

AMENDED IN SENATE AUGUST 21, 2012

CALIFORNIA LEGISLATURE—2011–12 REGULAR SESSION

ASSEMBLY BILL

No. 1487

Introduced by Committee on Budget (Blumenfield (Chair), Alejo, Bonilla, Brownley, Buchanan, Butler, Cedillo, Chesbro, Dickinson, Feuer, Gordon, Huffman, Mitchell, Monning, and Swanson)

January 10, 2012

An act relating to the Budget Act of 2012. An act to amend Sections 12460 and 12461 of, and to add Section 13344 to, the Government Code, relating to state government, and making an appropriation therefor, to take effect immediately, bill related to the budget.

LEGISLATIVE COUNSEL'S DIGEST

AB 1487, as amended, Committee on Budget. ~~Budget Act of 2012.~~
State government: state funds.

Existing law requires every state agency and court for which an appropriation has been made to submit to the Department of Finance for approval, a complete and detailed budget at such time and in such form as may be prescribed by the department, setting forth all proposed expenditures and estimated revenues for the ensuing fiscal year. Existing law requires the Department of Finance to, among other things, develop, issue, and implement consistent and adequate guidelines to be utilized by agencies required to submit budgets to the department.

Existing law requires the Governor's Budget to be prepared in accordance with guidelines and instructions adopted by the Department of Finance. Existing law requires the Governor's Budget to also include a coding structure that indicates for each budget entity the categorization of expenditures and revenues. Existing law requires the

Department of Finance to develop a fiscal information system that will provide timely and uniform fiscal data needed to formulate and monitor the budget, as specified.

Existing law requires the Controller to submit an annual report to the Governor containing a statement of the funds of the state, its revenues, and the public expenditures during the preceding fiscal year. Existing law requires the annual report to be prepared in the manner that will account for revenues and expenditures on the same basis as that of the Governor's Budget and the Budget Act. Existing law requires the annual report to be prepared in accordance with "Generally Accepted Accounting Principles."

This bill would require the Controller to submit a new annual report to the Governor, to be referred to as the budgetary-legal basis annual report. The bill would require the budgetary-legal basis annual report to account for prior year adjustments, fund balances, encumbrances, deferred payroll, revenues, expenditures, and other components on the same basis as that of the applicable Governor's Budget and Budget Act. The bill would require the Controller to confer with the Department of Finance to propose and develop methods to facilitate these changes. The bill would require the annual reports of the Controller to be posted on the Internet Web site of the Controller, and would authorize the Controller to charge a reasonable fee for providing copies of those reports, not to exceed the costs thereof.

The bill would also require every state agency, as defined, to prepare and maintain financial and accounting data for inclusion in the Governor's Budget, Budget Act and related documents, and the budgetary-legal basis annual report, according to methods adopted by the Department of Finance. The bill would require the Department of Finance to implement procedures that facilitate annual reconciliations of General Fund and special fund balances between those provided by a state agency to the Department of Finance and the Controller. The bill would exempt from the Administrative Procedure Act, actions taken by the Department of Finance to implement these provisions.

This bill would appropriate \$1,000 from the General Fund to the Department of Finance for purposes of implementing this bill, thereby making an appropriation.

This bill would declare that it is to take effect immediately as a bill providing for appropriations related to the Budget Bill.

This bill would express the intent of the Legislature to enact statutory changes relating to the Budget Act of 2012.

Vote: majority. Appropriation: ~~no~~-yes. Fiscal committee: ~~no~~
yes. State-mandated local program: no.

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

1 SECTION 1. *The Legislature hereby finds and declares as*
2 *follows:*

3 (a) *A principal purpose of the Governor’s Budget documents,*
4 *the state’s budgetary-legal basis annual reports, and the state’s*
5 *comprehensive annual financial reports is the provision of*
6 *accurate, comprehensible, consistent, and informative data to the*
7 *public, the Legislature, other state policymakers, federal and local*
8 *governments, capital markets participants, and other external*
9 *entities. It is the intent of the Legislature that the Controller and*
10 *the Director of Finance ensure that these documents are prepared*
11 *in a manner that presents accurate state financial information.*
12 *The state continues to place a high priority on presenting its*
13 *comprehensive annual financial reports in conformity with*
14 *accounting principles generally accepted for state and local*
15 *governments (“Generally Accepted Accounting Principles” or*
16 *GAAP).*

17 (b) *State agencies and departments, working cooperatively with*
18 *the Department of Finance and the Controller, must ensure that*
19 *budgetary documents and the state’s budgetary-legal basis annual*
20 *reports are prepared in a manner that provides for the*
21 *comparability of financial data between these documents and*
22 *ensures that the information presented to the Legislature*
23 *concerning the historical budgetary position of the state’s funds*
24 *and accounts is accurate in all material respects.*

25 SEC. 2. *Section 12460 of the Government Code is amended to*
26 *read:*

27 12460. *The Controller shall submit an annual report to the*
28 *Governor containing a statement of the funds of the state, its*
29 *revenues, and the public expenditures during the preceding fiscal*
30 *year. The annual report shall be known as the budgetary-legal*
31 *basis annual report and prepared in ~~the~~ a manner that will account*
32 *for prior year adjustments, fund balances, encumbrances, deferred*
33 *payroll, revenues and, expenditures, and other components on the*
34 *same basis as that of the applicable Governor’s Budget and the*
35 *applicable Budget Act, as determined by the Director of Finance*

1 *in consultation with the Controller. ~~The format of the~~
 2 ~~budgetary-legal report shall be prepared as closely as possible in~~
 3 ~~accordance with “Generally Accepted Accounting Principles.”~~ *If*
 4 *the Governor’s Budget or the Budget Act do not provide the*
 5 *applicable information for this purpose, funds shall be accounted*
 6 *for in the budgetary-legal basis annual report in a manner*
 7 *prescribed by Section 13344. The requirements of this section shall*
 8 *apply beginning with the issuance of the budgetary-legal basis*
 9 *annual report for the 2013–14 fiscal year. The Controller shall*
 10 *confer with the Department of Finance to propose and develop*
 11 *methods to facilitate these changes pursuant to Section 13344,*
 12 *including methods to ensure that information related to*
 13 *encumbrances and deferred payroll continue to be listed in the*
 14 *state’s financial statements, as deemed appropriate by the*
 15 *Controller.**

16 ~~Until the Controller’s records, the Budget Act, and information~~
 17 ~~provided by each state department and agency based on the state’s~~
 18 ~~accounting system will permit the conversion to “Generally~~
 19 ~~Accepted Accounting Principles,” the~~

20 *The Controller shall also issue an additional a comprehensive*
 21 *annual financial report prepared strictly in accordance with*
 22 *“Generally Accepted Accounting Principles.”* ~~The additional report~~
 23 ~~will be prepared annually unless the Director of Finance and the~~
 24 ~~Controller agree that such additional report is not feasible and so~~
 25 ~~notify the Joint Legislative Audit Committee.~~

26 ~~The annual report reports referenced in this section shall be~~
 27 ~~compiled and published by the Controller in the time, form, and~~
 28 ~~manner prescribed by him or her.~~

29 *SEC. 3. Section 12461 of the Government Code is amended to*
 30 *read:*

31 *12461. The Controller’s Controller shall release an annual*
 32 *report shall include: that includes all of the following:*

33 (a) *General Purpose Financial Statements prepared in accordance*
 34 *with Section 12460 and “Generally Accepted Accounting*
 35 *Principles.”*

36 (b) *Tabular statements showing:*

37 (1) *The amount of each appropriation for the preceding fiscal*
 38 *year, the amounts expended, and the balance, if any.*

39 (2) *The revenues and cost of government of the state for the*
 40 *preceding fiscal year; classified in the manner and detail that the*

1 ~~Controller may determine~~ *in a manner consistent with Sections*
2 *12460 and 13344.*

3 (3) The receipts, disbursements, and closing balances of each
4 fund in the State Treasury for the preceding fiscal year *in a manner*
5 *consistent with Sections 12460 and 13344.*

6 (4) Variances between budgetary-legal statements prepared
7 pursuant to Section 12460 and any statements prepared under
8 “Generally Accepted Accounting Principles.”

9 ~~The~~

10 (c) ~~The~~ Controller may also publish a condensed summary of
11 the annual report.

12 ~~The~~

13 (d) ~~The~~ reports required by this article shall be published in an
14 electronic format or printed, as determined by the Controller. The
15 Controller shall make printed copies of the reports available upon
16 request, *to the extent feasible, and may charge a reasonable fee*
17 *for printed copies of the reports, including the shipping or mailing*
18 *thereof, not to exceed the costs of providing those copies.*

19 (e) ~~The~~ Controller shall post on the Internet Web site of the
20 Controller copies of the state’s annual financial reports and any
21 annual financial report supplements that are prepared, *to the*
22 *extent feasible. The Controller may deem the reporting*
23 *requirements of this section satisfied each year upon completion*
24 *of the budgetary-legal basis annual report and comprehensive*
25 *annual financial report described in Section 12460.*

26 SEC. 4. Section 13344 is added to the Government Code, to
27 read:

28 13344. (a) State agencies shall prepare and maintain financial
29 and accounting data for inclusion in the Governor’s Budget,
30 Budget Act and related documents, and the budgetary-legal basis
31 annual report described in Section 12460, according to the methods
32 and bases provided in regulations, budget letters, and other
33 directives of the Department of Finance. The adoption, amendment,
34 or repeal of these regulations, budget letters, or other directives
35 consistent with this section are exempted from the rulemaking
36 provisions of the Administrative Procedure Act (Chapter 3.5
37 (commencing with Section 11340) of Part 1 of Division 3 of Title
38 2. The Department of Finance shall consult with the Controller
39 concerning significant changes to these financial and accounting
40 methods, unless those changes are otherwise specified in law. The

1 *Department of Finance shall implement procedures, consistent*
2 *with this section, that facilitate annual reconciliations of General*
3 *Fund and special fund balances between those provided by a state*
4 *agency to the Department of Finance and to the Controller. In the*
5 *Governor’s Budget documents, appendices thereof, or other*
6 *directives, the Department of Finance shall ensure that adjustments*
7 *of prior-year fund balances and accounting methods are clearly*
8 *noted in some fashion in order to ensure the closest possible*
9 *comparability of these documents with past and future*
10 *budgetary-legal basis annual reports.*

11 *(b) For purposes of this section, “state agency” means every*
12 *state office, officer, department, division, bureau, board, and*
13 *commission.*

14 *SEC. 5. The sum of one thousand dollars (\$1,000) is hereby*
15 *appropriated from the General Fund to the Department of Finance*
16 *for purposes of implementing this bill.*

17 *SEC. 6. This act is a bill providing for appropriations related*
18 *to the Budget Bill within the meaning of subdivision (e) of Section*
19 *12 of Article IV of the California Constitution, has been identified*
20 *as related to the budget in the Budget Bill, and shall take effect*
21 *immediately.*

22 ~~SECTION 1. It is the intent of the Legislature to enact statutory~~
23 ~~changes relating to the Budget Act of 2012.~~