BUDGET LETTER

NUMBER:	19-13

SUBJECT: BASELINE BUDGET ADJUSTMENTS	**DATE ISSUED:** July 19, 2019

REFERENCES: BUDGET LETTERS BL 19-06 AND 18-11	**SUPERSEDES:** BL 18-13

TO: Agency Secretaries
           Department Directors
           Department Budget and Accounting Officers
           Department of Finance Budget and Accounting Staff

FROM: DEPARTMENT OF FINANCE

This Budget Letter (BL) provides instructions for updating support baseline adjustments (Finance will provide capital outlay instructions separately). Hyperion is now accessible to all departments for the 2020-21 budget development cycle. The 2019 Budget Act point-in-time, as revised by known one-time costs, expiring programs, and/or full-year costs of programs, is the starting point for the 2020-21 Governor's Budget development process. Finance will provide additional information on data rolled over from the 2019-20 budget cycle in a forthcoming BL.

Data is accessible to users through the Hyperion application as follows:
- CalPLN20 for the 2020-21 budget cycle.
- CalPLN15 through CalPLN19 contain archived data from the 2015-16 through 2019-20 budget cycles, respectively, for viewing and reporting purposes only.

Planning
- CalPLN15
- CalPLN16
- CalPLN17
- CalPLN18
- CalPLN19
- CalPLN20

The documents referenced in this BL may be found on the following Finance web pages:
- Budget Forms
- FI$Cal Resources

I.   Method of Submittal and Deadline

Departments must enter or upload Baseline Budget Adjustments (BBA BR type) and Revenues, Transfers, and Loans (RTL BR type) directly into Hyperion and inform their Finance budget analyst once a BR is available for Finance to review in the "GB Exchange" version.

Deadlines and Deliverables	
October 14, 2019 (Monday)	Departments update Hyperion for the current year, budget year, and out years for baseline adjustments. This is not applicable to Employee Compensation (Item 9800), Retirement (CS 3.60), and Budget Position Transparency (CS 4.11) adjustments, which will have separate deadlines and will be addressed by Finance in subsequent BLs.

II. Glossary Relevant to this BL

BBA	=	Baseline Budget Adjustments. These are baseline expenditure adjustments such as employee compensation, carryovers, etc.
BR	=	Budget Requests. These are issues identifying changes to dollar amounts and/or positions for any fiscal year in the system.
BU	=	Business Unit. This four-digit number is equivalent to an organization code/entity.
Category	=	An account code in the Chart of Accounts.
CSL	=	Current Service Level (a consolidated starting point in Hyperion for all fiscal years). This data is preserved in the "GB Public Initials" version.
ENY	=	Enactment Year (formerly Year of Appropriation).
FTEs	=	Full Time Equivalents or Positions. These terms are used interchangeably.
RTL	=	Revenues, Transfers, and Loans.

III. Baseline Budget Adjustments for Expenditures

BBAs are changes to the budget to maintain the current level of service. BBAs are used to make incremental baseline expenditure adjustments in Hyperion for the current year, budget year, and out years through budget year plus four (BY4).

Now that the Hyperion system is available for the 2020-21 budget cycle, departments should run the Detailed Multi-Year Expenditure report using Category AC_5. The detailed past year through BY4 information reflecting rolled-over data will assist departments with the baseline adjustment update process.

Expenditure adjustments should reflect one-time costs, expiring programs, and/or full-year costs of programs, if not previously adjusted. If needed, departments may work with their respective Finance budget analysts to make additional changes to refine these amounts.

Once discussed with and approved by their respective Finance budget analyst, departments may make baseline expenditure adjustments directly in Hyperion or by utilizing the upload templates for data input. To the extent possible, these discussions should take place during the summer so that approval is clear well ahead of the fall budget development process.   A separate BR must be completed for each expenditure adjustment with a different baseline adjustment type (see below for more information on the 13 different baseline adjustment types). For example, a department will need to enter or upload one template to capture "issue specific" adjustments and another template to make "carryover/reappropriation" adjustments.

Baseline Adjustment Types

There are 13 baseline adjustments types in Hyperion that can be used to make baseline expenditure changes (detailed below). Departments **must select one** of the adjustment types for each BR, as applicable, from the drop down menu in the Baseline Adjustment Types tab in Hyperion or in the BBA upload template.

1. **Salary Adjustments**

    A forthcoming BL will provide instructions on BBA changes required for the state's employee compensation, benefit, and other post-employment benefit adjustments (Item 9800).

2. **Benefit Adjustments**

    See Item 1 above.

3. **Retirement Rate Adjustments**

   A forthcoming BL will provide instructions on BBA changes required for the state's retirement contribution rate adjustment (Control Section 3.60).

4. **Budget Position Transparency**

   To improve budget position transparency, Finance implemented a budget process in the 2016-17 fiscal year, which includes a departmental budget display for the Governor's Budget that more accurately captures departments' expenditures for personal services, staff benefits, and operating expenses and equipment. This budgetary analysis occurs biennially and was last completed as part of the 2018-19 Governor's Budget. **Therefore, this analysis will be performed again as part of the 2020-21 Governor's Budget process; Finance will provide additional instructions in a forthcoming BL.**

5. **Carryover/Reappropriation**

   If unencumbered funds are still available, carryover authority exists, and program requirements continue, certain appropriation balances must be carried forward from a prior year. Carryovers from 2018-19 to 2019-20 must be reconciled to the year-end financial reports submitted to the State Controller's Office. Carryovers into 2019-20 that are not expected to be expended in 2019-20 and are still available must be included as carryovers into 2020-21, unless a reversion item is to be included in the 2020 Budget Bill, or the amount will be shown as savings. In some cases, an appropriation may be carried over into future years (i.e., 2021-22 and after). In the case of capital outlay programs, where many appropriations are available for encumbrance for three years, departments must estimate budgetary expenditures over the three-year period. Departmental staff and Finance budget staff must resolve any differences in the authority cited or authorized carryover estimates to ensure that the budget and the Controller's accounting records reconcile. Departments should contact their Finance budget analyst and the Controller's Office to resolve any discrepancies prior to submission of past year expenditures. This topic is also addressed in the forthcoming Past Year Budget Adjustments and Fund Balance Reconciliation BL.

   The BBA upload template includes budgetary expenditure and non-add budgetary expenditure tabs that can be used to reflect carryovers and savings adjustments. See "How to Record Carryovers and Reappropriations in Hyperion" for more information.

6. **Legislation with an Appropriation**

   For chaptered legislation containing a specific appropriation, the funding level requested can be included in the baseline budget. If funding is requested for chaptered legislation that DOES NOT contain a specific appropriation, but for which there is a cost, a BCP (or other similar adjustment approved by Finance) is required. Please refer to BL 19-06 for deadlines for BCPs.

7. **Pro Rata**

   Pursuant to Chapter 31, Statutes of 2016 (SB 836), Pro Rata (Statewide General Expenditures) is charged directly at the fund level and is reflected under BU 9900. Finance's Fiscal Systems and Consulting Unit (FSCU) will post the BBA for Pro Rata under BU 9900. Finance will provide instructions in a forthcoming BL. For an overview of Pro Rata and Statewide Cost Allocation Plan (SWCAP), please refer to the Pro Rata and SWCAP information on Finance's website.

8. **SWCAP**

FSCU will centrally post the BBA for SWCAP at the department's appropriation level. Completed BBAs will be shared with departments via the GB Exchange version in Hyperion. Finance will provide instructions in a forthcoming BL.

9. **Miscellaneous Baseline Adjustments**

Only adjustments that do not appropriately fit into any other category may be categorized as Miscellaneous Baseline Adjustments. A brief/concise BR title describing the adjustment must be provided. Miscellaneous Baseline Adjustments could include adjustments to reflect one-time or full-year costs that were not reflected in the out years as part of the 2019-20 budget cycle. Any adjustments in this category must be discussed with and approved by your Finance budget analyst prior to entering them into the system.

10. **Lease Revenue Debt Service Adjustment**

This adjustment will be provided by your Finance budget analyst, if applicable.

11. **Statutory Cost of Living Adjustments (COLAs)**

To be used only for COLAs authorized in statute.

12. **Other Post-Employment Benefits (OPEB) Adjustments**

See Item 1 above.

13. **Issue Specific Adjustment**

The first 12 baseline adjustment types listed above do not show individual BBA BRs for any given BU in the Detailed Budget Adjustments section of a budget galley, but are instead combined with others of the same BBA type, e.g., "Salary Adjustments." The "Issue Specific Adjustment" BBA category identifies large and/or sensitive dollar amounts that would otherwise be categorized as Miscellaneous Baseline Adjustments or combined within another BBA type. BBA BRs coded as "Issue Specific Adjustment" will be individually shown in the Detailed Budget Adjustments section in the budget galley by BR title. Since BR titles will be displayed individually, meaningful titles are critical. Any adjustment using this BBA type must be discussed with and approved by your Finance budget analyst prior to entering them into the system.

Baseline Budget Adjustment (BBA) Excel Upload Template

After the approach on BBAs has been discussed and approved by the relevant Finance budget analyst, departments must work closely with Finance budget analysts to provide all necessary budget information by sending the BR to Finance through the GB Exchange version in Hyperion. Various enhancements continue to be made in Hyperion; therefore, departments using upload templates must use the latest version available on Finance's website, as these reflect the latest chart of account codes, program information, and correctly show Fiscal Year 2020 as the year of budget being built (YBB).

Departments using the BBA upload template need to provide fiscal details for baseline budget adjustments. Separate tabs capture detailed information for every adjusted item, program, and category of expenditure consistent with the updated chart of accounts. The forms are color coded as follows:

Blue color: Select from drop down menu.
Salmon color: Input, no drop down menu.

White color: Update as necessary.

The following provides a summary of the required data for each of the tabs in the latest template:

a) **Checklist**—The checklist tab has a cross-tie page to check various issues such as duplicate rows, invalid points of view, position and dollar tie points, and correct BR naming conventions. Prior to uploading or submitting a template to Finance, departments must ensure all "No Issues" fields are green and that there are no red fields.

b) **Summary**—No action is needed by departments. This tab provides a snapshot of total positions, personal services, and operating expenses and equipment, as well as total state operations and local assistance expenditures broken down by fund source.

c) **Budget Request Details**—Departments should complete the following:

1. BR Name must use a unique naming convention to post accurate detail in Hyperion. (**NEW:** See updated "Budget Request Naming Convention in Hyperion" for details on naming conventions.)

2. BR Title should be meaningful, short, and succinct. Capitalization should remain consistent with the BR title. (See "Common Baseline Adjustments Titles" for a list of commonly used baseline adjustments and the suggested titles to use.)

3. Enter Request ID, Version, Year, and Entity (BU/Organization code). Request ID (BR Identifier) is the BR number assigned in Hyperion when the BR is created.

d) **Baseline Adjustment Types**—Select one of the 13 types described above. Every BBA must include a "Baseline Adjustment Type;" this cannot be left blank as it is used to display information in the Detailed Budget Adjustments section of a BU's budget galley.

e) **Position Change Request**—Specify the Job Code (class code and classification title), Start Date (only if the position will not be filled on July 1, 2020, such as a January 1 start date), End Date (if applicable), Proposed Position(s) (number of positions affected by the adjustment), and Salaries and Wages for all of the position(s) in the same classification. Enter the total positions and dollars for the affected years (CY through BY4, if applicable). Salaries and Wages entered on the Position Change Request tab *must* tie to the total Salaries and Wages (AC_510XXXX) entered on the Expenditure tab(s).

f) **Position Summary**—Specify Item, ENY, Program, and related salaries and wages categories of expenditure associated with each position. Enter the total positions for the affected years (CY through BY4, if applicable). Positions (FTEs) in CY through BY4 in the Position Summary tabs must tie to the total proposed positions in CY through BY4 in the "Position Change Request" tab for the overall BR.

Expenditures (level of spending authority)—Specify Item, ENY, Program, and the related Category for each unique combination of funding needed to support the adjustment. See "Account/Category Codes Available in Hyperion" for suggested categories of expenditure/account codes. Departments must provide the same level of information as is required in the DF-300 Supplementary Schedule of Operating Expenses and Equipment. Enter all dollars in the "request amount" column. All ongoing dollars must be copied to the appropriate out year(s) in the "BY to BY4 Expenditures" tab. If dollars are limited-term or only affect the BY, only enter dollars in the relevant fiscal year column(s). If the request is for multi-year or continuous appropriation spending authority, please contact your Finance budget analyst for additional instructions. Departments should reference the Valid Item List to ensure the Item is valid and the appropriate ENY is used. If an Item is not available from the drop down menu, contact your Finance

budget analyst (do not manually add item numbers as these may not be valid items in Hyperion and will cause incorrect report totals).

IV.   Baseline Adjustments for Revenues, Transfers, and Loans

Adjustments for Revenues, Transfers, and Loans (RTLs) must be entered directly into Hyperion or by using the updated RTL Excel upload template. To review the latest data, departments should run the Schedule of Revenues, Transfers, and Loans report (this contains past year through BY4 information) in Hyperion. Departments may contact their Finance budget analyst for assistance in running reports.

RTL Excel Upload Template

The RTL upload template contains various tabs as indicated below. Each type of adjustment requires its own individual RTL BR (and upload template, if not keyed in directly). For example, each revenue transfer or loan must be uniquely identified in Hyperion because the specific RTL title serves as the adjustment's authority. See "Common Baseline Adjustment Titles" for sample RTL BR Titles and section VIII below for additional information on RTLs.

a) **Budget Request Details**—Departments should complete the following:

1. BR Name must use a unique name to post accurate detail in Hyperion. (See updated "Budget Request Naming Convention in Hyperion" for details on naming conventions.)

2. BR Title should be meaningful, short, and succinct. (See "Common Baseline Adjustments Titles" for a list of commonly used baseline adjustments and the suggested titles to use.)

3. Enter Request ID, Version, Year, and Entity. Request ID (BR Identifier) is the BR number assigned in Hyperion when the BR is created.

b) **Revenues**—If the adjustment updates revenues, specify the affected RTL Item, ENY, Program, and revenue category code. (For the "program" fields that are required for revenues, it is recommended departments select "No Program." However, work with your Finance budget analyst to determine if a specific program is more appropriate.) Enter incremental revenue amounts in the "Revenues" column. All ongoing revenues should be entered on the BY to BY4 Revenues tab. Revenues are coded with a category code of 4XXXXXX.

c) **Revenue Transfers**—If the adjustment reflects a transfer (new or an adjustment to an existing BR from the 2019-20 budget cycle), specify/update the total amount to be transferred **(not the incremental amount)**, the RTL item, ENY, and the funds providing and receiving the transfer in the affected fiscal year. The corresponding **partner fund** for the fund providing or receiving must also be selected. See "Codes for Revenue Transfers and Loans." If both sides of the transaction do not fall within the same BU, each BU must reflect their respective side (To or From) of the transaction in Hyperion. Coordination with the other BU is important to ensure accurate totals.

d) **Revenue Loans**—If the adjustment is related to a loan (new or an adjustment to an existing BR from the 2019-20 budget cycle), specify/update the total amount to be loaned **(not the incremental amount)**, the RTL Item, ENY, and the funds providing and receiving the loan in the affected fiscal year. The corresponding **partner fund** for the fund providing or receiving must also be selected. See "Codes for Revenue Transfers and Loans." If both sides of the transaction do not fall within the same BU, coordination between BUs is required and each BU must reflect their respective side (To or From) of the transaction in Hyperion.

V. Revenues, Transfers, and Loans—Special Fund Reporting Requirements

If a department reports any special fund revenues, transfers, or loans in their accounting records (i.e., RTLs are reported under their BU to the Controller's Office), the department is required to report these special fund revenues, transfers, or loans in their budget documents. This is similar to the treatment of RTLs in the General Fund.

VI. Unique BR Naming Convention

Departments are required to create a BR for each BBA or RTL adjustment. Each BR must have a BU number, a unique three-digit sequencer number (i.e., 001 to 999), identified BR type (e.g., BBA), fiscal year, and point-in-time when the issue is originated (e.g., GB for Governor's Budget). See "Budget Request Naming Convention in Hyperion" for additional information.

NEW: To improve coordination and reduce system kick outs, departments and Finance budget analysts should use BR sequencers that match the last three digits of the BR identifier number in Hyperion. For example, BR identifier: BR0015 with BR Name: 0250-015-BBA-2020-GB.

VII. Enactment Year (ENY)

For new one-year appropriations, use:

- 2018 for past year.
- 2019 for current year.
- 2020 for budget year and out years.

For multi-year or continuously appropriated spending requests, utilize the Valid Items List or consult with your Finance budget analyst for assistance.

VIII. Use of Items in Upload Templates and Data Entry Forms

Each Expenditure and RTL requires a three-part item consisting of the BU, a reference number, and the fund number. For example, if BU 0250 has a proposed expenditure and/or revenue adjustment to the General Fund, the expenditure item would be "0250-XXX-0001" and the revenue item would be "0250-787-0001." For a list of reference numbers and the corresponding character code, please utilize the Reference Numbers document on the Finance website. Please note that for RTLs, the specific reference number to use depend on the type of RTL as follows:

- Revenue: 787
- Transfer: 788
- Loan: 789

IX. Reimbursements

Reimbursements are tracked under a non-budget act item, utilizing Fund 0995 and specific spending category code(s) of 5XXXXXX. This is similar to how reimbursements were treated and recorded in the legacy budget systems. Please refer to Finance's "Treatment of Reimbursements" instructions for more detail on how to properly reflect reimbursements in Hyperion.

X. Special Instructions Related to Updating Out Years

Out year revenues and expenditures must be updated to reflect specific proposed adjustments or known adjustments that have been or are proposed to be approved by the Legislature. Out year forecast assumptions that are not specifically proposed (and later approved) are not to be entered into Hyperion.

XI.   Rounding to "000" for Dollars

For budget purposes, do not reflect dollars below $1,000. This level of precision is unnecessary and creates additional workload and reconciliation problems. All dollars should be rounded to the nearest thousand and end with "000" (e.g., $2,000 and not $1,992) to avoid rounding issues in the system. **Users must only enter dollar amounts into Hyperion that end with "000."**

XII.   Rounding to Tenth Decimal for Positions

For budget purposes, do not reflect FTEs beyond the tenth decimal position. This level of precision is unnecessary and creates additional workload and reconciliation problems. All FTEs should be rounded to the nearest tenth position (e.g., 1.75 FTEs should be rounded to 1.8 FTEs) to avoid rounding issues in Hyperion. **Users must not enter FTE amounts beyond the tenth decimal position.**

XIII.   Additional Resources Related to FI$Cal

Finance maintains, updates, and expands the information often on the "FI$Cal Resources" page on its website to provide one convenient location for all relevant FI$Cal resources. Please continue to check and utilize the information on this page for reference materials. Please also refer to FI$Cal Job Aids.

If you have any questions about this Budget Letter or budget/policy questions regarding the use of Hyperion, please contact your Finance budget analyst. For system logon/password issues or other technical system questions, please contact the FI$Cal Service Center (fiscalservicecenter@fiscal.ca.gov) and copy your Finance budget analyst.

/s/ Thomas Todd

Thomas Todd
Program Budget Manager