



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

From: Erin V. Peth, Executive Director
Loressa Hon, Chief of Administration

RE: FPPC Budget

Date: July 9, 2018

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. As you know, the Commission recently adopted its governance regulations, so as those regulations are implemented, this proposed process may need to be adjusted accordingly. Additionally, staff is seeking approval of the proposed budget allocations for Fiscal Year 2018-2019 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 department submits BCPs to the Department of Finance (DOF) for review and analysis by September. (In Fiscal Year 18-19, the deadline to submit Regular BCPs for Fiscal Year 19-20 is September 4, 2018). The general goal in the 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. After deliberation and consultation with the DOF, the Governor releases his proposed budget to the Legislature by January 10th.

The DOF proposes adjustments to the Governor's Budget through "Finance Letters" in the spring. By statute, the 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.

The FPPC's Budget and Accounting

The State budget for Fiscal Year 2018-19 appropriates a total of \$12,929,000 to the FPPC. Approximately 83.9% (or \$10,853,000) of our budget covers the required salaries and wages and benefits for our 82.5 authorized positions (funding includes 4 newly funded positions through FY 18-19 BCP approval), and 16.1% (or \$2,076,000) is allocated to operating expenses and equipment. Below are staff's proposed budget allocations by category. These estimates were developed by considering past spending.

Funding		
Appropriation		12,188,000
Reimbursements*		741,000
Total Appropriation		\$ 12,929,000
Budget Allocation		
Salaries and Wages		6,640,000
Staff Benefits		4,213,000
Operating Expenses and Equipment Total		2,076,000
- General Expenses (e.g. membership dues, subscriptions, disability and unemployment claims etc.)	231,000	
- Printing (copiers, maintenance)	58,000	
- Communications (phone bills)	48,000	
- Postage	17,000	
- Travel (In-State and Out-of-State)	50,000	
- Training	22,000	
- Facilities Operations (Rent)	806,000	
- Consulting and Professional Services (Internal State Government) (Other State Departments: Department of General Services, State Controller Office, CalHR, etc.)	354,000	
- Consulting and Professional Services	350,000	

(External State Government) (University Enterprises Inc., VSI Risk Management & Ergonomics Inc., Foothill Transcriptions)		
- Consolidated Data Centers (Salesforce, CalSTARS)	97,000	
- Data Processing / Information Technology (SouthTech Systems, Software, Hardware, IT Maintenance etc.)	43,000	
Total Budget Allocation		\$ 12,929,000

**Reimbursement authority from San Bernardino Contract.*

The FPPC currently contracts with the Department of General Services, Contract Fiscal Services (CFS) Unit for accounting services. Over 70 state departments contract with CFS for some of their administrative functions. The FPPC uses DGS-CFS for our accounting functions, which includes, Accounts Payable, Office Revolving Fund, Labor/Payroll, Billing, Cashiering, General Ledger, including Annual Financial Statements, etc. In addition, DGS-CFS coordinates with the State Controller's Office, State Treasurer's Office, and Auditor to resolve accounting transaction and related issues, which helps to bolster the Commission's fiscal integrity and provides outside oversight.

Proposal for Formal Timeline to Update Commission

Based on the state's budget calendar detailed above, staff proposes the following schedule to keep the Commission apprised of developments on the FPPC's budget and to have the Commission approve the budget.

Fall

- Staff updates Budget and Personnel Committee on status Budget Change Proposals (if any).

January Commission Meeting

- Update Commission on Governor's Proposed Budget for Next Fiscal Year.
- Update Commission on Actual Spending in the Current Year.

June Commission Meeting

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

July Commission Meeting

- Update Commission on Actual Spending in the past year.
- Update Commission on Final Approved Budget.
- Present Proposed Detailed FPPC Budget to Commission for Approval.

We are happy to answer any additional questions the Commission may have and welcome further direction from the Commission on these issues. Thank you.