

BUDGET LETTER

SUBJECT: EMPLOYEE COMPENSATION REDUCTIONS	NUMBER: 20-33
REFERENCES: CONTROL SECTION 3.90, 2020 BUDGET ACT	DATE ISSUED: September 3, 2020
	SUPERSEDES: N/A

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

FROM: DEPARTMENT OF FINANCE

BUDGET OFFICERS ARE EXPECTED TO FORWARD A COPY OF THIS BUDGET LETTER (BL) TO HUMAN RESOURCES AND LABOR RELATIONS OFFICES.

This BL provides departments with instructions for scheduling 2020-21 Control Section (Section) 3.90 employee compensation reduction adjustments as part of the 2021-22 budget process.

<i>Deadlines and Deliverables</i>	
September 25, 2020	Section 3.90 Employee Compensation Reduction Adjustment Workbook (Attachment 1), adjustments in Hyperion, and supporting documentation, due to Finance Budget Analysts.

A. Background

Section 3.90

The Legislature approved the addition of Section 3.90 as part of the 2020 Budget Act, which provides the Department of Finance the authority to reduce departmental budgets to achieve savings resulting from agreements reached with the state's bargaining units, furloughs, and reductions in compensation for non-represented employees. This includes implementation of the Personal Leave Program 2020 (PLP 2020). Pursuant to Section 3.90, departmental appropriations will be adjusted to reflect savings through the Budget Executive Order process.

Career Executive Assignments (CEA)

Departments should carefully weigh any CEA compensation adjustment decisions in light of the COVID-19 pandemic and the corresponding budgetary deficit. **Departments shall not provide CEA pay increases that have the effect (either individually or cumulatively within the fiscal year) of offsetting the mandatory pay reductions associated with PLP 2020. Any violation will result in immediate revocation of CEA salary delegation from the department by the Department of Human Resources.**

Departments may continue to provide CEA pay adjustments when strictly necessary to resolve new compaction issues with a non-CEA subordinate, keeping in mind that there are some instances where it is not necessary or possible for a CEA to make more than its subordinates, or documented equity concerns.

Glossary Relevant to this BL

The following terms are used throughout this BL:

BBA	=	Baseline Budget Adjustment. These are baseline expenditure adjustments such as employee compensation, carryovers, etc.
BR	=	Budget Request. These are issues identifying changes to dollar amounts and/or positions for any fiscal year in the system.
BU	=	Business Unit. This four-digit number is equivalent to an organization code/entity.
BY	=	Budget Year (Fiscal Year 2021-22).
Category	=	An account code in the Chart of Accounts.
CY	=	Current Year (Fiscal Year 2020-21).
ENY	=	Enactment Year (formerly Year of Appropriation).

B. General Instructions

Finance Budget Analysts will provide departments with their total share of the savings by General Fund and all other funds. Departments must schedule the reductions to the proper appropriation(s) and submit the Section 3.90 Employee Compensation Reduction Adjustment Workbook (Attachment 1), make the corresponding adjustments in Hyperion, and provide any related supporting documentation to Finance Budget Analysts **no later than September 25, 2020**. This information is necessary to support the reduction request and provide the necessary scheduling information to the State Controller's Office (SCO) to process the Budget Executive Order. **If a department fails to meet this deadline, Finance will schedule the adjustment; in such instances, departments may not have an opportunity to adjust any scheduling performed by Finance.** Please refer to the following instructions.

C. Section 3.90 Employee Compensation Reduction Adjustment Worksheet (Attachment 1)

3.90 Checklist

Departments should utilize the checklist provided in Attachment 1 to verify accurate completion of Attachment 1, the associated Hyperion entries, and the BBA Upload Template, if used.

3.90 Fund Split Worksheet

This will be used to provide the unique appropriation item information (BU, Reference, Fund, Program, and Category) for each adjustment. **Categories 510XXXX (Salaries and Wages) and 515XXXX (Staff Benefits) must be used for these adjustments.** The only exception is scheduling adjustments as Distributed Administrative Costs (Program 9900200), which use Category 5342500 (Indirect Distributed Cost). If reimbursement adjustments are necessary, Categories 510XXXX and 515XXXX adjustments must be made in Fund 0995.

The General Fund and all other funds totals from the 3.90 Fund Split Worksheet must tie to the General Fund and all other funds totals provided by your Finance Budget Analyst. Reductions in reimbursements (Fund 0995) will be included in the other funds total.

To correctly classify funds and eliminate errors, the 3.90 Fund Split Worksheet includes a drop-down list of all funds by fund number as well as all applicable adjustment categories to select rather than keying in manually. The fund classification will auto-populate based on the fund/category selected. Although this process *should* help mitigate errors, departments must verify each fund classification by reconciling it to the Uniform Codes Manual (UCM). Please refer to the [UCM, Numerical Fund Listing](#).

Federal funds and bond funds will be classified as non-governmental cost funds.

Do not modify formulas in the worksheet.

D. Instructions—BRs in Hyperion and BBA Upload Templates

General Information

After completing Attachment 1, departments are required to complete a BR in Hyperion for the Section 3.90 Employee Compensation Reduction. Adjustments in Hyperion must correspond to the adjustments listed on the 3.90 Fund Split Worksheet. If uploading to Hyperion, departments must use the latest [BBA Excel Upload Template](#).

Departments must use the following for the BR created:

1. Use the standard naming conventions to provide a unique BR name (for example, 2222-XXX-BBA-2021-GB). **REMINDER:** To improve coordination and reduce system kick outs, departments and Finance Budget Analysts should use BR sequencers that match the last three digits of the BR identifier in Hyperion. For example, BR identifier: BR 0010 with BR Name: 2222-010-BBA-2021-GB. See [Budget Request Naming Convention in Hyperion](#) for additional information.
2. For purposes of this BL, the BR Title must be “**Section 3.90 Employee Compensation Reduction.**”
3. For departments using the BBA Excel Upload Template, use the drop-down menu to select the appropriate BU, Request ID, Version, and Year.

Baseline Adjustment Type

Departments must select BBA type “**Issue Specific Adjustment**” from the drop-down menu in the Baseline Adjustment Type tab.

Baseline Adjustments (CY Expenditures)

Using the drop-down menus, specify the Item, ENY, Program, and Category for each unique combination of funding needed for the adjustment. For purposes of this BL, the only acceptable Categories to select are Category 510XXXX (Salaries and Wages) and Category 515XXXX (Staff Benefits), unless scheduling adjustments as Distributed Administrative Costs (Program 9900200), which use Category 5342500 (Indirect Distributed Cost). Reimbursements will also be captured in Category 510XXXX and 515XXXX in Fund 0995.
Reductions will be scheduled for CY only.

BY reductions will be captured next fall in the 2022-23 Budget Development Cycle. Using the dollars scheduled in the CY in Attachment 1, enter the adjustments in the CY Expenditures tab in whole dollars and rounded to the nearest thousand.

Distributed Administration Costs

Departments that continue to distribute administrative costs will need to reflect that distribution for applicable Employee Compensation Reductions. To properly reflect the in-and-out nature of distributed administrative costs, a three-entry scheme is required:

1. Program 9900100 (negative adjustment) and Category 510XXXX or 515XXXX to show the negative total being distributed to a particular program(s).
2. Program 9900200 (positive adjustment) and Category 5342500 to reflect total distributed cost.
3. The program (negative adjustment) that pays for the distributed cost with Category 5342500.

This process results in the dollars associated with a particular program to be included in the program total given the distributed administration cost display. For more details, refer to [Treatment of Distributed Administration](#).

E. Questions

Please direct questions to your Finance Budget Analyst.

/s/ Jennifer Whitaker

Jennifer Whitaker
Program Budget Manager

Attachment