Instructions to Executive Branch Agencies for Submitting Budget Reduction Plans for FY 2010 and the 2010-2012 Biennium

Department of Planning and Budget
June 30, 2009

Instructions for Submitting Budget Reduction Plans

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Overview

These instructions provide guidance for preparing Budget Reduction Plans for additional reductions in FY 2010 and the 2010-2012 biennium. They apply to all Executive Department agencies.

Purpose

The Governor on Monday, June 15, 2009, directed that a reforecast of revenues be completed because economic indicators and revenue data suggest that the Commonwealth will not achieve the FY 2010 revenue projections in Chapter 781. As a result, further budget reductions will be necessary for FY 2010 and the next biennium.

With this in mind, the Governor has directed agencies to prepare reduction plans for five, ten, and 15 percent scenarios against a calculated, general fund, reduction target base for each of the three years (FY 2010, FY 2011, FY 2012).

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 of protecting core missions and targeting reductions to low priority activities and/or services.***

Summary of requirements

Agencies must submit their budget reduction plans to the Department of Planning and Budget (DPB) no later than 5 p.m. on **July 22, 2009**. 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 approved 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 2010, 2011, and 2012.

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

2010-2012 biennium refers to the two-year period beginning July 1, 2010, and ending June 30, 2012.

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 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 §4-1.02 d.6., Chapter 781, 2009 Acts of Assembly (the 2009 Appropriation Act).

- **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 should 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, payroll, fiscal 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 2009.** There are some strategies approved for FY 2009 that for one reason or another were not submitted as ongoing, but that have the potential to be ongoing. This includes strategies contained 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.

- **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 2010 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. Any strategies that result in one-time savings in any given year will have to be offset with an equal amount of one-time or ongoing strategies in the other fiscal years. If you choose to use a one-time strategy in FY 2012, you should plan that these funds will be restored in out-going budget years and that you will be required to find other savings.

- **Pledged carryforward can only be used in FY 2010.** Pursuant to the two separate memos from the Chief of Staff's memo, agencies have been afforded the opportunity to pledge FY 2009 balances to help offset any FY 2010 reductions. However, pursuant to § 4-1.05 of Chapter 781, carryforwards are a one-time action and cannot be applied to future years. To get credit for these earmarks, make sure to list these as a strategy for FY 2010.

- **Savings must be against your agency general fund appropriation/budget.** Agencies cannot count saving strategies in other agencies 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 <u>your</u> agency that would increase costs for <u>other</u> agencies or local governments. This does not result in overall savings to the Commonwealth.

- **New or increased fees.** Agencies may propose new or increased fees for services beginning in FY 2011. Please make sure to note if legislation or regulations are required.

- **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 2010, FY 2011 and FY 2012).

- **Furloughs and salary reductions are prohibited.** Agencies may not submit furlough of staff or reduction of staff salaries as reduction strategies.

- **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 determine severance costs.

  For FY 2010 only, pursuant to the provisions of § 2.2-3205(A), Code of Virginia; the terminating agency shall not be required to pay the Virginia Retirement System (VRS) the costs of enhanced retirement benefits provided for in § 2.2-3205(A), Code of Virginia. Instead, the entire cost of enhanced retirement benefits for involuntarily separated employees shall be factored into the employer contribution rates paid to VRS beginning with the June 30, 2009 actuarial valuation.

- **Do not double count.** You should not include savings or reductions already included in Section 4-1.08, General Provisions, 2009 Appropriation Act (Chapter 781, 2009, Acts of Assembly)

Instructions for preparing the budget reduction workbook

The budget reduction workbook (containing Form BR-5, Form BR-10, and Form BR-15) is available on the DPB Web page at www.dpb.virginia.gov under the "Forms and Instructions" button. The workbook is in an Excel format. You must use this Excel workbook to communicate your reduction strategies to DPB. Do not use the budget reduction spreadsheet from 2008 to complete your submission. If you do, you will be requested to resubmit using the correct template. If you require a different format or have trouble with the forms, contact your DPB budget analyst.

If your agency is responsible for the budgets of other agencies that appear in the Appropriation Act, you will need to fill-out separate Excel workbooks for each agency as defined on page 2 of Chapter 781. If your agency uses sub-agencies for budget execution that do not appear in the Appropriation Act, you should not include this detail in your submission. In such cases, you must roll-up your submission to the parent agency level.

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 around June 30, 2009.

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 you also intend to 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 plan, repeat any strategies that are also contained in plans for the five and ten percent reductions if you intend to repeat them in the 15 percent plan. 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. If your agency is responsible for the budgets of other agencies that appear in the Appropriation Act, you will need to fill-out separate Excel workbooks for each agency. If your agency uses sub-agencies for budget execution that do not appear in the Appropriation Act, you should not include this detail in your submission. In such cases, you must roll-up your submission to the parent agency level.

- **Column B - Title:** In this column, provide a short title for each reduction strategy that your agency or institution will propose. Each title must begin with a 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 C for more detailed strategy descriptions.

- **Column C - 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 D - 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 2011 and FY 2012 should be limited.** 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.
- ✓ **Defer or eliminate 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.
- ✓ **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. This type of strategy cannot be used in FY 2010 unless the changes can be made administratively.

- ✓ **Capture nongeneral fund balances**. This category is used when the strategy proposes using actual or projected year-end nongeneral fund balances in operating programs. Any such approved strategies will result in the transfer of the nongeneral fund cash to the general fund. This type of action is typically one time.
- ✓ **GF Pledged Balance (2010 Only).** This category is to be used only in FY2010 and is intended to represent the general fund carryforward amounts pledged by agencies in response to the Chief of Staff's memos of May 5, 2009, and June 19, 2009. If your agency did not pledge carryforward amounts in response to this, you will not be allowed to use this category.
- ✓ **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. This type of action is typically one time.

- **Column E - Priority:** In this column, enter the priority order for the strategy. Priority 1 should be the strategy that is the <u>easiest</u> to accomplish and the last priority listed should be the one that has the <u>most</u> impact on agency services. Priorities must be unique, a whole number and equal the number of strategies for the plan (e.g. five strategies requires five priorities). 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 F – Cross Reference Number:** You should use this column to cross reference identical or otherwise mutually exclusive strategies between the 5, 10, and 15 percent plans. The information in this column is vital to identify strategies that exist in two or more plans that cannot all be implemented at the same time. The number used for a given strategy is not important. The only rule is that a given cross reference number can only be used one time within a single plan (for example, there should only be one number "2" in the 5 percent plan, but there could also be a number "2" in the 10 percent plan as long as it is basically the same strategy listed in the 5 percent plan as number "2"). The proper use of this field is best described with an example: an agency has essentially what is the same strategy in each of the three plans. The strategy may have identical or slightly different reduction amounts between each plan, but the strategy is basically the same and the same strategy from the 5 percent plan could not be implemented along with the 10 and 15 percent plan versions. In order to identify that these strategies are the same, the agency would enter a number such as "1" in the "Cross Ref Number" column. So for that strategy there would be a "1" in the cross reference column in the 5 percent plan, a "1" in the cross reference column for the 10 percent version, and a "1" in the cross reference column for the 15 percent version. For other strategies, the agency in this example should use a different number other than "1". Do <u>not</u> use anything but a whole number in this column.

- **Column G - 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 H - 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 I - 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. (Detailed region crosswalk is included in the Excel template).

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

  ✓ ***GF Savings and Costs:*** Columns I & J relate to the general fund. In the column labeled "GF Savings 2010," insert dollar amounts (rounded to the nearest whole dollar) for gross general fund savings. **Enter <u>negative</u> values for reductions.**

  In the column labeled "GF Cost 2010," enter **<u>positive</u>** 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 2010:*** Columns K should show the impact on nongeneral fund appropriations. GF savings strategies could either increase or decrease nongeneral fund appropriations. Please describe any such increases or reductions in the description column (Column C).

  ✓ ***Positions and Layoffs:*** In column L labeled "Position Level Changes 2010," 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.

  <u>Carry positions to two decimal places</u>. 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 2010," enter as a positive amount the number of classified employees or faculty that will actually be terminated. Do not include wage or contract employees in this total.

- **Columns O through S - Amounts for FY 2011**: These columns relate to the amount of savings that each strategy will yield for FY 2011. Repeat instructions above for FY 2009.

- **Columns T through X - Amounts for FY 2012**: These columns relate to the amount of savings that each strategy will yield for FY 2012. 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.xls. For example, the submission for agency 993 would be: "993BR_5_10_15.xls".

E-mail your submission to DPB at budget@dpb.virginia.gov. The electronic submission is due by **5 p.m. on July 22, 2009**.