

BUDGET LETTER

SUBJECT: BUDGET TRANSPARENCY	NUMBER: 17-27
REFERENCES: CONTROL SECTION 4.11	DATE ISSUED: September 8, 2017
	SUPERSEDES: BL 15-22

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

FROM: DEPARTMENT OF FINANCE

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

This BL provides departments with instructions for reallocating expenditures between salaries and wages, staff benefits, and/or operating expenses and equipment (OE&E) to accurately reflect departmental operations.

This process will not result in an automatic reduction or increase to existing position authority; however, Finance budget analysts will be discussing the following options with departments:

- Rather than continuing a common practice of reflecting permanent positions and expenditures as Temporary Help in the Schedule 7A, shifting temporary positions out of the Temporary Help Blanket (Blanket) to permanently authorized positions through a **technical, zero-dollar Baseline Budget Adjustment (BBA)** (see Section E for details).
- Permanently reducing the department's position authority for non-critical positions that have been consistently vacant through a **technical, zero-dollar BBA** (see Section F for details).

Additionally, this process will not change overall departmental funding.

Deadlines and Deliverables	
October 6, 2017	Due to your Finance budget analyst: <ul style="list-style-type: none">• Budget Transparency Workbook (Attachment 1).• Entries made in Hyperion.• Supporting documentation.

A. Background

Chapter 28, Statutes of 2015 (Senate Bill 98) and Chapter 11, Statutes of 2015 (Senate Bill 97), abolished Government Code section 12439 and amended Control Section 4.11 to provide more transparency in the budgeting of positions and expenditures by category.

To increase overall budget accuracy, transparency, and accountability, departments and their Finance budget analyst will work together to determine:

1. The number of historically vacant/filled positions.
2. How to more accurately budget salaries and wages, staff benefits, and OE&E resources in the areas in which they are spent.

To accomplish this, Finance has compiled data for historically vacant positions and permanent positions currently included in the Blanket. **Based on the outcome of the discussion and analysis between the department and your Finance budget analyst**, the 2018-19 Governor’s Budget display will reflect technical, zero-dollar BBAs to show the reduction of historically vacant positions and the reallocation between budget categories (e.g., salaries and wages, staff benefits, and/or OE&E) and the results may be considered during the analysis of other budgetary documents. **Additionally, to improve transparency and legislative oversight, each department’s Attachment 1 (all worksheets) will be submitted to the Legislature as part of the 2018-19 Governor’s Budget.**

B. Instructions—Budget Transparency Workbook (Attachment 1)

Departments must complete and return Attachment 1, and submit backup documentation to your Finance budget analyst no later than **Friday, October 6, 2017.**

Worksheet 1: Adjustment Worksheet

Finance budget analysts will distribute a pre-populated Worksheet 1 to departments in September.

The “Baseline Budgeted Positions Calculation” section of Worksheet 1 will be pre-populated with authorized/filled position data and payroll data from the State Controller’s Office (SCO) from June 2015, June 2016, and June 2017. These values will be used to determine the department’s historical average position vacancy percentage and average per position payroll costs on an annual basis. Departments must verify that the pre-populated data is accurate.

The “2018-19 Budget Transparency Adjustments” section of Worksheet 1 is used to calculate the department’s “Budget Transparency” adjustment for historically vacant positions. Section 29 Report data from Hyperion will be pre-populated in Worksheet 1, which provides Current Service Level (CSL) position and expenditures data as of the budget rollover for the 2018-19 Budget Cycle (see [BL 17-11](#)). Please see the following example.

Worksheet 1 – Baseline Budget Positions Calculation Example

Baseline Budgeted Positions Calculation				
	June 2015	June 2016	June 2017	Baseline Budgeted Positions Averages ^{1/}
Position Vacancy Percentage ^{2/}	14.0%	14.0%	14.0%	14.0%
Annualized Per Position Payroll Cost ^{3/}	\$12,332	\$10,262	\$9,550	\$128,580

2018-19 Budget Transparency Adjustments				
	CY 2017-18		BY 2018-19	
	Authorized Positions	Estimated Expenditures	Proposed Positions	Proposed Expenditures
Regular/Ongoing Positions ^{5/}	324.9	\$24,731,760	324.9	\$24,731,760
Adjustment for Historically Vacant Positions	45.5	\$5,848,610	45.5	\$5,848,610
Revised Baseline Positions (Hyperion) ^{6/}	279.4	\$18,883,000	279.4	\$18,883,000
Section 29 Report (Fall) ^{7/}	288.1	\$21,824,000	288.1	\$21,824,000
Budget Transparency ^{8/}	-8.7	-2,941,000	-8.7	-2,941,000
Staff Benefits Adjustment ^{9/}		\$1,441,000		\$1,441,000
Operating Expenses and Equipment Adjustment ^{9/}		\$1,500,000		\$1,500,000
TOTAL DETAIL CHANGES ^{10/}		\$0		\$0

The “2018-19 Budget Transparency Adjustments” section can only be completed after departments have submitted the 2018-19 Schedule 7A, per [BL 17-19](#), and Finance has approved the 2018-19 Schedule 7A.

Once the Schedule 7A is finalized, enter the current year (Authorized) and budget year (Proposed) position and expenditure amounts from the “Regular/Ongoing Positions” line of the 2018-19 Schedule 7A into the “CY 2017-18” and “BY 2018-19” columns of Worksheet 1, respectively. The “Budget Transparency” line automatically calculates the current year and budget year adjustments for the number of positions and the associated funding by comparing a department’s historical position vacancy rate and associated payroll data to the position and salaries and wages amounts currently in Hyperion. Please see the following example.

Worksheet 1 – Populating With 2018-19 Schedule 7A Data Example

ORGANIZATIONAL UNIT Classification	NUMBER OF POSITIONS			EXPENDITURES		
	Filled 2016-17	Authorized 2017-18	Proposed 2018-19	Actual 2016-17 (Salary Range)	Estimated 2017-18	Proposed 2018-19
TOTALS, AUTHORIZED POSITIONS	324.0	336.4	336.4	\$23,881,647	\$26,475,356	\$26,575,357
Regular/Ongoing Positions	313.5	324.9	324.9	22,348,753	24,731,760	24,731,760
Temporary Help	10.5	11.5	11.5	1,532,894	1,689,212	1,739,213
Overtime	-	-	-	-	54,384	54,384

	2018-19 Budget Transparency Adjustments			
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Departments must redistribute the expenditure amounts on the “Budget Transparency” line by making adjustments to the appropriate expenditure category in the “Staff Benefits Adjustment” and/or “Operating Expenses and Equipment Adjustment” lines of the workbook, as shown above. **The negative or positive salaries and wages expenditures identified on the “Budget Transparency” line must net to zero on the “Total Detail Changes” line after redistributing expenditures to the “Staff Benefits Adjustment” and/or “Operating Expenses and Equipment Adjustment” lines.**

Worksheet 2: Alternative Adjustment Worksheet

It is expected that many departments will use the amounts from the pre-populated Worksheet 1; however, there may be situations where adjustments to the prescribed methodology may be needed. **Departments must work with your Finance budget analyst at least two weeks prior to the deadline if the “Baseline Budgeted Positions Calculation” requires an adjustment.** Departments will be required to describe the methodology used, why it is more appropriate, and provide reasonable circumstances and supporting documentation prior to completing Worksheet 2.

Based on the outcome of the discussion and analysis between the department and your Finance budget analyst, departments must also include justification for abolishing historically vacant positions or establishing permanent positions included in the Blanket in this worksheet.

Certification Requirement

Departments are required to sign this worksheet, certifying the following:

- The information provided to determine and justify the actual adjustment is reasonable and based on verifiable information.
- The data used as part of the departmental analysis reconciles to budget documents.
- Position and expenditure data contained in the analysis is consistent with information provided to and agreed upon with your Finance budget analyst prior to the deadline.

The certification must be signed by the department's Deputy Director of Administration or equivalent.

Worksheet 3: Position Change Request Worksheet—State Controller's Office Adjustment (Optional)

This worksheet may be used to help identify and track the number of positions, by classification that will be established or abolished based on the analysis of Blanket positions and historically vacant positions completed by departments and your Finance budget analyst. The number of positions to be established or abolished should correspond with the analysis provided in Worksheet 2. Upon enactment of the 2018 Budget Act, departments will be required to submit 607s to the SCO to abolish positions or permanently establish positions, as identified on the worksheet.

C. Instructions—Budget Requests in Hyperion and BBA Excel Upload Templates

General Information

After completing Worksheet 1, departments are required to complete two separate Budget Requests (BRs) in Hyperion:

- **One for position and salaries and wages adjustments.**
- **One for staff benefit and/or OE&E adjustments.**

The first BR should only be used for salaries and wages and position adjustments while the second BR should only be used for staff benefits and/or OE&E adjustments. Adjustments within each BR must correspond to the expenditures being reallocated, as listed on Worksheet 1 or agreed to in the alternate adjustment on Worksheet 2, and must result in a **net-zero expenditure adjustment between both BRs**. If uploading to Hyperion, departments must use the latest BBA Excel Upload Workbook available on Finance's website at: http://www.dof.ca.gov/budget/resources_for_departments/budget_forms/). These templates have been updated for 2018-19 budget development to reflect the current position classifications, account codes, and programs.

Departments must use the following for each BR created:

1. Use the standard naming conventions to provide a unique BR name. For purposes of this BL, the following **BR names** must be used for tracking purposes and consistency statewide. **The sequencers (which follow the BU) may not be used for any other BRs during the 2018-19 budget development process.**

BR naming convention:

- XXXX-198-BBA-2018-GB (for Budget Position Transparency)
 - XXXX-199-BBA-2018-GB (for Expenditure by Category Redistribution)
2. For purposes of this BL, the following BR titles will be displayed in the Governor’s Budget and must be used for tracking purposes and consistency statewide:
 - “**Budget Position Transparency**” must be used for the salary and wages and position adjustment BR.
 - “**Expenditure by Category Redistribution**” must be used for the staff benefit and/or OE&E adjustment BR.
 3. For departments using the BBA Excel Upload Template, use the drop-down menu to select the appropriate Entity.

Baseline Adjustment Type

Departments must select a BBA type from the drop-down menu in the Baseline Adjustment Type tab. For purposes of this BL, and consistent budget displays, use the following:

- “**Budget Position Transparency**” for position and salary and wages adjustments.
- “**Issue Specific Adjustment**” for staff benefit and/or OE&E adjustments. For purposes of this BL, departments must use “**Expenditure by Category Redistribution**” for the BR title.

Baseline Adjustments (CY and BY-BY4)

Using the drop-down menus, specify the Item, ENY, Program, and Category for each unique combination of funding being reallocated. **This must result in a net-zero expenditure adjustment between both BRs**. For purposes of this BL, the appropriate category types to select are 510XXXX for salaries and wages, 515XXXX for staff benefits, and 53XXXXX for OE&E. Using the positions and dollars calculated on Worksheet 1, enter the adjustments in the CY Expenditures and BY Expenditures tabs in whole dollars rounded to the nearest thousand. **All BY expenditures must be copied to the BY1-4 columns**. Adjustments should be entered in whole dollars and rounded to thousands.

Distributed Administration Costs

Although not required for budgeting purposes, departments that distribute administrative costs will need to properly reflect the in-and-out nature of distributed administrative costs, a three-entry scheme is required:

1. Program 9900100 (positive adjustment) and Category 51XXXXX to show the positive total being distributed to a particular program(s).
2. Program 9900200 (negative adjustment) and Category 5342500 to reflect total distributed cost.
3. The program (positive adjustment) that pays for the distributed cost with Category 5342500.

NOTE: Reverse the signs indicated above if distributed administration costs are decreased.

This process allows the dollars associated with a particular program to be included in the program total. For more details, refer to “[Treatment of Distributed Administration](#).”

D. Budget Galley Display Changes

After reallocation of expenditures by category (salaries and wages, staff benefits, and/or OE&E) has been calculated and the necessary BRs have been uploaded or entered directly into Hyperion, the adjustments will be displayed in the Detailed Budget Adjustments, Expenditures by Category, and Changes in Authorized Positions sections of the 2018-19 Governor’s Budget publication.

However, **this adjustment will not be reflected in the 2018-19 Schedule 7A.** Below are descriptions of the components of the galley that will be affected:

Detailed Budget Adjustments

For transparency, two adjustment types (highlighted yellow) will be used to display the reallocation between salaries and wages to staff benefits, and/or OE&E, within the Detailed Budget Adjustments section. **Note that position adjustments displayed in the “Budget Position Transparency” line will not result in an automatic change to a department’s position authority nor will overall funding be changed.** Departments are not required to submit 607s to the SCO to abolish or establish positions calculated on Worksheet 1 or 2, unless agreed to as part of the discussion and analysis with your Finance budget analyst, and will retain the ability to hire up to their Total Authorized Positions reflected on the 2018-19 Schedule 7A. However, if abolishment or establishment of regular/ongoing positions is agreed to as a result of the discussion and analysis with your Finance budget analyst, the corresponding 607s must be submitted to the SCO upon enactment of the 2018 Budget Act. If there are significant variances between the Total Authorized Positions on the 2018-19 Schedule 7A and the “Revised Baseline Positions (Hyperion)” on Worksheet 1, see the options outlined in Sections E and F.

DETAILED BUDGET ADJUSTMENTS

	2017-18			2018-19		
	General Fund	Other Funds	Positions	General Fund	Other Funds	Positions
Workload Budget Adjustments						
Other Workload Budget Adjustments						
· Budget Position Transparency	-\$2,000	-941	-8.7	-\$2,000	-941	-8.7
· Retirement Rate Adjustments	167	50	-	220	66	-
· Salary Adjustments	258	77	-	325	98	-
· Benefit Adjustments	90	27	-	114	34	-
· Pro Rata	-130	-39	-	-142	-43	-
· Expenditure by Category Redistribution	2,000	941	-	2,000	941	-
· Miscellaneous Baseline Adjustments	-	-	-	-	-	-
Totals, Other Workload Budget Adjustments	\$385	\$116	-8.7	\$517	\$155	-8.7
Totals, Workload Budget Adjustments	\$385	\$116	-8.7	\$517	\$155	-8.7
Totals, Budget Adjustments	\$385	\$116	-8.7	\$517	\$155	-8.7

Expenditures by Category

An additional line has been added to separately display the “Budget Position Transparency” adjustment calculated on Worksheet 1 or 2. This amount should be distributed between staff benefits and/or OE&E. **Note that TOTALS, POSITIONS AND EXPENDITURES, ALL FUNDS remains the same after expenditures have been reallocated between the appropriate budget categories.**

EXPENDITURES BY CATEGORY

1 STATE OPERATIONS	Positions			Expenditures		
	2016-17	2017-18	2018-19	2016-17	2017-18	2018-19
PERSONAL SERVICES						
Baseline Positions	324.0	336.4	336.4	\$23,882	\$25,302	\$26,575
Budget Position Transparency	-	-8.7	-8.7	-	-2,941	-2,941
Total Adjustments	-	-	-	-	501	672
Net Totals, Salaries and Wages	324.0	327.7	327.7	\$23,882	\$22,862	\$24,306
Staff Benefits	-	-	-	10,747	10,288	10,938
Totals, Personal Services	324.0	327.7	327.7	\$34,629	\$33,150	\$35,243
OPERATING EXPENSES AND EQUIPMENT				4,998	5,780	5,797
TOTALS, POSITIONS AND EXPENDITURES, ALL FUNDS (State Operations)				\$39,627	\$38,930	\$41,040

Changes in Authorized Positions

“Budget Position Transparency” has been added to differentiate the amount being reallocated by this process from all other baseline adjustments.

CHANGES IN AUTHORIZED POSITIONS

	Positions			Expenditures		
	2016-17	2017-18	2018-19	2016-17	2017-18	2018-19
Baseline Positions	324.0	336.4	336.4	\$23,882	\$25,302	\$26,575
Budget Position Transparency	-	-8.7	-8.7	-	-2,941	-2,941
Salary and Other Adjustments	-	-	-	-	501	672
Totals, Adjustments	-	-8.7	-8.7	\$0	-\$2,440	-\$2,269
TOTALS, SALARIES AND WAGES	324.0	327.7	327.7	\$23,882	\$22,862	\$24,306

E. Options to Revise the Temporary Help Blanket

Circumstances arise, outside of normal budget and legislative cycles, in which departments require additional personnel to meet critical and time sensitive workload demands. To meet these various operational needs, departments are authorized to use the Blanket as a budgetary tool to temporarily hire above the Total Authorized Positions as displayed in the Schedule 7A. **The Blanket should be used for temporary and intermittent staff, with the intent that an employee needed on a permanent basis will be moved into an authorized position as soon as a vacancy becomes available or a permanent position is established through the budgetary process.**

The “Blanket Positions” section of Worksheet 1 will be pre-populated with the position data from the SCO’s Blanket Positions Report for the applicable fiscal years. This position data reflects the number of permanent employees appointed as either full-time or part-time in blanket positions for more than six consecutive months and are included in the temporary help category for purposes of the state budget. Although this average will not be included in the “BY 2018-19 Budget Transparency Adjustments” section of the worksheet, it may be considered as part of the analysis of use of the Blanket. Departments must verify that the pre-populated data is accurate. Please see the following example:

Worksheet 1 – Blanket Positions Example

	Blanket Positions			
	FY 2014-15	FY 2015-16	FY 2016-17	Blanket Positions Averages
Permanent Positions Paid from the Blanket	9.2	8.5	10.5	9.4

Departments are encouraged to work with their Finance budget analyst to analyze use of the Blanket to determine if it would be more appropriate to provide additional permanent position authority within the department's existing budget. Rather than continuing to reflect permanent positions and expenditures as Temporary Help in the Schedule 7A each year, this analysis may result in a shift of funding for temporary positions out of the Blanket to permanently authorized positions. **Any analysis completed resulting in a technical, zero-dollar BBA must be documented and submitted in Worksheet 2 and upon enactment of the 2018 Budget Act, departments will be required to submit 607s to the SCO to permanently establish positions previously in the Blanket as identified in the analysis.** Specifically, the BBA would be for permanent position authority and must not increase budget expenditure authority. Aligning the department's authorized positions with actual, full-time permanent employees increases transparency and more accurately adjusts funding for employee compensation and/or employer retirement rate adjustments for all permanent positions.

F. Options to Reduce Position Vacancies

When completing Worksheet 1, departments may recognize they continue to have a significant number of historically vacant positions. There are a number of circumstances that perpetuate this, such as classifications that are difficult to fill, natural attrition with retirements and new hires, and/or budgetary constraints. Although there may be a reasonable explanation for not filling positions, continuing to carry a substantial number of historically vacant positions complicates conversations regarding additional resources. While the Budget Transparency adjustment will not automatically reduce a department's position authority, **departments are encouraged to work with your Finance budget analyst to eliminate existing vacancies by permanently reducing the department's position authority for non-critical positions that have been consistently vacant. Any analysis completed resulting in a technical, zero-dollar BBA must be documented and submitted in Worksheet 2 and upon enactment of the 2018 Budget Act, departments will be required to submit 607s to the SCO to abolish historically vacant positions identified in the analysis.**

G. Questions

Please direct questions related to this process or completing the Budget Transparency Workbook to your Finance budget analyst.

/s/ Justyn Howard

Justyn Howard
Program Budget Manager

Attachment