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

FROM: DEPARTMENT OF FINANCE

The Legislature has become increasingly concerned about the use of the authority contained in Budget Act item 9840 for deficiency funding, Section 26.00 for intra-schedule transfers, and Section 28.00 for changes to federal funds. Recently, the Legislature has recommended that the Department of Finance (Finance) deny the use of these items and sections in several instances because the Legislature did not believe that the requests fully complied with the authority. In the future, Finance will be even more conservative in its reading of Budget Act item 9840 and these control sections, and will review and approve requests for the use of these items and sections in light of this conservative reading to ensure complete compliance with language and intent.

Departments are hereby instructed to review these items and sections and are to submit only requests that fully comply with all the requirements to Finance. Requests submitted to Finance that do not fully comply with these items and sections will be returned. If you have questions about language and intent of these items and sections, contact your Finance budget analyst.

Additionally, to assist departments, Finance will be conducting training this summer on deficiency funding and Budget Act Sections 26.00 and 28.00. The training will include a discussion panel, whereby, representatives from the legislative fiscal offices, Finance budgeting staff, and Finance’s counsel will be available to answer questions and provide guidance. All departmental staff that make decisions on the use of these items and sections are encouraged to attend. The times, dates and location of this training will be transmitted in a future notification.

In the event the Legislature recommends that Finance deny a mid-year budget augmentation, an intra-schedule transfer, or a change to federal funds, the department will be required to fund the expenditure from its existing appropriation. An alternative may be to independently sponsor legislation, upon approval of Finance and the Governor’s Office, apart from the Supplemental Appropriation Bill for approved deficiency requests. However, there is no certainty that department sponsored legislation will be enacted, and failure to enact such legislation will leave the Agency Secretary and Departmental Director liable for unauthorized expenditures and indebtedness. (See Budget Letter 04-18, Budget Act Section 32, and Government Code Section 13324.)

Should you have any questions regarding this Budget Letter, please contact your Finance budget analyst.

/s/ Michael C. Genest

MICHAEL C. GENEST
Director