

CHAPTER 1
BUDGET PREPARATION AND ADMINISTRATION

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CHAPTER 1

BUDGET PREPARATION AND ADMINISTRATION

1. GENERAL DESCRIPTION. This chapter addresses the various processes, procedures, and documents involved in the preparation and administration of the Department's budget.

2. DEFINITIONS.
 - a. Appropriation. An appropriation is the spending authority identified in the Budget Act for a specified agency to expend from a specified fund. Appropriations are available for one Fiscal Year (FY) unless otherwise specified.

 - b. Fiscal Year. A 12-month accounting period starting on July 1 and continuing through June 30.

 - c. Budget. A budget is a fiscal plan of operation detailing proposed expenditures for a given period and the means of funding them.

 - d. Baseline Budget. A baseline budget is a budget which reflects previously justified positions and costs of carrying out the current level of service.

 - e. Governor's Budget. The Governor's Budget identifies the Administration's proposed budget for all agencies, departments, and entities reporting to the Governor. The combination of approved Budget Change Proposals (BCP) and the baseline budget become the Department's portion of the Governor's Budget. The Governor's Budget is published by January 10 of each year.

 - f. Budget Change Proposal. A BCP is a department's request to modify its baseline budget.

 - g. Budget Act. The Budget Act incorporates the Governor's Budget, changes made to that plan by the Legislature, and any line item veto messages imposed by the Governor. This document, when signed by the Governor, provides state agencies the legal authority to spend state funds. The Budget Act becomes effective July 1 of each year.

3. BUDGET DEVELOPMENT.

a. State Level Responsibilities.

(1) Responsibility. The Department of Finance (DOF) is responsible for overseeing the statewide budget development process.

(2) Budget Input. Each year, agencies, departments, boards, and commissions formulate their budgets for incorporation into the Governor's Budget.

(3) Fiscal Control. Departments have the primary responsibility to operate within budgeted levels and to comply with any restrictions or limitations enacted by the Legislature.

b. Department Level Responsibilities.

(1) Responsibility. Administrative Services Division (ASD), Fiscal Management Section, Budget Management Unit (BMU), is responsible for overseeing the internal budget development and management process. The BMU shall establish the processes, procedures, and documents involved with the process consistent with the external requirements and timelines set forth by the DOF.

(2) Budget Concept Request. The internal budget development process begins with a solicitation for Divisions to identify the funding needs associated with anticipated or desired program changes. The CHP 172, Budget Concept Request, is the required submittal document for Divisions to propose funding needs (see Annex A).

(a) Because the Budget Concept Request (BCR) proposes material modifications to the baseline budget, field Divisions are not typically involved with this process. Field Divisions wishing to submit a BCR should work with the Assistant Commissioner, Field, to determine whether the proposed need or program change is justified, whether it may be met with existing resources, or does in fact require a BCR.

(3) Submittal Schedule. No later than February 1 of each year, Divisions shall submit a CHP 172 for each concept to BMU for review and analysis, unless directed otherwise by a Communications Network (Comm-Net) message. If no concept is being submitted, a CHP 172 shall be prepared by the Division, listing "none" under Section 1. Submittals may be made either by mailing a hard copy of the CHP 172, or via e-mail to: CHPBudgets@chp.ca.gov.

(4) Requests for Offices of Primary Interest. Certain needs are addressed on a statewide basis by an Office of Primary Interest (OPI). Therefore, Divisions shall not independently submit requests for these types of needs. These needs include additional personnel, facility modifications, and OPI-controlled equipment (e.g., vehicles, computers, and copiers). Rather than request these needs through the BCR process, Divisions shall contact the OPI directly when the need is first identified.

(5) Equipment Replacement Schedules. An OPI that manages significant equipment inventories essential to the operations of the Department is required to submit an Equipment Replacement Plan using the appropriate template (see Annex B). This information will allow for closer monitoring of the Department's budget, as well as assist in evaluating the need for future baseline budget augmentation requests, which will allow the Department to obtain the funding necessary to maintain essential equipment inventories.

(a) The following information shall be provided on the Equipment Replacement Plan:

- 1 Equipment item;
- 2 Useful service life of the equipment;
- 3 Current inventory;
- 4 Quantity needed in the FY and three FYs out;
- 5 Estimated cost per item; and
- 6 Total estimated cost for equipment in the next budget year and three years out.

(b) Examples of equipment that require an Equipment Replacement Plan include, but are not limited to, vehicles (broken down by vehicle type), computers (including desktops and monitors), and laptops.

(c) Equipment Replacement Plans shall be submitted to the BMU no later than February 1 of each year, unless directed otherwise by a Comm-Net message. Submittals may be made either by mailing a hard copy of the Equipment Replacement Plan to the BMU, or via e-mail to: CHPBudgets@chp.ca.gov. Additional documentation can be attached to the Equipment Replacement Plan, such as a table or spreadsheet.

(6) Staffing Requests. All requests for staffing, even those proposed by OPIs, shall first be proposed to the appropriate Commissioner for consideration. The

appropriate Commissioner may approve a redirection from existing resources, direct that the request be submitted as a BCR, or take no action. Because the proposal is addressed outside of the budget development process, it should be submitted to the appropriate Commissioner as the need is identified but prior to the BCR submittal date.

(7) Facilities. Facility needs shall be communicated to ASD, Facilities Section, in a manner prescribed by that section. Refer to Highway Patrol Manual 11.1, Administrative Procedures Manual, Chapter 14, Facilities Development, Repairs, and Maintenance.

(8) Evaluation of Budget Concept Requests. After review and analysis by BMU staff, the BMU shall present the BCRs, by March 1 of each year, to Executive Management for consideration. Executive Management shall decide whether the concept will be further developed into a BCP. The BMU shall notify Divisions of the Executive Management decisions.

(9) Budget Change Proposal. Once a concept is approved for development into a BCP, the BMU shall send to the initiating office, Division, or OPI an electronic version of the current DOF BCP narrative template (DF-46, Budget Change Proposal) and instructions for completing the form.

(10) Draft Submittal Schedule. No later than May 1, Divisions shall electronically submit their completed BCP drafts to the BMU, unless directed otherwise by BMU staff.

NOTE: The deadline is subject to revision based on the annual DOF Budget Letter, as well as the direction provided from the California State Transportation Agency (CalSTA).

(11) Budget Change Proposal Completion. Once a draft is received, BMU staff shall ensure the proposal is complete, logically presented, grammatically correct, comprehensible for an outside reader, consistent with the current format, and offers a persuasive argument for the requested action. If a draft BCP fails to meet expectations, it shall be returned to the Division for modification. The BMU staff may also request clarification from the Division and make necessary edits to the document. The completed BCPs shall be provided to Executive Management by BMU, no later than July 1 of each year.

(12) Justification Policy. The need for complete justification for BCPs cannot be overemphasized. The preparation of a comprehensive justification is sometimes difficult and time consuming; however, the Department must submit adequate and persuasive justification for every BCP it sends forward for consideration. A Division's evaluation of needs, supported by credible evidence, forms the basis of the Department's justification. Justification shall

be relevant and appropriate to the budget issue that creates the need. If a request involves funding for positions, a workload matrix, duty statements, and a proposed organizational chart must be included as attachments to the BCP.

NOTE: The sheer volume of a justification does not indicate its appropriateness. Well-defined reasons, quantifiable data, or charts must be presented to substantiate the need.

(13) Budget Change Proposal Deliberation. The BCPs are scrutinized by multiple agencies after the documents leave the California Highway Patrol (CHP). Once approved by Executive Management, the BMU provides the BCPs to CalSTA by August 1 of each year, unless directed otherwise by CalSTA. After CalSTA reviews the BCPs and completes its approval process, the BMU shall ensure the approved BCPs are provided to the DOF for review (usually in September of each year). Approved BCPs that are incorporated into the Governor's Budget are scrutinized by the Legislative Analyst's Office and legislative budget committees. At any time during the deliberations, the applicable Division may be required to assist the BMU with answering questions.

NOTE: A BCP that is approved as part of the Governor's Budget becomes a public document and is posted online on the DOF Web site. Any BCP that deals with sensitive material must be vetted to ensure that classified information is not inappropriately disclosed.

(14) Final Budget Approval. Once the Budget Act is enacted, the BMU shall notify Divisions of the final outcome of the budget deliberations.

(15) Capital Outlay. Capital outlay is the expenditure of funds to acquire land or to construct new buildings. A DF-151, Capital Outlay Budget Change Proposal (COBCP), is required for all capital outlay projects proposed for the Governor's Budget and for certain capitalized leases which do not have prior legislative authority. The DF-151 template can be found on the DOF Web site. Facilities Section is responsible for developing the CHP's Five-Year Infrastructure Plan and drafting the individual COBCPs to implement the plan. No later than May 1, Facilities Section shall electronically submit their completed COBCP drafts to the BMU, unless directed otherwise by BMU staff.

(16) Federal Grants. The Department utilizes Federal grants to fund a variety of programs. Government Code Section 13326 requires that state agencies receive approval from the DOF prior to applying for a Federal grant. State Administrative Manual Section 912 specifies that prior approval from the DOF must be obtained under the following circumstances:

- (a) The grant is for new activities that are not included in the budget;

(b) The grant is for activities that were previously denied by the Administration or the Legislature; or

(c) The grant is for activities involving sensitive policy issues (determination of what constitutes a sensitive policy issue is at the discretion of the Department).

(17) If approval from the DOF is required due to any of the criteria listed above, the requesting command shall complete a DOF form DF-24, Federal Grant Request, and submit the form through the appropriate channels to the Assistant Commissioner, Staff (ACS). If approved by ACS, the DF-24 shall be routed to the BMU who will then forward it to the DOF for review. The requesting command shall be prepared to answer any questions or submit any additional information requested by the DOF. If approved by the DOF, the requesting command may proceed to apply for the Federal grant. It is imperative that the requesting command keep the BMU involved in the process to ensure that sufficient spending authority is available. It may be necessary for the requesting command to submit a BCP if the Department will need increased spending authority to properly utilize the grant.

4. SPENDING ALLOCATIONS.

a. Policy. The allocation of fiscal resources to Divisions is intended to ensure that operational needs are routinely satisfied by delegating to the appropriate level the authority to commit fiscal resources. Along with this authority, however, comes the responsibility to properly manage the allocated resources and continue to serve the best interests of the Department.

b. Allocated Categories. Recognizing that not all expenditures are discretionary and, therefore, controllable at a Division, command, or OPI level, spending allocations are limited to select categories (referred to as allocated categories) and select offices and Divisions. Allocated categories include, but are not limited to, the following:

- (1) Consultant and Professional Services;
- (2) Information Technology;
- (3) Law Enforcement Materials;
- (4) Equipment;
- (5) Overtime; and

(6) Air Operations.

c. Spending Plan Submittal Schedule. The BMU shall distribute spending plan templates no later than February 1 of each year (unless directed by a Comm-Net message) to the following offices and headquarters Divisions:

- (1) Office of the Commissioner;
- (2) Office of Assistant Commissioner, Field;
- (3) Office of Assistant Commissioner, Staff;
- (4) Information Management Division;
- (5) Enforcement and Planning Division;
- (6) Administrative Services Division; and
- (7) Personnel and Training Division.

d. Spending Plan Revisions. The spending plan templates may reflect past year purchases as a reminder of recurring needs and shall be reviewed thoroughly. Any requests or anticipated revisions shall be indicated on the spending plan (e.g., addition of items, deletion of items, an increase/decrease in line item amounts, or an increase/decrease in the total amount for an allocated category). The revised spending plans shall then be submitted to the BMU no later than March 1 of each year, unless otherwise directed by a Comm-Net message, to:

CHPBudgets@chp.ca.gov.

e. Evaluation of Revised Spending Plans. After review and analysis, BMU staff may meet with Divisions and/or their OPIs to discuss the BMU's proposed recommendations to Executive Management. The BMU shall then consolidate all proposed allocations and spending plans along with supporting documentation, and present the information to Executive Management for consideration. The BMU shall notify Divisions of the outcome from the Executive Management meeting.

f. Allocation Items. For spending allocation requests detailed by purchase or contract items, each allocated item will be assigned an allocation ID. During the procurement process, Divisions and their OPIs shall ensure that the appropriate allocation ID is indicated on the requisition or purchase order (PO) for tracking.

g. Redirection of Approved Items. During the FY, it may become necessary for Divisions to request spending authority for an approved item to be redirected. Divisions shall consult with the BMU to determine the appropriate redirection process. Certain allocations may not be redirected, such as Overtime and

Consultant and Professional Services, unless approved by the appropriate Commissioner.

h. Budget Monitoring. Offices, Divisions, and OPIs shall be proactive in planning to prevent deficits in any allocated category. To assist with budget tracking/monitoring, the BMU shall provide expenditure reports to Divisions on a monthly basis, but Divisions are ultimately responsible for tracking/monitoring their expenditures (e.g., POs, invoices) and their encumbrances. Before requesting additional funds (an allocation augmentation), overall spending should be evaluated to determine whether the deficit in one category may be covered by savings in another.

i. Unspent Allocations. Allocation items that have not been purchased or show no procurement activity (e.g., an approved requisition or a contract request) by April 1 of each year may be redirected. Throughout the FY, the BMU and the Divisions shall work together to ensure accurate tracking of allocation items. In March of each year, the BMU and the Divisions will do a final check on the status of allocation items, at which time, the Divisions shall make the BMU aware of any anticipated or pending procurement activity of allocation items that are subject to being redirected.

j. Overspent Allocations. Divisions shall be proactive in preventing deficiencies in any allocated category. If a Division or OPI discovers during the FY that a particular allocation for a category will be insufficient due to unforeseen circumstances, it should first attempt to redirect excess funding (if available) from another category. Divisions shall consult with the BMU to determine the appropriate redirection process. If no excess funds are available, the Division may request additional funding by sending a detailed explanation of the situation through channels to the appropriate Commissioner. If approved, the request will be forwarded to the BMU, and the allocation will be adjusted accordingly. Allocation augmentations shall be requested prior to incurring expenditures above authorized levels.

k. Nonallocated Spending. For those expenditure categories that are not allocated to an OPI/Division, or excluded from the allocation process altogether, Divisions are expected to spend prudently as if allocations were assigned.

5. BUDGET ADMINISTRATION.

a. Departmental Administration. Beginning November of each FY, the BMU prepares a monthly forecast of where the Department's financial position will be at year end. The monthly process includes an evaluation of current and past spending trends, feedback from Divisions as to their own forecasts for individual allocations, and consideration of other influences on the Department's spending.

The results of the forecasts influence the spending decisions made by Executive Management and, therefore, must be as accurate as possible.

NOTE: Because a large portion of the Department's discretionary spending is controlled by Divisions with allocations, it is imperative that Divisions monitor their spending carefully and anticipate their future needs. Failure to do so could result in overspending and subsequent cuts to other spending activities, or it could result in underspending that goes unreported until it is too late to redirect funding to other departmental needs.

b. Division Accountability. Divisions have the responsibility to properly manage allocated resources and continue to serve the best interests of the CHP. Divisions shall:

- (1) Specify the proper coding on purchase documents involving allocated expenditures;
- (2) Ensure purchase prerequisites (e.g., specifications, feasibility study reports, sole-source approvals) and associated timelines are met;
- (3) Prioritize spending to ensure critical needs are met;
- (4) Remain aware of secondary needs should funding become available; and
- (5) Provide timely notification to the appropriate Commissioner when excess allocations are identified.

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ANNEX A

CHP 172, BUDGET CONCEPT REQUEST

STATE OF CALIFORNIA DEPARTMENT OF CALIFORNIA HIGHWAY PATROL BUDGET CONCEPT REQUEST CHP 172 (Rev. 12-06) OPI 071			<i>Refer to HPM 11.1, Chapter 1</i>
SUBMITTAL DATE 01/31/2019	COMMAND NAME Fiscal Management Section	LOCATION CODE 071	
CONTACT PERSON (PLEASE PRINT) Joseph Sample		PHONE NUMBER (916) 843-0000	
1. BRIEF SUMMARY OF REQUEST Request an increase in the Department's reimbursement authority of approximately \$12 million.			
2. WHY IS THIS REQUEST NEEDED? WHAT IS THE IMPACT IF DENIED? In recent fiscal years, costs for services that the Department provides to other state and local agencies have exceeded its reimbursement authority. The Department has been able to bill for these as "unscheduled reimbursements." However, the State controller's Office considers an unscheduled reimbursement an exception rather than the rule and will not authorize this on an ongoing basis. The primary cause for exceeding authority has been an increase in officer pay without a matching increase in authority. The result is that officers are performing approximately the same amount of work but the costs associated have increased.			
3. REQUIRED RESOURCES (STAFFING, CONTRACT FUNDING, EQUIPMENT, ETC.) None			
4. ARE RESOURCES PERMANENT OR LIMITED TERM? This Budget Change Proposal seeks a permanent increase in the Department's reimbursement authority from the current \$102,255,000 to approximately \$114,255,000.			
5. TOTAL ESTIMATED COST None. This proposal would increase the Department's ability to bill for services rendered.			
6. WILL THIS REQUEST GENERATE A COST SAVING? PLEASE EXPLAIN. Yes, there will be cost savings. As things stand now, once the Department's billings exceed its reimbursement authority, the Department must absorb those costs as it will not be allowed to bill for unscheduled reimbursements. For Fiscal Year (FY) 2015/16, this was approximately \$8 million. The impact for FY 2016/17 is expected to be the same or higher.			
7. WILL THIS REQUEST GENERATE AN INCREASE OR DECREASE IN REVENUE? PLEASE EXPLAIN. No.			
8. ARE THERE OTHER BENEFITS? PLEASE LIST. None.			
9. TIMETABLE OF REQUEST (START/COMPLETION DATES) If approved, this proposal would become effective July 1, 2017, for FY 2017/18.			
AREA/SECTION COMMANDER'S SIGNATURE		DIVISION COMMANDER'S SIGNATURE	

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