

BUDGET BILL PREPARATION GUIDELINES

I. INTRODUCTION

The California Constitution requires that within the first 10 days of each calendar year, the Governor submit a proposed Budget to the Legislature and that the Budget be accompanied by a Budget Bill.

The Department of Finance (Finance) prepares the Budget Bill utilizing the previous Budget Act as the starting point. Finance requests language sheets from the Office of State Publishing (OSP). These language sheets, which are printed for every item and section in the previous Budget Act, are distributed to various budget units in November of each year for updating. Several updates are made in late November through early January, culminating in Senate and Assembly versions of the Budget Bill for introduction in the two houses by the chair of each house's budget committee.

For a major portion of the items and sections, the updating is merely a changing of dollars and fiscal year references. However, there may be major changes which need to be made such as the restructuring of programs, adjustments for organizational changes, additions of new appropriations, and provisional language. Finance staff often needs to work with departmental staff and the Legislative Counsel Bureau in developing language. The Legislative Counsel Bureau designates staff to work on budget language for both the budget development and enactment stages. In some situations, Finance staff may work with the staff of the Legislative Analyst's Office and the legislative fiscal committees in preparing language sheets.

Annually, Finance issues a Finance Memo to provide any special instructions, issue a calendar for the update and finalization of the Budget Bill, and inform staff of the designated contact people in the Legislative Counsel Bureau.

The following are standard guidelines applicable from year to year. Finance staff and departmental staff who assist in the preparation of the Budget Bill must be familiar with these guidelines.

II. GUIDELINES

A. Updating Language Sheets for Existing Items and Control Sections

1. Ensure language sheets are accurate, complete, coordinated with other units (if applicable), etc.
2. Make all changes on language sheets using standard proofreading marks and insertion techniques. A list of standard proofreading marks is available in the Writing Style Guidelines. If it is necessary to retype a language sheet or if departments produce language sheets through an automated process, attach the old version(s) to the newly created page(s); **do not destroy the old version(s)** because OSP needs to refer to the existing item(s) contained in its computer file.

3. Mark the language sheet **"deleted"** if an item or section is no longer required. **Do not destroy deleted language sheets. Turn them in!**
4. Ensure new appropriation language is in the plural form even if it is only applying to a single item (i.e., provisions, schedules, etc.). That way the language never needs to be amended should the list grow.
5. Update the following information:
 - a. Dates contained in control language.
 - b. Code section references.
 - c. Cross-references to other items.
 - d. Verify language is current and applicable.
 - e. Change references to bill numbers (e.g., AB 511) to Chapters, or codified sections as appropriate, usually after a year or so.
6. Clear substantive changes with Finance's Counsel, unless otherwise instructed by your Program Budget Manager.

B. Control Sections

Control Sections should be limited to general statewide provisions. Therefore, if a proposed new or existing section contains language pertaining to one or only a few items/departments, it should be included as control language within the appropriate item(s). As a general rule, appropriation *items* should be used instead of control sections for authorizing expenditures or transfers. (This provides for more consistency with other appropriation/transfer items.) If a new section is required, coordinate the assignment of a section number with the Financial Operations (FO) Unit.

All control section language sheets need to be submitted to FO with the final pass of each Control Section.

C. Appropriations for Proposition 98

Proposition 98 funding must be appropriated in a separate item. Under no circumstances may an appropriation include expenditures for both Prop. 98 and non-Prop. 98 purposes. The following format should be used for Prop. 98 items:

6110-101-0001—For local assistance, Department of
Education (Proposition 98), for transfer to Section A of the
State School Fund.....250,000,000

Section 12.32 of the Budget Act requires language stating appropriations subject to Article XVI of the California Constitution be designated with the wording "Proposition 98." This ensures that appropriations can be properly identified and counted towards the minimum school funding guarantee.

D. Appropriations for State-Mandated Local Programs

Funding for State-Mandated Local Programs must be coordinated with the Mandates Unit. The Education assignment area appropriates funding for Prop. 98 State-Mandated Local Programs in separate items within their area.

E. Reappropriation and Reversion Language

1. **Reappropriation**—The following sample language should be used for a reappropriation when the availability for expenditure is to be extended for an additional period of time (usually one fiscal year). In this case, do not use the words "**unencumbered**," "**unexpended**," "**undisbursed**," or "**unspent**" to describe the balance to be reappropriated. In addition, it is not necessary to add "Notwithstanding..." language.

Sample for Standard Reappropriation:

4300-491—Reappropriation, Department of Developmental Services. The balances of the appropriations provided in the following citations are reappropriated for the purposes provided for in those appropriations and shall be available for encumbrance or expenditure until June 30, 2014:

0001—General Fund

1) Item 4300-001-0001, Budget Act of 2012 (Ch. 712, Stats. 2012)

Other circumstances may require the use of wording other than this standard language.

Sample for Reappropriation for change of purpose:

2660-490—Reappropriation, Department of Transportation. \$4,750,000 of the appropriation provided in Item 2660-101-0001, Budget Act of 2010 (Ch. 712, Stats. 2010) is reappropriated for acquiring ferry boats until December 31, 2011. At such time, any unencumbered balances remaining from the \$4,750,000 reappropriated by this item may be transferred to and in augmentation of Item 2660-301-0001, Budget Act of 2011 with the approval of the Department of Finance.

Sample for Reappropriation with dollars:

3340-491—Reappropriation, California Conservation Corps. The amount specified in the following citations are reappropriated for the purposes provided for in those appropriations and shall be available for encumbrance or expenditure until June 30, 2013:

0005—Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bond Fund.

- (1) \$590,000 in Item 3340-101-0005, Budget Act of 2011 (Ch. 33, Stats. 2011), for local assistance to local conservation corps. Of that amount, \$106,000 shall be for Long Beach local corps for resource conservation projects, and \$484,000 shall be for Fresno local corps for the construction of a recreation building where a neighborhood youth center.

Sample for Reappropriation of Chaptered Legislation:

8855-490—Reappropriation, Office of the State Auditor. The balances of the appropriations provided in the following citations are reappropriated for the purposes provided for in those appropriations and shall be available for

encumbrance or expenditure until June 30, 2015:
0001—General Fund
(1) Section 6(d), Chapter 875, Stats. 2004

Sample for Reappropriation for extension of liquidation period:

2660-491—Reappropriation, Department of Transportation. Notwithstanding any other provision of law, the period to liquidate encumbrances of the following citations are extended to June 30, 2012.

0001-General Fund

(1) Item 2660-101-0001, Budget Act of 2009 (Ch. 1, 2009-10 3rd Ex. Sess., as revised by Ch. 1, 2009-10 4th Ex. Sess.)

2. **Reversion**—The following sample language should be used for a reversion when the unencumbered balance of an appropriation is to be reverted before the existing reversion date of the existing appropriation. In addition, it is not necessary to add "Notwithstanding..." language.

Sample for Standard Reversion with no amounts specified:

4260-495—Reversion, Department of Health Services. As of June 30, 2011, the unencumbered balances of the appropriations provided in the following citations shall revert to the fund balances of the funds from which the appropriations were made.

0001—General Fund

(1) Chapter 973 of the Statutes of 2002.

Other circumstances may require the use of wording other than this standard language.

Sample for Reversion with dollar amount specified:

2660-495—Reversion, Department of Transportation. As of June 30, 2011, the balances specified below, of the appropriations provided in the following citations shall revert to the balances in the funds from which the appropriations were made.

0046—Public Transportation Account

(1) Item 2660-001-0046, Budget Act of 2010 (Ch. 712, Stats. 2010). Up to \$1,380,000 appropriated in Program 10—Aeronautics.

F. Transfer Items

In order to alleviate problems that arise from the timing of transfers, transfer items should include the language "upon order of the Director of Finance." This requires an EO from Finance to order the SCO to make this transfer, and provides control of timing of transfers to Finance.

Sample for Transfer Items

0820-011-0378—For transfer by the Controller, upon order of the Director of Finance, from the False Claims Act Fund to the General Fund.....(20,000,000)

Other circumstances may require the use of wording other than this standard language.

Sample of Loan Language

Loan Language with Specific Repayment Date

3340-011-0318—For transfer by the Controller, upon order of the Director of Finance, from the Collins-Dugan California Conservation Corps Reimbursement Account to the General Fund as a loan.....(10,000,000)

Provisions:

1. The Director of Finance may transfer up to \$10,000,000 as a loan to the General Fund, which shall be repaid by June XX, 20XX. The Director of Finance shall order the repayment of all or a portion of this loan if he or she determines that either of the following circumstances exists: (a) the account from which the loan was made has a need for the moneys, or (b) there is no longer a need for the moneys in the fund or account that received the loan. This loan shall be repaid with interest calculated at the rate earned by the Pooled Money Investment Account at the time of the transfer.

Extension of Loan Language (Specific Loan Repayment Date)

3790-401—Notwithstanding Provision 1 of Item 3790-011-0263, Budget Act of 20XX (Ch. XX, Stats. 20XX) the \$90,000,000 loan to the General Fund will be repaid no later than June 30, 2015, upon order of the Director of Finance.

Loan Language with Silent Repayment Date

1110-011-0264—For transfer by the Controller, upon order of the Director of Finance, from the Osteopathic Medical Board of California Contingent Fund, to the General Fund as a loan.....(1,500,000)

Provisions:

1. The Director of Finance may transfer up to \$1,500,000 as a loan to the General Fund. The Director of Finance shall order the repayment of all or a portion of this loan if her or she determines that either of the following circumstances exists: (a) the fund or account from which the loan was made has a need for the moneys, or (b) there is no longer a need for the moneys in the fund or account that received the loan. This loan shall be repaid with the interest calculated at the rate earned by the Pooled Money Investment Account at that time of transfer.

Extension of Loan Language (Silent Repayment Date)

1110-404—Notwithstanding Provision 1 of Item 1110-011-0704, Budget Act of 20XX (Ch. XX, Stats. 20XX), the \$10,000,000 loan from the Accountancy Fund to the General Fund will be repaid upon order of the Director of Finance, subject to provisions of Item 1110-011-0704, Budget Act of 20XX (Ch. XX, Stats. 20XX), excluding the specified repayment date. The Director of Finance shall order the repayment of all or a portion of this loan if he or she determines that either of the following circumstances exists: (a) the fund or account from which the loan was made has a need for the moneys, or (b) there is no longer a need for the moneys in the fund or account that received the loan.

G. Appropriation Authority for Expending Revenues from Fines and Penalties, Chapter 654, Statutes of 1995

Section 13332.18 of the Government Code states that revenues (including interest accrued) derived from the assessment of fines and penalties by any state department shall not be expended unless the Legislature specifically provides authority for the expenditure of these funds in the annual Budget Act. A fine or penalty is defined as a charge imposed for wrong-doing **and in excess of the cost of investigating, processing, or prosecuting the conduct for which the charge is assessed, or the cost of collecting it.** A charge reasonably related to a service provided by a department is not a fine or penalty for purposes of this law.

Departments should periodically review their revenues derived from the assessment of fines and penalties and the charges which are imposed for the costs of investigating, processing, prosecuting, and collecting. If there is an excessive charge above a reasonable assessment, the following standard provisional language needs to be included in Budget Bill appropriations.

"The amount appropriated in this item includes revenues derived from the assessment of fines and penalties imposed as specified in Section 13332.18 of the Government Code."

Finance budget analysts need to ensure that departments are aware of these requirements and the Budget Bill language is included when appropriate.

The following is a list of specific exemptions^{1/} from Government Code section 13332.18:

1. Late charges collected by state agencies.
2. Funds collected by a state agency that are required to be maintained by that agency for purposes of administration of a federal program.
3. A fund established for restitution to victims of the conduct for which the fine or penalty was imposed or for repairing damage to the environment caused by the conduct for which the fine or penalty was imposed.
4. The following funds:
 - a. Fish and Game Preservation Fund.
 - b. Restitution Fund.
 - c. Peace Officers' Training Fund.

- d. Driver Training Penalty Assessment Fund.
- e. Corrections Training Fund.
- f. Local Public Prosecutors and Public Defenders Training Fund.
- g. Victim-Witness Injury Fund.
- h. Traumatic Brain Injury Fund.
- i. Industrial Relations Construction Industry Enforcement Fund.
- j. Workplace Health and Safety Revolving Fund.
- k. Oil Spill Response Trust Fund.
- l. Oil Spill Prevention and Administration Fund.
- m. Environmental Enhancement Fund.
- n. Recovery Account of the Real Estate Fund.
- o. Motor Vehicle Account in the State Transportation Fund.
- p. State Highway Account in the State Transportation Fund.
- q. Motor Vehicle License Fee Account in the Transportation Tax Fund.
- r. Funds for programs established pursuant to the Food and Agricultural Code that can be terminated through an industry referendum vote.

^{1/} Exemption (1) contained in Government Code section 13332.18 is omitted as it related to a prior version of the bill and has no application to the chaptered version per the author's office.

(APRIL 2013) (FO/PPBA)