

# BUDGET LETTER

		NUMBER: 11-26
SUBJECT:	WORKFORCE CAP TRUE-UP BUDGET CHANGE PROPOSAL	DATE ISSUED: September 12, 2011
REFERENCES:	BUDGET LETTERS 10-31, 11-10, AND 11-18	SUPERSEDES:

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

FROM: DEPARTMENT OF FINANCE

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

<b>Deadlines and Deliverables</b>	
September 12, 2011	<b>Submit Workforce Cap (WFC) True-Up Budget Change Proposals (BCPs) to your Department of Finance (Finance) budget analyst. If additional time is needed, work with your Finance budget analyst, but WFC BCPs must be submitted no later than September 30, 2011.</b>
September 30, 2011	<b>Submit updated WFC position elimination detail in Attachment 1 to your Finance budget analyst.</b>
September 30, 2011	<b>Submit any necessary STD. Form 607s to the State Controller’s Office (SCO) for any position that had not yet been reclassified/removed from the SCO Schedule 8 as of June 30, 2011. Submit a copy to your Finance budget analyst.</b>

This BL provides technical guidance regarding the WFC true-up BCP as outlined in BL 11-18 and applies to those departments that had an ongoing WFC budget reduction beginning in the 2010-11 fiscal year. WFC savings were to be achieved through abolishing vacant positions, attrition, implementing layoffs, reclassifying existing positions to lower cost classifications, reducing overtime expenses, or a combination of these approaches to reduce personal services budgets. Departments’ WFC plans were to provide a sustainable plan that achieves the savings with the least amount of harm to the program. The intent of this BCP is to summarize the overall implementation of the WFC and, if necessary, make statutory changes and/or align budgeted positions with funded positions and the proper programs as a result of the WFC.

While all departments with a WFC reduction must submit a BCP, WFC BCPs will fall under one of two categories: (1) informational only for reconciliation/transparency purposes (BCPs where both the dollars and positions associated with the WFC have already been removed from your budget) or (2) those requiring legislative actions and/or further position eliminations. To delineate between these two types of WFC BCPs, final BCPs must be titled as either “Workforce Cap Plan (Informational Only)” or “Workforce Cap Plan (Position Eliminations and/or Legislation Included)”. The use of either title will be based on whether legislation is needed and the timing of when positions were removed from your personnel roster. To categorize a WFC BCP as “Informational”, no legislation is necessary and all positions should have been removed from your budget prior to June 30, 2011, which would have resulted in the automatic removal of the position(s) from the Schedule 8 as provided by the SCO or revised by the department during the Salaries and Wages reconciliation process. If your WFC BCP has already been signed by your Department Director and/or Agency, please hand annotate the appropriate title on the copies provided to

your Finance budget analyst on September 12. Before BCPs are finalized for submittal to the Legislature on January 10, 2012, the cover page will need to be revised as noted above.

BL 10-31 stated that it is not acceptable over the long term for departments to show a permanently increased salary savings level as a result of the WFC. While increased salary savings were allowed in the 2011-12 Governor's Budget, in the 2012-13 Governor's Budget departments must make the permanent reductions in positions that correspond with the final WFC plans. BL 10-31 stated that the permanent position reductions were to be made by June 30, 2011, and reflected in the 2012-13 Salaries and Wages (no new footnotes will be added for WFC positions, only the normal footnotes will remain, for things such as continuously vacant positions abolished by the SCO per Government Code (GC) section 12439). However, departments that did not make these permanent position reductions (or need to reclassify current positions due to previous WFC position eliminations) must now outline those reductions/reclassifications in the WFC true-up BCP, submit Form 607s that correspond to proposed position changes to the SCO by September 30, 2011, and submit a copy of the Form 607 to your Finance budget analyst. Departments must ensure that any necessary adjustments to reflect the WFC positions that have not yet been removed from the 2012-13 Salaries and Wages (Schedule 7A) are included in the 2012-13 Governor's Budget. Attachment A provides further details on the treatment of budget documents.

As a reminder, and consistent with the BCP training provided by Finance in August:

- Departments must use the new BCP form (Rev. 5/11), but not all sections may be relevant to each WFC BCP. However, it was noted that departments were to work with their Finance budget analyst to determine which sections would be applicable for the WFC true-up.
- WFC BCPs should be relatively short, but must provide a full reconciliation/true-up of the budgeted positions and funding.
- **Dollars should all be displayed as a negative non-add (in parenthesis)** as the funding has already been removed from departmental budgets. The fiscal detail must correspond, for display purposes only, to the funds that were removed through budget executive orders. For reference, Budget Executive Orders E 10/11 - 55 and E 10/11 - 88 removed appropriation authority from departmental budgets as a result of WFC reductions.
- If positions were already eliminated (GC section 12439, Form 607, etc), departments should show those positions as a **negative non-add (in parenthesis)** as it is informational only. This helps provide a full reconciliation of positions eliminated, but acknowledges that they have already been deleted from department personnel rosters. While these positions will be outlined on the Personal Services Detail on a line by line basis under Classification, do not include these positions in the Total Salaries and Wages.
- If a position has not yet been reflected in the Schedule 7A as deleted, the position would be shown as a **negative** position to be removed (no parenthesis). The department must also provide their Finance budget analyst with a copy of the Form 607 that was submitted to the SCO by September 30, 2011. Only these positions should be included in the Total Salaries and Wages on the Personal Services Detail.
- If BCPs were approved that redirected positions identified for elimination as part of the WFC to a new activity, the department would reflect the following in the narrative portion of the BCP:
  - Identify the approved BCP that redirected the positions (and provided new funding) to support the activity.
  - Show the net adjustment for any remaining positions to be eliminated.

For example, if the WFC plan identified a target of 50 positions and 20 positions were redirected for BCP XYZ (2010-11 or 2011-12), then 30 positions will be deleted and detailed in the WFC BCP (assuming those positions were not previously deleted). Departments must show the full reconciliation including any necessary reclassification of

positions in the narrative portion and would only include the net adjustment in the fiscal detail sheets.

- The Proposal Summary section of the BCP should be a high level summary of the WFC target, total position and personnel year (PY) eliminations, and any necessary statutory changes.
- The Justification section of the BCP should explain what programs were affected by the elimination of positions and why those particular reductions were chosen. This could also explain how the plan changed over time.
- The Implementation Plan section is the best place to outline/explain the timeframe of when and how positions were eliminated and whether the plan has been fully implemented or the dates by which it will be fully implemented. If this information is included in the Justification section, simply refer the reader to that section of the BCP.
- Include draft language for any statutory revisions as a result of WFC plan reductions.

All departments with WFC reductions must also update Attachment 1, which summarizes the timing of position and PY reductions associated with the WFC, and submit this to your Finance budget analyst by September 30, 2011. The previously reported PY reductions associated with the WFC will be provided to departments by their Finance budget analyst. In the file provided by your Finance budget analyst, columns B through D and J should not change and are to be copied over to Attachment 1. Column J, "Reflected Temporarily as Salary Savings in 2011-12" is for display purposes only (not counted in total PY eliminations at this point in time) and should not be updated; however, if that number of PYs is not shown to be eliminated in a subsequent row on Attachment 1, please provide your Finance budget analyst with a brief explanation as to why that number changed from what was previously reported when submitting Attachment 1. Justification could be decreased overtime or reclassification of positions to lower paid positions. **If a PY that was previously proposed for a WFC elimination was approved by the Department of Finance for redirection, do not count that PY as an eliminated WFC PY on Attachment 1.** While Attachment 1 does not need to be submitted to Finance at the same time as the WFC BCP, it does need to be included with the final WFC BCP that is transmitted to the Legislature on January 10, 2012.

If you have any questions regarding this BL, please contact your Finance budget analyst.

/s/ Richard Gillihan for

Diana L. Ducay  
Program Budget Manager

Attachment

## TREATMENT OF BUDGET DOCUMENTS

### A. Expenditures by Category

Position reductions not removed by June 30, 2011 and eliminated from the 2012-13 Schedule 7A should be reflected in the total adjustments section of the Expenditures by Category; however, if overtime reductions are used towards the WFC plan, the Schedule 7A can be updated directly for overtime. The salary savings rate should reflect budgeted salary savings associated with regular vacancies and not include additional salary savings to absorb the WFC reductions as was displayed in the 2011-12 Governor's Budget, unless an increased salary savings rate was approved as part of a department's plan. Note that any movement of WFC funds should not affect a department's total budget. For example, if a previous display of increased salary savings is now assigned to a position elimination/downgrade, the decrease in the Total Adjustments should be offset by a corresponding adjustment in Salary Savings to prevent an additional reduction to the budget. The following example only shows this movement for display purposes and does not reflect any salary savings or other necessary adjustments.

EXPENDITURES BY CATEGORY	Positions/Personnel Years			Expenditures		
	Actual PY	Estimated CY	Proposed BY	Actual PY	Estimated CY	Proposed BY
<b>1 STATE OPERATIONS</b>						
PERSONAL SERVICES						
Authorized Positions (Equals Sch. 7A)	154.2	181.0	181.0	\$9,401	\$12,949	\$13,242
Total Adjustments	0.0	-1.0	-1.0	0	-101	-101
Estimated Salary Savings	0.0	1.0	1.0	0	101	101
<b>Net Totals, Salaries and Wages</b>	<b>154.2</b>	<b>181.0</b>	<b>181.0</b>	<b>\$9,401</b>	<b>\$12,949</b>	<b>\$13,242</b>

net zero between WFC adjustments

### B. Changes in Authorized Positions

The Changes in Authorized Positions (CIAP) section should include all WFC position reductions proposed that were not removed by June 30, 2011 and eliminated from the 2012-13 Schedule 7A. These are the positions outlined in the Personal Services Detail of the BCP as a negative position to be removed (no parenthesis and included in the Total Salaries and Wages). Both the position and the dollars will be reflected as a negative in the CIAP (keep in mind that this adjustment should be offset by last year's increased temporary salary savings in order to avoid another reduction to the budget – see example above). Any downgraded positions should be shown as a negative position to be removed and a positive position to be added in the CIAP; the net of these adjustments will be the savings resulting from the downgraded positions.

CHANGES IN AUTHORIZED POSITIONS	Personnel Years			Expenditures		
	Actual PY	Estimated CY	Proposed BY	Actual PY	Estimated CY	Proposed BY
<b>Workload and Administrative Adjustments:</b>				<b>Salary Range</b>		
Staff Services Manager II	0.0	-1.0	-1.0	5,576-6,727	-81	-81
Associate Personnel Analyst	0.0	1.0	1.0	4,400-5,348	64	64
Personnel Program Advisor	0.0	-1.0	-1.0	6,173-6,808	-84	-84
<b>Totals, Workload &amp; Admin Adjustments</b>	<b>0.0</b>	<b>-1.0</b>	<b>-1.0</b>	<b>\$0</b>	<b>-\$101</b>	<b>-\$101</b>

position not removed prior to 6/30/2011

downgraded position

### C. Tie Points

The number of the total positions and dollars displayed in the Expenditures by Category Total Adjustments (including any WFC adjustments) must tie to the CIAP Total Adjustments (including any WFC adjustments).