

BUDGET LETTER

	NUMBER: 12-03
SUBJECT: ADJUST BUDGET DISPLAY TO REFLECT ACTUAL EXPENDITURES AND ELIMINATE SALARY SAVINGS	DATE ISSUED: March 12, 2012
REFERENCES:	SUPERSEDES:

TO: Agency Secretaries
 Department Directors
 Departmental Deputy Directors of Administration
 Departmental Budget Officers
 Departmental Personnel Officers
 Department of Finance Budget Staff

FROM: DEPARTMENT OF FINANCE

Deadlines and Deliverables	
April 9, 2012	Attachments 1 and 2, and backup documentation to your Department of Finance (Finance) budget analyst.
3 days after plan approval	Attachment 3 to your Finance budget analyst.

This Budget Letter (BL) provides direction to departments to make necessary adjustments to accurately reflect budget expenditures and positions for a more transparent budget. This adjustment will eliminate budgeted salary savings and allocate that amount to accurately reflect how state operation funds are being expended. Each department is directed to rebase current funding for state operations by performing an analysis of this funding in prior years and reallocating funds to expenditure categories in which they are actually being expended. This is expected to result in the elimination of positions historically held vacant to support the operational needs of departments. **Although dollars may be redistributed within state operations expenditure categories and positions may be reduced, this process will not result in a change to each department's total state operations funding.** This activity will be completed in time for inclusion in the Budget Act of 2012.

On Thursday, March 15, and Monday, March 19, Finance will conduct several sessions of mandatory training for department staff and Finance budget analysts to provide assistance in complying with this BL and explain how to calculate the costs of April 1 and May Revision budget change proposals. Departments are strongly encouraged to send their Deputy Director of Administration, or equivalent, and a departmental budget analyst. Departments will register for a training session time through their Finance budget analyst. Departments should coordinate with their Finance budget analyst to attend the same training session.

Instructions:

Each department will be required to analyze all its authorized positions and eliminate positions or groups of positions that have been historically vacant. To accomplish this, the department will use Attachment 1 to complete an analysis of vacant positions in prior years. A comparison of past year to current year positions in the Salaries and Wages publication (Schedule 7A) and the Expenditures by Category should be used to analyze position vacancies in prior budgets. Once the number of historically vacant positions has been identified, total authorized positions should be reduced to reflect the average number of filled positions the department utilizes on an annual basis. As part of the personal services analysis, consider the impacts of the 2010-11 hiring freeze and approved exemptions. In addition, past year expenditures for staff benefits, temporary help, leave buyouts, and overtime need to be examined to determine how funding should be

redistributed. The funding associated with the deleted positions should be redistributed, and appropriate dollars can be moved into the temporary help blanket, if necessary, for a department to operate at full employment at any given point in time.

Once personal services and associated funding available for redistribution have been determined, prior budgets must be analyzed to review past funding for Operating Expenses and Equipment (OE&E). The Past Year columns of the DF-300, Supplementary Schedule of OE&E, should be used to analyze OE&E expenditures. Based on the analysis, departments will determine how much funding is necessary to fully fund OE&E.

After completing the analysis of both personal services and OE&E expenditures, departments will summarize their plan for reallocating funds within expenditure categories and eliminating authorized positions on Attachment 2.

Once budgeted expenditures for personal services and OE&E have been aligned with past expenditure patterns, the salary savings line will no longer be necessary because that amount will be allocated to the appropriate category within the Expenditures by Category. Accurately reflecting utilized positions should result in a decrease in the number of authorized positions, but will not result in an increase to the number of authorized positions. As part of the proposed plan, departments will be required to provide backup documentation, in addition to Attachment 1, that was used to justify the reallocation of expenditures by category and position authority. Finance budget analysts will work with departments throughout the process as the plans are developed. Please refer to the following examples for clarification:

Example 1:

This example represents a department that fills all authorized positions, with the exception of those identified for salary savings, and results in no change to the current funding for authorized positions. In this case, removing salary savings would result in an adjustment to the Authorized Positions and the elimination of positions outlined as salary savings.

Please Note: Total expenditures remain the same.

EXAMPLE 1				
EXPENDITURES BY CATEGORY	Positions/Personnel Years		Expenditures	
	BY		BY	
1 STATE OPERATIONS	Current	Proposed	Current	Proposed
PERSONAL SERVICES				
Authorized Positions (Equals Sch. 7A)	10.0	9.5	\$100	\$95
Estimated Salary Savings	-0.5	0.0	-5	0
Net Totals, Salaries and Wages	9.5	9.5	\$95	\$95
Staff Benefits	-	-	10	10
Totals, Personal Services	9.5	9.5	\$105	\$105
OPERATING EXPENSES AND EQUIPMENT			\$20	\$20
TOTALS, POSITIONS AND EXPENDITURES, ALL FUNDS (State Operations)			\$125	\$125

Example 2:

In this example, actual salary savings exceed budgeted salary savings. This department would consistently have positions, over and above salary savings positions, which remain vacant throughout the year to fund personal services (such as staff benefits, temporary help, and overtime) or OE&E. In this example, the excess funding for the vacant positions would be moved to the line items in which the funds are actually being spent. The removal of the funding for these positions would also result in the elimination of the vacant positions as reflected in Authorized Positions below and the redistribution of funding to better align how authorized funding is being utilized.

Please Note: Total expenditures remain the same.

EXAMPLE 2				
EXPENDITURES BY CATEGORY	Positions/Personnel Years		Expenditures	
	BY		BY	
1 STATE OPERATIONS	Current	Proposed	Current	Proposed
PERSONAL SERVICES				
Authorized Positions (Equals Sch. 7A)	10.0	8.5	\$100	\$85
Estimated Salary Savings	-0.5	0.0	-5	0
Net Totals, Salaries and Wages	9.5	8.5	\$95	\$85
Staff Benefits	-	-	10	15
Totals, Personal Services	9.5	8.5	\$105	\$100
OPERATING EXPENSES AND EQUIPMENT			\$20	\$25
TOTALS, POSITIONS AND EXPENDITURES, ALL FUNDS (State Operations)			\$125	\$125

Example 3:

This example represents a department that fills all authorized positions and uses funding from staff benefits or OE&E to fully fund filled positions. In this example, the department utilizes all of their authorized positions and removing salary savings would result in an adjustment to staff benefits and OE&E.

Please Note: Total expenditures remain the same.

EXAMPLE 3				
EXPENDITURES BY CATEGORY	Positions/Personnel Years		Expenditures	
	BY		BY	
1 STATE OPERATIONS	Current	Proposed	Current	Proposed
PERSONAL SERVICES				
Authorized Positions (Equals Sch. 7A)	10.0	10.0	\$100	\$100
Estimated Salary Savings	-0.5	0.0	-5	0
Net Totals, Salaries and Wages	9.5	10.0	\$95	\$100
Staff Benefits	-	-	10	7
Totals, Personal Services	9.5	10.0	\$105	\$107
OPERATING EXPENSES AND EQUIPMENT			\$20	\$18
TOTALS, POSITIONS AND EXPENDITURES, ALL FUNDS (State Operations)			\$125	\$125

All budgetary changes to 2012-13 authorized position authority and categories outlined in the Expenditures by Category will be part of a statewide May Revision Finance Letter. Each department will submit Attachment 1 and Attachment 2 to your Finance budget analyst as soon as possible, but no later than **Monday, April 9, 2012**. Three days after approval of the plan by Finance, Attachment 3 will be due to your Finance budget analyst to ensure that the Change Book information accurately reflects the necessary changes to the 2012-13 Governor's Budget. Change Book entries will be discussed in training. Departments must submit Change in Established Positions (Std. 607) forms identifying which specific positions will be eliminated to the State Controller's Office within 30 days of enactment of the Budget Act of 2012 and provide a copy to your Finance budget analyst.

In addition to the adjustments outlined above, departments will have flexibility to use blanket authority to fill positions beyond approved position authority on a temporary basis for operational needs. Because budgeted authorized positions will be based on an average rate of filled positions, departments may hire permanent employees within the blanket if no vacant positions exist; however, the employee must be moved from the blanket once an authorized position becomes vacant. The temporary help blanket can be used for both temporary issues and temporary positions consistent with the requirements outlined in State Administrative Manual Section 6518. The blanket can be used for the following temporary issues: retired annuitants, seasonal staff, or payment of leave balances. The blanket also can be used for permanent employees on a temporary basis to meet the department's operational needs. Departments that have existing blanket authority will need to work with their Finance budget analyst to establish the appropriate level of authority for their blanket. Departments that do not have existing blanket authority will need to discuss the potential need for establishing blanket authority and, if necessary, the appropriate level of authority.

If you have any questions regarding this BL or to schedule training, please contact your Finance budget analyst.

/s/ Todd Jerue

TODD JERUE
Chief Operating Officer

Attachment