

BUDGET LETTER

		NUMBER: 03-43
SUBJECT: CONTRACT, EQUIPMENT ACQUISITION, AND TRAVEL BAN	DATE ISSUED: December 5, 2003	
REFERENCES: EXECUTIVE ORDER S-4-03	SUPERSEDES:	

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 (BL) to departmental Business Services Officers.

This BL provides departments with instructions on Executive Order S-4-03 (attached) that was signed on December 5, 2003, to prohibit State Agencies and departments from entering into any new service contracts, contracts or agreements to lease or purchase equipment, and to restrict travel by State employees.

I. Background

Now that the Audit Team appointed by Governor Schwarzenegger has reported that the new Administration has inherited a debt of almost \$25 billion, and is facing a deficit of \$62 billion through 2006-07, it is clear that previous attempts to curb spending have been insufficient. While a comprehensive plan including program eliminations and restructuring will be necessary, the State must take further immediate action to reduce expenditures and find operating savings for State Agencies and departments. In this spirit, the Administration is directing all Agencies and departments to cease making new commitments for future expenditures.

II. Executive Order S-4-03, Contract, Equipment Acquisition, and Travel Ban

On December 5, 2003, Executive Order S-4-03 was signed to prohibit State Agencies and departments from (1) entering into any new contracts or agreements to lease or purchase equipment, and (2) entering into any new services contract or make any changes to an existing contract that would increase the amount or extend the term of any contract. The prohibition against new contracts does not apply to contracts for legal services or expert testimony in pending litigation.

In addition, State Agencies and departments shall cancel all plans for any non-essential trips such as seminars, conferences, or training until further notice.

Where permissible by law and regulations, all State Agencies and departments are ordered to disencumber non-essential contracts or purchase agreements funded from the General Fund, where goods and services have not been received, and to cancel the related contracts. Examples include but are not limited to: publications, memberships, equipment upgrades, excess supplies, furniture, and remodeling activities.

The provisions of the Executive Order do not apply to the Legislative and Judicial branches of government or the Constitutional Officers of this State. However, these other branches of government and the Constitutional Officers of this State are invited to participate. In addition, the University of California and the California State University System are requested to consult with Finance for the purpose of determining the appropriate level of savings in the current year, to implement the provisions of this Executive Order. Participation, however, should be limited to a level that will not interfere with meeting their educational mission.

Exemptions

An exemption from the Contract, Equipment Acquisition, and Travel Ban will be considered for:

1. Activities specifically required by statute.
2. Activities required in order to meet a declared emergency.
3. Information technology contracts. Future instructions may be provided on how these contracts should be treated.
4. Purchases of fire and life safety items and necessary expenses such as food, water, prescription drugs, medically necessary services, and utilities. Departments should request blanket exemptions for such purchases.
5. Activities that are not funded by the General Fund, as long as the fund is solvent, non-fungible with the General Fund, and there is no likelihood that the exemption will lead to a fee increase. Departments should request a blanket exemption for each fund that meets these criteria.

Departments requesting an exemption from the Contract, Equipment Acquisition, and Travel Ban must receive approval on a Request for Contract, Equipment Acquisition, and Travel Ban Exemption Form (DF-170) by the Agency Secretary (for those departments under an Agency Secretary) and the Department of Finance.

An electronic version of the DF-170 is available with this BL on the Department of Finance (Finance) website, under Information for Government Agencies, Budget Letters at:
<http://www.dof.ca.gov/html/budlettr/budlets.htm>.

Please submit three hard copies of each request to your Finance Budget Analyst. The electronic submission of forms (i.e., electronic mail) will not be accepted. Incomplete requests will not be considered and will be returned to Agencies (where applicable), departments, or other State entities.

Form DF-170 Instructions (Contract, Equipment Acquisition, and Travel Ban Exemption Form)

Request Date and Request Number: Include date of submittal and request number (e.g., 0001, 0002).

Attachments: Indicate whether attachments are included and enter the total number of pages, including the DF-170.

Section A: Indicate the type of exemption.

NOTE: Departments may request only one exemption type per Request for Contract, Equipment Acquisition, and Travel Ban Exemption.

Section B: Provide an explanation of the need for the exemption. If the contract, equipment acquisition, or travel is funded in part or in whole from the General Fund or a fund that can be transferred to the General Fund, provide an explanation of the need to incur the expense when the State is facing a General Fund debt of almost \$25 billion.

Section C: Describe the consequences that will occur if the exemption is not granted.

Section D: State whether or not the approval of this exemption will result in future exemptions (e.g., enter into a contract that will require future modifications as a result of this exemption).

NOTE: The space provided for the descriptions in Sections B, C, and D will expand as necessary when using the automated version of this form.

Section E: Identify the funding source(s) for the exemption request by Item of Appropriation (Organization—Reference—Fund, XXXX—XXX—XXXX). Departments must highlight any non-General Fund sources that can be transferred to the General Fund.

Section F: Departments reporting to Agency Secretaries must include the request approval (signature) of both the department director and the Agency Secretary (or authorized designees). Departments and other State entities not represented by a Cabinet-level officer must include the approval of the department director or other authorized designee.

Contact Person: Provide the name and telephone number of the person who can respond to questions.

Approval: Upon submittal of the DF-170 to your Finance Budget Analyst, Finance will review the request and notify Agencies, departments, and other State entities, as appropriate, of the approval or denial of the request. No actions should be taken in advance of receiving notification from Finance that the Request for Contract, Equipment Acquisition, and Travel Ban Exemption has been approved.

Compliance: Agency Secretaries and other Cabinet-level officers are responsible for administering and ensuring compliance with the Contract, Equipment Acquisition, and Travel Ban. For those departments that are not represented by Cabinet, Finance is responsible for ensuring compliance.

Questions regarding this BL should be directed to the following persons:

- Questions specific to individual departmental Requests for Contract, Equipment Acquisition and Travel Ban Exemptions should be directed to your Finance Budget Analyst.
- Technical guidance on provisions of this BL should be directed to Bob Sands of the Department of Finance, Administration Unit, at (916) 445-3274, (CNET 485-3274).

/s/ Veronica Chung-Ng

Veronica Chung-Ng
Program Budget Manager

Attachments