

BUDGET LETTER

SUBJECT: ONGOING EXPENDITURE REDUCTIONS	NUMBER: 21-23
REFERENCES: CONTROL SECTION 4.05, 2021 BUDGET ACT	DATE ISSUED: August 18, 2021
	SUPERSEDES: 20-11, 20-37

TO: Agency Secretaries
Department Directors
Departmental 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 (BL) TO HUMAN RESOURCES AND LABOR RELATIONS OFFICES.

The 2021 Budget Act (Budget) continues to promote government efficiency with a 5-percent reduction in most state operations' expenditures. The state anticipates continued revenue impacts relative to pre-pandemic projections and the potential for substantially increased costs associated with both COVID-19 response efforts and unprecedented wildfire activity. These economic impacts are expected to last for several years, and requires the state take a sustained approach.

Actions to reduce state costs began in fiscal year 2019-20 when the COVID-19 Pandemic began. BL 20-11 directed departments to limit expenditures and hiring to only those necessary to support core functions, emergency response activities, and the ability to maintain operations in a telework environment. Subsequently, BL 20-37 was issued extending the expenditure reductions in 2020-21, and providing guidance to departments on achieving ongoing savings. Now that departments have identified operational efficiencies and those expenditure reductions have been approved by the Legislature as part of the Budget, this BL rescinds the expenditure limitations and reporting exemption requirements outlined in BL 20-11 and BL 20-37. Additionally, this BL provides departments with instructions for scheduling the permanent reductions authorized in the Budget pursuant to Control Section (Section) 4.05.

Deadlines and Deliverables	
September 17, 2021	Section 4.05 Ongoing Expenditure Reductions Adjustment Workbook (Attachment 1), adjustments in Hyperion, and supporting documentation due to Finance Budget Analysts.

A. Background

BL 20-11 Current Year Expenditure Reductions

BL 20-11 directed departments to limit expenditures and hiring to only those necessary to support core functions, emergency response activities, and the ability to maintain operations in a telework environment. The restrictions and reporting requirements imposed under BL 20-11 are no longer in effect as of the release of this BL.

BL 20-37 Current Year and Ongoing Expenditure Reductions

BL 20-37 instructed state entities within the Executive Branch to implement a permanent 5-percent reduction to state operations expenditures beginning in 2021-22. Impacted departments were required to submit plans to the Department of Finance by February 1, 2021, which included proposed operational efficiencies to achieve the targeted 5-percent reduction. The reduction plans approved under BL 20-37 will be used to implement targeted reductions to state operations expenditures in 2021-22 and ongoing through this BL.

Section 4.05

The Legislature approved Section 4.05 as part of the Budget, which provides Finance the authority to make adjustments to departmental budgets to reflect projected net savings achieved through operational efficiencies and other cost-reduction measures implemented under BL 20-37. Pursuant to Section 4.05, departmental appropriations will be adjusted to reflect the permanent savings through the Budget Executive Order process.

Glossary Relevant to this BL

The following terms are used throughout this BL:

BBA	=	Baseline Budget Adjustment. These are baseline expenditure adjustments such as past year reconciliation, implementation of adjustments to employee compensation, carryovers, etc.
BR	=	Budget Request. These are issues identifying changes to dollar amounts and/or positions for any fiscal year in the system.
BU	=	Business Unit. This four-digit number is equivalent to an organization code/entity.
BY	=	Budget Year (Fiscal Year 2022-23).
Category	=	An account code in the Chart of Accounts.
CY	=	Current Year (Fiscal Year 2021-22).
ENY	=	Enactment Year (formerly Year of Appropriation).

B. General Instructions

Departments should complete the Section 4.05 Ongoing Expenditure Reductions Adjustment Workbook (Workbook), which is included in this BL as Attachment 1. Departments will need to schedule the reductions to the proper appropriation(s) and make the corresponding adjustments in Hyperion. Upon completion, departments should submit the Workbook along with any related supporting documentation to Finance Budget Analysts **no later than September 17, 2021**. This information is necessary so that the scheduling information can be provided to the State Controller's Office (SCO) to process the Budget Executive Order. **If a department fails to meet this deadline, Finance will schedule the adjustment(s); in such instances, departments may not have an opportunity to adjust any scheduling performed by Finance.** Please refer to the following instructions.

C. Section 4.05 Ongoing Expenditure Reductions Adjustment Worksheet (Attachment 1)

4.05 Checklist

Departments should utilize the checklist provided to verify accurate completion of the Workbook, the associated Hyperion entries, and the BBA Upload Template, if used.

4.05 Fund Split Worksheet

Departments should use this worksheet to provide the unique appropriation item information (BU, Reference, Fund, Program, and Category) for each adjustment. **The General Fund and all other funds totals from the 4.05 Fund Split Worksheet must tie to the General Fund and other funds totals approved by Finance in the reduction plan submitted under BL 20-37.** Reductions in reimbursements (Fund 0995) will be included in the other funds total.

D. Instructions—BRs in Hyperion and BBA Upload Templates

General Information

After completing the Workbook, departments are required to complete a BR in Hyperion for the Section 4.05 Ongoing Expenditure Reductions Adjustment. Adjustments in Hyperion must correspond to the adjustments listed on the 4.05 Fund Split 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-2022-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-2022-GB. See [Budget Request Naming Convention in Hyperion](#) for additional information.
2. For purposes of this BL, the BR Title must be "**Section 4.05 Ongoing Expenditure Reduction 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 (CY Expenditures)

Using the drop-down menus, specify the Item, ENY, Program, and Category for each unique combination of funding needed for the adjustment. Using the dollars scheduled in the CY in the Workbook, enter the adjustments in the CY Expenditures tab in whole dollars and rounded to the nearest thousand.

Baseline Adjustments (BY-BY4 Expenditures)

Using the drop-down menus, specify the Item, ENY, Program, and Category for each unique combination of funding needed for the adjustment. Using the dollars scheduled in the BY in the Workbook, enter the adjustments in the BY-BY4 Expenditures tab in whole dollars and rounded to the nearest thousand.

Distributed Administration Costs

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

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

This process results in the dollars associated with a particular program to be included in the program total given the distributed administration cost display. For more details, refer to [Treatment of Distributed Administration](#).

E. Questions

Please direct questions to your Finance Budget Analyst.

/s/ Jennifer Whitaker

Jennifer Whitaker
Program Budget Manager

Attachment