



STATE OF CALIFORNIA
FAIR POLITICAL PRACTICES COMMISSION
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To: Chair Miadich, Commissioners Cardenas, Hatch, Hayward and Wilson

From: TJ Jones, Executive Director
Loressa Hon, Chief of Administration

Subject: FPPC Budget Development Timeline

Date: January 3, 2020

The purpose of this agenda item is to provide the Commission with background on the state budget process and to formalize how staff will continue to keep the Commission apprised of developments related to the Commission's budget. Today, staff is seeking approval of the proposed budget timeline to update the Commission annually as detailed below.

Budget Process Overview

The major steps and procedures of California's budget process are as follows. The Director of Finance, as the chief financial advisor to the Governor, directs the effort for preparation of the Governor's Budget. Under the policy direction of the Governor, the Director of Finance issues instructions and guidelines for budget preparation to agencies and departments. This effort typically gets underway for the next fiscal year even before the Legislature has passed the budget for the current fiscal year.

The basic approach utilized for budget development is incremental budgeting. This approach essentially uses the current departmental level of funding as a base amount to be adjusted by change proposals. The Budget Change Proposal (BCP) has been the traditional decision document which proposes a change to the existing budget level. Each year the Department of Finance will publish Budget Letters to outline preparation guidelines and policy. Each department submits BCPs to DOF for review and analysis by September. A BCP is a proposal to change the level of service or funding sources for activities authorized by the Legislature, or to propose new program activities not currently authorized. DOF will consider workload budget and technical requests to maintain current service levels for existing authorized services as they traditionally have—based on current law, the merits of the proposal, and the availability of funding, regardless of fund source. These include existing or ongoing information technology and capital outlay projects. In addition, DOF will consider proposals for one-time investments, subject to the availability of General Fund. Those criteria apply to all departments, including those not under the Governor's direct authority.

Nearly two years ago, at the April 5, 2018 hearing of the FY 2018-19 Senate Budget and Fiscal Review Subcommittee, the committee directed Legislative Analyst Office (LAO) to review the Commission's historic workload metric in order to increase our level of funding. Although the FPPC provided historic workload metric, LAO stated in the analysis that the Commission did not

appear to be in imminent need for the Legislature to provide additional resources. In the Budget Act of 2018, the legislature added provisional language to report specific workload metrics in an annual report, that allow the Legislature to determine if future adjustments are necessary to the FPPC budget in order for the FPPC to effectively and efficiently administer and enforce the act and meet the public information needs.

Additionally, in the 2020-21 Budget Policy Memo, Priorities: “The Administration’s primary budget focus continues to be maintaining a structurally balanced budget that preserves critical state services, promotes affordability and economic opportunity, and pays down state debts and obligations. We must continue to plan and save for tougher budget times ahead given the growing uncertainty related to the global political and economic climate, federal policies, and the potential end of the current economic expansion that has surpassed historical averages. Departments must continue to control cost, identify and implement efficiencies, and refrain from creating new—or expanding existing—programs. Accordingly, Finance’s consideration and approval of BCPs requesting ongoing General Fund for discretionary program expansions will be significantly limited. (In Fiscal Year 2019-20, the deadline to submit Regular BCPs for Fiscal Year 20-21 was September 3, 2019).”

The general goal in the state’s budget decision process is to resolve budget issues at the lowest staff level possible. The Director of Finance discusses any open issues at meetings with departments that are not under an Agency Secretary. Once there are no open issues, the department submits updated BCPs and supporting documents, and updated budget information to reflect the Governor’s decisions. All information contained in approved BCPs is strictly confidential until release of the Governor's Budget. Each department is responsible for maintaining the confidentiality of its respective BCPs until approved for release (usually simultaneously with the release of the Governor's Budget in January).

The DOF proposes adjustments to the Governor's Budget through “Finance Letters” in the spring. By statute, DOF is required to give the Legislature all proposed adjustments, other than Capital Outlay and May Revision, to the Governor’s Budget by April 1. The traditional May Revision adjustments are due by May 14, and consist of an update of General Fund revenues and changes in expenditures.

Throughout the Spring, the Legislature holds hearings in budget subcommittees to consider whether it approves of the Governor’s proposed budget. Proposed items that are approved by both the Senate and Assembly are in the final budget, which must be approved no later than June 15th. After the Legislature completes its budget discussions, the Governor signs the budget bill into law.

The Department of Finance approves budget changes using Budget Revisions, Executive Orders and letters. These changes are transmitted to the State Controller's Office, which maintains the statewide appropriation control accounts.

General Budget Timeline for State Agency (Department = Fair Political Practices Commission)

July

- State's fiscal year begins.

August

- Department submits Budget Bill Section 3.60 Employer Retirement Rate Contribution Adjustment worksheets to the DOF.
- Department submits Item 9800 Employee Compensation Workbook to DOF.

September

- Department submits Schedule 7A – Salaries and Wages Spreadsheet and Schedule 8 Tabulation – SCO's payroll records of established positions to the DOF.
- Department submits Budget Change Proposals to DOF.

October

- DOF budget staff holds budget discussions with department.

November

- Director of Finance holds budget decision meetings/appeals with department, Agency and Governor's Office staff, as needed.
- Department starts flowing updated BCPs and supporting documents, and updated budget information that have decisions and no open issues.

December

- Governor holds budget meetings and makes decisions.
- Department submits updated BCPs and supporting documents, and updated budget information to reflect Governor's decisions.
- DOF finalizes Governor's Budget, Governor's Budget Summary, and Budget Bill.

January

- Department submits approved (updated) BCPs and final Supplementary Schedules (Operating Expenses and Equipment, Equipment, Federal Funds and Reimbursements) to the DOF.

January 10

- Governor (and DOF) submits Governor's Budget and Budget Bill to the Legislature by this date.

February to May

- Department submits Spring Finance Letter requests to the DOF.
- DOF budget staff discuss Finance Letter requests and meet with departments

- Legislative budget subcommittee staff holds budget pre-hearings with Legislative Analyst Office (LAO), DOF and department.
- Legislative Budget Subcommittees hold budget hearings.
- DOF releases Salaries and Wages Supplement (Schedule 7A).

April

- DOF submits non-May Revision and non-Capital Outlay Finance Letters (April 1 Finance Letters) to the Legislature.

May 14

- DOF issues May Revision update of General Fund revenues and expenditures.

June 30

- Budget Act and Budget Trailer Bills are printed (assuming the Budget is enacted on time).
- State's fiscal year ends.

Proposed Timeline to Update Commission

Last month, the Commission adopted a policy to be incorporated into the Commissioner Manual. Below please find a proposed schedule for keeping the Commission apprised of the budget process. Staff is seeking the Commission guidance and will adjust them accordingly.

July Budget and Staffing Committee Meeting

- Review pending Legislation from Prior Fiscal Year which may have fiscal impact that would require the concept of BCP

July Commission Meeting

- Update Commission on Final Approved Budget for current Fiscal Year

August Budget and Staffing Committee Meeting

- Identified on any potential Budget Change Proposal submission

August Commission Meeting

- Fourth Quarterly Expenditure Report

September Commission Meeting

- Provide update on BCP Submitted to DOF

November Commission Meeting

- First Quarterly Expenditure Report

January Budget and Staffing Committee Meeting

- Review Governor's Proposed Budget for Next Fiscal Year including BCP decision from DOF

January Commission Meeting

- Update Commission on Governor's Proposed Budget for Next Fiscal Year including BCP decision from DOF

February Commission Meeting

- Second Quarterly Expenditure Report

March Budget and Staffing Meeting

- Identify any potential Spring Finance Letter submission

May Commission Meeting

- Third Quarterly Expenditure Report

June Budget and Staffing Meeting

- Review Governor's May revised Budget for Next Fiscal Year including Spring Finance Letter decision from DOF
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June Commission Meeting

- Update Commission on Governor's May Revised Budget
- Update Commission on Any Relevant Developments from Legislative Budget Hearings