BUDGET LETTER

	NUMBER:	BL 08-20
SUBJECT: DEPARTMENT OF TECHNOLOGY SERVICES RATE ADJUSTMENTS	**DATE ISSUED:**	August 18, 2008
REFERENCES: CONTROL SECTION 15.25, PENDING BUDGET ACT OF 2008	**SUPERSEDES:**	BL 07-31

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

FROM: DEPARTMENT OF FINANCE

This Budget Letter (BL) provides budget development instructions for the 2008-09 Department of Technology Services (DTS) rate adjustments approved by the Technology Services Board (TSB).

A. Background—Control Section 15.25

Control Section 15.25 of the pending Budget Act of 2008 provides that the Director of the Department of Finance (Finance) may adjust amounts in any appropriation item resulting from changes in rates for data center services approved by the TSB in the 2008 or 2009 calendar years. The aggregate amount of General Fund appropriation increases, however, may not exceed the aggregate amount of General Fund appropriation decreases.

The DTS periodically proposes rate adjustments to ensure that rates are aligned with the costs of providing services. In 2007-08, the DTS proposed a rate adjustment package which was adopted by the TSB on January 23, 2008. The rate package made changes for multiple services, and the net cost impact to departments varied based on the type of services used. Control Section 15.25 provides a mechanism to make baseline budget adjustments to reflect the impact of rate changes that are not known at the time the budget is prepared or enacted.

Appendix A (attached) summarizes the net impact of the rate changes by department based on usage data.

B. Treatment of Budget Documents

Finance will make planning estimate adjustments based on Appendix A, which was considered as part of the rate proposal adopted by the TSB. Departments need to complete Attachment I to distribute the net changes to each appropriation item as appropriate and complete Attachment II to schedule the change. Departments should allocate the change based on their general methodology for allocating departmental information technology costs. These documents are due to your Finance Budget Analyst by August 26, 2008.

Control Section 15.25 limits the aggregate amount of General Fund increases statewide to an amount that does not exceed the General Fund decreases. To the extent that General Fund savings are insufficient to fund all requested General Fund expenditure increases, the savings would be prorated across the General Fund expenditures. Each Finance Budget Analyst shall report requested adjustments to the Control Section 15.25 coordinator, Joan Gregg, no later than September 2, 2008 for determination of final statewide adjustment recommendations.

Additional Information

Under limited circumstances, departments that have experienced a material change to their data center utilization after the first quarter of 2007-08, and thus costs, may contact their Program Budget Manager to discuss any deviation from the figures in Appendix A. Requests for deviation will only be considered under the following circumstances: (1) the change is the result of non-discretionary caseload/population or service level increases, (2) the change is not the result of discretionary changes in data center utilization, or (3) a project driving an increased level of billings has been completed or discontinued and no budget adjustments have already been made. Changes in utilization due to new information technology projects or other changes in utilization must be addressed through submission of budget change proposals through the normal budget development process.

DTS anticipates proposing an additional rate package in the fall of 2008. Upon adoption by the TSB, additional budgeting instructions may be issued for allocation in the Spring Finance Letter process.

For additional information, please contact Kathryn Amann, Principal Program Budget Analyst, at (916) 322-2263, extension 2442.

/s/ Mark Hill

Mark Hill
Program Budget Manager

Attachment