

# BUDGET LETTER

		<b>NUMBER:</b> BL 24-02
<b>SUBJECT:</b>	2024-25 BUDGET CHANGE LETTERS (SPRING FINANCE LETTERS) UPDATE	<b>DATE ISSUED:</b> January 25, 2024
<b>REFERENCES:</b>	<a href="#">BL 23-05</a> , <a href="#">BL 23-14</a> , AND <a href="#">BL 23-27</a>	<b>SUPERSEDES:</b> NA

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

FROM: DEPARTMENT OF FINANCE

NOTE: Each department with a Capital Outlay program should provide a copy of this Budget Letter (BL) to its facility manager.

This BL informs agencies and departments of revisions to the 2024-25 Budget Preparation Guidelines regarding the spring process previously established in [BL 23-05](#), as well as Budget policy criteria described in [BL 23-14](#).

On January 10, the Governor released the state Budget detailing the budget shortfall related to softening revenues and the delayed tax collections caused by last year's extension of various federal tax payment deadlines. The Budget proposes a balanced approach to address this shortfall using various resiliency measures including drawing upon the state's reserves, reduced program spending, revenue and internal borrowing, and delays, while protecting and preserving essential programs.

Given the substantial structural deficit and necessary corrective actions reflected in the Governor's Budget, as well as the significant fiscal uncertainty the state continues to face, the Administration will not propose any April 1 Finance Letter spending adjustments or May 1 capital outlay adjustments to the Legislature to allow time to analyze updated economic and revenue indicators used to inform budget decisions for the May Revision. Further, the May Revision process will be modified, as outlined below.

## Evaluation of May Revision Requests

As a result of the conditions noted above, the Department of Finance will evaluate May Revision budget changes within the context of a workload budget, based on the merits of each proposal, and ultimately subject to the availability of funding. This includes all potential adjustments to be included in the May Revision, as well as previously approved adjustments incorporated in the Governor's Budget or previous Budget Acts. This reevaluation applies to all support and local assistance adjustments, inclusive of Capital Outlay, information technology projects, and estimate, caseload, and population updates. It also applies to all funds and all departments, including those departments not directly under the Governor's authority.

Government Code Section 13308.05 defines a workload budget as "the budget year cost of currently authorized services, adjusted for changes in enrollment, caseload, or population, or all of these changes and any of the following:

- (a) Statutory cost-of-living adjustments.
- (b) Chaptered legislation.
- (c) One-time expenditures.
- (d) The full-year costs of partial-year programs.
- (e) Costs incurred pursuant to constitutional requirements.
- (f) Federal mandates.
- (g) Court-ordered mandates.
- (h) State employee merit salary adjustments.
- (i) State agency operating expense and equipment cost adjustments to reflect price increases."

As indicated above, Finance will evaluate requests within this definition of workload budget. This definition is intended to provide a general framework for evaluating both new and existing proposals and adjustments. Resource constraints may ultimately force prioritization even within this definition. As a result, agencies and departments should have no expectation of full funding for either new or existing proposals and adjustments.

Any requests that are not consistent with these parameters may be returned without review.

If you have questions regarding this BL, please contact your Program Budget Manager.

/s/ Joe Stephenshaw

JOE STEPHENSHAW  
Director