

BUDGET LETTER

SUBJECT: AUTOMATIC INCREASES PROHIBITION	NUMBER: 10-24
REFERENCES: BL 10-11	DATE ISSUED: September 1, 2010
	SUPERSEDES: 09-31

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

FROM: DEPARTMENT OF FINANCE

This Budget Letter (BL) provides guidance related to implementation of last year's legislation that prohibits automatic increases to the University of California, California State University, the state Courts, or to state agency operations. As a reminder, BL 10-11, issued April 30, 2010, provides general budget preparation guidelines.

Relevant Statutory Changes

Given the continued imbalance between revenues and expenditures as demonstrated by the persistent structural budget deficit, Chapter 12, 4th Extraordinary Session, Statutes of 2009 (AB 12), added Government Code (GC) Section 11019.10, to read:

“Except as provided in the Budget Act and implementing statutes, no automatic increases shall be provided to the University of California, California State University, the state courts, or to state agency operations, including, but not limited to, annual price increases to state departments and agencies.”

Interaction with Existing Law and Administration's Policy

GC Section 13308.05 requires the workload budget (also known as baseline budget) to include the following:

- a) Statutory cost-of-living adjustments.
- b) Chaptered legislation.
- c) One-time expenditures.
- d) The full-year costs of partial-year programs.
- e) Costs incurred pursuant to constitutional requirements.
- f) Federal mandates.
- g) Court-ordered mandates.
- h) State employee merit salary adjustments.
- i) State agency operating expense and equipment cost adjustments to reflect price increases.

In the past, it has been the Administration's policy and practice to build workload budget increases for the Higher Education Compact's cost-of-living adjustment (COLA) and the Judiciary's State Appropriations Limit (SAL) growth. Consistent with existing law, Higher Education Compact COLA and Judiciary SAL growth will no longer be built in the workload budget, except for Trial Courts' SAL growth.

Departments must include these baseline adjustments in their planning estimate worksheets on the appropriate lines. All these adjustments will be used to calculate the workload budget. Please note that discretionary COLAs must not be included in the workload budget. Information regarding price increases for various categories of expenditures and the factor to use for the baseline budget calculation will be provided in the 2011-12 Price Letter.

In order to comply with GC Section 11019.10, departmental budgets will be required to eliminate any increases referenced in GC Section 11019.10, including price increases. Departments are required to include these reductions in Line 1000 of the Planning Estimates and to provide a clear description for each reduction adjustment.

The above adjustments are necessary to harmonize and ensure compliance with both GC Sections 13308.05 and 11019.10. Any cost increases that otherwise would have been funded but for GC Section 11019.10, must be absorbed by departments. Any requests to fund price or other cost increases eliminated by GC Section 11019.10 must be made through a separate Budget Change Proposal, subject to meeting the guidelines that is provided in the 2011-12 Budget Policy Letter.

If you have any questions, please contact your Finance budget analyst.

/s/ Fred Klass

FRED KLASS
Chief Operating Officer