

BUDGET LETTER

		NUMBER:	BL 15-23
SUBJECT:	2016-17 PRICE LETTER	DATE ISSUED:	September 16, 2015
REFERENCES:	BUDGET LETTERS 15-05 AND 15-09 GOVERNMENT CODE SECTIONS 11019.10 AND 13308.05	SUPERSEDES:	BL 14-22

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

FROM: DEPARTMENT OF FINANCE

Section 13308.05 of the Government Code provides that the workload budget includes an adjustment for price increases in the budget year. Chapter 12 of the 2009-10 Fourth Extraordinary Session adds Section 11019.10 to the Government Code, specifying that "except as provided in the Budget Act and implementing statutes, no automatic increases shall be provided to the University of California, California State University, the state courts, or to state agency operations, including, but not limited to, annual price increases to state departments and agencies." Therefore, no baseline adjustments for price increases will be made.

Consistent with the 2016 Budget Policy and to improve budget accuracy, transparency, and accountability, departments are expected to adjust their budgets to reflect the most realistic assessment of their own expenditures for personal services, staff benefits, and operating expenses and equipment. Departments should use information provided in this Budget Letter and knowledge of their own contractual commitments and cost drivers to estimate costs in 2016-17. If the adjusted line item expenses cannot be funded with the total funding allowed, departments must make adjustments to their expenditure plans to bring them in line with available funding. This may involve creating efficiencies, negotiating price reductions, or reducing activities and operations, including changes in departmental program responsibilities and staffing. Specific instructions for reallocating expenditures from salaries and wages to staff benefits and/or employee expenses to accurately reflect departmental operations is provided in BL 15-22. Departments are responsible for creating effective plans to do this while achieving the department's most important core missions and documenting the plans as part of the base budget development process. The price adjustment factors included in Attachment 1 are provided for departments' planning and detailed budget-building purposes only. The population projections on Attachment 2 are based on May Revision estimates; updated population data will be available by January 2016.

The Price Letter does not cover the price of goods and services that are included in the Department of General Services' (DGS) annual **Price Book and Directory of Services**, which is available from the Office of Fiscal Services' website at <http://www.dgs.ca.gov/ofs/Pricebook.aspx>. The Price Book and Directory of Services reflecting the rates for the current year and proposed rates for the budget year will be posted by DGS on its website once available. If you have any questions regarding the Price Book, please contact DGS, Office of Fiscal Services, Budget and Planning Section, 707 3rd Street, West Sacramento, CA 95605, or call Justin Smith at (916) 376-5133.

/s/Kristin Shelton

Kristin Shelton
Program Budget Manager

Attachment

PRICE LETTER STANDARDS
2016-17

PRICE ADJUSTMENT FACTOR SUMMARY
(See following text for specific instructions)

AC Code	Line-Item Object	2015-16	2016-17
Personal Services			
5150500	OASDI	6.2% of wages. Ceiling of \$118,500 ^a	6.2% of wages. Ceiling of \$122,400 ^a
5150450	Medicare	1.45% of wages. No ceiling.	1.45% of wages No ceiling.
5150350	Health Benefits-Public Employees	CalPERS average rates will increase by 7.07% on January 1, 2016.	
5150600	Retirement-Public Employees	1.347% ^b	1.347% ^b
Operating Expenses			
		2015-16^c	2016-17^c
5301450	Library Purchases		
	Monographs	4.2% ^d	4.6% ^d
	Subscriptions	3.8% ^d	4.5% ^d
5304700	Telephone	e, g	g
5306100	Postage	g	g
5320230	In-State Travel Per Diem	f	f
5326100	Electricity	g	g
5326400	Natural Gas ^g	-9.9%	-3.8%
5326300	Liquid Petroleum Gas ^g	-29.5%	-10.7%
5340310	Attorney General Services		
	Attorney Services	g	g
	Paralegal Services	g	g

^a The tax base for the calendar year 2015 is \$118,500. While official wage bases for the coming years were not finalized by the Social Security Administration at the time this letter was prepared, estimated wage bases of \$118,500 and \$126,300 are used for calendar years 2016 and 2017, respectively, for planning purposes. These numbers reflect a fiscal year equivalent of calendar year estimates.

^b This is the average change for all plans. Instructions for this item are provided in Budget Letter 15-18.

^c Percentage change over 2014-15 unless specified otherwise.

^d Estimated annual percentage changes over the previous fiscal year.

^e Budget at current rates.

^f See the In-State Travel Per Diem section.

^g See following text.

AC Code	Line-Item Object	2015-16 ^c	2016-17 ^c
Operating Expenses			
5344000	Data Center Services	g	g
5390150	Clothing and Personal Supplies ^g	1.7%	1.2%
5340290	Medical Care ^g	1.8%	3.8%
5390250	Foodstuffs ^g	2.9%	5.5%
5390350	Laundry ^h		
	General Linen	\$0.425/lb.	g
	Personal Clothing	\$0.475/lb.	g
	Special Handling	\$0.525/lb.	g
	California Consumer Price Index - All Urban Consumers	2.0%	4.1%

OPERATING EXPENSES

TELEPHONE

The Department of Technology provides a full range of telecommunications services at competitive rates through its CALNET 3 Master Service Agreement. Product descriptions and pricing information are available on the CALNET 3 website at <http://www.dts.ca.gov/stnd/calnet3/default.asp>.

POSTAGE

The latest postal rates, which went into effect on May 31, 2015, are available at most post office branches, as well as the United States Postal Service's own website at <http://www.usps.com/>.

Current major postage rates, effective since May 31, 2015, are as follows:

First-Class letter:	
1 oz.	49 cents
Postcard	35 cents
Priority Mail (Flat Rate Envelope):	\$5.75
Priority Mail Express (Flat Rate Envelope):	\$19.99

^c Percentage change over 2014-15, unless specified otherwise.

^g See following text.

^h Prices do not include transportation charges, which are based on mileage. See following text for detail.

IN-STATE TRAVEL PER DIEM

For 2015-16 and 2016-17, the reimbursement for lodging, meals and incidentals, and mileage for Rank and File and all non-represented employees should be budgeted as follows:

Short Term Lodging Rate

- **All counties/cities located in California** (except noted below):
Actual lodging expense, *supported by a receipt*, up to **\$90/night**, plus tax.
- **Napa, Riverside, and Sacramento Counties**
Actual lodging expense, *supported by a receipt*, up to **\$95/night**, plus tax.
- **Los Angeles, Orange, and Ventura Counties and Edwards AFB**, excluding the city of Santa Monica.
Actual lodging expense, *supported by a receipt*, up to **\$120/night**, plus tax.
- **Alameda, Monterey, San Diego, San Mateo, Santa Clara Counties**
Actual lodging expense, *supported by a receipt*, up to **\$125/night**, plus tax.
- **San Francisco County and City of Santa Monica**
Actual lodging expense, *supported by a receipt*, up to **\$150/night**, plus tax.

Meals and Incidentals

- up to \$7.00 for breakfast
- up to \$11.00 for lunch
- up to \$23.00 for dinner
- up to \$5.00 for incidentals

Mileage

57.5 cents per mile

Actual rates are determined by collective bargaining agreements and may vary by bargaining unit. Departments are advised to use the above rates for budgeting purposes but should also monitor related notifications from the California Department of Human Resources for changes resulting from collective bargaining.

ELECTRICITY

All the major electric utilities have several rate schedules, which are based upon the customer's maximum kilowatt demand and tend to increase costs to the customer as maximum demand increases. Departments should verify that they are being billed on the correct schedule and make every reasonable effort to reduce their maximum demand. The utilities are willing and able to offer advice in this area.

The overall electrical rates charged by major investor-owned and municipal utilities are expected to change over 2014-15 as follows:

	2015-16	2016-17
Pacific Gas & Electric Company	2.5%	4.0%
Southern California Edison	-2.0%	2.0%
San Diego Gas and Electric Company	4.5%	7.4%
Los Angeles Dept. of Water & Power	4.2%	7.7%
Sacramento Municipal Utility District	2.5%	5.0%

NATURAL GAS

Natural gas should be budgeted for 2015-16 and 2016-17 at 9.9 percent and 3.8 percent, respectively, below 2014-15 actual expenditures.

LIQUID PETROLEUM GAS

Departments are advised to budget liquefied petroleum gas in 2015-16 and 2016-17 at 29.5 percent and 10.7 percent below 2014-15 actual expenditures, respectively. Departments should budget fuel oil at current market rates.

ATTORNEY GENERAL SERVICES

State departments receiving legal services from the Department of Justice are advised to budget Attorney Services and Paralegal Services at \$170 per hour and \$120 per hour, respectively, for 2015-16. If rate changes are needed for 2016-17, departments will be notified of the change in a subsequent Budget Letter.

DEPARTMENT OF TECHNOLOGY SERVICES

The California Department of Technology (Department of Technology) Services' Billing Rate Schedule can be found on the Department of Technology website at <http://www.servicecatalog.dts.ca.gov/services/rates.html>. In addition, the Department of Technology, Rates and Cost Recovery Branch personnel are available to assist with cost estimates associated with Department of Technology services. For more information, departments may contact Natividad Nevarez at (916) 431-4286 or nativad.nevarez@state.ca.gov. Note: Departments that have significant changes in the utilization of Department of Technology services need to submit budget change proposals to address their needs.

As a result of Chapter 404, Statutes of 2010 (AB 2408), which became effective January 1, 2011, the Department of Technology will no longer require an executed InterAgency Agreement (IAA) from state entities to process the direct transfer payment for services rendered (this also includes CALSTARS). All other invoicing processes will remain the same. Electronic invoices through CalTABS will be published online 10 business days after the end of each billing period, and an electronic file to the State Controller's Office (SCO) for the direct transfer process will occur 1-3 business days following the release of the invoices.

SCO will provide departmental accounting units with a journal entry upon completion of the direct transfer transaction. Departments electing to continue to process an IAA for the purpose of encumbering funds may do so by downloading the Department of Technology's IAA template at its website, <http://www.otech.ca.gov/Customers/Service.asp>. For additional information regarding IAAs, departments may contact Mr. Darren Wilder at (916) 431-5089 or darren.wilder@state.ca.gov.

For departments that use CALSTARS running on the Department of Technology's data processing systems, 2015-16 estimate amounts have been developed for the purpose of encumbering funds. For estimate amounts and additional information regarding CALSTARS billing, contact Anne Wong of Department of Finance at (916) 445-0211 Ext. 2842 or anne.wong@dof.gov.

CLOTHING AND PERSONAL SUPPLIES

Clothing and personal supplies should be budgeted for 2015-16 and 2016-17 at 1.7 percent and 1.2 percent above 2014-15 actual expenditures, respectively.

MEDICAL CARE

Departments should budget contract items at current prices. Budget the remaining items for 2015-16 and 2016-17 at 1.8 percent and 3.8 percent, respectively, above 2014-15 actual expenditures.

FOODSTUFFS

Budget feeding costs for 2015-16 and 2016-17 at 2.9 percent and 5.5 percent, respectively, above 2014-15 actual expenditures.

LAUNDRY

Laundry prices for departments served by state correctional institutions should be budgeted as follows:

Service	2015-16
General Linen	\$0.425/lb.
Personal Clothing	\$0.475/lb.
Special Handling	\$0.525/lb.

These prices do not include mileage-based transportation costs and stop fees, which are as follows:

Transportation rates: \$4.00 per mile (applies to round trip mileage).

Stop fees: \$55 for locations with one pick-up point; \$95 for locations with multiple pick-up points.

At the time this letter was prepared, the Prison Industry Authority did not have the estimated increases for 2016-17 available.

CONSUMER PRICE INFLATION

The Economic Research Unit of Finance forecasts the California Consumer Price Index for all urban consumers (CPI-U) and several other price indexes in May and January. The most current California CPI-U forecast predicts that overall consumer prices will rise by 2.0 percent and 4.1 percent in 2015-16 and 2016-17, respectively, over 2014-15. However, departments are advised that while the CPI-U is believed to represent overall consumer prices, this index may be inappropriate for use in predicting the inflation trends for certain types of purchases. As an alternative, the US state and local government implicit deflator may be used. This index is estimated to increase by 1.7 percent in 2015-16 and 2.6 percent in 2016-17. Furthermore, it is suggested that departments wishing to use CPIs to help forecast their expenditures contact the Economic Research Unit at (916) 322-2263 for the most recent available forecast.

POPULATION

California's total population on July 1, 2015 is projected at 38,862,502 —an increase of 363,124 over the number residing in the state on the same date last year. Civilian population on July 1, 2015, the essential figure for most budget computations, is 38,699,825. This represents a growth of 363,605 over the past 12 months. The total population as of July 1, 2016 is expected to be 39,228,979, of which 39,066,561 would be civilians. These data are summarized in Table 1.

1-Jul	Total Population	Civilian Population	One Year Change	
			Total	Civilian
2010	37,309	37,157	232	237
2011	37,570	37,411	261	254
2012	37,867	37,714	297	303
2013	38,164	38,001	297	287
2014	38,499	38,336	335	335
2015	38,862	38,699	363	363
2016	39,228	39,066	366	367
2017	39,587	39,425	359	359

Table 2 shows the civilian population for the years 2010-2017 distributed by five-year age groups. This distribution is based upon the results of the April 1, 2010, decennial census, Department of Finance estimates, and the most recent Department of Finance estimates and projection series.

Age in Years	7/1/2010	7/1/2011	7/1/2012	7/1/2013	7/1/2014	7/1/2015	7/1/2016	7/1/2017
0-4	2,514	2,507	2,488	2,474	2,487	2,499	2,508	2,525
5-9	2,492	2,489	2,512	2,524	2,522	2,520	2,521	2,509
10-14	2,571	2,541	2,517	2,503	2,501	2,503	2,515	2,545
15-19	2,807	2,774	2,731	2,683	2,644	2,621	2,604	2,587
20-24	2,764	2,789	2,825	2,862	2,885	2,885	2,864	2,828
25-29	2,739	2,745	2,729	2,725	2,730	2,745	2,778	2,823
30-34	2,573	2,621	2,668	2,713	2,748	2,761	2,772	2,768
35-39	2,550	2,509	2,505	2,515	2,542	2,591	2,647	2,702
40-44	2,603	2,622	2,630	2,616	2,589	2,552	2,525	2,527
45-49	2,668	2,630	2,600	2,570	2,560	2,585	2,615	2,626
50-54	2,559	2,590	2,612	2,627	2,641	2,631	2,604	2,578
55-59	2,211	2,279	2,348	2,405	2,452	2,503	2,541	2,566
60-64	1,847	1,923	1,959	2,006	2,069	2,139	2,212	2,281
65+	4,260	4,393	4,590	4,779	4,964	5,164	5,360	5,562
Total	37,157	37,411	37,714	38,001	38,336	38,699	39,066	39,425