AMENDED IN ASSEMBLY OCTOBER 7, 2010

# SENATE BILL No. 861

**Introduced by Committee on Budget and Fiscal Review**

January 11, 2010

~~An act relating to the Budget Act of 2010.~~ *An act to repeal and add Section 15849.6 of, and to repeal and add Chapter 7 (commencing with Section 15849.20) of Part 10b of Division 3 of Title 2 of, the Government Code, and to repeal Section 35 of Chapter 12 of the Fourth Extraordinary Session of the Statutes of 2009, relating to state finance, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.*

LEGISLATIVE COUNSEL'S DIGEST

SB 861, as amended, Committee on Budget and Fiscal Review. ~~Budget Act of 2010.~~ *Financial Information System for California.*

*(1) Existing law requires the Department of Finance, the Controller, the Treasurer, and the Department of General Services to collaboratively develop, implement, utilize, maintain, and operate the Financial Information System for California (FISCal) as a single integrated financial management system that encompasses the management of resources and dollars in the areas of budgeting, accounting, procurement, cash management, financial management, financial reporting, cost accounting, asset management, project accounting, grant management, and human resources management. Existing law states the intent of the Legislature regarding the objectives of the FISCal system. Existing law requires the Office of the Financial Information System, upon its establishment, to implement the FISCal system, in a specified manner, with Wave One consisting of certain departments. Existing law requires the Department of Finance, before*

*executing a contract for a prime vendor to implement the FISCal system, to submit a written report containing specified information to the Legislature for review no less than 30 days prior to the execution of the contract. Existing law limits the implementation of the FISCal system to specified departments and officers absent further express authorization of the Legislature. Existing law authorizes the State Public Works Board to issue debt to finance and refinance the costs of the FISCal system, specifically authorizes up $277,000,000 for this purpose, and specifically provides that, upon subsequent legislative approval, the board may issue additional debt up to $1,362,000,000, as specified. Existing law declares the intent of the Legislature to use General Fund appropriations for the cost of the FISCal system, and continuously appropriates funds and subaccounts to pay for the system's development, implementation, operation, and maintenance.*

*This bill would repeal and revise these provisions. The bill would change the definition of the "FISCal system" to refer to asset accounting and grant accounting instead of asset management and grant management. The bill would revise and expand the objectives that the FISCal system is intended to meet to include, among other things, the implementation of stable and secure information technology infrastructure. The bill would permit FISCal to be implemented with respect to all departments and agencies without express authorization of the Legislature. The bill would make an appropriation by requiring the expenditure of continuously appropriated funds for these new purposes. The bill would repeal, codify, and revise the provisions relating to the Department of Finance report submitted to the Legislature prior to the execution of the prime vendor contract. The bill would authorize the State Public Works Board to issue bonds, notes, or certificates to finance up to $1,362,000,000 of the cost of the FISCal system, but would prohibit the board from issuing more than $38,000,000 of that amount until the Joint Legislative Budget Committee has provided notice of its approval of the Department of Finance report. The bill would make other technical changes to FISCal terminology. The bill would also repeal and add provisions authorizing the State Public Works Board to issue bonds, notes, or other obligations to finance the acquisition or construction of a public building, as specified, without substantive change.*

*(2) This bill would declare that it is to take effect immediately as an urgency statute.*

~~This bill would express the intent of the Legislature to enact statutory changes relating to the Budget Act of 2010.~~

Vote: ~~majority~~ *2/3*. Appropriation: ~~no~~ *yes*. Fiscal committee: ~~no~~ *yes*. State-mandated local program: no.

*The people of the State of California do enact as follows:*

*SECTION 1. Section 15849.6 of the Government Code is repealed.*

~~15849.6. Notwithstanding any provision of this part to the contrary, the board may issue bonds, notes, or other obligations to finance the acquisition or construction of a public building, facility, or equipment as authorized by the Legislature, in the total amount authorized by the Legislature, and any additional amount authorized by the board to pay the cost of financing. This additional amount may include interest during acquisition or interest prior to, during, and for a period of six months after construction of the public building, facility, or equipment, interest payable on any interim loan for the public building, facility, or equipment from the General Fund or from the Pooled Money Investment Account, a reasonably required reserve fund, and the costs of issuance of any interim financing and permanent financing after completion of the construction or acquisition of the public building, facility, or equipment.~~

~~This section shall be applicable to, but not limited to, bonds, notes, or obligations of the board that were authorized by appropriations of the Legislature made prior to the effective date of this section.~~

*SEC. 2. Section 15849.6 is added to the Government Code, to read:*

*15849.6. Notwithstanding any provision of this part to the contrary, the board may issue bonds, notes, or other obligations to finance the acquisition or construction of a public building, facility, or equipment as authorized by the Legislature, in the total amount authorized by the Legislature, and any additional amount authorized by the board to pay the cost of financing. This additional amount may include interest during acquisition or interest prior to, during, and for a period of six months after construction of the public building, facility, or equipment, interest payable on any interim loan for the public building, facility, or equipment from* *the General Fund or from the Pooled Money Investment Account, a reasonably required reserve fund, and the costs of issuance of any interim financing and permanent financing after completion of the construction or acquisition of the public building, facility, or equipment.*

*This section shall be applicable to, but not limited to, bonds, notes, or obligations of the board that were authorized by appropriations of the Legislature made prior to the effective date of this section.*

*SEC. 3. Chapter 7 (commencing with Section 15849.20) of Part 10b of Division 3 of Title 2 of the Government Code is repealed.*

*SEC. 4. Chapter 7 (commencing with Section 15849.20) is added to Part 10b of Division 3 of Title 2 of the Government Code, to read:*

### *Chapter 7. The Financial Information System for California*

*15849.20. For purposes of this chapter and the issuance of debt pursuant to this part, the following terms shall have the following meanings:*

*(a) "Acquire" has the same meaning as in Section 15802 and, in addition, includes acquisition by development.*

*(b) "Approved FISCal Project documents" means the FISCal Special Project Report dated October 30, 2006, as revised on December 14, 2006, as amended by the FISCal Special Project Report dated November 9, 2007, revised on December 19, 2007, as amended by the Special Project Report dated November 18, 2009, and as amended, augmented, or changed by any subsequent approved Special Project Report or legislative action.*

*(c) "Cost or costs of the FISCal system" means the cost of a public building, including, but not limited to, the acquisition, design, development, installation, and deployment of the system, and the acquisition, development, installation, implementation, and deployment of enterprise resource planning software, other ancillary software, hardware, licenses, upgrades, independent verification and validation, and related training and facilities to acquire, develop, install, implement, and deploy the system. Cost or costs of the system also include staff and contractor costs and*

*expenses related to the FISCal system. Cost or costs of the FISCal system does not include the cost of the ongoing operation and maintenance of the FISCal system or debt service for the FISCal system.*

*(d) "Debt service for the FISCal system" means principal of; premium, if any; and interest on, bonds or certificates issued to finance and refinance the costs of the FISCal system and payments pursuant to agreements providing security or liquidity for those bonds or certificates.*

*(e) "FISCal" means the Financial Information System for California.*

*(f) (1) "General Fund and federal fund expenditures" mean the expenditure or transfer of funds in an amount in excess of five thousand dollars ($5,000) by any state department in the form of, including, but not limited to, any of the following:*

*(A) Grants.*

*(B) Contracts.*

*(C) Purchase orders.*

*(2) "General Fund and federal fund expenditures" do not include the transfer of funds between two state departments or agencies, or the transfer of state or federal assistance payments to any individual recipient or beneficiary of those assistance payments.*

*(g) "Interim financing" means any financing issued or obtained in accordance with this chapter and this part to finance the costs of the FISCal system on an interim basis, including any loan from the General Fund, any loan from the Pooled Money Investment Account, and negotiable notes, including commercial paper notes or other forms of negotiable short-term indebtedness and negotiable bond anticipation notes.*

*(h) "Notes" means negotiable notes, including commercial paper notes or other forms of negotiable short-term indebtedness or negotiable bond anticipation notes and any renewals thereof.*

*(i) (1) Except as specified in paragraph (2), "office" means the FISCal Project Office in the Department of Finance.*

*(2) Upon the establishment of an Office of the Financial Information System for California, "office" shall mean the Office of the Financial Information System for California, and shall no longer be construed to mean the FISCal Project Office in the Department of Finance.*

*(j) "Public building" has the same meaning as set forth in subdivision (c) of Section 15802 and includes the FISCal system.*

*(k) "State departments and agencies" means all state offices, officers, departments, divisions, bureaus, boards, commissions, organizations, or agencies, claims against which are paid by warrants drawn by the Controller, and whose financial activities are reported in the annual financial statement of the state or are included in the annual Governor's Budget, including, but not limited to, the California State University and the University of California.*

*(l) "Stage" means a group of implementation waves.*

*(m) "System" or "FISCal system" means a single integrated financial management system for the state that encompasses the management of resources and dollars in the areas of budgeting, accounting, procurement, cash management, financial management, financial reporting, cost accounting, asset accounting, project accounting, and grant accounting, as included in the approved FISCal Project documents and includes the information required by Section 15849.23.*

*(n) "Wave" means a set of activities resulting in the implementation of predefined business functions of the enterprise resource planning software in one or more departments.*

*15849.21. (a) With respect to the report required in subdivision (b), the Legislature finds and declares that given the state's fiscal situation, the report should examine the costs and benefits of alternative approaches to the implementation of the FISCal system, including, but not limited to, a scaled-back version of the system.*

*(b) Before executing a contract for a prime vendor to implement Section 15849.22 by developing the FISCal system, the Department of Finance shall submit a written report to the Legislature that includes all of the following:*

*(1) Summarizes the vendor assessments of the state's current financial system and future automation goals, as presented in the request for proposals.*

*(2) Provides details about proposals for the development of the FISCal system, including, but not limited to, vendor costs and timeframes.*

*(3) Provides details about how the proposed solution will develop a robust and flexible financial management system with the technical capability to implement performance-based*

*budgeting, or any other budgeting approach the Legislature chooses to adopt.*

*(4) Explains the FISCal Project Office's rationale for selecting the winning vendor.*

*(c) (1) The report required by this section shall be submitted to the Legislature for review no less than 90 days prior to execution of the contract.*

*(2) Notwithstanding paragraph (1), the Chairperson of the Joint Legislative Budget Committee may waive any portion of the 90-day review period.*

*15849.22. (a) (1) To serve the best interest of the state by optimizing the financial business management of the state, the Department of Finance, the Controller, the Treasurer, and the Department of General Services shall collaboratively develop, implement, utilize, and maintain the FISCal system. This effort will ensure best business practices by embracing opportunities to reengineer the state's business processes and will encompass the management of resources and funds in the areas of budgeting, accounting, procurement, cash management, financial management, financial reporting, cost accounting, asset accounting, project accounting, and grant accounting.*

*(2) (A) Except as specified in subparagraph (B), the FISCal Project Office in the Department of Finance shall implement the requirements of paragraph (1).*

*(B) Upon the establishment of an Office of the Financial Information System for California, the Office of the Financial Information System for California shall implement the requirements of paragraph (1), and the FISCal Project Office in the Department of Finance shall no longer implement those requirements.*

*(b) (1) All state departments and agencies shall use the FISCal system, or, upon approval from the office, a department or agency shall be permitted to interface its system with the FISCal system. The FISCal system shall replace any existing central or departmental systems duplicative of the functionality of the FISCal system.*

*(2) The FISCal system shall first be developed and used in partnership with a select number of departments, including the officers and departments identified in subdivision (a). Once the FISCal system has developed end-to-end processes that will meet the financial management needs of all state departments and*

*agencies and have proven to be effective, operationally efficient, and secure, the FISCal system shall be implemented, in phases, at all remaining state departments and agencies, or, upon approval of the office, a department or agency shall be permitted to interface its system with the FISCal system.*

*(c) The Legislature intends that the FISCal system meet the following objectives:*

*(1) Replace the state's aging legacy financial management systems and eliminate fragmented and diverse reporting by implementing standardized financial management processes and systems across all departments and control agencies. For purposes of this paragraph, "financial management" means accounting, budgeting, cash management, asset accounting, vendor management, and procurement.*

*(2) Increase competition by promoting business opportunities through the use of electronic bidding, online vendor interaction, and automated vendor functions.*

*(3) Maintain a central source for financial management data to reduce the time and expense of vendors, departments, and agencies collecting, maintaining, and reconciling redundant data.*

*(4) Increase investment returns through timely and accurate monitoring of cash balances, cash flow forecasting, and timing of receipts and disbursements.*

*(5) Improve fiscal controls and support better decisionmaking by state managers and the Legislature by enhancing the quality, timeliness, consistency, and accessibility of financial management information through the use of powerful data access tools, standardized data, and financial management reports.*

*(6) Improve access and transparency of California's financial management information allowing the implementation of increased auditing, compliance reporting, and fiscal accountability while sharing information between the public, the Legislature, external stakeholders, state, federal, and local agencies.*

*(7) Automate manual processes by providing the ability to electronically receive and submit financial management documents and data between agencies, departments, banks, vendors, and other government entities.*

*(8) Provide online access to financial management information resulting in a reduction of payment or approval inquiries, or both.*

*(9) Improve the state's ability to preserve, access, and analyze historical financial management information to reduce the workload required to research and prepare this information.*

*(10) Enable the state to more quickly implement, track, and report on changes to financial management processes and systems to accommodate new information such as statutory changes and performance information.*

*(11) Reduce the time, workload, and costs associated with capturing and projecting revenues, expenditures, and program needs for multiple years and scenarios, and for tracking, reporting, and responding to legislative actions.*

*(12) Track purchase volumes and costs by vendor and commodity code or service code to increase strategic sourcing opportunities, reduce purchase prices, and capture total state spending data.*

*(13) Reduce procurement cycle time by automating purchasing authority limits and approval dependencies, and easing access to goods and services available from existing sources, including, but not limited to, using leveraged procurement agreements.*

*(14) Streamline the accounts receivable collections process and allow for offset capability which will provide the ability for increased cash collection.*

*(15) Streamline the payment process and allow for faster vendor payments that will reduce late payment penalty fees paid by the state.*

*(16) Improve role-based security and workflow authorization by capturing near real-time data from the state's human resources system of record.*

*(17) Implement a stable and secure information technology infrastructure.*

*(d) The Legislature recognizes that the FISCal system will be developed in the departments listed in paragraph (1) of subdivision (a) and in a series of waves described more fully in the Approved FISCal Project documents.*

*(e) (1) Throughout the development of the FISCal system, the Bureau of State Audits shall independently monitor the FISCal system as deemed appropriate by the State Auditor. The bureau's independent monitoring of the FISCal system shall include, but not be limited to, the following duties:*

*(A) Monitoring the contract for independent project oversight and independent verification and validation services relating to the FISCal system.*

*(B) Assessing whether concerns about the FISCal project raised by the independent project oversight and independent verification and validation services are being addressed by the office and the steering committee of the office.*

*(C) Assessing whether the FISCal system is progressing timely and within its budget.*

*(2) The bureau shall report, at a minimum, annually prior to January 10, on the FISCal system activities that the bureau deems appropriate to monitor pursuant to this subdivision in a manner consistent with Chapter 6.5 (commencing with Section 8543) of Division 1.*

*(3) Nothing in this subdivision shall supersede or compromise the Chief Information Officer's oversight authority and responsibilities with respect to the FISCal system.*

*15849.23. (a) In addition to the requirements of Section 15849.22, the FISCal system shall include a State Budget transparency component that allows the public to have access to General Fund and federal fund expenditure data, using an Internet Web site, by including all of the following information for each General Fund and federal fund expenditure:*

*(1) The name and principal location of each entity or other recipient of the funds.*

*(2) The amount of expenditure.*

*(3) The type of transaction.*

*(4) The identity of the state department or agency making the expenditure.*

*(5) The budget program source for the expenditure.*

*(6) A brief description of the purpose for the expenditure.*

*(7) A brief description of any item purchased pursuant to the expenditure.*

*(b) This section does not require the disclosure of information deemed confidential or otherwise exempt from disclosure under state or federal law.*

*15849.24. The board may issue bonds, notes, or certificates to finance and to refinance the costs of the FISCal system pursuant to this chapter and this part. All of the provisions of this part apply to this chapter except Chapter 3 (commencing with Section 15815),* *Section 15845 and any requirements of this part regarding the Public Buildings Construction Fund, Section 15848, Section 15849.2, and any other exceptions otherwise set forth in this chapter. Proceeds from the bonds, notes, or certificates may be used to repay any interim financing for the costs of the FISCal system. Proceeds from the bonds, notes, or certificates may be used to pay for the cost of the FISCal system, for all additional costs authorized by Section 15849.6, and for the cost of providing security or liquidity for the bonds, notes, or certificates issued pursuant to this chapter and this part. Proceeds from the bonds, notes, or certificates shall not be used for the ongoing operation and maintenance of the FISCal system.*

*15849.26. (a) (1) Subject to the limitation provided in paragraph (2), the board may issue bonds, notes, or certificates in accordance with this chapter and this part to finance up to the amount of one billion three hundred sixty-two million dollars ($1,362,000,000) of the cost of the FISCal system.*

*(2) Of the amount specified in paragraph (1), the board shall not issue more than thirty-eight million dollars ($38,000,000) in bonds, notes, or certificates in accordance with this chapter and this part until the Joint Legislative Budget Committee has provided official notice of its approval of the report required by subdivision (b) of Section 15849.21.*

*(b) Before exercising the authority provided in subdivision (a), at least 20 days prior to obtaining interim financing or issuing bonds, notes, or certificates in accordance with this chapter, whichever comes first, the board shall notify the chairpersons of the fiscal committees in each house of the Legislature and the chairperson and the vice chairperson of the Joint Legislative Budget Committee regarding the general parameters of the current status of the FISCal system, and the general parameters of the proposed interim financing or issuance, as applicable, including the size and terms of the issue, the anticipated debt service requirements, and any other significant factors affecting the interim financing or issuance. Upon compliance with this subdivision, the board may obtain the interim financing or issue the bonds, notes, or certificates.*

*(c) The monetary limitations set forth in subdivision (a) shall not limit the amount of any bonds, notes, or certificates issued by the board to refinance the cost of the FISCal system.*

*(d) It is the intent of the Legislature that, to the extent possible, the cost of the FISCal system be paid for by appropriations made by the Legislature from the General Fund and from special fund moneys and by federal funding rather than by the issuance of bonds, notes, or certificates authorized by this chapter.*

*(e) Nothing in this chapter shall be construed as a mechanism to fund a year-end state budget deficit as that term is used in Section 1.3 of Article XVI of the California Constitution. None of the proceeds of the bonds, notes, or certificates issued pursuant to this chapter and this part may be used to fund a year-end state budget deficit as defined in Section 1.3 of Article XVI of the California Constitution.*

*15849.28. (a) Notwithstanding Section 15849.1 and any other provision of law permitting withdrawal of funds from the General Fund to pay for the cost of the FISCal system, the Department of Finance may authorize loans from the General Fund that may, as determined by the Director of Finance, be made without interest. The board may also request a loan from the Pooled Money Investment Account to pay for the cost of the FISCal system.*

*(b) The Controller shall deposit the loan proceeds in the FISCal Internal Services Fund, created pursuant to Section 15849.35, and those moneys shall be expended for the costs of the FISCal system or to repay other loans obtained for the cost of the FISCal system or for both purposes. The loan amounts shall not exceed the amount of any unsold bonds, notes, or certificates that the board has, by resolution, authorized to be sold for the purposes of this chapter.*

*15849.30. The board and the office may execute and deliver any lease, contract, agreement, or other document to permit the issuance or securitization of bonds, notes, or certificates to finance or refinance the cost of the FISCal system. Any such lease, contract, and agreement, as well as any bond, note, and certificate, and any disclosure document marketing those bonds, notes, or certificates shall contain language to the effect that the obligation to pay debt service for the FISCal system is subject to, and conditioned upon, the Legislature annually appropriating funds and that the Legislature is not required to appropriate any funds for that purpose.*

*15849.34. (a) The office shall establish rates and a payment schedule for state departments and agencies to use the FISCal system, and may enter into any necessary agreements with those* *state departments and agencies for the payment for FISCal system usage and services.*

*(b) Rates for use of the FISCal system shall include the costs of the FISCal system, the ongoing maintenance and operation of the FISCal system, and debt service for the FISCal system. Debt service for the FISCal system shall be considered an operation cost for accounting purposes. The rates shall be based on an interim cost allocation plan until statistically valid usage data is available to establish a transaction-based cost allocation plan.*

*(c) The office shall submit the proposed rates, the methodology used to develop the rates, and the payment schedule to the Department of Finance during the regular budget development processes for review and approval. Any changes in rates or methodology shall be submitted by the office concurrently with budget requests it submits to the Department of Finance.*

*15849.35. (a) The FISCal Internal Services Fund and the FISCal Support Fund are hereby created in the State Treasury.*

*(b) All funds received pursuant to Section 15849.34 shall be deposited in the FISCal Support Fund. Upon appropriation by the Legislature, funds in the FISCal Support Fund shall be transferred by the Controller into the FISCal Internal Services Fund.*

*(c) The Controller shall create within the FISCal Internal Services Fund an Operations and Maintenance Subaccount. Funds in this subaccount shall be available for operations and maintenance of the FISCal system including, but not limited to, administrative expenses of the board, the office, or for other purposes authorized by this chapter or in any related indenture or agreement for FISCal services.*

*(d) The Controller shall create within the FISCal Internal Services Fund a Development Subaccount. Funds in this subaccount shall be available for costs of the FISCal system.*

*(e) (1) Notwithstanding Section 13340, the funds in the FISCal Internal Services Fund and the Development Subaccount and the Operations and Maintenance Subaccount in that fund are hereby continuously appropriated to the office, without regard to fiscal year for the development, operations, and maintenance of the FISCal System.*

*(2) Notwithstanding any other provision of law, funds shall be available for payment of the debt service for the FISCal system only upon annual appropriation by the Legislature.*

*(f) Moneys in the FISCal Support Fund are available for cashflow borrowing by the General Fund pursuant to Section 16310.*

*15849.36. (a) The Controller shall create the FISCal System Development Fund in the State Treasury.*

*(b) The Controller shall create within the FISCal System Development Fund separate accounts for the proceeds of each series of bonds, notes, or certificates authorized pursuant to this chapter and this part. The money deposited in each separate account may be expended for the costs of the FISCal system and for additional costs authorized by Section 15849.24.*

*(c) Moneys in the FISCal System Development Fund shall be transferred by the Controller to the Development Subaccount in the FISCal Internal Services Fund for the 2008–09 fiscal year for the costs of the FISCal system. Transfers shall be made by the Controller in subsequent fiscal years from the FISCal System Development Fund to the Development Subaccount in the FISCal Internal Services Fund upon annual appropriation by the Legislature.*

*15849.38. (a) The Controller shall create the FISCal Debt Service Fund within the State Treasury. Moneys in this fund shall be available only upon annual appropriation by the Legislature for the payment of debt service for the FISCal system that is scheduled to be paid in the fiscal year during which the appropriation is made and for the redemption or retirement of bonds, notes, or certificates issued pursuant to this chapter and this part.*

*(b) Moneys for the payment of debt service for the FISCal System shall be transferred by the Controller from the Operations and Maintenance Subaccount of the FISCal Internal Services Fund to the FISCal Debt Service Fund only upon annual appropriation by the Legislature.*

*SEC. 5. Section 35 of Chapter 12 of the Fourth Extraordinary Session of the Statutes of 2009, is repealed.*

~~SEC. 35. (a) Before executing a contract for the prime vendor to implement Section 15849.22 of the Government Code by developing the Financial Information System of California (FISCal), the Department of Finance shall submit a written report to the Legislature that includes all of the following:~~

~~(1) Summarizes the two vendor assessments of the state's current financial system and future automation goals, as presented in the request for proposals.~~

~~(2) Provides details about the two proposals for the development of FISCal, including, but not limited to, vendor costs and timeframes.~~

~~(3) Provides details about how the proposed solution will develop a robust and flexible financial management system with the technical capability to implement performance-based budgeting, or any other budgeting approach the Legislature chooses to adopt.~~

~~(4) Explains the FISCal project's rationale for selecting the winning vendor.~~

~~(b) The report required by this section shall be submitted to the Legislature for review no less than 30 days prior to execution of the contract.~~

*SEC. 6. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:*

*In order to implement the Budget Act of 2010 as quickly as possible, it is necessary that this bill go into immediate effect.*

~~SECTION 1. It is the intent of the Legislature to enact statutory changes relating to the Budget Act of 2010.~~

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