

Update on the Fiscal Year 2003-04 Budget Act and Proposed 2004-05 Governor's Budget

Summary

On December 5, 2003 the Governor issued Executive Order (EO) S-4-03 (Attachment 1) to reduce General Fund expenditures statewide by prohibiting all state agencies and departments from entering into new contracts for the lease or purchase of equipment and services or amending existing contracts if amendments will result in additional costs. This EO also specifies that state agencies and departments cancel or postpone any non-essential trips such as seminars, conferences or training. Budget Letter 03-43 (Attachment 2), also issued on December 5, 2003, provides further direction to agencies and departments regarding implementation of this directive and includes criteria for exemption from the provisions of the EO. Commission staff submitted exemption requests to the Department of Finance on December 15, 2003 in order to ensure the Commission's capacity to continue to fulfill its statutory mission.

In an effort to provide the most up to date information on the impact of this and previous administrative procedures to further reduce expenditures statewide by reducing staffing costs and eliminating vacant positions, this item details current reductions in Commission services that have resulted from the nearly 18 percent personnel reductions since July 2002.

It is also important to note that the Governor's proposed 2004-05 budget will be delivered to the Legislature no later than January 10, 2004. The February agenda will include a summary of the Commission's proposed budget.

Fiscal Impact

The reduction of positions has resulted in the loss of funding associated with these positions. Further, inability to capture savings from vacant positions has reduced the amount of funding available for operations, as the Commission must use a portion of the remaining funds to meet salary savings requirements.

Policy Issues to Be Resolved

This item is for informational purposes only.

Background

Pursuant to Control Section 4.10 of the 2003 Budget Act, the Commission lost 24.3 positions, effective November 2003.¹ These positions are in addition to the 10.5 positions that were lost on July 1, 2002, as required by Control Section 31.60 of the 2002 Budget Act.²

While the Commission was able to accommodate the vacancies resulting from the current hiring freeze on a short-term basis, the additional permanent personnel reductions finalized in November 2003, coupled with the positions lost in July 2002, have severely reduced service levels as the Commission was already under staffed based on current workload. In response to the loss of personnel and associated fiscal resources, the Commission has

¹ 24.3 positions: (14.1) from the Certification, Assignment and Waivers Division, (6.2) from the Professional Services Division, (1) from the Division of Professional Practices, (3) from the Administration Division and \$10,000 in funding for overtime costs.

² 10.5 positions: (3) from the Division of Professional Practices, (2.5) from the Certification, Assignment and Waivers Division, (2) from the Professional Services Division and (3) from the Administrative Division.

modified its business practices and reassigned workload to reflect the reality of addressing ever-increasing workload with less staff resources to assure that strategic priorities are addressed first. Outlined below, is the impact of these reductions on the various Commission programmatic divisions.

Certification, Assignments and Waivers Division (CAW)

The impact of personnel reductions is most immediately evident in CAW as the Division serves as the primary link to our credential applicants and holders. CAW's primary responsibilities are to evaluate credential applications, answer the phones, and respond to e-mail. When reviewing the amount of staff time available to perform the duties mentioned above and the amount of time it takes to complete these duties, there is not sufficient staff to fully meet the Division's responsibilities.

Given the reduced staffing levels, CAW reprioritized service levels in order to fulfill its main responsibility for processing credentials. At the August 2003 meeting the following priorities were identified for the 2003-04 fiscal year:

1. Evaluate credential applications. There is a regulatory requirement to process applications within 75 days and we should try to meet that requirement when it is possible.
2. Training. While training was postponed in the past to meet the 75-day processing requirement, CAW can no longer afford to have staff that is not fully trained. The lack of fully trained staff further restricts management's flexibility to assign where the workload demands staff.
3. Answer the phones.
4. Respond to e-mail within 72 hours.

Guided by these priorities CAW has reduced the phone hours from 8 a.m. to 5 p.m. to 12 p.m. to 5 p.m. and reduced the front office hours to three days a week based on appointments, in order to bring available staff time in line with the Certification Unit's duties. These reductions will continually be re-evaluated throughout the year as CAW has the opportunity to evaluate workload and staff time in to determine if further reductions will be necessary.

Division of Professional Practices (DPP)

The loss of personnel in DPP, coupled with a continued growth in workload has severely impacted the core duties of the Division which include:

- Supporting the disciplinary work of the Commission and the Committee of Credentials;
- Investigating allegations of misconduct by credential holders;
- Reviewing the fitness of applicants to hold credentials;
- Providing legal support to the other program and administrative divisions of the Department;
- Providing litigation support to the Attorney General's office; and
- Notifying the education community and employers of credential holders' or applicants' ineligibility to remain in the classroom.

During the past year, as a result of the loss of positions, DPP has instituted several process changes. Effective January 1, 2003 a policy was instituted to immediately reject all

incomplete applications. This resulted in a decrease in workload and time spent by staff in keeping a file open while applicants completed submissions.

After consulting with the Committee of Credentials, DPP implemented a faster processing procedure for cases that are sent to the Division but after staff review are determined to be "not under" the jurisdiction of the Commission. The new procedure, implemented in September 2002, has already resulted in a 2-8 week improvement in review and processing time for such cases.

DPP staff has also implemented procedures to increase the number of cases it identifies as suitable for settlement prior to referral to the Attorney General's office for administrative hearing. This has resulted in a faster completion time for pending cases as well as a reduction in litigation support workload.

Even with these efficiencies, DPP faces an increased backlog. This is exacerbated by the increased processing time from CAW because files are not referred to DPP until after CAW has completed its processing. Effective August 18, 2003 DPP reduced its telephone hours to 12 p.m. to 5 p.m. It will continue to respond to e-mail requests in a timely manner. In the coming fiscal year, DPP will continue to look at opportunities to further streamline its processing functions.

Professional Services Division (PSD)

Staffing reductions within PSD have resulted in the reduction and modification of activities in the areas of program review and accreditation. For example, the program review process was previously accomplished through multiple on-site meetings during which documents submitted by program sponsors were reviewed. This process has since been modified to provide for initial training and subsequent completion of reviews by mail and electronic communication. In addition, while in previous years, PSD has been able to provide extensive technical assistance in the field, restricted resources have required a change in this practice. The Commission has adapted by scheduling the technical assistance sessions at the Commission office and inviting stakeholders to attend. This allows maximum interaction with limited resources.

The PSD has responded to these staffing reductions during the 2003-04 fiscal year by assigning the work previously done by those individuals to other staff. Further, the Division continues to implement both funded and un-funded statutory mandates, such as SB 2042 and federal initiatives with diminishing resources. In prior fiscal years the Commission was able to maximize available dollars department-wide to support these activities. However, as workload in other Divisions increased, this capacity was eliminated as the first priority for these funds are for expenditure for the programmatic purpose for which they were budgeted. Thus, the work-plan for the Division has been reduced accordingly. These reductions will further curtail activities related to the on-going accreditation process, standards implementation and the previously planned review of other credential areas such as Special Education.

Conclusion

Staff will continue to update the Commission on the impact of personnel and funding reductions on Commission operations as necessary. Staff will be available to answer any questions members of the Commission may have.

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Executive Order

EXECUTIVE DEPARTMENT

STATE OF CALIFORNIA



EXECUTIVE ORDER S-4-03
by the
Governor of the State of California

WHEREAS, the State General Fund is facing a significant imbalance between revenues and expenditures; and

WHEREAS, state government has an obligation to safeguard the trust of the people of the State of California; and

WHEREAS, it is vital to the economic health and prosperity of California that state government be conducted in the most business-like and economical manner, and that the people of this State be assured that their tax dollars be spent wisely; and

WHEREAS, additional action must be taken to assure that the State lives within its means.

NOW, THEREFORE, I, ARNOLD SCHWARZENEGGER, Governor of the State of California, by virtue of the power and authority vested in me by the Constitution and statutes of the State of California, do hereby issue this order to become effective immediately:

1. State agencies and departments shall not enter into any new contracts or agreements to lease or purchase equipment, except as may be determined by the Director of Finance to be in the best interest of the State.
2. State agencies and departments shall not enter into any new services contract, or make any changes to an existing contract that would increase the amount or extend the term of such a contract, except as may be determined by the Director of Finance to be in the best interest of the State. Provided, however, that the provisions of this paragraph 2 shall not apply to any contract for legal services or for expert testimony in pending litigation.
3. State agencies and departments shall cancel or postpone any non-essential trips such as seminars, conferences or training.
4. Where permissible by law and regulations, all state agencies and departments are ordered to disencumber non-essential contracts or purchase agreements funded from the General Fund, where goods and services have not been received, and to cancel the related contracts.
5. Agency secretaries and other cabinet-level positions will be responsible for ensuring compliance with the provisions of this Executive Order. For those departments that do not have cabinet-level representation, the Department of Finance will be responsible for ensuring compliance with the provisions of this Executive Order.
6. The provisions of this Executive Order shall not apply to the legislative and judicial branches of government, nor shall it apply to the constitutional officers of this State. However, I invite these branches of government and the constitutional officers to participate.
7. For the purposes of this order, the University of California and the California State University system are requested to consult with the Department of Finance for the purpose of determining the appropriate level of savings in the current year, to implement the provisions of this Executive Order. Participation, however, should be limited to a level that will not interfere with meeting their educational mission.
8. The Department of Finance is hereby directed to coordinate the implementation of this Executive Order and may issue management memos and grant exemptions from its provisions, as appropriate.
9. This Executive Order will remain in effect until June 30, 2004.



IN WITNESS WHEREOF I have hereunto set my hand and caused the Great Seal of the State of California to be affixed this the fifth day of December 2003.

/s/ Arnold Schwarzenegger

Governor of California

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BUDGET LETTER

	NUMBER: 03-43
SUBJECT: CONTRACT, EQUIPMENT ACQUISITION, AND TRAVEL BAN	DATE ISSUED: December 5, 2003
REFERENCES: EXECUTIVE ORDER S-4-03	SUPERSEDES:

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

FROM: DEPARTMENT OF FINANCE

Budget Officers are requested to forward a copy of this budget letter (BL) to departmental Business Services Officers.

This BL provides departments with instructions on Executive Order S-4-03 (attached) that was signed on December 5, 2003, to prohibit State Agencies and departments from entering into any new service contracts, contracts or agreements to lease or purchase equipment, and to restrict travel by State employees.

I. Background

Now that the Audit Team appointed by Governor Schwarzenegger has reported that the new Administration has inherited a debt of almost \$25 billion, and is facing a deficit of \$62 billion through 2006-07, it is clear that previous attempts to curb spending have been insufficient. While a comprehensive plan including program eliminations and restructuring will be necessary, the State must take further immediate action to reduce expenditures and find operating savings for State Agencies and departments. In this spirit, the Administration is directing all Agencies and departments to cease making new commitments for future expenditures.

II. Executive Order S-4-03, Contract, Equipment Acquisition, and Travel Ban

On December 5, 2003, Executive Order S-4-03 was signed to prohibit State Agencies and departments from (1) entering into any new contracts or agreements to lease or purchase equipment, and (2) entering into any new services contract or make any changes to an existing contract that would increase the amount or extend the term of any contract. The prohibition against new contracts does not apply to contracts for legal services or expert testimony in pending litigation.

In addition, State Agencies and departments shall cancel all plans for any non-essential trips such as seminars, conferences, or training until further notice.

Where permissible by law and regulations, all State Agencies and departments are ordered to disencumber non-essential contracts or purchase agreements funded from the General Fund, where goods and services have not been received, and to cancel the related contracts. Examples include but are not limited to: publications, memberships, equipment upgrades, excess supplies, furniture, and remodeling activities.

The provisions of the Executive Order do not apply to the Legislative and Judicial branches of government or the Constitutional Officers of this State. However, these other branches of government and the Constitutional Officers of this State are invited to participate. In addition, the University of California and the California State University System are requested to consult with Finance for the purpose of determining the appropriate level of savings in the current year, to implement the provisions of this Executive Order. Participation, however, should be limited to a level that will not interfere with meeting their educational mission.

Exemptions

An exemption from the Contract, Equipment Acquisition, and Travel Ban will be considered for:

1. Activities specifically required by statute.
2. Activities required in order to meet a declared emergency.
3. Information technology contracts. Future instructions may be provided on how these contracts should be treated.
4. Purchases of fire and life safety items and necessary expenses such as food, water, prescription drugs, medically necessary services, and utilities. Departments should request blanket exemptions for such purchases.
5. Activities that are not funded by the General Fund, as long as the fund is solvent, non-fungible with the General Fund, and there is no likelihood that the exemption will lead to a fee increase. Departments should request a blanket exemption for each fund that meets these criteria.

Departments requesting an exemption from the Contract, Equipment Acquisition, and Travel Ban must receive approval on a Request for Contract, Equipment Acquisition, and Travel Ban Exemption Form (DF-170) by the Agency Secretary (for those departments under an Agency Secretary) and the Department of Finance.

An electronic version of the DF-170 is available with this BL on the Department of Finance (Finance) website, under Information for Government Agencies, Budget Letters at:
<http://www.dof.ca.gov/html/budletr/budlets.htm>.

Please submit three hard copies of each request to your Finance Budget Analyst. The electronic submission of forms (i.e., electronic mail) will not be accepted. Incomplete requests will not be considered and will be returned to Agencies (where applicable), departments, or other State entities.

Form DF-170 Instructions (Contract, Equipment Acquisition, and Travel Ban Exemption Form)

Request Date and Request Number: Include date of submittal and request number (e.g., 0001, 0002).

Attachments: Indicate whether attachments are included and enter the total number of pages, including the DF-170.

Section A: Indicate the type of exemption.

NOTE: Departments may request only one exemption type per Request for Contract, Equipment Acquisition, and Travel Ban Exemption.

Section B: Provide an explanation of the need for the exemption. If the contract, equipment acquisition, or travel is funded in part or in whole from the General Fund or a fund that can be transferred to the General Fund, provide an explanation of the need to incur the expense when the State is facing a General Fund debt of almost \$25 billion.

Section C: Describe the consequences that will occur if the exemption is not granted.

Section D: State whether or not the approval of this exemption will result in future exemptions (e.g., enter into a contract that will require future modifications as a result of this exemption).

NOTE: The space provided for the descriptions in Sections B, C, and D will expand as necessary when using the automated version of this form.

Section E: Identify the funding source(s) for the exemption request by Item of Appropriation (Organization—Reference—Fund, XXXX—XXX—XXXX). Departments must highlight any non-General Fund sources that can be transferred to the General Fund.

Section F: Departments reporting to Agency Secretaries must include the request approval (signature) of both the department director and the Agency Secretary (or authorized designees). Departments and other State entities not represented by a Cabinet-level officer must include the approval of the department director or other authorized designee.

Contact Person: Provide the name and telephone number of the person who can respond to questions.

Approval: Upon submittal of the DF-170 to your Finance Budget Analyst, Finance will review the request and notify Agencies, departments, and other State entities, as appropriate, of the approval or denial of the request. No actions should be taken in advance of receiving notification from Finance that the Request for Contract, Equipment Acquisition, and Travel Ban Exemption has been approved.

Compliance: Agency Secretaries and other Cabinet-level officers are responsible for administering and ensuring compliance with the Contract, Equipment Acquisition, and Travel Ban. For those departments that are not represented by Cabinet, Finance is responsible for ensuring compliance.

Questions regarding this BL should be directed to the following persons:

- Questions specific to individual departmental Requests for Contract, Equipment Acquisition and Travel Ban Exemptions should be directed to your Finance Budget Analyst.
- Technical guidance on provisions of this BL should be directed to Bob Sands of the Department of Finance, Administration Unit, at (916) 445-3274, (CNET 485-3274).

Veronica Chung-Ng

Veronica Chung-Ng
Program Budget Manager

Attachments