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# 5A

## Information

### *Fiscal Policy and Planning Committee*

#### **Overview of the Budget Process and the Commission on Teacher Credentialing Budget**

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**Executive Summary:** This agenda item is intended to inform the Members of the Commission on the salient points of the Budget Process as well as the Commission on Teacher Credentialing (Commission) Budget components.

**Recommended Action:** None

**Presenter:** Crista Hill, Director, Administrative Services Division - Fiscal and Business Services Section

**Strategic Plan Goal:**

**Continue to refine the coordination between Commissioners and staff in carrying out the Commission's duties, roles and responsibilities.**

- ◆ Conduct periodic review of the efficiency of the day-to-day operations and financial accountability of the Commission



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# Overview of the Budget Process and the Commission on Teacher Credentialing Budget

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## Introduction

On June 30, 2011 the California state budget (Chap. 33, Stats. 2011) was signed by Governor Jerry Brown which authorized each State Department the authority to expend funds for current Fiscal Year 2011-12. This is also commonly known as the annual *Budget Act*. This agenda item is intended to inform the Members of the Commission on the salient points of the budget process, as well as provide specific details regarding the Commission's 2011-12 *current year* budget components.

In an effort to be familiar with the various terminologies used for state budgeting and accounting processes, Appendix A provides a Glossary of Terms for reference. Terms that are defined in the Glossary appear in *italics* in this agenda item.

## Background

The *Governor's Budget* is the result of a process that begins in July for the following fiscal year. When presented to the Legislature on January 10 of each year, the Governor's Budget incorporates *revenue* and *expenditure* estimates based upon the most current information available through late December. In the event that the Governor wants to change the budget presented to the Legislature, including adjustments resulting from changes in *population*, *caseload*, or *enrollment* estimates, the *Department of Finance* (Finance) proposes adjustments to the Legislature during budget hearings through *Finance Letters*. During late spring, usually May, Finance submits revised revenue and expenditure estimates for both the current and budget years to the Legislature. This update process is referred to as the *May Revision*. Finance also prepares monthly economic and cash revenue updates during the fiscal year. Listed below are the key documents used in the budget process.

Title	Purpose	Prepared/Issued By	When
Budget Letters and Management Memos	Convey Administration Guidelines for budget preparation to agencies and departments.	Governor/Finance	January through December
Budget Change Proposals	Documents that propose to modify or change the existing level of service, propose new programs or delete existing programs.	Agencies and departments submit to Finance analysts	July through September
Governor's Budget	Governor's proposed budget for the upcoming fiscal year.	Governor/Finance	January 10
Governor's Budget Summary	A summary of the Governor's Budget.	Governor/Finance	January 10
Budget Bill	Request spending authorization to carry out Governor's expenditure plan (legislative budget decision document).	Finance/Legislature	January 10

<b>Title</b>	<b>Purpose</b>	<b>Prepared/Issued By</b>	<b>When</b>
Budget Analysis	Analysis of the budget, including recommendations for changes to the Governor's Budget.	Legislative Analyst	February
May Revision of General Fund Revenues and Expenditures	Update of General Fund revenues, expenditures, and reserve estimates based on the latest economic forecast.	Finance	Mid-May
Budget Act	The primary annual expenditure authorization as approved by the Governor and Legislature, including a listing of Governor's vetoes.	Legislature/Governor	Late June, or enactment of the Budget
Final Budget Summary	Update of the individual Budget Act items with changes by the Governor's vetoes, including certain budget summary schedules.	Finance	Late July – August or 1-2 months after Budget enactment
Final Change Book	Update of changes to the fiscal information in the Governor's Budget	Finance	Late July – August or 1-2 months after Budget enactment

(Source: Department of Finance Website: Budget Process Overview)

Commission staff is currently working with Finance on the details that will be included in the FY 2012-13 (budget year) budget for the Commission on Teacher Credentialing. This confidential process includes various reconciliations of fund conditions (or balances) and proposals for changes in expenditure authority (*Budget Change Proposals*) for the upcoming budget year. Due to their confidential nature, the details of these discussions cannot be released to the public until the Governor releases the information in January. The Commission did not propose any Budget Change Proposals for the FY 2012-13 budget year so the Commission's base budget will remain the same as it is for the FY 2011-12 fiscal year; however, it may be adjusted for rate changes associated with Retirement and Employee Compensation adjustments. In addition, the Governor may propose other statewide initiatives that could impact the Commission's budget. Sometimes, this information is not released to the Commission until the release of the January 10 Governor's Budget. During the spring, Commission staff attends various Legislative hearings to address any questions or concerns raised by the Legislature Budget subcommittees regarding the Commission's Budget. At the same time, Commission staff continues to monitor the current year (FY 2011-12) budget to ensure that revenues and expenditures stay within the authorized levels as approved in the Budget Act of 2011. Additional information about the specifics of the current year budget starts on page FPPC 5A-8.

With the state's *General Fund* crisis being the large focus for the Legislature over the last few years and the Commission's budget being more stable, the Legislature has basically approved as budgeted, the Commission's base budget for the last two budget cycles--with the exception of the funding associated with the California Longitudinal Teacher Integrated Data System (CALTIDES) project that was vetoed as part of the 2011 budget.

The Commission is referred to as a "special fund" agency because the daily operations of the agency are supported by two special funds 1) Teacher Credentials Fund and 2) Test

Development and Administration Account. The Commission does not receive any General Fund support to support costs of the agency. The support comes from the fees collected as the result of issuing credentials and administering the various educator preparation examinations for candidates. The credentials fees (renewed every 5 years) are deposited into the (0407) Teacher Credentials Fund (TCF) and the teacher preparation examination fees are deposited into the (0408) Test Development and Administration Account (TDAA) – Teacher Credentials Fund.

Provided below are Education Code sections 44234 – 44235.3 that outlines the fee structure for the Commission. It is important to note that these code sections reflect historical evolution of the Commission’s fees that mirror public policy priorities and pressures in any given budget year. For example, in the Budget Act of 2000 (provided below) Provisional Language was added to the annual budget that sets the Credential Fee at \$55 which supersedes Education Code Section 44235. This Provisional Language has been incorporated into every subsequent Budget Act, thus the Credential Fee has remained at \$55. Annually, Commission staff review the projected revenues in either fund to determine if a fee change is necessary. In January 2011, the Commission reviewed and approved a fee structure change for the TDAA account that was implemented for the FY 2011-12 testing year.

A current Fund Condition for both funds will be provided as an Agenda Insert at the meeting.

Education Code Sections:

**44234(a)** There is in the State Treasury the Teacher Credentials Fund. All fees levied and collected by the commission shall be deposited in the Teacher Credentials Fund and shall not be transferred to any other fund.

(b) Notwithstanding any other law, if at the beginning of any fiscal year the commission has unencumbered funds in an amount which is in excess of its operating budget, plus funds required to implement statutory mandates and other changes to teacher credentials, plus a prudent reserve, which reserve shall not exceed 10 percent of the total amount that the commission is authorized to spend in that fiscal year, as determined by the Department of Finance, the department shall recommend a reduction in credential or other fees, whether fixed by statute or determined by this commission within limits fixed by statute, in an amount which will reduce any surplus funds of the commission.

(c) Nothing in this section shall preclude the implementation of multiyear mandates that require a reserve amount that is greater than 10 percent in one fiscal year.

**44235(a)** Fees shall be levied by the commission for the issuance and renewal of teaching and service credentials. Commencing January 1, 1987, the fee for the issuance and renewal of teaching and service credentials shall be fifty dollars (\$50). In subsequent years, the commission may set a different fee, but in no case shall a fee exceed seventy dollars (\$70) without express legislative approval.

(b) A single fee, not to exceed the charge for a single supplemental credential, shall be charged for all supplemental credentials applied for at the same time as a teaching or service credential pursuant to subdivision (a).

(c) Subject to funds being appropriated expressly for this purpose in the annual Budget Act, fees authorized by this section shall be waived by the commission for first-time teaching credential applicants for the following credentials:

(1) Single subject credential.

- (2) Multiple subject credential.
  - (3) Special education credential.
  - (4) Specialist instruction credential.
  - (d) Annually, as part of the budget review process, the Department of Finance shall recommend to the Legislature an appropriate credential fee sufficient to generate revenues necessary to support the operating budget of the commission plus a prudent reserve, as determined by the Department of Finance pursuant to subdivision (b) of Section 44234.
- 44235.1**(a) Effective July 1, 1987, all fees collected by the commission for tests, examinations, or assessments shall be deposited in the Test Development and Administration Account, which is hereby created in the Teacher Credentials Fund.
- (b) Any proposed expenditures from this account shall be subject to the normal legislative budget review process.
  - (c) Except as otherwise provided in subdivision (e) or unless otherwise authorized by the Legislature, funds deposited in this account shall be expended for the development, agency-support, maintenance, or administration of tests or other assessments established, required, or administered by the commission.
  - (d) Funds in this account shall not be subject to the provisions of subdivision (b) of Section 44234.
  - (e) If there is a deficiency in the Teacher Credentials Fund, the Department of Finance may authorize a loan from the Test Development and Administration Account to the Teacher Credentials Fund to the extent needed to cover the projected deficiency.

Any loan made under this subdivision shall be repaid under the terms provided in the authorization.

**44235.3** Within the limits set forth in this chapter, the commission may establish and collect fees to recover its costs for the development and administration of any subject matter examination adopted by the commission to implement the provisions of this chapter, unless the costs are recovered by appropriations from another source of funds.

**Budget Act Provisional Language:  
Item 6360-001-0407**

**Provision 2** - To ensure the Teacher Credentials Fund Reserve remains at a prudent level, the Commission on Teacher Credentialing shall charge no more than \$55 for the issuance or renewal of a teaching credential.

Each state department/agency has various controls or constraints that are imposed as part of maintaining a budget. Each department/agency is required to monitor expenditures to ensure that they do not exceed the *appropriation*. There are potential personal liabilities if this is not properly monitored. When a department/agency is responsible for administering a special fund such as the Commission it is the department's responsibility to provide projections and monitor the revenue source to ensure there is adequate revenues to support the function in which the fund was established. This information is reported to the Legislature and Finance throughout the year for budget purposes.

The expenditures authorization levels are established in the annual Budget Act. Departments are not to exceed the amount budgeted for the fund source. In the event a department/agency spends at a rate to exceed the appropriation level, notification to the Joint Legislative Budget Committee is required as this could result in a deficiency. A *Budget Letter* from Finance is sent out each year to remind Department Directors, Agency Secretaries, Budget Officers, Accounting Officers, etc of the General Policy regarding “Expenditure Authorization Controls.” Provided below is the summary from the Budget Letter:

## I. GENERAL POLICY

State activities must be administered in accordance with the plan of expenditures approved by the Legislature. The state’s policy is that the enacted budget is deemed to be as complete as possible. Any subsequent adjustments must be limited to *critical and unanticipated* needs and must comply with Budget Act control provisions, other statutes, and the unanticipated cost funding process for the 2011-12 fiscal year.

### **Full Compliance and Timely Submittal of Requests are Mandatory**

Each Agency Secretary and Department Director is responsible for compliance with the provisions of the Budget Act, as well as other administrative and statutory requirements controlling expenditures. Agency Secretaries and Department Directors must ensure that all program managers who exercise delegated powers over expenditures are thoroughly knowledgeable about all expenditure controls and the potential consequences for non-compliance. However, *the ultimate responsibility for managing within appropriations rests with each Agency Secretary and Department Director.*

In addition to complying with the provisions of the Budget Act, *timely submittal of requests is also required.* Timely submittal of requests gives the Legislature time to conduct meaningful review of these requests. If the executive branch is to retain the needed flexibility to administer state programs, it must be respectful of the Legislature’s role in appropriating funds. Full compliance with reporting requirements and restrictions enacted by the Legislature and timely submittal are mandatory.

To review the entire Budget Letter please visit: [http://www.dof.ca.gov/budgeting/budget\\_letters/](http://www.dof.ca.gov/budgeting/budget_letters/).

When a department budget is established it is divided into budget “types” and includes State Operations, Local Assistance, and Capital Outlay. The Commission has two of the budget types: State Operations and Local Assistance. Funding authorized in the budget by type can only be expended in the budget type for which it was authorized. For example, the Commission receives Local Assistance dollars to support the teacher development programs. These dollars are not authorized to be used with the Commission’s State Operations budget for such things as buying a new copier or to reclassify a position to a higher level. To purchase a new copier or reclassify positions need to be budgeted within the State Operations budget.

Within the Commission’s State Operations (support) budget, it is further broken down to Personnel Services (includes Personnel Costs and Benefits) and Operating Expenses and Equipment (OE&E). Personnel Services budgets are constrained to the total number of positions authorized in the budget. Personal Services are the costs associated with the staff that completes

the various tasks as required and outlined in statute. This includes the dollars associated with the various salaries of each position/classification and benefits (i.e., health, retirement, workers compensation, state disability insurance, etc) for each position. For the current year FY 2011-12, the Commission is authorized 165.4 positions. The break-down by Division can be found on FPPC 5A-8. Funding for these positions is only authorized at 95 percent of the actual cost of the position. The remaining 5 percent is referred to as *Salary Savings*. Salary Savings is the approximate amount that a position is actually filled due to attrition during the year. Each department has to manage to this salary savings commitment. However when 100 percent of the positions are filled this creates budget pressure and the 5 percent has to be redirected from OE&E to cover the costs. As a result this potentially hinders other planned activities for the fiscal year. Generally, this is not a problem for the Commission, because the Commission has a vacancy rate of approximately 5-8 percent each fiscal year at any given time. However, with the hiring freeze this has created some budget pressures in that positions are staying filled for a longer period of time. In the current year FY 2011-12, it is anticipated that the Commission will be impacted with a large number of staff retirements and as a result there are expenses associated with leave buyouts that are not budgeted and must be absorbed within the budget. This is potentially hindering planned activities due to budget pressures.

The OE&E budget is developed from funding associated with each position authorized in the budget, as well as approved Budget Change Proposals for task specific projects or responsibilities and statute changes. The OE&E expenses are the costs associated with completing the various tasks and include travel, external contracts, general expenses, interagency agreements, printing, communications, data processing, etc. For example, the Commission is authorized \$600,000 each fiscal year for exam related development work and this funding is included in OE&E. In addition, when positions are established the budget has authorized funding for such things as new computers, software, telecommunications, travel, facility, etc. The amount that has been authorized in the budget has ranged from \$7,000-\$13,000 per position. In addition, the budget for the accreditation system is reflected within the OE&E budget. This includes staff and volunteer travel (i.e., air, per diem, mileage) contracts with institutions scheduled for visits, etc. Once funding is authorized in the budget these dollars become part of the base budget; unless a project has a planned expiration and as a result this funding is then removed during the appropriate budget development cycle once the project is complete.

In May/June of each year the Executive Director along with the Division Directors determine what their internal OE&E budget plan will be for the upcoming fiscal year. This is also referred to as the Internal Budget. The fiscal year is from July 1 to June 30. The internal budget is the real-time, day-to-day priorities based on the direction of the Commission. More information about the Internal Budget process is outlined on FPPC 5A-10. The Executive Director and Division Directors receive monthly updates on actual expenditures compared to the state budget authorizations as well as the projected expenditures based on the current expenditure pattern. This is then used to make adjustments throughout the year at an agency level if changes are needed due to unanticipated costs during the year.

As the Commission looks ahead at the fiscal status of the two (2) special funds administered by the agency there could be more of a focus on the Commission's budget to address potential fiscal pressures.

## **Commission on Teacher Credentialing 2011-12 Budget Details**

The Commission is comprised of four (4) distinct program areas that in combination provide the framework for educator licensure in California. Specifically these are the Certification, Assignment and Waivers (CAW), Professional Services Division (PSD), Division of Professional Practices (DPP), and Administration Division which includes the Executive Office (Commissioners), Office of Governmental Relations, Enterprise Technology and Support Services Section and the Administrative Services Division (Fiscal and Business Services Section and the Office of Human Resources).

### Certification, Assignment and Waivers Division:

The Certification, Assignment and Waivers Division is responsible for evaluating and processing over 250,000 applications annually for credentials, permits, certificates, and waivers for authorization to serve in California's public schools. The Division serves as the Commission's primary point of contact, providing information to credential applicants and holders and credential personnel at the college, university, county, and school district levels regarding specific requirements for the licenses issued. It is also responsible for monitoring certificated assignments in collaboration with county and district offices of education.

### Professional Services Division:

The Professional Services Division is responsible for the development of licensure standards for all credential areas, aligned with the adopted K-12 academic content standards; the development and implementation of licensing examinations, including the teaching performance assessment; and the administration of state-funded programs including the Paraprofessional Teacher Training Program, the Alternative Certification/Intern Program, and in conjunction with the Department of Education, the Beginning Teacher Support and Assessment Program. The Division supports the Committee on Accreditation, a statutory body that is charged with implementing the Commission's accreditation system to monitor the quality of all educator preparation programs. Related activities include data collection, reporting, and policy research.

### Division of Professional Practices:

The Division of Professional Practices is responsible for the discipline of credential applicants and holders and the legal activities of the Commission. The Division supports the Committee of Credentials, a statutory body that is responsible for conducting investigations of charges of misconduct against a credential holder or applicant upon initial application for a credential, when a credential is renewed, or when there are allegations against a credential holder relating to criminal activity, unprofessional conduct, or misconduct that would impact the status of a license. The Division's legal staff provides legal counsel and advice to the Commission, the Committee of Credentials, and other divisions within the Commission.

### Administration Division:

Administration is responsible for providing the necessary support for the program divisions to fulfill their statutorily required missions.

**2011-12 Appropriation Authorization by Fund:**

The following table reflects the current year (2011-12) appropriation level, by fund source, that supports the Commission’s programs. It is important to note that the Commission is a self supported agency or special fund agency. The Commission does not receive General Fund dollars to support its daily operations. Fees collected from the various examinations administered and credentials issued are used to support the operations of the agency.

<b>Fund Code</b>	<b>Fund Name</b>	<b>Appropriation</b>
0001	General Fund, Proposition 98 <sup>1/</sup>	26,191,000
0407	Teacher Credentials Fund	15,135,836
0408	Test Development and Administration Account, Teacher Credentials Fund	4,775,612
0995	Reimbursement <sup>2/</sup>	308,000
	<b>Total</b>	<b>\$46,410,448</b>

<sup>1/</sup> This reflects the funding that is granted to local districts and local education agencies for the Local Assistance programs administered by the Commission, (i.e., Alternative/Intern Certification, Paraprofessional programs).

<sup>2/</sup> This reflects the reimbursement received from the California Department of Education for the Credential Monitoring program administered by the Commission. Previously, this program was funded with General Fund Proposition 98 dollars and due to fiscal pressures the funding source was changed.

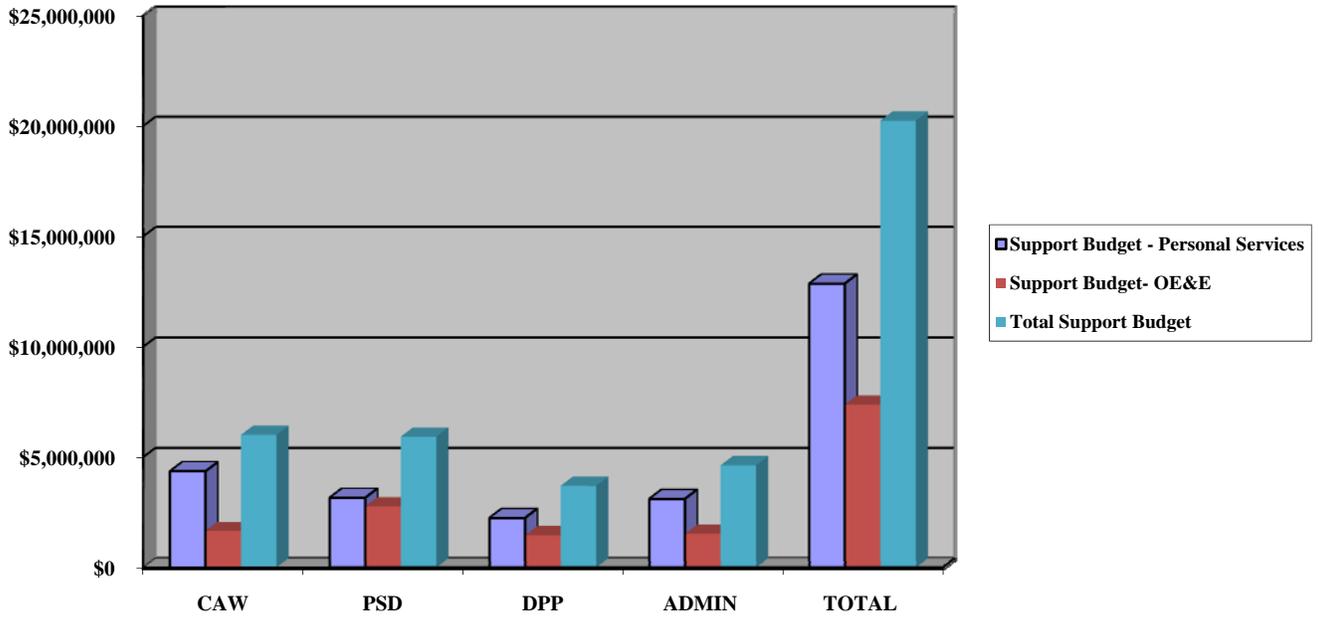
**2011-12 Budgeted Position and Expenditure by Category:**

The following table reflects the position and main categories of expenditure budgeted for each Divisions for FY 2011-12. This includes the budgeted support for the daily operations of the agency, as well as the budgeted local assistance dollars provided to local entities for the teacher development programs administered by the Commission.

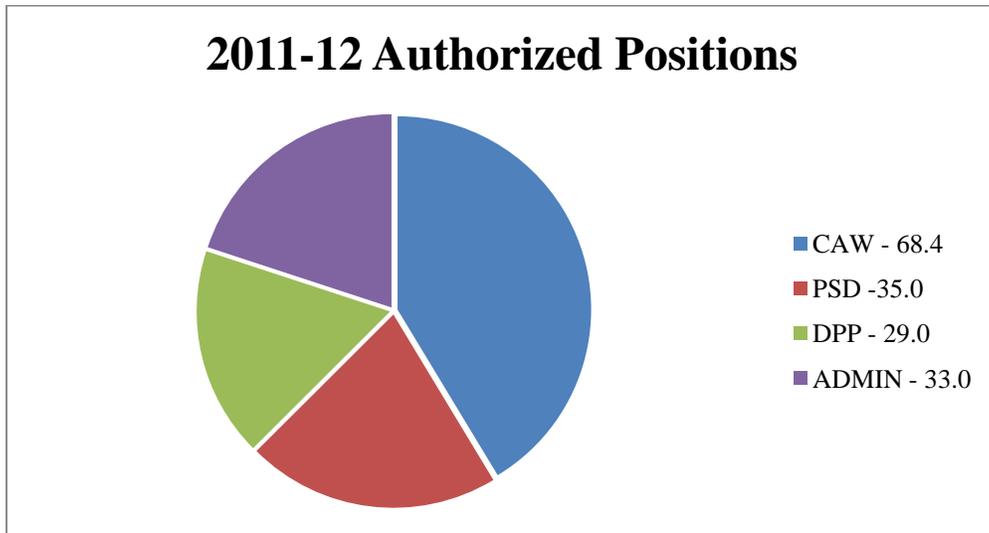
<b>CATEGORY</b>	<b>CAW</b>	<b>PSD</b>	<b>DPP</b>	<b>ADMIN</b>	<b>TOTAL</b>
Authorized Positions	68.4	35.0	29.0	33.0	165.4
Support Budget - Personal Services	\$4,350,072	\$3,157,814	\$2,243,307	\$3,105,807	\$12,857,000
Support Budget- OE&E	1,643,845	2,761,720	1,447,067	1,509,816	7,362,448
<b>Total Support Budget (Daily Operations)</b>	<b>\$5,993,917</b>	<b>\$5,919,534</b>	<b>\$3,690,374</b>	<b>\$4,615,623</b>	<b>\$20,219,448</b>
Local Assistance	0	26,191,000	0	0	26,191,000
<b>Total Program Costs</b>	<b>\$5,993,917</b>	<b>\$32,110,534</b>	<b>\$3,690,374</b>	<b>\$4,615,623</b>	<b>\$46,410,448</b>

Chart 1 and 2 depicts the visual details of the information referenced above by Division.

**Chart 1**  
**Reflects a Visual of the 2011-12 Support Budget by Division and Category**



**Chart 2**  
**Reflects a Visual of the 2011-12 Authorized Positions by Division**



### **2011-12 Operating Expenses and Equipment Internal Budget:**

The budget above is at a very high level and outlines the budgeted (appropriation) amounts authorized in the annual Budget Act. The Commission is not authorized to expend more than is set-aside for each fund source (i.e., TCF/TDAA). In an effort to put this into perspective on how the Commission takes this appropriation detail and applies this to the day-to-day operations, provided below is a summary of the Internal Budget process.

In preparation of each fiscal year, Division Directors are requested to look at their anticipated priorities for the fiscal year and develop their best case scenario for their OE&E Internal Budget. This process generally takes place in May/June of each year in preparation for the new fiscal year July 1. Then throughout the year Directors continually make adjustments in response to changes in priorities by the Commission or the Governor due to statewide initiatives. Internal Budgets are monitored on a monthly basis and adjusted as necessary throughout the fiscal year as changes occur.

The 2011-12 Fiscal Year will be challenging for the Commission, due in part to the number of planned activities and projects (see below), and increases in day-to-day operations costs; but also due to mandatory reductions including a statewide unallocated reductions and salary savings requirements. In addition, this year the Commission will face costs associated with vacation buyouts for retiring employees, as well costs associated with pending litigation. The initial pass/plan, as identified on the following page FPPC 5A-11, came in above the amount available for expenditure. Consequently, Directors were required to take another look at their internal budgets and reduce/trim as much as possible while trying to ensure that the priorities of the Commission are still being met.

### **Highlights of the 2011-12 Activities Include:**

- 37 - Accreditation Visits
- Credentialing Web Interface Project (CWIP) Project Completion
- 11 - Commission Meetings with a full complement of Commissioners
- 12 - Committee of Credentials Meetings
- 7 - Committee on Accreditation Meetings
- Microfilm Jacket Conversion Project
- Teacher Discipline Stakeholder Meetings
- Credential Monitoring Visits
- Attorney General Costs for the Teacher Discipline Administrative Process
- Facility Lease Costs
- Statewide General Fund Cost Recovery – PRORATA
- Call Center on Demand Costs (Phone System)
- Software and Hardware Annual Maintenance
- Intake Scanning of Credential Documents Project

### **Initial Plan of the Internal Budget:**

The chart below reflects that the initial plan of the Internal Budget was over-budgeted to \$431,050. Per the direction of the Interim Executive Director each Director was required take another look at their work/action plans and make reductions in planned activities where possible.

This took several discussions to finally come to the final pass presented in the second chart on this page.

<b>DIVISION</b>	<b>Support Budget OE&amp;E</b>	<b>1<sup>st</sup> Plan of OE&amp;E Internal Budget</b>	<b>1<sup>st</sup> Plan Difference</b>
CAW	1,643,845	1,263,482	
PSD	2,761,720	2,168,416	
DPP	1,447,067	1,449,561	
Admin	1,509,816	2,840,600	
<b>Total Program Costs</b>	<b>7,362,448</b>	<b>\$7,793,498</b>	<b>-\$431,050</b>

**Final Plan of the Internal Budget:**

Divisions were able to identify \$788,619 in savings as part of this exercise. In preparing the budget plan there are some additional budget pressures on the OE&E budget. There will be some savings in the Personnel Services budget due to the fact the Commission was under the statewide hiring freeze which will offset some of the costs for the proposed retirements, salary savings requirement, as well as unanticipated litigation/settlement costs.

While the final expenditure plan is better aligned with the overall OE&E appropriation, the apparent “surplus” may not be sufficient to address the additional anticipated costs noted above.

<b>DIVISION</b>	<b>Support Budget OE&amp;E</b>	<b>Final Plan of OE&amp;E Internal Budget</b>	<b>Final Plan Difference</b>
CAW	1,643,845	1,038,482	
PSD	2,761,720	1,655,166	
DPP	1,447,067	1,435,261	
Admin	1,509,816	2,444,920	
<b>Total Program Costs</b>	<b>7,362,448</b>	<b>\$6,573,829</b>	<b>\$788,619</b>

**Additional Costs that Could Impact the Commission Budget**

Final Plan Difference (Available Balance in OE&E)	\$788,619
2011 Budget Act - <i>Control Section 3.91</i> Unallocated Reduction	-112,000
Possible Retirement Costs	-375,354
Salary Savings	-489,000
Difference	-\$187,735

As part of the 2011 Budget Act, Control Section 3.91 was adopted which required all departments to take an unallocated reduction somewhere within the budget. The unallocated reduction proposed for the Commission is \$112,000. In an effort to not impact personnel services this reduction was identified to be reduced from the OE&E budget, as a result reducing the overall OE&E appropriation. Several staff have indicated that they plan to retire this fiscal year and as a result this is the projected costs associated with the buy-out for their leave time. The anticipated cost for the retirement buy-outs is approximately \$375,354. As previously mentioned, when budgeted positions are filled this potentially puts budget pressure on the OE&E budget, because salaries are appropriated/budgeted at 95 percent of the actual cost of the position

due to anticipated attrition. As a result of attrition, the Commission does have some vacant positions; however, these vacancies are at a level that currently would not achieve the level of salary savings necessary to achieve the budgeted salary savings commitment.

Based on the information above in the big picture it would be appropriate for the Commission to consider submitting a request to access resources within each of the funds, if available. Unfortunately, each of the funds administered by the Commission are showing signs that they cannot support the current level of activities without some type of adjustments, either increases in revenues or reduction in expenditures. Finance has requested that the Commission start this process now to have those difficult conversations and determine a plan to address the fiscal pressures. Commission staff has been meeting with Finance staff to start these discussions and will provide updates to the Commission as these discussions progress. Staff looks forward to working with the Department of Finance to find solutions that will ensure the Commission can continue its core functions.

More detail on the Fund Condition will be provided in the Agenda Insert for this item.

**History of Positions and Revenue/Expenditures:**

The following table on page FPPC 5A-13, reflects the history of the actual filled positions compared to the budgeted positions, actual revenues/expenditures and the fee structure established to support the Commission on Teacher Credentialing from 2000-2011.

The actual revenues and expenditures have adjusted over the years for various reasons. Some examples include in the early 2000's when the General Fund was plentiful and the Commission was authorized General Fund (GF) dollars for staff costs to support the Teacher Development Programs. This funding was shifted to the TCF/TDAA when GF revenues started to decline. The Teacher Credentialing Support Improvement Project (TCSIP) was initially funded with GF dollars however once again funding for this project was shifted to the TCF/TDAA as a result of a decline in GF resources. In 2005, the Commission funds were under distress due to the reductions in revenues as a result of the elimination of class size reduction and the transition away from emergency permits and waivers which were issued on annual basis. As a result of the decline in revenues, in 2005 the Commission proposed several efficiencies that were approved by the Legislature that resulted in reductions in costs. The revenues received in a given fiscal year are generally utilized in the year in which they are received. In the event that does not occur, the balance is held in the respective account and earns interest similar to a savings account.

**Commission on Teacher Credentialing**  
**History of the Actual Revenues/Expenditures, Positions and Fee Structure**

<b>REVENUES/EXPENDITURES</b>	<b>2000-01</b>	<b>2001-02</b>	<b>2002-03</b>	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>
<b>TEACHER CREDENTIALS FUND (TCF)</b>												
<i>ACTUAL</i> TCF - REVENUES	10,622	10,730	14,473	16,179	13,543	13,759	14,644	15,375	14,309	12,392	12,344	
<i>ACTUAL</i> TCF - EXPENDITURES	14,536	13,523	15,400	15,355	14,124	11,448	15,335	14,696	14,445	13,683		
<i>ACTUAL</i> REVENUE/EXPENDITURE DIFFERENCE	-3,914	-2,793	-927	824	-581	2,311	-691	679	-136	-1,291		
<i>BUDGETED</i> EXPENDITURES	14,580	14,075	16,165	16,838	14,763	12,253	15,369	15,273	15,379	14,195	14,455	15,135
<i>BUDGETED/ACTUAL</i> EXPENDITURES DIFFERENCE	-44	-552	-765	-1,483	-639	-805	-34	-577	-934	-512		
<b>TEST DEVELOPMENT AND ADMINISTRATION ACCOUNT – TCF</b>												
<i>ACTUAL</i> TDAA - REVENUES	9,126	8,301	12,314	11,469	3,304	4,343	4,447	5,116	4,852	2,511	4,245	
<i>ACTUAL</i> TDAA - EXPENDITURES	9,802	9,637	11,839	10,869	2,957	2,818	4,606	3,979	4,722	4,497		
<i>ACTUAL</i> REVENUE/EXPENDITURE DIFFERENCE	-676	-1,336	475	600	347	1,525	-159	1,137	130	-1,986		
<i>BUDGETED</i> EXPENDITURES	11,251	10,337	10,670	11,118	9,734	3,751 <sup>1/</sup>	4,792	4,265	5,096	5,373	4,862	4,775
<i>BUDGETED/BUDGETED</i> EXPENDITURES DIFFERENCE	-1,449	-700	-1,169	-249	-6,777	-933	-186	-286	-374	-876		
<i><sup>1/</sup> In 2003-04 the CTC transitioned the various examination contracts to revenue only. The expenditure amount reflects the costs associated for CTC only.</i>												
<b>POSITIONS</b>												
Certification, Assignment and Waivers Division	82.0	83.2	77.4	71.4	60.6	58.8	60.6	69.6	65.1	68.3	62.0	68.4
Professional Services Division	33.4	38.4	40.0	33.7	30.8	25.1	30.8	29.2	31.8	31.0	30.3	35.0
Professional Practices Division	26.6	27.2	26.2	27.9	27.9	27.0	27.9	30.1	29.4	31.1	27.6	29.0
Administration Division	40.5	40.4	38.9	37.2	32.1	29.5	32.1	34.8	31.4	34.7	32.3	33.0
Office of Policy and Programs	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Actual Filled Positions</b>	<b>183.3</b>	<b>189.2</b>	<b>182.5</b>	<b>170.2</b>	<b>151.4</b>	<b>140.4</b>	<b>151.4</b>	<b>163.7</b>	<b>157.7</b>	<b>165.1</b>	<b>152.2</b>	<b>165.4</b>
<b>Authorized/Budgeted Positions</b>	<b>206.4</b>	<b>206.8</b>	<b>203.5</b>	<b>194.4</b>	<b>166.3</b>	<b>160.5</b>	<b>165.9</b>	<b>170.9</b>	<b>167.9</b>	<b>167.1</b>	<b>166.4</b>	<b>165.4</b>
<b>Salary Savings</b>	<b>-23.1</b>	<b>-17.6</b>	<b>-21.0</b>	<b>-24.2</b>	<b>-10.9</b>	<b>-20.1</b>	<b>-14.5</b>	<b>-7.2</b>	<b>-10.2</b>	<b>-2.0</b>	<b>-14.2</b>	<b>--</b>

### **History of the Fee Structure:**

The following table on page FPPC 5A-16, reflects the history of the fee structure that supports the operations of the Commission on Teacher Credentialing from 2000-2011. Additional information is provided below as each fund has a distinct past.

### **Credential Fee/Revenue History**

Revenues in the TCF grew considerably as a result of the implementation of class size reduction (CSR) in 1996 as CSR caused an immediate need for additional teachers and a corresponding increase in the number of applications and thus, revenues. In 1998 the Legislature reduced the credential fee from \$70 to \$60 to ensure that the TCF balance did not grow beyond an acceptable level of reserve as established or required by statute. In reality, in FY 1998-99, the decreased credential fee, combined with increased expenditures, as approved by the Legislature and the Administration, resulted in the initial decline in the TCF fund balance, a condition that continues to the present. The cost of doing business has increased over time and both the TCF and TDAA have been able to support, for the most part these increases. However, given the current fee structure and reviewing the future projections it is becoming increasingly clear that the current fee structure for the TCF will not be able to support the increased costs (i.e., employee compensation, retirement, travel, interagency costs, etc.) and maintain the workload.

During budget hearings on the FY 2000-01 Budget, the Administration recommended, and the Legislature approved, an additional reduction of the credential fee from \$60 to \$55 that took effect in July 2000. At that time, provisional language was added to the Annual Budget Act that sets the fee at \$55. It is important to note that beginning with FY 2000-01, growth in credential applications slowed significantly.

Thus, since FY 1998-99 the Commission has been operating within a revenue structure whereby expenditures exceed revenues. At the time the credential fee was reduced from \$60 to \$55, the TCF Fund had a fund balance of approximately \$5.7 million. General Fund revenues were plentiful and the Commission's new Teacher TCSIP was funded from an appropriation from the General Fund. Over time, decreasing availability of General Fund dollars resulted in the shift of the funding for TCSIP as well as other projects from the General Fund to the TCF and TDAA. Although, there were sufficient reserves at that time to cover these shifts, revenues continued to decline.

In FY 2005-06 there was an anticipated shortfall of \$2.7 million between the TCF and TDAA and as a result the budget included expenditure reductions of \$2.9 million as well as a General Fund loan/back-fill of \$2.7 million. For more information on the efficiencies adopted by the Legislature please refer to the Commission agenda item in May/June 2005 Regarding the Update on the Governor's Budget as of the May Revision <http://www.ctc.ca.gov/commission/agendas/2005-05/2005-05-7A.pdf>. In FY 2010-11, this General Fund loan was repaid.

This shift in appropriation from GF to the TCF/TDAA, coupled with a decrease in applications that are renewed annually (i.e., emergency permits and waivers), has resulted in the current situation of the decrease in the TCF fund balance. Given the current state of the economy and continuing multi-year decline in educator preparation program enrollments and credential

applications, Commission staff expects that the TCF revenues will continue to decline but, as with all projections, it is uncertain how much the decline will be. Commission staff will continue to work with the Administration to determine the best solution to address this issue.

### **Examination Fee/Revenue History**

Education Code sections 44252.5, 44253.8, and 44298 require that costs be covered through the fee examinees pay for administration of each examination. The fees include: (a) a fee that registrants pay for each examination to cover the costs of administering the examination and that is retained by the contractor, and (b) a program management fee that registrants pay to cover the Commission's costs for operating the California examination programs.

In operating the Commission examination programs, the Commission bears costs in two major categories: contracted costs and non-contracted (Commission management costs to administer the examinations program) costs. The contracted costs category is the largest and covers the test development work and test administrations performed by the contractor for each of the Commission's examination programs. As specified in the contracts, the contractor retains a fee per test administered that is based upon the total number of tests administered each year. It is important to note that in FY 2005-06 the contracted costs were transitioned to what is known as "revenue only" contracts and as a result of this transition, the contacted costs are 'paid' by the fees the individuals who are taking examinations pay to the vendor instead of the Commission paying the contractor directly. The non-contracted costs are the staff time for managing the examination programs, which include monitoring the contracts and completing other Commission administrative responsibilities related to the examination programs.

To determine fees for the testing programs, Commission staff projects examinee volumes for each program based on a weighted average from past year actuals compared to the proposed Commission costs for the testing year. It is important to note that a testing year is aligned with the fiscal year and runs from July – June. From these projections, Commission staff identifies a fee that will ensure the program is self supporting, as well as provide an appropriate reserve within the Test Development and Administration Account. The fees were last adjusted in the 2010-11 testing year to cover the operating costs proposed during the current fiscal year.

Education Code section 44235.1 provides the authority for the Commission to review and approve the examination fee structure, as needed, to ensure the current California examination program is self supporting. The Commission staff generally presents an agenda item each Spring, for discussion and action, with the proposed examination fee structure. There are two purposes for bringing the agenda item to the Commission for review and approval: a) the Commission staff has to work with the vendor to prepare the registration bulletins for the next testing year; and b) the Commission staff is required to update the TDAA Fund Condition for discussion purposes with the Administration and the Legislature. If there are approved changes, by the Commission, these need to be incorporated and distributed accordingly.

The chart on page FPPC 5A-16 reflects the fee structure for the TCF and TDAA from 2000-2012.

**Commission on Teacher Credentialing**  
**History of the Actual Revenues/Expenditures, Positions and Fee Structure**

<b>CREDENTIAL FEES <sup>1/</sup></b>	<b>2000-01</b>	<b>2001-02</b>	<b>2002-03</b>	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>
<sup>1/</sup> 1995-98 Fee \$70, 98-00 Fee \$60	55.00	55.00	55.00	55.00	55.00	55.00	55.00	55.00	55.00	55.00	55.00	55.00
<b>EXAMINATION FEES <sup>1/</sup></b>	<b>2000-01</b>	<b>2001-02</b>	<b>2002-03</b>	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>
<b>CBEST (Paper Based) <sup>2/</sup></b>	<b>40.00</b>	<b>40.00</b>	<b>41.00</b>									
* CTC Management Fee	5.70	7.13	8.18	5.63	6.84	6.84	6.84	9.00	9.00	9.00	10.00	12.00
* Vendor Fee to Administer the Exam	34.30	32.87	32.82	35.37	34.16	34.16	34.16	32.00	32.00	32.00	31.00	29.00
<b>CBEST (Computer Based)</b>											<b>105.00</b>	<b>101.00</b>
* CTC Management Fee											10.00	12.00
* Vendor Fee to Administer the Exam											95.00	89.00
<b>RICA WRITTEN (Paper Based)</b>	<b>122.00</b>	<b>122.00</b>	<b>134.00</b>	<b>134.00</b>	<b>134.00</b>	<b>140.00</b>	<b>140.00</b>	<b>130.00</b>	<b>130.00</b>	<b>130.00</b>	<b>130.00</b>	
* CTC Management Fee	27.00	24.00	36.00	36.00	36.00	42.00	42.00	60.00	60.00	60.00	61.00	
* Vendor Fee to Administer the Exam	95.00	98.00	98.00	98.00	98.00	98.00	98.00	70.00	70.00	70.00	69.00	
<b>RICA WRITTEN (Computer Based)</b>												<b>165.00</b>
* CTC Management Fee												61.00
* Vendor Fee to Administer the Exam												104.00
<b>RICA VIDEO</b>	<b>220.00</b>	<b>190.00</b>	<b>226.00</b>	<b>226.00</b>	<b>226.00</b>	<b>232.00</b>	<b>232.00</b>	<b>130.00</b>	<b>130.00</b>	<b>130.00</b>	<b>130.00</b>	<b>130.00</b>
* CTC Management Fee	-125.00	-5.00	31.00	31.00	31.00	37.00	37.00	60.00	60.00	60.00	61.00	61.00
* Vendor Fee to Administer the Exam	345.00	195.00	195.00	195.00	195.00	195.00	195.00	70.00	70.00	70.00	69.00	69.00
<b>MSAT</b>	<b>260.00</b>	<b>245.00</b>	<b>257.00</b>									
* CTC Management Fee	30.00	30.00	42.00									
* Vendor Fee to Administer the Exam	230.00	215.00	215.00									
<b>CSET</b>			<b>216.00</b>	<b>216.00</b>	<b>216.00</b>	<b>222.00</b>	<b>222.00</b>	<b>210.00</b>	<b>210.00</b>	<b>210.00</b>	<b>210.00</b>	<b>198.00</b>
* CTC Management Fee			36.00	36.00	36.00	42.00	42.00	81.00	81.00	81.00	82.00	48.00
* Vendor Fee to Administer the Exam			180.00	180.00	180.00	180.00	180.00	129.00	129.00	129.00	128.00	190.00
<b>CLAD</b>	<b>213.00</b>	<b>213.00</b>	<b>233.00</b>	<b>233.00</b>	<b>233.00</b>	<b>294.00</b>	<b>294.00</b>					
* CTC Management Fee	18.00	18.00	38.00	38.00	38.00	44.00	44.00					
* Vendor Fee to Administer the Exam	195.00	195.00	195.00	195.00	195.00	250.00	250.00					
<b>BCLAD</b>	<b>263.00</b>	<b>263.00</b>	<b>283.00</b>	<b>283.00</b>	<b>283.00</b>	<b>289.00</b>	<b>289.00</b>					
* CTC Management Fee	18.00	18.00	38.00	38.00	38.00	44.00	44.00					
* Vendor Fee to Administer the Exam	245.00	245.00	245.00	245.00	245.00	245.00	245.00					
<b>CTEL FEE (Paper Based)</b>						<b>294.00</b>	<b>294.00</b>	<b>294.00</b>	<b>294.00</b>	<b>294.00</b>	<b>303.00</b>	
* CTC Management Fee						44.00	44.00	44.00	44.00	44.00	44.00	
* Vendor Fee to Administer the Exam						250.00	250.00	250.00	250.00	250.00	259.00	
<b>CTEL FEE (Computer Based)</b>												<b>238.00</b>
* CTC Management Fee												48.00
* Vendor Fee to Administer the Exam												190.00
<b>CPACE Fee (Previously SLLA)</b>											<b>485.00</b>	<b>383.00</b>
* CTC Management Fee											0.00	98.00
* Vendor Fee to Administer the Exam											485.00	285.00

**Conclusion:**

In an effort to ensure the Commission is aware of the fiscal outlook, Commission staff will present updates on a routine basis. Fiscal priorities are adjusted during the year to accommodate emerging projects presented in the Commission's meeting agenda. For each agenda item presented, staff includes personnel and other costs that it will take to complete the work. Once direction is provided by the Commission new projects are put into a work/action plan. The work/action plan is then scheduled based on staffing availability and budget for the particular task. If it is a new task and cannot be worked into the existing budget, a Budget Change Proposal will need to be submitted to Finance and the Legislature to request additional funding (or expenditure authority) because the task is above and beyond what is available within the existing budget. If the resources are available then staff will schedule the task around the various priorities.

## Appendix A

Provided below is a glossary of common budgetary and accounting terms for reference:

### **Budget and Accounting Glossary:**

#### **Administration**

Refers to the Governor's Office and those individuals, departments, and offices reporting to it (e.g., the Department of Finance).

#### **Administration Program Costs**

The indirect cost of a program, typically a share of the costs of the administrative units serving the entire department (e.g., the Director's Office, Legal, Personnel, Accounting, and Business Services). "Distributed Administration" costs represent the distribution of the indirect costs to the various program activities of a department. In most departments, all administrative costs are distributed. (See also "Indirect Costs" and "SWCAP.")

#### **Administratively Established Positions**

Positions authorized by the Department of Finance during a fiscal year that were not included in the Budget and are necessary for workload or administrative reasons. Such positions terminate at the end of the fiscal year, or, in order to continue, must meet certain criteria under Control Section 31.00. (*SAM 6406, Control Section 31.00*)

#### **Agency**

A legal or official reference to a government organization at any level in the state organizational hierarchy. (*See the UCM for the hierarchy of State Government Organizations.*)

*OR* A government organization belonging to the highest level of the state organizational hierarchy as defined in the UCM. An organization whose head (Agency Secretary) is designated by Governor's order as a cabinet member. (*SAM 6610*)

#### **Allocation**

A distribution of funds or costs from one account or appropriation to one or more accounts or appropriations (e.g., the allocation of approved deficiency funding from the statewide 9840 Budget Act items to departmental Budget Act items).

#### **Allotment**

The approved division of an amount (usually of an appropriation) to be expended for a particular purpose during a specified time period. An allotment is generally authorized on a line item expenditure basis by program or organization. (*SAM 8300 et seq*)

#### **Amendment**

A proposed or accepted change to a bill in the Legislature, the California Constitution, statutes enacted by the Legislature, or ballot initiative.

#### **A-pages**

A common reference to the Governor's Budget Summary. Budget highlights now contained in the Governor's Budget Summary were once contained in front of the Governor's Budget on pages A-1, A-2, etc., and were, therefore, called the A-pages.

**Appropriated Revenue**

Revenue which, as it is earned, is reserved and appropriated for a specific purpose. An example is student fees received by state colleges that are by law appropriated for the support of the colleges. The revenue does not become available for expenditure until it is earned.

**Appropriation**

Authorization for a specific agency to make expenditures or incur liabilities from a specific fund for a specific purpose. It is usually limited in amount and period of time during which the expenditure is to be incurred. For example, appropriations made by the Budget Act are available for encumbrance for one year, unless otherwise specified. Appropriations made by other legislation are available for encumbrance for three years, unless otherwise specified, and appropriations stating “without regard to fiscal year” shall be available from year to year until expended. Legislation or the California Constitution can provide continuous appropriations, and the voters can also make appropriations.

An appropriation shall be available for encumbrance during the period specified therein, or if not specified, for a period of three years after the date upon which it first became available for encumbrance. Except for federal funds, liquidation of encumbrances must be within two years of the expiration date of the period of availability for encumbrance, at which time the undisbursed (i.e., unliquidated) balance of the appropriation is reverted back into the fund. Federal funds have four years to liquidate.

**Appropriation Without Regard To Fiscal Year (AWRTFY)**

An appropriation for a specified amount that is available from year to year until expended.

**Assembly**

California's lower house of the Legislature composed of 80 members who are elected for two-year terms and may serve a maximum of three terms. (*Article IV, § 2 (a)*)

**Audit**

Typically a review of financial statements or performance activity (such as of an agency or program) to determine conformity or compliance with applicable laws, regulations, and/or standards. The state has three central organizations that perform audits of state agencies: the State Controller's Office, the Department of Finance, and the Bureau of State Audits. Many state departments also have internal audit units to review their internal functions and program activities. (*SAM 20000, etc.*)

**Augmentation**

An authorized increase to a previously authorized appropriation or allotment. This increase can be authorized by Budget Act provisional language, control sections, or other legislation. Usually a Budget Revision or an Executive Order is processed to implement the increase.

**Authorized**

Given the force of law (e.g., by statute). For some action or quantity to be authorized, it must be possible to identify the enabling source and date of authorization.

**Authorized Positions**

As reflected in the Governor's Budget, authorized positions represent a point-in-time number as of July 1 of the current year. For past year, authorized positions represent the number of actual personnel years for that year. For current year, authorized positions include all regular ongoing positions approved in the Budget Act for that year, less positions abolished because of continued vacancy. For budget year, the number of authorized positions is the same as current year except for adjustments for any positions that will expire by the end of the current year. The detail of authorized positions by department and

classification is published in the annual "Salaries and Wages Supplement." Changes in authorized positions are listed at the end of each department's budget presentation in the Governor's Budget. (*GC 19818; SAM 6406*)

**Availability Period**

The time period during which an appropriation may be encumbered (i.e., committed for expenditure), usually specified by the law creating the appropriation. If no specific time is provided in financial legislation, the period of availability automatically becomes three years. Unless otherwise provided, Budget Act appropriations are available for one year. However based on project phase, capital outlay projects may have up to three years to encumber. An appropriation with the term "without regard to fiscal year" has an unlimited period of availability and may be encumbered at any time until the funding is exhausted. (See also "Encumbrances")

**Balance Available**

In regards to a fund, it is the excess of assets over liabilities and reserves that is available for appropriation. For appropriations, it is the unobligated balance still available.

**Baseline Adjustment**

See Workload Budget Adjustment.

**Baseline Budget**

Also referred as workload Budget. See Workload Budget.

**Bill**

A draft of a proposed law presented to the Legislature for enactment. (A bill has greater legal formality and standing than a resolution.)

*OR* An invoice, or itemized statement, of an amount owing for goods and services received.

**Budget**

A plan of operation expressed in terms of financial or other resource requirements for a specific period of time. (*GC 13320, 13335; SAM 6120*)

**Budget Act (BA)**

An annual statute authorizing state departments to expend appropriated funds for the purposes stated in the Governor's Budget and amended by the Legislature. (*SAM 6333*)

**Budget Bill**

Legislation presenting the Governor's proposal for spending authorization for the next fiscal year. This bill is prepared by the Department of Finance and submitted to each house of the Legislature in January (accompanying the Governor's Budget). The bills' authors are typically the budget committee chairpersons.

The California Constitution requires the Legislature to pass the Budget Bill and send it by June 15 each year to the Governor for signature. After signature by the Governor, the Budget Bill becomes the Budget Act. (*Art. IV. § 12(c); GC 13338; SAM 6325, 6333*)

**Budget Change Proposal (BCP)**

A proposal to change the level of service or funding sources for activities authorized by the Legislature, propose new program activities not currently authorized, or to delete existing programs. The Department of Finance annually issues a Budget Letter with specific instructions for preparing BCPs. (*SAM 6120*)

## **Budget Cycle**

The period of time, usually one year, required to prepare a state financial plan and enact that portion of it applying to the budget year. Significant events in the cycle include:

- preparation of the Governor's proposed budget (mostly done between July 1st and January 10)
- submission of the Governor's Budget and Budget Bill to the Legislature (by January 10)
- submission to the Legislature of proposed adjustments to the Governor's Budget
  - April 1 - adjustments other than Capital Outlay and May Revision
  - May 1 - Capital Outlay appropriation adjustments
  - May 14 - May Revision adjustments for changes in General Fund revenues, necessary expenditure reductions to reflect updated revenue, and funding for Proposition 98, caseload, and population
- review and revision of the Governor's Budget by the Legislature
- return of the revised budget to the Governor for signature after any line-item vetoes (which the California Constitution requires be done by June 15)
- signing of the budget by the Governor (ideally by June 30) (*SAM 6150*) (*GC 13308*)

## **Budget, Program or Traditional**

A program budget expresses the operating plan in terms of the costs of activities (programs) to be undertaken to achieve specific goals and objectives. A traditional (or object of expenditure) budget expresses the plan in terms of categories of costs of the goods or services to be used to perform specific functions.

The Governor's Budget is primarily a program budget but also includes detailed categorization of proposed expenditures for goods and services (Expenditures by Category) for State Operations for each department. (*GC 13336*; *SAM 6210, 6220*)

## **Budget Revision (BR)**

A document, usually approved by the Department of Finance, that cites a legal authority to authorize a change in an appropriation. Typically, BRs either increase the appropriation or make adjustments to the categories or programs within the appropriation as scheduled. (*SAM 6533, 6542, 6545*)

## **Budget Year (BY)**

The next state fiscal year, beginning July 1 and ending June 30, for which the Governor's Budget is submitted (i.e., the year following the current fiscal year).

## **Carryover**

The unencumbered balance of an appropriation available for expenditure in years subsequent to the year of enactment. For example, if a three-year appropriation is not fully encumbered in the first year, the remaining amount is carried over to the next fiscal year.

## **Category**

A grouping of related types of expenditures, such as Personal Services, Operating Expenses and Equipment, Reimbursements, Special Items of Expense, Unclassified, Local Costs, Capital Costs, and Internal Cost Recovery. (*UCM*)

## **Category Transfer**

An allowed transfer between categories or functions within the same schedule of an appropriation. Such transfers are presently authorized by Control Section 26.00 of the Budget Act (and prior to 1996-97, by

Section 6.50 of the Budget Act). The control section specifies the amounts of the allowable transfers and reporting requirements.

### **Change Book System**

The system the Department of Finance uses to record all the legislative changes made to the Governor's Budget and the final actions on the budget taken by the Legislature and Governor. A "Final Change Book" is published after enactment of the Budget Act. It includes detailed fiscal information on the changes made by the Legislature and by the Governor's vetoes. (SAM 6355)

### **Changes in Authorized Positions ("Schedule 2")**

A schedule that reflects staffing changes made subsequent to the adoption of the current year budget. This schedule documents transfers, positions established, and selected reclassifications, as well as proposed new positions for the budget year. (SAM 6406)

### **Chapter**

The reference assigned by the Secretary of State to an enacted bill, numbered sequentially in order of enactment each calendar year. The enacted bill is then referred to by this "chapter" number and the year in which it became law. For example, *Chapter 1, Statutes of 1997*, would refer to the first bill enacted in 1997.

### **Character of Expenditure**

A classification identifying the purpose of an expenditure, such as State Operations, Local Assistance, or Capital Outlay. (UCM)

### **Codes, Uniform**

See "Uniform Codes Manual."

### **Conference Committee**

A committee of three members (two from the majority party, one from the minority party) from each house, appointed to meet and resolve differences between versions of a bill (e.g., when one house of the Legislature does not concur with bill amendments made by the other house). If resolution cannot be reached, another conference committee can be selected, but no more than three different conference committees can be appointed on any one bill. Budget staff commonly refer to the conference committee on the annual budget bill as the "Conference Committee." (SAM 6340)

### **Continuing Appropriation**

An appropriation for a set amount that is available for more than one year.

### **Continuous Appropriation**

Constitutional or statutory expenditure authorization which is renewed each year without further legislative action. The amount available may be a specific, recurring sum each year; all or a specified portion of the proceeds of specified revenues which have been dedicated permanently to a certain purpose; or it may be whatever amount is designated for the purpose as determined by formula, e.g., school apportionments. Note: Government Code Section 13340 sunsets statutory continuous appropriations on June 30 with exceptions specified in the code and other statutes. Section 30.00 of the annual Budget Act traditionally extends the continuous appropriations for one additional fiscal year. (GC 13340; SAM 8382)

**Continuously Vacant Positions**

On July 1, positions which were continuously vacant for six consecutive monthly pay periods during the preceding fiscal year are abolished by the State Controller's Office. The six consecutive monthly pay periods may occur entirely within one fiscal year or between two consecutive fiscal years. The exceptions to this rule are positions exempt from civil service and instructional positions authorized for the California State University. The Department of Finance may authorize the reestablishment of positions in cases where the vacancies were (1) due to a hiring freeze, (2) the department has diligently attempted to fill the position but was unable to complete all steps to fill the position within six months, (3) the position is determined to be hard-to-fill, (4) the position has been designated as a management position for the purposes of collective bargaining and has been held vacant pending the appointment of the director or other chief executive officer of the department as part of the transition from one Governor to the succeeding Governor, or, (5) late enactment of the budget causes the department to delay filling the position, and the Department of Finance approves an agency's written appeal to continue the positions. In addition, departments may self-certify reestablishments by August 15 for positions that meet specified conditions during the vacancy period.

By October 15 of each year, the State Controller's Office is required to notify the Joint Legislative Budget Committee and the Department of Finance of the continuously vacant positions identified for the preceding fiscal year. (*GC 12439*)

**Control Sections**

Sections of the Budget Act (i.e., 3.00 to the end) providing specific controls on the appropriations itemized in Section 2.00 of the Budget Act. See more detail under "Sections."

**Current Year (CY)**

A term used in budgeting and accounting to designate the operations of the present fiscal year in contrast to past or future periods. (See also "Fiscal Year.")

**Deficiency**

A lack or shortage of (1) money in a fund, (2) expenditure authority due to an insufficient appropriation, or (3) expenditure authority due to a cash problem (e.g., reimbursements not received on a timely basis). See Budget Act 9840 Items.

**Department**

A governmental organization, usually belonging to the third level of the state organizational hierarchy as defined in the Uniform Codes Manual. (UCM)

**Department of Finance (Finance)**

The department that is delegated the responsibility for preparation of the Governor's Budget. The Director of Finance functions as the Governor's chief fiscal advisor. Primary functions of the department include:

- Prepare and support for the Governor's proposed budget for the state (the Governor's Budget).
- Administer the State Annual Financial Plan (the enacted state budget).
- Analyze proposed legislation that would have a fiscal impact.
- Set fiscal policies for all state departments.
- Develop and maintain the California State Accounting and Reporting System (CALSTARS), which is used by most departments to record their accounting transactions.
- Monitor and audit expenditures by state departments to ensure compliance with the law, approved standards and policies.
- Develop economic forecasts and revenue, population, and enrollment estimates.
- Analyze the fiscal impact of information technology projects.

- Support the Director or designee in their role as member of approximately 80 state boards and commissions.

(GC 13000 et seq.)

### **Detailed Budget Adjustments**

Department Detailed Budget Adjustments are included in department budget displays to provide the reader a snapshot of proposed expenditure and position adjustments in the department, why those changes are being proposed, and their dollar and position impact.

The Detailed Budget Adjustments include three adjustment categories: workload, policy, and infrastructure. Within the workload section, issues are further differentiated between budget change proposals and other workload budget adjustments. Below are the standard change table categories or headings including definitions:

- **Workload Budget Adjustments** - See "Workload Budget Adjustments."
- **Policy Adjustments** - See "Policy Adjustments".
- **Employee Compensation Adjustments** - See "Employee Compensation/Retirement."
- **Limited Term Positions Expiring Programs** - Reduction of the budget-year funding and positions for expiring programs or positions.
- **Abolished Vacant Positions** - Positions abolished that are vacant for six consecutive monthly pay periods, irrespective of fiscal years, per Government Code 12439.
- **One-Time Cost Reductions** - Reductions of the budget-year funding and positions to account for one-time costs budgeted in the current year.
- **Full-Year Cost of New Programs** - Increases to the budget year funding and positions to reflect the full-year costs of programs authorized to begin after July 1 of the current fiscal year (does not include the full year effect of employee compensation adjustments that are displayed separately).
- **Carryover/Reappropriation** - See "Carryover" and "Reappropriation".
- **Legislation With an Appropriation** - New legislation with funding to carry out its purpose.
- **Expenditure Transfers** - Transfers of expenditures between two departments but within the same fund.
- **Lease Revenue Debt Service Adjustments** - Expenditures related to changes in lease revenue costs.
- **Miscellaneous Adjustments** - This category includes all workload budget adjustments not included in one of the aforementioned categories. This category may include Pro Rata and Statewide Costs Allocation Plan (SWCAP) adjustments. See Pro Rata and Statewide cost allocation.

### **Detail of Appropriations and Adjustments**

A budget display, for each organization, that reflects appropriations and adjustments by fund source for each character of expenditure, (i.e., State Operations, Local Assistance, and Capital Outlay). (SAM 6478)

### **Element**

A subdivision of a budgetary program and the second level of the program structure in the Uniform Codes Manual.

### **Employee Compensation/Retirement**

Salary, benefit, employer retirement rate contribution adjustments, and any other related statewide compensation adjustments for state employees. Various 9800 Items of the Budget Act appropriate funds for compensation increases for most state employees (excluding Higher Education and some others), that is, they appropriate the incremental adjustment proposed for the salary and benefit adjustments for the budget year. The base salary and benefit levels are included in individual agency/departmental budgets.

**Encumbrance**

The commitment of all or part of an appropriation for future expenditures. Encumbrances are accrued as expenditures by departments at year-end and included in expenditure totals in individual budget displays. On a state-wide basis, an adjustment is made for the General Fund to remove from the expenditure totals the amount of encumbrances where goods and services have not been received. The amount of encumbrances where goods and services have not been received is shown in the Reserve for Encumbrances. This adjustment and the use of the Reserve for Encumbrances are in accordance with Generally Accepted Accounting Principles and is required by Government Code Section 13306.

**Enrolled Bill Report (EBR)**

An analysis prepared on Legislative measures passed by both houses and referred to the Governor, to provide the Governor's Office with information concerning the measure with a recommendation for action by the Governor. While approved bill analyses become public information, EBRs do not. Note that EBRs are not prepared for Constitutional Amendments, or for Concurrent, Joint, or single house resolutions, since these are not acted upon by the Governor. (*SAM 6965*)

**Excess Vacant Positions**

Positions in excess of those necessary to meet budgeted salary savings. For example, a department which had 95 budgeted personnel years (100 authorized positions less 5 for salary savings) but actual expenditure of only 91 personnel years, would have had 4 "excess vacant positions" (plus or minus other adjustments pursuant to Department of Finance instructions and review).

**Executive Branch**

One of the three branches of state government, responsible for implementing and administering the state's laws and programs. The Governor's Office and those individuals, departments, and offices reporting to it (the Administration) are part of the Executive Branch.

**Executive Order (EO)**

A budget document, issued by the Department of Finance, requesting the State Controller's Office to make an adjustment in their accounts. The adjustments are typically authorized by appropriation language, Budget Act control sections, and other statutes. An EO is used when the adjustment makes increases or decreases on a state-wide basis, involves two or more appropriations, or makes certain transfers or loans between funds.

**Exempts**

State employees exempt from civil service pursuant to subdivision (e), (f), or (g) of Section 4 of Article VII of the California Constitution. Examples include department directors and other gubernatorial appointees. (*SAM 0400*)

**Expenditure**

Where accounts are kept on a cash basis, the term designates only actual cash disbursements. For individual departments, where accounts are kept on an accrual or a modified accrual basis, expenditures represent the amount of an appropriation used for goods and services ordered, whether paid or unpaid.

However for the General Fund, expenditures are adjusted on a statewide basis to reflect only amounts where goods and services have been received.

**Expenditure Authority**

The authorization to make an expenditure (usually by a budget act appropriation, provisional language or other legislation).

**Expenditures by Category (formerly named Summary by Object)**

A budget display, for each department, that reflects actual past year, estimated current year, and proposed budget year expenditures presented by character of expenditure (e.g., State Operations and/or Local Assistance) and category of expenditure (e.g., Personal Services, Operating Expenses and Equipment).

**3-year Expenditures and Positions (formerly named Summary of Program Requirements)**

A display at the start of each departmental budget that presents the various departmental programs by title, dollar totals, personnel years, and source of funds for the past, current, and budget years.

**Feasibility Study Report (FSR)**

A document proposing an information technology project that contains analyses of options, cost estimates, and other information. (*SAM 4920-4930*)

**Federal Fiscal Year (FFY)**

The 12-month accounting period of the federal government, beginning on October 1 and ending the following September 30. For example, a reference to FFY 2006 means the period beginning October 1, 2005 and ending September 30, 2006. (See also "Fiscal Year.")

**Federal Funds**

For legal basis budgeting purposes, classification of funds into which money received in trust from an agency of the federal government will be deposited and expended by a state department in accordance with state and/or federal rules and regulations. State departments must deposit federal grant funds in the Federal Trust Fund, or other appropriate federal fund in the State Treasury. (*GC 13326 (Finance approval), 13338 approp. of FF, CS 8.50*)

**Final Budget**

Generally refers to the Governor's Budget as amended by actions taken on the Budget Bill (e.g. legislative changes, Governor's vetoes). Note: Subsequent legislation (law enacted after the Budget Bill is chaptered) may add, delete, or change appropriations or require other actions that affect a budget appropriation.

**Final Budget Summary**

A document produced by the Department of Finance after enactment of the Budget Act which reflects the Budget Act, any vetoes to language and/or appropriations, technical corrections to the Budget Act, and summary budget information. (See also "Budget Act," "Change Book.") (*SAM 6130, 6350*)

**Finance Letter (FL)**

Proposals made, by the Director of Finance to the chairpersons of the budget committees in each house, to amend the Budget Bill and the Governor's Budget from that submitted on January 10 to reflect a revised plan of expenditure for the budget year and/or current year. Specifically, the Department of Finance is required to provide the Legislature with updated expenditure and revenue information for all policy adjustments by April 1, capital outlay technical changes by May 1, and changes for caseload, population, enrollment, updated revenues, and Proposition 98 by May 14. (*GC 13308*)

**Fiscal Committees**

Committees of members in each house of the Legislature that review the fiscal impact of proposed legislation, including the Budget Bill. Currently, the fiscal committees include the Senate Budget and Fiscal Review Committee, Senate Appropriations Committee, Assembly Appropriations Committee, and the Assembly Budget Committee. The Senate Budget and Fiscal Review Committee and the Assembly Budget Committee are broken into subcommittees responsible for specific state departments or subject

areas. Both houses also have Revenue and Taxation Committees that are often considered fiscal committees.

### **Fiscal Impact Analysis**

Typically refers to a section of an analysis (e.g., bill analysis) that identifies the costs and revenue impact of a proposal and, to the extent possible, a specific numeric estimate for applicable fiscal years.

### **Fiscal Year (FY)**

A 12-month period during which income is earned and received, obligations are incurred, encumbrances are made, appropriations are expended, and for which other fiscal transactions are recorded. In California state government, the fiscal year begins July 1 and ends the following June 30. If reference is made to the state's FY 2008, this is the time period beginning July 1, 2008 and ending June 30, 2009. (See also "Federal Fiscal Year.") (*GC 13290*)

### **Floor**

The Assembly or Senate chambers or the term used to describe the location of a bill or the type of session. Matters may be referred to as "on the floor".

### **Fund**

A legal budgeting and accounting entity that provides for the segregation of moneys or other resources in the State Treasury for obligations in accordance with specific restrictions or limitations. A separate set of accounts must be maintained for each fund to show its assets, liabilities, reserves, and balance, as well as its income and expenditures.

### **Fund Balance**

Excess of a fund's assets over its liabilities and reserves.

### **Fund Condition Statement**

A budget display, included in the Governor's Budget, summarizing the operations of a fund for the past, current, and budget years. The display includes the beginning balance, prior year adjustments, revenue, transfers, loans, expenditures, the ending balance, and any reserves. Fund Condition Statements are required for all special funds. The Fund Condition Statement for the General Fund is Summary Schedule 1. Other funds are displayed at the discretion of the Department of Finance.

### **General Fund (GF)**

For legal basis accounting and budgeting purposes, the predominant fund for financing state government programs, used to account for revenues which are not specifically designated to be accounted for by any other fund. The primary sources of revenue for the General Fund are the personal income tax, sales tax, and corporation taxes. The major uses of the General Fund are education (K-12 and higher education), health and human service programs and correctional programs.

### **Governmental Cost Funds**

Funds that derive revenue from taxes, licenses, and fees.

### **Governor's Budget**

The publication the Governor presents to the Legislature, by January 10 each year. It contains recommendations and estimates for the state's financial operations for the budget year. It also displays the actual revenues and expenditures of the state for the prior fiscal year and updates estimates for the current year revenues and expenditures. This publication is also produced in a web format known as the Proposed Budget Detail on the Department of Finance website. (*Article IV, § 12; SAM 6120, et seq*)

**Governor's Budget Summary (or A-Pages)**

A companion publication to the Governor's Budget that outlines the Governor's policies, goals, and objectives for the budget year. It provides a perspective on significant fiscal and/or structural proposals. This publication is also produced in a web format known as the Proposed Budget Summary on the Department of Finance web site.

**Grants**

Typically used to describe amounts of money received by an organization for a specific purpose but with no obligation to repay (in contrast to a loan, although the award may stipulate repayment of funds under certain circumstances). For example, the state receives some federal grants for the implementation of health and community development programs, and the state also awards various grants to local governments, private organizations and individuals according to criteria applicable to the program.

**Indirect Costs**

Costs which by their nature cannot be readily associated with a specific organization unit or program. Like general administrative expenses, indirect costs are distributed to the organizational unit(s) or program(s) which benefit from their incurrence.

**Initiative**

The power of the electors to propose statutes or Constitutional amendments and to adopt or reject them. An initiative must be limited to a single subject and be filed with the Secretary of State with the appropriate number of voter signatures in order to be placed on the ballot. (*Article II, § 8*)

**Item**

Another word for appropriation.

**Judgments**

Usually refers to decisions made by courts against the state. Payment of judgments is subject to a variety of controls and procedures.

**Language Sheets**

Copies of the current Budget Act appropriation items provided to Finance and departmental staff each fall to update for the proposed Governor's Budget. These updated language sheets become the proposed Budget Bill. In the spring, language sheets for the Budget Bill are updated to reflect revisions to the proposed appropriation amounts, Item schedule(s), and provisions, and become the Budget Act.

**Legislative Analyst's Office (LAO)**

A non-partisan organization that provides advice to the Legislature on fiscal and policy matters. For example, the LAO annually publishes a detailed analysis of the Governor's Budget and this document becomes the initial basis for legislative hearings on the Budget Bill. (*SAM 7360*)

**Legislative Counsel Bureau**

A staff of attorneys who draft legislation (bills) and proposed amendments, and review, analyze and render opinions on legal matters for the legislative members.

**Legislative Counsel Digest**

A summary of what a legislative measure does contrasting existing law and the proposed change. This summary appears on the first page of a bill.

**Legislative Information System (LIS)**

An on-line system developed and used by the Department of Finance to maintain current information about all bills introduced in the Assembly and Senate for the current two-year session, and for other recently completed sessions. Finance analysts use this system to prepare bill analyses.

**Legislature, California**

A two-house body of elected representatives vested with the responsibility and power to make laws affecting the state (except as limited by the veto power of the Governor). See also “Assembly” and “Senate.”

**Limited-Term Position (LT)**

Any position that has been authorized only for a specific length of time with a set termination date. Limited-term positions may be authorized during the budget process or in transactions approved by the Department of Finance. (*SAM 6515*)

**Line Item**

See “Objects of Expenditure.”

**Local Assistance (LA)**

The character of expenditures made for the support of local government or other locally administered activities.

**Mandates**

See “State-Mandated Local Program.” (*UCM*)

**May Revision**

An annual update to the Governor’s Budget containing a revised estimate of General Fund revenues for the current and ensuing fiscal years, any proposals to adjust expenditures to reflect updated revenue estimates, and all proposed adjustments to Proposition 98, presented by the Department of Finance to the Legislature by May 14 of each year. (See also “Finance Letter.”) (*SAM 6130 and GC 13308*)

**Merit Salary Adjustment (MSA)**

A cost factor resulting from the periodic increase in salaries paid to personnel occupying authorized positions. Personnel generally receive a salary increase of five percent per year up to the upper salary limit of the classification, contingent upon the employing agency certifying that the employee’s job performance meets the level of quality and quantity expected by the agency, considering the employee’s experience in the position.

Merit salary adjustments for employees of the University of California and the California State University are determined in accordance with rules established by the regents and the trustees, respectively. Funding typically is not provided for MSAs in the budget; any additional costs incurred by a department usually must be absorbed from within existing resources. (GC 19832)

**Non-add**

Refers to a numerical value that is displayed in parentheses for informational purposes but is not included in computing totals, usually because the amounts are already accounted for in the system or display.

**Object of Expenditure (Objects)**

A classification of expenditures based on the type of goods or services received. For example, the budget category of Personal Services includes the objects of Salaries and Wages and Staff Benefits. The Governor’s Budget includes a Expenditures by Category for each department at this level. These objects

may be further subdivided into line items such as State Employees' Retirement and Workers' Compensation. (UCM)

### **Obligations**

Amounts that a governmental unit may legally be required to pay out of its resources. These may include unliquidated accruals representing goods or services received but not yet paid for and liabilities not encumbered.

### **One-Time Cost**

A proposed or actual expenditure that is non-recurring (usually only in one annual budget) and not permanently included in baseline expenditures. Departments make baseline adjustments to remove prior year one-time costs and appropriately reduce their expenditure authority in subsequent years' budgets.

### **Operating Expenses and Equipment (OE&E)**

A category of a support appropriation which includes objects of expenditure such as general expenses, printing, communication, travel, data processing, equipment, and accessories for the equipment. (SAM 6451)

### **Organization Code**

The four-digit code assigned to each state governmental entity (and sometimes to unique budgetary programs) for fiscal system purposes. The organization code is the first segment of the budget item/appropriation number. (UCM)

### **Out-of-State Travel (OST) blanket**

A request by a state agency for Governor's Office approval of the proposed out-of-state trips to be taken by that agency's personnel during the fiscal year. (SAM 0760-0765)

### **Overhead**

Those elements of cost necessary in the production of an article or the performance of a service that are of such a nature that the amount applicable to the product or service cannot be determined directly. Usually they relate to those costs that do not become an integral part of the finished product or service, such as rent, heat, light, supplies, management, or supervision. See also "Indirect Costs."

### **Overhead Unit**

An organizational unit that benefits the production of an article or a service but that cannot be directly associated with an article or service to distribute all of its expenditures to elements and/or work authorizations. The cost of overhead units are distributed to operating units or programs within the department. (See "Administration Program Costs.")

### **Past Year**

The most recently completed fiscal year. (See also "Fiscal Year.")

### **Performance Budget**

A budget wherein proposed expenditures are organized and tracked primarily by measurable performance objectives for activities or work programs. A performance budget may also incorporate other bases of expenditure classification, such as character and object, but these are given a subordinate status to activity performance.

**Personal Services**

A category of expenditure which includes such objects of expenditures as the payment of salaries and wages of state employees and employee benefits, including the state's contribution to the Public Employees' Retirement Fund, insurance premiums for workers' compensation, and the state's share of employees' health insurance. See also "Objects of Expenditure." (SAM 6403, 6506)

**Personnel Year (PY)**

The actual or estimated portion of a position expended for the performance of work. For example, a full-time position that was filled by an employee for half of a year would result in an expenditure of 0.5 personnel year. This may also be referred to as a personnel year equivalent.

**Planning Estimate (PE)**

A document used to record and monitor those current and budget year expenditure adjustments including budget change proposals approved for inclusion in the Governor's Budget. PEs are broken down by department, fund type, character, Budget Bill/Act appropriation number, and "lines"(i.e., expenditure groupings such as employee compensation, price increases, one-time costs). PEs are primarily used to record the incremental decisions made about changes to each base budget, are updated at frequent intervals, and can be used for quick planning or "what if" analyses. PEs identify all proposed expenditure changes (baseline and policy) to the previous year's Budget Act, and once budget preparation is complete, PEs will tie to all other fiscal characterizations of the proposed Governor's Budget. (The term is sometimes used synonymously with Planning Estimate Line, which is one specific expenditure grouping.)

**Policy Adjustments**

Changes to existing law or Administration policies. These adjustments require action by the Governor and/or Legislature and modify the workload budget.

**Planning Estimate Line**

A separate planning estimate adjustment or entry for a particular expenditure or type. (See "Planning Estimate.")

**Pooled Money Investment Account (PMIA)**

A State Treasurer's Office accountability account maintained by the State Controller's Office to account for short-term investments purchased by the State Treasurer's Office as designated by the Pooled Money Investment Board on behalf of various funds.

**Pooled Money Investment Board (PMIB)**

A board comprised of the Director of Finance, State Treasurer, and the State Controller, the purpose of which is to design an effective cash management and investment program, using all monies flowing through the Treasurer's bank accounts and keeping all available monies invested consistent with the goals of safety, liquidity, and yield. (SAM 7350)

**Positions**

See "Authorized Positions."

**Price Increase**

A budget adjustment to reflect the inflation factors for specified operating expenses consistent with the budget instructions from the Department of Finance.

**Pro Rata**

The amount of state administrative, General Fund costs (e.g., amounts expended by central service departments such as the State Treasurer's Office, State Personnel Board, State Controller's Office, and

Department Finance for the general administration of state government) chargeable to and recovered from special funds (other than the General Fund and federal funds) as determined by the Department of Finance. (*GC 11270-11277, 13332.03; 22828.5; SAM 8753, 8754*)

### **Program Budget**

See “Budget, Program or Traditional.”

### **Program Cost Accounting (PCA)**

A level of accounting that identifies costs by activities performed in achievement of a purpose in contrast to the traditional line-item format. The purpose of accounting at this level is to produce cost data sufficiently accurate for allocating and managing its program resources. (*SAM 9220*)

### **Programs**

Activities of an organization grouped on the basis of common objectives. Programs are comprised of elements, which can be further divided into components and tasks.

### **Proposed New Positions**

A request for an authorization to expend funds to employ additional people to perform work. Proposed new positions may be for limited time periods (limited term) and for full or less than full time. Proposed new positions may be for an authorization sufficient to employ one person, or for a sum of funds (blanket) from which several people may be employed. (See also “Changes in Authorized Positions.”)

### **Proposition 98**

An initiative passed in November 1988, and amended in the June 1990 election, that provides a minimum funding guarantee for school districts, community college districts, and other state agencies that provide direct elementary and secondary instructional programs for kindergarten through grade 14 (K-14) beginning with fiscal year 1988-89. The term is also used to refer to any expenditures which fulfill the guarantee. (*Article XVI, § 8*)

### **Provision**

Language in a bill or act that imposes requirements or constraints upon actions or expenditures of the state. Provisions are often used to constrain the expenditure of appropriations but may also be used to provide additional or exceptional authority. (Exceptional authority usually begins with the phrase “notwithstanding...”.)

### **Reappropriation**

The extension of an appropriation’s availability for encumbrance and/or expenditure beyond its set termination date and/or for a new purpose. Reappropriations are typically authorized by statute for one year at a time but may be for some greater or lesser period.

### **Recall**

The power of the electors to remove an elected officer. (*Article II, § 13*)

### **Redemption**

The act of redeeming a bond or other security by the issuing agency.

### **Reference Code**

A three-digit code identifying whether the item is from the Budget Act or some other source (e.g., legislation), and its character (e.g., state operations). This is the middle segment of the budget item/appropriation number.

**Referendum**

The power of the electors to approve or reject statutes or parts of statutes, with specified exceptions and meeting specified deadlines and number of voters' signatures. (*Article II, § 9*)

**Refund to Reverted Appropriations**

A receipt account to record abatements and reimbursements to appropriations that have reverted.

**Regulations**

A directive, rule, order, or standard of general application issued by a state agency to implement, interpret, or make specific the law enforced or administered by it. With state government, the process of adopting or changing most regulations is subject to the Administrative Procedures Act and oversight of the Office of Administrative Law (OAL). The Department of Finance must also review and approve any non-zero estimate of state or local fiscal impact included in a regulation package before it can be approved by OAL. (*GC 13075, 11342; SAM 6601-6680*)

**Reimbursement Warrant (or Revenue Anticipation Warrant)**

A warrant that has been sold by the State Controller's Office, as a result of a cash shortage in the General Fund, the proceeds of which will be used to reimburse the General Cash Revolving Fund. The Reimbursement Warrant may or may not be registered by the State Treasurer's Office. The registering does not affect the terms of repayment or other aspects of the Reimbursement Warrant.

**Reimbursements**

An amount received as a payment for the cost of services performed, or of other expenditures made for, or on behalf of, another entity (e.g., one department reimbursing another for administrative work performed on its behalf). Reimbursements represent the recovery of an expenditure. Reimbursements are available for expenditure up to the budgeted amount (scheduled in an appropriation), and a budget revision must be prepared and approved by the Department of Finance before any reimbursements in excess of the budgeted amount can be expended. (*SAM 6463*)

**Reserve**

An amount of a fund balance set aside to provide for expenditures from the unencumbered balance for continuing appropriations, economic uncertainties, future apportionments, pending salary or price increase appropriations, and appropriations for capital outlay projects.

**Revenue**

Any addition to cash or other current assets that does not increase any liability or reserve and does not represent the reduction or recovery of an expenditure (e.g., reimbursements/abatements). Revenues are a type of receipt generally derived from taxes, licenses, fees, or investment earnings. Revenues are deposited into a fund for future appropriation, and are not available for expenditure until appropriated. (UCM)

**Reversion**

The return of the unused portion of an appropriation to the fund from which the appropriation was made, normally two years (four years for federal funds) after the last day of an appropriation's availability period. The Budget Act often provides for the reversion of unused portions of appropriations when such reversion is to be made prior to the statutory limit.

**Reverted Appropriation**

An appropriation that is reverted to its fund source after the date its liquidation period has expired.

### **Salaries and Wages Supplement**

An annual publication issued shortly after the Governor's Budget, containing a summary of all positions by department, unit, and classification for the past, current, and budget years, as of July 1 of the current year. This publication is also displayed on the Department of Finance website.

### **Salary Savings**

The estimated or actual personnel cost savings resulting from all authorized positions not being filled at the budgeted level for the entire year due to absences, turnovers (which results in vacancies and downward reclassifications), and processing time when hiring for new positions. The amount of savings is estimated on the basis of the past experience of departments. For new positions that will be authorized on July 1, five percent is a generally acceptable minimum for the salary savings estimate.

### **Schedule**

The detail of an appropriation in the Budget Bill or Act, showing its distribution to each of the categories, programs, or projects thereof. *OR*

A supplemental schedule submitted by departments to detail certain expenditures. *OR*

A summary listing in the Governor's Budget.

### **Schedule 2**

See "Changes in Authorized Positions."

### **Schedule 7A**

A summary version of the State Controller's Office detailed Schedule 8 position listing for each department. The information reflected in this schedule is the basis for the "Salaries and Wages Supplement" displayed on the Department of Finance website. (*SAM 6415-6419*)

### **Schedule 8**

A detailed listing generated from the State Controller's Office payroll records for a department of its past, current, and budget year positions as of June 30 and updated for July 1. This listing must be reconciled with each department's personnel records and becomes the basis for centralized payroll and position control. The reconciled data should coincide with the level of authorized positions for the department per the final Budget. (*SAM 6424-6429, 6448*)

### **Schedule 10 (Supplementary Schedule of Appropriations)**

A Department of Finance control document listing all appropriations and allocations of funds available for expenditure during the past, current, and budget years. These documents are sorted by state operations, local assistance, and capital outlay. The Schedule 10s reconcile expenditures by appropriation (fund source) and the adjustments made to appropriations, including allocation of new funds. These documents also show savings and carryovers by item. The information provided in this document is summarized in the Detail of Appropriations and Adjustments in the Governor's Budget. (*SAM 6484*)

### **Schedule 10R (Supplementary Schedule of Revenues and Transfers)**

A Department of Finance control document reflecting information for revenues, transfers, and inter-fund loans for the past, current, and budget years. Schedule 10Rs are required for the General Fund and all special funds. Schedule 10R information for special funds is displayed in the Fund Condition Statement for that fund in the Governor's Budget.

### **Schedule 11**

Outdated term for "Supplementary Schedule of Operating Expenses and Equipment."

### **Schedule of Federal Funds and Reimbursements, Supplementary**

A supplemental schedule submitted by departments during budget preparation which displays the federal receipts and reimbursements by source. (SAM 6460)

### **Schedule of Operating Expenses and Equipment, Supplementary**

A supplemental schedule submitted by departments during budget preparation which details by object the expenses included in the Operating Expenses and Equipment category. (SAM 6454, 6457)

#### **Section 1.50**

Section of the Budget Act that 1) specifies a certain format and style for the codes used in the Budget Act, 2) authorizes the Department of Finance to revise codes used in the Budget Act in order to provide compatibility with the Governor's Budget and records of the State Controller's Office, and 3) authorizes the Department of Finance to revise the schedule of an appropriation in the Budget Act for technical changes that are consistent with legislative intent. Examples of such technical changes to the schedule of an appropriation include the elimination of amounts payable, the distribution of administration costs, the distribution of unscheduled amounts to programs or categories, and the augmentation of reimbursement amounts when the Legislature has approved the budget for the department providing the reimbursement.

#### **Section 1.80**

Section of the Budget Act that includes periods of availability for Budget Act appropriations.

#### **Section 8.50**

The Control Section of the Budget Act that provides the authority to increase federal funds expenditure authority.

#### **Section 26.00**

A Control Section of the Budget Act that provides the authority for the transfer of funds from one category, program or function within a schedule to another category, program or function within the same schedule, subject to specified limitations and reporting requirements. (Prior to 1996-97, this authority was contained in Section 6.50 of the Budget Act.) (SAM 6548)

#### **Section 28.00**

A Control Section of the Budget Act which authorizes the Director of Finance to approve the augmentation or reduction of items of expenditure for the receipt of unanticipated federal funds or other non-state funds, and that specifies the related reporting requirements. Appropriation authority for unanticipated federal funds is contained in Section 8.50. (SAM 6551-6557)

#### **Section 28.50**

A Control Section of the Budget Act that authorizes the Department of Finance to augment or reduce the reimbursement line of an appropriation schedule for reimbursements received from other state agencies. It also contains specific reporting requirements. (SAM 6555-6557)

#### **Section 30.00**

A Control Section of the Budget Act that amends Government Code Section 13340 to sunset continuous appropriations.

#### **Section 31.00**

A Control Section of the Budget Act that specifies certain administrative procedures. For example, the section subjects the Budget Act appropriations to various sections of the Government Code, limits the new positions a department may establish to those authorized in the Budget, requires Finance approval and legislative notification of certain position transactions, requires all administratively established

positions to terminate on June 30 and allows for such positions to continue if they were established after the Governor's Budget was submitted to the Legislature, and prohibits increases in salary ranges and other employee compensation which require funding not authorized by the budget unless the Legislature is informed.

### **Senate**

The upper house of California's Legislature consisting of 40 members who serve a maximum of two four-year terms. Twenty members are elected every two years. (*Article IV, § 2 (a)*)

### **Settlements**

Refers to any proposed or final settlement of a legal claim (usually a suit) against the state. Approval of settlements and payments for settlements are subject to numerous controls. See also "Judgments." (*GC 965*)

### **Special Fund for Economic Uncertainties**

A fund in the General Fund (a similar reserve is included in each special fund) authorized to be established by statutes and Budget Act Control Section 12.30 to provide for emergency situations. (*GC 16418, 16418.5*)

### **Special Funds**

For legal basis budgeting purposes, funds created by statute, or administratively per Government Code Section 13306, used to budget and account for taxes, licenses, and fees that are restricted by law for particular activities of the government.

### **Special Items of Expense**

An expenditure category that covers nonrecurring large expenditures or special purpose expenditures that generally require a separate appropriation (or otherwise require separation for clarity). (*SAM 6469; UCM*)

### **Sponsor**

An individual, group, or organization that initiates or brings to a Legislator's attention a proposed law change.

### **Spot Bill**

An introduced bill that makes non-substantive changes in a law, usually with the intent to amend the bill at a later date to include substantive law changes. This procedure provides a means for circumventing the deadline for the introduction of bills.

### **Staff Benefits**

An object of expenditure representing the state costs of contributions for employees' retirement, OASDI, health benefits, and nonindustrial disability leave benefits. (*SAM 6412; UCM*)

### **State Fiscal Year**

The period beginning July 1 and continuing through the following June 30.

### **State-Mandated Local Program**

State reimbursements to local governments for the cost of activities required by legislative and executive acts. This reimbursement requirement was established by Chapter 1406, Statutes of 1972 (SB 90) and further ratified by the adoption of Proposition 4 (a constitutional amendment) at the 1979 general election. (*Article XIII B, § 6; SAM 6601, 6620, 6621*)

**State Operations (SO)**

A character of expenditure representing expenditures for the support of state government, exclusive of capital investments and expenditures for local assistance activities.

**Statewide Cost Allocation Plan (SWCAP)**

The amount of state administrative, General Fund costs (e.g., amounts expended by central service departments such as the State Treasurer's Office, State Personnel Board, State Controller's Office, and the Department of Finance for the general administration of state government) chargeable to and recovered from federal funds, as determined by the Department of Finance. These statewide administrative costs are for administering federal programs, which the federal government allows reimbursement. (*GC 13332.01-13332.02; SAM 8753, 8755-8756 et seq.*)

**Statute**

A written law enacted by the Legislature and signed by the Governor (or a vetoed bill overridden by a two-thirds vote of both houses), usually referred to by its chapter number and the year in which it is enacted. Statutes that modify a state code are "codified" into the respective Code (e.g., Government Code, Health and Safety Code). See also "Bill" and "Chapter." (*Article IV, § 9*)

**Subcommittee**

The smaller groupings into which Senate or Assembly committees are often divided. For example, the fiscal committees that hear the Budget Bill are divided into subcommittees generally by departments/subject area (e.g., Education, Resources, General Government).

**Subventions**

Typically used to describe amounts of money expended as local assistance based on a formula, in contrast to grants that are provided selectively and often on a competitive basis.

**Summary Schedules**

Various schedules in the Governor's Budget Summary which summarize state revenues, expenditures and other fiscal and personnel data for the past, current, and budget years.

**Sunset Clause**

Language contained in a law that states the expiration date for that statute.

**Surplus**

An outdated term for a fund's excess of assets (or resources) over liabilities and reserves (or obligations). See "Fund Balance."

**Technical**

In the budget systems, refers to an amendment that clarifies, corrects, or otherwise does not materially affect the intent of a bill.

**Tort**

A civil wrong, other than a breach of contract, for which the court awards damages. Traditional torts include negligence, malpractice, assault and battery. Recently, torts have been broadly expanded such that interference with a contract and civil rights claims can be torts. Torts result in either settlements or judgments. (*GC 948, 965-965.9; SAM 6472, 8712; BA Item 9670*)

**Traditional Budget**

See "Budget, Program or Traditional."

**Transfers**

As used in Schedule 10Rs and fund condition statements, transfers reflect the movement of resources from one fund to another based on statutory authorization or specific legislative transfer appropriation authority. See also “Category Transfer.”

**Trigger**

An event that causes an action or actions. Triggers can be active (such as pressing the update key to validate input to a database) or passive (such as a tickler file to remind of an activity). For example, budget "trigger" mechanisms have been enacted in statute under which various budgeted programs are automatically reduced if revenues fall below expenditures by a specific amount.

**Unappropriated Surplus**

An outdated term for that portion of the fund balance not reserved for specific purposes. See “Fund Balance” and “Reserve.”

**Unencumbered Balance**

The balance of an appropriation not yet committed for specific purposes. See “Encumbrance.”

**Uniform Codes Manual (UCM)**

A document maintained by the Department of Finance which sets standards for codes and various other information used in state fiscal reporting systems. These codes identify, for example, organizations, programs, funds, receipts, line items, and objects of expenditure.

**Unscheduled Reimbursements**

Reimbursements collected by an agency that were not budgeted and are accounted for by a separate reimbursement category of an appropriation. To expend unscheduled reimbursements, a budget revision must be approved by the Department of Finance, subject to any applicable legislative reporting requirements (e.g., Section 28.50).

**Urgency Statute/Legislation**

A measure that contains an “urgency clause” requiring it to take effect immediately upon the signing of the measure by the Governor and the filing of the signed bill with the Secretary of State. Urgency statutes are generally those considered necessary for immediate preservation of the public peace, health or safety, and such measures require approval by a two-thirds vote of the Legislature, rather than a majority. (*Article IV, § 8 (d)*)

**Veto**

The Governor's Constitutional authority to reduce or eliminate one or more items of appropriation while approving other portions of a bill. (*Article IV, §10 (e); SAM 6345*)

**Victim Compensation and Government Claims Board, California**

An administrative body in state government exercising quasi-judicial powers (power to make rules and regulations) to establish an orderly procedure by which the Legislature will be advised of claims against the state when no provision has been made for payment. This board was known as the Board of Control prior to January 2001. The rules and regulations adopted by the former Board of Control are in the California Code of Regulations, Title 2, Division 2, Chapter 1.

**Warrant**

An order drawn by the State Controller directing the State Treasurer to pay a specified amount, from a specified fund, to the person or entity named. A warrant generally corresponds to a bank check but is not necessarily payable on demand and may not be negotiable. (*SAM 8041 et seq*)

**Without Regard To Fiscal Year (WRTFY)**

Where an appropriation has no period of limitation on its availability.

**Working Capital and Revolving Fund**

For legal basis accounting purposes, fund classification for funds used to account for the transactions of self-supporting enterprises that render goods or services for a direct charge to the user, which is usually another state department/entity. Self-supporting enterprises that render goods or services for a direct charge to the public account for their transactions in a Public Service Enterprise Fund.

**Workload**

The measurement of increases and decreases of inputs or demands for work, and a common basis for projecting related budget needs for both established and new programs. This approach to BCPs is often viewed as an alternative to outcome or performance based budgeting where resources are allocated based on pledges of measurable performance.

**Workload Budget**

Workload Budget means the budget year cost of currently authorized services, adjusted for changes in enrollment, caseload, population, statutory cost-of-living adjustments, chaptered legislation, one-time expenditures, full-year costs of partial-year programs, costs incurred pursuant to Constitutional requirements, federal mandates, court-ordered mandates, state employee merit salary adjustments, and state agency operating expense and equipment cost adjustments to reflect inflation. The compacts with Higher Education and the Courts are commitments by this Administration and therefore are included in the workload budget and considered workload adjustments. A workload budget is also referred to as a baseline budget. (*GC 13308.05*)

**Workload Budget Adjustment**

Any adjustment to the currently authorized budget necessary to maintain the level of service required to fund a Workload Budget, as defined in Government Code Section 13308.05. A workload budget adjustment is also referred to as a baseline adjustment.

**Year of Appropriation (YOA)**

Refers to the initial year of an appropriation.

**Year of Budget (YOB)**

The budget year involved (e.g., in Schedule 10s).

**Year of Completion (YOC)**

The last fiscal year for which the appropriation is available for expenditure or encumbrance.

- \* *Abbreviations used in the references cited:*
- Article* Article of California Constitution
  - BA* Budget Act
  - CS* Control Section of Budget Act
  - GC* Government Code
  - SAM* State Administrative Manual
  - UCM* Uniform Codes Manual

(Rev. December 2010) (FO Principal)