

BUDGET LETTER

	NUMBER: 23-19
SUBJECT: POSITION CONTROL	DATE ISSUED: August 14, 2023
REFERENCES: SAM SECTIONS 6509-6527, CONTROL SECTION 31.00, CHAPTER 12, STATUTES OF 2023 (2023 BUDGET ACT)	SUPERSEDES: 22-17

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

FROM: DEPARTMENT OF FINANCE

BUDGET OFFICERS ARE EXPECTED TO FORWARD A COPY OF THIS BUDGET LETTER TO DEPARTMENTAL PERSONNEL OFFICERS.

This Budget Letter (BL) serves as a statewide reminder to departments regarding policies and processes related to position authority and provides updates on Control Section (Section) 31.00 changes. Additionally, the policies and processes outlined in this BL align with the relevant State Administrative Manual (SAM) sections.

Adjustments to permanent authorized positions are generally required to be reviewed and approved through the normal budgetary and legislative processes. Apart from these standard processes, administrative tools exist to provide a department flexibility in managing the size and classifications of its workforce, by means of Section 31.00 and the Temporary Help Blanket (Blanket).

These processes are intended to balance department flexibility with an appropriate level of budget oversight and accountability. To ensure consistency in applying Section 31.00 and reclassifying positions, the Department of Finance notes:

- **Departments shall not reclassify positions above statutory thresholds set annually in Section 31.00—and cannot make appointments under any circumstances to those positions—before Finance approval has been received.**
- Inappropriate use of Section 31.00 or the Blanket may result in an audit, elimination of delegated authority granted by the Department of Human Resources (CalHR), and/or other administrative/fiscal actions.
- Finance will review STD. 607 requests within 30 calendar days of receipt of a fully complete request, which includes all required supporting documentation, as noted in the following sections. **As such, STD. 607 submissions should be dated with an effective date of at least 30 calendar days after submission to Finance.** For the occasional urgent personnel matter, please contact your Finance Principal Program Budget Analyst to discuss whether there are options for an expedited review.

- SAM section 6527 outlines criteria for an exemption from Finance's approval of the establishment, amendment, or abolishment of positions, blanket positions, and other position-related transactions.
- While Finance review of the reclassification request is pending, it is inappropriate to use the Blanket or other mechanism to temporarily reclassify the position. It is also generally inappropriate to advertise, interview, or extend an offer to an individual for the pending position.

Section 31.00 Process

Section 31.00 of the annual Budget Act provides authority to reclassify and administratively establish positions within an existing appropriation, subject to specified criteria. **Administratively establishing positions is generally reserved for circumstances that mandate additional, previously-unanticipated current year workload.** Unless exempted in the Budget Act or other statutes, provisions in Section 31.00, the relevant SAM sections, and the guidelines in this BL apply to all state agencies, departments, boards, bureaus, and commissions.

Reclassifying Positions

Through the normal personnel services cycle and/or as operational needs change, it is common for departments to reclassify existing authorized positions. Examples include promotions in place, upgrading or downgrading classifications, departmental reorganizations, etc. Under Section 31.00, increased costs that result from reclassifying positions are to be absorbed within existing appropriation authority.

- The maximum salary threshold for a reclassification requiring **Finance approval is \$12,668/month or above per the 2023 Budget Act, effective July 1, 2023. The salary threshold refers to the top of the salary range for either the classification being added or removed on the STD. 607, not the salary being paid at the time of the STD. 607.** The established threshold provides departments with operational flexibility, while maintaining oversight of higher-level classifications.
- Reclassification to or from a position classification with a maximum salary range of \$12,668 or above, as well as the reclassification of any non-Career Executive Assignment (CEA) classification to a CEA classification must be approved by Finance prior to submitting the STD. 607 to the State Controller's Office (regardless of the position being previously established at a higher level).
- Position reclassification requests requiring Finance approval must include all of the following supporting documentation. If position reclassification packages are incomplete, they will not be reviewed and will be returned to departments for resubmission. For incomplete submissions, the 30-calendar-day review period by Finance will not start until the complete package has been submitted.
 - The completed [STD. 607](#) form dated with an effective date at least 30 calendar days after submission to Finance.
 - Written justification for the change. Written justification for a reclassification must be based on workload and/or operational needs; employee retention is not a justifiable reason for administratively reclassifying a position.

- Duty statements for the current and proposed position.
 - Current and proposed organizational charts.
 - Identification of the adequate and appropriate funding source that will absorb the additional costs on an ongoing basis.
 - Any other supporting documentation relevant to the reclassification including, but not limited to, an approved Budget Change Proposal (BCP), Chaptered Legislation, approved regulations, etc.
- In accordance with SAM section 130, reorganization plans and changes at the division level or higher require the approval of the Governor. These plans and changes must be submitted through the Agency Secretary and Finance. All reorganizations that may change the level of expenditures, including those below the division level, must be reflected in the Governor's Budget. Reorganizations must also be compatible with the programs authorized by the Legislature and with legislative intent. If new or revised programs are proposed, the Legislature must be informed through a presentation in a future Governor's Budget or Control Section 28.00 Letter.

Administratively Establishing Positions

Circumstances may arise, outside of normal budget and legislative cycles, in which departments require additional personnel to meet critical and time-sensitive workload demands. Some examples include the receipt of unanticipated federal or non-state funds, an interagency agreement, or chaptered legislation requiring additional positions to meet new workload. The need to administratively establish positions outside of the budget and legislative processes is not common and is typically reserved for critical and immediate needs, with additional costs being absorbed within existing appropriation authority. **Administratively-established positions expire at the end of the fiscal year in which they are established, unless a request for permanent position authority and/or funding is approved in the following budget cycle.** The process is as follows:

- A department must submit a [STD. 607](#) form to Finance requesting to administratively establish positions, including any CEA classifications. At a minimum, all of the following should be included with the request, and incomplete submissions will be returned.
 - The completed [STD. 607](#) form dated with an effective date at least 30 calendar days after submission to Finance.
 - Notification to the Joint Legislative Budget Committee (JLBC), if applicable.
 - Written justification for the additional positions.
 - Duty statements for the proposed positions.
 - Current and proposed organizational charts.
 - Identification of the adequate and appropriate funding source that will absorb the additional costs.
 - Any other supporting documentation relevant to the request including chaptered legislation, approved regulations, etc.
- If position(s) are intended to be ongoing, departments are required to submit a BCP to Finance for approval of the permanent position(s) and/or ongoing resources for inclusion in the 2024-25 Governor's Budget.

- If not included in the 2024-25 Governor's Budget, Finance may approve an extension to use the administratively-established position(s) beyond June 30, 2024, with appropriate justification and a subsequent notice to the JLBC before July 1, 2024.
 - Finance may reestablish the position(s) during the 2024-25 fiscal year if the position(s): 1) are shown in the 2025-26 Governor's Budget submitted to the Legislature, and 2) have not been denied or removed by the Legislature during the 2024-25 budget cycle. Finance must provide written notification to the JLBC within 30 days of the reestablishment of the approved positions in the 2024-25 fiscal year.
 - If justified by permanent, ongoing workload, departments must request to convert the administratively-established positions to ongoing positions through a BCP or Spring Finance Letter, including the original date the positions were administratively established.

Temporary Help Blanket

The Blanket is a budgetary tool that provides staffing flexibility to meet operational needs and allows departments to temporarily hire above the Total Authorized Positions as displayed in the Salaries and Wages Supplement (Schedule 7A). Refer to SAM section 6518 for additional details on the use of the Blanket.

To the extent the department can absorb the additional personnel costs, 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. In addition to hiring staff on a temporary basis, the Blanket may be used to fund other personnel-related expenditures such as:

- Employees on temporary or extended leaves of absence, sick leave, military leave, etc.
- Seasonal employees.
- Retaining an employee for training purposes. This may be necessary to ensure continuity of operations when an employee in a key role leaves a department.
- Payment to a separating employee for unused, accrued leave.

As part of the 2024-25 budget development process, departments may work with their Finance Budget Analyst to analyze the use of the Blanket. **After discussion and approval from your Principal Program Budget Analyst, departments with permanent positions in the Blanket may submit net zero BCPs to establish authorized positions.** The BCP will increase a department's Regular/Ongoing Positions but will not include additional expenditure authority for salaries and benefits. In addition to providing more transparency, converting positions in the Blanket to authorized positions will allow departments to receive prospective funding for employee compensation and retirement adjustments, which is not provided for positions in the Blanket.

Section 31.00 and the Blanket are tools intended to assist departments in managing operations. It is important departments adhere to policies and procedures regarding the use of these tools. The Office of State Audits and Evaluations within Finance may audit departments with a large number of positions in the Blanket relative to the size of the department. Departments found to be misusing the Blanket could face elimination of delegated authority granted by CalHR and/or other administrative/fiscal actions.

Questions

Please direct questions to your Finance Budget Analyst,

/s/ Jennifer Whitaker

Jennifer Whitaker
Program Budget Manager