This Budget Letter describes the payment of claims authorized by legislation in the following two situations:

- Government claims approved by the California Victim Compensation and Government Claims Board (Board) when there is no other statutory authority for payment. (Situation 1)
- Judgments and settlements by the Department of Justice (DOJ) when there are insufficient funds available in an individual appropriation. (Situation 2)

In Situation 1, the Board has approved a claim and, with input from the affected department, determined that there is no statutory authority for its payment. Twice a year, the Board 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. When the claims bill is chaptered and enacted, specified Budget Act items listed in the bill are reduced and this spending authority is transferred to the Board for payment of claims. When statutory authority for payment already exists, legislation is not required and the department may pay Board 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.

For Situation 1, subdivision (f) of Government Code Section 905.2 authorizes the Board to assess a surcharge for administrative costs 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 claims bill(s).

In Situation 2, a chaptered claims bill authorizes the DOJ to pay settlements or judgments directly from specified fund balances because there are insufficient funds available in the affected department’s existing appropriation. To initiate inclusion of a judgment or settlement in the biannual DOJ claims bill, Finance is required to send a letter to the 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 the department may pay the claim directly after obtaining approval from Finance.
Occasionally, errors or subsequent changes will cause an incorrect fund to be charged to pay a claim. When this occurs, the department's accounting office, the State Controller's Office (SCO), or Finance informs the Board or the DOJ of any error identified in the chaptered claims bill. Once the errors are identified, the Board or the DOJ then notifies the SCO of the correct fund and/or item of appropriation from which to pay the claim. In these instances, the expenditures in FI$Cal (Hyperion) will reflect the correct fund. As a result, when the citations and/or amounts in the chaptered claims bill do not agree with the citations and/or amounts reflected in Hyperion, the information reflected in Hyperion is considered the accurate data.

Changes to Departmental Appropriations

Chapter 303, Statutes of 2014 (AB 1617) and Chapter 313, Statutes of 2014 (SB 1031) authorize the reductions to specified Budget Act items and the payment of claims by the Board. Chapter 142, Statutes of 2014 (AB 1615) authorize the payment of claims by the DOJ directly from specified funds.

The adjustments to departmental appropriations for both situations 1 and 2 will be posted in Hyperion. Wave 1 departments will provide information by keying the data in Hyperion or leveraging the Baseline Budget Adjustments (BBA) Excel Upload Template for data input. All non-Wave 1 departments will complete the Excel template electronically and send the document to their respective Finance budget analyst. The Excel template is available at http://www.dof.ca.gov/budgeting/forms/view.php.

Departments with specified Budget Act items in the claims bill will need to key the data in Hyperion (Wave 1) or submit their Baseline Budget Adjustment Excel Upload Template (non-Wave 1) to their Finance budget analyst by October 15, 2014.

Reduction of Appropriations (Situation 1)

- Baseline Budget Adjustment Decision Packages: Departments with specified Budget Act items in the claims bill will need to submit a Baseline Budget Adjustment Excel Upload Template to their Finance budget analyst. Finance budget analysts will upload the template into Hyperion.

- Departmental Detail of Appropriations and Adjustments: A separate line will display the Legislative Claims reductions reflected in Hyperion.

- Automated Fund Condition Statements: Expenditures will be reflected under 9670 Equity Claims for the appropriate funds when all the legislation is chaptered.

- Budget Display: Because the chaptered legislation authorizes the payment of claims by the Board or DOJ, the claim payments (expenditures) will be reflected in the Equity Claims budget (9670) rather than in a department’s program budget.

Direct Charges to Fund Balances (Situation 2)

When insufficient funds are available in an individual appropriation, the DOJ pays claims directly from specified fund balances. The claim payments (expenditures) will display in the Equity Claims budget (9670). Expenditures will be reflected in the Automated Fund Condition Statements under 9670 Equity Claims for the appropriate funds when all the legislation is chaptered. No action by departments is necessary in this situation.

Please call Chris Ferguson, Principal Program Budget Analyst, at (916) 445-8913 if you have any questions.

/s/ Chris Ryan

Chris Ryan
Program Budget Manager