

BUDGET LETTER

SUBJECT: SURCHARGE FOR STATEWIDE COSTS	NUMBER: BL04-14
REFERENCES: (PENDING) CONTROL SECTION 4.60, BUDGET ACT OF 2004	DATE ISSUED: July 7, 2004
	SUPERSEDES:

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

FROM: DEPARTMENT OF FINANCE

Control Section 4.60 in the pending 2004 Budget Bill and Trailer Bill language proposed to be added this year requires the Department of Finance (Finance) and the Department of General Services (DGS) to annually reconcile service rates and to tie those rates to services provided. The language requires Finance to provide a report by August 1, 2004. Currently, there are several costs included in rates charged by DGS that cannot be tied directly to services provided. Most of these costs are currently included in DGS rental rates, and as such are not being paid by all departments. As part of the reconciliation process, Finance is reviewing a proposed rates methodology that will spread these costs more equitably.

In order to provide the most accurate accounting of office space (including regional offices, but not including warehouse, storage, or parking space), it is necessary for each department to fill out the attachment, as provided. If the attachment is not electronically received by Finance by July 21, the surcharge will be calculated based on information provided to Finance by DGS, which we understand may not reflect the most recent occupancy data.

Departments should electronically submit the following information to their Finance Budget Analyst for review:

- The address of each facility that includes office space occupied by the Department.
- The amount of office space (square feet) occupied by the Department by facility.
- The annual rent for the facility broken out by fund.
- Indicate whether each facility is a private lease or not.
- The signature of the Department Director certifying that all office space has been reported.

All office space occupied by each department must be accounted for. It is expected that this change in methodology will result in reduced rent costs to those departments in DGS operated and maintained space, while those in leased space will see an increase in costs. Finance intends to adjust departments' budgets to reflect the necessary changes.

If you have any questions, please contact Jaci-Marie Nitschke or Jennifer Osborn at (916) 445-8913.

/s/ Veronica Chung-Ng

Veronica Chung-Ng
Program Budget Manager

Attachment

Instructions for Attachment I:

1. Fill in the Department Name and ORG code.
2. In **Section A**, list each facility address at which your department occupies, uses, or leases **OFFICE** space. Office space should include regional offices and headquarters but should not include warehouse, storage, or other facility space (such as hospital, prison, courtroom, etc.). Each facility should be listed on its own line with sufficient room for funding sources and costs to be included (Sections E-G). If your department has more than four facilities, please submit information on all facilities and either add lines (some cells are formula driven) or pages.
3. In **Section B**, list the total square feet that apply to each facility.
4. In **Section C**, indicate (Y or N) whether or not each facility listed is a private lease.
5. In **Section D**, state the total annual rental costs. These costs should include operations and maintenance as well as debt service, but should not include monthly costs such as utilities.
6. Use **Section E-F** to show the percentage of the total costs by fund. Based on your entries, **Section G** is formula driven and will automatically calculate. Please be sure the information in these sections is accurate. We will be using the information provided in these sections to make appropriate budget adjustments to ensure each department has sufficient funds to cover any potential increases.
7. **Please Note: Sections B and D are formula driven** to provide a total for each department. If you need to add facilities to your report, make sure that the formulas are updated to include all totals.
8. Electronically submit Attachment I to your Finance Budget Analyst for review no later than July 21.