

# BUDGET LETTER

<b>SUBJECT:</b> PAYMENT OF VICTIM COMPENSATION BOARD CLAIMS, DEPARTMENT OF JUSTICE SETTLEMENTS AND JUDGMENTS	<b>NUMBER:</b> 16-31
<b>REFERENCES:</b>	<b>DATE ISSUED:</b> October 24, 2016
	<b>SUPERSEDES:</b> 15-25

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

FROM: Department of Finance

## ***Deadlines and Deliverables***

<b>October 26, 2016</b>	Departments with specified budget act items in the 2016 claims bills will need to update Hyperion or submit a Baseline Budget Adjustment (BBA) Excel template to their Finance budget analyst.
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This Budget Letter describes the payment of claims authorized by legislation for the following two situations:

- Government claims approved by the California Victim Compensation Board (Board) when there is no other statutory authority for payment. (Situation 1)
- Judgments and settlements approved by the Department of Justice (DOJ). (Situation 2)

In Situation 1, the Board has approved a claim and, with input from the affected department, determined that there is no statutory authority for its payment. Twice a year, the Board sends a list of claims with no statutory authority for payment to the Department of Finance (Finance). Finance analysts work with the affected departments to identify the appropriation to be charged and to certify that the necessary funds are available. These claims are then included in a claims bill. When the claims bill is chaptered and enacted, specified budget act items listed in the bill are reduced and this spending authority is transferred to the Board for payment of claims.

Alternatively, when statutory authority for payment already exists, legislation is not required and the department may pay Board-approved claims directly without obtaining approval from Finance. For example, a common reason why a claim may lack statutory authority for payment is because the claim is for a stale-dated warrant and the department no longer has expenditure authority for the fiscal year in which the warrant was issued.

For Situation 1, subdivision (f) of Government Code Section 905.2 authorizes the Board to assess a surcharge for administrative costs in an amount not to exceed 15 percent of the total approved claim. These surcharges are treated as expenditures to the budget act items listed in the claims bills.

In Situation 2, a chaptered claims bill authorizes the DOJ to pay settlements or judgments directly from specified fund balances because there are insufficient funds in the affected department's existing appropriation. To initiate inclusion of a judgment or settlement in the biannual DOJ claims bill, Finance is required to send a letter to the DOJ approving the settlement or judgment claim and certifying that the affected department's appropriation cannot absorb the cost of the claim. If the department has sufficient expenditure authority for payment of the claim, legislation is not required and the department may pay the claim directly after obtaining approval from Finance.

## **Changes to Departmental Appropriations**

For government claims approved by the Board (Situation 1), Chapter 54, Statutes of 2016 (SB 1186) and Chapter 243, Statutes of 2016 (AB 1701) authorize the reductions to specified budget act items and the payment of claims by the Board.

For settlements and judgments approved by DOJ (Situation 2), Chapter 46, Statutes of 2016 (AB 1693) and Chapter 281, Statutes of 2016 (SB 1187) authorize the payment of claims by the DOJ directly from specified funds.

The adjustments to departmental appropriations for both situations 1 and 2 must be posted in Hyperion by **October 26, 2016**. For Situation 1, Hyperion must reflect the reduction of the department budget act items specified in the claims bills using the "AC 5415000 – VCGCB Claims" account category code. Wave 1 and 2 departments must either enter or upload the adjustments directly into Hyperion. Non-Wave 1 and 2 departments must complete the BBA template and send the document to their respective Finance budget analyst. The BBA template is available at [http://www.dof.ca.gov/budget/resources\\_for\\_departments/budget\\_forms/](http://www.dof.ca.gov/budget/resources_for_departments/budget_forms/).

## **Direct Charges to Fund Balances**

When a department's appropriation has insufficient authority, the Board or DOJ pays claims directly from specified fund balances. No action by departments is necessary in this situation.

## **Budget Documents**

- Governor's Budget Detail of Appropriations and Adjustments: A separate line will display the Legislative Claims reductions reflected in Hyperion.
- Governor's Budget Fund Condition Statements: Expenditures will be reflected under 9670 Equity Claims for the appropriate funds.
- Departmental Budget Display: Because the chaptered legislation authorizes the payment of claims by the Board or DOJ, the claim payments (expenditures) will be reflected in the Equity Claims budget (9670) rather than in an affected department's budget display.

## **Subsequent Changes to Chaptered Claims Bills**

Occasionally, errors or subsequent changes in chaptered claims bills will cause an incorrect fund to be charged to pay a claim. When this occurs, the department's accounting office, the State Controller's Office, or Finance should inform the Board or the DOJ of any error identified in the chaptered claims bill.

Please call Brendan Murphy, Assistant Program Budget Manager, at (916) 445-8913 if you have any questions.

/s/ Chris Ryan

Chris Ryan  
Program Budget Manager