

BUDGET LETTER

		NUMBER:	16-28	
SUBJECT:	EMPLOYEE COMPENSATION ADJUSTMENTS—ITEM 9800		DATE ISSUED:	September 22, 2016
REFERENCES:	BL 16-25 AND VARIOUS, SEE ATTACHMENT		SUPERSEDES:	BL 15-19

TO: Agency Secretaries
 Department Directors
 Departmental Budget and Accounting Officers
 Department of Finance Budget and Accounting Staff

FROM: DEPARTMENT OF FINANCE

NOTE: Budget Officers are requested to forward a copy of this Budget Letter (BL) to their Human Resources and Labor Relations Offices.

The Department of Finance is issuing this BL to assist departments with scheduling 2016-17 employee compensation adjustments as part of the 2017-18 budget process.

Deadlines and Deliverables	
October 14, 2016	Item 9800 attachments and supporting documentation due to Department of Finance budget analysts.

A. Background

The state has current Memoranda of Understanding (MOUs) with collective bargaining units 2, 5, 6, 7, 9, and 10. The Administration is currently in negotiations with the remaining 15 bargaining units. (See Worksheet 2 for a list of the 21 bargaining units.) This BL addresses the distribution of 2016-17 employee compensation augmentations approved through the collective bargaining process and for employees excluded from collective bargaining as approved by the California Department of Human Resources (CalHR). It also includes background information and instructions for departments to calculate and schedule current year and budget year funding requests.

These instructions do not apply to personnel of the University of California, the Hastings College of Law, the California State University, or State Active Duty personnel of the Military Department.

Glossary Relevant to this BL

The following terms are used throughout this BL:

- BBA = Baseline Budget Adjustments. These are baseline expenditure adjustments such as employee compensation, carryovers, etc.
- BR = Budget Request. These are issues identifying changes to dollar amounts and/or positions for any fiscal year in the system.
- BU = Business Unit. This four-digit number is equivalent to an organization code/entity.
- Category = An account code in the Chart of Accounts.
- ENY = Enactment Year (formerly Year of Appropriation).

B. General Instructions

To request funding for eligible adjustments, departments must complete and submit the Item 9800 Employee Compensation Workbook (Attachment 1), three separate [BBA Excel Upload Templates](#) (one for Salary Adjustments, one for Benefit Adjustments, and another for Other Post-Employment Benefits [OPEB]), and related supporting documentation to their respective Finance budget analyst **no later than October 14, 2016**. This information is necessary to support the funding request and to provide the necessary scheduling information to the State Controller's Office (SCO) to process the 2016-17 Executive Order and transfer appropriation authority from Item 9800 to the respective support appropriations. Please refer to the following instructions for each worksheet within the Item 9800 Employee Compensation Workbook to calculate the appropriate adjustments.

Checklist

Departments should utilize the following checklist when completing Attachment 1 and the associated BBA Excel Upload Templates:

1. **Salary, Benefit, and OPEB adjustments:** Must be entered in whole dollars and rounded to the nearest thousand in Attachment 1 and all BBA Excel Upload Templates. For example, \$1,987 must be rounded to \$2,000.
2. **Account Category Codes:** Category code 510XXXX (Salaries and Wages) must be used for Salary Adjustments, 515XXXX (Staff Benefits) must be used for Benefit Adjustments. New for this year, departments must use category code 5150820 for OPEB Employer Contributions.
3. **Reimbursements:** Fund 0995 must be used to schedule reimbursements to the associated program/category spending those funds. As noted in [BL 16-13](#), starting with the 2017-18 Governor's Budget process, reimbursements will no longer be reflected under the associated expenditure item or the account category code of 48XXXXX in Hyperion.
4. **Distributed Administration Costs:** See the Distributed Administration Costs section below for more information.
5. **BBA Excel Upload Template Type:** Adjustments on Worksheet 6 must be scheduled in a BBA Excel Upload Template. Three separate templates must be used; one for Salary Adjustments, one for Benefit Adjustments, and one for OPEB. Select the appropriate BBA type, either "Salary Adjustments," "Benefit Adjustments," or "Issue Specific Adjustment," depending on the type of adjustments being scheduled.
6. **Budget Request Titles:** When completing a BBA Excel Upload Template, the title must be "Allocation for Employee Compensation" for Salary Adjustments, "Allocation for Staff Benefits" for Benefit Adjustments, and "Allocation for Other Post-Employment Benefits" for OPEB Adjustments.
7. **ENY:** When completing the BBA Excel templates, unless scheduling to a continuous or continuing appropriation, select an ENY of 2016 for adjustments entered in the CY Expenditures tab and an ENY of 2017 for adjustments entered in the BY-BY4 Expenditures tab.

C. Instructions—Item 9800 Employee Compensation Workbook (Attachment 1)

Worksheet 1: Item 9800 Summary Sheet

The Item 9800 Summary Sheet displays total adjustments that are calculated on Worksheets 4, 5, 6, and 7. Cells within this worksheet are all formula driven.

Worksheet 2: Item 9800 List of Bargaining Units

This worksheet provides a list of current bargaining units. This list should be referenced to ensure adjustments on Worksheets 4, 5, 6, and 7 correspond to the correct bargaining unit.

Worksheet 3: Item 9800 List of Eligible Salary and Benefit Adjustments

This worksheet provides departments a list of eligible Salary, Benefit, and OPEB adjustment information necessary to complete Worksheets 4, 5, 6, and 7.

CalHR has transmitted classification and pay adjustment data to departments through multiple pay letters. The pay letters that have been released and the associated Salary Adjustments can be found on Worksheet 3.

Worksheet 3a and 3b: Item 9800 Benefit Adjustment Instructions and Detail

Worksheets 3a and 3b provide departments with detailed health and dental benefit information and instructions necessary to complete Worksheets 5 and 6.

Worksheet 4: Item 9800 Salary Adjustment Worksheet

This worksheet is used to calculate Salary Adjustments, as listed on Worksheet 3. **Augmentations will only be provided for adjustments appearing on Worksheet 3. Augmentations will not be provided for overtime, increased contract costs, limited-term positions, or temporary help blanket expenditures.**

On this worksheet, if an adjustment is applicable to all employees in the department, use the total salaries in the Regular/Ongoing Positions (see highlighted cell in Schedule 7A example below) in the current year column (2016-17) from the 2017-18 Salaries and Wages (Schedule 7A) for the current and budget year salary base. Some adjustments on Worksheet 3 will only impact specific classifications, bargaining units, etc. In those instances, use the salary base specific to those impacted.

Note that these adjustment amounts will also need to be scheduled in a BBA Excel Upload Template with a “Salary Adjustment” baseline adjustment type. For further instructions, refer to section D. Instructions—BBA Excel Upload Templates.

Schedule 7A Example

ORGANIZATIONAL UNIT	NUMBER OF POSITIONS			EXPENDITURES		
	Filled	Authorized	Proposed	Actual	Estimated	Proposed
Classification	2015-16	2016-17	2017-18	2015-16	2016-17	2017-18
	(Salary Range)					
Administration						
Exec Director	0.9	1.0	1.0	\$8,369-9,053	\$105,300	\$105,300
Program Mgr I	0.8	1.0	1.0	5,079-6,127	64,267	67,483
Assoc Program Officer	0.8	2.0	2.0	4,400-5,348	107,140	112,497
Exec Asst	0.6	1.0	1.0	3,288-3,996	45,674	45,674
Staff Services Analyst	0.9	-	-	2,817-4,446	-	-
TOTALS, AUTHORIZED POSITIONS	5.0	6.0	6.0	\$294,552	\$370,738	\$380,597
<i>Regular/Ongoing Positions</i>	4.0	5.0	5.0	256,132	322,381	330,954
<i>Temporary Help</i>	1.0	1.0	1.0	25,613	32,238	33,095
<i>Overtime</i>	-	-	-	12,807	16,119	16,548

Although the pay letters and instructions on Worksheet 3 provide guidance regarding costing, departments are encouraged to review the terms of MOUs for additional clarification. Please refer to the CalHR website for MOU details, found at:

<http://www.calhr.ca.gov/state-hr-professionals/Pages/bargaining-contracts.aspx>.

Salary-Driven Benefit Calculations

- **OASDI** (Social Security)—6.2 percent of total salary up to the **\$118,500** cap (for each position covered by OASDI) for 2016 and **\$126,000** for 2017.
- **Medicare**—1.45 percent of total salary (no cap).
- **Retirement**—Departments must use the 2016-17 retirement rates as reflected in Control Section 3.60 (**BL 16-25**). This information will be used in completing Worksheet 4 and rolls into Worksheet 1.
- **Other Salary-Driven Compensation**—Pay differentials that are calculated as a percentage of base salary that are not included in the salary on the Schedule 7A (e.g., longevity pay) must be included in the salary base to accurately capture increased benefit costs.

These benefits must be calculated as a percentage of the Salary Adjustment and included within the “Staff Benefits” column on Worksheet 4 for each applicable adjustment. Other increased costs will not be funded.

Note that these adjustment amounts will need to be scheduled in a BBA Excel Upload Template with a “Benefit Adjustment” baseline adjustment type. For further instructions, refer to section D. Instructions—BBA Excel Upload Templates.

Worksheet 5: Item 9800 Benefit Adjustment Worksheet

Adjustments to the employer’s health benefits contribution for specific bargaining units were made as a part of their MOUs or as approved by CalHR. Based on the approved 2017 health rates adopted by CalPERS, the state’s contribution towards 2017 health premiums for a majority of bargaining units will be slightly lower than the amount contributed by the state in 2016. CalHR has transmitted specific health contribution adjustment data to departments through Personnel Management Liaisons (PML). To calculate the 2016-17 Employer’s Health Benefit Contribution adjustment, departments should refer to Worksheets 3a and 3b and calculate the adjustments on Worksheet 5.

Note that these adjustment amounts will also need to be scheduled in a BBA Excel Upload Template with a “Benefit Adjustment” baseline adjustment type. For further instructions, refer to section D. Instructions—BBA Excel Upload Templates.

Worksheet 6: Other Post Employment Benefits (OPEB) Worksheet

This worksheet is used to calculate OPEB adjustments, as listed on Worksheet 3. Through the collective bargaining process, several union contracts now include prefunding of retiree healthcare benefits and other cost containment measures to address the state’s \$74 billion unfunded healthcare obligation. As part of these prefunding agreements, the employee and employer will begin contributing 50 percent of the actuarially determined normal cost of their retiree health benefit. In order to complete this worksheet, departments will need to determine the pensionable compensation associated with only those employee groups impacted. **This adjustment will only impact bargaining unit 6 (Correctional Officers) and state-level employees in the Judicial Branch. No other bargaining units or employees groups will receive an augmentation as part of this BL.**

Note that these adjustment amounts will also need to be scheduled in a separate BBA Excel Upload Template with an “Issue Specific Adjustment” baseline adjustment type. For further instructions, refer to section D. Instructions—BBA Excel Upload Templates.

Worksheet 7: Item 9800 Salary and Benefit Adjustment Fund Split Worksheet

Provide the unique appropriation item (Business Unit, Reference Code, Fund Code, Program Number, and Category) for each adjustment. Note there are several category codes that can be used for the various adjustments found in Worksheets 3, 3a, and 3b. For Salary Adjustments (Worksheet 4), select a category code from the Chart of Accounts (COA) that begins with 510XXXX (Salaries and Wages).

For Benefit Adjustments (Worksheets 4 and 5), select a category code from the COA that begins with 515XXXX (Staff Benefits). For OPEB adjustments (Worksheet 6), select category code 5150820. If reimbursement adjustments are necessary, select the appropriate category code referenced above, based on the adjustment type, scheduled to Fund 0995.

If you have distributed administration, a three-entry scheme is required. Program number 9900100 (positive adjustment) and 9900200 (negative adjustment) must be used, along with entries for the program that pays for the distributed cost. Additionally, category code 5342500 is required to accurately reflect the net-zero adjustment being distributed between programs. For more details, refer to “Treatment of Distributed Administration” found at [http://www.dof.ca.gov/Budget/Fiscal Resources For Budget/](http://www.dof.ca.gov/Budget/Fiscal_Resources_For_Budget/).

To correctly classify funds and eliminate errors, this worksheet includes a drop-down list of all funds for departments to select from rather than keying in manually. The fund classification will auto populate based on the fund selected by the department. While this process *should* help mitigate errors, departments must verify each fund classification by reconciling it to the Uniform Codes Manual (UCM).

Please refer to the UCM, Numerical Fund Listing, found at: http://www.dof.ca.gov/Accounting/Policies_And_Procedures/Uniform_Codes_Manual/Fund_Codes/documents/20fundnum.pdf. **Note Federal funds and bond funds will be classified as non-governmental cost funds.**

Worksheet 8: Item 9800 Crossties

To ensure that all adjustments within Attachment 1 agree, the crossties on this worksheet must all reflect “0” for both the current and budget year.

D. Instructions—BBA Excel Upload Templates

General Information

After completing all applicable worksheets in the Item 9800 Employee Compensation Workbook, departments are required to complete a separate BBA Excel Upload Template for each adjustment type; Salary Adjustments, Benefit Adjustments, and OPEB adjustments. Adjustments within each BBA Excel Upload Template must tie to the corresponding adjustments listed on Worksheet 7 and must be submitted on the latest BBA Excel Upload Template http://www.dof.ca.gov/budget/resources_for_departments/budget_forms/. The BR(s) must have a BU number, a unique sequencer (001 to 999), a fiscal year, and a budget cycle when the issue is originated (e.g., GB for Governor’s Budget).

Example of BR naming conventions:

Budget Request	2222-001-BBA-BR-2017-GB (Baseline Salary Adjustments)
Budget Request	2222-002-BBA-BR-2017-GB (Baseline Benefit Adjustments)
Budget Request	2222-003-BBA-BR-2017-GB (Baseline OPEB Adjustments)

Departments must complete the following in each BR Details Worksheet:

1. Use the standard naming convention to provide a unique BR Name.
2. BR Title should be meaningful. For purposes of this BL, please use “Allocation for Employee Compensation” for Salary Adjustments, “Allocation for Staff Benefits” for Benefit Adjustments, and “Allocation for Other Post-Employment Benefits” for OPEB Adjustments.
3. Using the drop-down menu, select the appropriate BU.

Baseline Adjustment Type

Departments must select a BBA type from the drop-down menu in the Baseline Adjustment Type worksheet. For purposes of this BL, the three acceptable BBA types to select are:

- “Salary Adjustments” for adjustments calculated on Worksheet 4.
- “Benefit Adjustments” for adjustments calculated on Worksheets 4 and 5.
- “Issues Specific Adjustment” for adjustments calculated on Worksheet 6. For purposes of this BL, please use “Allocation for Other Post-Employment Benefits” for the BR Description.

Baseline Adjustments (CY and BY-BY4)

Using the drop-down menus, specify the Reference, Fund, ENY, Program, and Category for each unique combination of funding needed to support the adjustment. For purposes of this BL, the acceptable category types to select are 510XXXX (Salaries and Wages) for Salary adjustments, 515XXXX (Staff Benefits) for Benefit adjustments, and 5150820 for OPEB adjustments. Departments should refer to Worksheet 7 within the Item 9800 Employee Compensation Workbook when determining the dollars that should be scheduled in the current and budget years. Adjustments in the Baseline Adjustments Current Year and Budget Year Worksheets must be entered in whole dollars and rounded to the nearest thousand. All ongoing dollars in the Baseline Adjustments Budget Year Worksheet should be copied to the BY1-4 columns.

Baseline Adjustments—Reimbursements

Reimbursements will also be captured in category type 51XXXXX; **not 48XXXXX** (see the Checklist earlier in this BL). Reimbursements will not require an additional BR and will not have a separate tab in the BBA Excel Upload Template.

Distributed Administration Costs

Departments that distribute administrative costs will need to reflect that distribution for applicable Item 9800 Adjustments. To properly reflect the in-and-out nature of distributed administrative costs, a three-entry scheme is required. Departments will use program number 9900100 (positive adjustment) and category code(s) 51XXXXX to show the positive total being distributed to a particular program(s), program number 9900200 (negative adjustment) and category code 5342500 to reflect the total distributed cost, and the program (positive adjustment) that pays for various distributed cost with category code 5342500. This process allows for the dollars associated with a particular program to be included in the program total. For more details, refer to “Treatment of Distributed Administration” found at http://www.dof.ca.gov/Budget/Fiscal_Resources_For_Budget/.

E. Questions

Please direct questions related to PMLs, Pay Letters, or provisions of an MOU to departmental personnel, labor relations officers, or CalHR. For the treatment of budget documents, direct questions to your Finance budget analyst.

/s/ Justyn Howard

Justyn Howard
Program Budget Manager

Attachment