BUDGET LETTER

NUMBER:	16-23

SUBJECT:	BASELINE BUDGET ADJUSTMENTS	**DATE ISSUED:**	August 4, 2016
REFERENCES:	BUDGET LETTERS 14-07, 14-15, 16-10, 16-13, 16-16, 16-17, 16-18, 16-19, AND 16-20	**SUPERSEDES:**	BL 15-15

TO: Agency Secretaries
        Department Directors
        Departmental 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 (capital outlay—instructions will be provided separately). On August 1, FI$Cal (Hyperion) became accessible to nearly all departments for budget development. The 2016 Budget Act, as revised by known one-time costs, expiring programs, and/or full-year costs of programs, will serve as the starting point for the 2017-18 Governor's Budget development process. For additional information on data rolled over from the 2016-17 budget cycle, please refer to BL16-13.

Data in the 2015-16 and 2016-17 budget cycles is accessible by users through the same Hyperion application.

- CalPLAN is for the 2017-18 budget cycle
- CalPLN15 contains archived data from the 2015-16 budget cycle for viewing and reporting only
- CalPLN16 contains archived data from the 2016-17 budget cycle for viewing and reporting only

The documents referenced in this BL can be found on the following Finance web pages:
http://dof.ca.gov/budget/Resources_for_Departments/Budget_Forms/
http://dof.ca.gov/budget/fiscal_resources_for_budget/index.html

I.   Method of Submittal and Deadline

Wave 1 and Wave 2 departments must enter or upload BBAs and RTLs directly into Hyperion. Following training provided by Finance, departments new in Hyperion this summer should continue to submit changes via a BBA upload template for entry into Hyperion by your Finance analyst until the department is familiar with the use of Hyperion. Departments entering/uploading data into Hyperion should inform your Finance budget analyst once the BR is available for Finance to review in the "GB Exchange" version. The FI$Cal project staff recently trained departments on the process to upload information using the template.

Deadlines and Deliverables	
October 14, 2016	Departments update Hyperion or submit BBA and RTL templates for current year, budget year, and out years for baseline adjustments. This is not applicable to Employee Compensation and Retirement adjustments which will have separate deadlines and be addressed in a subsequent BL.

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 except past year). This data is preserved in "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 (**New** for this year: "loan repayments" are now included in "loans").

III.   Baseline Budget Adjustments for Expenditures

BBAs are changes to the budget to maintain the current level of service. BBAs will be used to make incremental baseline expenditure adjustments in Hyperion for current year, budget year, and out years through budget year plus four (BY+4).

By early to mid-August, Finance budget analysts will provide departments a detailed multi-year expenditure (Category 5 [AC_5]) report, with past year through budget year (BY) + 4 information, reflecting rolled-over data.

Similar to last fall, expenditure adjustments should reflect one-time costs, expiring programs, and/or full-year costs of programs. If needed, departments can work with your respective Finance budget analysts to make additional changes to refine these amounts.

Depending on discussions with your respective Finance budget analysts, departments may make baseline expenditure adjustments directly in Hyperion or by utilizing the upload templates for data input. For each expenditure adjustment, a separate Budget Request must be completed. For instance, a department will need to submit/upload one template to capture issue specific adjustments and another template to make carryover/reappropriation adjustments.

Baseline Adjustment Types

There are 12 baseline adjustments types in Hyperion that can be used to make baseline expenditure changes (detailed below). Departments must select **one** of the types, as applicable, from the drop down menu in the Baseline Adjustment Type 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 and benefit adjustments.

2. **Benefit Adjustments**

    See #1 above.

3. **Retirement Rate Adjustments**

    A forthcoming BL will provide instructions on BBA changes required for the state's contribution rate adjustment.

4. **Budget Position Transparency**

   Pursuant to the 2015-16 Budget, Government Code section 12439 was repealed. Departmental positions remaining vacant for six or more consecutive months will no longer be abolished. To improve budget transparency, Finance implemented a new budget process last year and 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 2016-17 Governor's Budget. **No adjustments are required for the 2017-18 budget process. The analysis will be performed again as part of the 2018-19 Governor's Budget process.**

5. **Carryover/Reappropriation**

   If unencumbered funds are still available, carryover authority exists, and program requirements continue, certain appropriation balances should be carried forward from a prior year. Carryovers from 2015-16 to 2016-17 must be reconciled to the year-end financial reports submitted to the State Controller's Office (SCO). Carryovers into 2016-17 that are not expected to be expended and are still available must be included as carryovers into 2017-18, unless a reversion item is to be included in the 2017 Budget Bill, or the amount will be shown as savings. In the case of capital outlay programs, where many appropriations are available for three years, the department must estimate budgetary expenditures over the three-year period. In some cases, an appropriation may be carried over into future years (2018-19 and after). Departmental staff and Finance budget staff must resolve any differences in the authority cited or authorized carryover estimates to ensure that the budget and SCO's accounting records reconcile. Departments should contact your Finance budget analyst and the SCO to resolve any discrepancies prior to submission of past year expenditures. This is addressed further in the Past Year Budget Adjustments and Fund Reconciliation, BL 16-20.

   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."

6. **Legislation with an Appropriation**

   If funding is requested for chaptered legislation containing a specific appropriation, the funding can be included in the baseline budget. If funding is requested for chaptered legislation which DOES NOT contain a specific appropriation, but for which there is a cost, a BCP (or other similar adjustment approved by the Department of Finance) is required.

7. **Pro Rata**

   Guidelines have been provided in a BL 16-19. Departments do not need to complete BBAs for Pro Rata as these will be centrally posted by Finance FSCU staff. Completed BBAs will be shared with departments via the GB Exchange version. For an overview of Pro Rata and SWCAP, please refer to the Finance Pro Rata and SWCAP website at: http://www.dof.ca.gov/Accounting/Statewide_Cost_Allocation/.

8. **SWCAP**

   See #7 above.

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 of the adjustment must be provided.

These could include adjustments to reflect one-time or full-year costs that were not reflected in the out years as part of the 2016-17 budget cycle.

10. Lease Revenue Debt Service Adjustment

This adjustment will be provided by your Finance budget analyst.

11. Statutory Cost of Living Adjustments (COLAs)

To be used only for COLAs authorized in statute.

12. Issue Specific Adjustment

The first 11 baseline adjustment types listed above do not show individual BBA BRs for any given Business Unit in the Detailed Budget Adjustments section of a budget galley, but are combined with the same BBA type. The BBA type label is shown. The 12th BBA category "Issue Specific Adjustment" was labeled as "Other" last year. It was created to identify 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 table in the budget galley. The BR title will be displayed, so meaningful titles are critical.

Baseline Budget Adjustment Excel Upload Template

Departments must use the latest BBA upload template to provide fiscal details for these types of baseline budget adjustments. The upload template updated in August 2016 reflects the updated Chart of Account values and shows Fiscal Year 2017 as the year of budget being built (YBB). Separate tabs will capture detailed information for every adjusted item, program, and category of expenditure consistent with the new chart of accounts. The forms are color coded:

Blue color: Select from drop down menu
Salmon color: Input, no drop down menu
White color: Do not change. No input necessary

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

a) **Checklist**—Provides crossties for position and budget adjustment related issues, proper BR naming convention and reminds user to select baseline adjustment type. Ensure all "No Issues" fields are green and there is no red field prior to uploading into Hyperion or submission to Finance.

b) **Summary tab**—Provides a snapshot of total positions, personal services, 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 only complete the following:

1. Use unique naming conventions to provide BR Name. (See "Budget Request Naming Convention in Hyperion" for details on naming conventions.)

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

3. Enter BU (organization code).

d) **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, 2017, such as a January 1 start date), End Date (if applicable), Proposed Position (# of positions affected by the adjustment), Salaries and Wages for all the position(s) in the same classification. Enter total positions and dollars for affected years (CY, BY, and out years).

e) **Position Summary**—Specify Item, ENY, program, and related salaries and wages category of expenditure associated with each position. Enter total positions for affected years (CY, BY, and out years). <u>Positions (Full Time Equivalent) in CY through BY4 in the Position Summary tabs must tie to total proposed positions in CY through BY4 in the Position Change Request tab for the overall BR.</u>

f) **Baseline Adjustment Types**—Select one of the 12 types described above.

g) **Expenditure Tabs**—Select the appropriate tab. Specify Item, ENY, program, and related category for each unique combination of funding needed to support the adjustment. See "<u>Account/Category Codes Available in Hyperion</u>" 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 should be copied to the appropriate out year in the BY0-4 Baseline Adjustments tab. If dollars are limited-term or only affect the BY, only enter dollars on 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.

IV. <u>Baseline Adjustments for Revenues, Transfers, and Loans</u>

Adjustments for RTLs will be entered directly into Hyperion or using the RTL upload template. Finance budget analysts should provide a Schedule of Revenues, Transfers, and Loans report (this contains past year through BY+4 information) to their departments so they have the latest data. Departments in Hyperion also have direct access to this report.

RTL Template

The template contains various tabs as indicated below. Each type of adjustment will require its own individual RTL BR and upload template. For example, each revenue transfer or loan (loan repayment) must be uniquely identified in Hyperion since the specific RTL title serves as the adjustment's authority. See "<u>New Codes for Revenue Transfers and Loans</u>" for Common RTL BR Titles. <u>Please see section VIII below for new information on RTLs</u>.

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

1. Use unique naming conventions to provide BR Name.
2. Enter BU (organization code).

b) **Revenues**—If the adjustment updates revenues, specify the affected item, program, and revenue code. (For the "program" fields that are required for revenues, it is acceptable to choose "No Program" since tracking revenues per program is not required by Finance and can be difficult to accurately track in Hyperion.) Enter revenue amounts in the "revenue" column. All ongoing revenues should be entered on the BY0-4 tab. Revenues are coded with an account code of 4XXXXXX.

c) **Revenue Transfers**—If the adjustment reflects a transfer, (new or an adjustment to an existing BR which reflects the 2016 budget plan for a transfer amount) specify the amount to be transferred, the item, and the fund providing and receiving the transfer in the affected fiscal year.

See "New 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 of the transaction.

d) **Revenue Loans**—If the adjustment is related to a loan (new or an adjustment to an existing BR which reflects the 2016 budget plan for a loan amount), specify the amount to be loaned, the item, and the fund providing and receiving the loan in the affected fiscal year. See "New 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.

V. Revenue, 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 State 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

The department is required to create a BR for each BBA or RTL. Each BR must have a BU number, a unique sequencer (001 to 299 for the Governor's Budget process), identify 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. BR sequencers are shared between Finance staff and departments; therefore, departments should work with their Finance Budget Analyst before selecting a BR sequencer to avoid duplication. Sample BR name:

> 2222-001-BBA-2017-GB.

A separate template must be used to provide the data for each BR.

VII. Enactment Year (ENY) (aka Year of Appropriation)

For new one-year appropriations, use:
- 2015 for past year
- 2016 for current year
- 2017 for budget year
- 2017 for years beyond budget year

For multi-year or continuously appropriated spending requests, consult with your Finance budget analyst.

VIII. Use of Items instead of Separate "BU", "Reference", "Fund" in Templates and Data Entry Forms

New to Hyperion this year is the concept of items (BU, reference, and fund). Each Expenditure and RTL will require a 3-part item consisting of the BU, a reference identifier, and the fund. 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." Please note that for RTLs, specific reference numbers to use depend on the type of RTL as follows:

Revenue: 787
Transfer: 788
Loan: 789

IX.   Reimbursements

Starting with the 2017-18 Governor's Budget process, reimbursements will no longer be reflected under the account/category code of 48XXXXX in Hyperion. Reimbursements will instead be tracked under a new 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 the Finance's "Treatment of Reimbursements" write-up for more detail on how to properly reflect reimbursements in Hyperion.

Allocation of reimbursements to appropriate account category codes—As described in BL16-13, reimbursements converted to XXXX-XXX-0995 items were budgeted in the program's unallocated account category code (AC 5550000) because data was not available in Hyperion for the FI$Cal team to globally allocate to the exact accounts by category. Departments should work with your Finance budget analysts in the fall to allocate these reimbursements to the appropriate account category codes for 2017-18 through BY+4. Departments can shift the data placed in AC 5550000 and allocate equivalent amounts to the appropriate AC5 expenditure codes. **Departments should submit a BBA template to your Finance budget analyst and/or upload data into Hyperion using the miscellaneous baseline adjustment type.**

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 approved by the Legislature. Out year forecast assumptions that are not specifically proposed (and later approved) are not to be entered in Hyperion.

XI.   Rounding "000"

New: For budget purposes, there is no need to track dollars below $1,000. The level of precision is unnecessary, and creates additional workload and reconciliation problems. As part of the rollover process, all data now ends with "000." Users must not enter new amounts that do not end with "000."

XII.   Additional Resources Related to FI$Cal

Finance maintains the web page, "FI$Cal Resources" (http://www.dof.ca.gov/Budget/FISCAL_Resources_for_Budget/), to provide one location for all relevant FI$Cal resources. This page will be updated and expanded often. Please continue to check and utilize the information on this page for reference materials.

Also refer to FI$Cal Job Aids available at http://www.fiscal.ca.gov/access-fiscal/budgetsjobaids.html.

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 system technical questions, please contact the FI$Cal Service Center (fiscalservicecenter@fiscal.ca.gov) and copy your Finance budget analyst.

/s/Veronica Chung-Ng

Veronica Chung-Ng
Program Budget Manager