BUDGET LETTER

	NUMBER: 96-18
SUBJECT: PAYMENT OF BOARD OF CONTROL CLAIMS, DEPARTMENT OF JUSTICE SETTLEMENTS AND JUDGMENTS	**DATE ISSUED:** OCTOBER 16, 1996
REFERENCES:	**SUPERSEDES:** BUDGET LETTER 95-17

TO: Departmental Budget Officers
Departmental Accounting Officers
Department of Finance Budget Staff

FROM: DEPARTMENT OF FINANCE

Legislation authorizes payment of Board of Control (BOC) claims and Department of Justice (DOJ) settlements and judgments in one of two ways. First, chaptered legislation may reduce Budget Act items and transfer the authority for payment of claims to the BOC or the DOJ. The BOC or the DOJ identifies which appropriation should be charged and the accounting office of the affected department prepares a payment schedule certifying that the necessary funds are available (Situation 1). Second, chaptered legislation may authorize the BOC or the DOJ to pay claims directly from fund balances if there is no statutory authority for payment or if there are insufficient funds available in an appropriation (Situation 2).

Occasionally, claims bills will identify an incorrect fund to be credited to pay a claim. A department's accounting office, the Controller's Office, or the Department of Finance (DOF) informs the BOC or DOJ of any error identified in the chaptered legislation. The BOC or DOJ notifies the Controller of the correct fund from which to pay the claim. The DOF corrects its records so the Schedule of Appropriations (10s) reflect the correct fund. For this reason, there are instances when the citations and/or amounts in the chaptered claims bill do not agree with the citations and/or amounts reflected in the 10s. In such instances, the information reflected on the 10s should be considered the accurate data.

Attachments A and B list for l995-96 and 1996-97, respectively, expenditures from funds for BOC claims and DOJ settlements and judgments. <u>These expenditures are not to be included in departmental program costs</u> since they are reported in the Legislative Claims budget (9670). Instead, these expenditures should be reflected in the respective Fund Condition statements as listed on the Attachments (if Fund Condition Statements are included in the Governor's Budget).

Attachment C provides a sample of how these adjustments should be reflected in the various budget documents (e.g., the Schedule 10s, the Reconciliation with Appropriations, and the Fund Condition Statements).

Situation 1--Reductions to Departmental Appropriations

Chapters 575, 595, and 914, Statutes of 1995, authorized reductions to past year Budget Act items and Chapters 487, 491, and 702, Statutes of 1996, authorize reductions to current year Budget Act items.

- Before distributing Schedules of Appropriations (10s) to departments, the Department of Finance's Financial Operations Unit preposted the Legislative Claim reductions to the affected departments' items.

- When preparing their Reconciliations with Appropriations, departments must include a separate line item for the Legislative Claims reductions reflected in their Schedule 10s as shown in Attachment C, Part A.

- In addition, departments must include these claim expenditures in the appropriate Fund Condition Statements as an expenditure per "9670 Legislative Claims" (see Attachment C, Part A).

Because the chapters transfer the authority for payment of the claims to the BOC or the DOJ, these departments include the claim payments (expenditures) in the Legislative Claims budget (9670) (see Attachment C, Part B).

Situation 2--Direct Charges to Fund Balances

Chapters 575, 595, and 914, Statutes of 1995, and Chapters 487, 491, and 702, Statutes of 1996 authorize the BOC and/or the DOJ to pay claims directly from specific funds.

- The BOC and the DOJ display the payment (expenditure) of the claims in the Legislative Claims budget (9670) (see Attachment C, Part B).

- Responsible departments must include these claim expenditures in the appropriate Fund Condition Statements as an expenditure per "9670 Legislative Claims" (see Attachment C, Part A).

Please call your DOF budget analyst or Mary Jane Palmer at (916) 445-3274 if you have any questions.

Carl Rogers

Carl Rogers
Program Budget Manager

Attachments
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Upcoming Budget Letters

- Statewide Cost Allocation Plan (SWCAP)
- General Administrative Costs (ProRata)
- Section 11.00 Information Technology Contracts

Attachment A

EXPENDITURES TO BE INCLUDED IN FUND CONDITIONS FOR LEGISLATIVE CLAIMS (9670)
FISCAL YEAR 1995-96

(in thousands)

	Chapter 575/95	Chapter 595/95	Chapter 914/95	Carryover of Previous Bills	Total**
General Fund	$ 4,666	$ 429	$ 804	--	$ 5,899
Special Funds:					
0014 Hazardous Waste Control Account	--	5	7	--	12
*0027 Tax Relief and Refund Account	--	24	67	--	91
0042 State Highway Acct, Transportation Fd	--	37	87	--	124
0044 Motor Vehicle Account STF	--	35	51	$ 196	282
0067 State Corporations Fund	--	2	--	--	2
0081 Alcohol Beverage Control Fund	--	2	6	--	8
*0084 Bank and Corporation Tax Fund	--	4	32	--	36
*0085 Estate Tax Fund	--	--	2	--	2
*0091 Personal Income Tax Fund	--	--	2	--	2
*0094 Retail Sales Tax Fund	--	4	20	--	24
0111 Agriculture Account, Agriculture Fund	--	--	1	--	1
0121 Hospital Building Fund	--	--	8	--	8
0133 CA Beverage Container Recycling Fd	--	26	73	--	99
0185 EDD Contingent Fund	--	--	1	--	1
0200 Fish & Game Preservation Fund	--	2	6	--	8
0269 Glass Processing Fee Account	--	--	29	--	29
0387 Integrated Waste Management Account	--	--	26	--	26
0406 Tax Preparers Fund	--	1	--	--	1
0412 Transportation Rate Fund	--	585	4	--	589
0429 Local Jurisdiction Energy Assistance	--	--	17	--	17
0461 Pub Util Comm Transport Reimb Acct	--	280	--	--	280
0462 Pub Util Comm Utilities Reimb Acct	--	1,585	--	--	1,585
0758 Bd of Medical Exam Contingent Fund	--	--	1	--	1
0780 Psychiatric Technicians Account	--	--	75	--	75
Nongovernmental Cost Funds:					
*0502 Water Resources Develop Bond Fd	--	--	7	--	7
0516 Harbors & Watercraft Revolving Fd	--	--	12	--	12
*0562 State Lottery Fund	--	2	1	--	3
0588 Unemployment Comp Disability Fd	--	4	8	--	12
0666 Service Revolving Fund	--	25	29	--	54
0830 Public Employees Retirement System	--	--	7	--	7
0835 State Teachers Retirement Fund	--	9	1	--	10
*0912 Health Care Deposit Fund	--	3	2	--	5
0917 Inmate Welfare Fund	--	--	2	--	2
*0970 Unclaimed Property Fund	--	5	17	--	22
Bond Funds:					
*0782 Higher Educ Cap. Outlay Bond Fd	--	--	385	--	385
Federal Funds:					
*0870 Unemployment Administration Fund	--	5	10	--	15
*0871 Unemployment Fund--Federal	--	1	2	--	3
*0890 Federal Trust Fund	--	--	1	--	1
TOTALS	$ 4,666	$ 3,075	$ 1,803	$ 196	$ 9,740

* No Fund Condition Statement included in the 1995-96 Governor's Budget

**This figure should tie to the Legislative Claim expenditure displayed in each individual fund condition.

Attachment B

EXPENDITURES FROM FUNDS REPORTED IN LEGISLATIVE CLAIMS BUDGET (9670) FISCAL YEAR 1996-97 (in thousands)

	Chapter 487/96	Chapter 491/96	Chapter 702/96	Carryover of Previous Bills	Total**
General Fund	$ 714	$ 594	$ 4,966	$ 204	$ 6,478
Special Funds:					
0014 Hazardous Waste Control Account	5	8	--	--	13
*0027 Tax Relief and Refund Account	47	87	--	14	148
0042 State Highway Acct, Transportation Fd	2,403	133	--	--	2,536
0044 Motor Vehicle Account STF	11	64	--	904	979
0081 Alcohol Beverage Control Fund	--	1	--	--	1
*0084 Bank and Corporation Tax Fund	3	1	--	--	4
*0091 Personal Income Tax Fund	--	39	--	--	39
*0094 Retail Sales Tax Fund	3	--	--	--	3
0111 Agriculture Account, Agriculture Fund	--	--	1,115	--	1,115
0133 CA Beverage Container Recycling Fd	11	49	--	--	60
0185 EDD Contingent Fund	5	19	--	--	24
0200 Fish & Game Preservation Fund	4	--	--	--	4
0421 Vehicle Inspection & Repair Fund	8	2	--	--	10
0465 Energy Resources Programs Acct	--	64	--	--	64
Nongovernmental Cost Funds:					
*0048 Transportation Revolving Acct	--	1	--	--	--
*0501 CA Housing Finance Fund	--	1	--	--	1
*0502 Water Resources Develop Bond Fd	--	--	--	2	2
0516 Harbors & Watercraft Revolving Fd	1	--	--	--	1
*0562 State Lottery Fund	--	4	--	--	4
0588 Unemployment Comp Disability Fd	2	4	--	--	6
0666 Service Revolving Fund	1	--	--	--	1
0830 Public Employees Retirement System	3	--	--	--	3
0835 State Teachers Retirement Fund	--	1	--	--	1
*0912 Health Care Deposit Fund	1	3	--	--	4
*0942 Special Deposit Fund	1	--	--	--	1
*0970 Unclaimed Property Fund	--	11	--	--	11
Bond Funds:					
*0786 Wildlife, Coast & Park Conserv Fd of 88	--	13	--	--	13
Federal Funds:					
0853 Petroleum Violation Escrow Account	7	--	--	--	7
*0870 Unemployment Administration Fund	12	2	--	--	14
*0871 Unemployment Fund--Federal	5	3	--	--	8
TOTALS	$ 3,247	$ 1,104	$ 6,081	$ 1,124	$ 11,556

* No Fund Condition Statement included in the 1995-96 Governor's Budget.

**This figure should tie to the Legislative Claim expenditure displayed in each individual fund condition.

SAMPLE SITUATION
2660 DEPARTMENT OF TRANSPORTATION
Part A

RECONCILIATION WITH APPROPRIATIONS
1 STATE OPERATIONS
042 State Highway Account

APPROPRIATIONS	PY	CY	BY
001 Budget Act appropriation	$100	$125	$200
Transfer to Legislative Claims (9670) (*Situation 1*)	-	-15	-
TOTALS, EXPENDITURES	$100	$110	$200

SCHEDULE 10 - CURRENT YEAR

	Auth	Exp	Sav	C/O
--INITIAL AUTHORIZATION—				
Unscheduled	125,000			
--TOTAL--	125,000			
--ADJUSTMENTS—				
(480) Transfer to Leg Claims per Ch X/XX (*Situation 1)*				
Unscheduled	-14,785			
--TOTAL--	-14,785			
--REVISED APPROPRIATION TOTALS—				
YOC				
Unscheduled CY	110,215	110,215		
--TOTAL--	110,215	110,215		

FUND CONDITION STATEMENT
042 State Highway Account

	PY	CY	BY
BEGINNING BALANCE	XXX	XXX	XXX
EXPENDITURES			
Disbursements:			
2660 Department of Transportation:			
State Operations	100	110	200
9670 Legislative Claims:			
State Operations (*Sum of Situation 1 and Situation 2*)	10	35	-
Totals, Disbursements	$110	$145	$200

Part B
9670 EQUITY CLAIMS OF BOARD OF CONTROL AND SETTLEMENTS
SETTLEMENTS AND JUDGMENTS BY DEPARTMENT OF JUSTICE

RECONCILIATION WITH APPROPRIATIONS
1 STATE OPERATIONS
494 Special Funds

(042 State Highway Account)	PY	CY	BY
APPROPRIATIONS			
Ch x/xx (*Situation 1)*	-	$15	-
Ch y/xx (*Situation 2)*	$10	20	-
TOTALS, EXPENDITURES	$10	$35	--

NOTE: Italicized comments are for illustration only and will not be included in actual budget documents.