Budget Training Guide

This resource is intended to walk inexperienced departmental budget staff through a series of instructional documents with the goal of efficient communications between Finance and departments while developing California's budget. Therefore, this guide and the other documents related to this training will focus on the state budget and not the operating budget used by departments to stay within their resources. The Table of Contents below provides a shortcut to specific topics for experienced departmental staff that need a quick refresher or additional instruction in a single area. This guide provides links to many individually posted instructions, and was written with the intent that new analysts would read linked documents as they come to them in the text below. If departmental staff have questions after reviewing the resources emphasized in this guide, they can skip to the "Questions" section of this document.

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Budget Process Overview

The overall Budget Cycle is punctuated by three major points in time the Governor's Budget, the May Revision, and the Budget Act. The departmental budget shop input to build the documents, presentations, and web displays for each of these points in time is very different. The accurate and efficient submission of this vital information is the primary goal of this training. The background around each point in time is outlined below.

- The Governor's Budget is the state spending plan proposed by the Governor on or before January 10 for the following fiscal year. Although, Article IV, Section 12, of the State Constitution requires the Governor to propose the budget, it is introduced by the Chair of the Budget Committees as a bill in each house. It is at this point that the spending plan becomes the Legislature's responsibility and the Administration no longer has the authority to make any changes.

  The Governor's proposal is the end result of many months of collaboration between Finance and the other departments within the Administration. However, many of the most challenging decisions are made during the month of December after the impact of the latest Federal and

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state economic indicators have been considered as pertains to revenue estimates.

- The May Revision is a proposal from the Administration to the Legislature to update the Governor's Budget as proposed in January. After the April 15th tax deadline, the tax collecting agencies within the state are able to produce far more accurate revenue estimates than those provided the previous November. This is a mechanism to allow the Administration to request changes to the budget bills in each house to reflect the latest revenue numbers. The requests are referred to as "Finance Letters", and are to be provided to the Legislature on or before April 1, May 1, and May 14 per Government Code 13308.

- The Budget Act is the enacted spending plan approved by the Legislature. Per Article IV, Section 12(3), of the State Constitution, the Legislature shall pass the Budget Bill by midnight on June 15. In addition, the 72 hour rule requires a bill be published for 72 hours prior to a vote. This means the Legislature must conclude its hearings on budget issues by midnight on June 12 in order to vote on June 15. The Governor generally has 12 calendar days to either veto or sign the bill. Vetoes may reduce but not increase spending. Although the resulting Budget Act may be amended, it is generally the final authorized spending level that will be reflected in accounting systems for the fiscal year beginning
July 1.

The Budget Cycle varies from year to year, but a general timeline has been provided here for new analysts to begin to acquire a feel for the budget workflow.
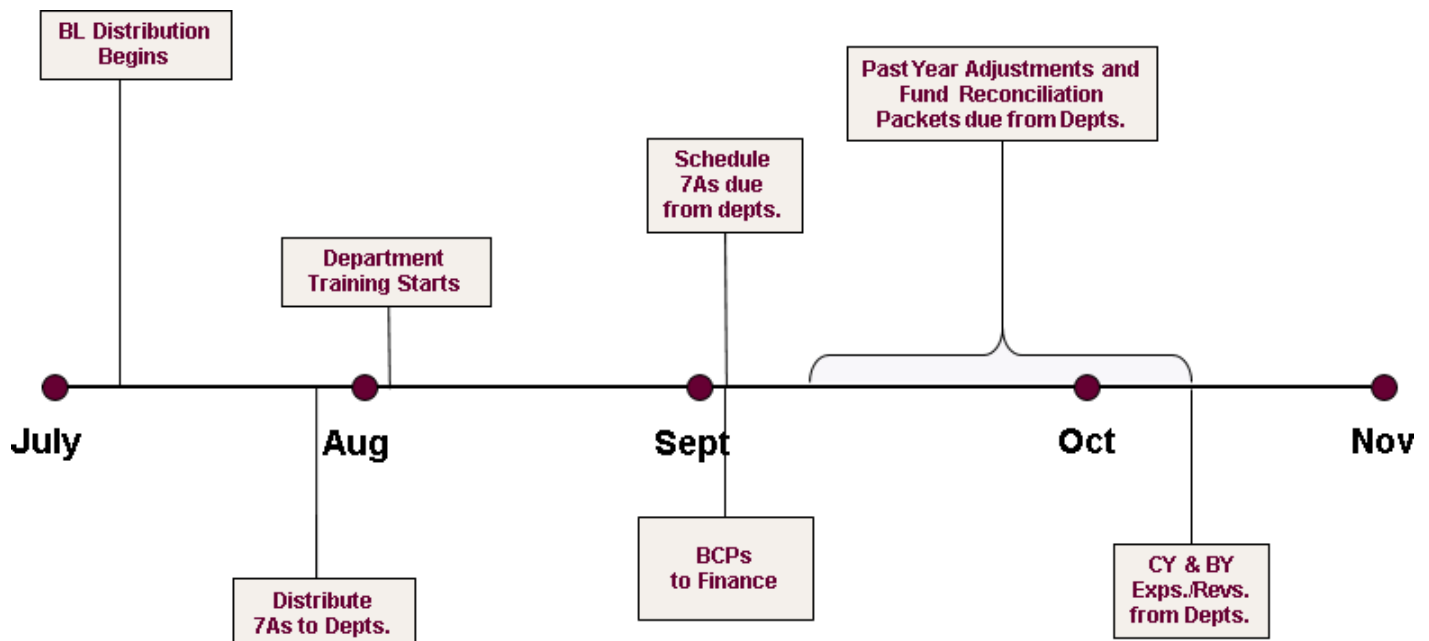
Budget Letters contain direction from the Administration to its departments on policy and technical related topics. Much of the direction a departmental budget office receives will occur in July and
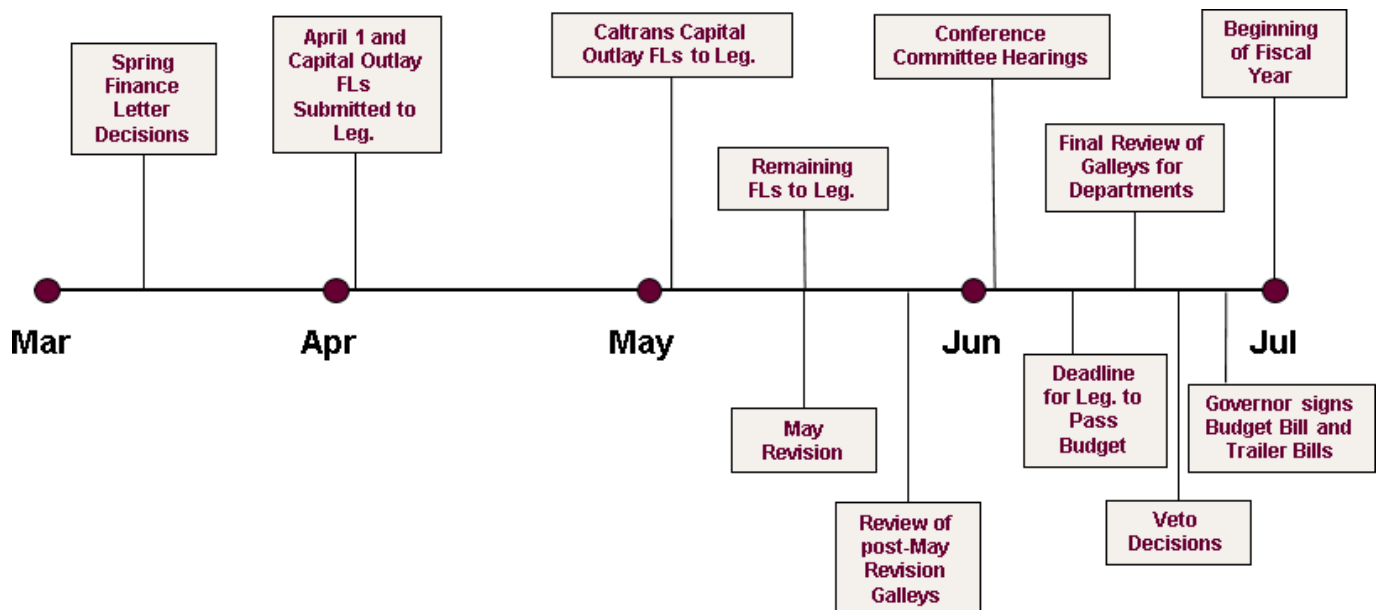
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August at the beginning of the fiscal year. Departmental budget staff should subscribe to the Budget Operations Mailing List at https://dof.ca.gov/department-mailing-lists/ in order to receive Budget Letters and other budget-related communications from Finance. Due dates, even those deadlines provided through Budget Letters may be changed by your Finance Budget Analyst. As your primary point of contact at Finance, your Finance Budget Analyst will provide you with any updates or modifications to the instructions provided here or in Budget Letters.

Other notable points on this timeline and work products displayed here will be addressed as we proceed through this training guide.

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Much of our focus for this guide will be on the fall process, but we have included the remainder of the fiscal year for planning purposes.

Timeline (Nov – Mar):

- **Narrative Changes Completed** — Nov
- **Language Sheets Available** — between Nov and Dec
- **Final Budget Decisions** — Dec
- **Release Governor's Budget by January 10** — Jan
- **eBudget Go-Live** — Jan
- **Salaries and Wages Published** — between Jan and Feb
- **Spring Finance Letter Requests from Depts.** — Feb

Timeline (Mar – Jul):

- **Spring Finance Letter Decisions** — Mar
- **April 1 and Capital Outlay FLs Submitted to Leg.** — Apr
- **Caltrans Capital Outlay FLs to Leg.** — May
- **Remaining FLs to Leg.** — between May and Jun
- **May Revision** — between May and Jun
- **Review of post-May Revision Galleys** — between May and Jun
- **Conference Committee Hearings** — Jun
- **Final Review of Galleys for Departments** — between Jun and Jul
- **Deadline for Leg. to Pass Budget** — between Jun and Jul
- **Veto Decisions** — between Jun and Jul
- **Beginning of Fiscal Year** — Jul
- **Governor signs Budget Bill and Trailer Bills** — Jul

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Basic Budget Concepts

In California, our state spending plan is determined according to a concept called baseline budgeting. Instead of the insurmountable workload of justifying every dollar to be authorized for expenditure every year, the Administration requires departments to justify changes to the spending level of the most recently approved budget. Some annually recurring adjustments to a department's expenditure authority require a minimum of justification because the need is readily explained and understood. The most common baseline adjustments receive a standard BR Title (See the Common Baseline Adjustment Titles document.) For those proposed changes that require more justification, such as a new program or the expansion of an existing program, a Budget Change Proposal (BCP) will likely be needed. For direction related to BCPs please see Writing Effective Budget Change Proposals on the Finance website.

Another budgeting concept that is a basic building block and stumbling point for many conversations is referencing fiscal years. The state of California's budget is so large that we have many staff dedicated to the discipline of budgeting, and we have developed our own vocabulary to support our processes. This vocabulary varies in some ways from the language used for discussions in accounting. See the Finance Glossary of Accounting and Budgeting Terms for some brief definitions in both areas. The differences in the manner we reference fiscal years in particular has spawned many misunderstandings. In budgeting we often reference past year, current year, and budget year abbreviated PY, CY, and BY. This coincides with most budget displays that report past year actuals, current year estimates, and budget year proposals. California's fiscal year begins July 1st and ends June 30th. When we cite fiscal years we cite the year it begins, a hyphen, and the year it ends (often abbreviated). Budget year is the fiscal year whose budget we are presently preparing. Current year is the fiscal year we are in at this time. Past year is the fiscal year immediately prior to current year. As of August of 2020, BY is the fiscal year 2021-22 (a.k.a., 2021-2022 or 21-22). CY is cited as 2020-21, and PY as 2019-20. Although some may use the term prior year in lieu of past year, we recommend avoiding the practice for various reasons. We also recommend using the numerical reference (i.e., 21-22) rather than the verbal terms (budget year or BY) when conversing with accounting staff. This simple practice will save you much confusion and miscommunication.

Treatment of Adjustments in Hyperion

This section will cover some basic budgeting practices and concepts necessary for FI$Cal Hyperion system entries and communication with your Finance Budget Analyst.

The FI$Cal Hyperion Budget system requires that users have a unique identifier for each Budget Request container (BR) across all departments and fiscal years. In order to avoid duplication, a standard protocol has been established. Please review the system resource "Budget Request Naming Convention in Hyperion" on the Department of Finance website.

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For instructions on entering an adjustment in Hyperion, review the resource labeled, "Making a Hyperion Entry". It is best to have someone assist you the first time you make an entry into the system, but only after studying the "Making a Hyperion Entry" aid.

Once your data has been entered into the Hyperion budget system, you will need to run reports to see it in a useful manner. Hyperion data is pulled using two different reporting tools FR (Financial Reporting) and BI (Business Intelligence Publisher). Instructions for reporting with FR and BI are available in "How to Set Up FR POV preferences and run a FR Report" and "How to Run a BIP Report".

Expenditures

Expenditures from state funds are typically authorized by the Legislature, and all but a few of the transactions are performed by the State Controller's Office. The State Controller's Office will verify there is authority to spend, and there is a sufficient fund balance prior to making a payment or transfer. The Budget Act is the primary vehicle for gaining Legislative approval of expenditures. A technical explanation of appropriation items is included in the resource "Understanding Expenditure Authority" with sections on carry overs, reappropriations, reversions, and reimbursements. It is the expectation that with few exceptions, all expenditures from state funds will be entered into Hyperion and eventually reflected in various publications.

Transfers between various funds within the state treasury are necessary to maintain sufficient resources for the spending priorities agreed upon by the Administration and the Legislature. A discussion on the recording of these transactions from a budgetary perspective is available in Transfers Between State Funds.

Revenues, Transfers, and Loans

Revenues are a type of receipt generally derived from taxes, licenses, fees, or investment earnings. They are deposited into a fund for future appropriation, and are not available for expenditure until appropriated.

Revenue transfers as determined in the Transfers Between State Funds document are the movement of resources from one fund to another using revenue adjustments, and displayed in fund condition statements.

Loans between state funds are treated as special revenue transfers. (Please note that a loan program providing loans from a state fund to a non-state fund is treated as an expenditure and not a loan for budgetary purposes. These programs typically make transfers to a local governmental entity, charity, business, or individual. Loan program repayments are shown in state funds as a negative expenditure.)

Revenue, revenue transfer, and loan (RTL) data is entered into Hyperion for all departments that report such information. For General Fund and all special funds, each department is required to report the revenues, transfers, and loans that they report in their accounting records. Revenue

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information for bond funds, federal funds, and other non-governmental cost funds is entered into Hyperion for certain departments and/or programs as determined by your Finance Budget Analyst.

The "How to Create RTLs" document is available to walk budget staff through the process of making the Hyperion entry.

Current Year Adjustments

Once expenditure authority levels are established by the Administration and the Legislature, the SCO sets up accounting records used to validate transaction requests. On occasion, there is the need to make relatively minor changes to these authority levels. The annual Budget Act and other statutes allow Finance to approve some of these changes in order to avoid the need to pass a specific bill for each of these many adjustments. The instruments Finance uses to notify the SCO of the need to revise their current year accounting records are Budget Revisions (BRs) and Executive Orders (EOs). To continue your training on current year adjustments see the Budget Revisions (BRs) and Executive Orders (EOs) training document. Experienced budget staff may refer to the "Commonly Used Control Sections" document on the Budget Analyst's Guide web page.

Baseline Budget Adjustments

Baseline Budget Adjustments (BBAs) are those changes needed to continue providing the same level of services as authorized in the previous budget. Although some of these adjustments may require a Budget Change Proposal to justify the change, most are easily explained. Therefore, Hyperion has separate expenditure containers designed for BBAs and BCPs. See Baseline Budget Adjustment Types for further information on a flag unique to BBA containers.

Once BBA system entries have been made, department staff must copy to the GB Exchange version, and email any upload templates used to their Finance Budget Analyst. The current Governor's Budget deadline for submission of BBAs is provided annually via a Budget Letter.

Past Year Updates

By far the most common BBA entries made are Past Year Adjustments. When a departmental accounting office closes their books after a fiscal year's conclusion (June 30), actual data becomes available to budget staff. Budget staff will need to reflect actual amounts in Hyperion for expenditures and revenues. This will provide us with our beginning balances for the subsequent fiscal year. See the annual Budget Letter for detailed instructions on making past year adjustment.

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Upload Templates

One tool commonly used to populate past year is an upload template. Upload templates are updated and provided for departmental analyst use. Always go to the Finance website to check for the most up to date templates. These templates may be used for the upload of most adjustments to the system. However, the general guide is to make manual entries if less than 20 rows of data are needed. A walk-through for uploading a template may be found [Upload Budget Templates in Hyperion](#).

Past Year Fund Reconciliation

Guidance on the reconciliation of past year fund balances is provided via an annual Budget Letter. Before making expenditure proposals to Finance, an accurate representation of the resources available for those expenditures must be generated and certified. Please keep in mind, the goal of past year fund reconciliation is to reconcile between accounting and budgeting in order to provide the best possible decision-making information to the Administration and the Legislature.

There is an important difference between "matching" and "reconciling" that is often missed when departmental staff read budget instructions. For past year fund reconciliation purposes Finance does not require all numbers match one for one, between budgeting and accounting. Reconciliation requires identification and explanation of all significant differences between accounting and budgeting. Budgeting and accounting protocols were developed for different purposes. Therefore, treatment of a transaction may be different by necessity. A simple example of a difference between budgeting and accounting is the level of reporting. Budget displays at their lowest level are dollars in thousands, while accounting reports to the penny. The rationale is a budget decision is not going to be impacted by a difference of a thousand dollars, but if the state's accountants were regularly misplacing a thousand dollars that would be a significant problem to stakeholders.

For additional training on this topic see the [Past Year Fund Reconciliation](#) document.

Budget Galley

The Budget Galley is a high-level display of budget information presented from various perspectives to serve a wide range of stakeholders. It consists of as many as ten different displays of data that include information on expenditures, revenues, loans, and positions.

Narrative and numerical data is primarily generated from Hyperion entries. Each display rolls up individual entries in a different manner, but some displays will highlight specific entries. Therefore, it is extremely important to be as accurate as time allows when posting estimates for your proposals. It is also vital that departmental staff provide narrative such as titles and descriptions that are suitable for public consumption.

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A complete description of the various galley displays is available in the [Overview of a Department Budget Galley](#), and a walk through of the data sources for these displays is included in the [Galley Rules and Cross Ties for Support](#) and [Galley Rules and Cross Ties for Capital Outlay](#) documents.

Budget Bill Language

At this point a recap of [the budget process](#) may be needed for some staff going through this training. As explained earlier, the end result of the budget building process is a spending plan proposed by the Administration and authorized by the Legislature. The vehicle for the majority of the appropriations for the upcoming fiscal year is the budget bill. Section 2 of the enacted budget bill is made up of a listing of appropriations identified by item numbers. For more information see [How to Read Budget Bill Language](#).

At multiple times during the budget building process Finance uses language sheets as a tool to make changes to the budget bill. In the fall some Finance Budget Analysts work closely with their departments to update or compose the language that will make up the budget bill proposed in January. In the spring Finance works with the Legislature to make any changes to the Assembly and Senate versions of the bill. In both cases language sheets are the instrument used.

A language sheet consists of a single item of appropriation per document, and is provided to Finance Budget Analysts to be updated. Please note that in many cases the Finance Budget Analyst is unable to share these with a department due to short turn around times or sensitivity. A mocked-up sample with the general structure of an appropriation item follows:

3990-001-0001—For support of Department of Training.............................100,000,000

Schedule:

(1)	0400-Administration	10,000,000
(2)	0435-Division of Important Services	62,000,000
(3)	0440-Regulation Enforcement................	20,000,000
(4)	0445-Public Information Services	10,000,000
(5)	Reimbursements to 0435-Division of Important Services	−2,000,000

Provisions:

1. The Department of Training shall submit to the Legislature, the Director of Finance, and the Governor the quarterly and annual reports submitted to the federal government on the activities of the Fraud Unit.

2. Of the amount included in Schedule (3), $5,000,000 is available to address new workload related to various actions taken at the federal level related to the California Department Budget Staff Training Program.

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Three basic parts appear for typical budget act appropriation items. First the Item number followed by some text providing the department authorized to make an expenditure, the fund from which the department can spend, and the total authorized amount in dollars. In the example above the text does not cite a fund and therefore the appropriation comes for the General Fund. The second part, the schedules, provide the programs or projects and the spending limit for those programs or projects. The third part, the provisions, may not appear in all items. Provisions provide any additional qualifiers for the item or schedules within that item.

For more direction on budget bill language see Budget Bill Preparation Guidelines.

Salaries & Wages Publication

The Salaries and Wages (Schedule 7A) is a point in time reconciliation of authorized positions along with their respective salaries and wages. It displays past year actuals, current year estimates, and the proposed budget year. The published 7As become a record of the organizational structure, position classifications, and expenditures for employee compensation of each state department. Instructions regarding 7As can be found in an annual Budget Letter and the training document Salaries & Wages Process.

Getting Answers to Budget Questions

Over the course of working your way through this training guide, you may have come across areas that you did not understand very well even after a second review. Your first point of contact for these budget questions should be seasoned budget staff within your department. In addition, your Finance Budget Analyst can provide you with a little extra guidance as well as specific instructions unique to your department. For direction on different types of questions see below:

- Policy questions: questions regarding policy instructions, deadlines, BCPs, or displays must go through your Finance Budget Analyst.
- Technical budgeting questions: these questions may be asked of your Finance Budget Analyst as well. However, if they are purely technical in nature and cannot be answered by your Finance Budget Analyst, then staff in the Budget Operations Support unit (BOS) at Finance will provide assistance. To contact BOS staff for this purpose email your specifically-worded question to BudgetQuestions@dof.ca.gov . Questions will be addressed in the order that they are received. Only technical budget questions will be answered by BOS staff, and your Finance Budget Analyst will be included in the response.
- Questions regarding system access, including passwords, access for new staff, or outages, should be directed to the FI$Cal Service Center.
- For other assistance using Hyperion, please access Hyperion training resources in FI$Cal's ServiceNow and in the FI$Cal Learning Center or contact your Finance Budget Analyst.