

BL 12-03 Frequently Asked Questions

Adjust Budget to Better Align Budgeted Amounts with Categories of Expenditures & Eliminate Salary Savings

1. Q: Why is salary savings being eliminated?

A: Eliminating salary savings and moving associated savings to the appropriate categories within state operations will allow the budget to better reflect the funding level of each of the categories such as authorized positions, including employees' actual salaries and wages within their classification. The goal is to significantly reduce the gap between past year filled position totals and current year budgeted positions for the same fiscal year for greater transparency in budgeting.

2. Q: If a department has savings in all of the categories (salaries, temporary help, benefits, and operating expenses and equipment), will it be required to reduce its budget?

A. No. Redirect those funds to the most appropriate category, but do not reduce the overall appropriation authority. This will be a rare exception.

3. Q: If a department does not have salary savings in its budget, does it have to participate?

A: Yes. All departments are subject to a review by their Finance budget analysts to determine if the absence of salary savings in their budget is justified given historical vacancy rates. If it appears that the department does have consistent vacancies and those savings are used to fund other items in the Expenditures by Category, it is anticipated that the department would need to realign funding through this drill. Or, alternatively, if funding from other areas in the budget are used to fund positions, those funds should be moved to salaries and wages, and staff benefits.

4. Q: Are any departments exempt from this analysis, such as constitutional officers and off-budget departments?

A: Generally, all departments with authorized positions in 2012-13 will be reviewed and changed through this process. Some

departments, such as Lottery and the State Compensation Insurance Fund, do not require Department of Finance approval to increase the number of authorized positions, but they should still participate in this process to remove budgeted salary savings and appropriately budget funds. Departments that do not have a Schedule 7A and a State Operations Expenditures by Category section in the Governor's Budget do not have to participate in this exercise. This should be the rare exception.

5. Q: Which timeframe on Attachment 1 should be used to analyze the appropriate level of authorized positions?

A: There is no one-size-fits-all approach and this needs to be done on a case-by-case basis. If it is difficult to find a useful timeframe because of fluctuation in the number of authorized positions, then departments may use historical vacancy rates to reduce positions by that percentage. This flexibility will allow us to take into consideration the current situation and the impact that previous actions, such as hiring freezes, may have had on the filled positions.

6. Q: Why is there an expectation that positions will be eliminated as part of this analysis?

A: Historically, the past year actual for Personnel Years (PYs) is significantly lower than the authorized positions for that fiscal year. This difference has been more than 30,000. Many departments must leave positions vacant to meet the salary savings requirement and to pay for the filled positions that cost more than budgeted. This analysis should identify the historical level of filled positions using authorized positions by classification. Because the budget will be based on that historical level, a significant number of positions should be reduced. Evaluation of past history provides one important element to determine what should be budgeted in each category going forward. However, if a department can demonstrate that its budget going forward should be different from actual/recent past history, that information will be considered as well.

- 7. Q: Will there be flexibility to keep hard-to-fill positions even if the department's history indicates the department has addressed the workload through temporary help, overtime, and contracts?**

A: Finance will provide flexibility if recent data suggests that these positions are being filled more quickly or with greater success. However, if positions are continually hard-to-fill, funding should be allocated to the appropriate category based on historical averages (temporary help, overtime, and contracts) and relative to how many of these types of positions are filled at any given time.

- 8. Q: How will temporary help blankets (blanket) be approved?**

A: Per the State Administrative Manual (SAM) Section 6518, blanket authorizations in the approved budget must be reviewed annually and are established by submitting a STD. 607 form to the State Controller's Office (SCO). Currently, SAM does not specify the timing of submittal of a blanket, other than requiring an annual review. Further instructions issued in the fall will address the timeframe in which a blanket must be submitted and reviewed.

- 9. Q: If my department currently has an approved blanket, will an additional request need to be submitted?**

A: Yes. As part of this Budget Letter (BL) process, we will require all departments to submit a request for a blanket, even those with existing authority. Further instructions regarding the blanket process will be provided in the fall.

- 10. Q: What should be the appropriate size of the blanket?**

A: The size of the blanket will be specific to each department. Through this BL process, each department will perform an analysis of historical trends which will include analyzing the historical number of retired annuitants, student assistants, seasonal employees, and leave buyouts to determine the size of the blanket being requested.

11. Q: Should position values be included in the blanket for leave buyouts?

A. No. Only include a dollar value for leave buyouts in the blanket and keep in mind that no augmentations for leave buyouts will be considered. These costs must be covered within existing resources, but will be accounted for in the blanket.

12. Q: How will the blanket be monitored?

A. Further instruction will be provided in the fall.

13. Q: Will there still be a need for Government Code (GC) Section 12439?

A: Yes. However, this should significantly reduce the number of positions that are vacant for that period of time.

14. Q: Can departments use GC Section 12439 eliminations instead of processing a STD. 607 form to SCO to remove positions to be eliminated?

A: Yes. Make sure to outline how those positions will be eliminated so your Finance budget analyst is not expecting to see a copy of a STD. 607 for those positions.

15. Q: Will this become an annual exercise?

A: We do not envision doing an annual Budget Letter. However, as part of budget development, departments and Finance budget analysts will be looking at how departments are spending their funds. If departments are relying on more overtime or seasonal employees, then the funding should be moved to the appropriate category. Also, if the opposite is true, departments will have the opportunity to request authorized positions (without dollars) if they can prove higher success in using authorized positions, rather than temporary help or overtime. Another possibility is that departments with large turnover may be able to hire more lower-paid entry-level staff.

16. Q: My department is currently being merged/realigned; do we still have to participate?

A: Yes. To the extent some or all of your positions are being merged with a different department, you should work with your Finance budget analyst and the other affected department to ensure the history of those positions is incorporated in the analysis.

17. Q: If salary savings is being eliminated, will new positions be fully funded?

A: Yes. All proposed new positions will be budgeted at mid-step, unless otherwise justified. If there is a delayed implementation, dollars will be reduced accordingly in the first year and adjusted appropriately for full funding at mid-step (unless otherwise justified) in the second year.

18. Q: My department is submitting a May Revision Budget Change Proposal (BCP), do we need to remove salary savings?

A: Yes.

19. Q: The current BCP form has a salary savings line; will it be updated?

A: For now, the positions and dollars for salary savings will be zero. The form will be updated in the future.