

BUDGET LETTER

	NUMBER: 01-45
SUBJECT: PROPOSED REDUCTION IN 2001-02 SPENDING	DATE ISSUED: November 19, 2001
REFERENCES: GOVERNOR'S LETTER ON NOVEMBER 14, 2001, AND PROPOSED REDUCTION IN 2001-02 SPENDING PLAN	SUPERSEDES:

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

FROM: DEPARTMENT OF FINANCE

Proposed Reduction in 2001-02 General Fund Spending

On November 14, 2001, the Governor issued a letter directing Agency Secretaries and Department Directors to take all actions permitted under law to stop spending current year expenditures listed in his Proposed Reduction in 2001-02 Spending plan. Departments must strictly adhere to these spending reductions. If an Agency Secretary or Department Director determines that it is not legally permissible, or that the suspension would cause further economic harm, they must contact the Department of Finance to review the matter.

On November 16, 2001, the Department of Finance transmitted a Finance Letter to the Budget Subcommittees proposing reductions in accordance with the Spending Reduction Plan. Copies of the Finance Letter are being distributed to Agency Secretaries, Department Directors, and Budget Officers. The Administration will be submitting to the Legislature specific urgency legislative proposals amending the 2001-02 State Budget for consideration during an Extraordinary Session commencing in January 2002. These savings will be achieved through urgency legislation. A copy of the Plan has been distributed to each department, and it is also available at: <http://www.dof.ca.gov/HTML/Budgt01-02/SpndReduc.pdf>

Local District Projects

The Governor's Spending Reduction Plan includes an estimated savings of \$30 million from the local district project appropriations in the 2001 Budget Act. If the funds have not already been disbursed, departments must not allocate any uncommitted funds unless an obligation has been made and the reduction of these funds would result in a significant number of layoffs. In these instances, the department must contact the Department of Finance and ask for a review of the matter.

Budgetary Treatment of 2001-02 Reductions

Departments are directed to reflect all program specific reductions in its budget documents (budget galleys, Schedule 10, Planning Estimates, and Supplementary Schedules). For the 2002-03 Governor's Budget, savings from the local district projects, operating expenses and equipment reductions, past year disencumbrances, and hiring freeze will be reflected in statewide items.

Operating Expenses and Equipment Reduction (per Executive Order D-49-01)

Budget Letter 01-38 required departments to identify General Fund savings in Operating Expenses and Equipment for 2001-02. The savings reported by departments did not achieve the target of at least \$150 million. Early next week, Finance analysts will be contacting departments to identify further savings to achieve this target.

Questions regarding this Budget Letter should be directed to your Finance Budget Analyst.

/s/ B. TIMOTHY GAGE

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Director