

BUDGET LETTER

SUBJECT: 2020 BUDGET CHANGE LETTERS AND MAY REVISION	NUMBER: 20-08
REFERENCES:	DATE ISSUED: March 24, 2020
	SUPERSEDES: BL 20-04, BL 19-19

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

FROM: DEPARTMENT OF FINANCE

This BL informs agencies and departments of revisions to the 2020-21 Budget Change Letter (Spring Finance Letter) process previously established in BL 20-04, as well as budget policy criteria described in BL 19-19.

Background

On March 4, 2020, the Governor declared a state of emergency to help the state prepare and respond to COVID-19. Since then, state departments have been engaged in numerous and various response activities and the Legislature appropriated up to \$1.1 billion General Fund to support these and local efforts. Despite the sustained efforts, the virus continues to spread and is impacting nearly all sectors of California's economy. Among these impacts is a severe drop in economic activity, with corresponding negative effects on anticipated revenues. The impact on revenues could be immediate, affecting the 19-20 fiscal year, and will certainly produce impacts for the upcoming 2020-21 fiscal year and beyond.

Evaluation of Spring Finance Letters and May Revision Requests

As a result of the conditions noted above, the Department of Finance will now reevaluate all budget changes within the context of a workload budget, based on the merits of each proposal, and ultimately subject to the availability of funding. This includes all Spring Finance Letter requests, all potential adjustments to be included in the May Revision, as well as previously approved adjustments incorporated in the Governor's Budget. This reevaluation applies to all support and local assistance adjustments, inclusive of Capital Outlay and information technology projects. It also applies to all funds and all departments, including those departments not directly under the Governor's authority.

Government Code Section 13308.05 defines a workload budget as "the budget year cost of currently authorized services, adjusted for changes in enrollment, caseload, or population, or all of these changes and any of the following:

- (a) Statutory cost-of-living adjustments.
- (b) Chaptered legislation.
- (c) One-time expenditures.
- (d) The full-year costs of partial-year programs.

- (e) Costs incurred pursuant to constitutional requirements.
- (f) Federal mandates.
- (g) Court-ordered mandates.
- (h) State employee merit salary adjustments.
- (i) State agency operating expense and equipment cost adjustments to reflect price increases."

As indicated above, the Department of Finance will reevaluate both Spring Finance Letter requests and already approved adjustments included in the Governor's Budget within this definition of workload budget. This definition is intended to provide a general framework for evaluating both new and existing proposals and adjustments. Resource constraints may ultimately force a prioritization even within this definition. As a result, agencies and departments should have no expectation of full funding for either new or existing proposals and adjustments. The only exception to this new evaluation criteria will be proposals or adjustments necessary to support the emergency response to COVID-19. New requests which fall outside these parameters will not be reviewed.

BL 20-04 had established a deadline of March 27, 2020, to discuss any proposed May Revision adjustments with your Program Budget Manager. Given the timing of this BL issuance, agencies and departments should work with their Program Budget Manager to establish acceptable alternative timelines for the discussion and submission of May Revision requests.

If you have questions regarding this BL, please contact your Program Budget Manager.

/s/ Keely Bosler

KEELY BOSLER
Director

Attachment