

BUDGET LETTER

	NUMBER: 15-09
SUBJECT: 2016-17 BUDGET POLICY	DATE ISSUED: July 24, 2015
REFERENCES: BL14-07, BL 15-01, AND BL15-05	SUPERSEDES: 14-12

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

FROM: DEPARTMENT OF FINANCE

This Budget Letter sets forth the Governor's policy direction for his proposed 2016-17 Budget. As a reminder, BL15-05, issued May 27, 2015, outlines the technical and procedural requirements for preparation of the 2016-17 Governor's Budget.

Priorities

The Administration's overarching budget focus continues to be maintaining a structurally balanced budget that preserves critical state services and pays down state debts and obligations. Departments should seek to control costs and increase efficiency. Given the state's precarious fiscal balance and the expiration of Proposition 30 revenues, departments should refrain from creating new—or expanding existing—programs.

Budget Change Proposals (BCPs) and Enrollment/Caseload/Population (ECP) Policy

To maintain a structurally balanced budget, departments' ability to submit BCPs or ECP policy changes for the 2016-17 Budget remains limited.

Accordingly, departments (including those not under the Governor's direct authority) should limit BCPs or ECP policy changes for the 2016-17 Budget to the following circumstances:

- a. Statutory changes necessary for departments to manage within their budgets.
- b. Expected changes in programs' ECPs only as required under current law.
- c. Paying down state debts and liabilities.
- d. Reducing deferred maintenance.
- e. Existing or ongoing Information Technology (IT) projects.
- f. Existing or ongoing Capital Outlay projects.
- g. New Capital Outlay projects, if critical, such as fire, life, safety, or court-ordered projects.
- h. Cost-cutting measures or implementing efficiencies to offset unavoidable costs.
- i. Improved budgeting practices related to zero-base budgeting, performance measures, and other efforts as directed by Executive Order B-13-11.

In the event there is a critical need that does not meet the criteria outlined above and the agency secretary believes a new BCP or ECP adjustment is needed to address problems a department will or is encountering, contact your Finance Program Budget Manager before the BCP or ECP due date. **I strongly encourage you to work collaboratively with your Finance Program Budget Manager on a plan for prioritizing your budget requests.**

Departments should assess whether statutory changes (including budget bill language) are necessary to effectuate any BCP or ECP change that is submitted. If statutory changes are necessary, the department's BCP or ECP proposal must include a copy of the proposed legislation. This requirement is necessary for Finance to comply with its obligations under Government Code §13308 to submit proposed statutory changes to the Legislature, through the Legislative Counsel. BCPs, including requests for Budget Bill language changes, must be submitted to Finance no later than **September 2, 2015**. Contact your Finance Budget Analyst for ECP due dates.

FI\$Cal Wave 1 and 2 departments will enter or upload information directly into the new FI\$Cal System for 2016-17 BCPs and ECP changes and all non-Wave 1 and 2 departments will use the BCP template. Departments must use the July 2015 version of the BCP template, which has been posted on the Finance website and reflects the latest chart of account codes and several enhancements. Do not use older versions of the BCP template. The older versions contain outdated chart of account codes that will not upload properly to Hyperion. Departments may obtain the updated forms on the Finance website: <http://www.dof.ca.gov/budgeting/forms/view.php>

Position Budget Transparency

Pursuant to the 2015-16 Budget, Government Code section 12439 was repealed. Departmental positions remaining vacant for six or more consecutive months will no longer be abolished. To improve budget transparency, Finance is implementing a new budget process and departmental budget display for the Governor's Budget which more accurately captures departments' true expenditures for personal services, staff benefits, and operating expenses and equipment. As part of this new budget process, departments will retain authorized positions and, if necessary, funding will be shifted to the appropriate expenditure category. The new process will be part of the 2016-17 budget development process and instructions will be provided in a forthcoming budget letter.

Budget Confidentiality

Information contained in BCPs and ECP proposals are an integral part of the Governor's deliberation process. Accordingly, proposals must be treated as privileged and confidential until and unless the proposal is released to the Legislature as part of the Governor's Budget, the April 1 Finance Letter process, or the May Revision. Disapproved, unapproved, and draft BCPs or ECP changes (i.e., proposals not released to the Legislature) remain confidential indefinitely, and may not be released. Final BCPs are those that contain a Finance supervisor's signature/approval attesting that the BCP has been submitted to the Legislature.

Questions about Public Records Act or litigation discovery requests for budget documents should be directed to department legal staff and, if necessary, to Finance legal staff.

If you have any questions about this Budget Letter, please contact your Finance budget analyst.

/s/ Michael Cohen

MICHAEL COHEN
Director