

Concept to Involve the Central Valley Flood Protection Board more Actively in the Annual Budget Process

ISSUE

What should the role of the CVFPB members be in the preparation, adoption, and amendment of the CVFPB's annual budget? Historically, changes to the CVFPB's baseline budget are proposed by the staff, reviewed by the Department of Water Resources (DWR) Budget Office and Executive Management, submitted by DWR for approval to the Natural Resources Agency, and submitted to the Department of Finance and to the Governor's Office. Since the Board members have expressed a desire to become more involved in the CVFPB's budget process, the issue becomes how to do this within the State budget requirements and guidelines.

STATE BUDGET PROCESS

The State's annual fiscal year begins on July 1st and ends on June 30th. The State Constitution requires that the Governor submit a proposed budget to the Legislature by January 10th of each year. The subsequent budget process then involves a review by the Legislative Analyst's Office, formal budget hearings convened by various legislative committees, the Legislature's enactment of a budget, the Governor's approval of the final Budget Act, and the Executive branch's administration of the budget throughout the year.

In the spring of each year, the Department of Finance is required to provide the Legislature proposed adjustments to the Governor's Budget by April 1st (Capital Outlay proposals and workload revisions by May 1st). This is sometimes referred to as the "Spring Finance Letter" process. All of the traditional May Revision adjustments are presented to the Legislature approximately May 14th, and consist of an update of General Fund revenues and changes in major expenditures. The Legislature typically waits for the final May Revision update before final budget decisions are made especially on the major programs.

After the Governor submits the proposed budget, the State Constitution requires that the Legislature approve the budget bill by June 15th. Then, once the budget is approved by the Legislature and transmitted to the Governor, the Department of Finance prepares three documents prior to the Governor's approval of the State Budget:

1. The CA State Budget Summary/Veto Message Package.
2. The Final Budget Summary.
3. Final Change Book.

STATE BUDGET TIMELINE

Generally, the State budget timeline is as follows (refer to Attachment A, Budget Timeline):

1. **March to June** – State departments develop one-page Budget Change Concept Papers for internal review / prioritization,
2. **Early June** – Concept Papers are submitted to the Natural Resources Agency,
3. **Mid-July**, Concept Paper decisions are received from Natural Resources Agency,
4. **Summer to Fall** – Based on approved Concept Papers, State departments develop “budget change proposals” (BCP) to increase or decrease baseline budgets in order to increase or reduce levels of service in future fiscal years. BCPs are due to Agency mid-August, and due to Department of Finance mid-September. (Staff may continue to work with the DWR Budget Office to further refine BCP’s in response to DOF inquiries into December).
5. **On or before January 10th** – The Governor releases the proposed budget.
6. **February to Early May** – The Legislature’s subcommittees review the Governor’s proposed budget.
7. **Spring Finance Letters** – These are BCPs that propose changes to the Governor’s January 10 budget.
8. **April 1** – The Governor releases the April Letter to the Legislature which includes any approved Spring Finance Letter BCPs.
9. **May Revise BCPs** – In addition to the above-described BCPs, special “May Revise” BCPs may also be developed in response to budgetary needs not covered in the Governor’s proposed budget. These BCPs are typically reserved for capital projects and workload adjustments.
10. **Mid-May** – The Governor releases the May Revision on or before May 14th.
11. **Late May to June** – Each house of the Legislature finalizes its version of the budget.
12. **Late May to June** – A conference committee meets to resolve differences, and Legislative leaders meet to address outstanding budget issues.
13. **June 15th** – Constitutional deadline for Legislature to pass a budget bill.
14. **July 1st** – Beginning of new fiscal (budget) year.

PROPOSED INVOLVEMENT of the CVFPB in the ANNUAL BUDGET PROCESS

Given the above brief summary of the State budget process, the question then becomes how the CVFPB can become more involved in the preparation, defense, and implementation of the CVFPB's budget.

Since the budget for the CVFPB is essentially a separate line item (Program 35) within DWR's departmental budget, it would seem that the spring, summer and fall, when the Department begins the preparation of its budget by first reviewing its baseline budget, which would maintain its existing service levels as well as any proposed BCPs that would increase or reduce levels, would be the appropriate time for the CVFPB to involve itself in the budget process for the upcoming year.

The process would look something like this:

1. In December CVFPB staff will meet with DWR's Budget Office staff to review all financial information pertinent to the CVFPB budget.
2. In January CVFPB staff will prepare a presentation for the Board members which would be conducted in a public workshop setting. The presentation would cover the following information:
 - a. The historical budget and expenditures by line item and grouped by the four basic programs of the CVFPB (administration and overhead, projects, encroachment permitting, and enforcement).
 - b. Through conceptual discussion and forecasting, the major future needs of the CVFPB not currently being met through existing resources, would be identified including work gaps, additional workload demands, and resources to meet those needs.
3. In February CVFPB staff would schedule a Budget Workshop with the CVFPB Executive Committee to consider proposals to prepare Budget Change Concept Papers for the 2015-16 Budget Year.
4. In March staff-developed Budget Change Concept Papers will be reviewed and finalized in coordination with the CVFPB Executive Committee for submittal to the DWR Budget Office in late March. The Budget Office will conduct a meeting of the DWR Executive Concept Paper review team to consider all DWR (and CVFPB) Concept Papers. The CVFPB President and/or Executive Officer may attend this meeting to support CVFPB Concept Papers.
5. In early June the Budget Office will submit CVFPB Concept Papers approved in step 4 above to the Natural Resource Agency for its approval. The CVFPB President and/or Executive Officer will meet with Agency staff if needed to answer questions and to support CVFPB proposals. Final Concept Paper decisions are typically received from Agency by mid-July.

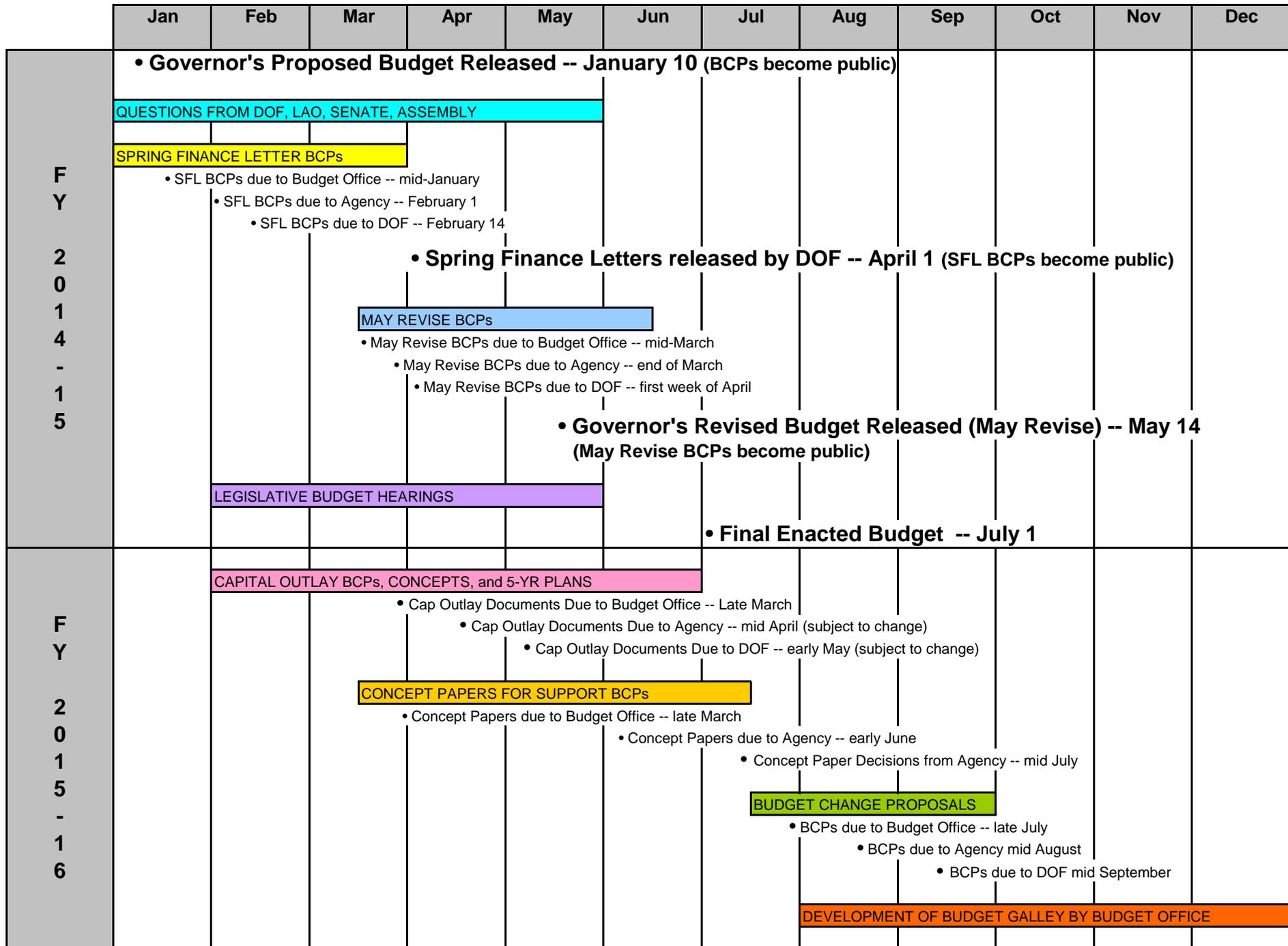
6. CVFPB staff, in coordination with the CVFPB Executive Committee and assisted by the Budget Office, will prepare and submit detailed Budget Change Proposals to the Budget Office by late July. After review the Budget Office will coordinate BCP transmittals to the Natural Resources Agency (mid-August) and Department of Finance (mid-September).

Due to the confidentiality of the Governor's Budget specific details regarding future Budget Change Concepts and Proposals (including dollar amounts, position classifications, and the intent to submit concepts or proposals to the Administration) should be avoided in public discussions. Public discussion should be limited to analyses of workload demands and resource needs without specific numbers or classifications.

RECOMMENDATION

When this item is brought to the CVFPB for its final approval CVFPB staff will recommend that:

1. The Board approve the proposed budget process for the Central Valley Flood Protection Board organization as outlined above in the section entitled "Proposed Involvement of the CVFPB in the Annual Budget Process" on pages 3 thru 4 of this report, and
2. This budget process as described in this report be converted to the standard format and incorporated into the CVFPB's "Administrative Policies and Procedures Manual" when the manual is developed by the staff in the coming months.



Note: Dates subject to change based on direction from the Administration.