

BUDGET LETTER

SUBJECT: PREPARATION OF 2014-15 GOVERNOR'S BUDGET	NUMBER: 13-16
REFERENCES: BUDGET LETTERS 13-02,13-03, 13-10, 13-11, AND 13-13	DATE ISSUED: August 6, 2013
	SUPERSEDES: BL 12-19

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 guidelines for the technical/procedural preparation of the 2014-15 Governor's Budget. Strict adherence to all schedules and due dates stipulated in this BL is required. **Please remember that all information contained in documents used during the development process is strictly confidential until the release of the Governor's Budget.**

I. 2014-15 GOVERNOR'S BUDGET PREPARATION TRAINING

Finance is providing technical training on the 2014-15 Governor's Budget process to department staff in August. These classes provide instructions regarding the Schedule 10s, Detail of Appropriations and Adjustments (DAA) process, Schedule 10Rs, Fund Condition Statements (FCS), Detailed Fund Balance Report (DF-303, the new report required this fall cycle for funds with a FCS), Salaries and Wages (Schedule 7A) spreadsheet process, and budget spreadsheets. A notice regarding training classes was sent to departments via the Budget Operations distribution list on July 1, 2013. For your convenience, the link to the training class registration page has been added here: http://www.dof.ca.gov/budgeting/training/budget_process/view.php

Prior to attending the training, participants are required to review (1) BL 13-10, Finance Training, Fund Reconciliation Certification, and Revised Requirements for Accounts Outside of the State Treasury, (2) BL 13-02, Budgeting and Accounting Relationship and Coordination, and (3) the training materials on the new fund reconciliation process (i.e., the Detailed Fund Balance Packet, or DFB Packet).

II. SCHEDULE 10S (SUPPLEMENTARY SCHEDULE OF APPROPRIATIONS)

The past year Schedule 10s, distributed on July 22, are due to Finance by **August 26, 2013**.

Starting with the 2014-15 Governor's Budget, Finance will distribute a "baseline" pass of the 3-Year Schedule 10s to collect baseline information for the current and budget years. This "baseline" pass of the 3-Year Schedule 10s (consisting of the updated past year Schedule 10s, and the initial current year and budget year Schedule 10s) will be distributed to departments after the past year Schedule 10s and BR-1 have been processed by Finance.

For detailed instructions on the preparation of past year Schedule 10s, please refer to BL 13-11. Detailed instructions for reporting current year and budget year Schedule 10s will be provided in a subsequent BL.

III. DETAIL OF APPROPRIATIONS AND ADJUSTMENTS PROCESS

Finance anticipates distributing the DAA reports to departments based on the receipt of the updated baseline pass of the 3-Year Schedule 10s from departments. Since all fiscal statements in the budget must tie to the rounded expenditure dollars in the DAA report, departments are encouraged to update their Schedule 10s with approved changes and submit them to Finance to receive an updated report prior to submittal of the budget spreadsheet. Although departments may submit additional subsequent passes of their Schedule 10s, they should not provide an excessive number of submissions. The BL addressing past, current, and budget year Schedule 10s will include further instructions on this process.

IV. SCHEDULE 10RS (SUPPLEMENTARY SCHEDULE OF REVENUE AND TRANSFERS)

Past year Schedule 10Rs are due to Finance by September 4, 2013. The second pass of Schedule 10Rs will be distributed to departments in October to obtain current and budget year information.

Detailed instructions for reporting revenue and transfer data has been provided in BL 13-13.

V. FUND CONDITION STATEMENT PROCESS

Finance will distribute a FCS for each special fund and certain other funds that Finance has designated for display in the Governor's Budget. Administering departments will receive the FCS along with their department's second pass of the 3-Year Schedule 10s. Thereafter, departments are required to return the FCS with each subsequent pass of the 3-Year Schedule 10s.

Instructions for populating a FCS and reporting the prior year adjustment are provided in the DFB Packet. Additional information regarding the DFB Packet can be found at:

<http://www.dof.ca.gov/accounting/Fund%20Reconciliation/>

VI. SUBMITTAL OF BUDGET SPREADSHEETS

In early September, each department will receive an electronic copy of the final budget spreadsheet reflecting 2013-14 Governor's Budget from its Finance budget analyst. Departments must use the provided spreadsheet to prepare the fiscal statements in the 2014-15 Governor's Budget. A first pass of the budget spreadsheet will be optional. Finance budget analysts will determine which budgets would benefit from submitting a first pass of the budget package, and notify those departments. The specific due date for the budget spreadsheet will be provided to each department by its Finance budget analyst.

Please note: It is imperative that departments do not change the structure or format of the spreadsheets.

Additional technical instructions on updating the 2014-15 budget spreadsheets will be provided in the upcoming Governor's Budget Preparation training classes.

VII. ADJUSTMENTS TO BE INCLUDED IN BUDGET SPREADSHEETS

The departmental submission of the budget spreadsheet package should reflect all known baseline adjustments including but not limited to:

- Carryover appropriation balances
- Financial legislation with specific appropriation

- Limited-term positions
- Expiring programs
- One-time cost reductions
- Full-year costs of current year programs
- Other adjustments approved by Finance

VIII. ROUNDING GUIDELINES

Amounts in the Governor's Budget must be rounded to thousands. Amounts between \$500 and \$999 should be rounded to \$1,000, and amounts \$499 and under should be rounded to \$0.

The rounding rules above apply to the following documents:

- Budget spreadsheets
- Planning Estimates
- Budget Change Proposals
- Schedule 10Rs
- Supplementary Schedules

The only exceptions to the rounding rules are the following documents, which are in **whole dollars**:

- Past year Schedule 10s (no rounding, show in whole dollars)
- Current Year Schedule 10s (no rounding, show in whole dollars)
- Budget Year Schedule 10s (rounded to the nearest thousand, show in whole dollars with three zeros)
- Salaries and Wages Spreadsheet (no rounding, show in whole dollars)

Departments must use the DAA report to tie to the expenditures reported in other fiscal statements in the department's budget. The Schedule 10 adjustments, in whole dollars, are summed, and the rounded total is printed on the appropriate adjustment line in the DAA report. This may result in a difference between the totals on the report and the totals on the Schedule 10s. Differences of \$1,000 or \$2,000 are acceptable. Please refer to Attachment I of BL 12-25, for Rounding Rules.

IX. BUDGETING PROPOSED NEW POSITIONS

Proposed new positions must be budgeted at the mid-step of the salary range for a given classification unless a higher level is justified and approved by Finance. For positions with interchangeable classes, departments must budget new positions at the mid-step of the: (a) minimum salary range for the top class for groups consisting of two classes; (b) middle salary range (mid-step) for groupings which contain an odd number of classes; or (c) lowest salary range of the third middle class for groupings which contain an even number of classifications in excess of two.

The first year full funding for a position will not be required as it takes time to fill a position. If there is a delayed implementation of a program, dollars must be reduced accordingly in the first year and adjusted appropriately for full funding at mid-step in the second year.

X. UPDATING NARRATIVE INFORMATION

Each department is requested to review and, as necessary, update the narrative statements displayed in the Governor's Budget. Narrative reports from the 2013-14 Governor's Budget will be distributed to each department in September and will include the following narrative components:

- Mission Statement
- Legal Citations and Authorities
- Program Objectives Statement
- Infrastructure Overview (provide only if applicable)

Each department must provide changes to its respective Finance budget analyst by the agreed upon date. Finance budget analysts will update the Data Capture System (eBudget) for all revisions received from departments per critical budget deadlines.

XI. SUPPLEMENTARY SCHEDULES

The following supplementary schedules must accompany the final pass of the budget spreadsheets: (1) Supplementary Schedule of Operating Expenses and Equipment (DF-300), (2) Supplementary Schedule of Federal Funds/Reimbursements (DF-301), and (3) Supplementary Schedule of Equipment (DF-302). These schedules must include complete past, current, and budget year data. **Refer to the BL Attachments for the forms to be used for this purpose. These forms may also be obtained at: <http://www.dof.ca.gov/budgeting/forms>.**

When preparing the Supplementary Schedule of Operating Expenses and Equipment, departments must use the current expenditure classification title and object codes from the Uniform Codes Manual (http://www.dof.ca.gov/accounting/uniform_codes_manual/). The expenditure classification titles and object codes were last updated May 2011.

All **final** supplementary schedules must be submitted to Finance, in both electronic and hardcopy form, with the final budget spreadsheets and must tie to the Governor's Budget. Finance will forward the schedules to the Legislative Analyst's Office and legislative fiscal staff.

If you have any questions or need technical assistance, please call your Finance budget analyst.

/s/ Veronica Chung-Ng

Veronica Chung-Ng
Program Budget Manager

Attachments

**STATE OF CALIFORNIA
SUPPLEMENTARY SCHEDULE—
FEDERAL FUNDS/REIMBURSEMENTS**
DF-301 (REV 06/10)

Department of Finance
915 L Street
Sacramento, CA 95814
IMS Mail Code: A-15

Please report dollars in thousands.

DEPARTMENT NAME	BUDGET YEAR		CHARACTER (S.O., L.A., C.O.)	DATE SUBMITTED	PAGE OF
DESCRIPTIVE TITLE	SOURCE OF FUNDS				
	FED. CAT. NO.	REIMB FROM (ORG CODE)	ACTUAL EXPENDITURES PAST YEAR	ESTIMATED EXPENDITURES CURRENT YEAR	PROPOSED EXPENDITURES BUDGET YEAR
TOTALS ¹					

¹ TOTAL MUST TIE TO DETAIL OF APPROPRIATIONS AND ADJUSTMENTS BY CHARACTER, AS APPLICABLE.

**SUPPLEMENTARY SCHEDULE—
FEDERAL FUNDS/REIMBURSEMENTS
DF-301—INSTRUCTIONS**

Federal Funds. The term "federal funds" includes grants, contracts, and reimbursements received **directly** from an agency of the federal government and reported as federal funds in the Detail of Appropriations and Adjustments in the Governor's Budget.

Reimbursements. The term "reimbursements" includes external reimbursements other than those received directly from an agency of the federal government.

1. Department Name

2. Budget Year. Insert the budget year for the related Governor's Budget.

3. Character. Insert the character of the expenditure (i.e., state operations, local assistance, or capital outlay).

4. Date Submitted

5. Page ___ of ___

6. Descriptive Title. For each grant, use the title or popular descriptive name as listed in the Catalog of Federal Domestic Assistance. For each reimbursement, use the descriptive title in use by the department.

7. Source of Funds

Federal Catalog. For each grant, use the five-digit number assigned in the Catalog of Federal Domestic Assistance. For federal reimbursements (made direct to reporting department) or contracts, use the Federal Catalog number if the federal program can be identified. Otherwise, use a five-digit number made up as follows: first two digits (as in the Federal Catalog) to identify the federal department making the contract or the reimbursement, and for the remaining three numbers use 999 (e.g., 13.999 for the Department of Health, Education, and Welfare).

Reimbursements from. Report the source of the reimbursements (other than direct federal reimbursements), e.g., another state department.

8. Expenditures

For Federal Funds. Report separately the direct program cost, departmental indirect cost and statewide indirect cost as applicable for past, current, and budget years by character of expenditures. The totals reported on the Supplementary Schedule must agree with the Detail of Appropriations and Adjustments.

For Reimbursements. Report the direct and indirect program costs by character of expenditure. The totals must agree with the totals in the Detail of Appropriations and Adjustments.

