Budget Letter

NUMBER:	15-15

SUBJECT: BASELINE BUDGET ADJUSTMENTS (FI$CAL UPLOAD TEMPLATES)	**DATE ISSUED:** August 7, 2015

REFERENCES: BUDGET LETTERS 14-07, 14-15, 15-05, 15-06, 15-09, AND 15-14	**SUPERSEDES:** BL 14-18

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 baseline adjustments (except capital outlay—these instructions will be provided separately). Beginning August 12, the FI$Cal System (Hyperion) will be accessible to all Wave 1 and Wave 2 users. The 2015 Budget Act will serve as the starting point for the 2016-17 Governor's Budget. For additional information on 2015-16 budget data, please refer to BL15-06, which provides information on the data rollover from the 2015-16 budget cycle. Instructions for Budget Change Proposals have been provided in BL 15-05, BL 15-09, and BL 15-14.

I.   Glossary Relevant to this BL

BBA   =   Baseline Budget Adjustments. Baseline expenditure adjustments previously collected on a planning estimate worksheet.
BRTL   =   Baseline Revenues, Transfers, Loans. Baseline updates previously collected on a Schedule 10R.
BR   =   Budget Request. A component within a Decision Package.
BU   =   Business Unit. This is equivalent to an organization code/entity.
Category =   An account code in the Chart of Accounts.
CSL   =   Current Service Level (starting point of each year in Hyperion, except past year).
DP   =   Decision Package. An adjustment in this context.
ENY   =   Enactment Year. Formerly Year of Appropriation.
Gross Expenditure (AC_5) = Total expenditures for a program including those funded by reimbursements .

II.   Method of Submittal and Deadline

Wave 1 and 2 departments will input all necessary budget information directly into Hyperion, either by manually keying the data into the system or by utilizing the upload templates for data input. Training to upload information through the template process will be provided by FI$Cal project staff in September.

All non-Wave 1 and 2 departments will complete the updated Excel upload templates (described below) and electronically send them to your respective Finance budget analyst.

Deadlines and Deliverables	
October 8, 2015	Departments update Hyperion or submit BRTL templates for current year, budget year, and out year revenues, revenue transfers, and loans/loan repayments.
October 12, 2015	Departments update Hyperion or submit BBA templates for current year, budget year, and out year baseline budget adjustments for expenditures. This is not applicable to Employee Compensation and Retirement adjustments which will have separate deadlines and be addressed in a subsequent BL.

III.   Baseline Budget Adjustments for Expenditures

Baseline Budget Adjustments (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 mid-August, Finance budget analysts will provide departments a detailed multi-year expenditure report [this contains past year through budget year (BY) + 4 information] reflecting rolled-over data.   Each department will receive a report run with the following data:

1. Gross Expenditures (Category 5 [AC_5]),
2. Reimbursements (AC_48), and
3. Expenditures Net of Reimbursement (expenditures not funded by reimbursements). This report shows the net impact to the item/fund. This is a calculated value and represents the net difference between AC_5 and AC_48.

Similar to last fall, expenditures provided by departments should already account for one-time costs, limited-term positions, expiring programs and/or full-year costs of programs. If needed, departments can work with their respective budget analysts to make additional changes to refine these amounts.

Wave 1 and 2 departments are to make baseline expenditure adjustments directly in Hyperion or by utilizing the upload templates for data input. Non-Wave 1 and 2 departments should provide updates via submission of the latest upload template. For each adjustment type used, a separate Decision Package/Budget Request must be completed. For instance, a department will need to submit one template to capture adjustments related to retirement rate adjustments and another template to make Pro Rata adjustments.

Non-Wave 1 and 2 departments must electronically provide BBA templates to their respective Finance budget analysts.

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 is implementing a new budget process and departmental budget display for the Governor's Budget which more accurately captures departments' true expenditures for personal services, staff benefits, and operating expenses and equipment. As part of this new budget process, departments will retain authorized positions and, if necessary, funding will be shifted to the appropriate expenditure category. The new process will be part of the 2016-17 budget development process and instructions will be provided in a forthcoming budget letter.

5. **Carryover/Reappropriation**

Provided funds are still available, carryover authority exists, and program requirements continue, certain appropriation balances should be carried forward from a prior year. Carryovers from 2014-15 to 2015-16 must be reconciled to the year-end financial reports submitted to the State Controller's Office (SCO). Carryovers into 2015-16 that are not expected to be expended and are still available must be included as carryovers into 2016-17, unless a reversion item is to be included in the 2016 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 expenditures over the three-year period. In some cases, an appropriation may be carried over into future years (2017-18 and after). Departmental staff and Finance 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 their Finance budget analyst and the SCO to resolve any discrepancies prior to submission of past year expenditures. This will be addressed further in the Past Year Incremental Expenditure Budget Letter which will be forthcoming.

The BBA upload template includes budgetary expenditure and non-add budgetary expenditure tabs that can be used to reflect carryovers and savings adjustments. These tabs are currently hidden in the template. If needed, they can be unhidden by right clicking on any tab and selecting the desired tab to unhide

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 is required.

7. **Pro Rata**

Pro Rata assessments and SWCAP (Statewide Cost Allocation Plan) allocations will be available in **late September 2015.** Guidelines will be provided in a separate BL. For an overview of Pro Rata and SWCAP, please refer to the Finance Pro Rata and SWCAP website at: http://www.dof.ca.gov/fisa/proswcap/proswcap.htm.

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 description of the adjustment must be provided. Do not combine various adjustments into one entry. These could include adjustment to reflect one-time or full-year costs that were not reflected in the out years as part of the 2015-16 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. **Other**

In the Governor's Budget, 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, but are combined with the same BBA type. The BBA type label will be shown.   The new 12th BBA category "Other" was created to identify large dollar amounts that would otherwise be categorized as Miscellaneous Baseline Adjustments or combined within another BBA type. BBA BRs coded as "Other" will be individually shown in the Detailed Budget Adjustments table in the Governor's Budget. The BR description (short title) will be displayed, so meaningful titles are critical.

Baseline Budget Adjustment Excel Upload Template

Non-Wave 1 and 2 departments must use the latest BBA upload template (available at http://www.dof.ca.gov/budgeting/forms/view.php) to provide fiscal details for these types of baseline budget adjustments. The upload template updated in August 2015 reflects the updated Chart of Account values and shows Fiscal Year 2016 as the Year of Budget Bill. 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 DP/BR naming convention and reminds user to select baseline adjustment type. Ensure all fields are color green prior to 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 DP and BR Name. (See http://www.dof.ca.gov/FISCal_Resources/view.php for details on naming conventions.)

    2. DP/BR Description should be meaningful title. (See http://www.dof.ca.gov/FISCal_Resources/view.php 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 (if applicable), 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 reference, fund, 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). Reference to the Position Change Request tab for total positions included in this adjustment.

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

g) **Baseline Adjustments**—Specify reference, fund, ENY, program, and related category for each unique combination of funding needed to support the adjustment. See http://www.dof.ca.gov/FISCal_Resources/view.php 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 column. If the request is for multi-year or continuous appropriation spending authority, please contact your Finance budget analyst for additional instructions.

h) **Reimbursements**—If the adjustment changes reimbursement spending authority, specify reference, fund, ENY, program, and source of reimbursements. Under the Chart of Accounts (http://www.dof.ca.gov/FISCal_Resources/view.php), these are reflected under account code of 48XXXXX representing the projected reimbursement collection. Total reimbursements must also be reflected in the Baseline Adjustments tab and associated with specific spending category code(s). All ongoing reimbursements should be copied to the appropriate out year in the BY0-4 reimbursements tab.

IV.   **<u>Revenue, Revenue Transfers, and Loans/Loan Repayments Special Fund Reporting Requirements</u>**

Similar to last Governor's Budget process, each department is required to report its own special fund revenue, transfers, loans, and loan repayments (RTLs), instead of the administering department reporting all revenues, transfers, loans, and loan repayments for each special fund it administers. This is similar to the treatment of RTLs in the General Fund.

V. **Baseline Budget Adjustments for Revenues, Revenue Transfers, and Loans/Loan Repayments (BRTLs)**

Adjustments for BRTLs will be entered directly into Hyperion by Wave 1 and 2 departments while the template described in this BL only applies to non-Wave 1 and 2 departments. Wave 1 and 2 departments may also leverage the upload templates for data input.

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 should contact their Finance budget analysts to determine whether submitting changes via marking up a hardcopy, electronically updating the report provided, or utilizing the BRTL template is the best approach for providing updated information from their respective departments.

BRTL Template

The template contains various tabs as indicated below. Each type of adjustment will require its own individual template. For example, each revenue transfer, loan, and loan repayment must be uniquely separated since a specific budget request description that describes the authority for the transaction is required for each adjustment. See
http://www.dof.ca.gov/FISCal_Resources/documents/Common_BR_Descriptions.doc.

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

1. Use unique naming conventions to provide DP and BR Name.
2. Enter BU (organization code).
3. Attribute Value: Select Revenue, Revenue Transfer, Loan, or Loan Repayment. (These adjustment types cannot be combined in the same template.)

b) **Revenues**—If the adjustment updates revenues, specify the affected fund, program, project, and revenue code. (For the "program" and "project" fields that are required for revenues, it is acceptable to choose "No_Program" and "No_Project" since tracking revenues per program and project are not required by Finance and can be difficult to accurately track in Hyperion.) Enter revenues in the "request amount" column. All ongoing revenues should be entered on the BY0-4 tab. Revenues are coded with an account code of 4XXXXXX (except for 48XXXXX which are for reimbursement receipts).

c) **Revenue Transfers**—If the adjustment reflects a transfer, specify the amount to be transferred and the fund providing and receiving the transfer in the affected fiscal year. See http://www.dof.ca.gov/FISCal_Resources/documents/New_Codes_for_Revenue_Transfers_and_Loans.pdf. 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 the CSL which reflects the 2015 budget plan for a loan/loan amount), specify the amount to be loaned and the fund providing and receiving the loan in the affected fiscal year. See http://www.dof.ca.gov/FISCal_Resources/documents/New_Codes_for_Revenue_Transfers_and_Loans.pdf. 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.

e) **(Revenue) Loan Repayments**—If the adjustment changes the timing or amounts for repayment of a prior loan, specify the amount to be repaid and the fund providing and receiving the loan repayment in the affected fiscal year. See http://www.dof.ca.gov/FISCal_Resources/documents/New_Codes_for_Revenue_Transfers_and_L

oans.pdf. 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.

VI.   <u>Unique Naming Convention</u>

The department is required to create a DP and one or more BRs for each BBA or BRTL. A DP may contain one or more BRs. Each DP and BR must have a BU number, a unique sequencer (001 to 299 for the Governor's Budget process), identify DP type (e.g., BBA), fiscal year, and point-in-time when the issue is originated (e.g., GB for Governor's Budget).

<u>Example of one DP to one BR at 2016-17 GB</u>

Decision Package   2222-001-BBA-DP-2016-GB
Budget Request   2222-001-BBA-BR-2016-GB

Or

Decision Package   5555-001-BRTL-DP-2016-GB
Budget Request   5555-001-BRTL-BR-2016-GB

<u>Example of one DP to multiple BRs at 2016-17 GB</u>

Decision Package   2222-001-BBA-DP-2016-GB
Budget Request   2222-001-BBA-BR-2016-GB
                      2222-002-BBA-BR-2016-GB
                      2222-003-BBA-BR-2016-GB

The template is designed to capture one DP with only one BR. Therefore, if a Department has a DP with multiple BRs, a separate template must be used to provide the data for each BR.

VII.   <u>Enactment Year (ENY) (aka Year of Appropriation)</u>

For new one-year appropriations, use:
- 2014 for past year
- 2015 for current year
- 2016 for budget year
- 2016 for years beyond budget year

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

VIII.   <u>Special Instructions Related to Reimbursements</u>

A baseline expenditure adjustment consists of one DP in Hyperion. Within each DP, there can be one or more BRs.

If the adjustment has multiple fund sources including reimbursements, the reimbursement portion must have its own BR. The reimbursement dollars and the associated program/category spending must be self-contained within the same BR without other components. This provides clear documentation as to the program/category spending to be funded with reimbursements. If the adjustment is entirely funded with reimbursements, only one BR is needed.

Departments should update both the Request by Category (AC_5) tabs and the Reimbursement (AC_48) tabs.

IX.   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.

X.   Rounding of Numbers

As a budgeting and planning tool, departments generally should show the last three digits in a dollar amount as three zeros. Having the last three digits as zeros will significantly reduce rounding issues in budget galleys and most other reports. This applies to revenues, transfers, loans, loan repayments, and expenditures.

XI.   Additional Resources Related to FI$Cal

Finance created a new web page last year, "FI$Cal Resources" (http://www.dof.ca.gov/FISCal_Resources/view.php), to provide one location for all relevant FI$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.

Please submit all populated BBA and BRTL templates to your Finance budget analyst by the deadlines stated earlier in this BL.

If you have any questions, please contact your Finance budget analyst.

/s/ Veronica Chung-Ng

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