

BUDGET LETTER

SUBJECT: 2017-18 BUDGET POLICY	NUMBER: 16-15
REFERENCES: BL 16-01 AND BL 16-10	DATE ISSUED: July 19, 2016
	SUPERSEDES: 15-09

TO: Agency Secretaries
Department Directors
Department Chief Counsels
Department Chief Information Officers
Department Budget and Accounting Officers
Department of Finance Budget and Accounting Staff

FROM: DEPARTMENT OF FINANCE

This Budget Letter sets forth the Governor's policy direction for his proposed 2017-18 Budget. As a reminder, BL16-10, issued May 27, 2016, outlines the technical and procedural requirements for preparation of the 2017-18 Governor's Budget.

Priorities

The Administration's primary budget focus continues to be maintaining a structurally balanced budget that preserves critical state services and pays down state debts and obligations. Departments should continue to control costs and implement efficiencies. With another recession inevitable, departments should refrain from creating new—or expanding existing—programs.

Budget Change Proposals (BCPs) and Enrollment/Caseload/Population (ECP) Policy

To maintain a structurally balanced budget, departments' ability to submit BCPs or ECP policy changes for the 2017-18 Budget remains limited.

Accordingly, departments (including those not under the Governor's direct authority) should limit BCPs or ECP policy changes for the 2017-18 Budget to the following circumstances:

- a. Statutory changes necessary for departments to manage within their budgets.
- b. Expected changes in programs' ECPs only as required under current law.
- c. Paying down state debts and liabilities.
- d. Existing or ongoing Information Technology (IT) projects.
- e. Existing or ongoing Capital Outlay projects.
- f. New Capital Outlay projects, if critical, such as fire, life, safety, or court-ordered projects.
- g. Cost-cutting measures or implementing efficiencies to offset unavoidable costs.
- h. Improved budgeting practices related to zero-base budgeting, performance measures, and other efforts as directed by Executive Order B-13-11.

Finance will again coordinate deferred maintenance requests on a statewide basis, and individual BCPs are not necessary. In the event there is a critical need that does not meet the criteria outlined above and the agency secretary believes a new BCP or ECP adjustment is needed to address problems a department will or is encountering, contact your Finance Program Budget Manager before the BCP or ECP due date. **I strongly encourage you to work collaboratively with your Finance Program Budget Manager, prior to submitting any proposals, on a plan for prioritizing your budget requests.**

Departments should assess whether statutory changes (including budget bill language) are necessary to effectuate any BCP or ECP change that is submitted. If statutory changes are necessary, the department's BCP or ECP proposal must include a copy of the proposed legislation. This requirement is necessary for Finance to comply with its obligations under Government Code §13308 to submit proposed statutory changes to the Legislature, through the Legislative Counsel. Consistent with timeframes reflected in BL 16-10, BCPs, including requests for Budget Bill language changes, must be submitted to Finance no later than **September 2, 2016**. Contact your Finance budget analyst for ECP due dates.

Departments using FISCAL/Hyperion should work closely with their Finance budget analysts to provide all necessary budget information by either keying data in the system directly or by uploading data into the system using BCP upload templates. Various enhancements to the system are underway and departments will be notified when updated templates are available. Departments must use the most current version of the BCP template on the Finance Website, as this will reflect the latest chart of account codes and several enhancements. **Submissions using older versions of the BCP template will be returned to the department.** Departments may obtain the updated forms on the Finance website: http://www.dof.ca.gov/budget/Resources_for_Departments/Budget_Forms/.

Budget Position Transparency

Pursuant to the 2015-16 Budget, Government Code section 12439 was repealed. Departmental positions remaining vacant for six or more consecutive months will no longer be abolished. To improve budget transparency, Finance implemented a new budget process and departmental budget display for the Governor's Budget that more accurately captures departments' expenditures for personal services, staff benefits, and operating expenses and equipment. This budgetary display occurs biennially and was previously included in the 2016-17 Governor's Budget. The exercise will be performed again as part of the 2018-19 Governor's Budget process.

Budget Confidentiality

Information contained in BCPs and ECP proposals are an integral part of the Governor's deliberation process. Accordingly, departments must treat proposals as privileged and confidential until and unless the proposal is released to the Legislature as part of the Governor's Budget, the April 1 Finance Letter process, or the May Revision. Disapproved, unapproved, and draft BCPs or ECP changes (i.e., proposals not released to the Legislature) remain confidential indefinitely, and may not be released. Final BCPs are those that contain a Finance supervisor's signature/approval attesting that the BCP has been submitted to the Legislature. BCPs and ECPs approved by the Administration will be posted on Finance's Website.

Questions about Public Records Act or litigation discovery requests for budget documents should be directed to department legal staff and, if necessary, to Finance legal staff.

If you have any questions about this Budget Letter, please contact your Finance budget analyst.

/s/Michael Cohen

MICHAEL COHEN
Director