

BUDGET LETTER

	NUMBER: 03-42
SUBJECT: HIRING FREEZE	DATE ISSUED: November 26, 2003
REFERENCES: EXECUTIVE ORDER S-3-03	SUPERSEDES: BUDGET LETTERS 03-17 AND 01-38

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

FROM: DEPARTMENT OF FINANCE

Budget Officers are requested to forward a copy of this budget letter (BL) to departmental Human Resources and Labor Relations Offices.

This BL provides departments with instructions on Executive Order S-3-03 that was signed on November 19, 2003 to prohibit departments from filling vacancies or promoting staff.

I. Background

Now that the Audit Team appointed by Governor Schwarzenegger has reported that the new Administration has inherited a debt of almost \$25 billion, and is facing a deficit of \$62 billion through 2006-07, it is clear that previous attempts to curb spending have been insufficient. While a comprehensive plan including program eliminations and restructuring will be necessary, the State must take further immediate action to reduce expenditures and find operating savings for State Agencies and departments. In this spirit, the new Administration has directed all Agencies and departments to cease making new commitments for future expenditures.

II. Executive Order S-3-03, Hiring Freeze

Executive Order D-70-03, issued on July 1, 2003, prohibited the filling of vacancies that would constitute a new hire to State Government except for (a) public safety, health, and security positions, (b) personnel directly involved in producing State revenues, (c) personnel directly involved in direct care treatment and custody in prisons, special schools, hospitals, and health care facilities, and (d) personnel directly involved in fire fighting. On November 19, 2003, Executive Order S-3-03 was signed to prohibit departments from filling all vacancies that would constitute a new hire to State Government.

Effective immediately, only the following actions can be implemented without approval of a new Request for Hiring Freeze Exemption Form:

1. Filling a position exempt from civil service pursuant to Article VII, Section 4 of the California Constitution;
2. Filling vacancies that arise in any position presently designated by the State Personnel Board as a Career Executive Assignment (CEA);
3. Filling positions for which a hiring freeze exemption has been previously approved but the position has not been filled;

4. Mandatory Reinstatements;
5. Required reassignments (e.g., transfers, demotions) resulting from an approved layoff plan.
6. A prior commitment if a legal obligation exists.
7. Intradepartmental transfers provided that the position being filled does not increase General Fund costs or the costs of a fund that is either transferable to the General Fund or is not solvent.

Departments must maintain all available supporting documentation that supports any action implemented without a hiring freeze.

Unlike previous hiring freezes, this new Executive Order prohibits all State Agencies and departments from filling vacancies through promotion, or otherwise promoting personnel. This includes Promotions-In-Place.

The provisions of the Executive Order do not apply to the Legislative, Judicial branches of government, and Constitutional Officers of the State. However, these branches of government are invited to participate. In addition, the University of California and the California State University System are requested to comply with the provisions of this Executive Order; however, participation should be limited to a level that will not interfere with meeting their educational mission.

Limited Exemptions

An exemption from the Hiring Freeze will be considered for only:

1. Positions specifically identified as required by statute.
2. Positions required to meet a declared emergency.
3. Positions required to meet an imminent and urgent threat to public health and safety.
4. Vacant positions financed by funds other than the General Fund that will be filled by an employee on a State Restriction of Appointments list or a Reemployment list. Such exemptions shall not be granted, however, for vacancies financed by reimbursements from General Fund budgets or from funds that in the judgment of the Department of Finance are in jeopardy of incurring a deficit or could be transferred to the General Fund.

Departments requesting an exemption from the Hiring Freeze must receive approval on a Request for Hiring Freeze Exemption Form (DF-160). This form must be signed by the Department Director, and the Agency Secretary (for those departments under an Agency Secretary). After approval by the Department Director and the Agency Secretary, the form must be submitted to the Department of Finance (Finance) for a final review and possible approval.

An electronic version of the DF-160 is available with this BL on the Finance website, under Information for Government Agencies, Budget Letters at: <http://www.dof.ca.gov/html/budlettr/budlets.htm>.

Please submit three hard copies of each request to your Finance Budget Analyst. The electronic submission of forms (i.e., electronic mail) will not be accepted. Incomplete requests will not be considered and will be returned to Agencies (where applicable), departments, or other State entities.

Form DF-160 Instructions (Hiring Freeze Exemption Form)

Request Date and Request Number: Include date of submittal and request number (e.g., 0001, 0002).

Attachments: Indicate whether attachments are included and enter the total number of pages, including the DF-160.

Section A: Indicate the type of exemption.

NOTE: Departments may request only one exemption type per Request for Hiring Freeze Exemption, but may request more than one position per submittal (see Section F below) if the information provided in Sections B, C, and D applies to all affected positions.

Section B: Provide an explanation of the need to fill the position. If the position is funded in part or in whole from the General Fund or a fund that can be transferred to the General Fund, provide an explanation of the need to incur the expense of filling the position when the State is facing a General Fund debt of almost \$25 billion.

Section C: Describe the consequences that will occur if the exemption is not granted.

Section D: State whether or not the approval of this exemption will result in future exemptions (e.g., expand a program that will require further staffing as a result of this exemption).

NOTE: The space provided for the descriptions in Sections B, C, and D will expand as necessary when using the automated version of this form.

Section E: Identify the funding source(s) for the exemption request by allocating the estimated annual salary of each position by Item of Appropriation (Organization-Reference-Fund, XXXX-XXX-XXXX). If the funding source(s) are different for requests addressing multiple positions, departments must attach supporting schedules indicating the annual salary and funding source for each position. Departments must highlight any non-General Fund sources that can be transferred to the General Fund.

Section F: Indicate the position number, classification title, salary range, and requested effective date for the applicable position for which the Hiring Freeze Exemption is requested. For requests addressing more than one position, departments must attach supporting schedules to reflect the required information for each position.

Section G: Departments reporting to Agency Secretaries must include the request approval (signature) of both the department director and the Agency Secretary (or authorized designees). Departments and other State entities not represented by a Cabinet-level officer must include the approval of the department director or other authorized designee.

Contact Person: Provide the name and telephone number of the person who can respond to questions.

Department of Finance Review: Upon submittal of the DF-160 to your Finance Budget Analyst, Finance will review the request and notify Agencies, departments, and other State entities, as appropriate, of the approval or denial of the request. No actions should be taken in advance of receiving notification from Finance that the Request for Hiring Freeze Exemption has been approved.

Compliance: Agency Secretaries and other Cabinet-level officers are responsible for administering and ensuring compliance with the Hiring Freeze. For those departments that are not represented by Cabinet, Finance is responsible for ensuring compliance. To maintain the existing ability to generate reports for monitoring compliance, Agencies, departments, and other State entities are required to comply with provisions of the State Controller's Personnel Letter 01-022.

Questions regarding this BL should be directed to the following entities:

- Questions specific to individual departmental Requests for Hiring Freeze Exemptions should be directed to your Finance Budget Analyst.
- Technical guidance on provisions of, or the attachments to, this BL should be directed to Bob Sands of the Department of Finance, Administration Unit, at (916) 445-3274, (CNET 485-3274).

/s/ Michael C. Genest

MICHAEL C. GENEST
Chief Deputy Director

Attachment