

BUDGET LETTER

	NUMBER: 09-03
SUBJECT: SUBMISSION OF CLAIMS TO THE STATE CONTROLLER	DATE ISSUED: January 23, 2009
REFERENCES: ITEM 9840 AND CONTROL SECTION 32.00, BUDGET ACT OF 2008 (CHAPTERS 268 AND 269, STATUTES OF 2008), GOVERNMENT CODE SECTIONS 927 ET SEQ. AND 13324, SAM SECTION 8400 ET SEQ., BUDGET LETTER 05-30 (REVISED)	SUPERSEDES:

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

FROM: DEPARTMENT OF FINANCE

On January 16, 2009, the State Controller announced a plan to delay the payment of certain claims out of the State General Fund, if adequate cash solutions are not in place by February 1. The plan calls for state departments to hold General Fund claims submitted by vendors for 30 days before submitting them to the State Controller's Office (SCO) for payment. It also calls for the SCO to hold General Fund claims for an additional 30 days before processing them for payment.

The Department of Finance shares the goal of preserving cash for education, debt service, and other priority payments required by the State Constitution, federal law, and court rulings. At the same time, state departments must make every effort to fully comply with the Prompt Payment Act and all other laws and policies that are applicable to the payment of claims.

This Budget Letter provides state departments with general instructions and information regarding the submission of claims to assist the State Controller with his plan. It also reminds state departments about Prompt Payment Act requirements and late payment penalty provisions, as well as the personal liability provisions of Budget Act Control Section 32.00 and Government Code Section 13324.

PAYMENTS THE CONTROLLER PLANS TO DELAY

For the month of February 2009, the State Controller plans to delay payments totaling an estimated \$3.69 billion. Approximately one-half of these payments are tax refunds, with the balance divided among payments for social services, local assistance, and state operations. More detailed information on delayed payments is provided at: <http://www.sco.ca.gov/eo/fiscalissues/payments01-2009c.shtml#paymentmenu>.

Multi-funded claims that use the General Fund as a clearing account are subject to delay in their entirety under the State Controller's plan. Recognizing this, departments may choose to submit separate claim schedules for non-General Fund payments. Regardless, to avoid penalties under the Prompt Payment Act, departments must not submit any claim to the SCO more than 30 days after receipt.

SUBMISSION OF CLAIMS

State departments must continue to submit claims to the SCO in accordance with all requirements of the State Administrative Manual (including Section 8400 et seq.) and the Prompt Payment Act (Government Code Section 927 et seq.).

We recognize that departments already manage the submission of claim schedules to meet these requirements. However, in order to assist the State Controller, we are asking departments, to the extent practicable, to hold all General Fund claim schedules for a maximum of 30 days before submitting them to the State Controller. This includes claim schedules with multiple funding sources and those which contain invoices with different dates of receipt.

PROMPT PAYMENT ACT

The Prompt Payment Act requires state departments to pay properly submitted, undisputed invoices within 45 calendar days of initial receipt. Generally, state departments have 30 days in which to submit claim schedules to the SCO, after which the SCO has 15 days in which to pay the claim. State departments will incur a late payment penalty if undisputed claims are not submitted to the SCO within 30 days of initial receipt. The Department of General Services provides a summary of Prompt Payment Act requirements at: <http://www.pd.dgs.ca.gov/promptpay/AQPPA.htm>

DEFICIENCIES / PERSONAL LIABILITY FOR SECRETARIES AND DIRECTORS

As described in a previous Budget Letter (BL 05-30), augmentations from items 9840 are limited to unanticipated expenses. Government Code Section 927.8 also requires state agencies to avoid seeking additional appropriations to pay penalties under the Prompt Payment Act. In general, it has been the policy and practice of Finance not to provide access to funds in Item 9840 to cover deficiencies caused by Prompt Payment Act penalties. Departments can avoid the need for additional funding by submitting all claims to the SCO within the parameters of the Prompt Payment Act

Section 32.00 of the Budget Act forbids any expenditure that is in excess of appropriations. Government Code Section 13324 further provides that any person who incurs such an expenditure is liable both personally and on his or her official bond for the amount of the excess expenditure. Any department that makes such an unauthorized expenditure will be required to fund the expenditure from within its existing appropriations or sponsor legislation to authorize the expenditure. **Agency Secretaries/Department Directors can be held personally liable for the amount of such unlawful indebtedness/ expenditures.**

State departments are encouraged to cooperate, to the maximum extent practicable, with the State Controller's plan to delay certain payments out of the State General Fund. At the same time, every effort must be made to avoid incurring late payment penalties under the Prompt Payment Act.

If you have any general questions, please contact your Finance budget analyst. For questions about payment status after the submittal of claims to the SCO, please contact the SCO Division of Accounting and Reporting at (916) 327-4144.

/s/ Michael C. Genest

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Director