office of Administrative Law

- Governor's Office of Planning and Research
- Secretary of the California Health and Human Services Agency
- State Controller's Office
- State Personnel Board
- State Treasurer's Office

Central service costs are funded by the General Fund and the Central Service Cost Recovery Fund appropriations made to each central service agency/department. The central services benefit most funds and agencies/departments. For equity, Government Code sections 11270–11275 and 22883 provide for the sharing of central service costs by funds other than the General Fund and the Central Service Cost Recovery Fund. This cost sharing process is titled formally as "General Administrative Costs" but is known more commonly as "Pro Rata." See explanation provided in SAM section 9215.1.

In addition to administering the Pro Rata central service costs sharing, the Department of Finance, Fiscal Systems and Consulting Unit (FSCU), prepares a Statewide Cost Allocation Plan (SWCAP) each year. SWCAP is a cost allocation plan which apportions federally allowable central service costs to agencies/departments. Therefore, differences exist in the central service costs contained in the two plans.

The central service functions included in Pro Rata and SWCAP are listed below:

**Central Service Plans**

Table content available in source manual.

The costs of the central services listed above are allocated on the basis of services provided. To do this, FSCU determines the appropriate workload base for each central service. Actual workload units are accumulated for each agency/department. Then, central service costs are charged to the funds on the basis of these workload units.

## CENTRAL SERVICE COSTS RECOVERY–RECOVERIES THROUGH PRO RATA - 9215.1

(Revised and renumbered from 8754)

General Administrative Costs are commonly referred to as Pro Rata. As mentioned in SAM section 9215, Pro Rata is the sharing of central service costs by funds other than the General Fund and the Central Service Cost Recovery Fund (CSCRF).

The cost of each central service is apportioned to agencies/departments. Then, each agency's/department's total central service costs are allocated to the agency's/department's funding source(s).

The Department of Finance (Finance), Fiscal Systems and Consulting Unit (FSCU) classifies funds as nonbillable or billable. In general, nonbillable funds are those whose funding source is the General Fund or a federal fund. Billable funds are funded by special revenue sources such as fees, licenses, penalties, assessments, etc., unless otherwise exempt by law.

FSCU calculates Pro Rata costs for both nonbillable and billable funds. Pro Rata cost information is provided to departments so that full agency/department costs can be determined. These detailed reports are available in the Finance Accounting Pro Rata Library.

Full cost information is particularly important when nonbillable funding sources provide and recover full costs for reimbursable services; this helps to ensure that billable funding sources are not unfairly recovering for nonbillable funding sources. See SAM section 9212 for more information on the state's full cost recovery process.

Finance certifies to the State Controller's Office (SCO) the Pro Rata costs to be assessed against billable funds. The Pro Rata assessments against billable funds are processed by the SCO transfers. The transfers are first made to the CSCRF up to the amount determined by FSCU. All subsequent transfers for that fiscal year are made to the General Fund.

For questions concerning Pro Rata, contact the FSCU Pro Rata analyst at fiproswp@dof.ca.gov.

## CENTRAL SERVICE COSTS RECOVERY–RECOVERIES THROUGH SWCAP - 9215.2

(Revised and renumbered from 8755)

The Statewide Cost Allocation Plan (SWCAP), like Pro Rata, is a "fair share" distribution of central service costs. SWCAP includes only those central services costs which are allowable for federal reimbursement purposes.

In the fall of each year, the Department of Finance (Finance), Fiscal Systems and Consulting Unit (FSCU) prepares California's SWCAP for the ensuing fiscal year. FSCU sends the SWCAP to the federal Department of Health and Human Services (DHHS) for approval. The DHHS approval authorizes state agencies/departments to include SWCAP in their charges for work performed under federal grants and contracts.

The methods used to apportion the SWCAP costs to agencies/departments are identical to those used to apportion Pro Rata central service costs.

## FEDERAL COST RECOVERY - INTRODUCTION - 9216

(Revised and renumbered from 8755.1)

Each agency/department receiving federal funds must do the following:

1. File an Indirect Cost Rate Proposal (ICRP), and/or Cost Allocation Plan (CAP) or Public Assistance Cost Allocation Plan (PACAP) with the federal government. First, send the ICRP, and/or CAP, or PACAP to the Department of Finance (Finance), Fiscal Systems and Consulting Unit (FSCU), for review and approval. SAM section 9216.2 discusses ICRPs in detail.
2. Recover full costs (including Statewide Cost Allocation Plan (SWCAP) recoveries).
3. Transfer SWCAP recoveries to the General Fund within 30 days after the end of each quarter.

## FEDERAL COST RECOVERY – INDIRECT COST RATE/COST ALLOCATION RECOVERIES - 9216.1

Pursuant to Government Code sections 13332.01 and 13332.02, agencies/departments that receive federal funds are required to recover the Statewide Cost Allocation Plan (SWCAP) costs from the federal government and to transfer the recoveries to the General Fund.

In accordance with SAM Section 9216, SWCAP transfers are due within 30 days after the end of each quarter. To meet this objective and substantiate recovery amounts, agencies/departments shall first prepare an Indirect Cost Rate Proposal, a Cost Allocation Plan, or Public Assistance Cost Allocation Plan. For information on these plans, see SAM Section 9216.2.

Agencies/Departments shall submit SWCAP recovery transaction requests through the Transactions Request Intake System (TRIS). The agency/department's supporting documentation must list quarterly SWCAP amounts by fiscal year and include a brief explanation in the Legal Authority/Reason for Request box.

## FEDERAL COST RECOVERY - INDIRECT COST RATE PROPOSAL AND COST ALLOCATION PLANS - 9216.2

Each agency/department that receives federal funds shall prepare an Indirect Cost Rate Proposal (ICRP), Cost Allocation Plan (CAP), or Public Assistance Cost Allocation Plan (PACAP) unless exempted by the Department of Finance (Finance), Fiscal Systems and Consulting Unit (FSCU). An ICRP, CAP, or PACAP establishes the basis for recovering full costs associated with programs or activities. The ICRP, CAP, or PACAP must be prepared in accordance with the Office of Management and Budget (OMB) Guidance at 2 Code of Federal Regulations (CFR) 200, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" published by the U.S. Department of Health and Human Services.

Every fall, FSCU notifies agencies/departments with federal funding of the central service costs (or Statewide Cost Allocation Plan [SWCAP]) apportioned to them for the next fiscal year. The SWCAP reports are available in the Finance Accounting SWCAP Library.

The agency/department must include the SWCAP apportionment in the ICRP, CAP, or PACAP to allow for the recovery of federally approved statewide central services costs unless exempted by statute or grant provisions.

For ICRPs only, in addition to the supporting documentation required by OMB Guidance at 2 CFR 200, agencies/departments shall complete a Finance ICRP Summary Form. This form acts as a checklist for proper preparation of the ICRP and is available in the Finance Accounting ICRP Library. The ICRP shall include a summary sheet identifying the indirect cost rate calculation, cross-referenced to the supporting documentation. The formula used to calculate the indirect cost rate is shown below.

Agencies/Departments shall submit their ICRPs, CAPs, or PACAPs to FSCU for review before sending them to the federal cognizant agency for approval. ICRPs, CAPs, or PACAPs are typically due to the federal cognizant agency at least six months before the start of the fiscal year to which the ICRP, CAP, or PACAP applies.

Generally, the federal agency from which an agency/department receives the most funding is designated as the federal cognizant agency.

Once the federal cognizant agency approves the ICRP, CAP, or PACAP, the agency/department may recover indirect costs from the federal government. For requirements to transfer the recoveries to the General Fund, see SAM Section 9216.1.

**CALCULATION OF INDIRECT COST RATE**

([1] Agency/Department's Net Total Indirect Costs + [2] SWCAP Apportionment) / [3] Total Direct Cost Base = Proposed Indirect Cost Rate

1. Indirect costs, sometimes known as overhead, are costs incurred for a joint or common benefit and cannot be identified with a particular program, function, or cost objective (e.g., accounting, budgeting, or human resources). The total agency/department indirect costs are adjusted for unallowable costs and the addition of costs, such as equipment use allowance, per OMB Guidance at 2 CFR 200.

2. Indirect costs include the agency/department's allocation of statewide central services costs (SWCAP apportionment).

3. Direct costs are costs identified specifically with a particular program, function, or cost objective. Typical direct cost bases include personal services and modified total direct costs.

The components of the indirect cost rate should be cross-referenced to supporting documentation in the ICRP (e.g., budget reports, financial statements, etc.).

## NON-FEDERAL RECOVERIES – COST RECOVERY - 9217

(Revised and renumbered from 8756.2)

Agencies/departments which receive reimbursements from any source other than federal funding sources will also ensure that full costs are included in charges for goods provided and services performed. The basic principles and cost elements included are the same as for Federal ICRPs (see SAM section 9217.2) with one exception; non-federal cost recoveries will include the larger of the agency's/department's central service costs, Statewide Cost Allocation Plan (SWCAP) or Pro Rata. See below for a sample indirect cost calculation.

**RECOVERY OF INDIRECT COSTS**
**SAMPLE CALCULATION**

Department ABC administers a program, grant, or contract and is preparing to bill for services rendered.

1. Department ABC develops an Indirect Cost Rate Proposal (ICRP) with a 32 percent indirect cost rate as follows:

    - Total department indirect (a) = $2,660,000
    - Central service allocation (b) = $140,000
    - Total direct cost base (direct personal services costs) (c) = $8,750,000

        - ICRP = (a+b)/c = ($2,660,000 + $140,000) / $8,750,000

        = $2,800,000 / $8,750,000
        = 32%

2. The indirect cost rate applicable to central service costs is:
- Central service allocation (b) / Total direct cost base (direct personal services cost (c)
- = $140,000 / $8,750,000 = 1.6%

3. Assume total direct costs incurred for Department ABC's reimbursable activity during the billing period to be $350,000, of which $250,000 is for direct personal services costs and $100,000 is for other direct operating costs.
4. Billable amount for period = direct costs + indirect costs
- = ($250,000 + $100,000) + (32% x $250,000)

= $350,000 + $80,000
= $430,000

5a. Expected central service recovery = central service indirect cost rate x direct cost base:
- = 1.6% x $250,000

= $4,000
-or-

5b. Expected central service recovery = (Department ABC's central service allocation / Total department direct cost) x Indirect costs
- = {$140,000/($2,660,000 + $140,000)} x $80,000

= ($140,000 / $2,800,000) x $80,000
= 0.05 x $80,000
= $4,000

Summary:
Department ABC would collect a total of $430,000 for its reimbursement activity, $4,000 of which is attributable to central service costs.

(a) For federal funded programs, use SWCAP
(b) For non-federal funded programs, use Pro Rata or SWCAP (whichever is greater)

Total direct salaries and wages, total direct costs, or some other appropriate base could be substituted as the base in developing the indirect cost rate.

### NON-FEDERAL RECOVERIES - INTERAGENCY SERVICES - 9217.1

(Revised and renumbered from 8758)
Charges for interagency services will include the same cost elements that are included in charges for services to other than state agencies/departments (e.g. direct costs, indirect costs, and central service costs) as prescribed in SAM section 9213.

### NON-FEDERAL RECOVERIES - PROVISION REQUIRED - 9217.2

(Revised and renumbered from 8758.1)

All agreements or arrangements for services will include charges for the costs identified in SAM section 9217.1. Include in any agreement a provision that the charges are computed in accordance with SAM section 9213. The following sample paragraph may be used in the agreement:
"In consideration of the performance of the foregoing in a satisfactory manner (name of state agency/department receiving service) agrees to pay to (name of state agency/department performing service) the sum of $_____ payable as follows: (For example, at the end of each calendar month). Said consideration has been computed in accordance with section 9214 of the State Administrative Manual. Nothing herein contained shall preclude advance payments pursuant to Article 1, Chapter 3, Part I, Division 3, Title 2, or Article 2, Chapter 3, Part I, Division 3, Title 2 of Government Code."

### NON-FEDERAL RECOVERIES - COST ACCOUNTING - 9217.3

(Revised and renumbered from 8792)
Agencies/departments will account for the cost of maintaining individual structures, wards, etc. instead of cost accounting by organizational units only after carefully determining that the benefits of doing so outweigh the cost. This can be accomplished by use of some other management tool such as nonmonetary maintenance history records.
If agencies/departments determine that it is more advantageous for the state to keep maintenance cost records, they will:

1. Apply cost accounting procedures uniformly among their institutions, districts, or other comparable organizational units.
2. Assure the integrity of their cost accounts by comparing or reconciling them with their general ledger accounts.

## Chapter - 10400

Sections for Chapter 10400

| Section | Subchapter |
|---|---|
| ACCOUNT NUMBER1110, GENERAL CASH | 10401 |
| ACCOUNT NUMBER 1130, REVOLVING FUND CASH | 10402 |
| ACCOUNT NUMBER 1140, CASH IN STATE TREASURY | 10403 |
| ACCOUNT NUMBER 1150, CASH IN TRANSIT TO STATE TREASURY | 10404 |
| ACCOUNT NUMBER 1190, CASH ON HAND | 10405 |

| | |
|---|---|
| ACCOUNT NUMBER 1210, DEPOSITS IN SURPLUS MONEY INVESTMENT FUND | 10406 |
| ACCOUNT NUMBER 1311, ACCOUNTS RECEIVABLE—ABATEMENTS | 10407 |
| ACCOUNT NUMBER 1312, ACCOUNTS RECEIVABLE—REIMBURSEMENTS | 10408 |
| ACCOUNT NUMBER 1313, ACCOUNTS RECEIVABLE–REVENUE | 10409 |
| ACCOUNT NUMBER 1315, ACCOUNTS RECEIVABLE—DISHONORED CHECKS | 10410 |
| ACCOUNT NUMBER 1316, ACCOUNTS RECEIVABLE—CASH SHORTAGES | 10411 |
| ACCOUNT NUMBER 1319, ACCOUNTS RECEIVABLE—OTHER | 10412 |
| ACCOUNT NUMBER 1320, ACCRUED INTEREST RECEIVABLE | 10413 |
| ACCOUNT NUMBER 1400, DUE FROM OTHER FUNDS OR APPROPRIATIONS | 10414 |
| ACCOUNT NUMBER 1510, DUE FROM FEDERAL GOVERNMENT | 10415 |
| ACCOUNT NUMBER 1590, DUE FROM OTHER GOVERNMENTAL ENTITIES | 10416 |
| ACCOUNT NUMBER 1600, PROVISION FOR DEFERRED RECEIVABLES | 10417 |
| ACCOUNT NUMBER 1710, EXPENSE ADVANCES | 10418 |
| ACCOUNT NUMBER 1730, PREPAYMENTS TO OTHER FUNDS OR APPROPRIATIONS | 10419 |
| ACCOUNT NUMBER 1742, PREPAYMENTS TO COUNTIES | 10420 |
| ACCOUNT NUMBER 1749, PREPAYMENTS TO OTHER GOVERNMENTAL ENTITIES | 10421 |
| ACCOUNT NUMBER 2011, INVESTMENT IN SECURITIES AT COST | 10422 |
| ACCOUNT NUMBER 2012, INVESTMENT IN SECURITIES | 10423 |
| ACCOUNT NUMBER 2013, PREMIUM ON SECURITIES | 10424 |
| ACCOUNT NUMBER 2014, DISCOUNT ON SECURITIES | 10425 |
| ACCOUNT NUMBER 2021, INVESTMENT IN COMMON STOCK | 10426 |
| ACCOUNT NUMBER 2022, INVESTMENT IN PREFERRED STOCK | 10427 |
| ACCOUNT NUMBER 2040, INVESTMENT IN INTERFUND BUILDING AND CONSTRUCTION LOANS | 10428 |
| ACCOUNT NUMBER 2120, ADVANCES TO OTHER FUNDS | 10429 |
| ACCOUNT NUMBER 2170, INTERFUND LOANS RECEIVABLE | 10429.5 |
| ACCOUNT NUMBER 2310, LAND | 10430 |
| ACCOUNT NUMBER 2331, IMPROVEMENTS OTHER THAN BUILDINGS | 10431 |
| ACCOUNT NUMBER 2341, EQUIPMENT | 10432 |
| ACCOUNT NUMBER 2339, ACCUMULATED DEPRECIATION IMPROVEMENTS OTHER THAN BUILDINGS | 10433 |
| ACCOUNT NUMBER 2349, ACCUMULATED DEPRECIATION EQUIPMENT | 10433.1 |
| ACCOUNT NUMBER 2350, CONSTRUCTION WORK IN PROGRESS | 10434 |
| ACCOUNT NUMBER 2361, NON-DEPRECIABLE INFRASTRUCTURE | 10434.1 |
| ACCOUNT NUMBER 2362, DEPRECIABLE INFRASTRUCTURE | 10434.2 |
| ACCOUNT NUMBER 2369, ACCUMULATED DEPRECIATION – INFRASTRUCTURE | 10434.3 |
| ACCOUNT NUMBER 2411, COMPUTER SOFTWARE-AMORTIZABLE | 10435 |
| ACCOUNT NUMBER 2412, LAND USE RIGHTS–AMORTIZABLE | 10435.1 |
| ACCOUNT NUMBER 2413, PATENTS, COPYRIGHTS, TRADEMARKS–AMORTIZABLE | 10435.2 |
| ACCOUNT NUMBER 2414, OTHER INTANGIBLE ASSETS–AMORTIZABLE | 10435.3 |
| ACCOUNT NUMBER 2422, LAND USE RIGHTS–NON-AMORTIZABLE | 10435.4 |
| ACCOUNT NUMBER 2423, PATENTS, COPYRIGHTS, TRADEMARKS–NON-AMORTIZABLE | 10435.5 |

| | |
|---|---|
| ACCOUNT NUMBER 2424, OTHER INTANGIBLE ASSETS–NON-AMORTIZABLE | 10435.6 |
| ACCOUNT NUMBER 2430, INTERNALLY GENERATED INTANGIBLE ASSETS IN PROGRESS | 10435.7 |
| ACCOUNT NUMBER 2491, ACCUMULATED AMORTIZATION–COMPUTER SOFTWARE | 10435.8 |
| ACCOUNT NUMBER 2492, ACCUMULATED AMORTIZATION–LAND USE RIGHTS | 10435.9 |
| ACCOUNT NUMBER 2493, ACCUMULATED AMORTIZATION–PATENTS, COPYRIGHTS, TRADEMARKS | 10435.10 |
| ACCOUNT NUMBER 2494, ACCUMULATED AMORTIZATION–OTHER INTANGIBLE ASSETS | 10435.11 |
| ACCOUNT NUMBER 2500, DEFERRED CHARGES | 10436 |
| ACCOUNT NUMBER 2600 – PROVISION FOR DEFERRED INTERFUND LOANS PAYABLE | 10436.1 |
| ACCOUNT NUMBER 2730, DEPOSITS IN CONDEMNATION PROCEEDINGS | 10437 |
| ACCOUNT NUMBER 2740, INVENTORY OF SURVEYED EQUIPMENT | 10438 |
| ACCOUNT NUMBER 2920, AMOUNT TO BE PROVIDED FOR OTHER LONG-TERM DEBT | 10439 |
| ACCOUNT NUMBER 3010, ACCOUNTS PAYABLE | 10440 |
| ACCOUNT NUMBER 3020, CLAIMS FILED | 10441 |
| ACCOUNT NUMBER 3110, DUE TO OTHER FUNDS OR APPROPRIATIONS | 10442 |
| ACCOUNT NUMBER 3120, PREPAYMENTS FROM OTHER FUNDS OR APPROPRIATIONS | 10443 |
| ACCOUNT NUMBER 3210, DUE TO FEDERAL GOVERNMENT | 10444 |
| ACCOUNT NUMBER 3220, DUE TO LOCAL GOVERNMENTS | 10445 |
| LIABILITY FOR LOCAL SALES TAX COLLECTIONS | 10446 |
| ACCOUNT NO. 3310, ACCRUED INTEREST PAYABLE | 10447 |
| ACCOUNT NO. 3410, REVENUE COLLECTED IN ADVANCE | 10448 |
| REIMBURSEMENTS COLLECTED IN ADVANCE | 10449 |
| ACCOUNT NO. 3520, PROJECT DEPOSITS | 10450 |
| ACCOUNT NO. 3710, CASH OVERAGES | 10451 |
| ACCOUNT NO. 3730, UNCLEARED COLLECTIONS | 10452 |
| ACCOUNT NO. 3750, UNAPPORTIONED TAXES | 10453 |
| ACCOUNT NO. 3760, ACCRUED LEAVE TIME | 10454 |
| ACCOUNT NO. 3790, OTHER CURRENT LIABILITIES | 10455 |
| ACCOUNT NO. 4022, INTERFUND BUILDING AND CONSTRUCTION LOANS PAYABLE | 10456 |
| ACCOUNT NO. 4050, INTERFUND LOANS PAYABLE | 10456.5 |
| ACCOUNT NO. 4210, INSTALLMENT CONTRACTS PAYABLE | 10457 |
| ACCOUNT NO. 4220, LEASE/PURCHASE CONTRACTS | 10458 |
| ACCOUNT NO. 5200 – INVESTMENT IN CAPITAL ASSETS | 10459 |
| ACCOUNT NO. 5330, RESERVE FOR PREPAID ITEMS | 10460 |
| ACCOUNT NO. 5350, RESERVE FOR ENCUMBRANCES | 10461 |
| ACCOUNT NO. 5370 RESERVE FOR INTERFUND LOANS RECEIVABLE | 10461.5 |
| ACCOUNT NO. 5390, OTHER RESERVES | 10462 |
| ACCOUNT NO. 5530, FUND BALANCE–UNAPPROPRIATED | 10463 |
| ACCOUNT NO. 5570, FUND BALANCE—CLEARING ACCOUNT | 10464 |
| ACCOUNT NO. 6150, ENCUMBRANCES | 10465 |
| ACCOUNT NO. 8000, REVENUE | 10466 |

| | |
|---|---|
| ACCOUNT NO. 8100, REIMBURSEMENTS | 10467 |
| ACCOUNT NO. 9000, APPROPRIATION EXPENDITURES | 10468 |
| ACCOUNT NO. 9811, OPERATING TRANSFERS IN | 10469 |
| ACCOUNT NO. 9812 OPERATING TRANSFERS OUT | 10470 |
| ACCOUNT NO. 9821, INTERFUND INTREST REVENUE | 10471 |
| ACCOUNT NO. 9822, INTERFUND INTEREST EXPENSE | 10472 |
| ACCOUNT NO. 9891, REFUNDS TO REVERTED APPROPRIATIONS | 10473 |
| ACCOUNT NO. 9892, PRIOR YEAR REVENUE ADJUSTMENTS | 10474 |
| ACCOUNT NO. 9893, PRIOR-YEAR APPROPRIATION ADJUSTMENTS | 10475 |

## ACCOUNT NUMBER1110, GENERAL CASH - 10401

Normal Balance: Debit
Purpose: This account shows the amount of cash other than Agency Trust Fund Cash collected by the agency and deposited or to be deposited in its general checking account for remittance to a fund in the State Treasury or refunded to payers, but not yet remitted or refunded. At least once each month amounts determined to be earned, and therefore proper for deposit in a fund, are remitted to the State Treasury. Amounts determined to be not due to the State are refunded to payers. At the end of the fiscal year, an adjustment is made to this account for undeposited receipts as described under Account Number 1190, Cash on Hand.
Subsidiaries: None
Normal Entries:
Table content available in source manual.

## ACCOUNT NUMBER 1130, REVOLVING FUND CASH - 10402

Normal Balance: Debit
Purpose: This account shows the amount of funds advanced from the State Treasury for revolving fund purposes (see SAM Chapter 8100). Except for year-end reporting purposes, an agency revolving fund operates on an impress basis. The account balance at all times, except at year-end, equals (1) revolving fund cash on hand and in the centralized treasury system general checking account plus (2) the amount of the Revolving Fund Receivables Ledger balance. If the advance is made from a fiscal year appropriation, the amount of the fund is returned to the State Treasury at the close of the fiscal year or the State Controller's Office is requested to journalize the amount as a return to the appropriation from which it was advanced and as a withdrawal from the subsequent fiscal year appropriation. At the end of the fiscal year, the impress amount of change and cash purchase funds and the amount of undeposited receipts is reported in Account Number 1190, Cash on Hand.
Subsidiaries: Revolving Fund Cash Book and Revolving Fund Receivables Ledger
Normal Entries:
Table content available in source manual.

## ACCOUNT NUMBER 1140, CASH IN STATE TREASURY - 10403

Normal Balance: Debit
Purpose: For funds that are accounted entirely by one agency, this account shows the cash balance in the State Treasury to the credit of the particular fund.
For funds that are not accounted entirely by one agency, this account shows the net agency remittances to or disbursements from the particular fund in State Treasury during the fiscal year. At the end of the fiscal year, the account balance is transferred to Account Number 5570, Fund Balance–Clearing Account to facilitate the closing of nominal accounts.

Table content available in source manual.

## ACCOUNT NUMBER 1150, CASH IN TRANSIT TO STATE TREASURY - 10404

Normal Balance: Debit
Purpose: This account shows the amount of cash remitted by the agency to the State Treasury but not yet credited by the State Controller's Office to the appropriate accounts. Upon advice from the State Controller's Office that the money has been ordered into a fund in the State Treasury to the credit of the fund (and appropriation, if any), the agency reflects the transaction in its accounts by reducing this in transit account balance.
Subsidiaries: File of Uncleared Remittances to State Treasury
Normal Entries:
Table content available in source manual.

## ACCOUNT NUMBER 1190, CASH ON HAND - 10405

Normal Balance: Debit
Purpose: This account shows during the fiscal year the amount of: (1) cash withdrawn directly from the State Treasury as change funds, cash purchase funds, or cash payment funds; and (2) cash or checks that will not be deposited, such as bid deposits and payments of smaller amounts than are due the state which if deposited would prejudice the state's right to make further collections. At the end of the fiscal year, a journal entry is made transferring to this account: (1) from Account Number 1110, General Cash, and Account Number 1120, Agency Trust Fund Cash, the amount of un-deposited receipts; (2) from revolving

funds the imprest amounts of change and cash purchase funds withdrawn and the amount of un-deposited receipts; and (3) from other cash accounts the amount of un-deposited receipts.
Subsidiaries: Open Items in Cash on Hand Register
Normal Entries:
Table content available in source manual.

## ACCOUNT NUMBER 1210, DEPOSITS IN SURPLUS MONEY INVESTMENT FUND - 10406

Normal Balance: Debit
Purpose: This account shows the amount of agency moneys in the Surplus Money Investment Fund. Surplus Money Investment Fund moneys are invested in U.S. Government securities, commercial paper, time certificates of deposit, and bankers acceptances. Interest earned from these securities is credited to the participating funds. Interest receivableat fiscal year-end is accounted in Account Number 1400.
Subsidiaries: None
Normal Entries:
Table content available in source manual.

## ACCOUNT NUMBER 1311, ACCOUNTS RECEIVABLE—ABATEMENTS - 10407

Normal Balance: Debit
Purpose: This account shows the amount receivable from private entities as abatements of expenditures. For state accounting purposes, abatements are as defined in SAM Section 10220.
Subsidiaries: Accounts Receivable Ledger or File
Normal Entries:
Table content available in source manual.

**Note:** The two elements of the net entry made from the Payroll Expenditure Register are shown separately above for clarity.
Table content available in source manual.

## ACCOUNT NUMBER 1312, ACCOUNTS RECEIVABLE—REIMBURSEMENTS - 10408

Normal Balance: Debit
Purpose: This account shows the amount receivable from private entities as reimbursements for goods or services.
Subsidiaries: Accounts Receivable Ledger or File
Normal Entries:
Table content available in source manual.

## ACCOUNT NUMBER 1313, ACCOUNTS RECEIVABLE–REVENUE - 10409

Normal Balance: Debit
Purpose: This account shows the amount receivable from private entities for revenue items which when collected will be remitted to the State Treasury to the credit of a fund but not an appropriation.
Subsidiaries: Accounts Receivable Ledger or File
Normal Entries:
Table content available in source manual.

## ACCOUNT NUMBER 1315, ACCOUNTS RECEIVABLE—DISHONORED CHECKS - 10410

Normal Balance: Debit
Purpose: This account shows the amounts charged to persons because their checks have been dishonored by banks. As dishonored checks are redeposited or substituted with other checks or legal tender, the account is credited.
Subsidiaries: File of Uncleared Bank Debit Notices
Normal Entries:
Table content available in source manual.

## ACCOUNT NUMBER 1316, ACCOUNTS RECEIVABLE—CASH SHORTAGES - 10411

Normal Balance: Debit
Purpose: This account shows the amounts charged to cashiers for cash shortages occurring in their accounts. As relief from accountability is obtained from the State Board of Control or restitutions are received from cashiers, the account is credited.
Subsidiaries: Cash Shortage Ledger
Normal Entries:

Table content available in source manual.

## ACCOUNT NUMBER 1319, ACCOUNTS RECEIVABLE—OTHER - 10412

Normal Balance: Debit
Purpose: This account shows receivables not applicable to any other general ledger receivables account. This account is used at the end of the fiscal year to record: (1) the amount due the office revolving fund from funds that contributed less to it than disbursements therefrom outstanding on their behalf; and (2) dishonored checks on refunds to reverted appropriations and

nonrevenue receipts. During the fiscal year, it is used to record receivables applicable to reverted appropriations. It is used by agencies for other purposes only upon written approval of Department of Finance, Fiscal Systems and Consulting Unit.
Subsidiaries: Accounts Receivable Ledger or File
Normal Entries:
Table content available in source manual.

## ACCOUNT NUMBER 1320, ACCRUED INTEREST RECEIVABLE - 10413

Normal Balance: Debit
Purpose: This account shows the amount of unpaid interest accrued to the date of purchase and included in the purchase price of securities purchased between interest dates. The applicable portion of the first interest received on such securities is credited to this account rather than to revenue.
Subsidiaries: Investment Ledger
Normal Entries:
Table content available in source manual.

## ACCOUNT NUMBER 1400, DUE FROM OTHER FUNDS OR APPROPRIATIONS - 10414

Normal Balance: Debit
Purpose: This account shows the amounts due from other funds or appropriations by reason of statutory provisions relating to allocation of moneys among funds and other special circumstances. At year-end, it includes amounts receivable for revenues collected and/or accrued for it by other funds or appropriations, and the amount of interest due from the Condemnation Deposits Fund and the Surplus Money Investment Fund at June 30, and not paid until July. It also includes amounts due from other funds or appropriations as reimbursements, abatements, and revenue.
Subsidiaries: File of applicable documents.
Normal Entries:
Table content available in source manual.

(Other entries to this account are made by special journal entries as circumstances require, the account being debited when specific amounts become due from other funds and credited when the funds are transferred or accruals are reversed.)

## ACCOUNT NUMBER 1510, DUE FROM FEDERAL GOVERNMENT - 10415

Normal Balance: Debit

Purpose: This account shows the amount receivable from the Federal Government other than reimbursements.

Subsidiaries: Accounts Receivable Ledger or File

Normal Entries:

Table content available in source manual.

This account is debited when amounts, other than reimbursements, become due from the Federal Government or are accrued and is credited when payments thereon are received or accruals are reversed.

## ACCOUNT NUMBER 1590, DUE FROM OTHER GOVERNMENTAL ENTITIES - 10416

Normal Balance: Debit
Purpose: This account shows: (1) the amount receivable from local governments (2) the amount advanced to federal or local agencies for water or beach erosion projects that will be fully repaid upon or prior to completion of the project. It does not include the noncurrent portion of loans to local agencies under the Davis-Grunsky Act, which are accounted in Account Number 2149.
Subsidiaries: Accounts Receivable Ledger or File
Normal Entries:
Table content available in source manual.

## ACCOUNT NUMBER 1600, PROVISION FOR DEFERRED RECEIVABLES - 10417

Normal Balance: Credit
Purpose: This account shows the amount provided for receivables not collectible within one year and any other receivables for which a full deferral is deemed appropriate or required by law.
Subsidiaries: None
Normal Entries:
Table content available in source manual.

## ACCOUNT NUMBER 1710, EXPENSE ADVANCES - 10418

Normal Balance:  Debit as of June 30. None at any other time.
Purpose: This account shows, for year-end reporting purposes, the amount of cash advanced to employees for travel or other legitimate expenses from the agency revolving fund. During the year, the revolving fund is accounted on an imprest basis. In order not to overstate the amount of cash in the revolving fund in year-end statements, as of June 30 each year this account together with Account Nos. 1190, 3010, and 3020 is debited and Account Number 1130, Revolving Fund Cash, is credited for the

appropriate amounts to reduce Account Number 1130 to the actual amount of revolving fund cash on deposit in the agency's general checking account with the State Treasurer. The entry is reversed as of July 1.
Subsidiaries: Portion of Revolving Fund Receivables Ledger
Normal Entries:
Table content available in source manual.

## ACCOUNT NUMBER 1730, PREPAYMENTS TO OTHER FUNDS OR APPROPRIATIONS - 10419

Normal Balance: Debit
Purpose: This account shows the unexpended prepayments to other funds or appropriations for services requested. It also shows the unexpended prepayments to the Water Resources Revolving Fund, Architecture Revolving Fund, and State Transportation Fund for capital projects. Agencies will keep a separate subsidiary ledger account showing the amount prepaid to each fund.
Subsidiaries: Prepayments Ledger
Normal Entries:
Table content available in source manual.

## ACCOUNT NUMBER 1742, PREPAYMENTS TO COUNTIES - 10420

Normal Balance: Debit
Purpose: This account shows the payments to counties for social welfare programs from the (1) General Fund and (2) Social Welfare Federal Fund.
Subsidiaries: County Advance Ledger
Normal Entries:
Table content available in source manual.

*This account is debited when funds are advanced to counties for social welfare programs. It is credited, and an expenditure account is debited, as the counties file reports of actual expenditures. No Standard Entries are shown since this account has limited use.*

## ACCOUNT NUMBER 1749, PREPAYMENTS TO OTHER GOVERNMENTAL ENTITIES - 10421

Normal Balance: Debit
Purpose: This account shows the unexpended balance of prepayments made to federal and local agencies for the state share of water or beach erosion projects. It is fully reserved in Account Number 5330.
Subsidiaries: Project Ledger
Normal Entries:
Table content available in source manual.

*This account is debited when prepayments are made and is credited when approved expenditure reports are received or unexpended balances are returned. No standard entries are shown.*

## ACCOUNT NUMBER 2011, INVESTMENT IN SECURITIES AT COST - 10422

Normal Balance: Debit
Purpose: This account shows the cost of investment in debt securities, such as Treasury Bills.
Subsidiaries: Investments Ledger
Normal Entries:
Table content available in source manual.

## ACCOUNT NUMBER 2012, INVESTMENT IN SECURITIES - 10423

Normal Balance: Debit
Purpose: This account shows the face value of investment in debt securities other than those recorded at cost in Account Number 2011.
Subsidiaries: Investments Ledger
Normal Entries:
Table content available in source manual.

## ACCOUNT NUMBER 2013, PREMIUM ON SECURITIES - 10424

Normal Balance: Debit
Purpose: This account shows the unamortized premium on securities purchased at more than par value. Premium is amortized during the expected holding period or the securities using the "interest method" which yields an equal periodic rate of interest.
Subsidiaries: Investments Ledger
Normal Entries:

Table content available in source manual.

## ACCOUNT NUMBER 2014, DISCOUNT ON SECURITIES - 10425

Normal Balance: Credit
Purpose: This account shows the unamortized discount on securities purchased at less than par value. Discount is amortized during the expected holding period of the securities using the "interest method" which yields an equal periodic rate of interest.
Subsidiaries: Investments Ledger
Normal Entries:
Table content available in source manual.

## ACCOUNT NUMBER 2021, INVESTMENT IN COMMON STOCK - 10426

Normal Balance: Debit
Purpose: This account shows the amount of investment in common stock.
Subsidiaries: Investment Ledger
Normal Entries:
Table content available in source manual.

## ACCOUNT NUMBER 2022, INVESTMENT IN PREFERRED STOCK - 10427

Normal Balance: Debit
Purpose: This account shows the amount of investment in preferred stock.
Subsidiaries: Investments Ledger
Normal Entries:
Table content available in source manual.

## ACCOUNT NUMBER 2040, INVESTMENT IN INTERFUND BUILDING AND CONSTRUCTION LOANS - 10428

Normal Balance: Debit
Purpose: This account shows investments in state buildings and other state capital outlay projects evidenced by documents other than certificates issued pursuant to the State Building Construction Act of 1955.
Subsidiaries: Investments Ledger
Normal Entries:
Table content available in source manual.

*This account is not used by most funds. This account is debited for amounts disbursed for building loans and is credited for amounts received in repayment of the principal thereof. No standard entries are shown.*

## ACCOUNT NUMBER 2120, ADVANCES TO OTHER FUNDS - 10429

Normal Balance: Debit
Purpose: This account shows the amounts of repayable advances between funds which are not expected to be repaid within the current or ensuing fiscal year.
Subsidiaries: File of applicable documents.
Normal Entries:
Table content available in source manual.

*Entries to this account will usually be made by special journal entries as circumstances require.*

## ACCOUNT NUMBER 2170, INTERFUND LOANS RECEIVABLE - 10429.5

Normal Balance: Debit
Purpose: This account shows the receivable amount of repayable loans between funds which is not expected to be collected within the current or ensuing fiscal year.
Subsidiaries: File of applicable documents.
Normal Entries:
Table content available in source manual.

*Entries to this account will usually be made by special journal entries as circumstances require.*

## ACCOUNT NUMBER 2310, LAND - 10430

Normal Balance: Debit
Purpose: This account shows the cost or appraised value of state-owned land and interests in land under the jurisdiction of the particular agency.
Subsidiaries: Property Ledger
Normal Entries:
Table content available in source manual.

## ACCOUNT NUMBER 2331, IMPROVEMENTS OTHER THAN BUILDINGS - 10431

Normal Balance: Debit
Purpose: This account shows the cost or appraised value of state-owned nonstructural improvements under the jurisdiction of the particular department. Use of this account is dependent on written approval of the Department of Finance, Fiscal Systems and Consulting Unit.

Subsidiaries:  Property Ledger
**Based on SAM Chapter 10500, the normal entries for this account are as follows**:
Table content available in source manual.

## ACCOUNT NUMBER 2341, EQUIPMENT - 10432

Normal Balance: Debit
Purpose: This account shows the cost or appraised value of State-Owned equipment under the jurisdiction of the particular agency.
Subsidiaries: Property Ledger
Normal Entries:
Table content available in source manual.

## ACCOUNT NUMBER 2339, ACCUMULATED DEPRECIATION IMPROVEMENTS OTHER THAN BUILDINGS - 10433

Normal Balance: Credit
Purpose: This account shows the depreciated portion of the cost of improvements, other than buildings.
Subsidiaries: Property Ledger
Normal Entries:
Table content available in source manual.

*Entries to this account will usually be made by special journal entries as circumstances require.*

## ACCOUNT NUMBER 2349, ACCUMULATED DEPRECIATION EQUIPMENT - 10433.1

Normal Balance: Credit
Purpose: This account shows the depreciated portion of the cost of equipment.
Subsidiaries:  Property Ledger
Normal Entries:
Table content available in source manual.

*Entries to this account will usually be made by special journal entries as circumstances require.*

## ACCOUNT NUMBER 2350, CONSTRUCTION WORK IN PROGRESS - 10434

Normal Balance: Debit
Purpose: This account shows the amount expended on capital outlay projects that are not yet completed and, therefore, cannot be capitalized in the capital assets accounts.
Subsidiaries: File of Expenditure Reports for projects constructed by other departments. Work Order Ledger or File for projects constructed by departments.
**Based on SAM Chapter 10500, the normal entries for this account are as follows:**
Table content available in source manual.

## ACCOUNT NUMBER 2361, NON-DEPRECIABLE INFRASTRUCTURE - 10434.1

**Normal Balance**: Debit
**Purpose:** This account shows the cost or appraised value of state-owned roadways and bridges on the State Highway System that are accounted for and reported using the modified approach allowed pursuant to GASB Statement Number 34. Under the modified approach, Caltrans does not report depreciation expense for roads and bridges but capitalizes all costs that add to the capacity and efficiency of the state-owned roads and bridges.  All maintenance and preservation costs are expensed and not capitalized.
**Subsidiaries:** Property Ledger
Normal Entries:
Table content available in source manual.

## ACCOUNT NUMBER 2362, DEPRECIABLE INFRASTRUCTURE - 10434.2

**Normal Balance**: Debit
**Purpose:** This account shows the cost or appraised value of state-owned infrastructure other than roadways and bridges on the State Highway System.
**Subsidiaries:** Property Ledger
Normal Entries:
Table content available in source manual.

## ACCOUNT NUMBER 2369, ACCUMULATED DEPRECIATION – INFRASTRUCTURE - 10434.3

**Normal Balance**: Credit
**Purpose:** This account shows the depreciated portion of infrastructure other than state- owned roadways and bridges.
**Subsidiaries:** Property Ledger
Normal Entries:
Table content available in source manual.

Entries to this account will usually be made by special journal entries as circumstances require.

## ACCOUNT NUMBER 2411, COMPUTER SOFTWARE-AMORTIZABLE - 10435

**Normal Balance**: Debit
**Purpose:** This account shows the cost of state-owned computer software (purchased, licensed, or internally generated) under the jurisdiction of the particular department.
**Subsidiaries**: Property Ledger
Normal Entries:
Table content available in source manual.

## ACCOUNT NUMBER 2412, LAND USE RIGHTS–AMORTIZABLE - 10435.1

**Normal Balance**: Debit
**Purpose:** This account shows the cost or appraised value of state-owned amortizable land-use rights (easements, water rights, timber rights and mineral rights) under the jurisdiction of the particular department.
**Subsidiaries**: Property Ledger
Normal Entries:
Table content available in source manual.

## ACCOUNT NUMBER 2413, PATENTS, COPYRIGHTS, TRADEMARKS–AMORTIZABLE - 10435.2

**Normal Balance**: Debit
**Purpose:** This account shows the cost or appraised value of state-owned amortizable patents, copyrights and trademarks under the jurisdiction of the particular department.
**Subsidiaries**: Property Ledger
Normal Entries:
Table content available in source manual.

## ACCOUNT NUMBER 2414, OTHER INTANGIBLE ASSETS–AMORTIZABLE - 10435.3

**Normal Balance**: Debit
**Purpose:** This account shows the cost or appraised value of state owned amortizable intangible assets, not otherwise classified.
**Subsidiaries**: Property Ledger
Normal Entries:
Table content available in source manual.

## ACCOUNT NUMBER 2422, LAND USE RIGHTS–NON-AMORTIZABLE - 10435.4

**Normal Balance**: Debit
**Purpose:** This account shows the cost or appraised value of state-owned non- amortizable (i.e., with an indefinite useful life) land use rights (easements, water rights, timber rights and mineral rights) under the jurisdiction of the particular department.
**Subsidiaries**: Property Ledger
Normal Entries:
Table content available in source manual.

## ACCOUNT NUMBER 2423, PATENTS, COPYRIGHTS, TRADEMARKS–NON-AMORTIZABLE - 10435.5

**Normal Balance**: Debit
**Purpose:** This account shows the cost or appraised value of state-owned non- amortizable (i.e., with an indefinite useful life) patents, copyrights and trademarks under the jurisdiction of the particular department.
**Subsidiaries**: Property Ledger
Normal Entries:
Table content available in source manual.

## ACCOUNT NUMBER 2424, OTHER INTANGIBLE ASSETS–NON-AMORTIZABLE - 10435.6

**Normal Balance**: Debit
**Purpose:** This account shows the cost or appraised value of state owned non- amortizable (i.e., with an indefinite useful life) intangible assets, not otherwise classified.
**Subsidiaries**: Property Ledger
Normal Entries:
Table content available in source manual.

## ACCOUNT NUMBER 2430, INTERNALLY GENERATED INTANGIBLE ASSETS IN PROGRESS - 10435.7

**Normal Balance**: Debit
**Purpose:** This account shows the amount expended on internally generated intangible assets that are not yet complete and, therefore, cannot be capitalized in the specific intangible asset accounts. Once the internally generated intangible asset is complete, the total cost is moved from this account to the specific intangible asset account.
**Subsidiaries**: File of Expenditure Reports for projects developed by other agencies. Work Order Ledger or File for projects developed by department.
Normal Entries:
Table content available in source manual.

## ACCOUNT NUMBER 2491, ACCUMULATED AMORTIZATION–COMPUTER SOFTWARE - 10435.8

**Normal Balance**: Credit
**Purpose:** This account shows the depreciated portion of the cost of computer software.
**Subsidiaries**: Property Ledger
Normal Entries:
Table content available in source manual.

Entries to this account will usually be made by special journal entries as circumstances require.

## ACCOUNT NUMBER 2492, ACCUMULATED AMORTIZATION–LAND USE RIGHTS - 10435.9

**Normal Balance**: Credit
**Purpose:** This account shows the depreciated portion of the cost of land use rights.
**Subsidiaries**: Property Ledger
Normal Entries:
Table content available in source manual.

Entries to this account will usually be made by special journal entries as circumstances require.

## ACCOUNT NUMBER 2493, ACCUMULATED AMORTIZATION–PATENTS, COPYRIGHTS, TRADEMARKS - 10435.10

**Normal Balance**: Credit
**Purpose:** This account shows the depreciated portion of the cost of land use rights.
**Subsidiaries**: Property Ledger
Normal Entries:
Table content available in source manual.

Entries to this account will usually be made by special journal entries as circumstances require.

## ACCOUNT NUMBER 2494, ACCUMULATED AMORTIZATION–OTHER INTANGIBLE ASSETS - 10435.11

**Normal Balance**: Credit
**Purpose:** This account shows the depreciated portion of the cost of intangible assets, not otherwise classified.
**Subsidiaries**: Property Ledger
Normal Entries:
Table content available in source manual.

Entries to this account will usually be made by special journal entries as circumstances require.

## ACCOUNT NUMBER 2500, DEFERRED CHARGES - 10436

**Normal Balance**:Debit
**Purpose:** This account shows the amount, as of June 30 each year, of office revolving fund disbursements in payment of discounted invoices to be charged to a succeeding fiscal year appropriation due to advance deliveries of materials and supplies to be used in the succeeding fiscal year. This account is also used for any other deferred charges not otherwise classified. Such items not otherwise classified will be charged to this account only upon written approval of Department of Finance, Fiscal Systems and Consulting Unit. Payments made for deferred charges should only be made after the Budget Act for the subsequent fiscal year is enacted.
**Subsidiaries**: File of Discounted Invoices to be Charged to Succeeding Fiscal Year Appropriations. Other files or ledgers as necessary.
Normal Entries:
Table content available in source manual.

## ACCOUNT NUMBER 2600 – PROVISION FOR DEFERRED INTERFUND LOANS PAYABLE - 10436.1

(Renumbered from 10435.5 09/2010)
**Normal Balance**: Debit
**Purpose:** This account shows the liability amount for repayable loans between funds which are not expected to be repaid within the current or ensuing fiscal year and are, therefore, deferred.
**Subsidiaries**: File of applicable documents.
Normal Entries:
Table content available in source manual.

Entries to this account will usually be made by special journal entries as circumstances require.

## ACCOUNT NUMBER 2730, DEPOSITS IN CONDEMNATION PROCEEDINGS - 10437

**Normal Balance**: Debit
**Purpose:** This account shows the amount on deposit in the Condemnation Deposits Fund and in courts for condemnation suits on which final settlement has not yet been made either from the Condemnation Deposits Fund or from other funds. These deposits are fully reserved in Account Number 5390, Other Reserves.
**Subsidiaries**: File of Open Condemnation Deposit Documents
Normal Entries:
Table content available in source manual.

## ACCOUNT NUMBER 2740, INVENTORY OF SURVEYED EQUIPMENT - 10438

Normal Balance: Debit

Purpose: This account shows the estimated sales value of surveyed equipment at the end of any fiscal year in which the new equipment has been purchased but the old item, budgeted to be traded-in, and has not been sold on or before June 30. The purpose of this account is to give effect to uncompleted equipment transactions in the department's final budget report and to show salable surveyed equipment as fund assets in other final year-end financial reports furnished to the State Controller's Office. It will be used only by those funds where the receipts from the sale in lieu of trade-in are to be abated to a Budget Act appropriation or other appropriation specific in amount.

Subsidiaries: Property Ledger; File of Uncleared Survey Reports

Normal Entries:

Table content available in source manual.

## ACCOUNT NUMBER 2920, AMOUNT TO BE PROVIDED FOR OTHER LONG-TERM DEBT - 10439

Normal Balance: Debit

Purpose: This account is used to offset the general bonded debt and also certain other large long-term liabilities including installment purchase and capital lease (lease- purchase) contracts.

Subsidiaries: None

Normal Entries:

Table content available in source manual.

For other uses of this account contact Department of Finance, Fiscal Systems and Consulting Unit.

## ACCOUNT NUMBER 3010, ACCOUNTS PAYABLE - 10440

Normal Balance: Credit

Purpose: This account shows, as of June 30, the amount of outstanding obligations of the year just ended and prior fiscal years. Accrued expenditures that were not scheduled for payment at June 30 are credited to this account. A few agencies also use this account to show other types of payables during the fiscal year.

Subsidiaries: Accounts Payable Ledger or File

Normal Entries:

Table content available in source manual.

## ACCOUNT NUMBER 3020, CLAIMS FILED - 10441

Normal Balance: Credit

Purpose: This account shows the amount of claims approved for payment that have been filed with the State Controller's Office. The balance of this account is increased as claims are filed and is reduced on the basis of Notices of Claims Paid, Form CD–102, issued by the State Controller's Office for warrants issued in payment of claims.

Subsidiaries: Open items in Claims File Register

Normal Entries:

Table content available in source manual.

## ACCOUNT NUMBER 3110, DUE TO OTHER FUNDS OR APPROPRIATIONS - 10442

Normal Balance: Credit

Purpose: This account shows the amounts due to other funds by reason of statutory provisions relating to allocation of moneys among funds and other special circumstances. At year-end, it includes amounts payable for revenues collected and/or accrued by it for other funds. It does not include amounts due to other funds as reimbursements for services received or the liability for expendable prepayments from other funds. Agencies will keep a separate subsidiary ledger account showing the amount due to each fund.

Subsidiaries: Revenue Ledger or file of applicable documents

Normal Entries:

Table content available in source manual.

## ACCOUNT NUMBER 3120, PREPAYMENTS FROM OTHER FUNDS OR APPROPRIATIONS - 10443

Normal Balance: Credit
Purpose: This account shows the amount of prepayments from other funds or appropriations for services requested. A separate account is kept for each fund from which a prepayment has been received.

Subsidiaries: Sub-account for each appropriation when prepayments are received from more than one appropriation of the same fund.
Normal Entries:

Table content available in source manual.

*(Entries to this account in the accounts of the agency receiving the prepayment are contra to entries to Account Number 1730 in the accounts of the agency making the prepayment. No standard entries are shown.)*

## ACCOUNT NUMBER 3210, DUE TO FEDERAL GOVERNMENT - 10444

Normal Balance: Credit
Purpose: This account shows amounts due to the Federal Government under various legal and contractual provisions, other than reimbursements for services received which are accounted in Account Number 3010, Accounts Payable.
Subsidiaries: File of Documents Schedules or other records if appropriate.
Normal Entries:

Table content available in source manual.

*This account is credited when a liability to the federal government is incurred and debited when payments thereon are made. No Standard Entries are shown since this account has limited use.*

## ACCOUNT NUMBER 3220, DUE TO LOCAL GOVERNMENTS - 10445

Normal Balance: Credit
Purpose: This account shows amounts due to local governments under various legal and contractual provisions, other than reimbursements for services received which are accounted in Account No. 3010, Accounts Payable.
Subsidiaries: File of Documents Schedules or other records if appropriate.
Normal Entries:

Table content available in source manual.

*This account is credited when a liability to the federal government is incurred and debited when payments thereon are made. No Standard Entries are shown since this account has limited use.*

## LIABILITY FOR LOCAL SALES TAX COLLECTIONS - 10446

Normal Balance:Credit
Purpose: This account shows the liability to local governments for amounts collected under the Uniform Local Sales and Use Tax Law by the State Board of Equalization.
Subsidiaries: Monthly Electronic Data Processing Listing
Normal Entries:

Table content available in source manual.

*No Standard Entries are shown since this account has limited use.*

## ACCOUNT NO. 3310, ACCRUED INTEREST PAYABLE - 10447

Normal Balance: Credit
Purpose: This account shows the amount of accrued interest payable on bonded indebtedness, or similar obligations of the State.
Normal Entries:

Table content available in source manual.

*When accrued interest is recorded, this account is credited and an appropriate expenditure account is debited. When the interest is paid, this account is then debited. No standard entries are shown.*

## ACCOUNT NO. 3410, REVENUE COLLECTED IN ADVANCE - 10448

Normal Balance: Credit
Purpose: This account shows amounts collected that will be accounted as revenue of subsequent fiscal years.
Subsidiaries: Revenues Ledger (Subsequent Fiscal Years)
Normal Entries:

Table content available in source manual.

## REIMBURSEMENTS COLLECTED IN ADVANCE - 10449

Normal Balance: Credit
Purpose: This account shows amounts collected that will be applied to a current fiscal year appropriation when earned or that will be applied to a subsequent fiscal year's appropriation.
Subsidiaries: None
Normal Entries:

Table content available in source manual.

## ACCOUNT NO. 3520, PROJECT DEPOSITS - 10450

Normal Balance: Credit
Purpose: This account shows the amount of accountability to other agencies for prepayments for specific projects. The unexpended portion of such prepayments is shown in Account No. 1140 and the amount expended on open projects is shown in Account No. 2350.
Subsidiaries: Work in Progress Ledger
Normal Entries:

Table content available in source manual.

*This account is credited when prepayments are received from other agencies and is debited when projects are completed and/or excess funds are returned. No standard entries are shown since this account has limited use.*

## ACCOUNT NO. 3710, CASH OVERAGES - 10451

Normal Balance: Credit
Purpose: This account shows the amounts credited to cashiers for cash overages occurring in their accounts. Cash overages are refunded if proper identification and verification can be made. The remaining cash overages are held in suspense in this account until they are applied as revenue. Cash overages will be applied at least once each quarter.
Subsidiaries: File of Suspense Items
Normal Entries:

Table content available in source manual.

*(When cash overages that have been credited to this account are identified and refunded to payers, the refund is shown in the General Cash Disbursements Register as a debit to this account and included in Standard Entry No. 10.)*

## ACCOUNT NO. 3730, UNCLEARED COLLECTIONS - 10452

Normal Balance: Credit
Purpose: This account shows the amount of cash collections which must be reviewed to determine if they are to be accepted for a fund in the State Treasury or are to be refunded to payers. This account also contains fees which are not earned until a permit, license, or other document is actually issued.
Subsidiaries: Uncleared Collections File
Normal Entries:

Table content available in source manual.

## ACCOUNT NO. 3750, UNAPPORTIONED TAXES - 10453

Normal Balance: Credit
Purpose: This account shows the amount of money which is subject to apportionment to other funds or local governments.
Subsidiaries: Schedules or files of appropriate documents.
Normal Entries:

Table content available in source manual.

*No Standard Entries are shown since this account has limited use.*

## ACCOUNT NO. 3760, ACCRUED LEAVE TIME - 10454

Normal Balance: Credit
Purpose: This account shows the amount reserved for the liability for vacation and compensating time off earned but not taken.
Subsidiaries: Schedule computed from Employee Leave Records, STD. Form 642.
Normal Entries:

Table content available in source manual.

*No Standard Entries are shown since this account has limited use.*

## ACCOUNT NO. 3790, OTHER CURRENT LIABILITIES - 10455

Normal Balance: Credit
Purpose: This account shows the amount of any liabilities not otherwise classified.
Subsidiaries: Various, depending on the nature of the accounts.
Normal Entries:

Table content available in source manual.

*No Standard Entries are shown since this account has limited use.*

## ACCOUNT NO. 4022, INTERFUND BUILDING AND CONSTRUCTION LOANS PAYABLE - 10456

Normal Balance: Credit

Purpose: This account shows the noncurrent portion of the long-term liability for building and construction loans (evidenced by documents other than certificates issued pursuant to the State Construction Act of 1955).
Subsidiaries: Bond and Building Loan Ledger
Normal Entries:

Table content available in source manual.

*No Standard Entries are shown since this account has limited use.*

## ACCOUNT NO. 4050, INTERFUND LOANS PAYABLE - 10456.5

Normal Balance: Credit
Purpose: This account shows the liability amount for repayable loans between funds which are not expected to be repaid within the current or ensuing fiscal year.
Subsidiaries: File of applicable documents.
Normal Entries:

Table content available in source manual.

*Entries to this account will usually be made by special journal entries as circumstances require.*

## ACCOUNT NO. 4210, INSTALLMENT CONTRACTS PAYABLE - 10457

Normal Balance: Credit
Purpose: This account shows the long-term liability applicable to the principal installment purchase contracts. As claims are filed for payment of installments, the account balance is reduced by the amount of the payment applicable to the principal, excluding any interest, maintenance or other operating costs.
Subsidiaries: File of installment purchase contracts.
Normal Entries:

Table content available in source manual.

## ACCOUNT NO. 4220, LEASE/PURCHASE CONTRACTS - 10458

Normal Balance: Credit
Purpose: This account shows the long-term liability applicable to the principal on capital lease (lease-purchase) contracts. As claims are filed for lease payments, the account balance is reduced by the amount of payment applicable to the principal, excluding any interest, maintenance or other operating costs.
Subsidiaries: File of lease-purchase contracts.
Normal Entries:

Table content available in source manual.

## ACCOUNT NO. 5200 – INVESTMENT IN CAPITAL ASSETS - 10459

Normal Balance: Credit

Purpose: This account shows the accountability of the department for the amount invested in tangible assets and intangible assets under its jurisdiction. The purpose of this account is to exclude from the fund balance the amounts invested in tangible assets and intangible assets. This account is contra to Account Nos. 2310, 2321, 2331, 2333, 2341, 2350, 2361, 2362, 2411, 2412, 2413, 2414, 2422, 2423, and 2424.

Subsidiaries: None

Normal Entries:

Table content available in source manual.

## ACCOUNT NO. 5330, RESERVE FOR PREPAID ITEMS - 10460

Normal Balance: Credit

Purpose: This account shows the amount of prepayments to other funds. It is contra to Account No. 1730.

Subsidiaries: None

Normal Entries:

Table content available in source manual.

## ACCOUNT NO. 5350, RESERVE FOR ENCUMBRANCES - 10461

Normal Balance: Credit

Purpose: This account is contra to Account No. 6150, Encumbrances.

Subsidiaries: Allotment-Expenditures Ledger, File of Open Estimates (Same as Account No. 6150)

Normal Entries:

Table content available in source manual.

## ACCOUNT NO. 5370 RESERVE FOR INTERFUND LOANS RECEIVABLE - 10461.5

Normal Balance: Credit

Purpose: This account shows the receivable amount of repayable loans between funds which is not expected to be collected within the current or ensuing fiscal year and is, therefore, reserved. This is a contra account to account no. 2170.

Subsidiaries: File of applicable documents.

Normal Entries:

Table content available in source manual.

*Entries to this account will usually be made by special journal entries as circumstances require.*

## ACCOUNT NO. 5390, OTHER RESERVES - 10462

Normal Balance: Credit

Purpose: This account shows the amount of any reserve not otherwise classified. It is used as a reserve for condemnation deposits, contra to Account No. 2730.

Subsidiaries: Various, depending on the nature of the accounts.

Normal Entries:

Table content available in source manual.

(Other entries to this account are made by special journal entries as circumstances require.)

## ACCOUNT NO. 5530, FUND BALANCE–UNAPPROPRIATED - 10463

Normal Balance: Credit

Purpose: After revenue and expenditure accounts have been closed to this account, it shows the current "fund equity" of the particular fund.

Subsidiaries: None

Normal Entries:

Table content available in source manual.

## ACCOUNT NO. 5570, FUND BALANCE—CLEARING ACCOUNT - 10464

Normal Balance: Credit

Purpose: This account shows each agency's shared equity (net assets or liabilities) of particular funds in the State Treasury not accounted entirely by one agency. This account is not used during the fiscal year. At the end of the fiscal year, after Entry A–13, revenue and expenditures accounts are closed to this account. The account balance is the connecting link between the books of the various state agencies and the corresponding central fund accounts maintained by the State Controller's Office. It is comparable to a proprietary "branch office" clearing account used to connect agency records with the "home office" records maintained by the State Controller's Office.

Subsidiaries: None

Normal Entries:

Table content available in source manual.

## ACCOUNT NO. 6150, ENCUMBRANCES - 10465

Normal Balance: Debit

Purpose: This account shows the amount of un-liquidated encumbrances against appropriations currently available for encumbrance. It is supported by salary, expense and procurement documents for approved expenditures that have not yet been paid.

Subsidiaries: Allotment-Expenditure Ledger, File of Open Estimates

Normal Entries:

Table content available in source manual.

## ACCOUNT NO. 8000, REVENUE - 10466

Normal Balance: Credit

Purpose: This account shows the amount of revenue accounted as applicable to the current fiscal year. At year-end, it includes the amount of revenue collected and/or accrued for it by other funds not yet received from such funds. It does not include revenues collected in advance of subsequent fiscal years or revenues collected for other funds.

Subsidiaries: Revenue Ledger

Normal Entries:

Table content available in source manual.

## ACCOUNT NO. 8100, REIMBURSEMENTS - 10467

Normal Balance: Credit

Purpose: This account shows the total of amounts collected and/or accrued for the fiscal year to date representing partial or total recoveries of expenditures made by the spending agency for services or commodities furnished to other agencies or persons. Although they are similar to expenditure abatements in that they are credited to an appropriation, reimbursements are accounted separately and may not be expended unless appropriated or allotted for agency use.

Subsidiaries: Reimbursement Allotment in Allotment-Expenditure Ledger

Normal Entries:

Table content available in source manual.

## ACCOUNT NO. 9000, APPROPRIATION EXPENDITURES - 10468

Normal Balance: Debit

Purpose: This account shows the amount of expenditures chargeable to appropriations and executive orders available for encumbrance during the fiscal year.

Subsidiaries: Allotment-Expenditure Ledger

Normal Entries:

Table content available in source manual.

## ACCOUNT NO. 9811, OPERATING TRANSFERS IN - 10469

Normal Balance: Credit

Purpose: This account shows the amount transferred and/or receivable from other funds of (1) receipts and/or accruals that are accounted as revenue of the transferring fund, (2) amounts to be disbursed immediately by the transferee fund; i.e., where the transferee fund is just an intermediary for convenience in disbursing operations, (3) amounts to be disbursed where the fund of final disbursement is not a Governmental Fund, as the State Payroll Revolving Fund, and (4) other amounts; i.e., amounts that represent neither specific revenue of the transfer fund nor transfers to allow specific expenditures by the transferee fund. Agencies will keep a separate general ledger account showing the amount transferred and/or receivable from each fund.

Subsidiaries: None

Normal Entries:

Table content available in source manual.

*Entries to this account, except for those relating to revenue accrual procedures (see SAM Chapter 8200), will be made only upon instructions from, Department of Finance, Fiscal Systems and Consulting Unit in accordance with the requirements of particular agencies. Therefore, no standard entries are shown.*

## ACCOUNT NO. 9812 OPERATING TRANSFERS OUT - 10470

Normal Balance: Debit

Purpose: This account shows the amount transferred and/or payable to other funds of (1) revenue collected and/or accrued for other funds by "Feeder Funds", (2) amounts that are revenue for the collecting fund, (3) amounts to be disbursed by the transferee fund where the transferee fund holds the amounts for some time and is not just an intermediary for convenience in disbursing operations, and (4) other amounts; i.e., amounts that represent neither specific revenue of the transferring fund nor transfers to allow specific expenditures by the transferee fund. At year-end, it includes the amount of revenue collected and/or accrued for other funds not yet paid to such funds. Agencies will keep a separate general ledger account showing the amount transferred and/or payable to each fund.

Subsidiaries: None

Normal Entries:

Table content available in source manual.

*Entries to this account, except for those relating to revenue accrual procedures (see SAM Chapter 8200), will be made only upon instructions from, Department of Finance, Fiscal Systems and Consulting Unit in accordance with the requirements of particular agencies. Therefore, no standard entries are shown.*

## ACCOUNT NO. 9821, INTERFUND INTREST REVENUE - 10471

Normal Balance: Credit

Purpose: This account shows the amount of interest received and/or accrued on loans to other funds for buildings and construction or other special purposes. It will be used only upon approval of Department of Finance, Fiscal Systems and Consulting Unit.

Subsidiaries: None

Normal Entries:

Table content available in source manual.

This account is credited when interest not previously accrued is received or when interest is accrued at June 30. It is closed to Account No. 5530 or 5570 at June 30.

## ACCOUNT NO. 9822, INTERFUND INTEREST EXPENSE - 10472

Normal Balance: Debit

Purpose: This account shows the amount of interest expense on interfund buildings and construction loans or loans for other special purposes.

Subsidiaries: None

Normal Entries:

Table content available in source manual.

This account is credited when interest not previously accrued is received or when interest is accrued at June 30. It is closed to Account No. 5530 or 5570 at June 30.

## ACCOUNT NO. 9891, REFUNDS TO REVERTED APPROPRIATIONS - 10473

Normal Balance: Debit

Purpose: This account shows the amount of abatements and reimbursements to reverted appropriations accrued and the amount of abatements and reimbursements remitted as such to the State Treasurer but not ordered into the State Treasury until after reversion of the appropriation to which they apply.

Subsidiaries: None

Normal Entries:

Table content available in source manual.

## ACCOUNT NO. 9892, PRIOR YEAR REVENUE ADJUSTMENTS - 10474

Normal Balance: Debit or Credit

Purpose: This account shows the difference between: (1) the amount of revenue accrued as of the previous June 30 and; (2) revenue actually received with respect to the items accrued.

Subsidiaries: Prior Year Revenue Adjustments Ledger

Normal Entries:

Table content available in source manual.

## ACCOUNT NO. 9893, PRIOR-YEAR APPROPRIATION ADJUSTMENTS - 10475

Normal Balance: Debit or Credit

Purpose: This account shows the difference between the net amount of expenditures, abatements, and reimbursements accrued at the previous June 30 and the amount of actual expenditures, abatements, and reimbursements during the current fiscal year (including accruals) for appropriations no longer available for encumbrance.

Subsidiaries: Prior-Year Appropriation Adjustments Ledger

Normal Entries:

Table content available in source manual.

# Chapter - 10500

Sections for Chapter 10500

| Section | Subchapter |
|---|---|
| ENTRY NO. 1 – REVOLVING FUND ADVANCE | 10501 |
| ENTRY NO. 2 – ENCUMBRANCES | 10502 |
| ENTRY NO. 3 – CLAIMS FILED | 10503 |
| ENTRY NO. 4 – PAYROLL FILE EXPENDITURES | 10504 |
| ENTRY NO. 5 – CLAIMS PAID | 10505 |
| ENTRY NO. 6 - ACCOUNTS RECEIVABLE INVOICES | 10506 |
| ENTRY NO. 7 – DEPOSIT OF GENERAL CASH | 10507 |
| ENTRY NO. 8 – APPLICATION OF UNIDENTIFIED CASH RECEIPTS | 10508 |
| ENTRY NO. 9 – WRITE-OFF OF ACCOUNTS RECEIVABLE | 10509 |
| ENTRY NO. 10 – DISBURSEMENT OF GENERAL CASH | 10510 |
| ENTRY NO. 11 – ALTERNATE ENTRY FOR DISHONORED CHECKS | 10511 |
| ENTRY NO. 12 – CONTROLLER'S RECEIPT | 10512 |
| ENTRY NO.13 - CASH ON HAND | 10513 |
| ENTRY NO. 14 – PREPAYMENT TO OTHER FUNDS OR APPROPRIATIONS | 10514 |
| ENTRY NO. 17 – PREPAYMENTS TO A CONSTRUCTION AGENCY/DEPARTMENT | 10517 |
| ENTRY NO. 18 - EXPENDITURES ARE REPORTED BY A CONSTRUCTION AGENCY/DEPARTMENT | 10518 |
| ENTRY NO. 19 CAPITAL OUTLAY PROJECT COMPLETED BY A CONSTRUCTION AGENCY/DEPARTMENT | 10519 |
| ENTRY NO. 21 - [CAPITAL ASSETS ARE WRITTEN OFF] | 10521 |
| ENTRY NO. 25 – REVENUES COLLECTED IN ADVANCE | 10525 |
| ENTRY NO. 26–APPLY REIMBURSEMENTS COLLECTED IN ADVANCE | 10526 |
| ENTRY NO. 27 – DEPOSITS MADE TO THE CONDEMNATION DEPOSITS FUND | 10527 |
| ENTRY NO. 28 – CLAIM FILED FOR ACQUISITION OF PROPERTY UNDER CONDEMNATION PROCEEDINGS | 10528 |
| ENTRY NO. 29 – CONDEMNATION DEPOSIT IS RETURNED | 10529 |
| ENTRY NO. 30 – SETTLEMENT TO GRANTOR FROM THE CONDEMNATION DEPOSITS FUND | 10530 |
| ENTRY NO. 31 – CASH TRANSFERRED TO THE SURPLUS MONEY INVESTMENT FUND | 10531 |
| ENTRY NO. 32 – INTEREST EARNINGS ON INVESTMENTS OF THE SURPLUS MONEY INVESTMENT FUND AND CONDEMNATION DEPOSITS FUND | 10532 |
| ENTRY NO. 33 – PURCHASE OF INVESTMENTS | 10533 |
| ENTRY NO. 34 – SALE OR MATURITY OF INVESTMENTS | 10534 |
| ENTRY NO. 35 – INTEREST ON INVESTMENTS | 10535 |
| ENTRY NO. 36 – SALE OF ACCOUNTS RECEIVABLE | 10536 |
| ENTRY NO. 37 – ACQUISITION OF CAPITAL ASSETS | 10537 |
| ENTRY NO. 38 – DISPOSAL OF CAPITAL ASSETS | 10538 |

## ENTRY NO. 1 – REVOLVING FUND ADVANCE - 10501

**Purpose**: To record the initial revolving fund advance from an appropriation and/or revision of an existing revolving fund.
**References:** SAM section 8100 and Government Code section 16400.
**Record Revolving Fund Advance and/or Revision of Revolving Fund**
Table content available in source manual.

Note:

a. Amount transferred to the Revolving Fund cash account for initial establishment or for subsequent revision of the Revolving Fund cash account.
b. Amount advanced to the Revolving Fund for agencies/departments using FI$Cal.
c. Amount advanced to the Revolving Fund for agencies/departments deferred/exempt from FI$Cal.

## ENTRY NO. 2 – ENCUMBRANCES - 10502

**Purpose**: To record encumbrance documents to obligate all or part of an appropriation currently available for encumbrance.

**References**: SAM sections 7640, 7650, 7670, 8340, and 10465

**Record Encumbrances**
Table content available in source manual.

Note:

a. Amount of encumbrance documents.
b. Amount of reserve for encumbrance from the encumbrance documents.

For agencies/departments using FI$Cal, the Commitment Control ledger records encumbrances established by purchase orders within the Purchasing module or from allocated encumbrance journals in the General Ledger module.

## ENTRY NO. 3 – CLAIMS FILED - 10503

**Purpose**: To record claims filed with the State Controller's Office (SCO) for payment. This includes vouchers submitted to the SCO, but not yet paid.

**References**: SAM sections 10441, 10448, 10465, 10466, 10468, and 10475

**Record Claims Filed**
Table content available in source manual.

**Record Encumbrance Liquidation**
Table content available in source manual.

Note:

a. Amount of claims filed for refunds of revenue collected in advance.
b. Amount of claims filed for refunds of revenue.
c. Amount of claims filed against appropriations currently available for encumbrance.
d. Amount of claims filed against prior-year appropriations that are no longer available for encumbrance.

e1. For agencies/departments deferred/exempt from FI$Cal, total amount of claims filed less claim corrections.
e2. For agencies/department using FI$Cal, the amount of vouchers to the SCO, but not yet paid.
f. Amount of encumbrances liquidated by claims filed.

For agencies/departments using FI$Cal, the Commitment Control ledger records encumbrances established by purchase orders within the Purchasing module or from allocated encumbrance journals in the General Ledger module.

## ENTRY NO. 4 – PAYROLL FILE EXPENDITURES - 10504

**Purpose:** This entry is made to record agency/department payroll expenditures. Under the Uniform State Payroll System, agency/department payrolls are prepared by the State Controller's Office (SCO), and salary warrants are drawn on the State Payroll Revolving Fund (SPRF). The SCO transfers the gross payroll plus the amount of related state contributions for employees such as retirement, OASDI, health and dental benefits, Medicare, etc. from the agency/department's appropriation. Any amounts remaining in the SPRF as a result of warrants voided or re-deposited and overpayments recovered will be returned to the agency/department's appropriations.
**References:** SAM sections 8590 and 8593.

**Record Payroll Expenditures**
Table content available in source manual.

Note:

a. Issue Payment (Clearance Type 1) – Transfers to the SPRF.
b. The gross amount of overpayment as recorded from the SCO's Notice of Payroll Accounts Receivable. See SAM 8593.
c. The gross amount of overpayment recovered and returned to the agency/ department's appropriation by transfer.

Except at the close of the fiscal year, the transfer covering the main regular monthly payroll for a given monthly pay period is recorded in that month, even though the transfer may be dated in the following month. Payroll transfers dated in July covering payrolls for services rendered in June must be recorded in July.

## ENTRY NO. 5 – CLAIMS PAID - 10505

**Purpose**: To record warrants issued in payment of claims filed, vouchers paid by the State Controller's Office (SCO), or when "No Warrant" claims are settled.

For No Warrant claims, agencies/departments will receive an SCO journal entry.

**References**: SAM sections 10440, and 10441

**Record Claims Paid**
Table content available in source manual.

Note:
a1. For agencies/departments deferred/exempt from using FI$Cal, the amount of claims paid.
a2. For agencies/departments using FI$Cal, the amount of vouchers paid.
b. Amount of cash disbursed from the particular fund in State Treasury.

## ENTRY NO. 6 - ACCOUNTS RECEIVABLE INVOICES - 10506

**Purpose**: To record accounts receivable due from individuals, private organizations, state agencies/departments, and other governments for abatements, reimbursements, revenues, and other items upon the issuance of invoices.
**References**: SAM sections 8210, 8287, 8288,10220, and 10240
**Record Accounts Receivable-Abatements (Billed to Private Entity)**
Table content available in source manual.

Note:

a. Amount of abatement receivables billed to a private entity.
b. Amount of current year appropriated abatement items billed.
c. Amount of abatements billed for prior year appropriations no longer available for encumbrance.

**Record Accounts Receivable-Reimbursements (Billed to Private Entity)**
Table content available in source manual.

Note:

a. Amount of reimbursement receivables billed to a private entity.
b. Amount of current year reimbursements billed, excluding reimbursements, which by law, must be credited to an appropriation current at the time of collection.
c. Amount of reimbursements billed that are applicable to prior year appropriations no longer available for encumbrance.

**Record Accounts Receivable-Revenue or Other (Billed to Private Entity)**
Table content available in source manual.

Note:

a. Amount of revenue receivables billed to a private entity.
b. Amount of other receivables-billed to a private entity.
c. Amount of current year revenues billed

**Record Accounts Receivable-Abatements (Billed to State Agency/Department)**
Table content available in source manual.

Note:
a. Amount of expenditure abatements billed to a state agency/department.
b. Amount of current year appropriated abatements billed to a state agency/department.
c. Amount of abatements billed to a state agency/department that is applicable to prior fiscal year appropriations no longer available for encumbrance.

**Record Accounts Receivable-Reimbursements (Billed to State Agency/Department)**
Table content available in source manual.

Note:

a. Amount of reimbursements billed to a state agency/department.
b. Amount of current year reimbursements billed, excluding reimbursements, which by law, must be credited to an appropriation current at the time of collection.
c. Amount of reimbursements billed that are applicable to prior fiscal year appropriations no longer available for encumbrance.

**Record Accounts Receivable-Abatements (Billed to Other Governments)**
Table content available in source manual.

Note:

a. Amount of abatements billed to other governments.
b. Amount of current year appropriated expenses abatement items billed.
c. Amount of abatement item billed that is applicable to prior fiscal year appropriations no longer available for encumbrance.

**Record Accounts Receivable-Reimbursements (Billed to Other Governments)**
Table content available in source manual.

Note:
a. Amount of reimbursements billed to other governments.
b. Amount of current year reimbursements billed, excluding reimbursements, which by law, must be credited to an appropriation current at the time of collection.
c. Amount of reimbursements billed that are applicable to prior fiscal year appropriations no longer available for encumbrance.

**Alternate Journal Entry to Record Billed Receivables for Revenue, Accounts Receivable-Other and Certain Types of Reimbursements**
Table content available in source manual.

Note:
a. Amount of reimbursements billed.
b. Amount of revenue items billed.
c. Amount of other receivables billed.
d. Amount of any (1) reimbursements billed which, by law, must be credited to an appropriation current at the time of collection or at the time cash is ordered into the Treasury, and a reserve is deemed appropriate; or (2) revenue and other revenue items billed for which a reserve is deemed appropriate.

## ENTRY NO. 7 – DEPOSIT OF GENERAL CASH - 10507

**Purpose**: To record general cash received for deposit in the agency/department's general checking account maintained with the State Treasurer's Office.

**References:** SAM sections 8000, 8031, 8090, 8093, and 10510
**Record General Cash Received**
Table content available in source manual.

Note:

a. Total cash received for deposit in the General Cash account.
b. Amount of cash receipts applicable to expenditure abatements receivables (excluding collections from employees for salary overpayments).
c. Amount of cash receipts applicable to reimbursement receivables.
d. Amount of cash receipts applicable to revenue receivables.
e. Amount of cash receipts applicable to other receivables.
f. Amount of cash receipts applicable to amounts due from other funds or appropriations.
g. Amount of cash receipts applicable to amounts due from other governments.
h. Amount of cash received applicable to revenue collected for other funds earned in the current fiscal year plus cash received applicable to revenue collected for other funds but not identifiable to the fiscal year in which it was earned.
i. Amount of cash received applicable to revenue collected for other appropriations within the same fund in the current fiscal year, plus cash received applicable to revenue collected for appropriations within the fund but not identifiable to the fiscal year in which it was earned.
j. Amount of cash received which will be accounted as revenue of a succeeding fiscal year.
k. Amount of cash received which will be accounted as a reimbursement to a current or subsequent fiscal year's appropriation when earned.
l. Amount of cash received representing cash overages.
m. Amount of cash received for items whose identity, or accounting cannot be readily determined.
n. Amount of cash received applicable to revenue earned in the current fiscal year plus cash received applicable to revenue but not identifiable to the fiscal year in which it was earned.
o. Amount of cash received applicable to (1) billed reimbursements which, according to law, can be applied only at the time cash is received and (2) all unbilled reimbursements except those applicable to prior fiscal years and those that can be applied only at the time cash is ordered into the treasury.
p. Amount of cash receipts applicable to current year expenditure abatements not billed or accrued previously.
q. Amount of cash received applicable to revenue (except reimbursements) which was identified as being earned as of the preceding June 30.
r. Amount of cash received for Refunds to Reverted Appropriations.
s. Amount of cash received in excess of amounts accrued in prior fiscal years as expenditure abatements or reimbursements. If the amount of cash received is less than amounts accrued in prior fiscal years, Prior-Year Appropriation Adjustments will be debited.

**Alternate Journal Entry to Record General Cash Received for Deferred Receivables**
**Record General Cash Received for Deferred Receivables**
Table content available in source manual.

**AND**
Table content available in source manual.

Note:

a. Total cash received for deposit in the General Cash account.
b. Amount of cash received applicable to revenue earned in the current fiscal year plus cash received applicable to revenue but not identifiable to the fiscal year in which it was earned.
c. Amount of cash received applicable to (1) billed reimbursements which, according to law, can be applied only at the time cash is received and (2) all unbilled reimbursements except those applicable to prior fiscal years and those that can be applied only at the time cash is ordered into the treasury.
d. Amount of cash receipts applicable to current year expenditure abatements not billed or accrued previously.
e. Amount of cash received applicable to receivables accounted during the year on a fully reserved basis and applied when collected to the appropriate revenue account.
f. Amount of cash receipts applicable to revenue receivables.
g. Amount of cash receipts applicable to Accounts Receivable-Dishonored Checks.
h. Amount of cash received in payment of other accounts receivable.

**Record General Cash Lost for Cash Shortages**
Table content available in source manual.

**AND**
Table content available in source manual.

Note:

a. Amount of revenue lost from the cash shortage.
b. Amount of reimbursement lost from the cash shortage.
c. Amount of appropriated expenses lost from the cash shortage.
d. Total cash received for deposit in the General Cash account.
e. Amount of cash shortages occurring during the month for which cashiers are held accountable.
f. Amount of cash received applicable to receivables accounted during the year on a fully reserved basis and applied when collected to the appropriate revenue account.

**Record General Cash Received for Cash Shortages**
Table content available in source manual.

**AND**
Table content available in source manual.

Note:

a. Total general cash received for deposit.
b. Amount of cash shortage received for revenue.
c. Amount of cash shortage received for reimbursement.
d. Amount of cash shortage received for abatement.
e. Amount of cash received applicable to receivables accounted during the year on a fully reserved basis and applied when collected to the appropriate revenue account.
f. Amount of cash received from cashiers in payment of cash shortages.

## ENTRY NO. 8 – APPLICATION OF UNIDENTIFIED CASH RECEIPTS - 10508

**Purpose**: To record cash receipts which could not be identified, or for which accounting treatment could not be determined, at time of collection are applied to appropriate accounts.

**References:** SAM sections 8071, 8171, 10506, and 10507.

Table content available in source manual.
**Reverse Uncleared Collections and Record Cash Receipts to the Appropriate Account**
Table content available in source manual.

Note:

a. Amount of cash receipts accounted previously as uncleared collections now applied to the appropriate accounts.
b. Amount of collections now applied to abatement receivables.
c. Amount of collections now applied as a reimbursement receivables.
d. Amount of collections now applied as revenue receivables.
e. Amount of collections now applied as revenue collected for other funds earned in the current fiscal year.
f. Amount of collections now applied as revenue collected for other appropriations within the same fund earned in the current fiscal year.
g. Amount of collections now applied to revenue of the succeeding fiscal year.
h. Amount of collections now applied as a reimbursement to a current or subsequent fiscal year's appropriation.
i. Amount of collections now applied as billed and or unbilled revenue earned in the current fiscal year.
j. Amount of collections now applied as current year reimbursements that were not billed previously or were deferred when billed because, according to law, they are to be applied to the year in which they are collected by the agency.
k. Amount of collections now applied as abatements to current year appropriation expenditures.
l. Amount of collections now applied to revenue (except reimbursements) which was identified as being earned as of the preceding June 30.
m. Amount of collections now applied in excess of amounts accrued in prior fiscal years as abatements or reimbursements.

**Reverse Cash Overages and Record Revenue**
Table content available in source manual.

Note:

a. Amount of cash accounted previously as cash overages, now applied as revenue, less any amounts cleared from the uncleared collections account to the cash overages account.
b. Amount of collections now applied as revenue earned in the current fiscal year plus collections now applied as revenue but not identifiable to the fiscal year in which they were earned.

**Reverse Deferred Receivable and Record Cash Receipts to the Appropriate Account:** If cash received above was for a Deferred Receivable the entry below will need to be recorded.
Table content available in source manual.

**AND**

Table content available in source manual.

Note:

a. Total cash received for deposit in the General Cash account.
b. Amount of collections now applied as billed and/or unbilled revenue earned in the current fiscal year.
c. Amount of collections now applied as current year reimbursements that were not billed previously or were deferred when billed because, according to law, they are to be applied to the year in which they are collected by the agency.
d. Amount of collections now applied as abatements to current year appropriation expenditures.
e. Amount of collections now applied to receivables accounted during the year on a fully reserved basis and applied when collected to the appropriate revenue account.
f. Amount of collections now applied in payment of dishonored checks.
g. Amount of collections now applied in payment of cash shortages.
h. Amount of collections now applied to other accounts receivable.

## ENTRY NO. 9 – WRITE-OFF OF ACCOUNTS RECEIVABLE - 10509

**Purpose:** To record the write-off of outstanding accounts receivable (AR) from the agency's/department's accounts.
**References:** Government Code sections 12438 and 13941
SAM sections 8293.1, 8293.4, 8295, and 8072

**Record Deferred Receivables for Write-Off of ARs**
Table content available in source manual.

Note:

a. Amount of accounts receivable for deferred revenue, deferred reimbursements, or other deferred accounts receivable.
b. Amount of Accounts Receivable-Reimbursements
c. Amount of Accounts Receivable-Revenue.
d. Amount of Accounts Receivable-Dishonored Checks.
e. Amount of Accounts Receivable-Cash Shortages.
f. Amount of accounts receivable for abatements, reimbursements, dishonored checks or identified cash shortages, applicable to reverted appropriations or other accounts receivable not otherwise classified.

Note: This entry does not write off deficiencies in an established fund balance (e.g., revolving fund, depositors' trust fund, or uncleared collections).

**Record Write-Off of ARs for Revenue**
Table content available in source manual.

Note:

a. Amount of current year accounts receivable for dishonored checks or identified cash shortages applicable to revenue and all accounts receivable for unidentified cash shortages.
b. Amount of accounts receivable related to dishonored checks or identified cash shortages applicable to revenue, which was identified as being earned as of the preceding June 30.
c. Amount of Accounts Receivable-Revenue.

**Record Write-Off of ARs for Reimbursement**
Table content available in source manual.

Note:

a. Amount of accounts receivable for reimbursements, dishonored checks, or identified cash shortages, applicable to current fiscal year appropriation reimbursements.
b. Amount of accounts receivable for abatements, reimbursements, dishonored checks, or identified cash shortages, applicable to prior years appropriations but not yet reverted.
c. Amount of Accounts Receivable-Reimbursements.

**Record Write-Off of ARs for Expenditures**
Table content available in source manual.

Note:

a. Amount of accounts receivable for abatements, dishonored checks, or identified cash shortages, applicable to current fiscal year appropriation expenditures.
b. Amount of accounts receivable for abatements, reimbursements, dishonored checks, or identified cash shortages, applicable to prior years appropriations but not yet reverted.
c. Amount of Accounts Receivable-Abatements.

## ENTRY NO. 10 – DISBURSEMENT OF GENERAL CASH - 10510

**Purpose**: To record cash disbursed from the agency/department's General Cash account.
Cash is disbursed from the agency/department's General Cash account as refunds to payers, as remittances to the State Treasury, or to banks for dishonored checks.
Refunds to payers because of denied applications or for other reasons are made daily or as refunds are determined and approved.
State agencies/departments are notified by banks whenever checks are dishonored. Upon notice that a check has been dishonored, the agency/department reimburses the bank with a check drawn upon the agency/department's General Cash account.
**References:** SAM sections 8043, 8091, 8094, 8095, and 10511
**General Cash Remitted to State Treasury**
Table content available in source manual.
Note:

a. Amount of cash remitted for deposit in the State Treasury for agencies/departments deferred/exempt from FI$Cal.
b. Amount of cash in the State Treasury for agencies/department using FI$Cal.
c. Total cash disbursements.

**Record Buy-back of Dishonored Check**
Table content available in source manual.
Note:

a. Payments to banks for dishonored checks for agencies/departments deferred/exempt from FI$Cal.
b. Payments to banks for dishonored checks for agencies/department using FI$Cal.
c. Total cash disbursements.

**Refunds to Payers from General Cash**
Table content available in source manual.

Note

a. Amount of suspense items, revenue, or prior year revenue refunded to payers for agencies/departments deferred/exempt from FI$Cal.
b. Amount of suspense items, revenue, or prior year revenue refunded to payers for agencies/departments using FI$Cal.
c. Total cash disbursements.

## ENTRY NO. 11 – ALTERNATE ENTRY FOR DISHONORED CHECKS - 10511

**Purpose**: Alternate method to record payment of dishonored checks.

Cash is disbursed from the agency/department's General Cash account to reimburse banks for dishonored checks. This alternate entry is to be used by agencies/departments that desire to charge dishonored checks previously credited. It directly adjusts the accounts affected by dishonored check transactions. When the dishonored check is redeposited or a replacement check is received:

- Increase the cash and Abatement, Reimbursements, Revenue, and Due to Other Funds/Appropriations and

- Decrease the receivable and provision accounts

At year-end, accrue the amount of dishonored checks expected to be collected in the next fiscal year. See Adjusting Entry No. A-9 for a similar accounting entry.

**References:** SAM sections 8043, 8043.1, 10410, and 10417

**Record Payment for Buy-Back of Dishonored Check**
Table content available in source manual.

**AND**
Table content available in source manual.

Note:

a. Total amount of dishonored checks purchased.
b. Amount of dishonored checks previously accounted as revenue collected Due to Other Funds/Appropriations.
c. Amount of dishonored checks previously accounted as revenue.
d. Amount of dishonored checks applicable to reimbursements that are not to be accounted as reimbursements until collected or until ordered into the State Treasury.
e. Amount of dishonored checks previously accounted as abatement.
f. Amount of dishonored checks that will not be credited to income accounts until collected and the receivables must be fully reserved.

## ENTRY NO. 12 – CONTROLLER'S RECEIPT - 10512

**Purpose**: To record cash remitted by the agency/department to the State Treasury but not yet credited by the State Controller's Office (SCO) to the appropriate accounts.
This entry is made to clear the Cash in Transit to State Treasury when the agency/department receives the Controller's Receipt.

**References**: SAM sections 10404, 10510, and 10508

**Record Cash Remitted to the State Treasury and Clear the Cash in Transit**
Table content available in source manual.

Note:

a. Amount of Cash in State Treasury when general cash is disbursed by the agencies/departments to the appropriate accounts.
b. Amount of general cash, remittance in transit. Agencies/departments using FI$Cal do not need to clear General Cash, Remittance in Transit.
c. Amount of cash remitted in transit to State Treasury. Agencies/departments using FI$Cal do not need to clear Cash in Transit to State Treasury.

## ENTRY NO.13 - CASH ON HAND - 10513

**Purpose:** To record cash received pending decision to deposit or return. The cash on hand entry is used to acknowledge possession of the cash.

**References:** SAM sections 8000 and 10405

**Record Cash on Hand**
Table content available in source manual.

Notes:

a. Cash or checks received but not deposited.
b. Cash or checks pending decision to apply and deposit payment or return to the payer, such as bid deposits or insufficient payment.

Note: When items are returned to the payers or deposited the entry above is reversed. When these items are deposited in the General Cash account, the amount is recorded in the General Cash Receipts Register and included in Entry No. 7. (See SAM section 10507.)

## ENTRY NO. 14 – PREPAYMENT TO OTHER FUNDS OR APPROPRIATIONS - 10514

**Purpose:** To record the amount advanced from the agency/department's appropriation or fund to a service agency/department or funds such as the Service Revolving Fund and the State Compensation Fund.
Note: This entry will not be used to record advances to the Water Resources Revolving Fund, the State Highway Account, State Transportation Fund, or the Architecture Revolving Fund. Advances to these funds will be recorded as shown in Entry No. 17.

**References**: SAM sections 7605, 7620, 8471, and 10517

**Record Prepayment to Other Funds or Appropriations – SCO Journal**
Table content available in source manual.

Note:

a. Amount of the prepayment.
b. Amount credited in the Cash in State Treasury.

## ENTRY NO. 17 – PREPAYMENTS TO A CONSTRUCTION AGENCY/DEPARTMENT - 10517

**Purpose:** To record the transfer of the estimated capital outlay project costs to the fund under control of the construction agency/department completing the project.

**References:** SAM section 6868 and 8636.

**Record Capital Outlay Expenditures**
Table content available in source manual.

Note:

a. Amount chargeable to appropriations currently available for encumbrance.
b. Amount chargeable to prior-year appropriations no longer available for encumbrance but not yet reverted.
c. Amount transferred to the fund under the control of the construction agency/department.

Reduce any encumbrance balances related to the capital outlay expenditures.

**Record Transfer Amount for Estimated Capital Outlay Project Costs**
Table content available in source manual.

Note:
a. Amount transferred to the fund under the control of the construction agency/ department.

## ENTRY NO. 18 - EXPENDITURES ARE REPORTED BY A CONSTRUCTION AGENCY/DEPARTMENT - 10518

**Purpose:** To record the expenditures reported by a construction agency/ department against the prepayment amount for capital outlay projects to reflect the amount still unexpended.

**References:** SAM sections 6868, 8636, and 10537

**Record Reduction of Prepayment Amount**
Table content available in source manual.

Note:
a. Amount of transfer expended by the construction agency/department.
See SAM section 10537 to record Construction Work in Progress.

## ENTRY NO. 19 CAPITAL OUTLAY PROJECT COMPLETED BY A CONSTRUCTION AGENCY/DEPARTMENT - 10519

**Purpose:** To record the complete reduction of the prepayment transfer and return any unexpended balance in the project prepayment to the originating appropriation.

**References:** SAM section 6868 and 10537.

**Record Reduction of Prepayment Amount**
Table content available in source manual.

Note:

a. Amount of transfer remaining.
b. Amount of prepayment remaining unexpended.

See SAM section 10537 to reclassify Work in Progress capital assets.

**Record Return of Any Unexpended Prepayments**
Table content available in source manual.

Note:

a. Amount of prepayments unexpended and now returned.
b. Amount of prepayments unexpended that is applicable to an appropriation still available for encumbrance.
c. Amount of prepayments unexpended that is applicable to an appropriation that has reverted.
d. Amount of prepayments unexpended that is applicable to an appropriation no longer available for encumbrance but not yet reverted.

## ENTRY NO. 21 - [CAPITAL ASSETS ARE WRITTEN OFF] - 10521

Section deleted 12/2021 and content moved to 10539.

## ENTRY NO. 25 – REVENUES COLLECTED IN ADVANCE - 10525

**Purpose**: This entry is made when revenues collected in advance in a prior fiscal year are credited to the revenue accounts of the fiscal year to which they apply.

**References**: SAM section 8216

**Record Revenues Collected in Advance Are Applied**
Table content available in source manual.

Note:

a. Amount of revenue collected in advance.
b. Amount of revenue received

## ENTRY NO. 26–APPLY REIMBURSEMENTS COLLECTED IN ADVANCE - 10526

**Purpose**: This entry is made when reimbursements collected in advance are credited to the reimbursement accounts of the fiscal year to which they apply.

**References:** SAM Sections 8216, 8453, and 10449

**Apply Reimbursements Collected in Advance**

Table content available in source manual.

Note:
1. Amount of reimbursements collected in advance are applied to fiscal year earned.
2. Amount of reimbursements earned are applied.

## ENTRY NO. 27 – DEPOSITS MADE TO THE CONDEMNATION DEPOSITS FUND - 10527

**Purpose:** This entry is made when agencies/departments engaged in condemnation proceedings (eminent domain acquisition of real property) are required by the court to deposit a sum of money into the Condemnation Deposits Fund. The amount deposited is determined by the court. Deposits are retained in the Condemnation Deposits Fund until the court orders payment to the grantor (property owner). In some instances, the court may order an advance payment. However, the entire deposit usually remains in the Condemnation Deposits Fund until the court determines the final settlement amount.

**References:** SAM sections 6866 and 8610.6.

**Record Transfer of Funds for Condemnation Proceedings**
Table content available in source manual.

Note:

a. Amount transferred to the Condemnation Deposits Fund.
b. Amount held in reserve for condemnation proceedings.

## ENTRY NO. 28 – CLAIM FILED FOR ACQUISITION OF PROPERTY UNDER CONDEMNATION PROCEEDINGS - 10528

**Purpose:** To record the payment against the agency/department's fund and appropriation in settlement of a condemnation proceeding for acquisition of real property.

In settlement of some condemnation proceedings, payment is made to the grantor (property owner) from the agency/department's fund and appropriation prior to return of the deposit from the Condemnation Deposits Fund. In these cases, the State Controller's Office (SCO) is requested to transfer the amount of the deposit back to the agency/department's fund and appropriation. At this time, the actual cost of the capital assets is recorded. Since the amount deposited was recorded as an appropriation expenditure, only the difference between the amount of the deposit and the amount of the final settlement is now recorded as an appropriation expenditure or abatement.

If a claim for settlement has been filed on or before June 30, but the deposit has not been returned by that date, the amount to be returned will be reported to the SCO as an abatement accrual.

**References:** SAM sections 6866 and 8610.6.

**Reverse Prepayment of Funds in Condemnation Deposits Fund**
Table content available in source manual.

Note:

a. Reverse prepayment amount transferred to the Condemnation Deposits Fund.
b. Amount of abatement due from the Condemnation Deposits Fund as of June 30.
c. Amount paid from agency/department fund and appropriation for condemnation proceedings.

See SAM section 10537 to record the acquisition of capital assets.

## ENTRY NO. 29 – CONDEMNATION DEPOSIT IS RETURNED - 10529

**Purpose:** This entry is made to return the deposit in the Condemnation Deposits Fund to the agency/department's fund and appropriation after the agency/department has made payment to the grantor (property owner) from funds under its own control. Upon request, the State Controller's Office (SCO) will transfer the amount of the deposit back to the agency/department's fund and appropriation.

**References:** SAM sections 6866 and 8610.6.

**Record Return of Funds for Condemnation Proceedings**
Table content available in source manual.

Note:

a. Record amount of abatement from the Condemnation Deposits Fund to the agency/department fund and appropriation.
b. Reverse amount accrued due from the Condemnation Deposits Fund not returned by June 30 of the prior year.

## ENTRY NO. 30 – SETTLEMENT TO GRANTOR FROM THE CONDEMNATION DEPOSITS FUND - 10530

**Purpose:** This entry is made in lieu of Entry No. 28 when payment is made to the grantor (property owner) by a warrant drawn on the Condemnation Deposits Fund. If the amount of the settlement is more than the amount of the original deposit, an additional deposit will be made and recorded by Entry No. 27. If the amount of the settlement is less than the original deposit, the excess amount will be transferred to the agency/department's fund and appropriation.

**References:** SAM sections 6866, and 8610.6.

**Record Return of Funds for Condemnation Proceedings**
Table content available in source manual.

Note:

a. Reverse amount transferred to the Condemnation Deposits Fund.
b. Amount of abatement due from the Condemnation Deposits Fund if the settlement is less than the original deposit.

**Entries for Capital Asset Accounts**

**Subsidiary Capital Assets Group of Accounts Ledger**
Table content available in source manual.

Note:

a. Record capital assets acquired in the Capital Assets Group of Accounts. Agencies/departments using FI$Cal will record capital asset purchases in the Departmental Adjustment Ledger.

## ENTRY NO. 31 – CASH TRANSFERRED TO THE SURPLUS MONEY INVESTMENT FUND - 10531

**Purpose**: To record the transfer of surplus cash to the Surplus Money Investment Fund. This entry is performed by administering agencies/departments that maintain the Cash in State Treasury account for funds.

**References**: Government Code sections 16470 through 16476

**Record Transfer of Cash to the Surplus Money/Investment Fund (SMD/SMC)**
Table content available in source manual.

Note:
a. Amount of surplus cash transferred to the Surplus Money Investment Fund. When cash is returned from the Surplus Money Investment Fund, the entry is reversed.

## ENTRY NO. 32 – INTEREST EARNINGS ON INVESTMENTS OF THE SURPLUS MONEY INVESTMENT FUND AND CONDEMNATION DEPOSITS FUND - 10532

**Purpose**: To record interest earnings from investments in the Surplus Money Investment Fund (SMIF) and on money in the Condemnation Deposit Fund (CDF) upon transfer of the earnings to the ultimate fund. The amount of interest is apportioned quarterly by the State Controller's Office (SCO). The July interest is accounted for differently because the interest is accrued as of June 30. See SAM section 10605, Entry No. A-6.

**References**: SAM sections 8284 and 10605

**Record Interest Transferred in January, April, and October**
Table content available in source manual.

Note:

a. Amount of interested transferred from SMIF/CDF.
b. Amount of interest transferred in January, April, and October. See SAM section 10605 for the entry to record interest transferred in July.

## ENTRY NO. 33 – PURCHASE OF INVESTMENTS - 10533

**Purpose**: To record investments when purchased. Investments are purchased and held by the State Treasurer's Office (STO).

**References**: SAM sections 10422, 10423, 10425, 10426, and 10427

**Purchase of Investments**
Table content available in source manual.

Note:

a. Amount of accrued interest purchased on investments acquired between interest dates.
b. Cost of investment in debt securities.
c. Face value of the investment in debt securities.
d. Amount of premium paid on investments purchased.
e. Cost of investment in common stocks.
f. Cost of investment in preferred stocks.
g. Amount expended for investments purchased
h. Amount of discount on investments purchased.

## ENTRY NO. 34 – SALE OR MATURITY OF INVESTMENTS - 10534

**Purpose**: To record the investments when they mature or are sold.

**References**: SAM sections 8477.32, 10424, 10425, 10526, and 10527

**Investments Mature or Are Sold**
Table content available in source manual.

Note:

a. Proceeds from sale or maturity are deposited in the appropriate fund in the State Treasury.
b. Unaccumulated discount on investments sold before maturity.
c. Cost of investment in debt securities matured or sold.
d. Face value of the investment in debt securities matured or sold.
e. Unamortized premium on investments sold before maturity.
f. Cost of common stocks sold.
g. Cost of preferred stocks sold.
h. (1) Amount of accrued interest sold plus or minus the difference between the amount received and the book value plus accrued interest sold, or (2) gain or loss on the sale of stocks. This net entry would result in a debit to the general ledger Revenue account if the result of the sale was a loss greater than the amount of accrued interest sold or a loss on the sale of stocks.

## ENTRY NO. 35 – INTEREST ON INVESTMENTS - 10535

**Purpose**: This entry is made to record the interest earnings, amortization of premium, and accumulation of discount on investment securities.

**References:** SAM sections 10403, 10424, 10425, and 10466

**Record Interest Received On Investments**
Table content available in source manual.

Note:

a. Amount of interest received and deposited in the appropriate fund in the State Treasury.
b. Amount of discount accumulation since the last accumulation of discount, either at the time of receipt of interest or accrual of interest as of June 30.
c. Amount of interest accrued at June 30 is now liquidated.
d. Amount of accrued interest purchased collected at first interest date, exclusive of accrued interest purchased accounted through Account 1200000 (Legacy Account 1313) as a result of Entry No. A–5.
e. Amount of premium amortization since the last amortization of premium, either at the time of receipt of interest or accrual of interest as of June 30.
f. Amount of interest earned that was not accrued previously.

## ENTRY NO. 36 – SALE OF ACCOUNTS RECEIVABLE - 10536

**Purpose**: This entry is made when agencies/departments receive cash payments for the sale of Accounts Receivable (AR). Agencies/departments are authorized to sell their AR to private persons or entities. Sales of this nature will result in the receipt of payment in amounts less than the invoiced AR amount. This entry will remove the AR at its full invoiced amount and adjust the income/expenditure accounts to reflect the appropriate net amounts received.

**References**: Government Code sections 16584
SAM section 8293.1 and 7620

**Record Accounts Receivable-Abatements Sold**
Table content available in source manual.

Note:

a. Total cash received for deposit in the General Cash account.
b. Amount that represents the difference between the amount of current year invoiced Accounts Receivable–Abatements sold and the amount received from the sale of those ARs.
c. Amount that represents the difference between the amount of prior year invoiced Accounts Receivable–Abatements sold and the amount received from the sale of those ARs.
d. Invoice amount of Accounts Receivable–Abatements that have been sold.

**Record Accounts Receivable-Reimbursements Sold**
Table content available in source manual.

Note:

a. Total cash received for deposit in the General Cash account.
b. Amount that represents the difference between the amount of current year invoiced Accounts Receivable–Reimbursements sold and the amount received from the sale of those ARs.
c. Amount that represents the difference between the amount of prior years invoiced Accounts Receivable–Reimbursements and the amount received from the sale of those ARs.
d. Invoice amount of Accounts Receivable–Reimbursements that have been sold.

**Record Accounts Receivable-Revenue Sold**
Table content available in source manual.

Note:

a. Total cash received for deposit in the General Cash account.
b. Amount that represents the difference between the amount of current year invoiced Accounts Receivable–Revenue sold and the amount received from the sale of those ARs.
c. Amount that represents the difference between the amount of prior year invoiced Accounts Receivable-Revenue sold and the amount received from the sale of those ARs.
d. Invoice amount of Accounts Receivable–Revenue and Accounts Receivable-Operating Revenue that have been sold.

**Record Accounts Receivable-Dishonored Checks or Accounts Receivable-Other Sold**
Table content available in source manual.

Note:

a. Total cash received for deposit in the General Cash account.
b. Amount that represents the difference between the sold accounts receivables accounted for during the year on a fully reserved basis and the amount received from the sale of the Accounts Receivable–Other.
c. Invoice amount of Accounts Receivable-Dishonored Checks or Accounts Receivable–Other that have been sold.

## ENTRY NO. 37 – ACQUISITION OF CAPITAL ASSETS - 10537

(New and renumbered from 8671, 8672, and 10520)
**ACQUISITION – PURCHASE**

**Purpose:** To record the acquisition of capital assets by means of purchase, lease/installment, or other means of purchase.
**References:** SAM sections 8610.1-8610.8, 8615-8615.4, 8630-8637, and 8366.
**General Ledger – Modified Accrual Basis**
Table content available in source manual.

**Capital Assets Group of Accounts Ledger**
Table content available in source manual.

a. Record the purchase of assets on a modified accrual basis of accounting within the fund. Agencies/departments using FI$Cal will record the purchase in the Modified Accrual Ledger.
b. Record capital assets acquired by those funds that use the modified accrual basis of accounting in the capital assets group of accounts. Agencies/departments using FI$Cal will record capital asset additions in the Departmental Adjustment Ledger

In the case of a trade-in of a capital asset, record any proceeds from the sale as miscellaneous revenue. An exception to this rule occurs when the receipts are used to replace the old asset with another asset. In this case, the receipts are abated to the appropriations from which the replacement items are budgeted. See SAM 8366.

**ACQUISITION – TRANSFER IN**

**Purpose:** To record the acquisition of capital assets transferred from other state agencies of funds using the modified accrual basis of accounting.

**General Ledger – Modified Accrual Basis**
Table content available in source manual.

Table content available in source manual.

a. No entry is recorded in the general ledger if no cash is exchanged.
b. Record capital assets acquired by those funds that use the modified accrual basis of accounting in the capital assets group of accounts. Agencies/departments using FI$Cal will record capital asset additions in the Departmental Adjustment Ledger.

Record the transferred-in capital asset as a beginning balance adjustment on Report 18 and detail the transfer-in on the Differential Report. See SAM section 7977.

**ACQUISITION – INTERNALLY GENERATED INTANGIBLE ASSETS**

**Purpose:** To record the acquisition of internally generated intangible assets of funds using the modified accrual basis of accounting.

**General Ledger – Modified Accrual Basis**
Table content available in source manual.

**Capital Assets Group of Accounts Ledger**
Table content available in source manual.

a. Record capital development costs on a modified accrual basis of accounting within the fund. Agencies/departments using FI$Cal will record the purchase in the Modified Accrual Ledger.
b. Record capital development costs in progress by those funds that use the modified accrual basis of accounting in the capital assets group of accounts. Agencies/departments using FI$Cal will record capital asset additions in the Departmental Adjustment Ledger.
c. Reclassify the in-progress account to the major capital asset account when the intangible asset is substantially ready to be placed into service in the capital assets group of accounts. Agencies/departments using FI$Cal will reclassify the in-progress account in the Departmental Adjustment Ledger.

**ACQUISITION – INTERNALLY CONSTRUCTED TANGIBLE ASSETS**

**Purpose:** To record the acquisition of internally constructed tangible assets of funds using the modified accrual basis of accounting.

**General Ledger – Modified Accrual Basis**
Table content available in source manual.

**Capital Assets Group of Accounts Ledger**
Table content available in source manual.

a. Record construction costs on a modified accrual basis of accounting in the fund. Agencies/departments using FI$Cal will record construction costs in the Modified Accrual Ledger.
b. Record construction work in progress for those funds that use the modified accrual basis of accounting in the capital assets group of accounts.
c. Reclassify the in-progress account to the major capital asset account when the tangible asset is substantially ready to be placed into service within the capital assets group of accounts. Agencies/departments using FI$Cal will reclassify the in-progress account in the Departmental Adjustment Ledger.

## ENTRY NO. 38 – DISPOSAL OF CAPITAL ASSETS - 10538

(New and renumbered from 8671, 8672, and 10521)
**DISPOSITION – SALE**
**Purpose:** To record the disposition of capital assets by sale for funds using the modified accrual basis of accounting.
**References:** SAM sections 8640-8643, and 8366.
**General Ledger – Modified Accrual Basis**
Table content available in source manual.

**Capital Assets Group of Accounts Ledger**
Table content available in source manual.

a. Record the sale of assets on a modified accrual basis of accounting within the fund as miscellaneous revenue. Agencies/departments using FI$Cal will record the sales proceeds in the Modified Accrual Ledger.
b. In the case of a trade-in of a capital asset, record any proceeds from the sale as miscellaneous revenue. An exception to this rule occurs when the receipts are used to replace the old asset with another asset. In this case, the receipts are abated to the appropriations from which the replacement items are budgeted. See SAM 8366
c. Record capital assets sold by those funds that use the modified accrual basis of accounting in the capital assets group of accounts. Agencies/departments using FI$Cal will record the capital asset disposal in the Departmental Adjustment Ledger.

**DISPOSITION – TRANSFER OUT**
**Purpose:** To record the disposition of capital assets transferred to other state agencies of funds using the modified accrual basis of accounting.
**General Ledger – Modified Accrual Basis**
Table content available in source manual.

**Subsidiary Capital Assets Group of Accounts Ledger**
Table content available in source manual.

a. No entry is recorded in the general ledger if no cash is exchanged.
b. Record capital assets transferred to other state agencies by those funds that use the modified accrual basis of accounting in the capital assets group of accounts. Agencies/departments using FI$Cal will record the capital asset disposal in the Departmental Adjustment Ledger.

Record the transferred-out capital asset as a beginning balance adjustment on Report 18 and detail the transfer-out on the Differential Report. See SAM section 7977.

# Chapter - 10600

Sections for Chapter 10600

| Section | Subchapter |
|---|---|
| ENTRY NO. A-1, RECORD UNDEPOSITED RECEIPTS | 10600 |
| ENTRY NO. A–2, ADJUST REVOLVING FUND CASH TO ITS ACTUAL CASH BALANCE | 10601 |
| ENTRY NO. A–3, ACCRUE ACCOUNTS RECEIVABLE ABATEMENTS AND REIMBURSEMENTS | 10602 |
| ENTRY NO. A–4, ADJUST ACCOUNTS RECEIVABLE ABATEMENTS AND REIMBURSEMENTS AND CERTAIN COLLECTIONS WHEN AN APPROPRIATION REVERTS | 10603 |
| ENTRY NO. A–5, ACCRUE ACCOUNTS RECEIVABLE INTEREST EARNINGS ON INVESTMENTS | 10604 |
| ENTRY NO. A–6, ACCRUE INTEREST EARNINGS FROM SURPLUS MONEY INVESTMENT FUND AND CONDEMNATION DEPOSITS FUND | 10605 |
| ENTRY NO. A–7, ADJUST CAPITAL ASSET ACCOUNTS FOR UNSOLD SURVEYED EQUIPMENT | 10606 |
| ENTRY NO. A-7R, SEMI-REVERSE ENTRY A-7 | 10607 |
| ENTRY NO. A–8, ACCRUE ACCOUNTS PAYABLE | 10608 |
| ENTRY NO. A–8R, SEMI-REVERSE ENTRY A-8 | 10609 |
| ENTRY NO. A–9, ACCRUE REVENUE | 10610 |
| ENTRY NO. A–9R, SEMI-REVERSE ENTRY A-9 | 10611 |
| ENTRY NO. A–10, ADJUST INCOME FOR DISHONORED CHECKS | 10612 |
| ENTRY NO. A–11, ADJUST INCOME FOR CASH SHORTAGES | 10613 |
| ENTRY NO. A–12, ADJUST APPROPRIATION EXPENDITURES AND REIMBURSEMENTS FOR DEFERRED BILLED RECEIVABLES | 10614 |
| ENTRY NO. A–13, TRANSFER CASH IN STATE TREASURY TO FUND BALANCE-CLEARING ACCOUNT | 10615 |
| ENTRY NO. C–1, CLOSE NOMINAL ACCOUNTS | 10650 |

## ENTRY NO. A-1, RECORD UNDEPOSITED RECEIPTS - 10600

**Purpose:** To record undeposited receipts as of June 30. This entry is reversed in the new fiscal year.

During the fiscal year Account No. 1101000 (Legacy Account No. 1110), General Cash, shows the amount of cash collected and deposited, or to be deposited, in the general checking account for remittance to a fund in the State Treasury. For year-end

reporting purposes, agencies/departments will reduce the balance of the General Cash account to the cash (including deposits in transit) in the agency/department's centralized State Treasury account with the State Treasurer.

Agencies/Departments will analyze the General Cash Receipts Register to determine the amount of General Cash received by June 30 but not deposited as of that date.

**References**: SAM Sections 7813 and 10405

**Reclass Undeposited Receipts Recorded as General Cash**
Table content available in source manual.

Note:

a. Cash received by June 30 but not yet deposited.
b. Cash recorded as General Cash as of June 30 but not yet deposited.

**Record Undeposited Receipts Not Recorded as General Cash**
Table content available in source manual.

Note:

a. Cash received by June 30 but not yet deposited.
b. Accounts receivable received by June 30 but not yet deposited.
c. Unearned revenue received as of June 30 but not yet deposited.
d. Unearned reimbursements received as of June 30 but not yet deposited.
e. Uncleared Collections received by June 30 but not yet deposited.
f. Revenue received as of June 30 but not yet deposited.
g. Reimbursements received as of June 30 but not yet deposited.
h. Abatements received as of June 30 but not yet deposited.

## ENTRY NO. A–2, ADJUST REVOLVING FUND CASH TO ITS ACTUAL CASH BALANCE - 10601

**Purpose:** To adjust the Revolving Fund Cash account in the advancing fund for unreimbursed expenditures, undeposited receipts, and undeposited warrants for reimbursement of the revolving fund to reflect the actual amount of revolving fund cash in the agency/department's centralized State Treasury System (CTS) account with the State Treasurer as of June 30. This entry is reversed in the new fiscal year.

During the fiscal year Account No. 1101200 (Legacy Account No. 1130), Revolving Fund Cash, is accounted on an imprest basis and may consist of items other than cash, which has the effect of overstating cash in the agency/department's financial reports.

**References:** SAM Sections 7965, 8116, 8118, 10501, and 10513

**Adjust the Revolving Fund Cash Account**
Table content available in source manual.

Note:

a. Cash in revolving funds and undeposited Revolving Fund reimbursements as of June 30.
b. Amount advanced to other funds by Revolving Fund.
c. Amount of expense, travel, and salary advances outstanding as of June 30.
d. Amount of Revolving Fund expenditures not scheduled for reimbursement by June 30 resulting from payment of deferred charges chargeable to the new fiscal year.
e. Amount of Revolving Fund expenditures not scheduled for reimbursement by June 30.
f. Claims filed to reimburse the Revolving Fund but have yet to be paid as of June 30 for agencies/departments deferred/exempt from using FI$Cal.
g. Amount required to reduce the Revolving Fund account to the cash it contains as of June 30.
h. Amount payable to other funds for revolving funds advanced.

## ENTRY NO. A–3, ACCRUE ACCOUNTS RECEIVABLE ABATEMENTS AND REIMBURSEMENTS - 10602

**Purpose**: To accrue accounts receivable abatements and reimbursements for the fiscal year just ended. This entry is reversed in the new fiscal year.

**References**: SAM Sections 7620, 8287, 8295, 8296, and 10407

**Accrue Abatements and Reimbursements**
Table content available in source manual.

Note:

a. Abatements due from private entities that were not billed or recorded as of June 30, deemed to be collectible during the ensuing fiscal year.
b. Reimbursements due from private entities that were not billed or recorded as of June 30, deemed to be collectible during the ensuing fiscal year.
c. Abatements and reimbursements due from other funds or appropriations that were not billed or recorded as of June 30, deemed to be collectible during the ensuing fiscal year.

d. Abatements and reimbursements due from other governmental entities that were not billed or recorded as of June 30, deemed to be collectible during the ensuing fiscal year.
e. Total amount of reimbursement receivables in Notes a through d.
f. Total amount of abatement receivables in Notes a through d.

## ENTRY NO. A–4, ADJUST ACCOUNTS RECEIVABLE ABATEMENTS AND REIMBURSEMENTS AND CERTAIN COLLECTIONS WHEN AN APPROPRIATION REVERTS - 10603

**Purpose**: To adjust accounts receivable abatements, reimbursements, and certain collections when an appropriation reverts for the following:

- Abatements and reimbursements not collected before reversion.
- Amounts collected before reversion but credited by the State Treasury after reversion.

Abatement and reimbursement receivables are no longer available after the appropriation reverts.

This entry is recorded as of the date on the Controller's Journal Entry reverting the appropriation.

The State Controller's Office will credit a Refund to Reverted Appropriations account when abatement and reimbursement collections are remitted into the State Treasury after an appropriation reverts.

**References**: SAM Section 8295

**Step 1: Reverse Original Accounts Receivable Abatements and Reimbursements when an Appropriation Reverts**
Table content available in source manual.

Note:

a. Reimbursements not collected before reversion.
b. Abatements not collected before reversion.
c. Abatements or reimbursements collected before reversion, but not credited to the State Treasury until after reversion.
d. Accounts receivable-reimbursements not collected before reversion.
e. Accounts receivable-abatements not collected before reversion.
f. Abatements or reimbursements collected before reversion, but not credited to the State Treasury until after reversion.

**Step 2: Reclassify Receivables When an Appropriation Reverts**
Table content available in source manual.

Note:

a. Abatements and reimbursements not collected before reversion.

## ENTRY NO. A–5, ACCRUE ACCOUNTS RECEIVABLE INTEREST EARNINGS ON INVESTMENTS - 10604

**Purpose**: To accrue accounts receivable for interest earnings on investments as of June 30 with appropriate adjustment of accrued interest purchased, premium, and discount accounts. The State Controller's Office will issue a journal entry for the interest earned.

**References**: SAM Sections 8210, 8217, 10424, and 10425

Table content available in source manual.

Note:

a. Interest accrued since the last interest date.
b. Discount accumulation since the last interest date.
c. Accrued interest not yet collected.
d. Premium amortization since the last interest date.
e. Interest earned.

## ENTRY NO. A–6, ACCRUE INTEREST EARNINGS FROM SURPLUS MONEY INVESTMENT FUND AND CONDEMNATION DEPOSITS FUND - 10605

**Purpose**: To accrue interest receivable from the Surplus Money Investment Fund and the Condemnation Deposits Fund as of June 30. The State Controller's Office will issue a journal entry in July for the interest earned applicable to the fourth quarter of the prior year. This entry is reversed in the new fiscal year.
**References**: SAM Section 8284
**Accrue Interest Earnings from Surplus Money Investment Fund and Condemnation Deposits Fund**
Table content available in source manual.

Note:

a. Interest earned as of June 30 and transferred in July. The entries posted to Due from Other Funds must include subsidiary Fund 0681 for amounts due from the Surplus Money Investment Fund and Fund 0910 for amounts due from the

Condemnation Deposits Fund.

## ENTRY NO. A–7, ADJUST CAPITAL ASSET ACCOUNTS FOR UNSOLD SURVEYED EQUIPMENT - 10606

**Purpose:** To accrue the estimated sales value of surveyed capital assets as an abatement to the appropriation expenditures account of the fiscal year just ended and to dispose of the capital asset. This entry is made only for those capital assets that were budgeted to be traded-in during the fiscal year and have been surveyed but are still on hand pending sale in lieu of trade-in. This entry is semi-reversed in the new fiscal year. See SAM Section 10607.

**References**: SAM Sections 8366, 8640, 8641, and 10538

**Record Equipment Surveyed and Held for Sale**
Table content available in source manual.

Note:

a. Estimated amount of sales proceeds for surveyed equipment not yet sold by June 30.

**Remove Surveyed Equipment**
Table content available in source manual.

Note:
Agencies/Departments deferred/exempt from using FI$Cal will adjust the accounts in the Capital Assets Group of Accounts. Agencies/Departments using FI$Cal will adjust the accounts in the Departmental Adjustment Ledger.

## ENTRY NO. A-7R, SEMI-REVERSE ENTRY A-7 - 10607

**Purpose:** To semi-reverse Entry No. A-7 on July 1 for those capital assets that were budgeted to be traded-in during the fiscal year and have been surveyed but are still on hand pending sale in lieu of trade-in.

**References**: SAM Sections 8366, 8640, 8641, and 10538

**Reverse Entry No. A-7 - Equipment Surveyed and Held for Sale Accrual**
Table content available in source manual.

Note:

a. Reverse the estimated amount of sales proceeds for surveyed equipment not yet sold by June 30.

**Reverse Entry No. A-7 - Remove Surveyed Equipment Accrual**
Table content available in source manual.

Note:

a. Agencies/Departments deferred/exempt from using FI$Cal will replace the accounts in the Capital Assets Group of Accounts. Agencies/Departments using FI$Cal will adjust the accounts in the Departmental Adjustment Ledger.

## ENTRY NO. A–8, ACCRUE ACCOUNTS PAYABLE - 10608

**Purpose**: To accrue the amounts for (1) obligations (goods/services received/performed as of June 30 but not yet scheduled for payment) and (2) encumbrances (goods/services not received/performed as of June 30). This entry is reversed in the new fiscal year. See SAM Section 10609.

To determine the amounts for obligations and encumbrances, agencies/departments will:
- Review all unliquidated encumbrances to identify whether they are valid obligations or encumbrances of the year just ended.
- Accrue any obligations that were not previously encumbered.
- Accrue any obligations of prior fiscal year appropriations that have not yet reverted to the applicable fiscal year.
- Accrue any obligations of reverted appropriations to a like appropriation of the fiscal year just ended.

These procedures permit all valid obligations of state funds to be reflected in year-end financial reports.
Once the encumbrances and obligations have been determined, agencies/departments will:
- Record expenditures in the applicable appropriation accounts.
  - If applicable, reduce or liquidate obligations or encumbrances for the accrual amount.
- Record liabilities in the accounts which identify to whom the amount is due.
- Accrue the reimbursement if any encumbrances are to be funded by reimbursement.

**References**: SAM Sections 7600, 7952, 8340, 8360, and 10465

**Accrue Expenditures for Obligations and Valid Encumbrances**
Table content available in source manual.

**Record Encumbrance Liquidation**
Table content available in source manual.

Note:

a. Encumbrances and obligations as of June 30 payable from appropriations available for encumbrance during the fiscal year just ended.
b. Encumbrances and obligations as of June 30 payable from prior year appropriations not available for encumbrance during the fiscal year just ended.
c. Obligations in Notes a and b due to private entities.
d. Obligations in Notes a and b due to other funds or appropriations.
e. Obligations in Notes a and b due to other governmental entities.
f. Encumbrance documents reduced or liquidated for the accrual amount. Agencies/Departments deferred/exempt from using FI$Cal will use the balance of Legacy Accounts Nos. 5350 and 6150 as of June 30.

For agencies/departments using FI$Cal, the Commitment Control ledger liquidates encumbrances by canceling or closing purchase orders within the Purchasing module or by encumbrance journals in the General Ledger module.

## ENTRY NO. A–8R, SEMI-REVERSE ENTRY A-8 - 10609

**Purpose**: To semi-reverse Entry No. A-8 as of July 1 so agencies/departments may record expenditures from continuing appropriations in the same manner as other current expenditures and post expenditures from appropriations no longer available for encumbrance to the Prior Year Appropriation Adjustments accounts when the amount paid differs from the amount accrued as of June 30.

**References**: SAM Section 10608

**Semi-Reverse Entry No. A-8 – Accounts Payable Accrual**
Table content available in source manual.

**Reverse Entry No. A-8 - Encumbrance Liquidation**
Table content available in source manual.

Note:

a. Amount credited to Accounts Payable in Entry No. A–8.
b. Expenditures accrued in Entry No. A–8 applicable to continuing appropriations still available for encumbrance in the new fiscal year.
c. Expenditures accrued in Entry No. A–8 applicable to appropriations no longer available for encumbrance in the new fiscal year but not yet reverted.
d. Expenditures accrued in Entry No. A–8 applicable to continuing appropriations still available for encumbrance in the new fiscal year, plus the adjustment amount of any other encumbrances applicable to those appropriations that were liquidated in Entry No. A–8 but are valid encumbrances of the new fiscal year.

For agencies/departments using FI$Cal, the Commitment Control ledger records encumbrances established by purchase orders within the Purchasing module or from allocated encumbrance journals in the General Ledger module.

## ENTRY NO. A–9, ACCRUE REVENUE - 10610

**Purpose**: To accrue revenue earned as of June 30 but not received.
**References**: SAM Sections 8217, 8296, and 10442
**Method A: Adjust Revenues if Deferred During the Year - This entry is semi-reversed in the new fiscal year. See SAM Section 10611.**
Table content available in source manual.

Note:
a. Amount required to adjust this account balance for revenue earned but not received as of June 30 for fully deferred receivables that are estimated to be collectible within the ensuing fiscal year.
b. Amount of adjustment in Note a applicable to Due to Other Funds.
c. Amount of adjustment in Note a applicable to Due to Other Appropriations.
d. Amount of adjustment in Note a applicable to Revenue.

Throughout the fiscal year, some accounts have been maintained on a fully deferred basis. On June 30, revenue related to these accounts is accrued by adjusting the Provision for Deferred Receivables in the manner stated in Note a. Revenue earned in this fiscal year is assumed to be collectible within the ensuing fiscal year unless information exists to the contrary. The amount of accounts receivable that probably will not be collected during the ensuing fiscal year will remain in the Provision for Deferred Receivables account and will not be accrued as revenue.

**Method B: Accrue Revenue Receivables (Earned and not Billed) – This entry is reversed in the new fiscal year.**
Table content available in source manual.

Note:

a. Revenue earned as of June 30 to be collectible within the ensuing fiscal year.
b. Revenue earned from other funds and appropriations as of June 30 to be collectible within the ensuing fiscal year.
c. Revenue earned from other governments as of June 30 to be collectible within the ensuing fiscal year.
d. Revenue earned but not received as of June 30 to be collectible within the ensuing fiscal year.

**Method C: Adjust Current Year Billed Revenue Receivables Not Collectible in the New Year – This entry is reversed in the new fiscal year.**
Table content available in source manual.
Note:

a. Current enactment year revenue receivable not expected to be collectible within the ensuing fiscal year should be deferred.

b. Amount required to adjust this account balance for revenue earned but not received as of June 30 for fully deferred receivables that are not expected to be collectible within the ensuing fiscal year.

## ENTRY NO. A–9R, SEMI-REVERSE ENTRY A-9 - 10611

**Purpose**: To semi-reverse Entry No. A-9 as of July 1 so agencies/departments may record revenue in the same manner as other current revenues to the Prior Year Revenue Adjustments accounts when the amount received differs from the amount accrued as of June 30.
**References**: SAM Section 8217
Table content available in source manual.

Note:

a. Entry A–9 is semi-reversed as of July 1 by this entry so that accounts receivable collections (except those related to abatements, non-deferred appropriation reimbursements, and certain deferred appropriation reimbursements) can be credited to a nominal account when received. (Nominal accounts will not be credited for collections of certain deferred appropriation reimbursements until they are ordered into the State Treasury.)

## ENTRY NO. A–10, ADJUST INCOME FOR DISHONORED CHECKS - 10612

**Purpose**: To adjust income accounts for dishonored checks outstanding as of June 30.
**References**: Government Code Section 6157; SAM Sections 8292 and 8043.1
**Adjust Revenue Accounts if Not Adjusted when Dishonored Checks are Redeemed from Banks. This entry is not reversed as of July 1.**
Table content available in source manual.

Note:

a. Dishonored checks held by feeder funds on revenue items collected for other funds or appropriations where the items were not identified as being earned as of the preceding June 30.
b. Dishonored checks on unearned revenue.
c. Dishonored checks on unearned reimbursements.
d. Dishonored checks on deferred reimbursement items that are still credited to uncleared collections.
e. Dishonored checks on revenue items not identified as being earned as of the preceding June 30.
f. Dishonored checks on deferred reimbursement items that have already been credited as reimbursements.
g. Dishonored checks on current year abatements.
h. Dishonored checks on refunds to reverted appropriations.
i. Dishonored checks applicable to revenue (except reimbursements) which was identified as being earned as of the preceding June 30.
j. Dishonored checks on deferred reimbursement items of prior fiscal year appropriations.
k. Revenues adjusted for dishonored checks from Notes a through j.

**Adjust Revenue Accounts when Dishonored Checks are Collectible during the Next Year. This entry is reversed in the new fiscal year.**
Table content available in source manual.
Note:

a. Dishonored checks on deferred revenues.
b. Dishonored checks held by feeder funds on revenue items collected for other funds or appropriations where the items were not identified as being earned as of the preceding June 30.
c. Dishonored checks on unearned revenue and unearned reimbursements collected in advance.
d. Dishonored checks on deferred reimbursement items that are still credited to uncleared collections.
e. Dishonored checks on revenue items not identified as being earned as of the preceding June 30.
f. Dishonored checks on deferred reimbursement items.
g. Dishonored checks on current year abatements.
h. Dishonored checks on refunds to reverted appropriations.

## ENTRY NO. A–11, ADJUST INCOME FOR CASH SHORTAGES - 10613

**Purpose:** To adjust income accounts for cash shortages outstanding as of June 30. This entry is semi-reversed as of July 1.
For all cash shortages, agencies/departments must adjust the revenue account and establish a temporary reserve item as of June 30. Agencies/Departments will make appropriate adjustments to the remittance of June receipts to the State Treasury. The adjustment is for the amounts remitted previously which remain outstanding as cash shortages in agency/department accounts as of June 30.
**References:** SAM Sections 8070, 8072, and 8210
**Record Adjustment to Revenue Accounts for Cash Shortages Outstanding as of June 30.**
Table content available in source manual.

Note:

a. Cash shortages on revenue items collected for other funds or appropriations where the items were not identified as being earned as of the preceding June 30. Credit Prior-Year Revenue Adjustments in semi-reversal if the cashier's shortages relate to revenue identifiable on collection to the fiscal year in which it was earned.
b. Cash shortages on unearned revenue. Credit Revenue or Due to Other Funds on Appropriations in semi-reversal.
c. Cash shortages on unearned reimbursements. Credit Reimbursements in semi-reversal for amount applicable to current year appropriation.
d. Cash shortages on deferred reimbursement items that are still credited to uncleared collections pending their being ordered into the treasury.

e. Cash shortages on revenue items not identified as being earned as of the preceding June 30. Credit Prior Year Revenue Adjustments in semi-reversal if the cashier's shortages related to revenue identifiable on collection to the fiscal year in which it was earned. Account No.4xxxxxx (Legacy Account No. 8000), General Revenue will be debited for all cash shortages that cannot clearly be attributed to abatement, reimbursement, or other identifiable revenue items.
f. Cash shortages on current-year reimbursement items that have already been credited to reimbursements. Credit Prior-Year Appropriation Adjustments in semi-reversal for amount applicable to appropriations no longer available for encumbrance.
g. Cash shortages on abatements to current-year expenditure items. Credit Prior-Year Appropriation Adjustments in semi-reversal for amount applicable to appropriations no longer available for encumbrance.
h. Cash shortages applicable to revenue (except appropriation reimbursements) which was identified as being earned as of the preceding June 30.
i. Cash shortages on abatements and reimbursements of prior fiscal year appropriations. Credit Prior-Year Revenue Adjustments in semi-reversal for amount related to appropriation that reverted as of the June 30 date that Entry No. A–11 was made.
j. Total amount of cash shortages outstanding as of June 30. (Balance of Account No. 1200200, Account Receivable-Cash Shortages (Legacy Account No. 1316).)

## ENTRY NO. A–12, ADJUST APPROPRIATION EXPENDITURES AND REIMBURSEMENTS FOR DEFERRED BILLED RECEIVABLES - 10614

**Purpose**: To adjust the appropriation expenditure and reimbursement accounts for billed receivables that have not been deferred to the amount that is estimated to be collectible during the ensuing fiscal year.
During the fiscal year, billed accounts receivable for abatements, reimbursements, and some non-revenue items are credited back to an appropriation. Agencies/Departments adjust the credit amount to the billed receivables that are not collectible as of June 30. These receivables remain deferred until the actual amount is collected. See SAM Section 10507.
**References**: SAM Sections 8287, 8293, 8294, 8295, and 8296
**Record Reserve for AR Abatement and Reimbursement**
Table content available in source manual.

Note:

a. Billed Accounts Receivable—Reimbursement which will not be collectible within the ensuing fiscal year.
b. Billed Accounts Receivable—Abatements which will not be collectible within the ensuing fiscal year.
c. Billed Accounts Receivable credited to Refunds to Reverted Appropriations which will not be collectible within the ensuing fiscal year.
d. Billed Account Receivable credited to Prior Year Appropriations Adjustments which will not be collectible within the ensuing fiscal year.
e. Total Accounts Receivable deferred (Notes a+b+c+d).

## ENTRY NO. A–13, TRANSFER CASH IN STATE TREASURY TO FUND BALANCE-CLEARING ACCOUNT - 10615

**Purpose**: To transfer the balance in Cash in State Treasury Account No. 1104000 (Legacy Account No. 1140) to the Fund Balance—Clearing Account. This entry is used when a fund is shared by multiple agencies/departments.

**References**: SAM Sections 10403 and 10464

**Transfer Cash in State Treasury to Fund Balance-Clearing Account (for Shared Funds)**
Table content available in source manual.

Note: Should an agency/department's Account No. 1104000 (Legacy Account No. 1140) have a debit balance, the above entry would be reversed.

For shared funds, Account No. 1104000 (Legacy Account No. 1140), Cash in State Treasury, shows the net cash balance in the State Treasury for the fund. By having the agency/department transfer their balance of Account 1104000, in addition to the closing entry (Entry No. C-1) to the Account No. 3903000 (Legacy Account No. 5570), Fund Balance-Clearing Account, each agency/department will show their equity (net assets or liabilities) of the shared fund, and the State Controller's Office (SCO) records will show the net activity for the entire fund.
To ensure the accuracy of the agency/department's financial reports, agencies/departments will perform a monthly fund reconciliation to their general ledger account balances prior to closing the nominal accounts. The fund administrator of a shared fund will obtain necessary reports from all fund users to reconcile the activity in Account No. 1104000 (Legacy Account No. 1140).

## ENTRY NO. C–1, CLOSE NOMINAL ACCOUNTS - 10650

**Purpose**: To close nominal accounts at year-end and determine the fund balance available for appropriation for non-shared funds or each agency/department's shared equity for shared funds.

**References**: SAM Sections 7640, 7680, 10467, 10463, 10464, 10467, 10468, 10473, 10474, and 10475

**Close Revenue and Reimbursements Accounts to Fund Balance**
Table content available in source manual.

Note:

a. Amount of Prior Year Income Adjustments assuming a debit balance in the account.

**Close Appropriation Expenditure Accounts to Fund Balance**
Table content available in source manual.

Note:

a. Amount of Prior Year Appropriations that reverted as of June 30 assuming a debit balance in the account.

**Close Other Financial Sources/Uses Accounts to Fund Balance**
Table content available in source manual.

# Chapter - 13400

Sections for Chapter 13400

| Section | Subchapter |
|---|---|
| PROPRIETARY AND FIDUCIARY FUNDS | 13400 |
| RETIREMENT FUNDS | 13410 |
| FUNDS WITH PROCEEDS FROM SALE OF BONDS | 13420 |

## PROPRIETARY AND FIDUCIARY FUNDS - 13400

Each Proprietary and Fiduciary Fund (except for the Special Deposit Fund) was established for a special purpose and is accounted by only one agency. Generally, proprietary and fiduciary fund types use the economic resources measurement focus described in SAM section 7430, and the accrual basis of accounting described in SAM section 7440 to record and report financial transactions, such as:

1. Recognizing revenue when earned, regardless of when collectible.
2. Recognizing expenses based on services received and goods used in the reporting period, regardless of when payment is made.
3. Accounting for all assets with no offsetting reserve and recording depreciation or amortization as the unit of cost of use of the assets in the period.

Where FSCU has issued special accounting instructions, agencies/departments will continue to use the accounts described in SAM Chapter 7600 to comply with such instructions. The procedures regarding income accounting prescribed in SAM chapter 8200 will continue to apply, except for funds that require accrual of income earned regardless of when collectible. Funds requiring accrual of operating income earned regardless of when collectible normally account for operating income as they are billed throughout the year and will continue to accrue income at the time and to the extent they now do.
Where FSCU has not issued any special instructions, agencies/departments will follow the general procedures described in SAM chapters 7000 to 19000, as well as the journal entries described in SAM chapter 10500, to the extent applicable.

## RETIREMENT FUNDS - 13410

(Revised and renumbered from 16400)
The state established each retirement fund for a specific purpose to address specified retirement needs. A single assigned agency/department administers and accounts for the financial activities of each retirement fund.
Retirement funds use the economic resources measurement focus described in the State Administrative Manual (SAM) section 7430, and the accrual basis of accounting described in SAM section 7440, to record and report financial transactions.
Where applicable, special instructions issued by the Department of Finance, Fiscal Systems and Consulting Unit (FSCU), will continue to apply and agencies/departments will use the accounts described in SAM chapter 7600 to record and present financial transactions in these funds. Agencies/departments will follow procedures regarding income accounting prescribed in SAM chapter 8200 except for those funds that require accrual of income earned regardless of when collectible. Funds requiring accrual of operating income earned regardless of when collectible normally account for operating income as they are billed throughout the year and will continue to accrue income at the time and to the extent they now do.
Where FSCU has not issued any special instructions, agencies/departments will follow the general procedures described in SAM chapter 7000 to 19000, as well as the journal entries described in SAM chapter 10500, to the extent applicable.

## FUNDS WITH PROCEEDS FROM SALE OF BONDS - 13420

(Renumbered from 14400)
The accounting treatment for funds with a major source of revenue from the sale of bonds varies according to the provisions of the bond act authorizing the issuance of the bonds and by practical application of generally accepted accounting principles, where they are not in conflict with any provisions of the bond act.
The State Controller's Office maintains specific bond funds based on the provisions of the bond act. All bond funds are automatically established with subfunds.

# Chapter - 17000

Sections for Chapter 17000

| Section | Subchapter |
|---|---|
| FEDERAL TRUST FUND | 17101 |
| DEFINITION OF FEDERAL FUNDS | 17105 |
| APPROPRIATION OF FEDERAL FUNDS | 17110 |
| ESTABLISH OR AMEND A FEDERAL TRUST FUND ACCOUNT | 17115 |

| | |
|---|---|
| FEDERAL TRUST FUND DEPOSITS | 17125 |
| YEAR-END REPORTING | 17130 |
| FEDERAL TRUST FUND GENERAL LEDGER ENTRIES | 17135 |
| TRUST AND AGENCY FUNDS - FEDERAL AND OTHER - SPECIAL ACCOUNTING PROCEDURES | 17400 |

## FEDERAL TRUST FUND - 17101

Chapter 1284, Statutes of 1978, created the Federal Trust Fund effective July 1, 1979. The purpose of this fund is to provide a single depository for all federal funds received by the state from individual federal agencies and programs. This fund has the capability to track federal funds from the authorization process to the receipt and disbursement process.

All state agencies/departments receiving money directly from the federal government must deposit the money in the Federal Trust Fund. See Government Code sections 16360-16365.5. An exception applies to those state agencies/departments with specific statutory authority to maintain federal funds outside the State Treasury.

Per Government Code section 16362, whenever any law provides for the payment and deposit of money received from the federal government into a specific fund in the State Treasury, the federal funds shall first be credited to the Federal Trust Fund. The funds can then transferred or disbursed to the specific State Treasury fund to fulfill the purpose for which the money was collected or received. For the definition of federal funds, see SAM section 17105.

## DEFINITION OF FEDERAL FUNDS - 17105

Agencies/Departments will use the following definition of federal funds to identify money remitted to the State Treasury, which shall be deposited in the Federal Trust Fund:

> Federal funds are all moneys received directly from the federal government. The expenditure of these funds is administered through or under the direction of any agency/department and is reported as Federal Trust Fund moneys in the “Detail of Appropriations” within the Governor's Budget.

The state may receive money from the federal government under different financial relationships. Money received directly from the federal government shall be deposited in the Federal Trust Fund with exceptions such as contracts and equitable sharing program as described below.

**Grants and Cooperative Agreements**

The state may enter into grants and cooperative agreements with the federal government. The federal agency will transfer money, property, services, or anything of value to the state to accomplish a public purpose of support or stimulation authorized by federal statute.

Grants and cooperative agreements should have a valid Assistance Listing Number (ALN).

Money received directly from the federal government for a grant or cooperative agreement shall be deposited in the Federal Trust Fund.

**Contracts**

The state may enter into procurement contracts with the federal government to acquire, purchase, lease, or barter property or services for the direct benefit or use of the federal government. Money received under federal procurement contracts shall not be deposited in the Federal Trust Fund.

**Equitable Sharing Program**

The state may participate in the federal program to share federal asset forfeiture proceeds through equitable sharing. Asset forfeiture proceeds from the federal government must be maintained in a separate fund or account subject to appropriate accounting controls and financial audits. Money received under such a program shall not be deposited in the Federal Trust Fund.

**Other Exceptions**

Revenues derived from sources of financing other than receipts from the federal government (e.g., revenues derived from taxes, licenses, fees, and fines) shall not be deposited in the Federal Trust Fund.

When federal assistance is transferred between agencies/departments, the receiving agency/department will classify it as a reimbursement.

For information on receipt of federal funds, see SAM Section 8003. For information on the Cash Management Improvement Act and on the exchange of funds between the state and the federal government, see SAM Sections 8010 through 8014. The funds received by the state are subject to the federal administrative and legal requirements, audit requirements, and federal cost principles. For information on federal cost recoveries, see SAM Sections 9215 through 9216.2.

For assistance in identifying the relationship of federal funds, contact the Department of Finance, Fiscal Systems and Consulting Unit.

## APPROPRIATION OF FEDERAL FUNDS - 17110

Government Code section 13338 provides for the Budget Act appropriation of federal funds received by the state and deposited in the State Treasury. The Budget Act shall provide the authority for both direct expenditures from the Federal Trust Fund and transfers to other funds.

Agencies/Departments will account for these funds at the grant and appropriation schedule level. Amounts received from the federal government in excess of the appropriated amount are subject to the provisions in Section 28 of the Budget Act.

## ESTABLISH OR AMEND A FEDERAL TRUST FUND ACCOUNT - 17115

To establish or amend a Federal Trust Fund account, agencies/departments shall complete a Request to Establish or Amend Federal Trust Fund Account Form, AUD 10a. The form is available on the State Controller's Office (SCO) website. Agencies/Departments shall send the completed form to the SCO, State Accounting and Reporting Division for approval.

## FEDERAL TRUST FUND DEPOSITS - 17125

Agencies/Departments shall process Federal Trust Fund deposits by completing a Report to State Controller of Remittance to State Treasurer form, CA 21, separate from other deposits. The remittance shall include appropriate descriptions and codes. For information on completing the CA 21, see SAM Section 8091.1. Agencies/Departments shall send the completed form to the State Treasurer's Office, Centralized Treasury and Securities Management Division at CTSMD_In_Out_Wires@treasurer.ca.gov for processing.

## YEAR-END REPORTING - 17130

Agencies/Departments maintain their Federal Trust Fund accounts on a modified accrual basis throughout the year. Under the modified accrual basis of accounting, expenditures are accounted for in the period in which goods and services are received and the liability is incurred. For information on the basis of accounting, see SAM Section 7440.

Agencies/Departments shall record the following as of June 30:

- Accrue expenditures for all valid obligations incurred as of June 30 but not yet paid. Liabilities may be incurred at any time throughout the year; however, accruals are posted only at year-end.
- Accrue accounts receivable if they have been earned and are expected to be collected within one year after the end of the current fiscal year.

The accrual process aligns the cash basis accounts of the State Controller's Office with an agency/department's accounts.

General instructions in SAM covering the state's fiscal procedures are applicable to the Federal Trust Fund.

## FEDERAL TRUST FUND GENERAL LEDGER ENTRIES - 17135

**Purpose**: To record receivables, remittances, appropriated expenditures, operating transfers out, and payables for federal funds.
**References:** See SAM Chapters 10500 and 10600 for standard entries.

**Record Receivables of Federal Funds**
Table content available in source manual.

Note:
a. Receivables due from the federal government.
b. Receipts due from the federal government.
c. Receivables billed to the federal government for agencies/departments deferred/exempt from FI$Cal.

**Record General Cash Received from Federal Government**
Table content available in source manual.

Note:
a. Cash received from the federal government for deposit in the General Cash account.
b. Cash receipts applicable to billed receivables due from the federal government.
c. Cash receipts received from the federal government not billed or accrued previously.
d. Cash receipts received from the federal government not billed or accrued previously for agencies/departments deferred/exempt from FI$Cal.

**Record Remittance of Federal Funds to the State Treasury for Agencies/Departments Deferred/Exempt from FI$Cal**
Table content available in source manual.

Note:
a. Cash in transit for deposit in the State Treasury.
b. Cash remitted for deposit in the State Treasury.

**Record Remitted Federal Funds to the State Treasury for Agencies/Departments Deferred/Exempt from FI$Cal**

Table content available in source manual.

Note:
a. Cash remitted for deposit in the State Treasury.
b. Cash in transit for deposit in the State Treasury.

**Record Appropriated Expenditures from Federal Trust Fund**
Table content available in source manual.

Note:
a. Paid expenditures against appropriations currently available.
b. Cash disbursed from the Federal Trust Fund in the State Treasury.

**Record Disbursement of Money from the Federal Trust Fund when the Appropriation is for Transfer to Another Fund**
Table content available in source manual.

Note:
a. Transfers out to another fund against appropriations currently available.
b. Cash disbursed from the Federal Trust Fund to another fund in the State Treasury.

**Record a Payable when Federal Funds are Appropriated and Expended from the Federal Trust Fund**
Table content available in source manual.

Note:
a. Outstanding valid obligations to be paid.
b. Obligations due to private entities.
c. Obligations due to other funds or appropriations.
d. Obligations due to other governmental entities.

**Record a Payable when the Authorized or Appropriated Expenditure of Federal Funds Occurs in Another Fund**
Table content available in source manual.

Note:
a. Outstanding valid obligations to be transferred out.
b. Obligations due to other funds or appropriations.

### TRUST AND AGENCY FUNDS - FEDERAL AND OTHER - SPECIAL ACCOUNTING PROCEDURES - 17400

Each Trust and Agency Fund - Federal and Other (except for the Special Deposit Fund) is established for a specific purpose and accounted for by one agency/department. Therefore, the State Administrative Manual (SAM) does not provide detailed accounting procedures for this fund type.

The Department of Finance, Fiscal Systems and Consulting Unit (FSCU) may issue special instructions to ensure the proper recording and reporting of certain funds in this category. When such instructions have been issued, they will remain applicable except that:

- Accounts prescribed in SAM Chapter 7600 will supersede those shown in such instructions.
- Procedures regarding income accounting prescribed in SAM Chapter 8200 will supersede those shown in such instructions except for funds that use the accrual basis of accounting to record operating income. Funds of this type normally account for operating income as it is billed throughout the year, regardless of when cash is received (see SAM Section 7440).

When no special instruction has been issued by FSCU, agencies/departments will use the following guidelines:

- General procedures prescribed in SAM Sections 7000 to 8900. However, procedures regarding income accounting prescribed in SAM Chapter 8200 will not be used if the fund requires that operating income be recorded on an accrual basis.
- Journal entries described in SAM Chapters 10500 and 10600 to the extent that they are applicable.

## Chapter - 18000

Sections for Chapter 18000

| Section | Subchapter |
|---|---|
| SPECIAL DEPOSIT FUND ACCOUNTS | 18420 |
| UNCLAIMED TRUST ACCOUNTS | 18424 |
| REMITTANCES OF UNCLAIMED MONEY TO SPECIAL DEPOSIT FUND | 18424.5 |
| WITHDRAWALS OF UNCLAIMED MONEY FROM SPECIAL DEPOSIT FUND | 18424.6 |
| REVERSION OF UNCLAIMED MONEY | 18424.7 |

### SPECIAL DEPOSIT FUND ACCOUNTS - 18420

The Special Deposit Fund (SDF) is a trust fund in the State Treasury. This fund provides a depository for money received in trust for specific purposes by an agency/department but for which no other fund has been created. See Government Code Sections 16370–16375.

**Establishing an SDF Account**
Agencies/Departments may establish an account in the SDF by submitting a request to the Department of Finance, Fiscal Systems and Consulting Unit (FSCU), as outlined in SAM Section 7040. Agencies/Departments will include the following documents with the request:

1. A cover letter that contains a justification to establish the account.
2. A completed Request to State Controller to Establish or Amend Special Deposit Fund Account form, AUD 10, with a period of availability not to exceed five years.

FSCU will forward approved requests to the State Controller's Office, State Accounting and Reporting Division (SARD), and notify the requesting agency/department. SARD will assign an account number to the approved SDF account and send a copy of the AUD 10 containing the account number information to the agency/department.
If the money to be deposited in the SDF account is a gift, the agency/department must obtain approval to accept the gift before requesting the SDF account, unless it is statutorily exempted from Finance approval. SAM Section 8634 provides the procedure for the acceptance of gifts.
**Extending the Availability Period of an SDF Account**
If there is a need to extend the period of availability of an SDF account, agencies/departments will follow the procedure outlined in SAM Section 7040 to obtain approval from FSCU, and submit the following documents at least 45 days before the account is set to expire:

1. A cover letter that includes a justification for the extension request.
2. A completed AUD 10 with a period of availability not to exceed five years from the current expiration date.

FSCU will forward the approved extension requests to SARD and notify the agency/department. After the account has been extended, SARD will send a copy of the approved AUD 10 with the account number information to the requesting agency/department.
**Early Termination of an SDF Account**
Each agency/department is responsible for notifying SARD when an account in the SDF can be terminated before its expiration date. The notification letter must include the following information:

1. Account title
2. Account number
3. Reason for the termination

Agencies/Departments will submit the original letter to SARD and a copy to FSCU.

## UNCLAIMED TRUST ACCOUNTS - 18424

Unclaimed trust accounts within the Special Deposit Fund (SDF) provide a depository for the following:
- Any unclaimed money that is required by law to be deposited into the SDF.
- Any unclaimed money, including deposits, that is not required by law to be deposited into a specific fund.

The following SAM sections provide guidance on the handling of specific types of unclaimed money:
- Unclaimed State Controller's Warrants - SAM Sections 8281 and 8580.5
- Unclaimed Agency Checks - SAM Section 8042
- Unclaimed Deposits - SAM Section 8283

Tracked Changes Version

## REMITTANCES OF UNCLAIMED MONEY TO SPECIAL DEPOSIT FUND - 18424.5

Agencies/Departments remitting unclaimed money to the Special Deposit Fund will prepare a schedule of unclaimed trust deposits in duplicate. The original will be emailed to the State Controller's Office, Fiscal Control Section at fiscalcontrol@sco.ca.gov, and the duplicate will be retained as the agency/department copy. The schedule of unclaimed trust deposits must include the following information:

1. Name of the original payee or depositor.
2. Amount.
3. Warrant or check number reference and date.
4. Remittance document number.
5. The total amount being remitted as shown on the remittance document.

Agencies/Departments will remit the unclaimed money according to the procedure prescribed in SAM Section 8091. After verifying the information on the Controller's Receipt, the agency/department will file this document with their copy of the schedule of unclaimed trust deposits.

## WITHDRAWALS OF UNCLAIMED MONEY FROM SPECIAL DEPOSIT FUND - 18424.6

Agencies/Departments may withdraw unclaimed money in the Special Deposit Fund within two years of the issuance date of the Controller's Receipt (CR). Agencies/Departments must submit a claim to the State Controller's Office in time to permit payment within the specified time limit and include the following information:

1. Name of the original payee or depositor.
2. Amount.
3. Warrant or check number reference and date.
4. CR number and date.
5. Evidence that the claimant is entitled to the payment if they are not the original payee or depositor of the unclaimed money.

Agencies/Departments will note the claim number and date next to the applicable item listed on the agency/department copy of the schedule of unclaimed trust deposits (see SAM Section 18424.5).

### REVERSION OF UNCLAIMED MONEY - 18424.7

Government Code Section 16374 provides for the reversion of unclaimed money after it has been on deposit in the Special Deposit Fund and remained unclaimed for two years.
The State Controller's Office will notify agencies/departments of the reverted amounts. Agencies/Departments will note the reversion date on their copy of the schedule of unclaimed trust deposits, if applicable.
Claimants requesting payment of reverted amounts should contact the Department of General Services (see SAM Section 8493).

## Chapter - 19000

Sections for Chapter 19000

| Section | Subchapter |
|---|---|
| ACCRUALS TO TRUST ACCOUNTS | 19305 |
| SPECIAL ACCOUNTING PROCEDURES FOR TRUST AND AGENCY FUNDS OUTSIDE THE STATE TREASURY | 19400 |
| GUARANTY DEPOSITS | 19410 |
| PRIVATE TRUSTS | 19420 |
| INTEREST-BEARING PRIVATE TRUST ACCOUNTS | 19420.1 |
| DEPOSITORS' CASH | 19421 |
| DEPOSITORS' SECURITIES | 19422 |
| SAFEKEEPING | 19423 |
| DEPOSITORS' SUNDRY PERSONAL PROPERTY | 19424 |
| DISPOSITION OF DEPOSITOR'S PERSONAL PROPERTY | 19425 |
| SPECIAL PURPOSE TRUSTS | 19440 |
| DOCUMENTATION | 19440.1 |
| TRUST INVESTMENT | 19460 |
| BANK ACCOUNTS | 19462 |
| SAVINGS AND LOAN ASSOCIATION AND CREDIT UNION ACCOUNTS | 19463 |
| SECURITIES | 19464 |

### ACCRUALS TO TRUST ACCOUNTS - 19305

In order to properly report the financial status of a Trust Account in the Analysis of Change in Fund Balance (Statement of Operations), agencies/departments will record the following accruals on June 30:

- Accounts Payable for transactions debited to subsidiary accounts in the depositor's ledger on or as of that date but for which cash has not been disbursed.
- Accounts Receivable for transactions credited to subsidiary accounts in the depositor's ledger on or as of that date but for which cash has not been received.

### SPECIAL ACCOUNTING PROCEDURES FOR TRUST AND AGENCY FUNDS OUTSIDE THE STATE TREASURY - 19400

Trust and Agency Funds outside the State Treasury (i.e., money or property in the custody of a state agency/department not required to be deposited in a fund in the State Treasury) generally fall into the following types:

- State Veterans' Home Post Fund
- Agriculture Marketing Trusts
- Employment Development Department Trust Funds
- Guaranty Deposits
- Private Trusts
- Special Purpose Trusts

SAM does not include specific procedures for the first three types of trusts as they are accounted for by their respective agencies/departments. For special procedures that apply to the last three types of trusts listed above, see SAM Sections 19410 through 19464.
To appropriately show the financial status and operations of certain Trust and Agency Funds, the Department of Finance, Fiscal Systems and Consulting Unit (FSCU) may issue special manuals or instruction memorandums that prescribe the use of all or some commercial accounting principles such as:

- Accruing collectible operating income earned, regardless of when collectible.
- Accruing expenditures based on services received and goods used—or goods received if there are insignificant differences between usage and receipt of goods.
- Accounting for assets with no offsetting reserve and depreciating them.
- Preparing the following year-end reports for trust accounts outside the State Treasury:
    - Report No. 7, Pre-Closing Trial Balance
    - Report No. 8, Post-Closing Trial Balance
    - Report No. 9, Analysis of Change in Fund Balance
    - Report No. 14, Reports of Accounts Outside the State Treasury
      For information on these reports, see SAM Chapter 7900.

FSCU may issue special instructions to ensure the proper recording and reporting of certain funds in this category. Such instructions will remain applicable except that:

- Accounts prescribed in SAM Chapter 7600 will supersede those shown in such instructions.
- Procedures regarding income accounting prescribed in SAM Chapter 8200 will supersede those shown in such instructions except for funds that use the accrual basis of accounting to record operating income. Funds of this type normally account for operating income as it is billed throughout the year, regardless of when cash is received. For information about the basis of accounting, see SAM Section 7440.

Where no special instructions have been issued by FSCU, agencies/departments shall use the following guidelines:

- General procedures prescribed in SAM Chapters 7000 through 8800. However, procedures regarding income accounting prescribed in SAM Chapter 8200 will not be used if the fund requires that operating income be recorded on an accrual basis.
- Journal entries described in SAM Chapters 10500 and 10600 to the extent that they are applicable, with modifications for the use of some different General Ledger accounts as prescribed in SAM Chapter 7600 (unless otherwise provided in SAM Sections 19410 through 19464 which apply to guaranty deposits, private trusts, and special purpose trusts).

Agencies/Departments shall maintain separate General Ledger accounts for each type of trust.

## GUARANTY DEPOSITS - 19410

Agencies/Departments may hold guaranty and/or performance deposits, consisting of securities or cash, to ensure compliance with various legal requirements.
The State Treasurer's Office holds negotiable securities for safekeeping. Negotiable securities are defined as any security that can be legally transferred to another party by endorsement or delivery. This includes any security that can be converted to cash by presentation or endorsement (e.g., bearer bonds and stocks).

Agencies/Departments may have different valuation procedures for securities held as guaranty deposits due to the differences in statutory and operating requirements, and account for the securities as follows:
Table content available in source manual.

Table content available in source manual.
Agencies/Departments shall deposit cash in the centralized State Treasury System, in accordance with applicable legal or administrative provisions, and account for these deposits as follows:
Table content available in source manual.

Table content available in source manual.
For a definition of cash, see SAM Section 8000.
Agencies/Departments shall maintain cash received in lieu of a bond and subject to the provisions of Code of Civil Procedure section 995.710 in an interest-bearing account. Agencies/Departments shall request an account in the Special Deposit Fund to comply with this requirement. For a description of Special Deposit Fund Accounts, see SAM Section 18420.

## PRIVATE TRUSTS - 19420

Private trusts consist of money, securities, or sundry personal property held by agencies/departments for specific individuals, e.g., inmates, students, and state hospital residents. The agency/department acts as custodian of the private individual's assets to the State Treasury for custody.
Agencies/Departments will maintain a trust deposit subsidiary ledger containing an account for each person for whom money or securities are held.
Agencies/Departments will exercise standard principles of internal control and ensure that money, securities, and sundry personal property are stored in a manner commensurate with their value. Agencies/Departments that use safe deposit boxes for the safekeeping of valuable property will permit access to such boxes only when two authorized employees are present to verify the transaction.

## INTEREST-BEARING PRIVATE TRUST ACCOUNTS - 19420.1

(Revised and Renumbered from 19420.3)

Except where prohibited by law, agencies/departments shall deposit private trust moneys in an interest-bearing account at federally insured financial institutions. This requirement does not apply to trust moneys held in reserve for the daily cash needs of the trust.

Agencies/Departments shall credit interest earnings to trust accounts when earnings are credited by the depository institutions and at the time trust accounts are closed.

Agencies/Departments may consolidate funds from individual trust accounts for investment purposes. For example, agencies/departments may purchase Treasury Bills or Certificates of Deposit with consolidated funds to generate more interest earnings for each trust account. Agencies/Departments shall credit interest earnings to individual trust accounts.

Agencies/Departments are responsible for maintaining accountability for each private trust account. Any program to consolidate funds from individual trust accounts requires approval from the Department of Finance, Fiscal Systems and Consulting Unit. For a description of trust investments, see SAM Section 19460.

## DEPOSITORS' CASH - 19421

Agencies/Departments shall prepare cash receipts in accordance with the provisions of SAM Section 8020 except that agencies/departments may prepare a cash receipt or provide a statement to notify a depositor of any money received from another party for credit to the depositor's account.

Agencies/Departments shall deposit the depositor's cash into the agency/department's centralized State Treasury System (CTS) account and record in Account No. 1101400 (Legacy Account No. 1120), Agency Trust Fund Cash. If authorized by statute or by approval from the Department of Finance, Fiscal Systems and Consulting Unit (FSCU), agencies/departments may deposit money in accounts outside the CTS. For a description of accounts outside the CTS, see SAM Section 8002.

Disbursements shall include the depositor's or their guardian's signature, unless the disbursement is by check payable to the depositor, or if provisions of law permit or court orders direct the disbursement.

Agencies/Departments shall record the receipt of depositor's cash in the cash receipts register and record the disbursement of cash trust moneys in the cash disbursements register. For information on the cash receipts register and cash disbursement register, see SAM Sections 8093 and 8094, respectively. Agencies/Departments shall record cash receipts and disbursements of money in the Trust Deposits Ledger, which is a subsidiary of Account No. 2060000, (Legacy Account No. 3510), Deposits-General throughout the month to maintain the current balance of each depositor's account.

On a monthly basis, agencies/departments shall reconcile the Agency Trust Fund Cash account in the CTS and balance the Trust Deposits Ledger with the Deposits-General account. Agencies/Departments will periodically review the accounts outside the CTS during the fiscal year to ensure compliance with legal authority or FSCU approval, and to ensure the account balances do not exceed the limits set by the Federal Deposit Insurance Corporation or the National Credit Union Administration.

## DEPOSITORS' SECURITIES - 19422

Agencies/Departments shall issue pre-numbered property receipts for securities received from private individuals and indicate the par or face value. For non-par stock, agencies/departments shall assign an arbitrary value of one dollar per share. The amounts for securities on the property receipts are for custody accounting purposes only and have no relationship to market values.

Agencies/Departments shall present interest coupons for collection as they become due and credit the interest received to the depositor's account. Agencies/Departments shall obtain receipts discharging themselves from accountability when releasing securities. These receipts shall indicate:

- The values from the property receipts when the securities were initially received.
- The circumstances or the authority for releasing the securities if the release is to someone other than the owner.

The Controller's Receipt will suffice for securities remitted to the Unclaimed Property Fund or the Special Deposit Fund.

Agencies/Departments shall record the receipts and dispositions of securities to the individual's security account in the Trust Deposits Ledger, which is a subsidiary of Account No. 2060000 (Legacy Account No. 3510), Deposits-General.

On a monthly basis, agencies/departments shall record the property and discharge of accountability receipt transactions to Account No. 1902000 (Legacy Account No. 2720), Securities and Other Property Held in Trust, and balance the Trust Deposits Ledger with the Deposits-General account.

Agencies/Departments shall conduct an inventory of securities at least annually.

## SAFEKEEPING - 19423

Securities (e.g., stocks, bonds, treasury bills, notes, and letters of credit) will be kept in a safe or vault. The agency/department facilities may be used or the securities may be transmitted to the State Treasurer's Office (STO) for safekeeping. If securities are transmitted to the STO, the head of the agency/department or the delegated representative will complete a letter similar to the following on the agency/department's letterhead:

Date

State Treasurer's Office
Centralized Treasury and Securities Management Division
P.O. Box 942809
Sacramento, CA 94209-0001

Dear _____,

The following employees of the (Name of Agency/Department), whose names and signatures appear below, are hereby authorized to issue and sign any letters, instructions, or other written evidence of authority directed to the California State Treasurer whereby said State Treasurer is authorized to receive, release, or otherwise dispose of any securities or other property belonging to or under the control of this agency/department, which is about to be deposited or is now on deposit with the State Treasurer for safekeeping or which is or may be deposited with the State Treasurer under the provisions of any laws of the State of California.

(Authorized Signature)

(Name)
(Title)
In the event the securities or other property so held are directed by instructions signed by any of the above persons to be delivered to this agency, then the following employees whose names and signatures appear below are hereby authorized to take delivery of an official receipt from you on behalf of this agency.

(Authorized Signature)
(Name)
(Title)
Your responsibility will cease upon making delivery in accordance herewith.
These instructions remain in full force and effect until written revocation is filed with the State Treasurer.

Sincerely,
(Authorized Signature)
(Name of Designee)
(Title)

## DEPOSITORS' SUNDRY PERSONAL PROPERTY - 19424

Sundry personal property is personal property other than cash or securities.
Agencies/Departments shall issue pre-numbered property receipts for sundry personal property received from private individuals. No values shall be assigned to the property. Agencies/Departments shall retain documentation describing the property held in trust.
Agencies/Departments shall safeguard the property in accordance with the law. A state employee in possession of lawfully received property shall exercise reasonable and ordinary care and diligence to preserve the property, ensuring it can be returned to the owner or disposed of as directed by law.
Agencies/Departments shall obtain receipts discharging themselves from accountability when releasing the property. If the property is released to someone other than the owner, agencies/departments shall indicate on the receipts the circumstances or authority for the release.

## DISPOSITION OF DEPOSITOR'S PERSONAL PROPERTY - 19425

**Renumbered from 19425.1, 19425.2, and 19425.3**

Institutions may be facilities (e.g., prisons) where depositors are incarcerated. Institutions shall review their records annually to determine if they are in possession of any depositor's (e.g., inmates) personal property that requires disposition.

**Notice of Proposed Disposition of a Depositor's Personal Property**

Institutions shall post a notice of the intended disposition of the personal property in a public place within the institution where the disposition will be made. Institutions shall post the notice at least 30 days before any property is sold or destroyed. During this time, institutions shall not deliver any of the proposed money, personal property, or documents to the State Treasurer's Office (STO), or State Controller's Office (SCO). Institutions shall mail a copy of the notice to the owner's or deceased owner's last known address.
In accordance with Government Code section 1090, no officer or employee of the state having jurisdiction over the disposition of inmates' personal property at public auction or by sealed-bid shall purchase or cause to be purchased inmates' personal property for them or their use.

**Disposition of a Deceased Depositor's Personal Property**

After the mandatory 30-day notice, institutions shall dispose of the personal property belonging to deceased inmates as follows:

- Remit unclaimed money to the STO for deposit in the Unclaimed Property Fund one year after the death of the inmate. The institution shall not include these remittances with other remittances.
- Sell all other personal property at public auction, or upon a sealed-bid basis, one year after the death of the inmate. Remit the proceeds of the sales to the STO in the same manner as unclaimed money.
- Destroy any personal property that is not salable at public auction or upon sealed-bids and has insufficient intrinsic value to justify a deposit with the STO, one year after the death of the inmate. Deliver items that warrant deposit with the STO to the SCO. The SCO shall deposit such items with the STO.
- File all deeds, contracts, or assignments with the public administrator of the county of commitment one year from the date of the inmate's death.

Upon delivery of any money or personal property to the STO or SCO, the institution shall provide the SCO a description of all money, personal property delivered, and the name and last known address of the deceased owner. The institution shall remit any money in accordance with SAM Section 8091.

**Disposition of an Escaped, Discharged, or Paroled Depositor's Personal Property**

After the mandatory 30-day notice, institutions shall dispose of personal property belonging to escaped, discharged, or paroled inmates as follows:

- Hold all moneys and intangible personal property (e.g., securities and stocks) for a period of three years from the date of the inmate's escape, discharge, or parole. After the three-year period, the moneys and intangible personal property are considered abandoned. Annually, before November 1, the institution shall report the abandoned moneys and intangible personal property held as of June 30 to the SCO in a manner specified by the SCO. Institutions shall remit the funds to the STO for deposit in the Unclaimed Property Fund–Abandoned Property Account only upon written request of the SCO. The institution shall not include these remittances with other remittances.
    - If the inmate is a minor who has been paroled, their unclaimed moneys or intangible personal property may be exempted from this three-year provision during the period of their minority and for a period of one year thereafter at the discretion of the Director of the Division of Juvenile Justice in the Department of Corrections and Rehabilitation. See Welfare and Institutions Code section 1016.

- Sell all unclaimed tangible personal property, other than money, at public auction or upon a sealed-bid basis one year from the date of the inmate's escape, discharge, or parole. Such property may be sold in lots, provided a determination can be made as to each inmate's share of the proceeds. The institutions shall hold proceeds from the sale for a period of three years from the date of the inmate's escape, discharge, or parole. The institutions shall report and dispose of the proceeds according to the procedures in the first bullet after three years.
- Destroy any tangible personal property that is not salable at public auction or upon sealed-bids and has insufficient intrinsic value, one year from the date of the inmate's escape, discharge, or parole.
- File all deeds, contracts, or assignments with the public administrator of the county of commitment one year from the date of the inmate's escape, discharge, or parole.

**Accounting for Disposition of a Depositor's Personal Property**
Institutions shall account for property transmitted to the Unclaimed Property Fund as follows:
Table content available in source manual.

Institutions shall post to the Trust Deposits Ledger, which is a subsidiary of Account No. 2060000, (Legacy Account No. 3510), Deposits, by utilizing the check information or the Controller's Receipt. The posting shall accurately reflect the date in that document.
Institutions shall refer claimants of money or personal property that has been remitted to the Unclaimed Property Fund to the SCO, Unclaimed Property Division. The claimant shall file their claim directly with the SCO.

## SPECIAL PURPOSE TRUSTS - 19440

Gifts or grants may be donated to the state for specific purposes (e.g., conducting research in a particular field, assisting deserving students, providing money or other resources for the education or entertainment of an institution's inmates).
In accordance with Government Code (GC) sections 16305 through 16305.3, agencies/departments shall deposit all money they possess or collect in trust with the State Treasurer, except when otherwise authorized by the Director of Finance or the money is deposited directly into a fund in the State Treasury. Specific provisions of law permit trusts to be maintained in centralized State Treasury System (CTS) accounts or in an account outside the CTS instead of in a fund in the State Treasury.
A few statutes provide that special purpose trusts outside the State Treasury will receive the income from certain sources. For example, Welfare and Institutions Code section 4125 provides that a benefit trust for the education or entertainment of patients will receive the income from the investment of a hospital's cash trust moneys. For information on accounts outside the CTS, see SAM Section 8002.
GC section 16302 states that agencies/departments shall deposit to the fund or appropriation specified by the donor. If the donor specified no fund, appropriation, or specific purpose, agencies/departments shall deposit in the State School Fund. In accordance with GC section 16372, if the donor specified the purpose of the money but did not specify a fund or appropriation, and no existing fund fulfills the purpose, agencies/departments shall deposit in the Special Deposit Fund.
For information on the acceptance of gifts, see GC section 11005. For the accounting procedures for accepting gifts, see SAM Section 8634.
Special purpose trusts outside the State Treasury normally will be deposited in the CTS and accounted as follows:
Table content available in source manual.

Agencies/Departments may maintain a separate self-balancing group of General Ledger accounts for each special purpose trust.

## DOCUMENTATION - 19440.1

Agencies/Departments shall retain documentation that supports each established trust account that specifies or includes the following:

- Type of trust
- Donor or source of trust moneys
- Purpose of the trust
- Statute Reference (if applicable)
- Time constraints
- Authorized persons to withdraw or expend funds
- Sample signatures
- Reporting requirements
- Instructions for closing the account
- Disposition of any unexpended balance
- Restrictions on the use of trust money for administrative or overhead costs

Retain this documentation until the trust account is dissolved. For a description of record management, see SAM Section 1611.

## TRUST INVESTMENT - 19460

Agencies/Departments shall obtain prior approval from the Department of Finance before investing funds or engaging in the sale or exchange of securities. Agencies/Departments listed in Government Code section 11012 or exempted by other statutes do not require prior Finance approval.

Agencies/Departments shall ensure that the bank or savings and loan association is insured by the Federal Deposit Insurance Corporation (FDIC) and the credit union is insured by the National Credit Union Association (NCUA). Agencies/Departments shall obtain Finance approval for any securities transactions exceeding $25,000 and account balances exceeding the FDIC or NCUA limit for each financial institution. Upon approval by Finance, agencies/departments may deposit over the FDIC or NCUA

limit in any one financial institution if they notify the State Treasurer's Office that the collateral requirement has been met. For a description of collateral requirements, see SAM Section 8002.

Agencies/Departments should deposit or invest trust money not under the custody of the State Treasurer only if the interest earnings will either:

- Accrue to the individual accounts or directly benefit a group of wards, patients, students, or inmates.
- Accrue to a trust account or fund established for gifts and donations that is dedicated to assisting wards, patients, students, or inmates.
- Affect the charges for auxiliary nonprofit and nonstate supported activities and services furnished to wards, patients, students, or inmates.

## BANK ACCOUNTS - 19462

Agencies/Departments may be authorized either by statute or by approval from the Department of Finance, Fiscal Systems and Consulting Unit (FSCU) to deposit moneys not under the control of the State Treasurer's Office (STO) in banks outside of the Centralized Treasury System (CTS).
Agencies/Departments that have statutory authority to deposit state moneys in banks outside the CTS without FSCU approval should adhere to the conditions prescribed by the Director of Finance and must notify the STO by letter stating:

- The name and location of the bank
- Amount
- Source and purpose of the funds to be deposited
- The type and term of the deposit arrangement

Agencies/Departments without such statutory authority will request approval from FSCU by letter to deposit state moneys in bank accounts outside the CTS. See SAM Section 8002.

The Director of Finance prescribes the following conditions for depositing money in bank accounts outside the CTS authorized by statute or approved by FSCU:

1. Unless otherwise exempted by statute, an agency/department must have approval from FSCU to maintain the bank account outside the CTS.
2. Except as otherwise provided by law, no state officer other than the Treasurer will deposit General Fund money with any bank.
3. Deposits shall not exceed the Federal Deposit Insurance Corporation (FDIC) limit in any one bank, including all of its branches. However, an agency/department may deposit in excess of the FDIC limit in any one bank if the agency/department notifies the STO that deposit collateral requirements have been met. See SAM Section 8002 for collateral requirements.
4. Agencies/Departments will submit the Report No. 14, Report of Accounts Outside the State Treasury, annually via the Financial Information System for California by August 31 or the following Monday if August 31 falls on a weekend. Report No. 14 will state the balance as of June 30, the purpose and authority for each bank account. If the bank account has been closed during the reporting period, agencies/departments must specify the date the bank account was closed. See SAM Sections 7930, 7951, and 7975.
5. Annually, by August 31, agencies/departments will submit bank statements stating bank balances as of June 30, for each bank account indicating collateralization on Report No. 14 to STO, Collateral Management Section.
6. No withdrawals shall be permitted until a bank signature card has been properly completed. The same statement shown in SAM Section 8001.2 pertaining to the necessity of two authorized signatures for withdrawals in excess of $15,000 is required.

Any agency/department that maintains bank account balances close to the FDIC limit should periodically review its bank account balances to make certain that the maximum insured amount will not be exceeded when interest earnings are added to the bank accounts.

Agencies/Departments are responsible for making arrangements with the bank to allow interest payments to be sent directly to the agency/department when such payments would increase the balance of a bank account in excess of the maximum insurable amount. Upon approval of FSCU, agencies/departments may deposit these excess amounts in another bank or within the CTS approved depository banks. See SAM Section 8031.

The deposit of state moneys in bank accounts should permit the maximum earnings of interest and the ready access to a reasonable amount of cash to meet unusual demands, in addition to cash held in the CTS account to meet ordinary withdrawal demands.
Agencies/Departments should ensure that time or interest-bearing term deposits are held until the expiration of the certificate or certificate of deposit to avoid early withdrawal penalties. Federal regulations require a substantial interest penalty for early withdrawals of principal. Generally, no interest is earned for 90 days immediately preceding the withdrawal and any applicable interest earnings are calculated at the current rate on regular bank accounts.

## SAVINGS AND LOAN ASSOCIATION AND CREDIT UNION ACCOUNTS - 19463

Agencies/Departments may be authorized either by statute or by approval from the Department of Finance, Fiscal Systems and Consulting Unit (FSCU), to deposit state moneys with savings and loan associations or credit unions outside the centralized State Treasury System (CTS).
Agencies/Departments that have statutory authority to deposit state moneys with savings and loan associations or credit unions outside the CTS without FSCU approval should adhere to the conditions prescribed by the Director of Finance and shall notify the State Treasurer's Office (STO) by letter stating:

- The name and location of the savings and loan association or credit union.

- The amount, source, and purpose of the funds to be deposited.
- The type and term of the deposit arrangement.

Agencies/Departments without such statutory authority shall request approval from FSCU to deposit state money with savings and loan associations or credit unions outside the CTS. For information on submitting requests for approval, see SAM Sections 7040 and 8002.
The Director of Finance prescribes the following conditions for depositing state moneys with savings and loan associations or credit unions outside the CTS authorized by statute or approved by FSCU:

1. Unless otherwise exempted by statute, an agency/department shall have written approval from the FSCU to maintain the savings and loan association or credit union account outside the CTS.
2. Except as otherwise provided by law, no state officer other than the Treasurer shall deposit General Fund money with savings and loan associations or credit unions.
3. Deposits shall not exceed the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Administration (NCUA) limit in any one savings and loan association or credit union, including all of its branches. An agency/department may deposit in excess of the FDIC or NCUA limit in any one savings and loan association or credit union if the agency/department notifies the STO that deposit collateral requirements have been met. For information on collateral requirements, see SAM Section 8002.
4. Annually, by August 31, or the following business day if August 31 falls on a weekend, agencies/departments shall submit Report No. 14, Report of Accounts Outside the State Treasury, via FI$Cal. Report No. 14 shall state the balance as of June 30, the purpose and authority for each savings and loan association or credit union account. If the account has been closed during the reporting period, agencies/departments shall specify the date the account was closed. For information on year-end reports, see SAM Sections 7930, 7951, and 7975.
5. Annually, by August 31, or the following business day if August 31 falls on a weekend, agencies/departments shall submit account statements via FI$Cal stating account balances as of June 30, for each account indicating collateralization on Report No. 14.
6. Agencies/Departments shall properly complete a savings and loan association or credit union account signature card before making withdrawals. The same statement shown in SAM Section 8001.3 pertaining to the necessity of two authorized signatures for withdrawals in excess of $15,000 is required.
7. In accordance with Government Code section 16600, agencies/departments shall deposit only with eligible savings and loan associations or credit unions.

Any agency/department that maintains account balances close to the FDIC or NCUA limit will periodically review its savings and loan association or credit union account balances to make certain that the maximum insured amount will not be exceeded when interest earnings are added to the accounts.
Agencies/Departments are responsible for making arrangements with the savings and loan associations or credit unions to allow interest payments to be sent directly to the agency/department when such payments would increase the balance of an account in excess of the maximum insurable amount. Upon approval of FSCU, agencies/departments may deposit these excess amounts in another eligible savings and loan association, credit union, or within the CTS approved depository banks. For information on approved depositories, see SAM Section 8031.
The deposit of state moneys in savings and loan association or credit union accounts should permit the maximum earnings of interest and the ready access to a reasonable amount of cash to meet unusual demands, in addition to cash held in the CTS account to meet ordinary withdrawal demands.
Agencies/Departments should ensure that time or interest-bearing term deposits are held until the expiration of the certificate or certificate of deposit to avoid early withdrawal penalties. Federal regulations require a substantial interest penalty for early withdrawals of principal. Generally, no interest is earned for 90 days immediately preceding the withdrawal, and any applicable interest earnings are calculated at the current rate on regular accounts.

## SECURITIES - 19464

Agencies/Departments that invest trust moneys in securities (e.g., stocks, bonds, treasury bills, notes, and letters of credit) may make arrangements with the State Treasurer's Office (STO) or, in some instances, with the California Public Employees' Retirement System, to handle purchase and sale transactions. The STO holds these securities for safekeeping. The head of the agency/department or a delegated representative shall send a letter to the STO similar to that prescribed in SAM Section 19423.

Agencies/Departments shall observe the following principles when accounting for investments in securities:

- Keep separate accounts for par value, premium, discounts, and accrued interest purchased on the stated rate of interest securities.
- Record the "no stated rate of interest" securities at cost and recognize interest only at the time of sale or maturity and as of each June 30 (when the interest will be accrued).
- Amortize the premium and accumulate the discount as of each June 30 using the "interest method" (amortization of premium and discount is used to yield an equal periodic rate of interest).
- Accrue interest as of each June 30.
- Develop bond amortization schedules or purchase them from a publishing company. Calculate the effective yield to the nearest basis point (1/100 of 1 percent). When ordering bond amortization schedules, the following information is required:
  - Face value
  - Purchase price
  - Coupon rate
  - Maturity date (month, day, year)
  - Purchase date (month, day, year)
  - A note that amortization is required as of each June 30 only

The following entries illustrate the prescribed procedure for the stated rate of interest securities only:

**Record purchase of securities:**

Table content available in source manual.

Note:

a. Interest accrued on securities at the date of purchase.
b. Face value of securities having a par value.
c. Premium paid on securities.
d. Amount paid for securities.
e. The sum amount of the face value and accrued interest purchased exceeds the purchase price.

**Record interest payments received:**

Table content available in source manual.

Note:

a. Cash received.
b. Interest received that was accrued at the previous June 30.
c. Interest received that was accrued at the date of purchase.
d. Interest received that was not accrued at the previous June 30.

**Record the par value of maturing securities received:**

Table content available in source manual.

Note:

a. Cash received.
b. Interest accrued at the previous June 30 on the maturing securities.
c. Cost of “no stated rate of interest” securities sold.
d. a-(b+c). Debit account if b+c exceeds a.

**Record accrued interest at June 30:**

Table content available in source manual.

Note:

a. Interest accrued at June 30 at the purchase yield rate.

# Chapter - 20000

Sections for Chapter 20000


| Section | Subchapter |
|---|---|
| INTRODUCTION | 20000 |
| CENTRAL AUDIT ORGANIZATIONS | 20010 |
| AUDIT COORDINATION | 20020 |
| FEDERAL PASS-THROUGH FUNDS | 20030 |
| INTERNAL AUDIT ORGANIZATIONS | 20040 |
| AUDIT STANDARDS | 20050 |
| INTERNAL CONTROL | 20060 |
| REPORTING RISKS, INTERNAL CONTROLS, AND MONITORING | 20070 |
| MONITORING INCIDENTS OF LOSS OR ERROR | 20080 |
| REPORTING MATRIX | 20090 |


## INTRODUCTION - 20000

California state government employs a variety of audit resources to assist management in assuring that:

State assets are protected
Laws and regulations are followed
Financial and management information is reliable
Organizations and programs are operating effectively and efficiently

These audit resources include central audit organizations with statewide responsibilities, as well as internal auditors located within many state agencies.
The following acronyms and abbreviations are used throughout this section of the State Administrative Manual:

Table content available in source manual.

The following SAM sections describe the functions and responsibilities of the various audit resources within state government. These sections do not cover revenue/tax auditors.

## CENTRAL AUDIT ORGANIZATIONS - 20010

The state's central audit organizations include Finance, State Auditor, and the Controller.

CALIFORNIA DEPARTMENT OF FINANCE

Finance serves as the Governor's chief fiscal policy advisor and has general responsibility for supervising matters concerning the state's financial and business policies. Additionally, Finance is responsible for coordinating the internal audit function for the executive branch of state government. Finance's OSAE assists and supports Finance in these responsibilities.

Finance's broad oversight responsibilities and numerous statutes result in OSAE performing a wide variety of activities, including financial, performance, and compliance audits; quality assurance reviews; budgetary reviews; and consulting services.

Additionally, OSAE monitors and coordinates SLAA as described in SAM section 20060 and 20070, issues Audit Memos to provide instruction to departments and internal audit organizations, promotes bond accountability through ongoing oversight activities, and coordinates and carries out the state's federal reporting responsibilities related to the Single Audit Act of 1984 and Single Audit Act Amendment of 1996 (Single Audit Act). A majority of OSAE's activities are conducted on a cost reimbursement basis.

CALIFORNIA STATE AUDITOR

Senate Bill 37, Chapter 12, Statutes of 1993 (GC 8543), created the Bureau of State Audits. GC 8543 was amended in September 2012, establishing the California State Auditor's Office. To assure its independence, the State Auditor is free from the control of the executive and legislative branches. A state commission oversees its administrative operations. The State Auditor performs an annual audit of the state's financial statements prepared by the Controller and the annual audit of the federal funds (Single Audit) compiled by Finance.

The State Auditor also conducts financial and performance audits as directed by statute, and other government audits requested by the Joint Legislative Audit Committee. The State Auditor has the explicit authority to audit any agency that receives state funds.

Consequently, it sometimes audits at the local government level. In addition, the State Auditor administers the "California Whistleblower Protection Act," which includes a hotline for anonymous reporting.

CALIFORNIA STATE CONTROLLER'S OFFICE

The primary function of the Controller is to provide sound fiscal control over both receipts and disbursements of public funds and to report periodically on the financial operations and condition of both state and local government. Consequently, the Controller performs financial audits and financial related audits of federal and state funds, and audits state agencies' payroll procedures in connection with the Controller's central disbursing function. Additionally, the Controller performs audits under contract for state and federal agencies and reviews single audit activities of local government and K-12 school districts.

The Controller also provides pre-audits and post-audits of claims for payment as part of the state's central disbursement function. The Controller functions in a coordinating role for Auditor/Controllers at the local government level.

## AUDIT COORDINATION - 20020

To prevent duplication of the annual financial audit conducted by the State Auditor, GC 8546.4(e) prescribes that except for those state agencies that are required by state law to obtain an annual audit, no state agency shall encumber funds appropriated by the Legislature for the purpose of funding annual financial audits that may be covered by the single audit performed by the State Auditor.

In addition, GC 8546.4(e) states that no state agency shall enter into a contract for a financial or compliance audit without prior written approval of Finance and the Controller.

INTERNAL AUDIT COORDINATION

GC 13071 assigns Finance the primary responsibility of coordinating state internal audit activities. This coordination will not affect audit activities that are an integral part of an agency's functions, such as regulatory and tax auditors, or other auditors who work directly with selected industries or taxpayers.

Finance also issues Audit Memos. These memos may establish uniform policies, interpretations, procedures or technical requirements, or provide advice or information. Copies are available from Finance's OSAE, or electronically on the Finance website.

In addition, Finance may coordinate the implementation of internal audit standards by conducting quality assurance reviews of internal audit units. See SAM section 20050 for Quality Assurance Reviews of the state's internal audit units to determine their compliance with appropriate audit standards.

SINGLE AUDIT COORDINATION

Pursuant to the Single Audit Act, the OMB's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (commonly called "Uniform Guidance") was officially implemented in December 2014. The Uniform Guidance, which is a government-wide framework for federal awards/grants management, supersedes guidance from earlier OMB Circulars including OMB A-133. See SAM section 20030 for new requirements under the Uniform Guidance. The Single Audit Act and Uniform Guidance establish standards for the expenditure and audit of federal funds.

At the state level, California meets the federal audit requirements through the State Auditor's annual single audit of the Schedule of Expenditures of Federal Awards (SEFA). The Single Audit also includes an audit of federal programs for compliance with federal laws and regulations, and recommendations to improve the state's financial systems and internal control.

Finance serves as the federal audit liaison and coordinates and carries out responsibilities related to the Single Audit Act. These responsibilities include:

- Compiling information received from state agencies for inclusion in the SEFA.
- Compiling individual entity management representation letters into a single representation letter signed by the Director of Finance and submitted to the State Auditor, as required in SAM 20080, Notification of Fraud or Error, Single Audit Notification.
- Coordinating state agency corrective action plans specific to prior year audit findings.
- Submitting the Single Audit Report to the federal government.

See the Single Audit page on Finance's website for guidance.
The Controller serves as the single audit oversight agency for most California local governments. Additionally, the Controller submits an audit inquiry letter to the Attorney General requesting information on pending or threatened litigation. This information is provided directly to the State Auditor as part of the single audit process.

## FEDERAL PASS-THROUGH FUNDS - 20030

(Revised and Renumbered 12/2017)
State agencies receiving federal grants or awards (recipients) greater than $750,000 per fiscal year beginning on or after December 26, 2014, must comply with the audit requirements set forth in the Uniform Guidance. For more information regarding the Uniform Guidance, visit the Federal Register's website.
As described in SAM section 20020, Single Audit Coordination, the State Auditor conducts the State of California's single audit and Finance serves as the audit liaison responsible for federal audit coordination. For single audit reporting guidance, see SAM section 7974 and section 7974.1, and the Single Audit page on Finance's website.
In addition, the Controller serves as the Single Audit oversight agency for most California local governments. See the Controller's website for further information and guidance on single audit reporting for local governments.

## INTERNAL AUDIT ORGANIZATIONS - 20040

(Revised and Renumbered 12/2017)
Many state agencies have internal audit organizations. GC 1237 requires state agencies with aggregate annual spending of fifty million dollars ($50,000,000) or more annually consider establishing an internal audit unit. OSAE maintains a list of internal audit organizations. These organizations provide objective assurance and consulting services designed to add value and improve the agency's operations. The internal audit organization helps an agency accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and internal control processes.
Internal auditors of state agencies shall utilize the "International Standards for the Professional Practices of Internal Auditing (Standards)" (GC 13071) or the Government Auditing Standards as issued by the Comptroller General of the United States (GC 13886.5). Standards require that internal audit organizations develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit organization.

## AUDIT STANDARDS - 20050

(Revised and Renumbered 12/2017)
Various organizations promulgate audit standards for auditors to follow. Standards are designed to enhance the quality and consistency of audits and audit reports. GC 13886.5 specifies that all state agencies that have their own internal auditors or that conduct internal audit activities shall conduct internal audit activity under the general and specified standards of internal auditing prescribed by the Institute of Internal Auditors or the *Government Auditing Standards* issued by the Comptroller General of the United States, as appropriate. In addition, auditors are required to adhere to other generally accepted audit standards whenever applicable, such as the *Generally Accepted Auditing Standards* promulgated by the American Institute of Certified Public Accountants.

INTERNAL AUDIT STANDARDS

The Institute of Internal Auditors promulgates standards for internal auditors in a publication titled *International Standards for the Professional Practice of Internal Auditing (Standards)* known as the "Red Book." These standards are principle-focused and provide a framework for performing and promoting internal auditing.
The Standards are mandatory requirements consisting of statements of basic requirements for the professional practice of internal auditing and for evaluating the effectiveness of its performance. Additionally, management must ensure that the internal audit organization is independent of the activities and programs it audits.

GOVERNMENT AUDITING STANDARDS

The Comptroller General of the United States issued the *Generally Accepted Government Auditing Standards*, known as the "Yellow Book," to provide a framework for conducting high quality audits with competence, integrity, objectivity, and independence. The Yellow Book is for use by auditors of government agencies, agencies that receive government awards, and other audit organizations performing Yellow Book audits.

GENERALLY ACCEPTED AUDITING STANDARDS

The American Institute of Certified Public Accountants requires adherence to *Generally Accepted Auditing Standards (GAAS)* for external audits of financial statements as codified in GAAS and in interpretations of those standards. *Statements on Standards for Attestation Engagements* supplement these standards. Together, these standards provide a general framework and guidelines when performing various audits from an external audit perspective.

QUALITY ASSURANCE REVIEWS

Standards require an external quality assurance review every five years and Yellow Book requires an external peer review every three years. Consistent with GC 13071, Finance may perform quality assurance reviews of the state's internal audit units to determine their compliance with appropriate audit standards. The reviews result in reports containing an opinion that the internal audit unit fully complies, adequately complies, or does not comply with the required standards.

## INTERNAL CONTROL - 20060

INTERNAL CONTROL DEFINED

Internal control is defined as a process effected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved. These objectives and related risks of not achieving those objectives can be broadly classified into one or more of the following three categories:

1. Effectiveness and efficiency of operations
2. Reliability of reporting for internal and external use
3. Compliance with applicable laws and regulations

This definition is from the *Standards for Internal Control in the Federal Government (Green Book)* by the Comptroller General of the United States. The Green Book provides the overall framework for establishing and maintaining an effective internal control system. The State of California has adopted the Green Book as a framework for an internal control system. The Green Book adapted internal control principals from the Committee of Sponsoring Organizations of the Treadway Commission's (COSO)

published *Internal Control - Integrated Framework* which establishes five principals related to basic components of internal control. The five components of internal control are listed below in the SLAA section.

SLAA defines internal control in a manner similar to the Green Book. SLAA defines internal control as a process, including a continuous built-in component of operations, effected by a state agency's oversight body, management, and other personnel that provide reasonable assurance that the state agency's objectives will be achieved.

Further state internal audit organizations may be familiar with another definition of internal control as defined in the *International Standards for the Professional Practice of Internal Auditing (Standards)*, issued by the Institute of Internal Auditors (IIA). IIA defines internal control as any action taken by management, the board, and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved.

STATE LEADERSHIP ACCOUNTABILITY ACT

State agency heads, by reason of their appointments, are accountable for activities carried out in their agency. This responsibility includes the establishment and maintenance of a system of internal control, and effective and objective ongoing monitoring of the internal controls within the agency. Such responsibility also includes documenting the system, communicating system requirements to employees, and ensuring that the system is functioning as intended and is modified, as appropriate, for changes in conditions.

Because governments are susceptible to fraud, waste, and abuse, increased attention has been directed toward strengthening internal control to help restore confidence in government and improve its operations. As a result, SLAA1 was enacted in 1983 to inhibit waste of resources, create savings, and enhance public accountability. SLAA is codified in GC 13400 through 13407, which describes the legislative findings, agency responsibility, internal controls, and reporting on the adequacy of internal control and ongoing monitoring. All levels of management must be involved in assessing and strengthening the systems of internal control to minimize fraud, errors, abuse, and waste of government funds.

GC 13403 defines internal control and sets forth the elements of a satisfactory system of internal control. It also emphasizes the importance of ongoing monitoring and agency head responsibilities. As stated in GC 13403, internal controls provide reasonable assurance that the agency objectives will be achieved. To constitute an effective internal control system, the state agency needs to effectively design, implement, and operate the five components of internal control in an integrated manner. The five components of internal control include the following:

1. **Control Environment**. The foundation for an internal control system that provides the discipline and structure to help an agency achieve its objectives.
2. **Risk Assessment**. An assessment of the risks facing the agency as it seeks to achieve its objectives and provides the basis for developing appropriate risk responses.
3. **Control Activities**. The actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system.
4. **Information and Communication**. The quality of vital information used and communicated to achieve the agency's objectives.
5. **Monitoring**. Activities management establishes and operates to assess the quality of performance over time and promptly resolve the findings of audits and other reviews.

GC 13403 states the elements of a satisfactory system of internal control shall include, but are not limited to:

1. A plan of organization that provides segregation of duties appropriate for proper safeguarding of state agency assets.
2. A plan that limits access to state agency assets to authorized personnel who require these assets in the performance of their assigned duties.
3. A system of policies and procedures adequate to provide compliance with applicable laws, criteria, standards, and other requirements.
4. An established system of practices to be followed in performance of duties and functions in each of the state agencies.
5. Personnel of a quality commensurate with their responsibilities.
6. An effective system of internal review.
7. A technology infrastructure to support the completeness, accuracy, and validity of information processed.

These elements, as important as each is in its own right, are expected to be mutually reinforcing and, thus, to provide the system with "internal checks and balances." All the elements are so basic to adequate internal control that serious deficiencies in any one could preclude effective operation of the system and signal a problem.

Another vital aspect of an internal control system is the ongoing monitoring of the system. Ongoing monitoring ensures management possesses the information to assess whether the: system is functioning as intended, controls remain effective, control weaknesses are corrected timely, and information is accurate and reliable.

SYMPTOMS OF CONTROL DEFICIENCIES

Experience has indicated that the existence of one or more of the following situations are usually indicative of a poorly maintained or vulnerable control system. These situations may apply to the organization as a whole or to individual units or activities. Agency heads and managers must identify and make the necessary corrections if any of the situations listed below exist within their organization and/or a similar situation of equal gravity.

1. Policy and procedural or operational manuals are not current or are nonexistent.
2. Lines of organizational authority and responsibility are not clearly articulated or are nonexistent.
3. Financial and operational reporting is not timely and is not used as an effective management tool.
4. Management and line supervisors ignore or do not adequately monitor control compliance.
5. Operation controls are not regularly evaluated for effectiveness.
6. Identified internal control weaknesses are not corrected timely.
7. Controls and/or control evaluations bear little relationship to organizational exposure to loss.

1 Formerly the Financial Integrity and State Manager's Accountability Act of 1983 (FISMA).

## REPORTING RISKS, INTERNAL CONTROLS, AND MONITORING - 20070

SLAA REPORT REQUIREMENTS AND SUBMISSION

SLAA (GC 13405) requires each state agency head to conduct a review of and report on the adequacy of the agency's internal control systems and monitoring practices. The report is due no later than December 31 of each odd-numbered year. The review

and report shall be conducted, in accordance with the Finance's guidance. The report shall identify inadequacies or weakness in the agency's systems of internal control that prevent systems from operating effectively.

The report shall be signed by the entity head. The report shall be addressed to the Agency Secretary, or the Finance Director for an entity without a Secretary. The report shall be submitted by the entity head to Finance through the SLAA web portal at https://slaa.dof.ca.gov/.

REPORT ACCEPTANCE, DISTRIBUTION AND POSTING

The agency will be notified of report acceptance by e-mail from the SLAAhotline. The acceptance notification will be sent to the agency head, the SLAA Primary contact and the SLAA Administrator. The SLAA Primary contact and Administrator are designated positions within the SLAA web portal. These positions are determined by the agency head. The agency head, SLAA Primary contact and SLAA Administrator have prescribed authority and authorization within the SLAA web portal.

Finance will send a copy of the submitted and accepted report to the Legislature, the California State Auditor, the State Controller, the Secretary of Government Operations, and to the State Library where the copy shall be available for public inspection.

The agency shall post the accepted report on its Internet website within five business days after acceptance by Finance.

IMPLEMENTATION PLAN REQUIREMENTS AND SUBMISSION

In addition to the biennial report, if the agency's SLAA report identified any inadequacy or weakness in the internal control systems or monitoring processes, the agency shall provide to Finance an implementation plan (Plan) and schedule for correcting the identified inadequacies and weaknesses described in the report. The first Plan should be submitted to Finance through the SLAA web portal by December 31 of each odd- numbered year in conjunction with the corresponding SLAA report. Subsequent Plans should be updated and submitted to Finance every six months until all actions are fully implemented or a new report is due. Plans are submitted to Finance through the SLAA web portal (GC 13405).

IMPLEMENTATION PLAN ACCEPTANCE

The agency will be notified of the Plan acceptance by e-mail from the SLAAHotline. The acceptance notification will be sent to the agency head, the SLAA Primary contact and the SLAA Administrator. The Plan is not distributed nor is it required to be posted.

REPORTING FALSE OR MISLEADING INFORMATION

Any allegation of providing false or misleading information in connection with the SLAA review or report shall be investigated by the agency. The agency head shall report to Finance within 90 days, if there is reasonable cause to believe false or misleading information was provided in the SLAA report (GC 13406).

SLAA RESOURCES

The agency will conduct SLAA reviews and meet the reporting requirements using existing resources. Sound internal controls and monitoring processes inhibit waste of resources and thereby create savings (GC 13407).

Tools, templates, Audit Memos, and other guidance are available on SLAA webpage at http://dof.ca.gov/Programs/OSAE/SLAA/. Questions on the review and reporting processes can be addressed to Finance at SLAAhotline@dof.ca.gov.

## MONITORING INCIDENTS OF LOSS OR ERROR - 20080

Legal Authority

Government Code section 13401 (b)(4)

Definitions

**INCIDENT:**

Examples of incidents include, but are not limited to the following:

- Misuse/Theft – Intentional use of public resources for an improper purpose or taking public resources without consent.
- Fraud – Intentional or criminal deception using public resources intended to result in financial or personal gain.
- Damage – Intentional acts impairing the value, usefulness, or function of public resources.
- Improper Contract/Procurement Activities – Inappropriate activities including, but not limited to, unfair competitive bidding practices, bid rigging, conflicts of interest, and double billing.
- Employee Misconduct – Willful, improper, or unethical employee behavior that violates policies and laws affecting the state's best interests.
- Error – Unusual events causing impairment or inaccuracy.

Policy

The Department of Finance (Finance) requires all state entities to track and monitor incidents of loss or error. For the purposes of this section and to align with Penal Code section 487, an incident, or a collection of incidents, exceeding $950 should be monitored and tracked by state entities. Although an incident, or a collection of incidents, totaling less than $950 does not need to be tracked, an entity should evaluate the cause for the loss or error and take appropriate measures to safeguard public resources.

**IMPORTANCE OF MONITORING**

Government Code Section 13401 (a)(1) states that active oversight processes, including regular and ongoing monitoring processes, for the prevention and early detection of fraud and errors in program administration are vital to public confidence and the appropriate and efficient use of public resources. Monitoring heightens awareness of the potential breakdown of control activities that serve to protect public resources, allows for the timely correction of identified weaknesses, and facilitates transparency and accountability of an organization's operations.

**MONITORING REQUIREMENTS**

All state entities shall develop and maintain a system to track and monitor incidents of loss and error by December 31, 2025. The system should capture incident information including, but not limited to, the date and description of the incident, the monetary value of the loss or error, and the incident status. Finance may audit state entities' compliance with this monitoring requirement.

### REPORTING REQUIREMENTS

Beginning with the 2025 State Leadership Accountability Act reporting cycle, all state entities are required to report the total number of incidents and dollar impact in conjunction with the submittal of the State Leadership Accountability Act report.

### SINGLE AUDIT MANAGEMENT REPRESENTATION LETTER REQUIREMENTS

State entities must report material incidents of loss or error, including fraud-related matters, in their annual Single Audit management representation letters in accordance with SAM 20020, Single Audit Coordination.

Responsibilities

**State Entities**

1. Monitor and track incidents of loss and errors exceeding $950.
2. Report loss and error information in conjunction with the submittal of the State Leadership Accountability Act report.
3. Report material incidents of loss and error in their annual Single Audit management representation letter.

**Finance**

1. Collect loss and error information through the State Leadership Accountability Act reporting process.
2. Provide guidance and oversight to promote state-wide compliance with SAM 20080.
3. Identify statewide trends and/or high-risk areas and share the data collected with respective policy makers.

Resources

- State Leadership Accountability Act (SLAA) | Department of Finance
- Single Audit Act | Department of Finance

## REPORTING MATRIX - 20090

Table content available in source manual.