

BUDGET LETTER

	NUMBER: 20-11
SUBJECT: CURRENT YEAR EXPENDITURE REDUCTIONS	DATE ISSUED: April 30, 2020
REFERENCES:	SUPERSEDES:

TO: Agency Secretaries
Department Directors
Departmental Budget and Accounting Officers
Departmental Human Resources and Labor Relations Officers
Departmental Business Services Officers
Department of Finance Budget and Accounting Staff

FROM: DEPARTMENT OF FINANCE

Budget Officers are requested to forward a copy of this budget letter (BL) to departmental Human Resources, Labor Relations, and Business Services Officers

This BL outlines additional measures all agencies and departments under the direct executive authority of the Governor must take immediately to reduce current year expenditures regardless of funding source.

As outlined in BL 20-08, the state anticipates significant economic impacts from the COVID-19 pandemic. The severe drop in economic activity is expected to result in a recession, significant decreases in state revenues, and significant increases in safety net programs. The revenue decrease is expected to be immediate, affecting fiscal year 2019-20. Revenue decreases and cost increases are expected to last for several years.

In addition, the state is taking extraordinary measures to protect public health in the face of the COVID-19 pandemic. This has required substantial and immediate increases in expenditures required to manage and mitigate the direct impact of the pandemic.

The federal government has taken steps to support the state's response. However, federal funding provided to date will not be sufficient to address the magnitude of the fiscal crisis resulting from COVID-19.

These revenue decreases and cost increases require immediate action.

Now, it is even more critical than before that state government be efficient, effective, and conducted in the most economical manner possible. Accordingly, all state agencies and departments must take immediate actions to reduce expenditures and identify operating savings. These immediate actions consist of the following:

- **Leave Buy-Back**—Cancellation of the annual leave buy back of accumulated vacation or annual leave in 2019-20 due to the fiscal emergency, including for excluded employees.
- **New Goods and Services Contracts**—Departments may not enter into any new service contracts, contracts or agreements to lease or purchase equipment, issue purchase

orders for goods or services, or make changes to an existing contract if the change would increase costs, except purchases that directly support teleworking strategies, personal protective equipment and hand sanitizer, or other purchases necessary to reduce the spread of COVID-19, to respond to COVID-19, and to meet other time-sensitive critical needs.

- **Travel**—All non-essential travel has already been cancelled to prevent the spread of COVID-19. These restrictions will remain in place until further notice. State agencies and departments shall cancel all plans for non-essential travel, such as participation in seminars, conferences, and training both in state and out-of-state. Additional restrictions are under consideration.
- **Hiring**—Departments should use discretion when filling vacancies and assessing staffing needed to fill essential positions given the need to maintain flexibility in an environment of severely constrained resources.

While the provisions of this BL do not apply to entities of California government not under the Governor's direct executive authority, it is requested that such entities implement similar or other mitigation measures to achieve budget and cash savings.

Agency Secretaries and Cabinet-level Directors are authorized to make exemptions from these prohibitions only in the following limited instances:

- Addressing a declared emergency.
- Providing 24-hour medical care.
- Avoiding a significant revenue loss.
- Achieving significant net cost savings.

Agency Secretaries and Cabinet-level Directors must report approved exemptions by Friday of each week. A format for reporting approved exemptions is attached. This report is to be submitted to the Governor's Office and to your Finance Budget Analyst by close of business each Friday. If your department does not report to an Agency Secretary, you should report to your assigned Finance Budget Analyst. The first report is **due May 8, 2020**.

If you have any questions regarding this BL, please contact your assigned Finance Budget Analyst.

/s/ Keely Martin Bosler

KEELY MARTIN BOSLER
Director

Attachment