

# BUDGET LETTER

		NUMBER:	10-31
SUBJECT:	WORKFORCE CAP PLAN	DATE ISSUED:	October 26, 2010
REFERENCES:	EXECUTIVE ORDER S-01-10 CONTROL SECTION 3.90, BUDGET ACT OF 2010	SUPERSEDES:	10-03

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

FROM: DEPARTMENT OF FINANCE

**NOTE: Budget Officers are requested to forward a copy of this Budget Letter (BL) to Human Resources and Labor Relations Offices.**

<i>Deadlines and Deliverables</i>	
November 8, 2010	Submit scheduling information to your Finance budget analyst (see BL 10-33).
December 1, 2010	Update Workforce Cap plans, with revised reduction amounts, post online at the Department of Personnel Administration website for review by the Department of Finance and Department of Personnel Administration.
April 1, 2011	Update December 1 Workforce Cap plans, post online at the Department of Personnel Administration website for review by the Department of Finance and the Department of Personnel Administration.

This BL addresses the Workforce Cap and increase in salary savings that were included in the Budget Act of 2010 and outlined in the Governor's Executive Order S-01-10.

In order to achieve a full year savings in fiscal year 2010-11, the Governor directed departments to take immediate steps beginning March 1, 2010 to cap the statewide workforce by 5 percent. This Workforce Cap is permanent and will decrease the base funding level amount for 2010-11 and ongoing. Since February 1, 2010, departments have been submitting monthly updates to their plans for achieving the Workforce Cap. In accordance with instructions provided, the reduction targets could be achieved through abolishing vacant positions, capturing savings from attrition, implementing layoffs, reclassifying existing positions to lower cost classifications, reducing overtime expenses, or a combination of these approaches.

The Workforce Cap savings are measured by personal services **dollars**, not **personnel years** (PYs) per se, so a 5-percent reduction in personal services dollars could translate into more or less than a 5-percent reduction in PYs, depending upon how the reduction is implemented. Nevertheless, there will be an inherent reduction in **funded** PYs at some level as personal services budgets are reduced. Departmental budgets must eventually be trued up to reflect whatever permanent reduction in PYs occurs as a result of reducing expenditures for personal services. It is **not** acceptable over the long term for departments to show a permanently increased salary savings level as a result of the Workforce Cap reduction. However, for the 2011-12 Governor's Budget **only**, it will be acceptable for departments to reconcile the reduction in PYs by merely showing an increased salary savings level and gross amount of estimated PYs reduced in the Expenditures by Category. For departments that have already made decisions on how they will permanently implement the Workforce Cap and know which positions will be eliminated as a result, the specific position reductions should be included in the 2011-12 Governor's Budget. For the 2012-13

Governor's Budget, **every** department will have to show specific position and PY reductions that correlate to that department's approach in permanently implementing the Workforce Cap. Departments are responsible to track position eliminations associated with the Workforce Cap and report to the Department of Finance (Finance) on the number of positions eliminated. Because the Workforce Cap is ongoing, there will be a future BL issued in 2011-12 to coordinate the reporting of this information to Finance.

Positions eliminated as a result of a department's Workforce Cap plan must be removed from the State Controller's Office roster. A department may either (1) process a 607 to remove positions from the roster immediately or (2) allow the position to drop off the roster pursuant to the provisions of Government Code section 12439 by June 30, 2011. All Workforce Cap position eliminations must be abolished no later than June 30, 2011 and captured in the 2012-13 Salaries and Wages. The 2011-12 Governor's Budget can reflect the Workforce Cap savings by increasing salary savings, through positions already eliminated and captured on the initial position count in the Expenditures by Category (included in the 2011-12 Salaries and Wages), and/or through proposed position reductions in the 2011-12 Changes in Authorized Positions. If additional salary savings are used, the 2011-12 Governor's Budget must contain an estimate of personnel years reduced through increased salary savings; the total personnel year reduction should be commensurate with the funding reduction.

**While the eliminated positions may not be fully captured in the Salaries and Wages until 2012-13, departments are responsible to ensure their requested funding through Control Section 3.60 for 2010-11 (BL 10-32) does not include positions eliminated or held vacant for the Workforce Cap.**

Initial reduction targets provided in January have been revised to reflect the Control Section 3.90 reduction in the Budget Act of 2010. The new reduction amount may reflect an increase from the initial targets that were outlined in BL10-03 and previously being reported on a monthly basis. These reduction amounts are now final and Control Section 3.90 of the 2010 Budget Act provides the authority to reduce the appropriations to reflect these savings. **The total General Fund and other fund reduction amounts pursuant to Control Section 3.90 will be provided by your Finance budget analyst. Departments will be required to submit scheduling and Planning Estimate information, as outlined in BL 10-33, by Monday, November 8, 2010. If a department fails to meet this deadline, Finance will schedule the reduction and departments will not have the ability to adjust the scheduling given the compressed timeframes for building the 2011-12 budget.** These adjustments must also be included in the 3-year Schedule 10s (current year and budget year) and Budget Spreadsheets. A Budget Executive Order will be processed no later than December 1, 2010 to reduce authorized funding associated with the reduction amount based on the scheduling detail provided.

Departments must update Workforce Cap plans, previously provided online, to reflect the final reduction amounts and include savings from all personal services (salary, wages, and benefits). The updated plan must be submitted to Finance and DPA via the Workforce Cap portal by December 1, 2010 and April 1, 2011. Departments must provide the following information by the specified dates:

1. Work with your Finance budget analyst to provide scheduling information based on the specific General Fund and other funds reduction amounts by November 8, 2010 (see BL 10-33).
2. Submit the updated Workforce Cap reduction plans online at: <https://portal.dpa.ca.gov/eapps/hrreduction/workforcecap/GeneralInterface/Welcome.aspx> by the first day of December and April and confirm that the department has achieved these savings or is on track to achieve the savings target by the end of the 2010-11 fiscal year. As a reminder, departments are not authorized to spend at a rate that will result in a deficiency and department directors can be held personally liable for doing so. If the plan, as submitted on December 1, is achieving the required savings, the same plan can be resubmitted on April 1. If the plan is not tracking to what was submitted on December 1 (such as a decrease in anticipated attrition), the plan must be modified on April 1 to

ensure the targeted reduction will be achieved. This may require a department to increase the number of positions to be abolished or result in layoffs to achieve the required savings. Monthly reporting is no longer required. The November update is also not required. Username and passwords should have been previously obtained, but in the case of a need for a new user, contact Melissa Russell, Business Analyst, e-mail [MelissaRussell@dpa.ca.gov](mailto:MelissaRussell@dpa.ca.gov), at DPA as soon as possible.

Each plan will continue to be carefully reviewed by Finance and DPA to ensure compliance with the required Workforce Cap reductions. Should the December 1 or April 1 plans not be approved, departments must submit a revised plan within two business days following the denial.

If you have any questions regarding this BL, please contact Koreen Martone, Employee Compensation Unit, at (916) 445-3274.

/s/ Diana L. Ducay

Diana L. Ducay  
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