# BUDGET LETTER

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| | | **NUMBER:** | 20-37 |
| **SUBJECT:** | CURRENT YEAR AND ONGOING EXPENDITURE REDUCTIONS | **DATE ISSUED:** | November 3, 2020 |
| **REFERENCES:** | BL 20-08, BL 20-11, BL 20-30 | **SUPERSEDES:** | N/A |

FROM: DEPARTMENT OF FINANCE

The COVID-19 recession has had a severe impact on nearly every aspect of California's economy, resulting in record unemployment while further highlighting long-standing economic inequalities. The state anticipates continued revenue impacts relative to pre-pandemic projections, while at the same time facing substantially increased costs associated with both COVID-19 response efforts and unprecedented wildfire activity. These economic impacts are expected to last for several years, and require immediate actions to reduce costs while maximizing the efficiency of state operations.

The 2020 Budget Act assumes that a **permanent** 5-percent reduction in most state operations expenditures is implemented no later than July 1, 2021 to realize full savings in the 2021-22 fiscal year. This BL provides additional guidance to departments on achieving these savings.

**Operational Reductions**—Beginning in 2021-22, and building on the expenditure restrictions of BL 20-11, the multi-year budget forecast assumes savings of approximately 5 percent to most departmental state operations budgets. Accordingly, departments shall begin planning and preparing now to identify potential cost saving measures. While departments have flexibility to identify reductions that best fit their operational and program needs, these savings must be realistic and achievable with full implementation no later than July 1, 2021. This 5-percent reduction is in addition to the employee

**State Facilities and Workspace Innovations**—In consultation with the Department of General Services where applicable, departments shall, as appropriate, identify opportunities to reconfigure workspaces and reduce the state's physical footprint by taking into account an ongoing increase in telework, evaluating available space in existing state-owned buildings, and ultimately reducing leased space. Given the complexities involved with these efforts, it may not be realistic to complete these activities by July 1, 2021. Accordingly, departments that intend to include facilities reductions as part of their ongoing reduction plans, but cannot realize those savings by July 1, 2021, may submit a plan that includes "transitional" or one-time savings in the near term followed by longer-term facilities savings. Additionally, departments may find savings in other areas as noted below.

**Options for achieving ongoing savings**

- Reduction of discretionary programs
- Program consolidations
- Reduction of lease space (if part of a department's plan, and to the extent those savings cannot be fully realized in the budget year, departments will need to utilize other options to achieve necessary savings in the near term)
- Permanent reduction in travel (hotel, fuel, meal reimbursements, etc.) through increased use of technology in state programs
- Permanent reduction in various operating costs (less printing, postage, utilities, transit subsidies, etc.) related to increased and ongoing telework
- Permanent reduction in other state operational expenses and equipment (including contracts)