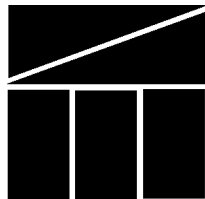


**Instructions to Executive Branch
Agencies for Submitting Contingent
Budget Reduction Plans
for the
2008-2010 Biennium**



Department of Planning and Budget
September 2, 2008

Instructions for Submitting Budget Reduction Plans

TABLE OF CONTENTS

Overview	1
Purpose.....	1
Summary of requirements.....	2
Definitions of terms in these instructions	2
General guidelines.....	2
Instructions for preparing the Budget Reduction Workbook (Forms BR-5, BR-10, and BR-15).....	4
Electronic submission	8
Appendix A - 2008 Appropriation Act §4-1.02d6.....	9
Appendix B - Regions of the state	11

Overview

These instructions provide guidance for preparing Budget Reduction Plans for additional reductions in the 2008-2010 biennium. They apply to all Executive Department agencies.

Purpose

On July 16, 2008, the Chief of Staff, Wayne Turnage, sent a memorandum to all executive branch agency heads advising them of a potential revenue shortfall and encouraging them to initiate actions to curtail discretionary spending. The revenue outlook has not improved in the last month and the most recent economic indicators suggest even more strongly that the Commonwealth will not reach the revenue collections needed to support the current level of appropriation in FY 2009 and FY 2010.

On September 2, the Chief of Staff issued a second memorandum outlining the current economic and revenue concerns. He also announced that the Governor was directing agencies to prepare reduction plans for five, ten, and 15 percent scenarios against a calculated reduction target base.

It is important to remember that the extent of the revenue decline is not known. The five, ten, and 15 percent budget reduction plans will allow us to develop options for matching agency budget reductions to the level needed to meet the final revenue estimates. This approach will provide a range of strategies for each agency up to the maximum reduction amount (15 percent) that the Governor may exercise under his executive authority.

The following instructions provide the technical guidance that executive branch agencies should follow for preparing and submitting the required reduction plans. Each agency is required to work with its Cabinet Secretary to adhere its reduction plan to the policy objectives to protect core missions and to target reductions to low priority activities and/or services.

Summary of requirements

Agencies must submit their preliminary budget reduction plans to the Department of Planning and Budget (DPB) no later than 5 p.m. on September 26, 2008. Email the submission to budget@dpb.virginia.gov. The submission must include an electronic version of the forms. No extensions to this submission date will be allowed, unless otherwise agreed to by the Chief of Staff.

You may be asked to provide supplemental information about proposed reduction strategies. Should savings proposed on these plans not be sufficient to meet the target requirements, the Governor's Office, working with the Cabinet Secretaries and DPB, will require agencies to submit additional reduction strategies. Agencies may also be asked to submit additional strategies if preliminary plans do not meet the "General Guidelines" detailed in these instructions.

Definition of terms in these instructions

Strategy refers to a specific and discrete action to produce budget savings that can be costed out separately.

Reduction plan refers to a collection of individual strategies developed by an agency to meet the contingent reduction scenarios in fiscal years 2009 and 2010.

FY 2009 means the fiscal year beginning July 1, 2008, and ending June 30, 2009.

FY 2010 means the fiscal year beginning July 1, 2009, and ending June 30, 2010.

2008-2010 biennium refers to the two-year period beginning July 1, 2008, and ending June 30, 2010.

Performance refers to the results of current investments of resources in the program or activity as reflected in current performance measures including those reported in Virginia Performs.

General guidelines

Adherence to the following general guidelines in preparing your agency's contingency budget reduction plans is necessary to facilitate a thorough review of strategies submitted. In addition to the guidelines listed here, the plans must be in compliance with §4-1.02d6 of the 2008 Appropriation Act (see Appendix A)

- **Consider eliminating lower-priority activities.** We must consider whether state government can continue to provide all the services it now provides. Lower-priority activities should be examined to determine if they could be eliminated, rather than simply reduced. Pay particular attention to results and underperforming programs and services.

- **Look for efficiencies.** Examine potential efficiencies in technology purchases, procurement, and human resources operations, in order to meet your reduction targets with as little impact on service delivery as possible.
- **Consider strategies previously approved for FY 2008 but not included for the 2008-2010 biennium in Chapter 879.** There are some on-going strategies that the Governor approved for FY 2008 that for one reason or another were not continued in the current biennial budget. This would include strategies included in the introduced bill that were rejected by the General Assembly. If there are any such strategies for your agencies, these should be the first ones included in your plans. Pay particular attention to the March 13 plan submitted by your Cabinet Secretary.
- **Focus on ongoing rather than one-time savings.** The emphasis is to take actions that would provide ongoing long-term reductions, rather than one-time savings. Proposals for one-time actions to balance the budget in FY 2009 will be considered, but you should limit the use of such proposals to the bare minimum. Moreover, if you are proposing one-time actions, sooner is better than later.
- **Savings must be against your agency general fund appropriation/budget.** Agencies cannot count saving strategies in other secretarial areas against their target. However, any such savings ideas are welcome and should be communicated to the appropriate Cabinet Secretary.
- **Don't close the Washington Monument.** Agencies should not propose an unworkable elimination or curtailment of core services or programs in an effort to avoid reductions. A federal agency once proposed closing the Washington Monument, in hopes that popular protest would prevent the imposition of budget reductions on the agency. Plans that employ this tactic, now called the "Washington Monument strategy," are not acceptable.
- **Focus on overall savings to the state.** Do not propose reduction strategies for your agency that would increase costs for other agencies. This does not result in overall savings to the Commonwealth.
- **Do not count on reappropriation of June 30 balances.** Agencies should not use June 30, 2008, balances for purposes of these reduction plans. All June 30, 2008, balances earmarked toward agency 1.5 percent budget reduction plans are not eligible for inclusion in the five, ten, and fifteen percent plans.
- **OK to include costs to achieve savings.** It is permissible for an agency to propose in its budget reduction plan individual strategies that include up-front costs to achieve long-term savings. However, agency plans must show an overall net savings (from all their strategies) that meets the required reduction target for each year (FY 2009 and FY 2010).
- **Remember that layoffs generate costs.** Agencies should remember that savings strategies requiring lay-offs of personnel also generate costs due to the severance benefits

required under the Workforce Transition Act (WTA) of 1995, and the payment of any leave balances for which employees may be eligible. For more information on state personnel policies with respect to layoffs and furloughs, see the Department of Human Resources (DHRM) Web site for the following policies:

- Policy 1.30 – Layoff
- Policy 1.57 - Severance Benefits
- Policy 1.65 - Temporary Workforce Reduction

These policies and other information about layoffs can be found at the following Web address: http://www.dhrm.state.va.us/hrpolicy/web/pol1_30.html

You can also contact your DPB budget analyst for more information on how to figure severance costs.

- **Do not double count.** You should not include savings or reductions already included in Chapter 879 for FY 2009 or FY 2010.

Instructions for preparing the budget reduction workbook

The contingent budget reduction workbook (containing Form BR-5, Form BR-10, and Form BR-15) are available on the DPB Web page at www.dpb.virginia.gov under the “Forms and Instructions” button. The workbook is in an Excel format. If you require a different format or have trouble with the forms, contact your DPB budget analyst.

Please complete each worksheet in the workbook, one for each of the three possible reduction scenarios: Five percent, ten percent, and 15 percent. Please ensure you use the corresponding worksheet for each reduction scenario. Worksheets are labeled “5 % Plan” for the five percent scenario, “10 % Plan” for the ten percent scenario, and “15 % Plan” for the 15 percent scenario. Your DPB budget analyst will provide you with your target later this week.

Your agency’s plan to produce savings should be broken down to specific strategies that can be costed out individually. As mentioned previously, if your agency plans to produce savings by using turnover and vacancy savings, cutting back on subscriptions to publications that can now be accessed over the Internet, and by reducing travel, these three strategies must be listed separately on the form.

You must repeat on each separate worksheet any strategies that also appear in other scenarios. For example, if your agency’s plan for the ten percent reduction includes all (or some) of the reductions in its five percent plan, repeat those strategies on the worksheet for the ten percent plan. For the 15 percent contingency plan, repeat any strategies also contained in plans for the five and ten percent reductions. However, it will not necessarily be the case that strategies included in the five percent plan will also be included in the ten and/or 15 percent plans.

General instructions for the budget reduction form

- **Do not insert any columns in any of the forms.** If you require a form with additional rows in which to enter data, contact your DPB analyst.
- **Do not insert any formulas into the tables.**
- **Do not merge cells.** Descriptions of strategies should be no more than one paragraph and should not exceed the default limits in Excel. Merging cells will prevent the workbook from uploading.
- **Do not make any modifications to the forms.** Comments and other modifications to the forms cannot be uploaded and will result in your agency being asked to complete a new workbook.

Detailed instructions for the budget reduction form

Enter agency name. Use the common name for the agency and not the official name; e.g., General Services and not Department of General Services.

- **Column A Agency Code:** For each reduction strategy that your agency proposes, please enter your agency or institution's three-digit agency code. Please remember to enter this code for each row. You can simply copy down.
- **Column B Category:** In this column, please select from the drop-down menu one of the following choices that best describes this reduction strategy:
 - ✓ **Reduce personnel costs.** This category is for reduction strategies involving personnel that do not involve a reduction in current services. (For strategies that involve a reduction in current service that also include personnel actions, use the "Reduce or eliminate current services" category). Examples include eliminating vacant positions, eliminating or reducing contract or wage employees, employee lay-offs, job sharing, bringing in a new employee at a lower salary (grade) than a former incumbent, or turnover and vacancy savings. Keep in mind that turnover and vacancy savings are typically one-time. **Remember, one-time actions in FY 2010 should be avoided at all costs.** Savings in this category should take into account salaries and fringe benefit amounts, any related severance costs (WTA), as well as associated nonpersonal service savings. (See *Remember that layoffs generate costs* in this document for more on WTA costs.)
 - ✓ **Improved business practices and efficiencies.** This category is for strategies that produce savings by "smarter" operations or more efficient practices, without any reduction in services. Examples include reorganizing or restructuring the agency's administration or through a reassignment of responsibilities. Another example would be consolidating in one organizational unit work that was previously handled by more than one unit.

- ✓ **Deferral of discretionary expenses.** This category is for strategies that generate savings as a result of imposing a deferral or reduction in selected discretionary expenses such as travel, equipment purchases, printing, office supplies, subscriptions, memberships, etc. Savings include nonpersonal services costs for the affected discretionary items. Agencies should keep in mind that savings in these categories are typically one-time which should not be used in FY 2010.
 - ✓ **Reduce or eliminate current services.** This category is for strategies that generate savings as a result of reducing or eliminating selected current services. Savings would include personal and nonpersonal services costs associated with the service. (If the proposed strategy reduces services that could be considered “aid to localities or nonstate agencies” or “aid to individuals,” use those categories to describe the strategy.) Any such strategies must include a discussion of how many clients will be impacted.
 - ✓ **Supplant GF (general fund) with NGF (nongeneral fund) resource.** This category is for strategies that substitute nongeneral fund revenue sources, such as new or increased federal grants, for general fund support. Note there is a separate category dealing with new or increased fees.
 - ✓ **Reduce or eliminate aid to localities.** This category is for reduction strategies that involve a reduction or elimination of aid provided to local government entities. Use this category rather than “Reduce or eliminate current services” if the reduction affects aid to locality programs.
 - ✓ **Reduce or eliminate aid to nonstate entities.** This category is for reduction strategies that involve a reduction or elimination of aid provided to nonstate agencies. Use this category rather than “Reduce or eliminate current services” if the reduction affects aid to nonstate entities. Payments to nonprofit organizations or private businesses are to be considered as aid to nonstate entities.
 - ✓ **Reduce or eliminate aid to individuals.** This category is for reduction strategies that involve a reduction or elimination of aid provided to individuals. Use this category rather than “Reduce or eliminate current services” if the reduction affects aid to individuals.
 - ✓ **Increase existing fees or institute new fees.** This category is for substituting user fees for general fund dollars to fund a service or activity.
 - ✓ **Capture nongeneral fund balances.** This category is used when the strategy proposes using actual or projected yearend nongeneral fund balances in operating programs. Any such approved strategies will result in the transfer of the nongeneral fund cash to the general fund.
 - ✓ **Capture capital outlay balances.** This category is used when the strategy proposes using actual or projected balances in general fund capital projects. Any such balances captured will not be replaced in future budgets.
- **Column C Priority:** In this column, enter the priority order for the strategy. Priority 1 should be the strategy that is the easiest to accomplish and the last priority listed should be the one that has the most impact on agency services. Priorities must be unique, a whole

number and equal the number of strategies for the plan. Each of the three plans, should have their own set of priorities. Priorities not meeting the above criteria will be returned to the agency for revision.

- **Column D Title:** In this column, provide a short title for each reduction strategy that your agency or institution will propose. Each title must begin with an action verb. For example, “Improve the efficiency of agency support services” or “Eliminate wage positions,” not “reduction in service hours.” Additional space is provided in Column E for more detailed strategy descriptions.
- **Column E Description:** Include a general description of the reduction strategy. This description should be no more than a few sentences and should be as specific as possible. In addition, if there are any up-front costs, please include a brief rationale. You must specify what impact each strategy has on clients/citizens/service levels, including, where possible, the number of people impacted.
- **Column F One-time or Ongoing:** For each reduction strategy, please indicate whether that strategy will produce “one-time” or “ongoing” savings. If an individual reduction strategy will produce both one-time and recurring reductions, please separate that strategy into two different strategies, one for the ongoing savings and one for the one-time savings.
- **Column G Action Required to Implement:** For each reduction strategy, please indicate which of the following best describes the action that needs to take place for the strategy to be implemented.
 - ✓ Administrative action
 - ✓ Dollar amendment to appropriation act only
 - ✓ Budget bill language
 - ✓ Legislation
 - ✓ Regulatory change.
- **Columns H: Region Impacted.** Using the drop down selections, identify the region of the state that will be affected by the proposed strategy. Select “multiple regions” if one or more regions of the state are impacted. (See Appendix B of these instructions for the regions of the state that you should use to complete this field.).
- **Columns I through M: Amounts for FY 2009:** These columns relate to the amount of savings that each strategy will yield for FY 2009.
 - ✓ **GF Savings and Costs:** Columns I & J relate to the general fund. In the column labeled “GF Savings 2009,” insert dollar amounts (rounded to the nearest whole dollar) for gross general fund savings. **Enter negative values for reductions.**

In the column labeled “GF Cost 2009,” enter positive values for gross costs associated with the strategy. Costs could include, for example, WTA separation costs or any new equipment needed to generate the savings.

DPB will compute the net savings by subtracting the amounts in the “Savings” columns from those in the “Cost” columns.

✓ **NGF Impact 2009:** Columns K should show the impact on nongeneral fund appropriations. GF savings strategies could either increase or decrease nongeneral fund dollars. Please describe any such increases or reductions in the description in Column E.

✓ **Positions and Layoffs:** In column L labeled “Position Level Changes 2009,” enter a negative amount indicating the incremental number of positions being eliminated from the agency’s authorized position level. (Note: Include both vacant positions as well as filled positions.) Do not include wage or contract employees in this total.

Carry positions to two decimal places. For example, a reduction of one position would be shown as (1.00). Please do not enter any formulas into these fields. (Note: If elimination of a position will result in a layoff, the layoff would be included in the “layoffs” column.)

In column M labeled “Layoffs 2009,” enter as a negative amount the number of classified employees or faculty that will actually be terminated. Do not include wage or contract employees in this total.

- **Columns N through R: Amounts for FY 2010:** These columns relate to the amount of savings that each strategy will yield for FY 2010. Repeat instructions above for FY 2009.

Electronic submission

Once you have completed the workbook, please save it with the following naming convention: Agency Code, followed by BR_5_10_15.

E-mail your submission to DPB at budget@dpb.virginia.gov. The electronic submission is due by **5 p.m. on September 26, 2008.**

Appendix A

§4-1.02d6 of the 2008 Appropriation Act

In effecting the reduction of expenditures, the Governor shall not withhold allotments of appropriations for:

- a) More than 15 percent cumulatively of the annual general fund appropriation contained in this act for operating expenses of any one state or nonstate agency or institution designated in this act by title, and the exact amount withheld, by state or nonstate agency or institution, shall be reported within five calendar days to the Chairmen of the Senate Finance and House Appropriations Committees. State agencies providing funds directly to grantees named in this act shall not apportion a larger cut to the grantee than the proportional cut apportioned to the agency. Without regard to § 4-5.05 b.4. of this act, the remaining appropriation to the grantee which is not subject to the cut, equal to at least 85 percent of the annual appropriation, shall be made by July 31, or in two equal installments, one payable by July 31 and the other payable by December 31, if the remaining appropriation is less than or equal to \$500,000, except in cases where the normal conditions of the grant dictate a different payment schedule.
- b) The payment of principal and interest on the bonded debt or other bonded obligations of the Commonwealth, its agencies and its authorities, or for payment of a legally authorized deficit.
- c) The payments for care of graves of Confederate dead.
- d) The employer contributions, and employer-paid member contributions, to the Social Security System, Virginia Retirement System, Judicial Retirement System, State Police Officers Retirement System, Virginia Law Officers Retirement System, Optional Retirement Plan for College and University Faculty, Optional Retirement Plan for Political Appointees, Optional Retirement Plan for Superintendents, the Volunteer Service Award Program, the Virginia Retirement System's group life insurance, sickness and disability, and retiree health care credit programs for state employees, state-supported local employees and teachers. If the Virginia Retirement System Board of Trustees approves a contribution rate for a fiscal year that is lower than the rate on which the appropriation was based, or if the United States government approves a Social Security rate that is lower than that in effect for the current budget, the Governor may withhold excess contributions. However, employer and employee paid rates or contributions for health insurance and matching deferred compensation for state employees, state-supported local employees and teachers may not be increased or decreased beyond the amounts approved by the General Assembly. Payments for the employee benefit programs listed in this paragraph may not be delayed beyond the customary billing cycles that have been established by law or policy by the governing board.
- e) The payments in fulfillment of any contract awarded for the design, construction and furnishing of any state building.
- f) The salary of any state officer for whom the Constitution of Virginia prohibits a change in salary.

g) The salary of any officer or employee in the Executive Department by more than two percent (irrespective of the fund source for payment of salaries and wages); however, the percentage of reduction shall be uniformly applied to all employees within the Executive Department.

h) The appropriation supported by the State Bar Fund, as authorized by § 54.1-3913, Code of Virginia, unless the supporting revenues for such appropriation are estimated to be insufficient to pay the appropriation.

Appendix B

Crosswalk of Virginia Counties and Cities to Regions of the Commonwealth

Cities

City of Alexandria	Northern Virginia
Bedford City	South Piedmont
City of Bristol	Southwest
City of Buena Vista.....	Shenandoah
City of Charlottesville.....	Central Virginia
City of Chesapeake	Hampton Roads
City of Clifton Forge.....	Roanoke Area
City of Colonial Heights	Richmond Area
City of Covington	Roanoke Area
City of Danville	South Piedmont
City of Emporia	Southside
Fairfax City	Northern Virginia
City of Falls Church.....	Northern Virginia
City of Franklin.....	Southside
City of Fredericksburg	Northern Virginia
City of Galax.....	Southwest
City of Hampton	Hampton Roads
City of Harrisonburg	Shenandoah
City of Hopewell.....	Richmond Area
City of Lexington.....	Shenandoah
City of Lynchburg.....	South Piedmont
City of Manassas.....	Northern Virginia
City of Manassas Park	Northern Virginia
City of Martinsville.....	South Piedmont
City of Newport News	Hampton Roads
City of Norfolk	Hampton Roads
City of Norton.....	Southwest
City of Petersburg	Richmond Area
City of Poquoson	Hampton Roads
City of Portsmouth.....	Hampton Roads
City of Radford.....	Roanoke Area
City of Richmond.....	Richmond Area
Roanoke City	Roanoke Area
City of Salem	Roanoke Area
City of Staunton	Shenandoah
City of Suffolk	Hampton Roads
City of Virginia Beach.....	Hampton Roads
City of Waynesboro	Shenandoah
City of Williamsburg	Hampton Roads
City of Winchester	Shenandoah

Counties

Accomack County.....	Eastern Virginia
Albemarle County.....	Central Virginia
Alleghany County	Roanoke Area
Amelia County	Richmond Area
Amherst County	South Piedmont
Appomattox County.....	South Piedmont
Arlington County	Northern Virginia

Augusta County	Shenandoah
Bath County.....	Shenandoah
Bedford County	South Piedmont
Bland County.....	Southwest
Botetourt County	Roanoke Area
Brunswick County	Southside
Buchanan County	Southwest
Buckingham County	Central Virginia
Campbell County.....	South Piedmont
Caroline County	Richmond Area
Carroll County	Southwest
Charles City County	Richmond Area
Charlotte County	Southside
Chesterfield County.....	Richmond Area
Clarke County.....	Northern Virginia
Craig County	Roanoke Area
Culpeper County.....	Central Virginia
Cumberland County.....	Richmond Area
Dickenson County	Southwest
Dinwiddie County	Richmond Area
Essex County	Eastern Virginia
Fairfax County.....	Northern Virginia
Fauquier County	Northern Virginia
Floyd County	Roanoke Area
Fluvanna County	Central Virginia
Franklin Co County	Roanoke Area
Frederick County	Northern Virginia
Giles County.....	Roanoke Area
Gloucester County	Hampton Roads
Goochland County.....	Richmond Area
Grayson County.....	Southwest
Greene County.....	Central Virginia
Greensville County	Southside
Halifax County	Southside
Hanover County	Richmond Area
Henrico County	Richmond Area
Henry County	South Piedmont
Highland County	Shenandoah
Isle Of Wight County	Hampton Roads
James City County.....	Hampton Roads
King and Queen County	Eastern Virginia
King George County.....	Eastern Virginia
King William County	Richmond Area
Lancaster County.....	Eastern Virginia
Lee County	Southwest
Loudoun County.....	Northern Virginia
Louisa County	Richmond Area
Lunenburg County.....	Southside
Madison County	Central Virginia
Mathews County.....	Hampton Roads
Mecklenburg County	Southside
Middlesex County	Eastern Virginia
Montgomery County	Roanoke Area
Nelson County.....	Central Virginia
New Kent County	Richmond Area

Northampton County	Eastern Virginia
Northumberland County	Eastern Virginia
Nottoway County	Southside
Orange County	Central Virginia
Page County	Shenandoah
Patrick County	South Piedmont
Pittsylvania County	South Piedmont
Powhatan County	Richmond Area
Prince Edward County	Southside
Prince George County.....	Richmond Area
Prince William County	Northern Virginia
Pulaski County	Roanoke Area
Rappahannock County	Central Virginia
Richmond County	Eastern Virginia
Roanoke County	Roanoke Area
Rockbridge County	Shenandoah
Rockingham County	Shenandoah
Russell County	Southwest
Scott County	Southwest
Shenandoah County	Shenandoah
Smyth County	Southwest
Southampton County	Southside
Spotsylvania County	Northern Virginia
Stafford County	Northern Virginia
Surry County.....	Hampton Roads
Sussex County	Richmond Area
Tazewell County	Southwest
Warren County.....	Northern Virginia
Washington County	Southwest
Westmoreland County	Eastern Virginia
Wise County	Southwest
Wythe County	Southwest
York County	Hampton Roads