

BUDGET LETTER

	NUMBER: 03-25
SUBJECT: AUTOMATED FUND CONDITION STATEMENT BUDGET PROCESS	DATE ISSUED: August 7, 2003
REFERENCES: BL 03-05 2004-05 BUDGET PREPARATION GUIDELINES	SUPERSEDES:

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

FROM: DEPARTMENT OF FINANCE

This Budget Letter (BL) notifies departments of a NEW automated Fund Condition Statement (FCS) process for use in the preparation of the 2004-05 Governor's Budget and provides information on the new FCS process. All departments are to use this new process for the Fund Condition Statements that will appear in the 2004-05 Governor's Budget.

The Department of Finance (Finance) is offering training on this new process in August. Email notification of class registration information was sent to departments on July 22, 2003, the registration deadline has been extended to August 13, 2003. To register, see the Internet website: <http://www.dof.ca.gov/training/fcs/courselist.asp>. Classes will be filled on a first request received basis. (Limit 40 per class and two representatives per department.) Although this no-cost training is not mandatory, departments are strongly encouraged to attend.

Finance conducted a FCS pilot project during the fall 2002 preparation of the 2003-04 Governor's Budget, in a continuing effort to reduce duplicative workload and increase operational efficiency. Departments were advised of the pilot program through BL 03-05. Seven departments participated in the pilot project. The pilot departments' Schedule 10s (Supplementary Schedule of Appropriations), Schedule 10Rs (Supplementary Schedule of Revenues and Transfers), and a new "turnaround document" were used to create an automated FCS. Therefore, pilot departments did not need to post the Schedule 10 and Schedule 10R information to the fund condition display in the budget galley. The pilot departments provided prior year adjustment amounts and specified non-governmental cost fund information on "turnaround documents" which were input by Finance staff into the automated system. The automated FCS information was then electronically transmitted to the Office of State Publishing (OSP) for inclusion in the individual department's budget galley. The automated FCS for all special funds follows a standard format for ease of comparability. The non-governmental cost fund format allows for limited customization to meet the needs of the department.

The seven pilot departments, Finance, and OSP reported the process worked well, saved time, and eliminated errors as follows:

- Departments did not have to update/post changes to the budget galley fund condition statements.
- Finance budget analysts did not have to resolve numerous discrepancies between the Schedule 10s expenditure/Schedule 10Rs revenue information and the information reported on the budget galley fund condition statement because those amounts transferred electronically from the Schedule 10 and Schedule 10R systems directly to the automated FCS.

The new process provides departments with updated fund conditions each time the three-year Schedule 10s are processed and allows departments to update their fund condition statements prior to submitting their budget galley to Finance. Departments are strongly encouraged to update the Schedule 10s as changes are approved and submit this updated information to Finance for cleanup as often as possible prior to galley submittal. Finance will review and post the updated information from the Schedule 10s, print a Reconciliation with Appropriation (RWA) Report, key updated revenue and other information, and print a FCS for each fund. Departments are to use the RWA and FCS Reports to build and tie the other fiscal statements contained within their budget galley prior to submitting the budget galley package to Finance.

This BL contains attachments that provide departments with specific information about the automated FCS process. Attachment I is a description of the automated FCS process. This attachment provides instructions on the changes to the budget galley/FCS process. Attachment II is a list of the selected non-governmental cost funds that will be listed in the 2004-05 Governor's Budget. Attachments III and IV are examples of the revised fund condition format standardized for governmental and non-governmental cost funds for use in the new automated FCS.

If you have questions or require technical assistance regarding the automated FCS process, please contact Susan Montoya, Lajunta Inman, or other Financial Operations staff of the Department of Finance at (916) 322-5540.

/s/ Veronica Chung-Ng

Veronica Chung-Ng
Program Budget Manager

Attachments

Upcoming Budget Letters

- Changes to General Statewide Sections
- Expenditure Authorization Control
- Control Section 3.60 Adjustments

Department of Finance Automated RWA and FCS Process

Initial Budget Documents Process

Financial Operations (FO):

- Mid-July - print past year Schedule 10s and distribute to units.
- September – print Schedule 10Rs and distribute to units.

Finance Analysts:

- Distribute past year Schedule 10s to Finance analysts or directly to departments (per unit policy).
- Distribute Schedule 10Rs to Finance analysts or directly to departments (per unit policy).

Departments:

- Post past year actual expenditures to Schedule 10s and submit past year Schedule 10s to Finance Analysts by August 29.
- Post three-year revenues to Schedule 10Rs and submit to Finance Analysts by September 24.

Finance Analysts:

- Review past year Schedule 10s from departments and submit past year Schedule 10s to FO by September 15.
- Review Schedule 10Rs from departments and submit Schedule 10Rs to FO by October 8.

Financial Operations:

- Review Schedule 10Rs, update Schedule 10R computer file.
- Review past year Schedule 10s, update Schedule 10 computer file, and generate three-year Schedule 10s.
- **Generate first pass Fund Condition Statement (FCS) “turnaround “ documents.**
- **Distribute to units for distribution to departments to request prior year adjustment and non-governmental cost fund (NGCF) information.**

Finance Analysts:

- Distribute three-year Schedule 10s **and first pass FCS “turnaround” documents** (for prior year adjustment and selected NGCF information) to departments or to Finance analysts (per unit policy).

Submittal of 3-Year Schedule 10s Prior to Galley

Departments:

- Manually post changes to current year (i.e., Budget Revisions, Executive Orders, pending or enacted legislation, etc.) and update budget year Schedule 10s to reflect approved changes.
- Submit the following documents prior to department’s deadline for cleanup and turnaround of automated RWA Report, new Schedule 10s and FCS Report:
 - manually marked-up Schedule 10s (past, current, and budget years)
 - **FCS turnaround documents with prior year adjustment amount and non-governmental cost fund (NGCF) information not otherwise provided through the Schedule 10 and Schedule 10R systems.**

Department of Finance Automated RWA and FCS Process

Submittal of 3-Year Schedule 10s Prior to Galley (Continued)

Finance Analysts:

- Upon receipt of Schedule 10s, verify manual adjustments for correct citations and authority.
 - Check and verify manual adjustments in Schedule 10s to analyst's copies of BRs and EOs.
- **Upon receipt of the FCS, review and verify that prior year adjustment information and required NGCF revenue and expenditure information not otherwise captured in the Schedule 10 and Schedule 10R systems has been provided.**

Financial Operations:

Upon receipt of manually updated Schedule 10s and FCS from Finance analysts:

- Review, input changes, print new Schedule 10s.
- Print RWA Report and compare to new Schedule 10 totals.
- **Post prior year adjustment and changes from FCS turnaround document to FCS system.**
- **Print new FCS turnaround document for each fund displayed in the Governor's Budget.**
- Give old and new Schedule 10s, RWA Report and **updated FCS turnaround document** to Finance analysts for distribution to departments.
- Forward informational e-mail note with RWA Report attachment to Finance analyst for transmittal to appropriate department analyst.
- **Forward separate informational e-mail note with FCS Report attachment to Finance analyst for transmittal to appropriate department analyst.**

Departments are encouraged to manually update Schedule 10s and **FCS turnaround documents** with approved decisions and submit the Schedule 10s to FO as often as necessary to incorporate as many decisions as possible prior to submitting first pass of galley to Finance.

Second Pass Schedule 10Rs

Financial Operations	October – print second pass of Schedule 10Rs and distribute to units.
Finance Analysts	Distribute Schedule 10Rs to departments or Finance analysts (per unit policy).
Departments	Post revenues to Schedule 10Rs and submit to Finance Analysts by November deadline.
Finance Analysts	Review Schedule 10Rs from departments and submit 10Rs to FO by November deadline.
Financial Operations	Review Schedule 10Rs, update Schedule 10R computer file.
Departments/Finance Analysts	May submit additional revised Schedule 10Rs until December 5 th if necessary.

*Changes from current manual process are bolded.

Department of Finance Automated RWA and FCS Process

Submittal of "First Pass" of Budget Galley

Departments:

- Manually update the fiscal statements excluding the RWA **and FCS turnaround document (only for prior year adjustment change or change to NGCF information)**, verifying the expenditure totals to the RWA report provided by Finance.
- Comp the fiscal statements, excluding RWA **and Special Fund FCS. Comp the non-governmental cost funds included in the Governor's Budget display if they contain bracketed "non-add" information.**
- Verify expenditure totals between Summary of Program Requirements, Program Budget Detail, and Summary by Object tie to the automated RWA Report rounded expenditure totals. Correct any rounding problems in the other fiscal statements to match the RWA Report expenditure totals.
- Submit galley package (budget galley, Schedule 10, RWA Report **and FCS turnaround document if changes are needed to NGCF information**) to Finance analyst by deadline.

Finance Analysts:

- Verify expenditures in the RWA Report to the other tie points in all other fiscal statements, Planning Estimates (PEs), etc.
- Submit galley printer's folder (transmittal sheet, budget galley, new clean Schedule 10s and matching RWA Report) to FO.

Financial Operations:

- Comp **Summary of Program Requirements, Summary by Object, and Changes in Authorized Positions).**
- Tie expenditures in RWA Report to other fiscal statements (Summary of Program Requirements funding sources, *Program Budget Detail totals only* and Summary by Object).
- Work with Finance analysts and departments to correct any problems identified.
- After all corrections are made, electronically transmit RWA **and FCS Report** to Office of State Printing (OSP).
- Send hard copy of galley with matching RWA Report **and FCS Report** to OSP.
- Distribute the updated Schedule 10s and "old" Schedule 10s to Finance units for distribution per unit policy.
- Forward e-mail note with RWA Report attachment to Finance analyst for transmittal to department.
- **Forward separate e-mail note with FCS Report attachment to Finance analyst for transmittal to department.**

Office of State Printing:

- Download RWA from File Transfer Protocol (FTP) site at Teale and run through conversion process.
- **Download FCS from File Transfer Protocol (FTP) site at Teale and run through conversion process.**
- Keyboard **all other** changes, excluding RWA **and FCS**, to the specific department's budget galley file.
- Proofreaders double check the printed galley RWA to the hard copy RWA Report to be sure nothing was lost in the translation. **Proofreaders double check the printed galley FCS to the hard copy FCS Report to be sure nothing was lost in the translation.**
- After all corrections are made, the required number of copies are made and returned to Finance.

Financial Operations:

- Stamp Control Proof, departmental preliminary, and budget file copies and distribute accordingly.

Department of Finance Automated RWA and FCS Process

“Revised Pass” of Budget Galley

Departments may update Schedule 10s and request a turnaround of these Schedule 10s (via their Finance budget analyst) and a new RWA Report as often as time permits prior to submittal of galley, up through the paging pass. In the past, departments were required to submit the manually updated Schedule 10s along with galley. It is the intent of this process to allow departments to incorporate and update the Schedule 10s with approved changes as often as necessary prior to submittal of the Budget Galley process. Departments are to follow the first pass process up through paging pass of the galley.

Submittal of Galley for Final Clearance

Finance analysts and/or departments:

- After budget galley has been PAGED, departments or Finance budget analysts are to continue to manually update Schedule 10s **and FCS turnaround documents** to reflect late decisions or changes.
- Verify expenditure totals in Schedule 10s and tie between all fiscal statements in the galley.
- Submit galley package (DF-5 cover transmittal form, budget galley, Schedule 10s, Language Sheets) to FO pursuant to **specified final clearance deadline** identified in the annual Finance Memo.

Financial Operations:

- Comp and tie all changes in the fiscal statements in galley.
- Update Schedule 10 file with any new changes, print new Schedule 10s, verify change, print RWA Report **and FCS Report**.
- Tie expenditures for all fiscal statements to RWA Report **and FCS Report**—resolve any problems.
- Send galley, RWA Report **and FCS Reports and electronically transmit RWA/FCS file** to OSP.
- Forward e-mail note with final version of RWA Report to Finance analyst for transmittal to department. **Forward separate e-mail note with final version of FCS Report to Finance analyst for transmittal to department.**

Sample Fund Condition Statement – Governmental Cost Fund

(Dollars in Thousands)

0181 Registered Nurse Education Fund	2002-03	2003-04	2004-05
BEGINNING BALANCE	\$1,016	\$1,259	\$1,245
Prior year adjustments	147	-	-
	-----	-----	-----
Adjusted Beginning Balance	\$1,163	\$1,259	\$1,245
REVENUES, TRANSFERS AND OTHER ADJUSTMENTS			
Revenues:			
125600 Other Regulatory Fees	692	633	633
150300 Income From Surplus Money Investments	109	95	95
150400 Interest Income From Loans	32	20	20
161000 Escheat of Unclaimed Checks & Warrants	2	-	-
Transfers and Other Adjustments:	-	-	-
T00001 General Fund Per Item 4140-002-0181 Budget Act of 2002	-	-	-800
	-----	-----	-----
Total Revenues, Transfers, and Other Adjustments	\$835	\$748	-\$52
	-----	-----	-----
Total Resources	\$1,998	\$2,007	\$1,193
EXPENDITURES AND EXPENDITURE ADJUSTMENTS			
Expenditures:			
4140 Office of Statewide Health Planning-Development (State Operations)	739	762	737
	-----	-----	-----
Total Expenditures and Expenditure Adjustments	\$739	\$762	\$737
	=====	=====	=====
FUND BALANCE	\$1,259	\$1,245	\$456
Reserve for economic uncertainties	1,259	1,245	456

Fund Condition Components – Government Cost Funds

(Dollars in Thousands)

0181 Registered Nurse Education Fund

<p>Prior Year Beginning Balance is the ending balance from the previous year. This amount cannot be changed.</p>					
<p>The prior year adjustment amount will be provided in the "turn around" document by departments</p>	→	BEGINNING BALANCE	\$1,016	\$1,259	\$1,245
		Prior year adjustments	147	-	-
			-----	-----	-----
<p>Revenue Code, titles and amounts will reflect the data in the Schedule 10R system at that point in time.</p>	→	Adjusted Beginning Balance	\$1,163	\$1,259	\$1,245
	→	REVENUES, TRANSFERS AND OTHER ADJUSTMENTS			
		Revenues:			
<p>Non-add lines may be added to provide additional detail. Detail lines will be added via the "turn-around" documents. However, the automated FCS does not comp these amounts.</p>	→	125600 Other Regulatory Fees	692	633	633
	→	License Renewal Fees	(432)	(450)	(450)
	→	New License Fees	(260)	(183)	(183)
		150300 Income From Surplus Money Investments	109	95	95
		150400 Interest Income From Loans	32	20	20
		161000 Escheat of Unclaimed Checks & Warrants	2	-	-
<p>Transfer Code, titles and amounts will reflect the data in the Schedule 10R.</p>	→	Transfers and Other Adjustments:			
	→	T00001 General Fund Per Item 4140-002-0181 Budget Act of 2002	-	-	-800
			-----	-----	-----
<p>Total Revenues, Transfers and other adjustments will equal the total on the Schedule 10R</p>	→	Total Revenues, Transfers and Other Adjustments	\$835	\$748	-\$52
			-----	-----	-----
<p>Expenditure amounts will reflect the amounts posted to the Schedule 10 System at that point in time.</p>	→	Total Resources	\$1,998	\$2,007	\$1,193
	→	EXPENDITURES AND EXPENDITURE ADJUSTMENTS			
		Expenditures:			
<p>Total Expenditures and Expenditure Adjustments will equal the total of all Schedule 10 records at that point in time for the fund.</p>	→	4140 Office of Statewide Health Planning-Development (State Operations)	739	762	737
	→	Total Expenditures and Expenditure Adjustments	\$739	\$762	\$737
			=====	=====	=====
<p>Other designations (reserves) of Fund Balance can be added by providing that information on the "turn around" document.</p>	→	FUND BALANCE	\$1,259	\$1,245	\$456
	→	Reserve for economic uncertainties	1,259	1,245	456

Sample Fund Condition Statement – Non-Governmental Cost Fund

(Dollars in Thousands)

0829 Health Professions Education Fund	2002-03	2003-04	2004-05
BEGINNING BALANCE	\$140	\$145	\$75
Prior year adjustments	5	-	-
	-----	-----	-----
Adjusted Beginning Balance	\$145	\$145	\$75
REVENUES, TRANSFERS AND OTHER ADJUSTMENTS			
Revenues:			
150300 Income from surplus money investments	5	10	10
214600 Interest from loans -- Private Sector	3	-	-
221100 Contributions to Fiduciary Funds	411	850	850
	-----	-----	-----
Total Revenues, Transfers, and Other Adjustments	\$419	\$860	\$860
	-----	-----	-----
Total Resources	\$564	\$1,005	\$935
EXPENDITURES AND EXPENDITURE ADJUSTMENTS			
Expenditures:			
4140 Office of Statewide Health Planning-Development (State Operations)	419	930	934
Administration	(181)	(237)	(241)
Scholarships and loan repayment aid	(238)	(693)	(693)
	-----	-----	-----
Total Expenditures and Expenditure Adjustments	\$419	\$930	\$934
	=====	=====	=====
FUND BALANCE	\$145	\$75	\$1
Reserve for economic uncertainties	145	75	1

Fund Condition Components – Non-Governmental Cost Funds

(Dollars in Thousands)

	2002-03	2003-04	2004-05
0829 Health Professions Education Fund ^N			
BEGINNING BALANCE	\$140	\$145	\$75
Prior year adjustments	5	-	-
Adjusted Beginning Balance	\$145	\$145	\$75
REVENUES, TRANSFERS AND OTHER ADJUSTMENTS			
Revenues:			
150300 Income from surplus money investments	5	10	10
214600 Interest from loans -- Private Sector	3	-	-
221100 Contributions to Fiduciary Funds	411	850	850
Total Revenues, Transfers, and Other Adjustments	\$419	\$860	\$860
Total Resources	\$564	\$1,005	\$935
EXPENDITURES AND EXPENDITURE ADJUSTMENTS			
Expenditures:			
4140 Office of Statewide Health Planning-Development (State Operations)	419	930	934
Administration	(181)	(237)	(241)
Scholarships and loan repayment aid	(238)	(693)	(693)
Total Expenditures and Expenditure Adjustments	\$419	\$930	\$934
FUND BALANCE	\$145	\$75	\$1
Reserve for economic uncertainties	145	75	1

Past Year Beginning Balance is the ending balance from the previous year. This amount cannot be changed.

The prior year adjustment will be provided by the department on the first pass of the "turn around" document by departments

Revenue data for non-governmental cost funds is not stored in the Schedule 10R system. Therefore, all revenue data must be provided by the department on the "turn around" form.

Information from the Schedule 10 will be included in the Fund Condition Statement.

Further detail of Schedule 10 expenditures, or expenditures and adjustments not on the Schedule 10 must be provided by the department on the "turn around" document by departments.

Any designation of the reservation of fund balance must be provided by the department on the "turn around" document.