

Best Practices for Evaluating Agency Budgets

Department of Planning and Budget

August 17, 2023

The goal of this training

- In developing the 2024-2026 biennial budget, Governor Youngkin's first biennial budget, the Governor has tasked cabinet secretaries and agency heads to look for opportunities to improve government services, while identifying efficiencies to minimize costs.
- In a gathering of agency heads and cabinet secretaries, the Governor noted a number of strategies agencies can pursue to help achieve this task.
- This training will walk through these strategies to help provide agencies context, data, and tools for meeting the expectations being placed on them in developing their budget requests for next biennium.

Items to be discussed today include

- Analyzing general fund year-end balances
- Analyzing nongeneral fund year-end balances and revenues
- Personnel turnover, vacancies and agency organizational structure
- Procurement, leases and surplus property
- Expectations
- ARPA
- Links to resources

General Fund Year-End Balances

- Over the years, a number of state agencies consistently have general fund (GF) year-end balances.
- Some of these balances are identified for mandatory carryforward, while other balances are considered discretionary with the Governor being able to determine whether to carry forward these balances.
- General fund year-end balances have recently been larger for many agencies than in the past, likely due to the following.
 - Historic levels of funding in FY 2022 and the 2022-2024 biennial budget
 - Challenges in filling positions
 - Indirect impact of COVID-19 federal funding
 - Agency challenges identifying appropriate levels of spending

General Fund Year-End Balances (continued)

- DPB will provide information that shows the general fund year-end balances for each agency between 2018-2023.
- The exercise for each agency, as well as for DPB, is to determine if an agency consistently has more general fund resources than are needed to appropriately cover agency operations.
- Each agency should also determine whether their existing general fund mandatory carryforward balances could be modified in the budget to become discretionary for next biennium.

General Fund Year-End Balances (continued)

- The following charts are a snapshot of an Excel spreadsheet that will be available to agencies to see their historic general fund year-end balances, as well as a graphic showing balance trends.
- An agency can click on its agency code and its information will be provided down to the program level.
- The agency should determine the causal factors that have resulted in its general fund balances, including evaluating the number of positions it can realistically fill.
- The goal is to delineate the appropriate level of general fund resources to allow the agency to efficiently and effectively operate.

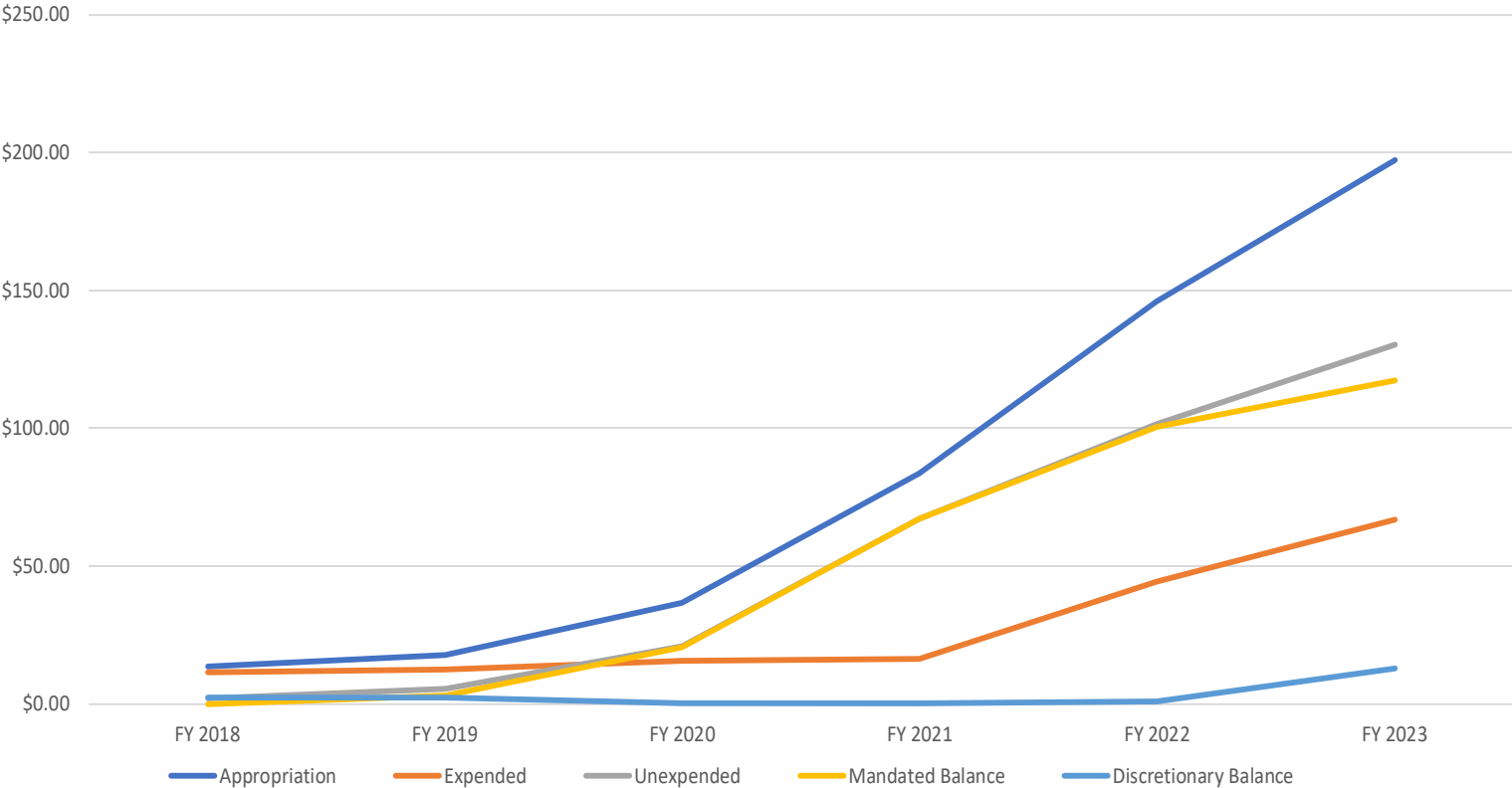
Secretarial Area: Commerce and Trade

Agency: 165: Department of Housing and Community Development

Program: 533: Community Development Services

General Fund Trends

Dollars in Millions



| | Appropriation | Expended | Unexpended | Mandated Balance | Discretionary Balance | Unexpended % | |
|---------|---------------|--------------|---------------|------------------|-----------------------|--------------|--------|
| FY 2018 | \$13,702,306 | \$11,504,463 | \$2,197,843 | \$0 | \$2,197,843 | FY 2018 | 16.04% |
| FY 2019 | \$17,929,694 | \$12,453,430 | \$5,476,265 | \$3,170,507 | \$2,305,758 | FY 2019 | 30.54% |
| FY 2020 | \$36,558,155 | \$15,785,069 | \$20,773,085 | \$20,533,068 | \$240,017 | FY 2020 | 56.82% |
| FY 2021 | \$83,554,713 | \$16,218,998 | \$67,335,715 | \$67,087,168 | \$248,547 | FY 2021 | 80.59% |
| FY 2022 | \$146,141,305 | \$44,482,584 | \$101,658,721 | \$100,523,388 | \$1,135,333 | FY 2022 | 69.56% |
| FY 2023 | \$197,101,643 | \$66,750,771 | \$130,350,872 | \$117,464,692 | \$12,886,180 | FY 2023 | 66.13% |

Secretarial Area

Commerce and Trade

Agency

165: Department of Housing and Community Development

Program

- 458: Housing Assistance Services
- 533: Community Development Services
- 534: Economic Development Services
- 562: Regulation of Structure Safety
- 599: Administrative and Support Services
- 701: Governmental Affairs Services

Row Type

| | |
|---------------|-----------------------|
| Appropriation | Discretionary Balance |
| Expended | Mandated Balance |
| Unexpended | |

Secretarial Area

Commerce and Trade

Agency

165: Department of Housing and Community Development

Row Type

Appropriation

Discretionary Balance

Expended

Mandated Balance

Unexpended

Select "-/+" at left to hide/unhide table filters

General Fund Trends By Agency

| | FY 2018 | FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 | Trends |
|--|--------------|--------------|--------------|--------------|---------------|---------------|--------|
| Commerce and Trade | | | | | | | |
| 165: Department of Housing and Community Development | | | | | | | |
| Appropriation | \$13,702,306 | \$17,929,694 | \$36,558,155 | \$83,554,713 | \$146,141,305 | \$197,101,643 | |
| Expended | \$11,504,463 | \$12,453,430 | \$15,785,069 | \$16,218,998 | \$44,482,584 | \$66,750,771 | |
| Unexpended | \$2,197,843 | \$5,476,265 | \$20,773,085 | \$67,335,715 | \$101,658,721 | \$130,350,872 | |
| Mandated Balance | \$0 | \$3,170,507 | \$20,533,068 | \$67,087,168 | \$100,523,388 | \$117,464,692 | |
| Discretionary Balance | \$2,197,843 | \$2,305,758 | \$240,017 | \$248,547 | \$1,135,333 | \$12,886,180 | |

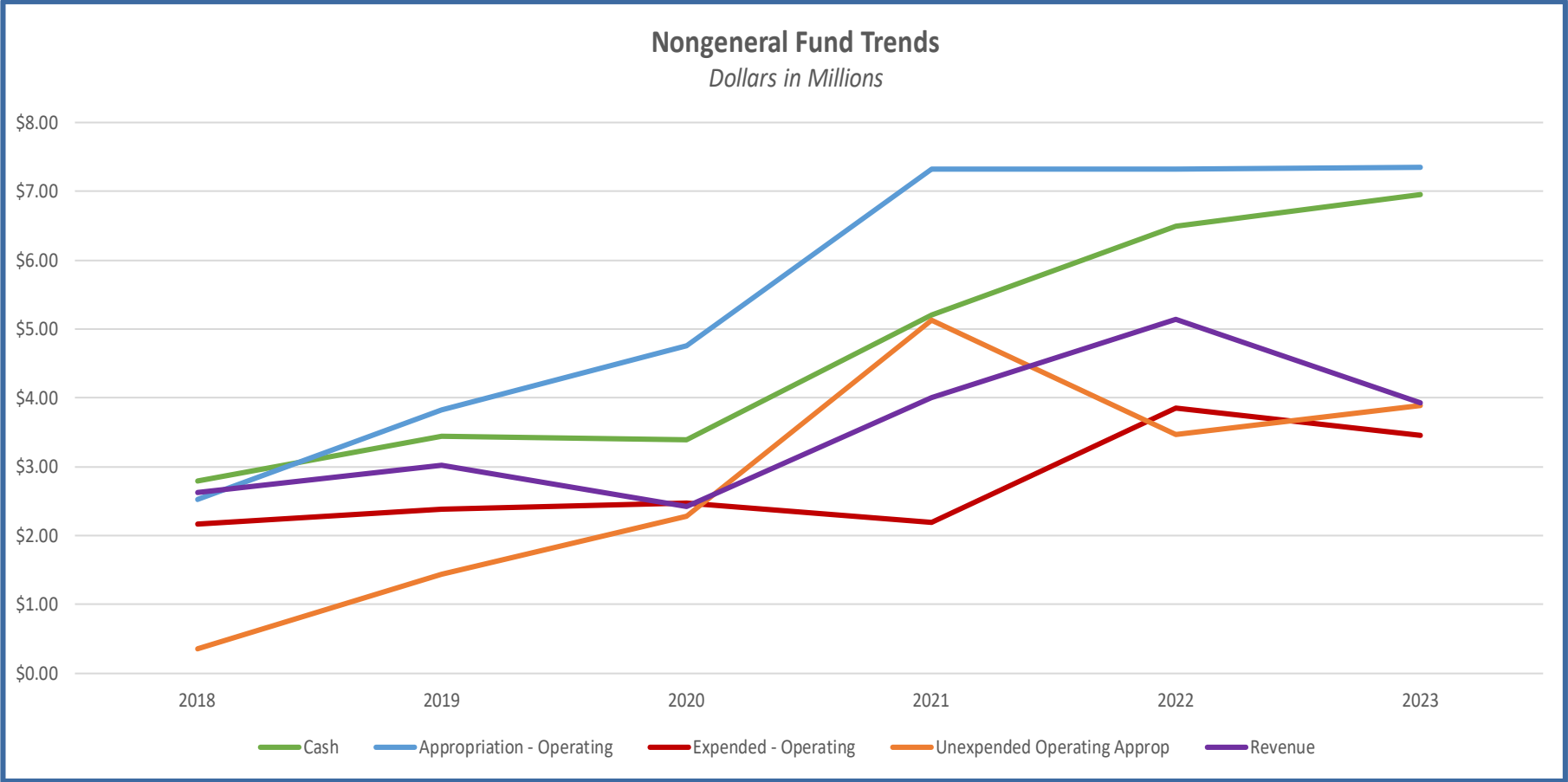
Nongeneral Fund Revenues and Balances

- It is not uncommon for the General Assembly to direct revenue streams into nongeneral fund categories dedicated to particular uses.
- Some agencies are 100% supported with nongeneral funds, while many agencies have a mixture of general fund and nongeneral fund support.
- During the pandemic, the balances of a number of nongeneral funds grew, likely as a result of reduced expenditures (reduced operations) and federal funds that covered pandemic-related costs.
- Given this, agencies may find that they can redirect nongeneral funds to other priorities.

Nongeneral Fund Revenues and Balances (continued)

- The following charts are a snapshot of an Excel spreadsheet that will be available to agencies to see their historic nongeneral fund (NGF) year-end balances, appropriation, spending and revenues, with graphics showing trends.
- An agency can click on its agency code and its information will be provided for each nongeneral fund the agency oversees.
- The agency should determine the causal factors that have resulted in its NGF balances/revenues to grow and determine if it has opportunities to redirect revenues to other priorities, supplant GF appropriation with NGF amounts, provide NGF balances to the general fund, or reduce fees/charges associated with a NGF.
- As a reminder, language can be provided in the budget that can override any statutory requirements directing a NGF to a particular purpose.

Secretarial Area: Commerce and Trade
Agency: 165: Department of Housing and Community Development
Fund: 02165: DHCD Special Revenue Fund



| | Cash | Appropriation - Operating | Expended - Operating | Unexpended Operating Approp | Revenue |
|------|-------------|---------------------------|----------------------|-----------------------------|-------------|
| 2018 | \$2,795,025 | \$2,530,453 | \$2,173,283 | \$357,170 | \$2,619,284 |
| 2019 | \$3,438,883 | \$3,820,887 | \$2,376,883 | \$1,444,004 | \$3,020,742 |
| 2020 | \$3,388,181 | \$4,755,887 | \$2,476,960 | \$2,278,927 | \$2,426,258 |
| 2021 | \$5,200,906 | \$7,316,728 | \$2,187,465 | \$5,129,263 | \$4,000,189 |
| 2022 | \$6,487,732 | \$7,316,728 | \$3,849,815 | \$3,466,913 | \$5,136,641 |
| 2023 | \$6,953,921 | \$7,346,923 | \$3,458,075 | \$3,888,848 | \$3,924,264 |

Secretarial Area

- Commerce and Trade

Agency

- 165: Department of Housing and Community Develop...

Fund

- 02017: Low-inc Enrgy Efficncy Prgm Fd
- 02165: DHCD Special Revenue Fund
- 02700: Parking
- 02800: Appropriated IDC Recoveries
- 07260: VA Indv Dev Acct Plus Trst
- 07870: Virginia Housing Trust Fund

Record Type

- Appropriation - Operat...Cash
- Expended - OperatingRevenue
- Unexpended Operatin...Appropriation - Capital

11

Secretarial Area

Commerce and Trade

Agency

165: Department of Housing and Community Development

Fund

02017: Low-inc Enrgy Effcncy Prgm Fd

02165: DHCD Special Revenue Fund

02700: Parking

02800: Appropriated IDC Recoveries

07260: VA Indv Dev Acct Plus Trst

07870: Virginia Housing Trust Fund

09168: VA Rmvl/Rehab Derelict Strctrs

Record Type

Appropriation - Operating

Expended - Operating

Unexpended Operating Approp

Expended - Capital

Cash

Revenue

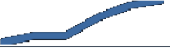




Appropriation - Capital

Unexpended Capital Approp

Select "-/+" at left to hide/unhide table filters

[View Chart Tab](#)

Nongeneral Fund Trends

| Row Labels | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | Trend |
|---|-------------|-------------|-------------|-------------|-------------|-------------|---|
| <div> <div>Commerce and Trade</div> <div> <div>165: Department of Housing and Community Development</div> <div> <div>02165: DHCD Special Revenue Fund</div> <div>Cash</div> <div>Appropriation - Operating</div> <div>Expended - Operating</div> <div>Unexpended Operating Approp</div> <div>Revenue</div> </div> </div> </div> | \$2,795,025 | \$3,438,883 | \$3,388,181 | \$5,200,906 | \$6,487,732 | \$6,953,921 |  |
| | \$2,530,453 | \$3,820,887 | \$4,755,887 | \$7,316,728 | \$7,316,728 | \$7,346,923 |  |
| | \$2,173,283 | \$2,376,883 | \$2,476,960 | \$2,187,465 | \$3,849,815 | \$3,458,075 |  |
| | \$357,170 | \$1,444,004 | \$2,278,927 | \$5,129,263 | \$3,466,913 | \$3,888,848 |  |
| | \$2,619,284 | \$3,020,742 | \$2,426,258 | \$4,000,189 | \$5,136,641 | \$3,924,264 |  |

Turnover, Vacancies, and Agency Structure

- As you know, we are living in a challenging hiring environment, often finding it difficult to fill positions.
- Agencies need to ensure that their organization structure fully leverages the workforce an agency has and its realistic prospects of finding additional employees to fill vacancies.
- Looking carefully at your employee resources, start with the folks you will be able to put on the field, and then create a structure that gets the most you can out of that team.
- In addition, for many agencies, their authorized position levels (MEL) are not in sync with what the agencies can afford to fill, or the realistic number of positions that can be filled no matter the number of recruitments.

Turnover, Vacancies, and Agency Structure (continued)

- All agencies have updated their organizational charts and generated functional data of their positions; these delineate vacant positions, positions being actively recruited, number of management layers, and number of people supervised by managers.
- All agencies should know their historical full-time employee fill rates and can compare that to their budgeted authorized position levels.
- All agencies' Monthly Management Reports (MMR) also include turnover, vacancies and recruitment information in the quarterly MMR.
- Agencies should know what they are paying for contract employees and consider the lower cost to hire full-time positions instead.

Turnover, Vacancies, and Agency Structure (continued)

- With this information, agencies can better true up their budgets both for resources needed and positions authorized.
- This information can also help with agencies' analyses of their general fund balances and nongeneral fund balances as these balances may contain ongoing turnover and vacancy savings.
- Agencies may need time to work towards hiring full-time employees in lieu of contractors, redirect positions, and implement organizational changes to enhance operations and potentially generate savings as individuals retire or leave for another job.
- If these savings can be anticipated for the second year of the new biennium, they should be included in the budget this fall; if not, they can be incorporated during the development of future budgets.

Example of Personnel Information Provided in an MMR

Agency X

Headcount (Actual, End of Period)

| | Fiscal Year 2021 | Fiscal Year 2022 | Fiscal Year 2023 | FY 2023 Plan | Last 6 Months Actual Through June | | | | | |
|---------------------------------------|---------------------|---------------------|---------------------|--------------|-----------------------------------|------------|------------|------------|------------|------------|
| | | | | | January | February | March | April | May | June |
| Salaried - Employees | 140 | 143 | 146 | 150 | 110 | 146 | 146 | 111 | 145 | 147 |
| Hourly - Employees (Expressed as FTE) | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Contract Workers (Expressed as FTE) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 142 | 145 | 148 | 152 | 112 | 148 | 148 | 113 | 147 | 149 |

Vacancies Funded in the Budget

| | | | | | | | | | | |
|-------------------------------|--|--|--|----------|-----------|----------|----------|-----------|----------|----------|
| Vacancies Being Recruited | | | | 4 | 40 | 0 | 0 | 39 | 5 | 3 |
| Vacancies Not Being Recruited | | | | 0 | 0 | 4 | 4 | 0 | 0 | 0 |
| Total | | | | 4 | 40 | 4 | 4 | 39 | 5 | 3 |

Expenditures

| | | | | | | | | | | |
|------------------------------|---------------------|---------------------|---------------------|---------------------|------------------|--------------------|--------------------|------------------|--------------------|--------------------|
| Salaried Employees | \$7,841,573 | \$10,234,437 | \$11,093,164 | \$12,000,000 | \$454,394 | \$919,961 | \$1,347,669 | \$486,431 | \$908,004 | \$933,619 |
| Salaried Benefits | \$3,159,575 | \$4,222,189 | \$4,549,516 | \$5,000,000 | \$191,203 | \$386,684 | \$567,233 | \$193,261 | \$369,409 | \$380,003 |
| Hourly Employees | \$231,667 | \$266,951 | \$167,905 | \$175,000 | \$12,006 | \$9,131 | \$7,664 | \$7,184 | \$7,809 | \$9,429 |
| Hourly Benefits | \$17,722 | \$20,422 | \$12,845 | \$13,000 | \$918 | \$699 | \$586 | \$550 | \$597 | \$721 |
| Contractor Workers | | | | | | | | | | |
| Total Personnel Costs | \$11,250,537 | \$14,743,998 | \$15,823,429 | \$17,188,000 | \$658,522 | \$1,316,475 | \$1,923,152 | \$687,426 | \$1,285,819 | \$1,323,772 |

Positions turnover Analysis Provided in an MMR

Turnover Analysis for the Month of June Agency Y

| Turnover by Length of Service | FY 2021 | Turnover % | FY 2022 | Turnover % | Year to Date | Turnover % | Month |
|--|----------|-------------|----------|-------------|--------------|-------------|----------|
| <i>Length of Service</i> | 5 | 5.0% | 6 | 6.0% | 3 | 3.0% | 0 |
| <i>Tenure less than or equal to 5 years</i> | | | 3 | | | | |
| <i>Tenure more than 5 years and up to and including 10 years</i> | | | 2 | | 1 | | |
| <i>Tenure more than 10 years up to and including 20 years</i> | 2 | | | | 1 | | |
| <i>Tenure more than 20 years</i> | 3 | | 1 | | 1 | | |

| Year to Date Turnover by Cause | Another Position With COV | Local Gov't | Outside COV (if known) | Retirement | Death | Other Termination | Total |
|--|------------------------------|-------------|---------------------------|------------|----------|----------------------|----------|
| <i>Length of Service</i> | 1 | 0 | 1 | 0 | 0 | 0 | 3 |
| <i>Tenure less than or equal to 5 years</i> | | | | | | | 0 |
| <i>Tenure more than 5 years and up to and including 10 years</i> | 1 | | | | | | 1 |
| <i>Tenure more than 10 years up to and including 20 years</i> | | | 1 | | | | 1 |
| <i>Tenure more than 20 years</i> | | | | 1 | | | 1 |

Procurement, leases, and real estate savings opportunities

- Virginia is exploring ways to procure things that will help ensure a lower cost than with past contracts.
- Agencies with leased space may be able to find lower cost space in today's depressed office space environment, or with teleworking, require less space than before.
- Agencies with property may find that it could be sold without impacting agency operations or mission, allowing that property to be used for other development opportunities.
- All of these items could result in presently identified savings that should be incorporated into the development of the 2024-2026 biennial budget; additional savings are likely to be identified over the following years and can be incorporated into future years' budgets.

Expectations with identified savings

- In guidance given to agency heads, agencies are encouraged to identify any savings that could be utilized during the Governor's development of the biennial budget via their decision package submissions due September 5.
- Decision packages can offer agency savings to enhance the bottom line or propose directing the savings to Governor's priorities within the agency.
- In addition, based on agencies' historic general fund year-end balances and vacancies, DPB will be providing some agencies with a listing of potential reductions in their general fund support; agencies will be able to appeal these amounts, delineating why the funding needs to be maintained.
- Finally, agencies are expected to submit decision packages adjusting their authorized position (MEL) levels to the number of positions agencies can actually fill.

Expectations with identified savings (continued)

- Cabinet secretaries will need to approve the decision packages agencies can submit over the next couple of weeks.
- Any submitted decision packages not approved by your cabinet secretary will not be considered.
- Cabinet secretaries will be asking agency heads if they have explored all of the strategies identified in this training.
- Cabinet secretaries will also be challenging any requests for additional spending that did not first identify agency savings that could be redirected to cover these requests.

Update on use of ARPA SLFRF funding

- Many agencies have been authorized American Rescue Plan Act (ARPA) State and Local Fiscal Recovery Funds (SLFRF) support for a variety of purposes.
- These funds need to be committed by December 31, 2024, and expended by December 31, 2026.
- As was done last year, DPB will be surveying agencies to determine the remaining amount of uncommitted and unspent SLFRF funding, as well as amounts that are available to be repurposed.
- The survey is likely to go out in late August or early September.
- As a reminder, only the General Assembly can repurpose these funds.

Links to Resources

- DHRM classified employee data:

<https://www.dhrm.virginia.gov/reports>

- General Fund balances history:

<https://dpb.virginia.gov/forms/20230815-1/YearEndGFBalanceSummaryFY2018-FY2023.xlsx>

- Nongeneral Funds history:

<https://dpb.virginia.gov/forms/20230815-1/YearEndNGFSummaryFY2018-FY2023.xlsx>

- Executive Department Agencies Budget Checklist:

<https://dpb.virginia.gov/forms/20230815-1/BudgetChecklist.pdf>

Questions?