

BUDGET LETTER

SUBJECT: VACANCY SAVINGS AND POSITION ELIMINATION	NUMBER: 24-20
REFERENCES: CONTROL SECTION 4.12, 2024 BUDGET ACT	DATE ISSUED: July 29, 2024
	SUPERSEDES: N/A

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

FROM: DEPARTMENT OF FINANCE

Budget officers are requested to forward a copy of this budget letter to departmental personnel and labor relations officers.

This Budget Letter (BL) provides departments with instructions to implement the Control Section (CS) 4.12 reduction required in the 2024 Budget Act through the development of the 2025-26 Governor's Budget.

Note: Departments must develop the CS 4.12 reduction adjustments using the CS 4.12 Vacancy Savings and Position Elimination Adjustment Workbook (Workbook); Finance Budget Analysts will provide departments the Workbook electronically by August 2, 2024.

Deadlines and Deliverables	
On or before August 16, 2024 (Friday)	CS 4.12 Vacancy Savings and Position Elimination Adjustment Workbook (see Attachment 1 for Example), adjustments in Hyperion, and supporting documentation, due to Finance Budget Analysts.

I. Background

The 2024 Budget Act assumes \$1.5 billion (\$762.5 million General Fund) in savings related to vacant positions beginning in 2024-25, and ongoing, and that approximately 10,000 vacant positions will be permanently eliminated beginning in 2025-26. The 2024 Budget Act includes CS 4.12 which provides the Department of Finance (Finance) authority to reduce departmental budgets to capture savings related to vacant positions in 2024-25. Pursuant to CS 4.12, departmental appropriations will be adjusted to reflect savings through the Budget Executive Order process. CS 4.12 requires Finance to report to the Legislature on January 10, 2025 (as part of the 2025-26 Governor's Budget), the total savings associated with the permanent elimination of vacant positions in 2025-26, including the department, program(s),

and job classification(s), for each vacant position proposed to be eliminated through CS 4.12.

II. General Instructions

Finance has estimated the savings associated with vacant positions for every state entity as of June 2024 and anticipates that up to half of the estimated savings from vacant positions will be reduced from departmental budgets beginning in the 2024-25 fiscal year and ongoing, and the associated position authority will be permanently removed effective in the 2025-26 fiscal year. The estimated savings are based on data reported by departments to the State Controller's Office (SCO) on filled positions for June 2024 and include salary and benefit costs associated with each vacant position. Finance Budget Analysts will provide departments with their estimated savings (by General Fund and all other funds), along with the Workbook that must be completed and submitted to Finance. As part of this submission, departments must:

1. Identify vacant positions to be eliminated starting in 2025-26 to achieve the required ongoing savings provided in the Workbook.
2. Schedule the associated reductions to the proper item(s) of appropriation.
3. Submit the Workbook, Hyperion adjustments, and any related supporting documentation to Finance Budget Analysts no later than **August 16, 2024**. Where applicable, the associated Agency must be CC'd on all department submissions.

This information is necessary to provide the scheduling information to the SCO to process the Budget Executive Order pursuant to CS 4.12. If a department fails to complete all these steps within the deadline, Finance will schedule the adjustment and, in such instances, departments may not have an opportunity to request further changes or make corrections to the scheduling.

Finance Budget Analysts will notify departments if changes to the CS 4.12 Vacancy Savings and Position Elimination Adjustment Workbook are necessary.

Please refer to the following instructions to determine and schedule reductions.

III. Control Section 4.12 Vacancy Savings and Position Elimination Adjustment Workbook

CS 4.12 Checklist Tab

Departments are to utilize the CS 4.12 Checklist Tab to verify the accurate completion of the Workbook, the associated Hyperion entries, and the BBA Excel Upload Template, if used. Prior to submission, departmental accounting management must approve the scheduled items and programs to ensure proper posting to SCO's legacy system.

There are seven worksheets in the Workbook; each is detailed below.

CS 4.12 Worksheet Summary Tab

This worksheet displays the total adjustments that are calculated on Worksheets 1, 2, and 3. Cells within this worksheet are formula driven and cannot be altered.

Worksheet 1: CS 4.12 Fund Allocation

Departments need to review the required savings as allocated by Finance on the Fund Allocation tab of the worksheet. The General Fund totals are preset and cannot be changed. Departments need to allocate the required non-General Fund savings to the department's authorized special funds, nongovernmental cost funds, and reimbursement fund as appropriate. The total savings allocated on the Fund Allocation tab should match the Required Savings total provided by Finance. Any approved changes will be accounted for on the Exclusions and Worksheet Summary tabs.

Worksheet 2: CS 4.12 Exclusions to Vacant Position Savings

Departments need to enter any proposed changes to the amount or distribution of required savings between General Fund and Other Funds on the Exclusions tab. Departments must provide justification for each requested change and must receive concurrence from Agency **prior to submission of this drill** on Friday, August 16, 2024.

Worksheet 3: CS 4.12 Vacant Position Elimination

Departments are to identify the individual vacant positions for which savings will be captured through CS 4.12. The total cost of these positions should sum to the total adjustments displayed on the CS 4.12 Summary Worksheet and should identify the following information for each vacant position:

1. Budgetary Program
2. Classification Title
3. Collective Bargaining Unit Identifier
4. Position Type
5. Position Number
6. Annual savings for eliminating the position, including salaries, benefits, and retirement costs

The 2024 Budget Act proposes to permanently eliminate position authority for positions identified on this tab **beginning in 2025-26**.

Worksheet 4: CS 4.12 Hyperion Expenditure Adjustments

Departments must provide the unique appropriation item information (BU, Reference, Fund, Item, Program, Category, and Fund Class) for each expenditure adjustment. Departments must use valid appropriation items when scheduling adjustments. Invalid items and program combinations cannot be processed by SCO and lead to significant delays and additional workload for departments. Typically, only those item and program combinations displayed in the 2024 Budget Act or an amendment to the 2024 Budget Act are valid, unless they impact a continuously appropriated item.

To correctly classify funds and reduce errors, the CS 4.12 Hyperion Expenditure Adjustments Worksheet includes a drop-down list of all funds by fund number as well as all applicable adjustment categories to select from rather than needing to be keyed in manually.

The fund classification will auto-populate based on the fund/category selected; federal funds and bond funds are classified as non-governmental cost funds. While this process should help minimize errors, departments must verify each fund classification by reconciling it to the [Uniform Codes Manual \(UCM\)](#). Please refer to the UCM, Numerical Fund Listing. If a fund does not appear in the drop-down list, please contact your Finance Budget Analyst prior to submission.

Worksheet 5: CS 4.12 Hyperion Full-Time Equivalent Position Authority Adjustments

Departments must provide the unique appropriation item information (BU, Reference, Fund, Item, Program, Category, and Fund Class) for each position authority adjustment. Departments must use valid appropriation items when scheduling adjustments. Finance publishes an Active Item List on its website for reference. Invalid items and program combinations cannot be processed by SCO and lead to significant delays. Typically, only those item and program combinations displayed in the 2024 Budget Act or an amendment to the 2024 Budget Act are valid, unless they impact a continuously appropriated item.

To correctly classify funds and reduce errors, the CS 4.12 Hyperion Full-Time Equivalent Position Authority Adjustments Worksheet includes a drop-down list of all funds by fund number as well as all applicable adjustment categories to select from rather than needing to be keyed in manually. The fund classification will auto-populate based on the fund/category selected; federal funds and bond funds are classified as non-governmental cost funds. While this process should help minimize errors, departments must verify each fund classification by reconciling it to the Uniform Codes Manual (UCM). Please refer to the UCM, Numerical Fund Listing. If a fund does not appear in the drop-down list, please contact your Finance Budget Analyst prior to submission.

Worksheet 6: CS 4.12 Crossies

To verify that all adjustments within the Workbook agree, the formula-driven crossies on this worksheet must all be "0" for both the current and budget years.

IV. Instructions—BRs in Hyperion and BBA Upload Templates

General Information

After completing all of the Workbook, departments are required to complete a BR in Hyperion for the CS 4.12 Vacancy Savings and Position Elimination Adjustment. Adjustments in Hyperion must correspond to the adjustments listed on the Worksheet and Hyperion Full-Time Equivalent Position Authority Adjustments Worksheet. If uploading to Hyperion, departments must use the latest BBA Excel Upload Template.

Departments must use the following for the BR created:

1. Use the standard naming conventions to provide a unique BR name (for example, 2222-XXX-BBA-2025-GB). **REMINDER:** To improve coordination and reduce system kick outs, departments and Finance Budget Analysts should use BR sequencers that match the last three digits of the BR identifier in Hyperion. For example, BR identifier: BR 0010 with BR Name: 2222-010-BBA-2025-GB. See Budget Request Naming Convention in Hyperion for additional information.
2. For purposes of this BL, the BR Title **must** be "Section 4.12 Vacancy Savings and Position Elimination Adjustment."

3. For departments using the BBA Excel Upload Template, use the drop-down menu to select the appropriate BU, Request ID, Version, and Year.

Baseline Adjustment Type

Departments must select BBA type “**Issue Specific Adjustment**” from the drop-down menu in the Baseline Adjustment Type tab.

Baseline Adjustments (Expenditures)

Using the drop-down menus, specify the Item, Enactment Year, Program, and Category for each unique combination of funding needed for the adjustment. For purposes of this BL, the only acceptable Categories to select are Category 510XXXX (Salaries and Wages) and Category 515XXXX (Staff Benefits), unless scheduling adjustments as Distributed Administrative Costs (Program 9900200), which use Category 5342500 (Indirect Distributed Cost).

Reimbursements will also be captured in Category 510XXXX and 515XXXX in Fund 0995.

Reductions to expenditure authority will be scheduled in 2024-25 (current year), 2025-26 (budget year), and ongoing.

Distributed Administration Costs

Departments that continue to distribute administrative costs will need to reflect that distribution for applicable Employee Compensation Reductions. To properly reflect the in-and-out nature of distributed administrative costs, a three-entry scheme is required:

1. Program 9900100-Administration (negative adjustment) and Category 510XXXX or 515XXXX (earnings, benefits and retirement) to show the negative total being distributed to a particular program(s).
2. Program 9900200-Administration - Distributed (positive adjustment) and Category 5342500-Indirect Distributed Cost to reflect total distributed cost.
3. The program (negative adjustment) that pays for the distributed cost with Category 5342500-Indirect Distributed Cost.

This process ensures the distributed administration costs show in the program total.

Baseline Adjustments (Position Authority)

Using the drop-down menus, specify the Item, Enactment Year, Program, and Category for each unique combination of position authority needed for the adjustment. For purposes of this BL, the only acceptable Category to select is Category 5100000 (Permanent Civil Service Employees). **Reductions to position authority will be scheduled in 2025-26, and ongoing.**

V. Additional Vacant Position Reductions

The 2024 Budget Act also includes 7.95 percent reductions to agencies and departments' ongoing state operations budgets beginning in 2024-25. Finance will issue an additional BL further detailing the process for implementing the 7.95 percent state operations reductions. Agencies and departments may identify additional savings related to vacant positions not captured under CS 4.12 to achieve the statutorily approved government efficiency reductions in 2024-25.

If you have any questions regarding this BL, please contact your Principal Program Budget Analyst.

/s/ Jennifer Whitaker

Jennifer Whitaker
Program Budget Manager