

2010 Operating Plan and Budget Components

INTRODUCTION

This package of instructions is the first your agency will receive related to the development of the Governor's executive budget for the 2010-2012 biennium. It provides guidance and instructions that will help facilitate the first steps in the development of your base budget. These submissions are due to your DPB budget analyst by **5 PM, Monday, June 8, 2009**.

The first submission involves the following which will be discussed in more detail throughout these instructions:

- The development of your FY 2010 operating plan will consist of the submission of an Excel template to array your service areas and subobjects by fund detail. This array will also: a) spread agency budget reductions included in Program 713 (Executive Management Savings) to the proper programs and service areas; b) clear out certain convenience subobject codes; and c) get further detail on budgeted amounts for selected nonpersonal services subobject codes (identified on pages 5-6).
- In the event that your agency's reduction strategies have deviated significantly from those included in the 2009 Appropriation Act, you must submit to DPB any revised reduction plan strategies on the template provided. In accordance with Section 4-1.08, General Provisions, 2009 Appropriation Act (Chapter 781, 2009 Acts of Assembly), you should have already notified the House Appropriations and Senate Finance Committees if your budget reduction strategies have changed from those listed in the 2009 Appropriation Act. This requirement is not applicable to institutions of higher education. Instead, institutions should complete Form BR-HE for the Board of Visitors approved budget reduction plan strategies.

The second submission involves apportioning your agency's budget into discrete budget components, which will be discussed in more detail later in these instructions.

These instructions apply to all state agencies and institutions of higher education. Later this spring and summer, DPB will issue additional instructions for additional budget development submissions.

For Institutions of higher education, please update your operating plan to reflect FY 2010 amounts as shown in Chapter 781. At this time no changes should be made to alter the program/subprogram distributions within the Educational and General program with the exception of Program 713 (Management Savings). Any proposed changes to the distribution of funding among subprograms 101 through 107 will be considered during base budget adjustment phase.

OPERATING PLAN DEVELOPMENT

Your 2010 operating plan will be submitted using an Excel template provided by DPB. This submission will show your budget at a lower level of detail than is normally captured in the central budget system. Specifically, in this template, you must array your total budget for FY 2010, as shown in Chapter 781, by subobject/fund detail. Each line item of entry will include program, service area, fund detail, subobject, dollar amount, and/or positions. If, for example, you have a subobject that impacts more than one fund within a given service area, you must list that subobject more than one time (once for each fund detail impacted). The agency fund group totals in your 2010 operating plan submission must equal the agency totals by fund group included in Chapter 781, the 2009 Appropriation Act.

Executive Management Savings

The 2009 Appropriation Act (Chapter 781), includes a number of reductions to agency budgets which, in most cases, were not applied to operational programs and service areas, but were placed in a reversion clearing account (program 713, Executive Management Savings). Therefore, these agency reductions must be spread to the correct programs and service areas to complete your operating plan for FY 2010.

Please note: If your submission includes budget reduction strategies or amounts which do not coincide with those listed in "Appropriation Reductions to Address Revenue Shortfall" in §4-1.08 of Chapter 781, you should have already notified the House Appropriations Committee and the Senate Finance Committee that you have modified your budget reduction strategies from those approved in Chapter 781. In such cases, you must also submit detail on each replacement budget reduction strategy on the DPB Form for Substitute Budget Reduction Strategies. This form should be submitted to your DPB budget analyst no later than **5 PM, Monday, June 8, 2009**. For institutions of higher education, these instructions preempt the guidance provided in the Year End Closing/New Year Start-Up Instructions dated April 2009 relating to submission of an updated operating plan for FY 2010.

The following general instructions apply to the 2010 operation plan template submission:

- Complete a separate file for each agency. Rename the file to include the agency code in the name. (Example: the file for agency 122 should be "122-2010OperatingPlan.xls".)
- This template should be completed and submitted to your DPB budget analyst by **5 PM, Monday, June 8, 2009**.

Column By Column Instructions:

- **Column A:** Fill-in your three digit agency code for each line of entry.
- **Column B:** Enter a five-digit program-service area code including a three digit program code and a two digit service area. For Educational and General programs you should not use program “100”, but the actual program number (101 though 107).
- **Column C:** Enter the three or four-digit fund detail number. This should be a number without any leading zeroes. For example, fund “0202” should be entered as “202”. If a code is entered as text with a leading zero, the fund group subtotaling at the bottom of the template will not total correctly. Use only authorized agency fund details.
- **Column D:** Enter the four-digit subobject code. As mentioned elsewhere in these instructions, do not use convenience subobjects other than those listed in these instructions.
- **Column E:** Enter whole dollar amounts. Do not use cents.
- **Column F:** Enter positions to the second decimal place if applicable. (Example 4.55)
- **Inserting Rows:** To insert one or more new rows, do the following: within the body of the pre-defined table (everything between the column headers and the total row) highlight the number of rows you would like to insert by clicking on the row selectors on the left (the boxes with the row numbers). To select more than one concurrent row, hold down the “shift” key when making your row selections. Once you have one or more rows selected, right-click and select “insert”, or go to the “Insert” menu at the top of your screen and select “rows”.
- **Checking Agency Totals:** At the bottom of the template, a series of predefined totals have been created to show the totals in the submission by fund group for dollars and positions. These totals will enable you to balance your submission to the fund group totals in Chapter 781 for dollars and the general fund-nongeneral fund split for positions.
- **Pasting Data from Other Sources:** If you are pasting data from other sources, make sure you paste the columns in using the correct file layout and paste by selecting “paste special”, and then “values” from the “Edit” or right-click menus. Please make sure the format of the data that you paste in the template matches the format as requested in these instructions. For example, do not paste in fund details with a leading zero (fund “0100” should be pasted as “100”). Also make sure the pasted data are numbers, not text.
- **Other Information:** Column by column instructions are included in the Excel template as a separate “Instructions” tab. In addition, very brief column instructions can be viewed in the main tab by hovering over the column header.

Personal services

For all personal services, array your planned expenses by program, service area, fund detail, and subobject in the Excel template provided. You can download the Excel template and the revised Expenditure Structure, dated FY 2009, from DPB's Web site at <http://dpb.virginia.gov/>.

Many agencies have included reduction strategies that increase the level of turnover and vacancy or otherwise reduce the number of positions that may can be funded. As a result, it does not make sense to require agencies to fully fund the appropriated MEL and then apply a turnover/vacancy rate because the results would be unrealistic in these instances. Consequently, for purposes of preparing the FY 2010 operating plan, we are focusing on funding only for the actual number of positions that each agency expects to be able to fill during the fiscal year. Against that funded level, agencies will be asked to then apply a realistic turnover and vacancy rate that more closely reflects the agency's actual experience.

For your 2010 operating plan, you should not fund 100 percent of your agency's authorized position level unless you plan to keep filled positions at or near the authorized position level (no vacancies) in FY 2010. Instead, you should fund a position level that is more consistent with your current filled position level including a reasonable amount for anticipated turnover and vacancy. To identify the vacancy rate in your agency, you should indicate the number of authorized positions not being funded using subobject 1182 (Unfunded Vacant Positions). For those positions (that are part of your budgeted amount for turnover and vacancy), you should use subobjects 1192 (faculty positions) or 1195 (classified positions). You should indicate the filled authorized position level that you are funding using the usual subject codes that are valid for position numbers (e.g., 1123 and 1124).

Your total authorized position level in your operating plan submission should still match the position totals as shown in Chapter 781, but the subobject detail of these authorized positions will break them out by what you are funding in the submission versus what you are not funding. For example, assume an agency that has 50 authorized positions in Chapter 781 and plans to fund 40 positions with a reasonable vacancy rate of five positions. This agency would then budget 40 positions on typical salary subobjects (1123, 1124, etc...), five positions on 1195 (classified positions turnover and vacancy) or 1192 (faculty positions), and the remaining five on 1182 (Unfunded Vacant Positions).

If your operating plan submission includes amounts for turnover and vacancy, you may use the following designated convenience codes to identify the savings associated with such vacancy and turnover:

1192	Turnover/Vacancy Faculty Salaries
1193	Turnover/Vacancy Fringe Benefits
1194	Turnover/Vacancy Medical/Hospital Insurance
1195	Turnover/Vacancy Classified Salaries

Do not use any other convenience codes for personal services.

Remember to carry out positions to two decimal places. Also, positions can be assigned only to personal services subobject codes.

Due to the fact that the totals in your 2010 operating plan submission must match the agency totals in Chapter 781, your 2010 operating plan submission will not include fringe benefit changes that have occurred during the current biennium. These changes are included in Central Appropriations. These amounts will be transferred to or from your agency as part of administrative actions and as follow-up base adjustments submission later this summer. Consequently, the rates you will be using to calculate personal services costs for the 2010 operating plan submission will not be the benefit rates you are using in budget execution for FY 2010. Appendix A of these instructions includes the fringe benefit rates that you should use for this submission.

Nonpersonal services

For all nonpersonal services, you must array your planned expenses by major object of expenditure unless a more detailed subobject submission is required. In order to obtain more detailed and accurate information about selected expenses, you **must** use the following subobjects in your data submission. Consequently, you should not include any amounts in these subobjects in any roll-up of data to the major object level using convenience codes. To do so, would result in double counting.

The purpose of collecting budget information at the more detailed subobject level for these selected subobjects is to better identify these areas of cost and to more completely understand the impact of agency based rate changes. In other cases, the subobject detail represents an area targeted for cost control and/or management, or an area where better tracking of costs are needed.

Institutions of higher education do not need to apply the VITA-related subobjects, except for subobject 1216.

1214	Postal Services
1215	Printing Services
1216	Telecommunications Services (provided by VITA)
1241	Auditing Services
1242	Fiscal Services
1243	Attorney Services
1244	Management Services
1245	Personnel Management Services
1246	Public Informational and Public Relations Services
1247	Legal Services
1248	Media Services
1271	Information Management Design and Development Services (provided by VITA)
1272	VITA Pass Thru Charges (New)
1273	Information Management Design and Development Services

(provided by another State agency (not VITA) or vendor)

1274	Computer Hardware Maintenance Services
1275	Computer Software Maintenance Services
1276	Computer Operating Services (provided by VITA)
1277	Computer Operating Services (provided by another State agency (not VITA) or vendor)
1278	VITA Information Technology Infrastructure Services (Provided by VITA)
1279	Computer Software Development Services
1321	Coal
1322	Gas
1323	Gasoline
1324	Oil
1325	Steam
1326	Wood Fuels
1431	Categorical Aid to Local Governments and Constitutional Officers (Not Technology)
1432	Payments in Lieu of Taxes
1433	General Revenue Sharing
1434	Disaster Recovery Categorical Aid to Local Governments
1435	Special Payments to Localities
1436	Categorical Aid to Local Governments and Constitutional Officers for Technology
1441	Payments to Substate Entities
1442	Payments to Individuals
1451	Grants to Intergovernmental Organizations
1452	Grants Nongovernmental Organizations
1453	Out-of-State Political Entities
1455	Disaster Recovery Grants to Other State Agencies
1456	Disaster Recovery Grants to Nongovernmental Organizations
1512	Automobile Liability
1516	Property Insurance
1517	Boiler and Machinery
1524	Equipment Capital Leases
1525	Building Capital Leases
1526	Land Capital Leases
1527	Land and Building Capital Leases
1535	Building Rentals
1536	Land Rentals
1537	Land and Building Rentals
1542	Electrical Service Charges
1544	Water and Sewer Service Charges
1551	General Liability Insurance
1553	Medical Malpractice
1554	Surety Bonds
1555	Workers' Compensation

Definitions for these subobject codes can be found on the DPB Web site.

If you need more dollars in a major object than shown in the arrayed subobjects under that major object, you may use the appropriate designated convenience codes for the balance. For example, if your expenses in the 1200 major object of expense are greater than the total of the detailed subobject codes, you may put the additional dollars in convenience subobject 1295. All the allowable nonpersonal convenience codes are:

1295	Undistributed Contractual Services
1395	Undistributed Supplies and Materials
1495	Undistributed Transfer Payments
1595	Undistributed Continuous Charges
2195	Undistributed Property and Improvements
2295	Undistributed Equipment
2395	Undistributed Plant and Equipment
3195	Undistributed Obligations

For nonpersonal services not specifically listed in the required subobject codes, use **ONLY** the designated convenience codes listed above. **Do not use any other budgetary nonpersonal services convenience codes, including those in Section D of the Expenditure Structure or elsewhere.** (Note: For institutions of higher education, recoveries should include the appropriate recovery subobject code.)

Your DPB budget analyst may ask for additional subobject codes information. Also, you have the option to provide subobject code/fund information for your entire operating plan.

Balancing the submission

Your fund group totals for dollars must come back to Chapter 781. Positions must match the general fund/nongeneral fund split in Chapter 781.

DPB **may** use these records to generate FATS in FY 2010 to spread the undistributed general fund reductions included in program 713 for your agency. Additional information on this will be released at a later date.

BUDGET COMPONENTS

A budget component is a discrete piece of your agency's budget. Components can be entire service areas, but in many cases they are elements that make up a service area such as aid to localities (pass-through payments), debt service, and administrative costs.

In order to better illustrate your agency's base budget, we need to identify each component within the budget. To do this, DPB has created a component template that must be completed and submitted to your DPB budget analyst by **5 PM, Monday, June 8, 2009**. This only needs to be done for FY 2010 - dollars and positions must equal

amounts in Chapter 781. As a reference, your DPB budget analyst will send you a copy of your previous budget component breakout for the 2008-2010 biennium. Components **must** be listed in priority order.

- Complete a separate file for each agency. Rename the file to include the agency code in the name. For example: the file for agency 122 should be named "122Components.xls".
- Enter your agency's name at the top of the spreadsheet.
- **Column A:** Fill in your agency code for each individual component.
- **Column B:** Include a descriptive title for each component.
- **Column C:** Select the most appropriate budget category from the drop-down menu for each individual component. Selections include: Aid to Localities and Political Subdivisions; Payments to Individuals; Payments to Private and Nonprofit Entities; Debt Service/Lease Costs; Direct Services; and Administrative and Other.
- **Columns D - I:** Fill in the appropriate amounts for each component. For this exercise, "mandatory" is strictly defined as the following:
 - *Mandatory is a program or activity that is constitutionally required, required by federal mandate or a maintenance of effort for federal stimulus funds received. For example, debt service is a mandated requirement. Just because a program or activity is in the Code of Virginia does not mean that it is mandatory. For institutions of higher education, the only activities considered mandatory are debt service and financial aid.*
- **Column J:** Indicate the number of positions associated with the component. A whole number is not required (You can go to five decimal places).
- **Column K:** Indicate the source of the mandate (if applicable). In addition, include what drives the funding for the component, especially if the component contains mandatory funding. For example, if the funding is driven by a formula, indicate this in the comment field.
- To add more rows, place your cursor over a row number on the left hand side of the screen above the "Total" row. Right-click and select "Insert". You will need to copy the "Total GF" and "Total NGF" formulas into the new blank cells.

Appendix A: Fringe Benefit Rates 2010 Operating Plan Submission

Subobject	Benefit Factor ¹	2010-12 Base
1111	VRS Retirement Contributions²	
	<i>State Employees</i>	11.15%
	<i>Virginia Law Officers Retirement (VaLORS)</i>	20.86%
	<i>State Police (SPORS)</i>	25.76%
	<i>Judges (JRS)</i>	43.01%
1112	Social Security³	6.20%
	Capped at \$106,800 (based on calendar year 2009 cap)	
1112	Medicare	1.45%
1114	Group Life	1.00%
1115	Annual Employer Health Insurance Premiums	
	<i>COVA Care Single</i>	\$4,740
	<i>COVA Care Dual</i>	\$8,472
	<i>COVA Care Family</i>	\$12,420
	<i>COVA High Deductible Single</i>	\$4,200
	<i>COVA High Deductible Dual</i>	\$7,776
	<i>COVA High Deductible Family</i>	\$11,364
	<i>Kaiser Permanente Single</i>	\$4,704
	<i>Kaiser Permanente Dual</i>	\$8,412
	<i>Kaiser Permanente Family</i>	\$12,312
1116	Retiree Health Insurance Credit Premium	1.20%
1117	VSDP & Long-Term Disability Insurance	2.00%
1118	Teachers Insurance and Annuity⁴	10.40%
1119	Defined Contribution Plan⁵	10.40%
1138	Deferred Compensation Match Payments	
	One-half of employee's contribution per pay period, up to a max of \$20 per pay period or \$480 annually.	

¹ Percentage numbers refer to percent of salaries. Health insurance premiums are the annual employer dollar cost for an individual.

² Retirement contribution rates include the five percent employee portion (paid by the Commonwealth for state employees).

³ The \$106,800 Social Security cap is based on the calendar year 2009 cap. The Federal Social Security Administration will update the 2010 calendar year cap at a later date.

⁴ For institutions of higher education: This includes alternative retirement options, such as TIAA-CREF, for those employees as defined in § 51.1-126 of the *Code of Virginia*.

⁵ Used for employees eligible for a defined contribution plan established pursuant to § 51.1-126.5 of the *Code of Virginia*.