

BUDGET LETTER

SUBJECT: 2002-03 STATEWIDE POSITION AND DOLLAR REDUCTION PLAN	NUMBER: 02-13
REFERENCES: PROPOSED CONTROL SECTIONS 31.60, 31.70, AND 2002 BUDGET BILL	DATE ISSUED: July 1, 2002
	SUPERSEDES: BL 02-11

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

FROM: DEPARTMENT OF FINANCE

Budget Officers are requested to forward a copy of this Budget Letter to Departmental Human Resources and Labor Relations Officers.

On June 18, 2002, the Department of Finance (Finance) issued an e-mail notifying departments that Budget Letter (BL) 02-11 was being rescinded and new instructions would be forthcoming. This BL confirms the rescission of BL 02-11 and provides instructions to departments and Agencies on how to comply with the revised Control Section 31.60. Additionally, this BL informs departments and Agencies of a new Control Section 31.70.

1. VACANT POSITION REDUCTION INSTRUCTIONS

A. Background

In the 2002-03 May Revision, the Administration proposed Control Section 31.60 to abolish 4,000 positions. After the Assembly and Senate subcommittees adopted the proposal, Finance issued BL 02-09 and BL 02-11 relating to the submission of reduction plans. However, on June 13, 2002, the Budget Conference Committee revised Control Section 31.60 to abolish a minimum of 6,000 vacant positions and to remove \$300 million (\$150 million General Fund) in associated dollars. These reductions, effective July 1, 2002, are intended to be permanent. If an Agency^{1/} believes that a critical function cannot be performed due to reductions pursuant to Control Section 31.60, it may propose a redirection of staff in its fall budget submittal or propose legislation to eliminate the statutory requirement(s) for such function(s).

The Budget Conference Committee also adopted the companion Control Section 31.70 that authorizes Finance to restore some funding lost pursuant to Control Section 31.60. The total restoration cannot exceed 50 percent of the amount unallotted by fund source.

Attachment I of this BL contains the text of Control Sections 31.60 and 31.70.

B. 2002-03 Vacant Position Reductions

Departments should immediately begin to identify which June 30, 2002, vacant positions are directly involved in public safety, providing direct 24-hour care, or that will be abolished by the 2002 Budget Bill. On July 17, 2002, the State Controller will provide each department with a list of all positions vacant on June 30, 2002, per its system.

^{1/} "Agency" refers to either an Agency Secretary or a department that does not report to an Agency Secretary.

By July 24, 2002, departments must obtain written concurrence from Finance for all proposed adjustments to the State Controller's vacant position report, including 1) positions directly involved in public safety or providing direct 24-hour care, 2) technical corrections (i.e., typographical errors, unprocessed paperwork), and 3) positions abolished by the 2002 Budget Bill. On Attachment II, each department must provide to its Agency the vacancy totals and funding information for these adjustments.

- On Attachment III, each department must provide to its Agency a rank listing for all of the department's reconciled vacancies. This rank listing must include a description of the effect of the reduction on the function/program/unit, the related budgeted dollar amount of the position (including salaries and wages, staff benefits, and operating expenses and equipment), the funding status, whether the position is subject to Government Code 12439, and if a legislative change would be required to eliminate the function/program/unit. Positions must be ranked in ascending order, with 1 being the easiest position to eliminate. Place only one position in each rank.

By August 1, 2002, each Agency is to review and approve all attachments and submit them to Finance for review. The Agency submittal must include Attachment IV, an Agency Summary of Vacancy Adjustments.

2. Summary of Documents Used to Develop the Vacancy Reduction Plan within Each Agency

Attachment	Attachment Title	Who Prepares	Description
II	Departmental Reconciliation of State Controller's Report	Department	Summary of Adjustments to the State Controller's Vacant Position Report and GC 12439 Positions
III	Rank Listing	Department	Rank Listing of Every Reconciled Vacancy and Program/Function/Unit/Funding Impact
IV	Agency Summary of Vacancy Adjustments	Agency	Summary of Adjustments to the State Controller's Vacant Position Report and GC 12439 Positions

3. Exemptions from the Vacant Position Reductions

Agencies exempted from Control Section 31.60 include the Legislature, Legislative Counsel Bureau, Judiciary, Public Employees' Retirement System, State Teachers' Retirement System, Bureau of State Audits, University of California, California State University, California State Lottery System, and the State Compensation Insurance Fund (SCIF). However, these agencies are encouraged to participate in the endeavor to reduce the State workforce and statewide expenditures. Also exempted from the reduction are positions **directly** involved in public safety and positions **directly** involved in providing 24-hour care.

Every agency not specifically exempted from Control Section 31.60 must complete all of the attachments and submit them to Finance for review and approval.

4. Due Dates

By **July 24, 2002**, departments must obtain written concurrence from Finance for all proposed adjustments to the State Controller's vacant position report. By **August 1, 2002**, departments must submit all attachments, both as hard copies and electronically, to their respective Finance budget analysts, regardless of the timing of the enactment of the 2002 Budget Act.

Instructions will be issued in future BL(s) to collect scheduling details in order to (1) unallot and revert savings and (2) restore funding, as approved by Finance pursuant to Control Section 31.60 and 31.70 respectively. The forthcoming BL will also provide departments with technical instructions for completing the Governor's Budget display and related budget documents.

If you have questions regarding this BL, please contact your Finance budget analyst.

/s/ B. TIMOTHY GAGE

B. TIMOTHY GAGE
Director

Attachments

SEC. 31.60. Notwithstanding any other provision of law, the Director of Finance shall abolish at least 6,000 permanent vacant positions from departments including all boards, commissions, departments, agencies, or other employment authorities of the State, as determined by the Director of Finance. The Director shall select the positions to be eliminated from all the positions that were vacant on June 30, 2002. The Director of Finance shall allocate the necessary reductions required by this section based on detailed plans submitted by the agency secretaries, and if no agency secretary, by the appropriate authority. A position that is to be abolished by the State Controller pursuant to Section 12439 of the Government Code may also be included in the positions to be abolished pursuant to this section and may be counted by the Director of Finance toward the position reduction required by this section.

The Director of Finance shall not abolish positions pursuant to this section authorized for the University of California, the California State University, the Legislature, the Legislative Counsel Bureau, the Bureau of State Audits, the Judiciary, the State Compensation Insurance Fund, Public Employees' Retirement System, State Teachers' Retirement System, and the California State Lottery System, but these departments are encouraged to consolidate activities and implement efficiencies in order to eliminate positions. The Director of Finance shall not abolish any positions pursuant to this section if the positions are directly involved in public safety or providing 24-hour care.

On or before July 17, 2002, the State Controller shall provide to each department a listing of all positions in that department that were vacant on June 30, 2002. The State Controller shall also provide the Department of Finance a copy of each listing of vacant positions. On or before August 1, 2002, each agency secretary, or other appropriate authority if there is no agency secretary, shall submit to the Director of Finance a list of vacant positions from which the Director of Finance shall select positions to be abolished pursuant to this section. The list of positions submitted to the Director of Finance shall total at least fifty percent of the total number of positions determined by the State Controller to be vacant on June 30, 2002, for each agency, or other appropriate authority if there is no agency secretary. With the written concurrence of the Department of Finance, a department may correct errors in the listing of vacant positions provided to it by the State Controller.

The Director of Finance is authorized to unallot and revert savings attributable to this section to the appropriate fund sources. Position reductions pursuant to this section shall be reflected and identified in the 2003-04 Governor's Budget. At the time that the 2003-04 Governor's Budget is submitted to the Legislature, the Department of Finance shall provide a report to the Joint Legislative Budget Committee and the budget committee in each house identifying the reductions allocated to each department, estimating the amount of associated savings, which shall include the salaries and wages, staff benefits, and associated marginal operating expenses and equipment for the positions abolished. The report shall also identify any significant program or service reductions or eliminations that departments plan to implement or propose for legislative approval due to the reduced number of authorized positions and funding. The total amount of the unallotments pursuant to this section shall be at least \$300,000,000.

On or before October 1, 2002, the Director of Finance shall transmit to the Joint Legislative Budget Committee, and to the chairperson of the committee in each house of the Legislature that considers appropriations, a listing of all the positions abolished pursuant to this section. For each department, the listing of abolished positions shall show by classification, program, and organizational unit, the number of positions abolished. The positions identified to be abolished pursuant to this section shall be abolished effective July 1, 2002.

CONTROL SECTION 31.70

SEC. 31.70. The Director of Finance is authorized to augment any appropriation in this act by an amount the Director of Finance determines to be necessary to ensure that a department has an appropriate level of appropriations after any unallotment of funds pursuant to Section 31.60 of this Act. In determining the amount of any augmentation pursuant to this section, the Director of Finance shall not approve an augmentation that is greater than the amount of the unallotment pursuant to Section 31.60. The total amount of augmentations pursuant to this section shall not exceed 50 percent by fund source of the total amount unallotted pursuant to Section 31.60.

Any augmentation approved by the Director of Finance pursuant to this section shall be reported within 30 days to the chairperson of the committee in each house of the Legislature that considers appropriations, the chairperson of the committee in each house that considers the State Budget, and the chairperson of the Joint Legislative Budget Committee. The report shall state the necessity for the augmentation.