

# BUDGET LETTER

		NUMBER: 11-29
SUBJECT: OPERATIONAL EFFICIENCY PLANS	DATE ISSUED: September 20, 2011	
REFERENCES: CONTROL SECTION 3.91(b) OF THE 2011 BUDGET ACT	SUPERSEDES:	

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

FROM: DEPARTMENT OF FINANCE

<i>Deadlines and Deliverables</i>	
October 7, 2011	Submit approved 3.91(b) reduction plan (Attachment 1).
October 7, 2011	Submit scheduling worksheets (Attachment 2).
October 7, 2011	Submit planning estimate worksheet (Attachment 3).
Monthly beginning on October 7, 2011	Submit hiring detail (Attachment 4) no later than Friday of the first full week of each month until further notice.

This Budget Letter (BL) provides direction for departments that received operational efficiency reduction amounts pursuant to Control Section (CS) 3.91(b) of the 2011 Budget Act and that have implementation plans approved by the Department of Finance (Finance). The CS 3.91(b) authorizes the Director of Finance to adjust appropriations by an amount not more than \$249.9 million General Fund and \$152 million from other fund sources to achieve savings related to operational efficiencies and other cost reduction measures. The reductions apply to budget act and non-budget act appropriations, including continuously appropriated items. Specifically, this BL provides instructions on finalizing reduction plans, scheduling budget reductions, and ongoing reporting requirements once departments are no longer under the hiring freeze, utilizing the following attachments:

- Attachment 1            **CS 3.91(b) Operational Efficiency Plan**
- Attachment 2            **CS 3.91(b) Operational Efficiency Plan Scheduling Worksheet**
- Attachment 3            **CS 3.91(b) Operational Efficiency Plan Planning Estimate Worksheet**
- Attachment 4            **Monthly CS 3.91(b) Operational Efficiency Plan and Hiring Data**

In addition to this BL, additional reductions to departmental budgets will be made pursuant to CS 3.91(b) related to cellular device reduction savings (outlined in BL 11-08), Department of General Services' rental rate reductions, and fleet reductions.

Departments that have an approved reduction plan must formally submit it on Attachment 1 and it must reconcile to the approved reduction plan. Please submit as much detail as possible, including whether legislative changes are necessary. If legislative changes are necessary, submit those changes as an addendum to Attachment 1. The reduction amounts provided to departments associated with CS 3.91(b) are permanent. Accordingly, departments must provide current year and budget year scheduling and planning estimate worksheets (Attachments 2 and 3). These reductions will need to be reflected on all other documents in preparation of the 2012-13 Governor's Budget. If positions are reduced, 607s must be

submitted to the State Controller's Office (cc your Finance budget analyst) with an effective date consistent with the department's plan and the reductions should be reflected in the Changes in Authorized Positions. If positions were eliminated pursuant to Government Code section 12439, please provide a list of the eliminated positions. Departments may use the Budget Change Proposal Fiscal Summary worksheets, in addition to Attachment 1, if it provides a more appropriate format to display the reductions based on the details of the department's plan. See Attachment A for guidance on the treatment of budget documents. Attachments 1, 2, and 3 are due to your Finance budget analyst by October 7, 2011.

Because departments currently subject to the hiring freeze will no longer be subject to the hiring freeze once their reduction plan is approved, a monthly update of hiring data (Attachment 4) must be provided to Finance no later than Friday of the first full work week of each month, beginning on October 7, 2011. This monthly update, required if the department was subject to the hiring freeze, must also include cumulative year-to-date totals both prior to and through the reporting period. Attachment 4, the reporting form for the hiring summary, is to be submitted to your Finance budget analyst monthly until further notice.

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

/s/ Richard Gillihan for

Diana L. Ducay  
Program Budget Manager

## TREATMENT OF BUDGET DOCUMENTS

### A. Planning Estimates (PE)

Post the reductions on PE line 0700 for each item of appropriation for both current year and budget year.

### B. Schedule 10s

The Schedule 10s must reflect an adjustment for "Adjustment per Section 3.91(b) Operational Efficiency Plan" (Attachment 2). Using the Schedule 10s, a Budget Executive Order will be issued to adjust departmental appropriations in the current year. In addition, departments are to include the reduction on their 2012-13 Budget Year Schedule 10 initial authorized/expenditure totals.

Example:

Adjustment per Section 3.91(b) Operational Efficiency Plan:

Program A <sup>a/</sup>	-\$XXX
Program B <sup>a/</sup>	-\$XXX
Reimbursements <sup>b/</sup>	<u>XXX</u>
Total	-\$XXX

a Amounts adjusted, including Reimbursements.

b Amounts paid from other departments (Reimbursements).

### C. Automated Detail of Appropriation and Adjustments Report

For the current year, the Report will display this adjustment on the line titled "Adjustment per Section 3.91(b) Operational Efficiency Plan".

### D. Expenditures by Category

Position reductions should be reflected in the total adjustments section of the Expenditures by Category; however, if overtime reductions are used towards the operational efficiency plan, the Schedule 7A can be updated directly for overtime.

### E. Changes in Authorized Positions (Schedule 2)

Departments must post the eliminated positions reflected on Attachment 1 for current and budget years to the Changes in Authorized Positions consistent with their operational efficiency plan.

### F. Tie Points

The following must tie for current year and budget year:

- Attachment 2 Scheduling Worksheet Total (rounded to thousands) and Attachment 3 Planning Estimate Total
- Attachment 3 Planning Estimate Total Adjustment and Attachment 3 Fund Classification Total