CALIFORNIA STATE PERSONNEL BOARD

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Governor Edmund G. Brown Jr.

MEMORANDUM

DATE: February 7, 2011

TO: MEMBERS OF THE GOVERNOR'S CABINET, ALL STATE AGENCY DIRECTORS, CONTRACTS MANAGERS, AND EMPLOYEE ORGANIZATIONS

/s/ SUZANNE M. AMBROSE

FROM: SUZANNE M. AMBROSE
Executive Officer

SUBJECT: Justification of Cost-Savings Based Contracts

This memorandum provides state agencies with the annual update of the California Consumer Price Index (CPI) information required by California Code of Regulations, title 2, section 547.73. The adjusted figure may be required in justifying cost-savings based contracts under Government Code section 19130, subdivision (a).

California Code of Regulations, title 2, section 547.73 provides that savings generated through cost-savings based personal services contracting must justify the size and duration of the contracting agreement. To do so, these contracts are required to meet one of the following criteria:

1. Achieve a savings of ten percent or more compared to the cost of performing the same function within the civil service over the duration of the contract; **or**

2. Achieve a savings of at least $50,000, *in terms of 1988 dollars*, per year compared to the costs of performing the same function within the civil service over the duration of the contract, provided the savings equals at least five percent of the comparable service cost.

These savings need not be attained during each year of a multiyear contract. The savings requirements may be met on an overall rather than a year-by-year basis. Based on changes in the California CPI as reported by the Department of Industrial Relations, effective August 2010, the adjusted figure for savings per year in 1988 dollars is **at least $92,665.**[1]

Questions regarding this memorandum may be directed to the State Personnel Board, Office of the Chief Counsel, at (916) 653-1403.

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[1] A CPI increase of 1% has been calculated between August 2009 and August 2010.