

BUDGET LETTER

		NUMBER:	12-21
SUBJECT:	EMPLOYEE COMPENSATION REDUCTIONS – CONTROL SECTION 3.90	DATE ISSUED:	August 29, 2012
REFERENCES:	VARIOUS, SEE ATTACHMENTS	SUPERSEDES:	11-28

TO: Agency Secretaries
Departmental 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.

Deadlines and Deliverables

September 17, 2012	Control Section (CS) 3.90 attachments and any supporting documentation to your Department of Finance (Finance) budget analyst.
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I. Background

The state has current Memoranda of Understanding (MOUs) with all 21 collective bargaining units (BU). See Attachment 2 for a list of the 21 BUs. This BL addresses the distribution of 2012-13 CS 3.90 budget reductions that correspond to: (1) provisions from addenda reached through collective bargaining – Personal Leave Program (PLP), (2) furloughs, or (3) reductions for employees excluded from collective bargaining as approved by the Department of Human Resources (CalHR). This BL also includes background information and instructions for departments to calculate and schedule current year reductions.

These instructions do not apply to personnel of the University of California, the Hastings College of Law, the California State University, the Legislature, the Legislative Counsel Bureau, the Bureau of State Audits, the Judicial Branch, or State Active Duty personnel of the Military Department.

II. Employee Compensation Reductions

A. Treatment of Budget Documents

See Attachment A of this letter for instructions on the treatment of budget documents (Planning Estimates, Supplementary Schedule of Appropriations [Schedule 10s], the Governor’s Budget [Detail of Appropriations and Adjustments, Changes in Authorized Positions, and Expenditures by Category], and the Salaries and Wages [Schedule 7A]).

B. Instructions

Budget staff of the affected departments must complete and submit the appropriate attachments to their respective Finance budget analyst no later than **Monday, September 17, 2012**. The information is necessary to calculate and schedule budget reductions needed to process a Budget Executive Order to reduce departmental budget appropriations as authorized by

CS 3.90. Refer to the following attachments within the spreadsheet to determine and prepare applicable departmental adjustments:

- Attachment 1 **CS 3.90 Reduction for Employee Compensation Summary Sheet**
- Attachment 2 **CS 3.90 Reduction for Employee Compensation List of Bargaining Units**
- Attachment 3 **CS 3.90 Reduction for Employee Compensation List of Reductions**
- Attachment 3a **CS 3.90 Reduction for Employee Compensation Personal Leave Program Exclusions**
- Attachment 3b **CS 3.90 Reduction for Employee Compensation Bargaining Unit 6 Detail**
- Attachment 3c **CS 3.90 Reduction for Employee Compensation Bargaining Unit 7 Detail**
- Attachment 4 **CS 3.90 Reduction for Employee Compensation Miscellaneous and Special Salary Adjustments**
- Attachment 5 **CS 3.90 Reduction for Employee Compensation Interagency Agreement Worksheet**
- Attachment 6 **CS 3.90 Reduction for Employee Compensation Scheduling Worksheet**
- Attachment 7 **CS 3.90 Reduction for Employee Compensation Planning Estimate Worksheet**
- Attachment 8 **CS 3.90 Reduction for Employee Compensation Crossties**

To make applicable budget reductions, departments must complete and submit Attachments 1, 4, 5 (as appropriate), 6, 7, and 8 to their respective Finance budget analyst.

Electronic links have been added to some of the attachments to assist departments. To prevent inadvertent formula changes, worksheets have been locked except for cells requiring data. If additional rows are necessary in Attachment 6 or 7, be sure to insert or unhide rows between the first and last row, as appropriate, to ensure the totals will calculate the additional rows. The appropriate totals on Attachments 4, 5, and 7 roll into the Summary Sheet (Attachment 1).

C. Interagency Agreements

Contracting departments requesting reductions for the employee compensation adjustments associated with decreased costs of interagency agreements must coordinate with the reimbursed department in order to correctly complete Attachment 5. Attachment 5 must be completed by the department that funds the interagency agreement (contracting department). Employee compensation and benefit adjustments for these departments will be considered under the following conditions:

- Personnel funded by the interagency agreement must be identified for an adjustment on Attachment 3 of this BL.
- The reimbursed department must incur lower costs as a result of the employee compensation and benefit adjustments approved by CalHR and identified in this BL. Departments are required to calculate and enter these amounts on Attachment 5. These adjustments should be calculated by the reimbursed department as part of their CS 3.90 adjustments and the amount entered as reimbursements. The contracting department must enter the amount as General Fund, special funds, or nongovernmental cost funds as appropriate on Attachment 5.
- Any interagency agreement included on Attachment 5 must be amended by the affected departments to reflect the corresponding funding reduction.
 - For each individual interagency agreement, the total adjustment must be at least **-\$10,000** to be eligible for inclusion on Attachment 5.

D. Miscellaneous and Special Salary Adjustments

CalHR has transmitted specific classification and pay adjustment data to departments through pay letters identifying applicable reductions. A listing of these pay letters and associated salary and benefit reductions applicable in 2012-13 can be found on Attachment 3. These reductions are related to the PLP 2012 and Furlough Program 2012 and must include salary and salary-driven benefit reductions. For the 2012-13 Salary Base, use the total salaries before the PLP and furlough adjustments, which will subsequently be included on the Schedule 7A. After this reduction is calculated and included in the Schedule 7A, the "Regular/Ongoing Positions" plus the "PLP/Furlough Reduction" in the current year column (2012-13) from the 2013-14 Schedule 7A is the base used in order to calculate the PLP/Furlough Reduction. In the example below, \$322,381 would be the total used on the worksheets.

Example:

\$307,487 - Regular/Ongoing Positions
\$14,894 - PLP/Furlough Reduction
 \$322,381 - Salaries without "PLP/Furlough Reduction"

Schedule 7A Example

ORGANIZATIONAL UNIT Classification	NUMBER OF POSITIONS			EXPENDITURES		
	Filled 2011-12	Authorized 2012-13	Proposed 2013-14	Actual 2011-12 (Salary Range)	Estimated 2012-13	Proposed 2013-14
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	-	-
PLP/Furlough Reduction	-	-	-	-	-14,894	-
TOTALS, AUTHORIZED POSITIONS	4.0	5.0	5.0	\$256,132	\$307,487	\$330,954
<i>Regular/Ongoing Positions</i>	<i>4.0</i>	<i>5.0</i>	<i>5.0</i>	<i>256,132</i>	<i>307,487</i>	<i>330,954</i>

All cells are formula-driven except the 2012-13 Salary Base and the 2012-13 Total By Fund Class; do not modify any formulas.

While the pay letters and instructions on Attachment 3 provide guidance regarding the reductions, departments may review the terms of MOUs for additional clarification.

E. Salary-Driven Payroll Benefits – State Employer Cost

The salary-driven benefit reductions should be calculated using the following assumptions:

- OASDI (Social Security) - 6.2 percent of total salary, being reduced, up to the \$110,100 cap (for each position covered by OASDI) for 2012 and \$113,700 for 2013 (see 2013-14 Price Letter Standard BL [to be subsequently released], Attachment 1).
- Medicare - 1.45 percent of total salary (no cap).
- Retirement - Departments must use the 2012-13 retirement rates as reflected in CS 3.60. This information will be used in completing Attachment 4 and rolls into Attachment 1. Employees in the Alternate Retirement Program should be considered Tier 1 when calculating the contribution rate for this BL.

III. Due Dates

Departments are required to return all attachments, as appropriate, along with related supporting documentation, to their respective Finance budget analyst as soon as possible, but no later than **Monday, September 17, 2012.**

IV. Questions

Please direct your questions to the following entities:

- Questions related to provisions of an MOU should be directed to the departmental labor relations officer or CalHR.
- Questions related to the treatment of budget documents should be directed to your Finance budget analyst.
- Technical guidance on provisions of, or attachments to, this BL should be directed to Anthony Crawford or Koreen Martone, Employee Compensation Unit, at (916) 445-3274.

/s/ Richard Gillihan for

Diana L. Ducay
Program Budget Manager

Attachments

**TREATMENT OF BUDGET DOCUMENTS
CS 3.90 EMPLOYEE COMPENSATION REDUCTIONS**

A. Planning Estimates (PE)

Employee Compensation Reductions—Finance’s Employee Compensation Unit will post the salary, staff benefit, and interagency agreement adjustment totals from Attachment 7 to PE lines 0110, 0120, and 0700, respectively, for each item of appropriation for the current year.

B. Schedule 10s

The current year Schedule 10s must reflect employee compensation reductions as posted on Attachment 6. Using the Schedule 10s, a Budget Executive Order will be issued to adjust departmental appropriations. Departments must manually post the 2012-13 adjustment listed on Attachment 6 to their current year (2012-13) Schedule 10s. Be sure the adjustments posted on the Schedule 10s are accurate and tie to Attachment 6. Any errors or omissions on the Schedule 10s will post to departmental accounting records. The following example is provided as a guideline:

Example:

Adjustment per Section 3.90:

Program A or Category ^{a/}	-\$XXX
Program B or Category ^{a/}	-\$XXX
<u>Reimbursements ^{b/}</u>	<u>\$XXX</u>
Total	-\$XXX

a/ Amounts adjusted, including Reimbursements.

b/ Amounts paid from other departments (Reimbursements).

C. Detail of Appropriations and Adjustments

Adjustments per Control Section 3.90 will be displayed in the Detail of Appropriations and Adjustments on the line titled “Adjustment per Section 3.90” based on the adjustments posted on the department’s Schedule 10s.

D. Changes in Authorized Positions (Schedule 2)

Departments must **NOT** post anything to the Changes in Authorized Positions because the salary reduction (PLP/Furlough) will already be included in the Schedule 7A.

E. Expenditures by Category:

Departments must post benefit reductions reflected on Attachment 4 for the current year to only the benefits portion of the Expenditures by Category (do **NOT** post the salary reduction as it will already be included in the Schedule 7A). Contracting agencies should include their interagency agreement totals (Attachment 5) as Operating Expenses and Equipment on the Expenditures by Category. Reimbursed departments should include only benefits in the Expenditures by Category.

F. Salaries and Wages (Schedule 7A):

Departments must post salary reductions reflected on Attachment 4 for the current year to only the "PLP/Furlough Adjustments" line on the Schedule 7A.

G. Tie Points

The following information must tie to each other:

- Attachment 1: Current Year Total
- Attachment 1: Fund Split Total
- Attachment 6: Total Employee Compensation Adjustment, All Funds (whole dollars)
- Attachment 7: Total Adjustment, All Funds
- Attachment 7: Fund Classification, Total

Additionally, all crossties provided on Attachment 8 must reflect "0" for the current year.