

BUDGET LETTER

	NUMBER: 03-41
SUBJECT: CONTROL SECTION 3.60 AND CONTROL SECTION 4.10, BUDGET ACT OF 2003	DATE ISSUED: November 17, 2003
REFERENCES:	SUPERSEDES: BL 02-19

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

FROM: DEPARTMENT OF FINANCE

Note: Please forward a copy of this budget letter (BL) to your department's/Agency's Personnel and Labor Relations Officers.

This BL provides budget development instructions for the 2003-04 employer retirement rate adjustments and Control Section 4.10 reductions.

Control Section 3.60 and Control Section 4.10 Budget Development Instructions

A. Background—Control Section 3.60

Retirement Rates Have Changed

Through Control Section 3.60, the Legislature adopted higher employer retirement contribution rates that are not yet reflected in individual departmental base budgets. Pursuant to Control Section 3.60(a), **departmental appropriations will be adjusted** to accommodate the State employer's share of increased retirement costs through the Budget Executive Order process.

Due Dates

Departments are required to return all attachments and related supporting documentation to their respective Department of Finance (Finance) Budget Analyst as soon as possible, but **no later than Monday, November 24, 2003.**

A Note About Pension Obligation Bonds

The 2003 Budget Act anticipated the issuance of pension obligation bonds to satisfy the State's 2003-04 retirement contributions. All transactions for the pension obligation bonds will be at the statewide level and will not affect individual department budgets. Departments will continue to be assessed a retirement charge through the payroll system. The amounts collected from the General Fund will be abated to the General Fund through a statewide item; some of the amounts collected from other funds will be transferred to the General Fund and all future debt service obligations for the pension obligation bonds will be incurred by the General Fund.

The following table displays the 2002-03 and 2003-04 retirement rates:

-A-	-B-	-C-
Retirement Category	2002-03 Retirement Rates	2003-04 Retirement Rates
Miscellaneous, First Tier	7.413%	14.843%
Miscellaneous, Second Tier	2.813%	10.265%
State Industrial	2.858%	11.099%
State Safety	17.055%	21.930%
Highway Patrol	23.076%	32.653%
Peace Officer/Firefighter	13.925%	20.325%

B. Instructions

To request funding for eligible adjustments, all departments should complete and submit Attachments II, III, IV, and V to their respective Finance Budget Analyst. The information is necessary to support the funding request and to provide the necessary scheduling information to process the Budget Executive Order. Refer to the following attachments to determine appropriate adjustments and to prepare departmental funding requests:

- Attachment I, **Treatment of Budget Documents**
- Attachment II, **2003-04 Annual Salary Base Worksheet**
- Attachment III, **Employer Retirement Rate Contribution Adjustment Worksheet**
- Attachment IV, **Planning Estimate Adjustment Summary**
- Attachment V, **Control Section 3.60 Scheduling Worksheet**

Attachment I, Treatment of Budget Documents

Attachment I provides instructions on how to post retirement adjustments to the Planning Estimates and Schedule 10s. The attachment also explains how the retirement adjustments will be displayed in the Reconciliation with Appropriations.

Attachment II, 2003-04 Annual Salary Base Worksheet

Since the retirement contribution amount is calculated based upon the 2003-04 salary base, the salary base must be updated for the various general salary increases that employees received in 2003-04. For Control Section 4.10, departments valued all position reductions using the new 2003-04 retirement rates shown above. Therefore, all positions that existed on June 30, 2003, including positions that will be abolished pursuant to Control Section 4.10, should be included in the calculation of the salary base. In Column B (Budget Act Annual Salary Base) use the Totals, Authorized Positions less Temporary Help and Overtime from the Salaries and Wages Supplement (Schedule 7A), segregate amounts by retirement plan and by bargaining unit. The attachment will automatically calculate a new salary base that will include the new general salary increases.

Attachment III, Employer Retirement Rate Contribution Adjustment Worksheet

Except for the Salary Savings Rate and the Fund Split, all cells are formula driven. For the Salary Savings Rate, use the 2003-04 budgeted salary savings rate included in the first pass of the Budget Galley.

Attachment IV, Planning Estimate Adjustment Summary

Split the amounts shown on Attachment III, Employer Retirement Rate Contribution Adjustment Worksheet by item of appropriation.

Attachment V, Control Section 3.60 Scheduling Worksheet

Provide scheduling information for all adjustments. The total on Attachment V, Control Section 3.60 Scheduling Worksheet must tie to the total on Attachment IV, Planning Estimate Adjustment Summary.

C. Treatment of Budget Documents

Departments will use the Employer Retirement Rate Contribution Adjustment Worksheet (Attachment III) to calculate the required budget adjustment. Budget staff of the affected departments and their respective Finance Budget Analysts will make the necessary adjustments to the 2003-04 and 2004-05 budget documents to reflect the retirement rate adjustments identified on Attachment III. These include adjustments to the Planning Estimates, Supplementary Schedule of Appropriations (Schedule 10s), the Governor's Budget (Summary by Object, etc.), and Supplementary Schedules.

See Attachment I, (pages 1 and 2), of this BL for instructions on the treatment of budget documents.

Departments must use the retirement rates in Column C on the previous table in any Budget Change Proposal submitted to Finance, whether for the current year (2003-04) or the budget year (2004-05).

D. Control Section 4.10 Reduction Adjustment

In most cases, departments **will not** be receiving additional appropriation authority for general salary increases that some employees received in 2003-04. In order to reflect this decision, departments are instructed to build any salary increases into their Changes in Authorized Positions, "Salary adjustment line," but not into the Salaries and Wages Supplement (Schedule 7A) nor the Schedule 8.

Adjustments to appropriations made pursuant to Control Section 4.10 for both budget Executive Orders have been pre-posted on departments' Schedule 10s by the Financial Operations Unit of the Department of Finance and in the internal Planning Estimate system by the Administration Unit on PE line 0120. Departments must manually post the same amounts on PE line 0120 on the PE worksheet.

Adjustments to Operating Expenses and Equipment should be reflected in the line item detail in the Supplementary Schedule of Operating Expenses and Equipment (DF-300).

See Attachment I, page 3, for a sample Changes in Authorized Positions for treatment of adjustments per Control Section 4.10.

E. Additional Information

Please direct your questions to the following:

- Treatment of budget documents should be directed to your Finance Budget Analyst.

- Technical guidance on this BL should be directed to Jeff Carosone of the Department of Finance, Administration Unit, at (916) 445-3274 (CNET 485-3274).

/s/ Veronica Chung-Ng

Veronica Chung-Ng
Program Budget Manager

Attachments

Upcoming Budget Letters

- Checklist of Information to include Budget Galley

**EMPLOYER RETIREMENT CONTRIBUTION RATE ADJUSTMENTS
TREATMENT OF BUDGET DOCUMENTS**

A. Planning Estimates (PE)

Section 3.60—Post the totals from the completed Attachment III to PE line 0200 for each applicable item of appropriation as reflected on Attachment IV. These baseline adjustments must be entered for both **current year** and **budget year**. Attachment III will be used by Finance Budget Analysts to update the PE system prior to receiving completed PE worksheets from departments.

B. Schedule 10s

A Budget Executive Order will be prepared to adjust 2003-04 departmental appropriations due to the change in retirement rates. Departments must **manually** post the 2003-04 adjustments listed on Attachment III to their current year Schedule 10s.

Example:

Adjustment per Section 3.60:

Program A or Personal Services	\$XXX
Program B or OE&E	\$XXX
Reimbursements	<u>-\$XXX</u>
Total	<u>\$XXX</u>

C. Reconciliation with Appropriations

Adjustments per Control Section 3.60 will be displayed in the automated RWA on the line entitled "Adjustment per Section 3.60," based on the adjustments posted on the department's Schedule 10s.

Example:

RECONCILIATION WITH APPROPRIATIONS				
1 STATE OPERATIONS				
0001 General Fund				
	2002-03	2003-04	2004-05	
APPROPRIATIONS				
001 Budget Act appropriation	\$XXX	\$XXX	\$XXX	
Adjustment per Section 3.60	<u>XX</u>	<u>XX</u>	<u>--</u>	
Totals Available	\$XXX	\$XXX	\$XXX	
Unexpended balance, estimated savings	<u>-X</u>	<u>--</u>	<u>--</u>	
TOTALS, EXPENDITURES	<u>\$XXX</u>	<u>\$XXX</u>	<u>\$XXX</u>	

CHANGES IN AUTHORIZED POSITIONS	PY	CY	BY	PY	CY	BY
Totals, Authorized Positions	238.7	298.5	298.5	\$11,154	\$13,641	\$13,886
Salary adjustments	--	--	--	--	121	142
Totals, Adjusted Authorized Positions	238.7	298.5	298.5	\$11,154	\$13,762	\$14,028
Workload and Administrative Adjustments:						
Positions Established:						
				Salary Range		
Research Prog Spec I	--	1.0	--	4,301-5,228	52	--
Staff Counsel (Legal)	--	1.5	--	3,651-7,034	66	--
Environmental Spec III (Planning)	--	1.0	--	2,738-3,290	33	--
Temporary Help	--	4.5	--	--	36	--
Overtime	--	--	--	--	18	--
Reduction in Authorized Positions:						
Assoc Govtl Program Analyst	--	-1.5	-1.0	3,915-4,759	-70	-47
Records Mgt Analyst	--	-1.0	--	3,255-3,957	-39	--
Transfer from Dept XXX:						
Staff Services Analyst	--	--	4.0	2,507-3,957	--	120
Totals, Workload and Administrative Adjustments	--	5.5	3.0	--	\$96	\$73
Adjustment per Section 4.10:						
Sr. Legal Analyst	--	-1.0	-1.0	4,110-4,997	--	--
Assoc Govtl Program Analyst	--	-1.0	-1.0	3,915-4,759	--	--
Executive Assistant	--	-0.5	-0.5	2,926-3,556	--	--
Legal Secretary	--	-1.0	-1.0	2,704-3,450	--	--
Section 4.10 net dollar reduction	--	--	--	--	-157	-157
Total	--	-3.5	-3.5	--	-\$157	-\$157
Proposed New Positions:						
Assoc Mineral Res Engr (4 positions effective 1/1/05) ^{1/}	--	--	2.0	4,118-4,970	--	122
Programmer II	--	1.0	1.5	2,770-3,330	43	65
Totals, Proposed New Positions	--	1.0	3.5	--	\$43	\$187
Total Adjustments	--	3.0	3.0	--	\$103	\$245
TOTALS, SALARIES AND WAGES	238.7	301.5	301.5	\$11,154	\$13,744	\$14,131

This line must agree with the Schedule 7A.

The sum of these lines must equal the "Total Adjustments" line.

This line must equal the "Total Adjustments" line in the Summary by Object.

This line must equal the "Authorized Positions" plus the "Total Adjustment" lines in the Summary by Object.

1/ Any position(s) not authorized for the full fiscal year will be noted with a parenthetical comment. Please note that these 4.0 proposed new positions effective 1/1/05 are being reflected with a net position count of 2.0 and a net dollar amount of \$122 (thousand). Formerly, these would have been shown as 4 positions and \$244 (thousand) with partial year adjustments of -2.0 positions and -\$122 (thousand).