
3A

Information

Fiscal Policy and Planning Committee of the Whole

Overview of the Budget Process and the Commission on Teacher Credentialing 2004-05 Budget

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) 2004-05 Budget components.

Recommended Action: None

Presenter: Crista Hill, Manager, 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

Overview of the Budget Process and the Commission on Teacher Credentialing 2004-05 Budget

Introduction

On August 31, 2004 Senate Bill 1113 (Chapter 208, Statutes of 2004) was signed by Governor Arnold Schwarzenegger which authorized each State Department the authority to expend funds for current Fiscal Year 2004-05. This is also commonly known as the 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 2004-05 Budget components.

Background

The Governor's Budget is the result of a process that begins more than one year before the budget becomes law. When presented to the Legislature on January 10 of each year, the Governor's Budget incorporates revenues 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

Title	Purpose	Prepared/Issued By	When
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)

The 2005-06 Governor's Budget was released to the public on January 10, 2005 and included adjustments to the current year appropriation levels for changes in Retirement and Employee Compensation. This Spring, Commission staff will attend 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 is continuing to monitor the current year (2004-05) budget to ensure that revenues and expenditures stay within the authorized levels as approved in the Budget Act of 2004.

Commission on Teacher Credentialing 2004-05 Budget Details

The Commission is comprised of four distinct program areas that in combination provide the framework for teacher licensure. 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, Information Technology and Support Management Division (to include the Fiscal and Business Services Section and the Enterprise Technology and Support Services Section), and the Office of Human Resources.

10.10-Certification, Assignment and Waivers:

Certification, Assignments and Waivers is the licensing branch of the Commission, responsible for evaluating and processing over 245,000 applications annually for credentials, permits,

certificates and waivers for authorization to serve in California's public schools. Certification, Assignments and Waivers 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 offices of education.

10.20-Professional Services:

Professional Services is responsible for: the development of licensure standards for all credential areas for which the Commission issues credentials; the accreditation of colleges, universities and local education agencies that offer educator preparation; the development and implementation of licensing examinations as required in the Education Code; and the administration of State funded programs including the Paraprofessional Program, the Pre-intern Program, the Intern Program and the Beginning Teacher Support and Assessment Program (in conjunction with the California Department of Education). Related activities include data collection and reporting and policy research.

10.30-Professional Practices:

Professional Practices is responsible for both the discipline of credential applicants and holders and the legal activities of the Commission. Professional Practices is responsible for reviewing 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 problems that would impact the status of a license. The professional practices legal staff provides legal counsel and advice to the Commission and program divisions within the Commission.

10.40 Administration:

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

Programs Total Position and Dollars:

The following table reflects the total current year (2004-05) estimated expenditures and position data for each budgeted program area. These expenditures reflect all funding sources that support the operation of the department.

Program Code	Program	Positions	Dollars
10.10	Certification Assignments and Waivers	65.5	\$8,099,000
10.20	Professional Services Division	31.6	47,044,000
10.30	Division of Professional Practices	27.6	5,054,000
10.40	Administration ^{1/}	33.3	4,793,000
10.40	Distributed Administration ^{1/}	-	-4,793,000
	Total	158.1	\$60,197,000

^{1/} The Administration and Distributed Administration are for display purposes only, the actual expenditure is spread-back/reflected in each of the program divisions on a proportional basis.

Expenditure By Fund:

The following table reflects the current year (20004-05) estimated expenditures by fund representing each fund source that supports the Commission’s programs.

Fund Code	Fund Name	Estimated Dollars
0001	General Fund ^{1/}	3,500,000
0001	General Fund, Proposition 98 ^{1/}	31,814,000
0407	Teacher Credentials Fund	14,763,000
0408	Test Development Administration Account, Teacher Credentials Fund	9,734,000
0890	Federal Funds	147,000
0995	Reimbursements	239,000
	Total	\$60,197,000

^{1/} 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., Credential Monitoring, Alternative Certification, Pre-Intern, Paraprofessional).

Expenditure By Category:

The following table reflects the main categories of expenditure for each Division. This includes Personal Services, Operating Expenses and Equipment (OE&E) and Local Assistance.

Category	10.10 CAW	10.20 PSD	10.30 DPP	10.40 ADMIN (Display Only) ^{1/}	Total
Personal Services	\$3,942,985	\$2,789,153	\$2,063,667	\$2,849,236	\$11,645,042
OE&E	1,335,335	8,038,158	1,933,289	1,930,084	13,236,866
OE&E - Admin Recovery ^{1/}	2,512,172	1,210,177	1,056,972	0	4,779,320
Local Assistance	308,000	35,006,000	0	0	35,314,000
Total Program Cost	\$8,098,492	\$47,043,489	\$5,053,928	\$4,779,320	\$60,197,000

^{1/} The Administration Division is for display purposes only, the actual expenditure is spread-back/reflected in each of the program divisions on a proportional basis.

Year-To-Date Revenues and Expenditures by Fund:

The following charts reflect the Commission’s actual revenue and expenditure data by fund for the second quarter of the current year (2004-05), as of December 31, 2004.

The following comments provide explanations for certain key points:

- All revenue percentages were calculated as a ratio of the actual revenue collected compared to the amounts projected in the 2005-06 Proposed Governor's Budget for the current FY 2004-05.
- The year-to-date revenue received and deposited in the Teacher Credentials Fund (0407) for FY 2004-05 is 6 percent lower than anticipated based on this same point in time last year. It is important to note that revenue projections included the 2004-05 Proposed Governor's Budget reflect a 2 percent decrease in revenue a difference of 4 percent.
- Total expenditures, by fund, reflects all expenditures, including encumbrances, associated with Personal Services and OE&E for all programs. Encumbrances are expenses that the Commission has obligated itself to spend at a future date.
- Expenditures for the local assistance programs reflects the majority of the first allocations for fiscal year 2004-05.
- The remaining allocations will be allocated based on actual need after the census over the next couple months.

Additional information is provided on each of the charts for your reference that is applicable to the fund source.

Chart 1 – Teacher Credentials Fund (0407)(State Operations)

Chart 2 – Test Development Administration Account (0408) (State Operations)

Chart 3 – General Fund – Proposition 98 and Non-Proposition 98 (Local Assistance) (0001)

Chart 4 – Federal Funds (0890) (State Operations)

Chart 5 – Reimbursement (0995) (State Operations)

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

Budget Glossary (FPPC 3A -11 – FPPC3A – 24):

A-pages

The “Governor's Budget Summary” outlines the Administration's goals and objectives for the forthcoming fiscal year. This publication provides a perspective on the Governor's policy and highlights significant fiscal and/or structural features that are being proposed.

Administration

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

Administration Program Costs

An accounting for departmental central management costs, typically the costs of those units serving the entire department (e.g., the Director's Office, Legal, Personnel, Accounting and Business Services). "Distributed Administration" costs represent the distribution of these 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 established by a department. See “Section 31.00” and “Authorized Positions.”

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. *OR* An organization whose head (Agency Secretary) is designated by Governor's order as a cabinet member. (*SAM 6610*)

Allocation

A distribution of funds or an expenditure limit established for an organizational unit or function.

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*)

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” (“continuing appropriations”) 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, at which time the undisbursed balance of the appropriation is reverted back into the fund. Federal funds have four years to liquidate.

Appropriation Schedule

The detail of an appropriation (e.g., in the Budget Act), showing the distribution of the appropriation to each of the categories, programs or projects thereof.

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 (e.g., the Allocation for Emergencies and Contingencies item, Employee Compensation Item, or other special appropriation). Usually a Budget Revision or Executive Order is processed to implement the increase. For example, one Budget Act control section may authorize the increase in expenditures for a program, category, or project by transfer from another program, category, or project within the same schedule. Another control section of the Budget Act may authorize the augmentation of scheduled amounts from other departments, and from the federal government, to the extent such funds have not been taken into consideration in the appropriation schedules.

Authorized

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

Authorized Positions

The regular ongoing positions approved in the final budget of the preceding year, less positions abolished because of continued vacancy. The detail of authorized positions by department and classification is published in the annual "Salaries and Wages Supplement." Changes in authorized positions are usually listed at the end of each department's budget presentation in the Governor's Budget, or as supplemental schedules to the Budget. (*GC 19818.12; 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. Generally, 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" ("continuing appropriation") has an unlimited period of availability and may be encumbered at any time until the funding is exhausted. If no specific time is provided in financial legislation, the period of availability automatically becomes three years. Appropriation accounts are kept open by the Controller for a period of two years after the expiration period to allow for liquidations of encumbrances. (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 or encumbrance. For appropriations, it is the unobligated balance still available.

Baseline Adjustment

A change from the currently authorized budget necessary to maintain the current level of service or activities in the current year or in a future year.

Baseline Budget

The anticipated costs of carrying out the current level of service or activities as authorized by the Legislature. It sometimes includes adjustments for cost increases, but does not include changes in level of service beyond those authorized by the Legislature. (*SAM 6315*)

Bond Funds

Funds used to account for the receipt and disbursement of general obligation bond proceeds. These funds do not account for the debt retirement since the liability created by the sale of bonds is not a liability of bond funds. Depending on the provisions of the bond act, either General Fund or a sinking fund pays the principal of, and interest on, the general obligations bonds. The proceeds and debt of bonds related to a public service enterprise are included in the Public Enterprise Fund classification. (*SAM 14400*)

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 (currently done by January 10), review and revision of the Governor's Budget by the Legislature, return of the revised budget to the Governor for approval (which the California Constitution requires be done by June 15), and the signing of the budget by the Governor (normally by June 30). (*SAM 6150*)

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 (Summary by Object) for State Operations for each department. (*GC 13336; SAM 6210, 6220*)

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 Appropriation

The 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 appropriation item schedule. 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

The system for recording 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 and 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 included at the end of each department’s budget display in the Governor's Budget, or as a supplemental schedule to the budget, which 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)

Character of Expenditure

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

Conference Committee

A committee of up to 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)

Continuous Appropriation

Permanent constitutional or statutory expenditure authorization which is automatically 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 most statutory continuous appropriations. Section 30.00 of the annual Budget Act traditionally extends the continuous appropriations for one additional year. (GC 13340; SAM 8382)

Continuously Vacant Positions

Positions which were continuously vacant for six consecutive monthly pay periods during the preceding fiscal year, and which were thus abolished by the Controller. The exceptions to this rule are positions exempt from civil service or those instructional positions authorized for the California State University, or in cases where the vacancies were due to a hiring freeze and the Department of Finance approves an agency’s written appeal to continue the positions. In addition, a State agency may request Department of Finance approval to reestablish abolished positions where the positions are considered “hard-to-fill,” or late enactment of the Budget Act contributed to the continuous vacancy.

By August 1 of each year, the Controller is required to notify the Department of Finance of the continuously vacant positions identified for the preceding fiscal year, and by December 1 of each year, to notify the Joint Legislative Budget Committee of all such vacant positions. (GC 12439)

Control Sections (CS)

Sections of the Budget Act (e.g., 4.00 to the end) providing specific controls on the appropriations itemized in Section 2.00 of the Budget Act. See more detail under “Sections.”

Cost-of-Living Adjustments (COLA)

Increases provided in State-funded programs that include periodic adjustments predetermined in state law (statutory, such as K-12 education apportionments), or established at optional levels (discretionary) by the Administration and the Legislature each year through the budget process.

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 “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 also “Section 27.00.” (GC 11006, 13332.04; BA Item 9840; CS 27.00)

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 (DOF)

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 adviser. Major activities of the department include:

- Establish appropriate fiscal policies to carry out the Administration's programs.
- Prepare, enact and administer the State's Annual Financial Plan.
- Analyze legislation that has a fiscal impact.
- Administer and maintain CALSTARS.
- Monitor/audit expenditures by State departments to ensure compliance with approved standards and policies.
- Develop economic forecasts and revenue estimates.
- Develop population and enrollment estimates and projections
- Review expenditures on data processing activities of department

(GC 13000 et seq.)

Discretionary

Something not required by law, optional.

Element

A subdivision of a budgetary program. (A program is subdivided into "elements" which are composed of "components" which can further be divided into "tasks.") See also "Program."

Employee Compensation

Relating to the salary and benefit adjustments for compensation of State employees through the budget. 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 forthcoming fiscal year. (The base salary and benefit levels are included in individual agency/departmental budgets.)

Encumbrance

The commitment of part or all of an appropriation by a governmental unit for goods and services not yet received. These commitments are expressed by such documents as purchase orders, contracts, and future salaries, and cease to be encumbrances when they are paid or otherwise canceled. (SAM 8340)

Excess Vacant Positions

Refers to 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 and offices reporting directly to it (the Administration) are part of the Executive Branch.

Executive Order (EO)

An order signed by the Director of Finance and, if necessary, the Governor, for authorizing various increases or decreases in appropriations (e.g., deficiencies or augmentations). Executive Orders may be necessary to transfer money from one fund to another pursuant to any other statutory provisions for such transfers.

Exempts

Typically refers to State employees exempt from civil service (e.g., 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: For budgeting and accounting purposes, 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 amounts where goods and services have been received. Expenditures include debt retirement not included as a liability of a specific fund, expenses, and capital outlays.

Expenditure Authority

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

Feasibility Study Report (FSR)

A document proposing an electronic data processing 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, that begins on October 1 and ends the following September 30. For example, a reference to FFY 1999 means the time period beginning October 1, 1998 and ending September 30, 1999. (See also "Fiscal Year.")

Federal Funds (FF)

All funds received directly from an agency of the federal government but not those received through another State department. State departments must deposit such federal grant funds in the Federal Trust Fund, or other appropriate federal fund in the State Treasury. (GC 13326 (DOF approval), 13338 *approp. of FF*, CS 8.50)

Feeder Funds

Funds into which tax receipts or other State revenues are deposited upon collection, and in some cases from which the administrative cost of assessments, collection expenses and refunds are payable. The balance of these funds is transferable at any time by the Controller to the receiving fund.

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: Since subsequent appropriations and other actions affect a fiscal year's budget, a budget may not be truly final until sometime during or after the budget year.

Final Budget Summary

A document produced by the Department of Finance after enactment of the Budget Act which reflects the Budget Act and any vetoes to language and/or appropriations. (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, 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 Impact

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 accounting period during which obligations are incurred, encumbrances are made, and appropriations are expended. In California State government, the fiscal year runs from July 1 through the following June 30. If reference is made to the State's FY 2002, this is the time period beginning July 1, 2002 and ending June 30, 2003. (See also "Federal Fiscal Year.") (*GC 13290*)

Fund

A legal 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. (See also "Balance Available," and "Special Fund for Economic Uncertainties.")

Fund Condition Statement

A statement to disclose the beginning balance, revenues and transfers, expenditures, and ending balance and reserves. The statement is either included in the Governor's Budget, or as a supplemental schedule to the Budget, for each special fund, special account in the General Fund, selected bond funds and other funds. (*SAM 6481*)

General Fund (GF)

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 bank and corporation taxes. The major uses of the General Fund are education (K-12 and higher education), health and human service programs, youth and adult correctional programs, and tax relief.

Governmental Cost Funds

See "Special Funds."

Governor's Budget

The proposal wherein the Governor presents to the Legislature, by January 10 each year, recommendations and estimates for the State's financial operations for the ensuing fiscal year. This proposal also reflects the actual revenues and expenditures of the State for the immediate past year, and updates estimates for the current year revenues and expenditures. (*Article IV, § 12; SAM 6120, et seq*)

Governor's Budget Summary

See "A-pages."

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 prorated 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

See "Appropriation."

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 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)

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 enactment 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.

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-Governmental Cost Fund (NGCF)

Funds that account for monies derived from sources other than general or special taxes, licenses, fees or other State revenues. These funds are further classified (on the legal basis) as Public Service Enterprise Funds, Working Capital and Revolving Funds, Bond Funds, General Debt Service Funds, Retirement Funds, Trust and Agency Funds, Federal and other. (See "Fund.") (UCM)

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 Summary by Object 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 not only actual liabilities, but also the portion of unliquidated accruals representing goods or services received but not yet paid for.

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 governmental agency (and sometimes to unique budgetary programs) for fiscal system purposes. The organization code is the first segment of the budget item/appropriation number. (UCM)

Past Year (PY)

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.

Policy Decision

Typically refers to a decision required of Department of Finance management or the Governor's Office (e.g., a decision to approve or reject a BCP for a new program activity), and excludes all decisions which have been delegated to staff (e.g., the more routine budget adjustments). Annual Budget Letters provide guidance on which types of decisions require policy review.

Positions

As used in the Governor's Budget Presentation System, positions mean the full-time equivalents or personnel years approved for a specified program or purpose. See also "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 Treasurer, Personnel Board, Controller and 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 Cost Accounting (PCA)

A system of accounting that provides for the identification of costs by activities performed in contrast to the traditional line-item format. The purpose of this system is to produce cost data sufficiently accurate that an agency may depend on it 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...".)

Public Service Enterprise Funds

The (legal basis) fund classification identifying those funds used to account for the transactions of self-supporting enterprises that render goods or services for a direct charge to the user (primarily the general public). Self-supporting enterprises, that render goods or services for a direct charge to other State departments or governmental entities, account for their transactions in a Working Capital and Revolving Fund. (*UCM, Fund Codes—Structure*)

Reappropriation

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

Reconciliation With Appropriations (RWA)

A statement in each budget presentation in the Governor's Budget that displays by fund the source and amount of appropriations available to the department and the disposition of such appropriated funds. Statements are presented by fund for each character of expenditure (i.e., State Operations, Local Assistance, and Capital Outlay). (*SAM 6478*)

Reference Code

A three-digit code specifying 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 revenue 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*)

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). Revenues are a type of receipt generally derived from taxes, licenses and 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. The liquidation period is generally two years.

Revolving Fund

Typically references either a fund classification or a cash account. The fund classification is described in Working Capital and Revolving Funds. An agency or office revolving fund (ORF) is not a fund but an advance from an appropriation. Agencies may use the cash advance to disburse ORF checks. The cash account is subsequently replenished by a SCO warrant which records the expenditure and reduces the balance of the appropriation. The size of departmental revolving funds is subject to Department of Finance approval within statutory limits. (SAM 8100, et seq)

Salaries and Wages Supplement

An annual publication issued shortly after the Governor's Budget, containing a summary of all positions by agency, unit, and classification, as of July 1.

Salary Savings

The estimated or actual personnel cost savings resulting from vacancies and downward reclassifications as a result of employee turnover. The amount of budgeted salary savings (typically five percent) is an estimate generally based on past experience. (SAM 6409)

Schedule 2

See "Changes in Authorized Positions."

Schedule 7A

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

Schedule 8

A detailed listing generated from the State Controller's payroll records for a department of its 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 9

See "Schedule of Operating Expenses and Equipment."

Schedule 10s (Supplementary Schedule of Appropriations)

A Department of Finance control document listing all appropriations and allocations of funds available for expenditure during each of the three fiscal years reported in the Governor's Budget. 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 Reconciliation with Appropriations in the Governor's Budget. (*SAM 6484*)

Schedule 10Rs

Department of Finance documents reflecting the actual, estimated and anticipated revenue and transfers which will affect the General Fund and Special Funds.

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

A Budget Act section which allows the Department of Finance to make changes to the Budget that are of a technical nature and consistent with legislative intent.

Section 8.50

The Control Section of the Budget Act that provides the authority to increase federal funds for the Budget during the fiscal year.

Section 20

A term sometimes used to refer to Abolished Vacant Positions because prior to 1982, the authority to abolish continuously vacant positions was contained in Section 20 of the Budget Act. See "Continuously Vacant Positions." Current authority to abolish continuously vacant positions is in Government Code Section 12439.

Section 26.00

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

Section 27.00

A Control Section of the Budget Act that details the conditions under which a department may incur a deficiency and the reporting requirements associated with Finance approval of deficiencies.

Section 28.00

A Control Section of the Budget Act which authorizes the Director of Finance to augment or reduce items of expenditure (most often federal funds), and that specifies the related reporting requirements. (SAM 6551-6557)

Section 28.50

A Control Section of the Budget Act that authorizes the Department of Finance to augment or reduce reimbursements from other State agencies subject to specific reporting requirements. (SAM 655-6557)

Section 30.00

A Control Section of the Budget Act that amends GC 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.

Special Funds

Any fund created by statute that must be devoted to some special use in accordance with that statute. Special fund is also used to refer to "governmental cost funds"(other than the General Fund), commonly defined as those funds used to account for revenues from taxes, licenses and fees where the use of such revenues is restricted by law for particular functions or activities of government. Sometimes the term is used to refer to all other funds besides the General Fund.

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*)

Staff Benefits

An object of expenditure representing the State costs of contributions for employees' retirement, OASDI, health and welfare 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 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 Treasurer, Personnel Board, Controller, and Finance for the general administration of State government) chargeable to and recovered from federal funds, as determined by 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.*)

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 By Object (SBO)

A budget summary by object of expenditure (e.g., Personal Services, Operating Expenses and Equipment) of actual past year, estimated current year, and proposed budget year expenditures for goods and services for each organization presented by character of expenditure (i.e., State Operations and/or Local Assistance). (*SAM 6475*)

Summary of Program Requirements

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

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.

Transfers

As used in 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). In recent years, 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.

Unencumbered Balance

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

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*)

Without Regard To Fiscal Year (WRTFY)

Where an appropriation has no period of limitation on its availability (i.e., “continuous appropriation.”)

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.

(Source: Department of Finance Website (Budget Analyst Guide – DOF Glossary))

Chart 1
Teacher Credentials Fund (0407)
Quarter Ending December 31, 2004
(Amounts in Thousands)

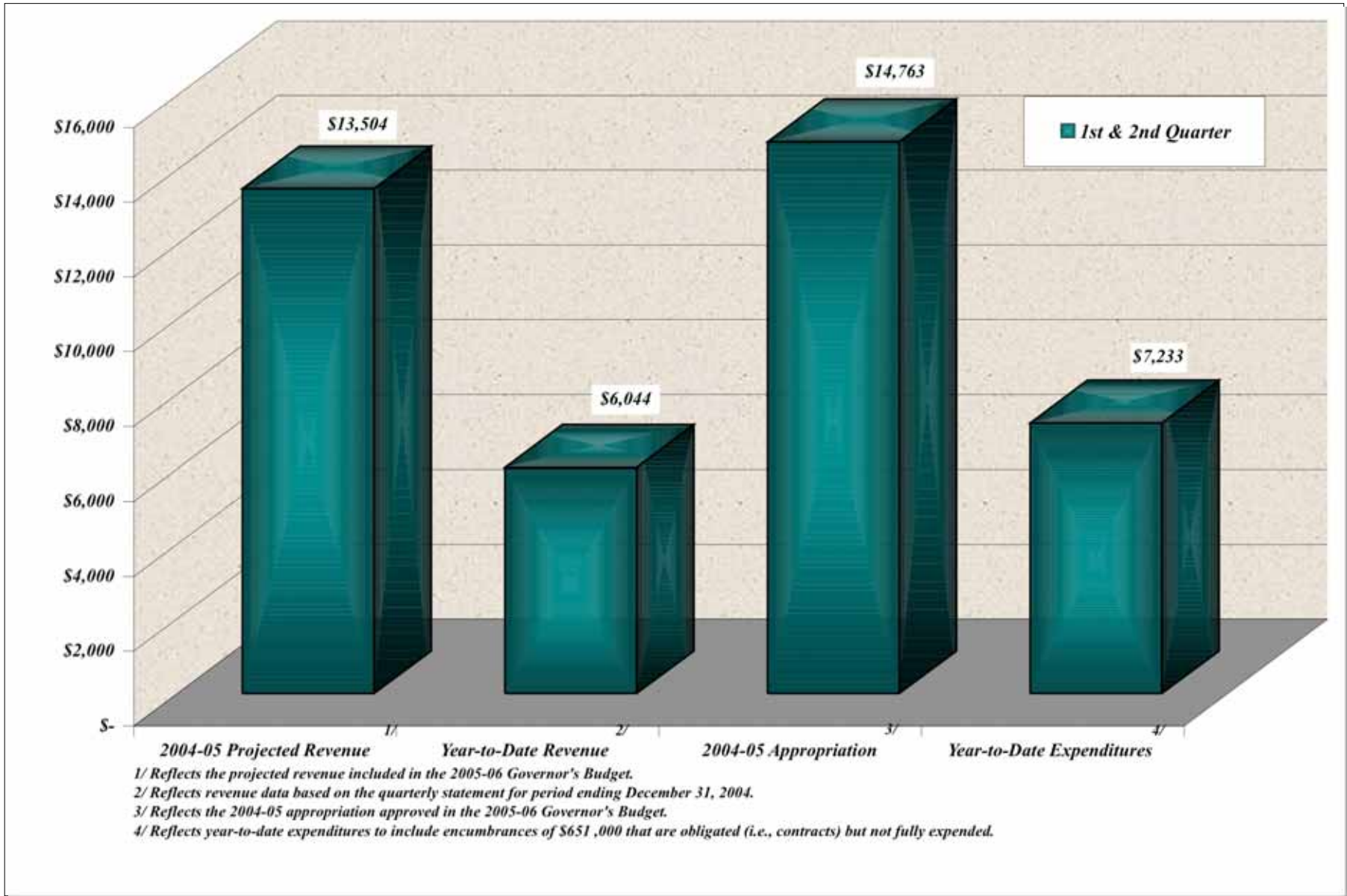


Chart 2
Test Development and Administration Account (0408)
Quarter Ending December 31, 2004
(Amounts in Thousands)

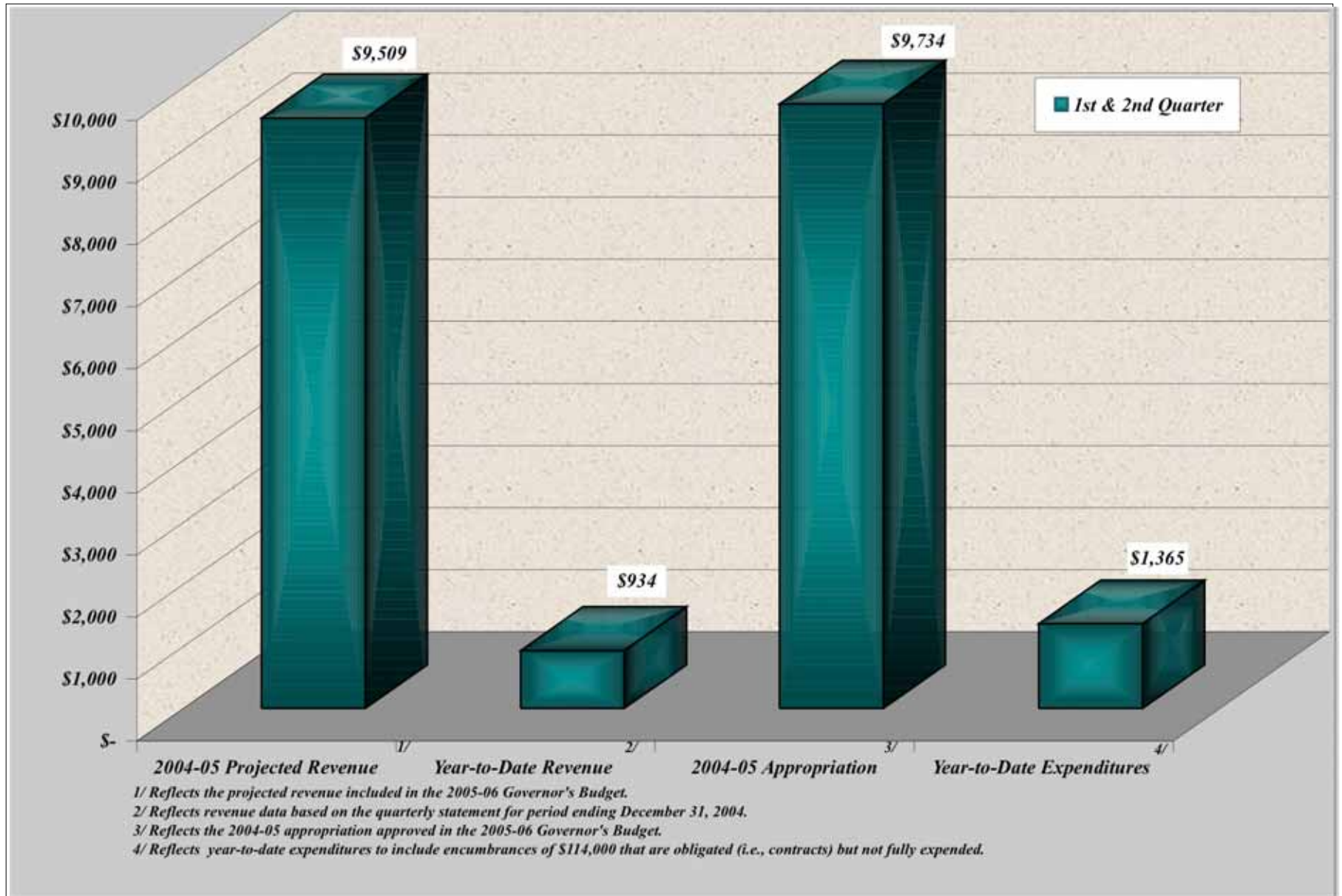


Chart 3

General Fund (0001) Local Assistance ^{1/}
Quarter Ending December 31, 2004

(Amounts in Thousands)

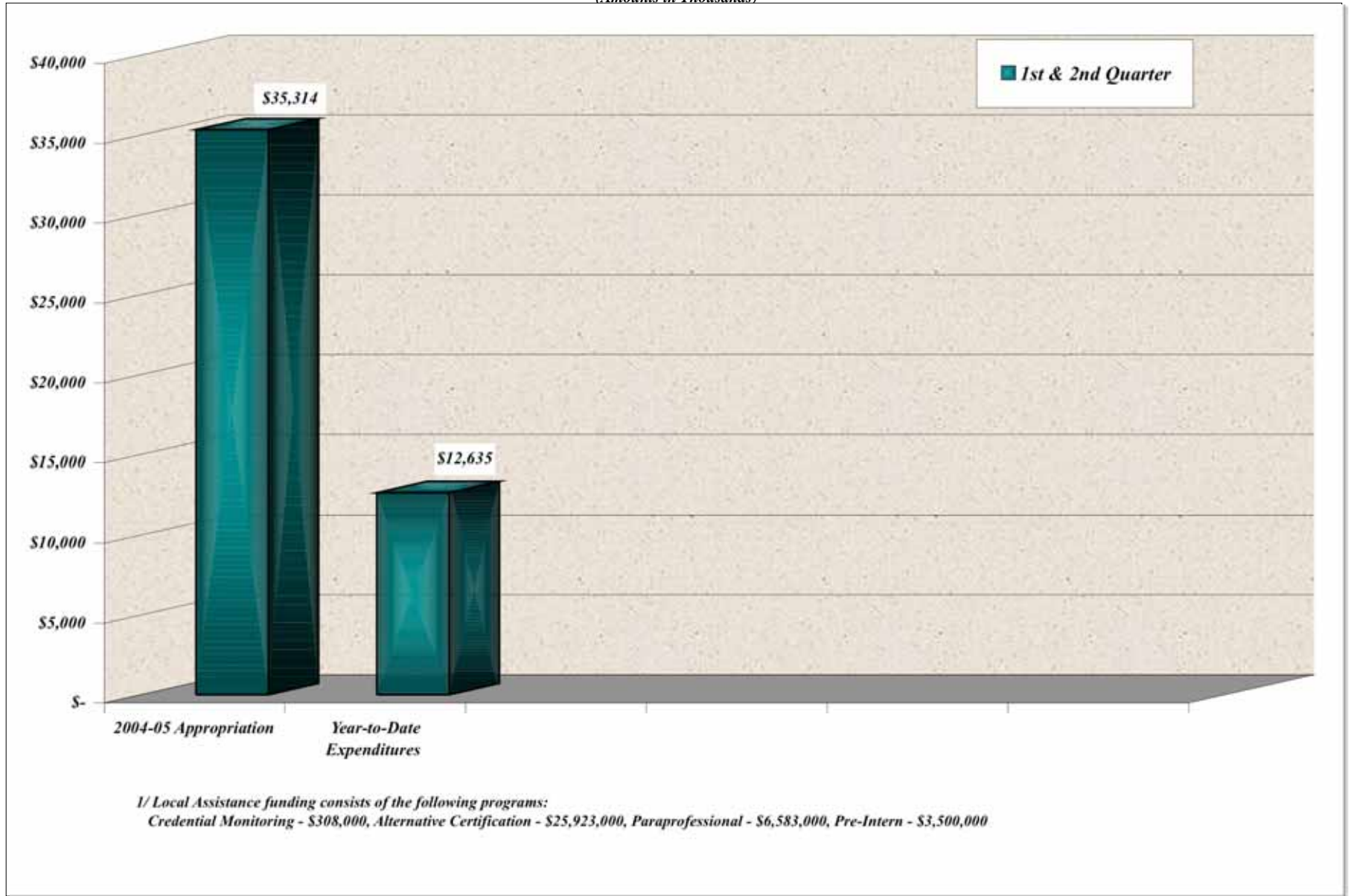


Chart 4
Federal Funds ^{1/}(0890)
Quarter Ending December 31, 2004
(Amounts in Thousands)

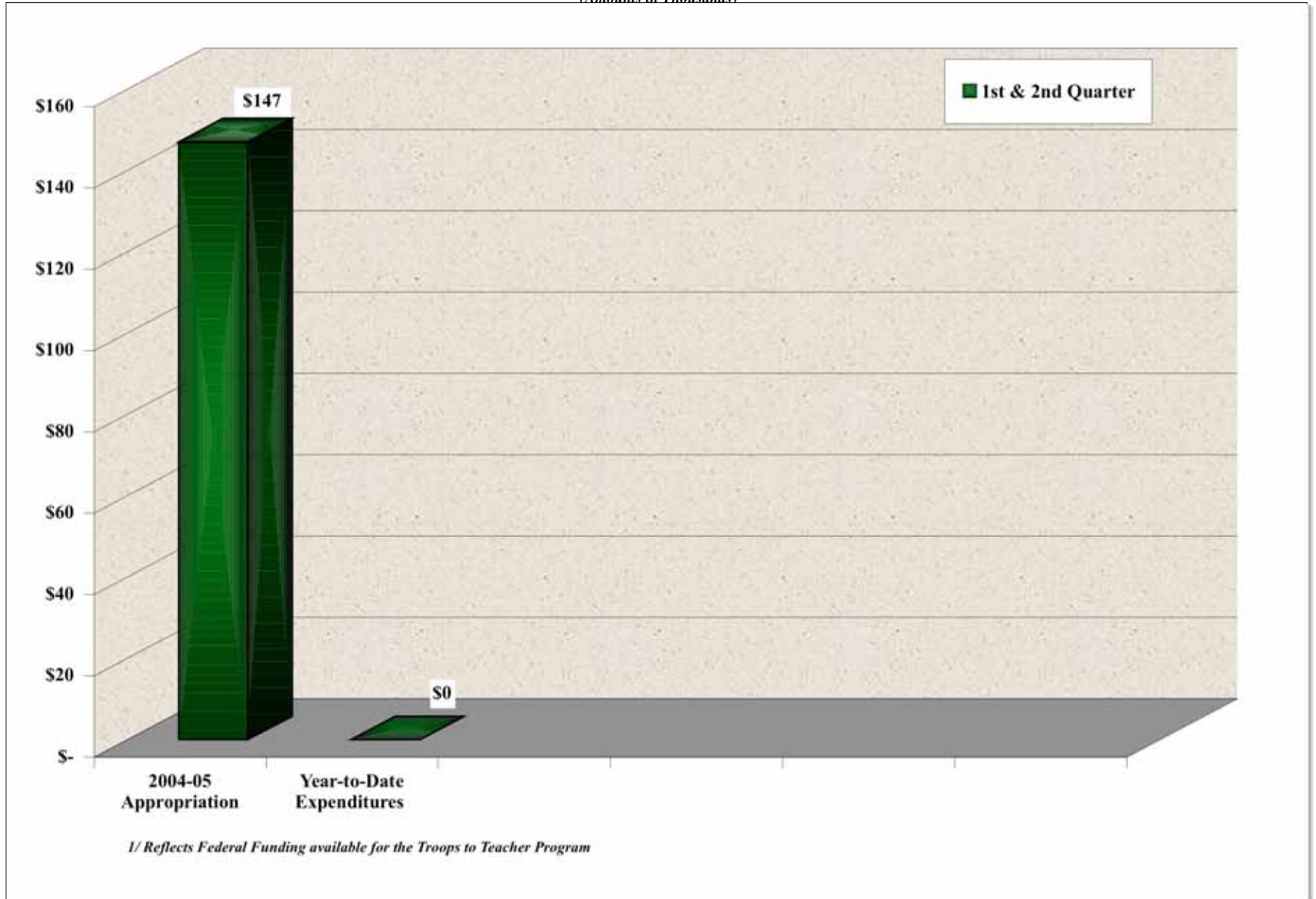


Chart 5

*Reimbursements^{1/} (0995)
Quarter Ending December 31, 2004
(Amounts in Thousands)*



1/ Reflects funding associated with the AB 54 Oropeza Cultural Study that is funded from the California Department of Education.