

Assembly Bill No. 1487

CHAPTER 343

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.

[Approved by Governor September 17, 2012. Filed with
Secretary of State September 17, 2012.]

LEGISLATIVE COUNSEL'S DIGEST

AB 1487, Committee on Budget. 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 format of the annual budgetary legal report to be prepared as closely as possible in accordance with "Generally Accepted Accounting Principles."

This bill would require the Controller to submit a newly modified annual report to the Governor, to instead 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.

Appropriation: yes.

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

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

(a) A principal purpose of the Governor's Budget documents, the state's budgetary-legal basis annual reports, and the state's comprehensive annual financial reports is the provision of accurate, comprehensible, consistent, and informative data to the public, the Legislature, other state policymakers, federal and local governments, capital markets participants, and other external entities. It is the intent of the Legislature that the Controller and the Director of Finance ensure that these documents are prepared in a manner that presents accurate state financial information. The state continues to place a high priority on presenting its comprehensive annual financial reports in conformity with accounting principles generally accepted for state and local governments ("Generally Accepted Accounting Principles" or GAAP).

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

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

12460. The Controller shall 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. The annual report shall be known as the budgetary-legal basis annual report and prepared in a manner that will 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 the applicable Budget Act, as determined by the Director of Finance in consultation with the Controller. If the Governor's Budget or the Budget Act do not provide the applicable information for this purpose, funds shall be accounted for in the budgetary-legal basis annual report in a manner prescribed by Section 13344. The requirements of this section shall apply beginning with the issuance of the budgetary-legal basis annual report for the 2013–14 fiscal year. The Controller shall confer with the Department of Finance to propose and develop methods to facilitate these changes pursuant to Section 13344, including methods to ensure that information related to encumbrances and deferred payroll continue to be listed in the state's financial statements, as deemed appropriate by the Controller.

The Controller shall also issue a comprehensive annual financial report prepared strictly in accordance with "Generally Accepted Accounting Principles."

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

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

12461. The Controller shall release an annual report that includes all of the following:

(a) General Purpose Financial Statements prepared in accordance with Section 12460 and "Generally Accepted Accounting Principles."

(b) Tabular statements showing:

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

(2) The revenues and cost of government of the state for the preceding fiscal year in a manner consistent with Sections 12460 and 13344.

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

(4) Variances between budgetary-legal statements prepared pursuant to Section 12460 and any statements prepared under "Generally Accepted Accounting Principles."

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

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

(e) The Controller shall post on the Internet Web site of the Controller copies of the state's annual financial reports and any annual financial report supplements that are prepared, to the extent feasible. The Controller may deem the reporting requirements of this section satisfied each year upon

completion of the budgetary-legal basis annual report and comprehensive annual financial report described in Section 12460.

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

13344. (a) State agencies shall 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 described in Section 12460, according to the methods and bases provided in regulations, budget letters, and other directives of the Department of Finance. The adoption, amendment, or repeal of these regulations, budget letters, or other directives consistent with this section are exempted from the rulemaking provisions of the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2). The Department of Finance shall consult with the Controller concerning significant changes to these financial and accounting methods, unless those changes are otherwise specified in law. The Department of Finance shall implement procedures, consistent with this section, that facilitate annual reconciliations of General Fund and special fund balances between those provided by a state agency to the Department of Finance and to the Controller. In the Governor's Budget documents, appendices thereof, or other directives, the Department of Finance shall ensure that adjustments of prior-year fund balances and accounting methods are clearly noted in some fashion in order to ensure the closest possible comparability of these documents with past and future budgetary-legal basis annual reports.

(b) For purposes of this section, "state agency" means every state office, officer, department, division, bureau, board, and commission.

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

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