

# BUDGET LETTER

		NUMBER:	15-19
SUBJECT:	EMPLOYEE COMPENSATION ADJUSTMENTS— ITEM 9800	DATE ISSUED:	August 21, 2015
REFERENCES:	BL 15-18 AND VARIOUS, SEE ATTACHMENT	SUPERSEDES:	BL 14-26

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

FROM: DEPARTMENT OF FINANCE

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

The Department of Finance (Finance) is issuing this BL to assist departments with scheduling 2015-16 employee compensation adjustments as part of the 2016-17 budget process.

<i>Deadlines and Deliverables</i>	
September 25, 2015	Item 9800 attachments and supporting documentation due to Department of Finance (Finance) budget analysts.

## A. Background

The state has current Memoranda of Understanding (MOUs) with 16 collective bargaining units. The Administration is currently in negotiations with the remaining 5 bargaining units, which represent correctional peace officers, firefighters, engineers, scientists, and craft and maintenance workers. (See Worksheet 2 for a list of the 21 bargaining units.) This BL addresses the distribution of 2015-16 employee compensation augmentations approved through the collective bargaining process and for employees excluded from collective bargaining as approved by the California Department of Human Resources (CalHR). It also includes background information and instructions for departments to calculate and schedule current year and budget year funding requests.

These instructions do not apply to personnel of the University of California, the Hastings College of Law, the California State University, or State Active Duty personnel of the Military Department.

### Glossary Relevant to this BL

Consistent with BL 15-06, the following terms are used throughout this BL:

- BBA = Baseline Budget Adjustments. Baseline expenditure adjustments previously collected on a planning estimate worksheet.
- DP = Decision Package. An adjustment in this context.
- BR = Budget Request. A component within a Decision Package identifying estimated changes to expenditures, positions, or revenues/transfers/loans.
- BU = Business Unit. This is equivalent to an organization code/entity.
- Category = An account code in the new Chart of Accounts.
- ENY = Enactment Year. Formerly Year of Appropriation.

## B. General Instructions

To request funding for eligible adjustments, departments must complete and submit the Item 9800 Adjustment Workbook (Attachment 1), two separate BBA Upload Templates (one for Salary Adjustments and one for Benefit Adjustments), and related supporting documentation to their respective Finance budget analyst **no later than September 25, 2015**. This information is necessary to support the funding request and to provide the necessary scheduling information to the State Controller's Office (SCO) to process the 2015-16 Executive Order to transfer appropriation authority from Item 9800 to the respective support appropriations. Please refer to the following instructions for each worksheet within the Item 9800 Adjustment Workbook to calculate the appropriate adjustments.

### **Checklist**

Departments should utilize the following checklist when completing Attachment 1 and the associated BBA Upload Templates:

1. **Salary and Benefit Adjustments:** Must be entered in whole dollars and rounded to the nearest thousand in Attachment 1 and all BBA Upload Templates. For example, \$1,987 must be rounded to \$2,000.
2. **Adjustment Category Codes:** Category code 510XXXX (Salaries and Wages) must be used for Salary Adjustments and 515XXXX (Staff Benefits) must be used for Benefit Adjustments.
3. **Reimbursements:** Category code 48XXXXX must be used to schedule reimbursements to the associated program/category spending those funds.
4. **Distributed Administration Costs:** Program number 9900100 (positive adjustment) and 9900200 (negative adjustment) must be used, along with entries for the program that directly pays for various distributed cost. Additionally, category code 5342500 must be used to reflect the positive dollars within the program(s) associated with the cost allocation plan and the negative distributed line to reflect the total distributed costs to the other program(s).
5. **BBA Upload Template Type:** Adjustments on Worksheet 6 must be scheduled in a BBA Upload Template. Two separate templates must be used; one for Salary Adjustments and another for Benefit Adjustments. Select the appropriate BBA type, either "Salary Adjustments" or "Benefit Adjustments," depending on the type of adjustments being scheduled.
6. **Decision Package/Budget Request Descriptions:** When completing a BBA Upload Template, the title must be "Allocation for employee compensation" for Salary Adjustments and "Allocation for staff benefits" for Benefit Adjustments.
7. **ENY:** When completing the BBA templates, unless scheduling to a continuous or continuing appropriation, select an ENY of 2015 for adjustments entered in the Baseline Adjustments Current Year tab and an ENY of 2016 for adjustments entered in the Baseline Adjustments BY0-4 tab.

## C. Instructions—Item 9800 Adjustment Workbook (Attachment 1)

### **Worksheet 1: Item 9800 Summary Sheet**

The Item 9800 Summary Sheet displays total Salary and Benefit Adjustments that are calculated on Worksheets 4, 5, and 6. Cells within this worksheet are all formula driven.

### **Worksheet 2: Item 9800 List of Bargaining Units**

This worksheet provides a list of current bargaining units. This list should be referenced to ensure adjustments on Worksheets 4, 5, and 6 correspond to the correct bargaining unit.

**Worksheet 3: Item 9800 List of Eligible Salary and Benefit Adjustments**

This worksheet provides departments a list of eligible Salary and Benefit Adjustment information necessary to complete Worksheets 4, 5, and 6. CalHR has transmitted classification and pay adjustment data to departments through multiple pay letters. The pay letters and associated Salary Adjustments can be found on Worksheet 3.

**Worksheet 3a and 3b: Item 9800 Benefit Adjustment Instructions and Detail**

Worksheets 3a and 3b provide departments with detailed health and dental benefit information and instructions necessary to complete Worksheets 5 and 6.

**Worksheet 4: Item 9800 Salary Adjustment Worksheet**

This worksheet is used to calculate Salary Adjustments, as listed on Worksheet 3. **Augmentations will only be provided for adjustments appearing on Worksheet 3. Augmentations will not be provided for overtime, increased contract costs, or temporary help blankets.**

On this worksheet, use the total salaries in the Regular/Ongoing Positions (see highlighted cell in Schedule 7A example below) in the current year column (2015-16) from the 2016-17 Salaries and Wages (Schedule 7A) for the current and budget year salary base. Some adjustments on Worksheet 3 will only impact specific classifications, bargaining units, etc. In those instances, use the salary base specific to those impacted. Note that these adjustment amounts will also need to be scheduled in a BBA Upload Template with a “Salary Adjustment” baseline adjustment type. For further instructions, refer to section D. Instructions—BBA Upload Templates.

**Schedule 7A Example**

ORGANIZATIONAL UNIT  Classification	NUMBER OF POSITIONS			EXPENDITURES		
	Filled 2014-15	Authorized 2015-16	Proposed 2016-17	Actual 2014-15	Estimated 2015-16	Proposed 2016-17
	(Salary Range)					
<b>Administration</b>						
Exec Director	0.9	1.0	1.0	\$8,369-9,053	\$105,300	\$105,300
Program Mgr I	0.8	1.0	1.0	5,079-6,127	64,267	67,483
Assoc Program Officer	0.8	2.0	2.0	4,400-5,348	107,140	112,497
Exec Asst	0.6	1.0	1.0	3,288-3,996	45,674	45,674
Staff Services Analyst	0.9	-	-	2,817-4,446	-	-
<b>TOTALS, AUTHORIZED POSITIONS</b>	<b>5.0</b>	<b>6.0</b>	<b>6.0</b>	<b>\$294,552</b>	<b>\$370,738</b>	<b>\$380,597</b>
<i>FISCal Current Service Level Adjustment</i>	-	-	-	-	-	-
<b>BASELINE POSITIONS</b>	<b>5.0</b>	<b>6.0</b>	<b>6.0</b>	<b>\$294,552</b>	<b>\$370,738</b>	<b>\$380,597</b>
<i>Regular/Ongoing Positions</i>	4.0	5.0	5.0	256,132	322,381	330,954
<i>Temporary Help</i>	1.0	1.0	1.0	25,613	32,238	33,095
<i>Overtime</i>	-	-	-	12,807	16,119	16,548
Budget Position Transparency		-2.5	-2.5		-151,738	-161,597
<b>BASELINE BUDGETED POSITIONS</b>		<b>3.5</b>	<b>3.5</b>		<b>\$219,000</b>	<b>\$219,000</b>

Note that the 2016-17 Schedule 7A display will be modified to include an adjustment for budget position transparency (Control Section 4.11). A forthcoming BL will provide further instructions.

Although the pay letters and instructions on Worksheet 3 provide guidance regarding costing, departments are encouraged to review the terms of MOUs for additional clarification. Please refer to the CalHR website for MOU details, found at:

<http://www.calhr.ca.gov/state-hr-professionals/Pages/bargaining-contracts.aspx>.

#### **Salary-Driven Benefit Calculations**

- **OASDI** (Social Security)—6.2 percent of total salary up to the **\$118,500** cap (for each position covered by OASDI) for 2015 and **\$118,500** for 2016.
- **Medicare**—1.45 percent of total salary (no cap).
- **Retirement**—Departments must use the 2015-16 retirement rates as reflected in Control Section 3.60 (BL 15-18). This information will be used in completing Worksheet 4 and rolls into Worksheet 1. Employees in the Alternate Retirement Program (ARP) should be considered Tier 1 when calculating the contribution rate for this BL. The ARP was eliminated for employees who were hired on or after July 1, 2013, pursuant to Chapter 296, Statutes of 2012 (AB 340).
- **Other Salary-Driven Compensation**—Pay differentials that are calculated as a percentage of base salary that are not included in the salary on the Schedule 7A (e.g. longevity pay) must be included in the salary base to accurately capture increased benefit costs.

These benefits must be calculated as a percentage of the “Amount of Change” and included within the “Staff Benefits” column on Worksheet 4 for each applicable adjustment. Other increased costs will not be funded.

#### **Worksheet 5: Item 9800 Benefit Adjustment Worksheet**

Adjustments to the employer’s health benefits contribution for specific bargaining units were made as a part of their MOUs or as approved by CalHR. CalHR has transmitted specific health contribution adjustment data to departments through Personnel Management Liaisons (PML). To calculate the 2015-16 Employer’s Health Benefit Contribution adjustment, departments should refer to Worksheets 3a and 3b and calculate the adjustments on Worksheet 5.

Note that these adjustment amounts will also need to be scheduled in a BBA Upload Template with a “Benefit Adjustment” baseline adjustment type. For further instructions, refer to section D. Instructions—BBA Upload Templates.

#### **Worksheet 6: Item 9800 Salary and Benefit Adjustment Fund Split Worksheet**

Provide the unique appropriation item (Business Unit, Reference Code, Fund Code, Program Number, and Category) for each adjustment. Note there are several category codes that can be used for the various adjustments found in Worksheets 3, 3a, and 3b. For Salary Adjustments (Worksheet 4), select a category code from the Chart of Accounts (COA) that begins with 510XXXX (Salaries and Wages). For Benefit Adjustments (Worksheet 5), select a category code from the COA that begins with 515XXXX (Staff Benefits). For reimbursements associated with Salary or Benefit Adjustments (Worksheets 4 and 5), category code 48XXXXX must be selected to schedule the reimbursements to the associated program/category. Additionally, a corresponding adjustment(s) must be reflected showing which category code (510XXXX or 515XXXX) is associated with the increased reimbursement spending authority.

If you have distributed administration, a three-entry scheme is required. Program number 9900100 (positive adjustment) and 9900200 (negative adjustment) must be used, along with entries for the program that pays for the distributed cost. Additionally, category code 5342500 is required to accurately reflect the net-zero adjustment being distributed between programs. For more details, refer to “Treatment of Distributed Administration” found at [http://www.dof.ca.gov/FISCal\\_Resources/](http://www.dof.ca.gov/FISCal_Resources/).

To correctly classify funds and eliminate errors, this worksheet includes a drop-down list of all funds for departments to select from rather than keying in manually. The fund classification will auto populate based on the fund selected by the department. While 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, found at:

[http://www.dof.ca.gov/accounting/uniform\\_codes\\_manual/funds/documents/20fundnum.pdf](http://www.dof.ca.gov/accounting/uniform_codes_manual/funds/documents/20fundnum.pdf). **Note Federal funds and bond funds will be classified as non-governmental cost funds.**

### **Worksheet 7: Item 9800 Crossties**

To ensure that all adjustments within Attachment 1 agree, the crossties on this worksheet must all reflect “0” for both the current and budget year.

## **D. Instructions—BBA Upload Templates**

### **General Information**

After completing all applicable worksheets in the Item 9800 Adjustment Workbook, departments are required to complete a Decision Package (DP) and at least two separate Budget Requests (BRs); one specifically for Salary Adjustments and another specifically for Benefit Adjustments. If adjustments include reimbursements which are spread between multiple fund sources, the reimbursement portion must have its own BR. The reimbursement dollars and associated program/category spending must be self-contained within the same BR. This provides clear documentation as to the program/category spending to be funded with reimbursements. If the adjustment is entirely funded with reimbursements, only one BR is needed. Adjustments within each BBA Upload Template must tie to the adjustments listed on Worksheet 6 and must be submitted on the latest BBA Upload Template <http://www.dof.ca.gov/budgeting/forms/view.php>. The DP and BRs must have a BU number (Business Unit/Organization Code), a unique sequencer (001 to 999), a DP type (e.g., BBA), a fiscal year, and a budget cycle when the issue is originated (e.g., GB for Governor’s Budget).

### **Example of one DP and multiple BRs necessary for the Item 9800 Adjustments**

Decision Package	2222-001-BBA-DP-2016-GB
Budget Request	2222-001-BBA-BR-2016-GB (Baseline Salary Adjustments)
Budget Request	2222-002-BBA-BR-2016-GB (Baseline Benefit Adjustments)
Budget Request	2222-003-BBA-BR-2016-GB (Baseline Salary Adjustments-Reimbursements)
Budget Request	2222-004-BBA-BR-2016-GB (Baseline Benefit Adjustments-Reimbursements)

Departments must complete the following in each BR Details Worksheet:

1. Use unique naming conventions to provide a DP and BR Name.
2. DP/BR Description should be a meaningful title. For purposes of this BL, please use “Allocation for employee compensation” for Salary Adjustments and “Allocation for staff benefits” for Benefit Adjustments.
3. Using the drop-down menu, select the appropriate BU.

### **Baseline Adjustment Type**

Departments must select a BBA type from the drop-down menu in the Baseline Adjustment Type worksheet. For purposes of this BL, the only two acceptable BBA types to select are either “Salary Adjustments” or “Benefit Adjustments.”

### **Baseline Adjustments (CY and BY0-4)**

Using the drop-down menus, specify the Reference, Fund, ENY, Program, and Category for each unique combination of funding needed to support the adjustment. For purposes of this BL, except to

accurately reflect reimbursements, the only acceptable Category types to select are 510XXXX (Salaries and Wages) for Salary adjustments and 515XXXX (Staff Benefits) for Benefit adjustments. Departments should refer to Worksheet 6 within the Item 9800 Adjustment Workbook when determining the dollars that should be scheduled in the current and budget years. Adjustments in the Baseline Adjustments Current Year and Budget Year Worksheets must be entered in whole dollars and rounded to the nearest thousand. All ongoing dollars in the Baseline Adjustments Budget Year Worksheet should be copied to the BY0-4 columns.

### **Baseline Adjustments—Reimbursements**

If the adjustment has multiple fund sources that include reimbursements, all reimbursement dollars and the associated program/category spending must be self-contained within a separate BR with the appropriate Baseline Adjustment Type (Salary Adjustments or Benefit Adjustments).

Within the Reimbursement Current Year and Budget Year tabs for each BBA template, specify the Reference, Fund, ENY, Program, and Category for the fund/program receiving the reimbursements. The category code on the reimbursement worksheets must be 48XXXXX. Additionally, total reimbursements must also be reflected in the Baseline Adjustments Current Year and Budget Year with the associated spending category code(s) (510XXXX for Salary Adjustments and 515XXXX for Benefit adjustments). Adjustments must be entered in whole dollars and rounded to the nearest thousand. All ongoing dollars in the Reimbursements Budget Year Worksheet should be copied to the BY0-4 columns.

### **Distributed Administration Costs**

Departments that distribute administrative costs will need to reflect that distribution for applicable Item 9800 Adjustments. To properly reflect the in-and-out nature of distributed administrative costs, a three-entry scheme is required. Departments will use program number 9900100 (positive adjustment) and category code(s) 51XXXXX to show the positive total being distributed to a particular program(s), program number 9900200 (negative adjustment) and category code 5342500 to reflect the total distributed cost, and the program (positive adjustment) that pays for various distributed cost with category code 5342500. This process allows for the dollars associated with a particular program to be included in the program total. For more details, refer to "Treatment of Distributed Administration" found at [http://www.dof.ca.gov/FISCAL\\_Resources/](http://www.dof.ca.gov/FISCAL_Resources/).

## **E. Questions**

Please direct questions related to PMLs, Pay Letters, or provisions of an MOU to departmental personnel, labor relations officers, or CalHR. For the treatment of budget documents, direct questions to your Finance budget analyst.

/s/ Justyn Howard

Justyn Howard  
Program Budget Manager

Attachment