



University of California
Capital Programs
**Capital Projects Budget Approval Process
Summary**

July 2015

PURPOSE

This memo summarizes the current authority thresholds and approval processes for capital project budgets, including augmentations. Review of these requirements can assist in project planning by determining if the proposed project will follow a “traditional” or “delegated” approval path.

EXECUTIVE SUMMARY

Within Standing Orders (SO), there are two paths for approval of capital project budgets: the “traditional” approval process delineated under SO 100.4(q)(1), and the more recently established pilot phase of the Delegated Process for Capital Improvement Projects (“delegated” approval process) under SO 100.4(q)(2).

The total project budget is the primary factor to determining the proper approval path for a project. The Delegated Process only considers projects less than \$70 million dollars, therefore any project at or above \$70 million would need to receive its approvals through the traditional process. The Delegated Process has additional requirements for project eligibility, that are outlined in the [Delegated Process User Guide](#). These requirements include, among others, that the project be listed in the current [Capital Financial Plan](#). So, it should not be assumed that any project less than \$70 million can be approved through the authority delegated to Chancellors.

Capital projects under the traditional process require approval by the Regents (by concurrence, or by the full Board) when the total project cost is \$10 million dollars or more. The delegated process allows the President to approve eligible projects up to \$70 million dollars and further delegates that authority to campus Chancellors. Projects over \$70 million require approval by the full Board.

The authority to augment an approved budget varies by project size and approval process, but in general the Regents are not required to approve augmentations unless they are 25% or greater of the originally approved budget.

I. TRADITIONAL APPROVAL PROCESS

The traditional approval process is described in SO 100.4 (q)(1) and assigns the approval authority for projects to the President or the Regents depending on project cost. They are as follows:

A. Under \$10 million – Chancellors via the President

Budget Approval: Projects with a total budget of less than \$10 million do not require Regental approval. The President is authorized to approve project budgets under \$10 million and has delegated this authority to campus Chancellors.

Augmentations: A Chancellor can approve an augmentation of any amount or percentage as long as the total augmented project budget does not exceed \$10 million. If the augmented budget exceeds the \$10 million threshold, the project would be subject to the applicable action, under I.B or I.C, described below.

B. \$10 million - \$20 million – Action by Concurrence

Budget Approval: The President, with the concurrence from the Board, is authorized to approve projects with a total budget exceeding \$10 million and up to \$20 million.

Specifically, the Chair of the Board and the Chair of the Committee on Grounds and Buildings must both approve the budget. All concurrence approvals are reported to the full Board at the next meeting via the Office of the Secretary and Chief of Staff's *REPORT OF INTERIM and CONCURRENCE ACTIONS*.

Augmentations: By policy, augmentations to approved project budgets are unlimited on a percentage basis in the \$10 million to \$20 million range. By established practice, the President approves cumulative augmentations of up to 25% of the original approved budget (similar to the requirements for larger projects described under I.C., below), providing the total revised budget does not exceed \$20 million. Under the provisions delegated to by the President, the Chief Financial Officer can approve cumulative augmentations up to 25% of the budget with the same restriction that the revised budget does not exceed \$20 million.

If the cumulative augmentations exceed the threshold of 25% of the original approved budget, but the total revised budget remains from \$10 million to \$20 million, the practice is for that augmentation to be approved by the President with the concurrence of the Chairs of the Board and Committee on Grounds and Building. Any augmentation that results in a project cost exceeding \$20 million, regardless of percentage increase, would require approval by the Regents (full Board).

C. Over \$20 million – The Regents

Budget Approval: Under the traditional process, projects exceeding \$20 million shall be approved by the Regents (full Board).

Augmentations: The President has authority to approve any augmentation as long as the total augmentations do not exceed the original budget by more than 25%. Under the provisions delegated to by the President, the Chief Financial Officer may approve an augmentation up to 25% of the original budget.

Any augmentation resulting in a cumulative increase above 25% must be approved by the Regents. (For State-funded projects only, the 25% is exclusive of applicable California Construction Cost Index increases.)

Any project budget approval or augmentation, regardless of the approval level, may be referred to the Regents when, in the judgment of the President, the project merits review and approval by the Regents.

II. THE DELEGATED APPROVAL PROCESS

The delegated approval process was established in 2008 in response to a recommendation for making capital project approvals more efficient. The process is delineated under SO 100.4(q)(2), and provides certain approval authorities to the President (and intended for delegation to the Chancellors) for projects that meet specific eligibility requirements. The process currently operates under a “pilot phase” that is subject to renewal by the Regents.

Eligible Projects – up to \$70 million– Chancellors via the President

Budget Approval: The President can approve all project budgets up to \$10 million under SO 100.4(q)(1) (see I.A above). Under SO 100.4 (q)(2) the President’s approval limits are increased to \$70 million for projects that have been determined to be eligible¹. Consistent with the intent of adopting this process, the authority to approve eligible projects was delegated from the President to campus Chancellors. The Office of the President has developed a system for working with campuses to confirm project eligibility. Once a project is confirmed as eligible, Chancellors can approve projects with budgets up to \$70 million.

Augmentations: Authority to approve augmentations is shared by Chancellors and the President. Under the provisions delegated to them by the President, Chancellors can approve cumulative augmentations up to 25% of the budget accepted in the *Ten-Year Capital Financial Plan*. The President must approve any augmentation that exceeds this 25% threshold, with a revised total budget up to a threshold of \$70 million. Under the provisions delegated to by the President, the Chief Financial Officer may approve augmentations as long as the budget remains under \$70 million.

In the event that the total project cost would exceed \$70 million, regardless of the percentage increase, the proposed augmentation would require approval by the Regents (full Board).

LINKS:

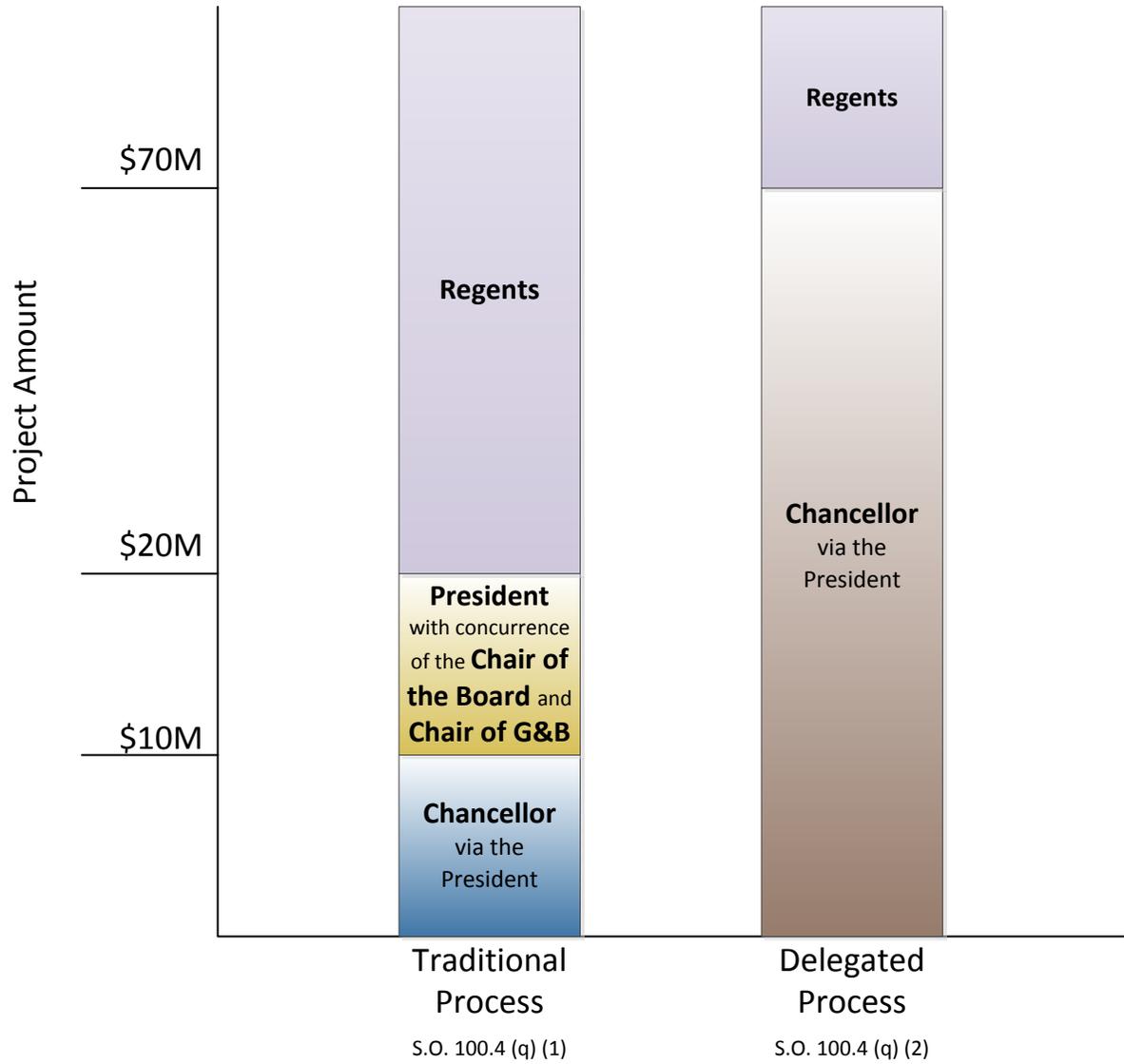
[Standing Order 100.4\(q\)\(1\) and \(q\)\(2\)](#)

ATTACHMENTS:

Approval Level Diagrams (1-2)

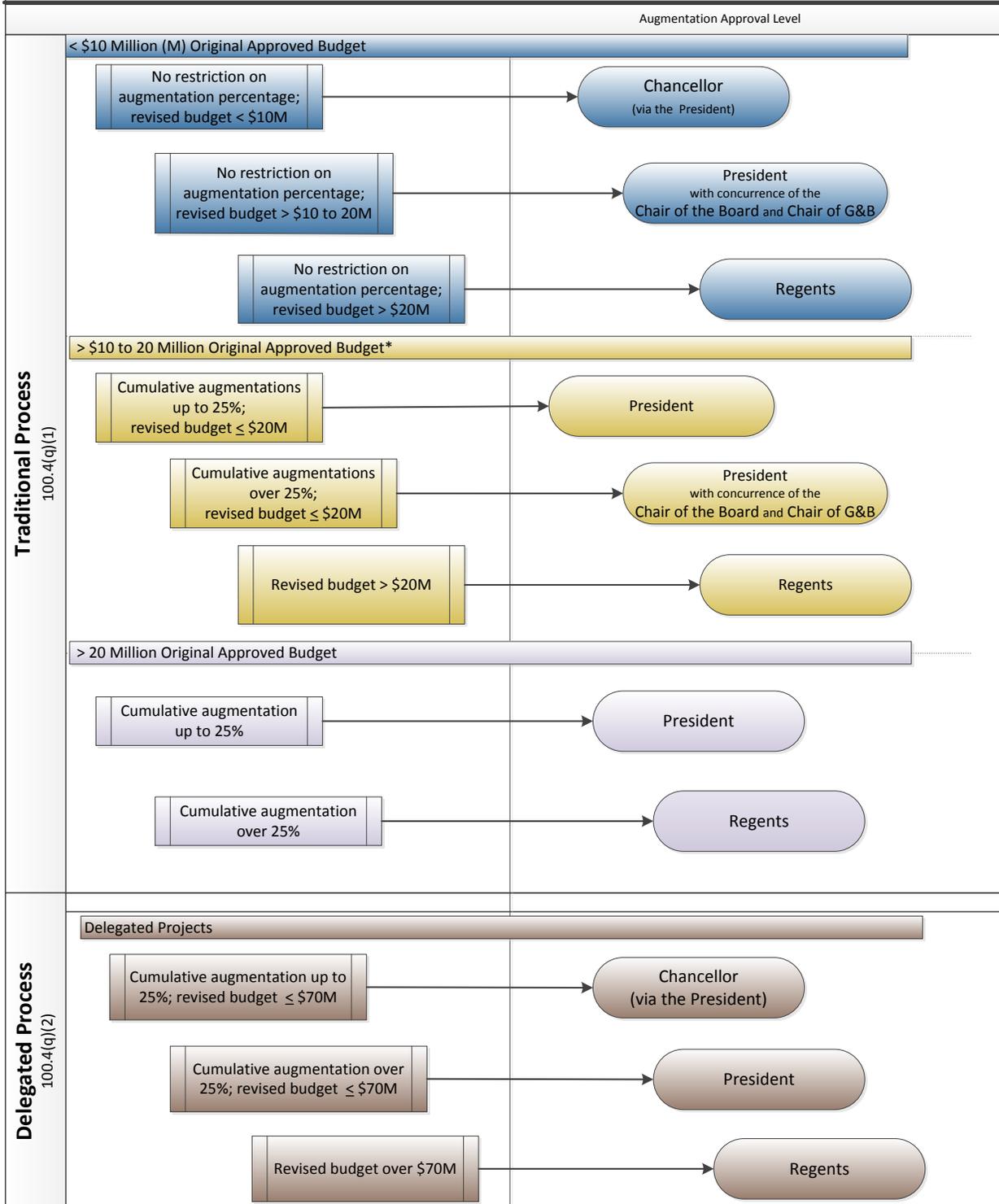
¹ Eligibility for the Delegated Process requires that the project: conforms to the campus *Physical Design Framework*; complies with the campus *Long Range Development Plan*; is identified in the accepted *Ten-Year Capital Financial Plan*; and complies with all applicable laws, regulations, and University of California policies.

Capital Projects Budget Approval Levels



Capital Project Budget Augmentation Approvals

02/13/2015



*By policy, augmentations are unrestricted for projects that remain ≤ \$20M total project budget. By practice, the President limits his/her approval authority to cumulative augmentations no more than 25% of original budget.