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OPINION	:	No. 81-122
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of	:	<u>APRIL 29, 1981</u>
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The Honorable Dorothy L. Schechter, County Counsel, Ventura County, has requested an opinion on a question which we have rephrased as follows:

Does section 29125 of the Government Code grant to a board of supervisors the power to delegate the authority to approve transfers and revisions of appropriated monies between “objects” within a single “budget unit”?

CONCLUSION

Section 29125 of the Government Code does not empower a board of supervisors to delegate the authority to approve transfers and revisions of appropriated monies between “objects” within a single budget unit.

ANALYSIS

The county budget act is contained in section 29000 *et seq.* of the Government Code.¹ Our opinion is asked as to the scope of the final sentence of section 29125 of that act which grants the board of supervisors the power to delegate the authority to approve transfers and revisions of monies appropriated by the county “within an appropriation.” Section 29125 provides:

“Transfers and revisions may be made with respect to the appropriations as specified in the resolution of adoption of the budget, except with respect to transfers from the appropriations for contingencies, by an action formally adopted by the board at a regular or special meeting and entered in its minutes. The board may designate a county official to approve transfers and revisions *within an appropriation.*” (Emphasis added.)

By virtue of the wording of section 29089 the question arises as to what is “an appropriation” within the meaning of section 29125.

Section 29089 provides for the resolution of adoption of a county budget. It states:

“The resolution of adoption of the budget of the county and of each special district shall specify:

(a) Appropriations, for each budget unit, which shall be constituted by the respective totals of each of the objects and subobjects of expenditures listed in this section, as follows:

(1) Salaries and employee benefits.

(2) Services and supplies.

(3) Other charges.

(4) Fixed assets:

(A) Land.

¹ All section references are to the Government Code unless otherwise indicated.

(B) Structures and improvements; provided that each project shall be set forth separately with the estimated cost thereof, except that minor improvements projects may be given in totals.

(C) Equipment.

(5) Expenditure transfers and reimbursements.

(b) Appropriations for contingencies, by funds.

(c) Provisions for reserves, by fund and purpose.

(d) The means of financing the budget requirements.”²

It is seen that subdivision (a) of section 29089, at least when read in isolation from all the other provisions of the county budget act, contains a possible ambiguity as to the meaning of the word “appropriation.” It could possibly be read as meaning that the *total* of monies appropriated to *each budget unit* constitutes a single appropriation. It, however, could also be read as meaning that appropriations are found at the object (that is, purpose) level within each budget unit.³ If the former construction is adopted, section 29125 would permit delegation of authority to approve transfers and revisions *between* objects within a single budget unit. However, if the latter construction is adopted, the authority to delegate would

² Section 29090 additionally provides:

The board may set forth appropriations in greater detail than required in Section 29089 and may authorize such additional controls for the administration of the budget as it deems necessary, the board may designate a county official to exercise such administrative controls.”

³ “‘Budget unit’ means that classification of the expenditure and reserve requirements of the financial operational plan into appropriately identified accounting or cost centers deemed necessary and desirable for purposes of control of the financial operations thereof. Except as otherwise provided by law, budget units may be devised at the discretion of the board as follows:

(a) An organizational unit such as, a department, a court, an office, a division of a department or an office, an institution, a board or commission, or any other administrative unit.

(b) A service activity or unit.

(c) A specific expenditure program.

(d) A specific type of expenditure.

With respect to the special districts to which this chapter applies the term “budget unit” may be synonymous with the district budget.” (§ 29011.)

be restricted to single objects.⁴

Accordingly, the issue resolves itself into at what level, budget unit or object, are appropriated monies considered to be “an appropriation.”

It is our conclusion based upon an analysis of (1) the county budget act as a whole; (2) the contemporaneous administrative construction of that act by the State Controller’s office; and (3) the statutory history of the most relevant provisions of the act, that “an appropriation” is found at the object level. Consequently, it is our opinion that the final sentence of section 29125 does not grant to a board of supervisors the power to delegate the authority to approve transfers and revisions between objects within a single budget unit.

1. THE COUNTY BUDGET ACT

The county budget act prescribes the statutory procedure for the adoption of a county budget annually. Thus, not later than June 30th of each year each budget unit tabulates and forwards to the board of supervisors its proposed expenditures and anticipated revenues for the coming fiscal year. (§§ 29040–29045, 29060, 29062.) By July 20th the board of supervisors makes its own revisions to such proposed expenditures, according the affected county officials the opportunity to be heard at the forthcoming budget hearings. It then adopts the proposed budget. (§§ 29063, 29064.) By August 10th the board of supervisors must have printed and made available to the public such proposed budget and have published a notice of the hearings on the final budget. (§§ 29065, 29066.) Budget hearings are then held to terminate not later than August 30th. (§ 29088.) By such date, the board adopts the final budget in the detail required or permitted by law, that is, in accordance with sections 29089 and 29090, *supra*. Section 29092 provides at this stage of the proceedings that:

“The several amounts of proposed expenditures specified in the resolution as finally adopted are thereby appropriated for the various budget units of the county and for the special districts for the period to which the budget is intended to apply.” (Emphases added.)

By September 1 the board of supervisors fixes the tax rate based upon such budget and the anticipated revenues from other sources in accordance with law. (§ 29100 *et seq.*)

⁴ For the purposes of this opinion, “object” will include “subobject” where “subobject” relates to “fixed assets,” or where the board of supervisors has exercised its option to give all subobjects appropriation status. (See Cal. Admin. Code, tit. 2, § 965, *infra*.)

An examination of the detail of the provisions of the county budget act leads us to conclude that as used in section 29092 “[t]he several amounts of proposed expenditures” (i.e. the appropriations) “for each budget unit” refers to the objects of expenditure within each budget unit. It also leads us to conclude that “an appropriation” is to be found at the object (that is, purpose) level.

Section 29000 provides initially that “[u]nless the context otherwise requires or provides, the general provisions set forth . . . [in the act] govern” its construction.

Section 29001 of the general provisions defines “appropriations” as follows:

“‘Appropriations’ means *authorization* by the board to make expenditures and *to incur obligations for specific purposes.*” (Emphases added.)

This definition would clearly require that “an appropriation” within the meaning of section 29089, *supra*, would be found at the object (that is, purpose) level, and not at the budget unit level. In short, the appropriations would be the several objects within each budget unit using the above definition.

This concept of severability of objects within budget units as constituting the appropriations can also be found from an examination of other provisions of the county budget act. For example, section 29121 provides that expenditures “in excess of any of the budget appropriations” are not a liability of the county. “Appropriations” as used in that section would require severability of objects or purposes. This is so because otherwise expenditures could be made without reference to the object or purpose of the expenditure so long as expenditures within a given budget unit did not exceed its total appropriated monies. (See also section 29122 with respect to approval of claims.) Another example may be found in section 29126 which provides that “the board may cancel *any appropriation* in whole or in part that is not needed and transfer the amount cancelled to the appropriation for contingencies of *the fund* from which *the* appropriation was originally made.”⁵ (Emphases added.) Again severability of object or purpose is required to constitute “an appropriation” since the appropriated funds for a single budget unit would be made *from a number of “funds.”*

⁵ Fund is defined in section 29005 as follows: “‘Fund’ means a sum of money or other resources segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations, and constituting an independent fiscal and accounting entity.”

(See also § 29126.1, cancellation of any unused appropriation where funding will be unrealized.) As a final example of the severability of object or purpose to constitute “an appropriation,” we cite section 29143 which provides that “[a]ny unencumbered balance . . . of any appropriation . . . shall revert to the fund from which appropriated.” (Emphases added.) This section again demonstrates that an appropriation is to be at the object or purpose level within a budget unit, since the unit’s appropriation again will be financed from a number of “funds.”

The foregoing are examples. An examination of the county budget act demonstrates throughout that an appropriation is to be found at the object or purpose level, and not at the budget unit level. That this is true should be patent since, in short, an appropriation is an authorization to spend money from a particular fund for a particular object or purpose. Thus, the annual budget as proposed or adopted merely constitutes an enumeration of such authorizations for such period.

More important, however, is the fact that nowhere else in the county budget act other than section 29089, *supra*, did we discern any possible ambiguity as to the meaning of “an appropriation” which would lead to the conclusion that an appropriation” is the total of the monies appropriated for a single budget unit.

Accordingly, we see no reason that the definition contained in section 29001 for the term “appropriations” should not control section 29125, *supra*, with respect to the delegation of authority to approve revisions or transfers within an appropriation. We so conclude despite the suggestion that the words “within an appropriation” as used in section 29125 should be construed to mean “within a budget unit” in order to give them meaning. Such suggestion is predicated upon the premise that unless the board of supervisors exercises its option to provide the detail (subobjects) allowed by section 29090 (see note 2, *supra*), the board may not avail itself of the authority to delegate the authority permitted by the final sentence of section 29125. Assuming this to be the case, our answer is that such eventuality would not render the final sentence of section 29125 meaningless. It would merely mean that the board would have to exercise that option to exercise the power to delegate. Furthermore, both the administrative construction of the relevant portions of the county budget act, as well as their legislative history, lead us inexorably to the conclusion that such suggestion does not comport with the legislative intent with respect to the final sentence of section 29125.

2. THE ADMINISTRATIVE CONSTRUCTION

The State Controller, after consultation with and the approval of the Committee on County Accounting Procedures,⁶ prescribes administrative regulations to be published in the California Administrative Code with respect to uniform accounting procedures for counties, which includes the county budget process. (§ 30300; see also, § 29000.) The term “budget unit” was apparently first added to the county budget act in 1963 (see Stats. 1963, ch. 1209, § 2, p. 2710). Our research discloses that *after* the addition of the “budget unit” to the act as a control unit for county financial operations, the State Controller amended title 2, section 965, California Administrative Code in a manner completely contrary to the concept that “an appropriation” may be considered to be the total money appropriated to a budget unit. Thus in 1968 section 965 was adopted to read in the California Administrative Code as follows:

“965. Detail Within Each Budget Unit. With certain exceptions (see Sections 994, 1002 and 1004), *appropriations within each budget unit* are segregated by expenditure objects:

- (a) Salaries and employee benefits
- (b) Services and supplies
- (c) Other charges
- (d) Fixed assets
- (e) Expenditure transfers and reimbursements.

Appropriations for fixed assets are further segregated by subobjects, as set forth in Article 6, Subchapter 1, and by project and equipment detail within subobjects.”

“Subobjects of the remaining objects are required to be shown but are not legal components of adopted appropriations. At the option of the individual county all subobjects may be given appropriation status.” (68 Cal. Admin. Register, No. 9–3–2–68.)⁷

⁶ The “Committee on County Accounting Procedures, “consists of 10 members appointed by the Controller and is composed of five county auditors, three county administrative officers and two county supervisors. (§30201.)

⁷ Section 965 of title 2. California Administrative Code presently provides:

It is seen that the segregation of appropriations within each budget unit as prescribed in section 965 above is the same as the enumeration of the objects found in section 29089 of the county budget act. Thus, the State Controller has administratively construed “objects” within budget units to be “appropriations” in rather graphic fashion for our purposes herein.” . . . when an administrative agency is charged with enforcing a particular statute, its interpretation of the statute will be accorded great respect by the courts “and will be followed if not clearly erroneous. . . .” *Judson Steel Corp. v. Workers’ Comp. Appeals Bd.* (1978) 22 Cal. 3d 658, 668), particularly where that interpretation is found in formally adopted administrative regulations which resulted from public hearings. *Jones v. Tracy School Dist.* (1980) 27 Cal. 3d 99, 107.) Our analysis of the county budget act as a whole in the first portion of this opinion demonstrates that such interpretation is not only not clearly erroneous, but accords with the provisions of that act, and the definition of “appropriations” found in that act.

Accordingly, the administrative interpretation of the budget act found in the procedures mandated by law to be adopted by the State Controller lead to the conclusion that section 29125 of the Government Code does not grant a board of supervisors the power to delegate the authority to revise or transfer monies between objects within a single budget unit.⁸

965. Detail Within Each Budget Unit.

With certain exceptions (see Sections 994, 1002 and 1004), *appropriations within each budget unit* are segregated by expenditure objects:

- (a) Salaries and employee benefits
- (b) Services and supplies
- (c) Other charges
- (d) Fixed assets
- (e) Expenditure transfers and reimbursements.

Appropriations for fixed assets are further segregated by subobjects, as set forth in Article 6, Subchapter 1, and by project and equipment detail within subobjects. Subobjects of the remaining objects are required to be shown but are not legal components of adopted appropriations. At the option of the individual county all subjects [sic-“subobjects”] may be given appropriation status.”

“When in the judgment of the board of supervisors it is in the best interests of the county to do so, a county may elect to eliminate the use of subobjects of expenditures, other than for fixed [sic] assets, from the budget document; when this option is exercised it shall be by resolution adopted at any regular meeting by a four-fifths vote of the Board. The county auditor shall forward a copy of the resolution to the State Controller within ten days of its adoption.” (Emphasis added.)

The exceptions provided in sections 994, 1002 and 1004 are not material to our consideration.

⁸ We note also the suggestion that section 964, title 2, California Administrative Code permits

3. STATUTORY HISTORY

Finally, it is our conclusion that the statutory history of the relevant portions of the county budget act clearly demonstrate that “an appropriation” within the meaning of section 29125 means an object within the enumeration found in section 29089, the section specifying the required detail for the resolution adopting the final budget. As noted, the specification of a “budget unit” as a control point for county financial operations was first placed in the county budget act in 1963. Prior thereto, section 29092, the predecessor to present section 29089, provided with respect to the resolution of adoption of the final budget:

“The resolution of adoption shall specify:

(a) Appropriations:

(1) By general classes for:

(A) Salaries and wages.

(B) Maintenance and operation.

the classification of appropriations alternatively by (a) object (b) budget unit (c) activity (d) function or (e) fund. That section states:

“964. Appropriation Classifications.

Appropriations are classified by:

(a) Object

(b) Budget unit

(c) Activity

(d) Function

(e) Fund

Each budget unit is classified by function and activity. Budget units engaging in two or more activities are classified according to the activity of greatest expenditure, or, as is recommended, they may be segregated.”

It is our understanding, however, that the above enumeration merely sets forth the manner in which appropriations may be summarized, beginning with the object (or purpose,), e.g. salaries, and proceeding then through the other “classifications,” with “object” being the lowest level or order of summarization. Furthermore, section 964 of the administrative regulations must be read in conjunction with the following provision, section 965, which clearly nullifies such suggestion that the above classifications are alternative methods of classifying single appropriations.

See also County Budget Manual, State of California, State Controller’s Office, paragraphs 2104, 210

(C) Capital outlay, equipment.

(D) Interest and debt redemption.

(2) By items, for capital outlay, structural, and nonstructural improvements.

(b) Reserves, by funds and purposes.

(c) The means of financing the expenditure program.” (Stats. 1947, ch. 424, p. 1219, § 1.)

Thus, what are now denominated “objects” within section 29089 of the county budget act were historically “appropriations.” Section 29089, as enacted in 1963, essentially just added the language “for each budget unit” after the word “appropriations.” (See also generally old Pol. Code, §§ 3714.4, 3714.5, 3714.14, 3714.17, 3714.18.)

However, perhaps most telling as to the historical concept of the word “appropriation” as it is used in those sections which classify permitted expenditures by purposes (or “objects”) in the county budget act is section 3714.18 of the old Political Code. That section provided in part:

“The estimates of expenditures, classified as required in Section 3714.4, and as finally fixed and adopted by said county board of supervisors . . . shall constitute the appropriations for the county for a period to which the budget is intended to apply. . .” (Emphases added.)

The underscored language refers to the resolution of adoption then contained in section 3714.14 of the Political Code, and now provided for in section 29089 (previously 29092, *supra*). The classifications of estimated expenditures corresponded to what we now find as “objects” (or subobjects) in the present act.

Accordingly, the statutory history of section 29089, the “underpinning” for the suggestion that “an appropriation” within the meaning of section 29125 means the *total* monies appropriated to a budget unit, leads us to conclude that the words “within an appropriation” as used in section 29125 means “*within a single object*.”

This conclusion is further fortified by prior section 29145, the predecessor of section 29125 itself. Until 1957 that section permitted the board of supervisors to make revisions or transfers only *within* appropriations. Section 29145 provided:

“Transfers or revisions may be made within any of the three general classes, salaries and wages, maintenance and operation, and capital outlay, by a resolution formally adopted by the board at a regular or special meeting and entered in its minutes.” (Stats. 1947, ch. 424, p. 1221, § 1, as amended by Stats. 1957, ch. 1544, p. 2904, § 1.)

Thus, the statutory history of section 29125 itself indicates that when the Legislature speaks in terms of transfers *within* appropriations, it has in mind transfer *within*, not between, what are now denominated “objects,” and which were previously referred to as “classes” of or “classifications” of proposed or permitted expenditures.

For the foregoing reasons, it is concluded that section 29125 does not grant to a board of supervisors the power to delegate the authority to approve transfers and revisions of appropriations between “objects” within a single “budget unit.
