

BUDGET LETTER

NUMBER: 03-32

SUBJECT: INITIAL 2004-05 BUDGET GALLEY AND PREPARATION GUIDELINES	DATE ISSUED: AUGUST 26, 2003
REFERENCES: BL 02-30, BL 03-05, BL 03-10, BL 03-18, BL 03-20, AND BL 03-25	SUPERSEDES: BL 02-23

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

FROM: DEPARTMENT OF FINANCE

Note: Each departmental Budget Officer will receive two copies of the 2004-05 initial Governor's Budget galley, along with a hard copy of this Budget Letter. If departments have a Capital Outlay Budget galley, they will receive two packages: Capital Outlay Budget galley and a State Operations and Local Assistance Budget galley.

This Budget Letter (BL) provides new or significantly revised information in Sections I, II, and III.

This BL provides guidelines for the technical/procedural preparation of the 2004-05 Governor's Budget. Strict adherence to all schedules and due dates stipulated in this BL is required. **Until release of the Governor's Budget, please be reminded that all information contained in budget documents used during the development process is strictly confidential.**

I. SUBMITTAL OF FIRST PASS OF BUDGET GALLEY

Departmental Budget Officers will receive two copies (control proof copy and departmental copy) of the initial budget galley to be used for submission of departmental 2004-05 budgets to the Department of Finance (Finance). Departments are to use these galleys unless exempted by your Finance Program Budget Manager. These double-spaced galleys include all narrative used in the previous Governor's Budget and provide blank spaces for insertion of new dollars and personnel year amounts. All budget galley submitted to Finance requires the signature of the department head, or his/her designee.

Since the submittal of galley is predicated on the departments receiving an automated Reconciliation with Appropriations (RWA) Report and the new automated Fund Condition Statements from Finance prior to submitting the first pass of budget galley, departments must contact their Finance Budget Analyst for the due date to submit the first pass of galley.

II. AUTOMATED RECONCILIATION WITH APPROPRIATIONS PROCESS

Based on the receipt of the updated 3-year Schedule 10s from departments, Finance anticipates distributing the first RWA Report and Fund Condition Statements to departments during October 1 through October 24, 2003. Since the budget galley fiscal statements must tie to the rounded expenditure dollars in the RWA Report, departments are strongly encouraged to update their Schedule 10s with approved changes and submit them to Finance as often as necessary to receive an updated RWA Report prior to submittal of galley. The Budget Letter on the Past, Current, and Budget Year Schedule 10s contains further instructions on this process.

III. AUTOMATED FUND CONDITION STATEMENT PROCESS

In a continuing effort to reduce duplicative workload and increase operating efficiency, Finance will implement a new automated Fund Condition Statement (FCS) process for the development of the 2004-05 Governor's Budget (see BL 03-25).

Information for expenditures on Schedule 10s, revenues on Schedule 10Rs, and a new "turnaround document" will be used to create the automated FCS. Therefore, departments will not manually post the Schedule 10 and 10R information to the fund condition display on the budget galley.

Departments must provide prior year adjustment amounts and specified non-governmental cost fund information on "turnaround documents" which will be input by the Finance staff to the automated system. After each pass of the Schedule 10s, a new FCS will be generated based on the latest revenue and expenditure information in the Finance systems and sent to the department for use in the development of budget galley. The automated FCS will be electronically transmitted to the Office of State Publishing (OSP) with each pass of the department's budget galley.

Departments will receive an automated FCS for each special fund for which they are the administering organization. These funds must be displayed in the Governor's Budget. They will also receive an FCS for other bond, federal, or nongovernmental funds that Finance has designated for display in the Governor's Budget.

IV. ADJUSTMENTS TO INITIAL BUDGET GALLEY

The first pass of budget galley should include the following adjustments:

- **Current Year Only**--Section 27.00, 28.00, and 28.50 requests only if Finance written notification of approval has been submitted to the Legislature.
- **Current Year and/or Budget Year**--Carryover appropriation balances, financial legislation with specific appropriation, limited-term positions, expiring programs, reduction for one-time costs, full-year costs of current year programs, and other adjustments approved by Finance.

V. BUDGET GALLEY GUIDELINES

Budget Galley Preparation: Make all changes on the galleys neatly, clearly, and legibly. This is necessary for the efficient processing of galley by Finance and the OSP. Do not directly/manually update the RWA except for specified exempted departments, nor the FCS section of the budget galley. Budget galley submitted to Finance, which is not of acceptable quality, will be returned to the originating department to be redone. Attachments to the budget galley should only be used where it is impossible to make legible entries directly on the galley. Use standard size (8 1/2 by 11) paper for attachments and label the attachments "Insert A", "Insert B", etc. Extensive inserts need to be typed. Mark on the galley the location for placement of the inserts.

Budget Narrative and Program Structure: Focus narrative on factual data, eliminate redundancy, and provide uniformity in content and style. Provide pertinent data in the briefest manner possible without sacrificing clarity. Include program information for at least the same program or element levels which are to be included in the Budget Bill. Coding must be consistent between the two documents. The general policy on budget presentation is to display information no lower than the program level. The appropriate Finance Program Budget Manager must clear presentation at the element and component levels unless this level was included in the 2003-04 Governor's Budget. There should be no presentation at the task level. Avoid duplicating narrative in the departmental statement, the program objectives statement, and, if approved for presentation, the element statement. Do not use program codes 95 through 99 and code 00. These codes are for statewide use.

Spreadsheet Budget Galley: Departments, which continue to update and submit spreadsheet galleys must remember to submit in double-spaced format. The spreadsheet must accompany the "Control Proof" budget galley that the departments received from Finance. Any department that proposes to submit a new spreadsheet galley must receive prior approval from the appropriate Finance Budget Analyst.

Partial Year Adjustment: Departments are reminded that the "Partial Year Adjustment" process is no longer used in either the budget galley (Summary by Object and Changes in Authorized Positions) or the Salary and Wages galley. When a regular full-time position is authorized for a time period less than a full fiscal year, the positions and dollars reflect the **net** position count and dollars (see Attachment IV). Establishing positions for a portion of a fiscal year will be accommodated by the State Controller's Office (SCO) computer system. When preparing the Change in Established Positions (STD. 607) to establish or abolish positions, the effective date can be later than July 1 or the termination date can be earlier than June 30. For example, departments can prepare the STD. 607 on July 1 with a future effective date of January 1. The SCO records will reflect $\frac{1}{2}$ of the position or 0.5 position count. When the SCO runs the Schedule 8 in June, the system reports the increment for the authorized position.

Rounding to Thousands: All amounts in the Governor's Budget must be rounded to thousands. This means that budget galley, Planning Estimates, Budget Change Proposals, and supplementary schedules will be prepared using thousands rather than whole dollars. (EXCEPTIONS: **Schedule 10s are in whole dollars.** The Salaries and Wages galley must be prepared in whole dollars and rounded to thousands in the Summary by Object in the budget galley.) Amounts from \$500 to \$999 will be rounded to \$1,000. Amounts from \$0 to \$499 will be rounded to \$0.

Departments must use the RWA Report expenditures to tie to the expenditures reported in other fiscal statements in the department's budget galley. The Schedule 10 adjustments, in whole dollars, are summed and the total is rounded and displayed on the appropriate adjustment line printed in the RWA Report. This may result in a difference of \$1,000 or \$2,000 between the RWA and Schedule 10 totals. This difference is acceptable. See BL 02-30, Attachment II, for RWA Report Rounding Rules.

Budgeting for Proposed New Positions: Proposed new positions must be budgeted at the mid-step of the salary range for a given classification unless a higher level is justified. A minimum of five percent salary savings must be budgeted for new positions unless otherwise approved by Finance. Related operating expenses and equipment must be budgeted at minimum levels and should correspond to actual average past year expenditures for variable costs for the type of position being requested.

For positions with interchangeable classes, departments must budget "Proposed New Positions" at the mid-step of the: (a) minimum salary range for the top class for groups consisting of two classes; (b) middle salary range (mid-step) for groupings which contain an odd number of classes; or (c) lowest salary range of the third middle class for groupings which contain an even number of classifications in excess of two.

VI. COST-OF-LIVING ADJUSTMENTS (COLAs)

Discretionary COLAs are considered policy adjustments and will **not** be included in the Planning Estimates or budget galleys unless specifically approved by Finance.

VII. SCHEDULE 10s (SUPPLEMENTARY SCHEDULE OF APPROPRIATIONS)

The initial past year Schedule 10s were distributed in July and are due to Finance by **August 29, 2003**. It is the responsibility of the department to assure that amounts for the past year agree with

Year-End Financial Reports submitted to the SCO. In case of discrepancies, such as timing differences, departments must provide a written explanation to their Finance Budget Analyst.

Updated past year Schedule 10s and initial current and budget year Schedule 10s will be distributed by Finance to departments in late September and early October. Again, departments are strongly encouraged to submit Schedule 10s for clean up and generation of the RWA Report as often as necessary to incorporate decisions/changes prior to submission of the first pass of galley.

(NOTE: Initial current year and budget year Schedule 10s will not be generated and forwarded to departments until the completed past year Schedule 10s have been submitted to Finance.) For detailed instructions on preparation of initial past year Schedule 10s, please refer to the Budget Letter 03-20.

VIII. SCHEDULE 10Rs (SUPPLEMENTARY SCHEDULE OF REVENUE AND TRANSFERS)

A future Budget Letter will provide instructions regarding Schedule 10Rs for reporting revenue and transfer data.

IX. SUPPLEMENTARY SCHEDULES

Supplementary Schedules of Operating Expenses, Equipment, Federal Funds, and Reimbursements must accompany the first and final passes of budget galley. These schedules must include complete past, current, and budget year data. **Refer to Attachments I, II, and III for the forms to be used for this purpose. Attachments I and II were previously State Standard Forms 34 and 39 and are replaced by Finance forms DF-300 and DF-301. Attachment III (DF-302) replaces previous State Standard Form 36, which was discontinued in 1990. These forms are available from: http://www.dof.ca.gov/html/budlettr/forms/fin_form.htm.**

All **final** supplementary schedules must be submitted to Finance with the last pass of budget galley and must tie to the Governor's Budget. Finance will forward the schedules to the Legislative Analyst's Office and legislative budget staff.

X. EMPLOYEE COMPENSATION ADJUSTMENTS

Refer to BL 03-10 regarding Employee Compensation Adjustments. In addition, a future Budget Letter will be issued regarding Control Section 3.60 -- Employers' Retirement Contribution for the 2003-04 fiscal year.

XI. PERSONAL SERVICES REDUCTION PLANS

Future instructions will be provided regarding Control Section 4.10, Budget Act of 2003.

If you have any questions, please call your Finance Budget Analyst. For technical assistance, contact Lajunta Inman or Teresa Bierer at (916) 322-5540 (CNET 492-5540).

/s/ Veronica Chung-Ng

Veronica Chung-Ng
Program Budget Manager

Attachments

Upcoming Budget Letters

- Control Section 3.60 Adjustments
- Supplemental Language Report Requests

STATE OF CALIFORNIA
SUPPLEMENTARY SCHEDULE OF OPERATING EXPENSES AND EQUIPMENT
 DF-300 (REV 05/97)

Department of Finance
 915 - L Street
 Sacramento, CA 95814
 IMS Mail Code: A-15

Please report dollars in thousands.

DEPARTMENT NAME	BUDGET YEAR	STATE OPERATIONS	DATE SUBMITTED	PAGE OF
EXPENDITURE CLASSIFICATION	OBJECT CODE*	ACTUAL EXPENDITURES PAST YEAR	ESTIMATED EXPENDITURES CURRENT YEAR	PROPOSED EXPENDITURES BUDGET YEAR
TOTALS ¹				

* REFER TO UNIFORM CODES MANUAL (OBJECT LINE-ITEM) DISPLAY
¹ TOTAL MUST TIE TO SUMMARY BY OBJECT FOR STATE OPERATIONS.

**STATE OF CALIFORNIA
 SUPPLEMENTARY SCHEDULE—
 FEDERAL FUNDS/REIMBURSEMENTS
 DF-301 (REV 05/97)**

Department of Finance
 915 - L Street
 Sacramento, CA 95814
 IMS Mail Code: A-15

Please report dollars in thousands.

DEPARTMENT NAME	BUDGET YEAR		CHARACTER (S.O., L.A., C.O.)	DATE SUBMITTED	PAGE OF
DESCRIPTIVE TITLE	SOURCE OF FUNDS		ACTUAL EXPENDITURES PAST YEAR	ESTIMATED EXPENDITURES CURRENT YEAR	PROPOSED EXPENDITURES BUDGET YEAR
	FED. CAT. NO.	REIMB FROM (ORG CODE)			
TOTALS ¹					

¹ TOTAL MUST TIE TO RECONCILIATION WITH APPROPRIATIONS, BY CHARACTER, AS APPLICABLE.

**SUPPLEMENTARY SCHEDULE—
FEDERAL FUNDS/REIMBURSEMENTS
DF-301—INSTRUCTIONS**

Federal Funds. The term "federal funds" includes grants, contracts, and reimbursements received **directly** from an agency of the federal government and reported as federal funds in the "Reconciliation with Appropriations" in the Governor's Budget.

Reimbursements. The term "reimbursements" includes external reimbursements other than those received directly from an agency of the federal government.

1. **Department Name**
2. **Budget Year.** Insert the dates for the Budget Year in the related Governor's Budget.
3. **Character.** Insert the character of the expenditure. (State Operations, Local Assistance, or Capital Outlay.)
4. **Date Submitted**
5. **Page ____ of ____**
6. **Descriptive Title.** For each grant, use the title or popular descriptive name as listed in the Catalog of Federal Domestic Assistance. For each reimbursement, use the descriptive title in use in the Department.
7. **Source of Funds.**

Federal Catalog. For each grant, use the five-digit number assigned in the Catalog of Federal Domestic Assistance. For federal reimbursements (made direct to reporting department) or contracts, use the Federal Catalog number if the federal program can be identified. Otherwise, use a five-digit number made up as follows: first two digits (as in the Federal Catalog) to identify the federal department making the contract or the reimbursement, and for the remaining three numbers use 999 (e.g., 93.999 for the Department of Health and Human Services).

Reimbursements from. Report the source of the reimbursements (other than direct federal reimbursements), i.e., another state department.

8. **Expenditures.**

For federal funds. Report separately the direct program cost, departmental indirect cost and statewide indirect cost as applicable for past, current, and budget years by character of expenditures. The totals reported on the Supplementary Schedule must agree with the "Reconciliation with Appropriations".

For reimbursements. Report the direct and indirect program costs by character of expenditure. The totals must agree with the totals in the "Reconciliation with Appropriations".

**STATE OF CALIFORNIA
SUPPLEMENTARY SCHEDULE OF EQUIPMENT ^{1/}**
DF-302 (REV 05/97)

Department of Finance
915 - L Street
Sacramento, CA 95814
IMS Mail Code: A-15

Please report dollars in thousands.

DEPARTMENT NAME	BUDGET YEAR	STATE OPERATIONS		DATE SUBMITTED	PAGE OF	
EXPENDITURE CLASSIFICATION AND ITEM/DESCRIPTION ^{2/}	ACTUAL EXPENDITURES PAST YEAR		ESTIMATED EXPENDITURES CURRENT YEAR		PROPOSED EXPENDITURES BUDGET YEAR	
	QUANTITY	AMOUNT	QUANTITY	AMOUNT	QUANTITY	AMOUNT
TOTALS						

^{1/} Total must tie to Equipment line on Operating Expenses and Equipment schedule (DF-300).
^{2/} Indicate the standard nomenclature for the item requested such as typewriter, adding machine, automobile, etc.

CHANGES IN AUTHORIZED POSITIONS	PY	CY	BY	PY	CY	BY
Totals, Authorized Positions	238.7	298.5	298.5	\$11,154	\$13,641	\$13,886
Salary adjustments	--	--	--	--	121	142
Totals, Adjusted Authorized Positions	238.7	298.5	298.5	\$11,154	\$13,762	\$14,028
Workload and Administrative Adjustments:						
Positions Established:						
				Salary Range		
Research Prog Spec I	--	1.0	--	4,301-5,228	\$52	--
Staff Counsel (Legal)	--	1.5	--	3,651-7,034	66	--
Environmental Spec III (Planning)	--	1.0	--	2,738-3,290	33	--
Temporary Help	--	4.5	--	--	36	--
Overtime	--	--	--	--	18	--
Reduction in Authorized Positions:						
Assoc Govt Program Analyst	--	-1.5	-1.0	3,915-4,759	-70	-47
Records Mgt Analyst	--	-1.0	--	3,255-3,957	-39	--
Transfer from Dept XXX:						
Staff Services Analyst	--	--	4.0	2,507-3,957	--	120
Totals, Workload and Administrative Adjustments	--	5.5	3.0	--	\$96	\$73
Proposed New Positions:						
Assoc Mineral Res Engr (4 positions effective 1/1/05) _{1/}	--	--	2.0	4,118-4,970	--	122
Programmer II	--	1.0	1.5	2,770-3,330	43	65
Totals, Proposed New Positions	--	1.0	3.5	--	\$43	\$187
Total Adjustments	--	6.5	6.5	--	\$260	\$402
TOTALS, SALARIES AND WAGES	238.7	305.0	305.0	\$11,154	\$13,901	\$14,288

This line must agree with the Schedule 7A.

The sum of these lines must equal the "Total Adjustments" line.

This line must equal the "Total Adjustments" line in the Summary by Object.

This line must equal the "Authorized Positions" plus the "Total Adjustment" lines in the Summary by Object.

1/ Any position(s) not authorized for the full fiscal year will be noted with a parenthetical comment. Please note that these 4.0 proposed new positions effective 1/1/05 are being reflected with a net position count of 2.0 and a net dollar amount of \$122 (thousand). Formerly, these would have been shown as 4 positions and \$244 (thousand) with partial year adjustments of -2.0 positions and -\$122 (thousand).

NOTE: Future instructions will be provided on how to display adjustments per Control Section 4.10, Budget Act of 2003.