Instructions for Preparing

Savings Strategies

2014-2016 Biennium

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**Department of Planning and Budget**

**August-September 2014**

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Savings Strategies Submission Overview

About the Submission

This package provides guidance and instructions for the submission of savings strategies for fiscal years 2015 and 2016. Your agency must submit plans that equal five (5) percent of your FY 2015 Chapter 2 (2014 Special Session I) general fund appropriation less adjusted amounts, and seven (7) percent of your FY 2016 legislative appropriation less adjustments. A file containing your agency’s savings target for this submission along with any applicable exempted amounts can be found on the DPB website (<http://dpb.virginia.gov/forms/forms.cfm?search=2015%20Savings%20Strategies>). The strategies you propose will need to be approved by your cabinet secretary and subsequently by the Governor’s office. Approval by your cabinet secretary must be completed by **September 19, 2014**. At that time, you will also need to provide DPB with a listing of strategies approved by your secretary. Your cabinet secretary’s office will determine the internal review deadlines for your secretariat.

The submission of your savings strategies will be executed in two parts:

* **Part 1: Strategies must be approved by your Cabinet Secretary and Governor’s Office.** 
  + You should work with your cabinet secretary to obtain approval for your proposed savings strategies. You will need to complete an Excel file to communicate your strategies to your cabinet secretary. In addition, your agency head will be required to complete a form indicating their approval of the strategies. Instructions on the use of the Excel template and approval form can be found later in this package of instructions.
  + Your cabinet secretary should complete their review and approval of your plan by September 19, at which time you must submit a listing of the strategies approved by your cabinet secretary along with approval documentation to DPB. Details on the requirements of the September 19 submission can be found later in these instructions.
  + After September 19, the Governor’s office will begin their review of your savings plan.
* **After strategies are approved by the Governor’s office, submit to DPB via the Performance Budgeting System.** This package of instruction focuses on Part 1 of the submission. Additional instructions will be issued at a later date regarding the submission of approved strategies in the Performance Budgeting system. Until such time, do not enter any of your savings strategies or other decision package requests into the Performance Budgeting system.

Note: Links to all files and templates referenced in these instructions can be found at the following link: <http://dpb.virginia.gov/forms/forms.cfm?search=2015%20Savings%20Strategies>. Alternatively, you may go to the DPB webpage at <http://dpb.virginia.gov/> and click the link to “2015 Savings Strategies”.

About Savings Targets

As indicated previously, your agency will receive savings targets that equate to a five percent reduction in FY 2015 and seven percent in FY 2016. Prior to calculating the five and seven percent targets, certain adjustments have been made. The adjustments to your agency’s general fund legislative appropriation fall into two categories; 1) complete exemptions, and 2) amounts that may be considered later as part of targeted reductions. While these targeted review amounts are not part of this across the board exercise, they may be subject to additional reductions that will be included in the Governor’s amended budget bill. Agency five and seven percent savings targets can be found by downloading the Agency Savings Target template on the DPB website (see link on the previous page).

See Appendix A for instructions on downloading and using this template.

Things to Consider When Developing Savings Ideas

In developing savings strategies for your agency, please take the following into account:

* **Pledged 2014 Balances.** In May of this year, the Governor’s Chief of Staff sent out a memo encouraging agencies to pledge discretionary GF balances. In that memo, the Chief of Staff indicated that agencies that pledged balances would receive a credit against FY 2015 reductions. Your agency’s savings target has not been adjusted for these pledged balances, however, you may use amounts equivalent to your approved 2014 pledged balances to cover all or a part of your FY 2015 target. A listing of these approved amounts can be found on the DPB website (see link on previous page). The approved pledged amounts will be carried forward into FY 2015 at a later date. If you want to use these pledged balances to help meet your FY 2015 target, you will need to include them as a strategy in your savings plan. Please use the strategy title “Recognize 2014 Pledged Balances”. Please note: you cannot use your approved pledged balances to cover any part of your FY 2016 target.
* **Strategies requiring legislation or regulation.** Some savings ideas may require the passage of legislation or a change in regulation in order to fully implement. While such strategies should not be ruled out, you should keep in mind that in order to meet your FY 2015 target, such actions may not be possible. If you have savings ideas that may require changes in legislation, you should notify your cabinet secretary’s office as soon as possible.
* **Avoid 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 will be considered for FY 2015, but you should limit the use of such proposals to the bare minimum. It is important to remember, however, that one time savings will not be accepted as a viable strategy for FY 2016.
* **Don’t close the Washington Monument.** Agencies should not propose the 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, known as the “Washington Monument Strategy,” will likely be unacceptable and you will be required to replace such strategies with more realistic ideas.
* **Focus on lower priority activities.** Savings should focus on identifying the lowest priority activities in your respective agency, rather than on simply eliminating personnel.
* **OK to include costs to achieve savings.** It is permissible for an agency to propose in its savings proposals, individual strategies that include up-front costs to achieve long-term savings. However, your overall savings plan must show a net savings from all strategies that meet the required savings target.
* **Focus on overall savings to the state.** Agencies cannot count savings actions that will reduce payments to other state agencies or have a negative financial impact on other state programs. This does not result in overall savings to the Commonwealth. However, we are very interested in any ideas you may have that could reduce statewide costs, so please communicate these to your budget analyst and cabinet secretary.
* **Remember that layoffs generate costs.** Saving strategies requiring layoffs of personnel may generate costs due to the severance benefits required under the Workforce Transition Act of 1995 (WTA), and the payment of any leave balances for which employees may be eligible. However, please keep in mind that under the provisions of paragraph L of Item 467, Chapter 2 (2014 Special Session I), the cost of enhanced retirement benefits under WTA may be factored into the employer contribution rates paid to the Virginia Retirement System and thus may not need to be taken into account. If your agency’s plan includes layoffs, please review paragraph L of Item 467.

For more information on state personnel policies with respect to layoffs and furloughs, see the Department of Human Resource Management (DHRM) website 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.virginia.gov/layoffinfo.html>

In addition, a WTA estimator can be found on the DPB website at the link referenced on the first page of these instructions.

Part 1 of Submission: Cabinet Review/Approvals

Completing the Excel Strategies Listing

The Excel template you will use to communicate your strategies to your cabinet secretary and the Governor’s office can be found on the DPB website (see link at the beginning of this package of instructions). The Excel file contains two tabs. You will enter your savings strategies on the first tab. The second tab generates an approval form that you should attach to the strategies listing when you submit the plan to your cabinet secretary. The instructions for completing the “Strategies Listing” tab of the template are as follows:

* **Select your secretarial area.**  At the top of the form, you should see a cell that asks you to select a secretarial area. Select the secretarial area your agency falls under from the dropdown list in cell E3 (the cell has been pre-populated with “SELECT A SECRETARIAL AREA”).
* **Enter your agency’s three-digit agency code.** Under the Secretarial Area selection box, enter your agency’s three-digit agency code in the cell indicated in the template (cell E5). After you enter an agency code, the agency name and other information will populate.
* **Agency Targets, Target Variance, and Strategy Totals.** Just underneath the column headers are three rows of information that contain calculated data. After you enter your agency code, the savings targets for your agency will appear under the FY 2015 and FY 2016 “GF Impact” columns. The “Strategy Totals” row calculates the totals of all the strategies entered in the template. The “Target Variance” row compares the “Strategy Totals” with the “Agency Targets”. When you have completed your entry of savings strategies, the “Target Variance” should be zero.
* **Entering savings strategies.** The Excel template has been pre-formatted with rows for 25 strategies. If you need more than 25 strategies, just begin entering a strategy after the last formatted row and the new row should be automatically formatted to match the previous row. If you need less than 25 strategies, you can either delete the zero amounts in the unwanted rows or just delete the rows by right-clicking on the row number and selecting the “Delete” option.
* **Enter a Strategy Title.** Under the “Strategy Title” column, enter a short title for each savings strategy. The title should avoid the use of acronyms or other jargon.
* **Enter a Strategy Description.** Under the “Strategy Description” column, enter a brief description of the proposed savings strategy. Please remember that just because you may have a great deal of information about a proposed savings strategy does not mean that you should attempt to insert all of it into this template. Try to keep these descriptions informative but relatively brief.
* **Indicate whether legislation or regulation is required.** Under the “Legislation or Regulation Required” column, select the appropriate item from the list. If legislation is required select “Legislation”. If regulation is required select “Regulation”. If a savings strategy requires changes in budget bill language to implement, select “Budget Language”. Otherwise, select “N/A”.
* **Enter the GF Impact of the strategy.** Under the FY 2015 and FY 2016 “GF Impact” columns, enter the savings generated by each strategy. For the purposes of this exercise, anything that saves general fund dollars (reduction in appropriation) or generates general fund resources (eg. nongeneral fund cash balances or new GF revenue) should be entered as a negative amount. Otherwise, the “Agency Totals” and “Target Variance” amounts at the top of the template will not be correctly calculated.
* **Indicate the impact to nongeneral fund appropriation.** Under the FY 2015 and FY 2016 “NGF Appropriation” columns, indicate any impact a savings strategy may have on NGF appropriation. For example, if you are proposing a strategy that will shift the funding for a given activity from the general fund to nongeneral fund sources, you may determine that you will need additional NGF appropriation. Please note that strategies involving the sweeping of NGF cash do not necessarily result in any NGF appropriation actions. If you do have strategies that involve the sweeping of NGF cash balances make sure the cash sweep amounts are reflected under the “GF Impact” columns.
* **Indicate the impact on authorized position level.** Under the FY 2015 and FY 2016 “Position Level” columns, enter the change in total authorized positions. A reduction in positions should be shown as a negative amount.
* **Indicate the number of layoffs.** If applicable, enter the number of layoffs associated with each savings strategy under the FY 2015 and FY 2016 “Layoffs” columns. Layoffs should be entered as positive amounts. In addition, because layoffs impact individual employees, they should be entered as whole numbers.

Approval Form and Cabinet Secretary Review

The second tab of the Excel Savings Strategies and Approval Form template is designed to generate an approval form that should be printed and attached to the strategies listing contained in the first tab of the file. Before submitting your plan to your cabinet secretary, your agency head will need to sign the approval form. In addition, this form will serve as the form indicating subsequent approval of your plan by your cabinet secretary and the Governor’s office.

The exact details of submitting saving strategies to cabinet secretaries may vary from one secretariat to another, however, to start the process you will need to do the following:

* **Complete and print the “Strategies Listing” tab.** Summary information on the approval form is generated from the “Strategies Listing” tab. Make sure you have completed the strategies listing entry in full prior to printing the approval form.
* **Print “Approval Form” tab.** Print and have your agency head sign the approval form found on the second tab of the Excel cabinet review template.
* **Attach the approval form to the Strategies listing.** Attach the approval form signed by your agency head to the list of strategies found on the first tab. At this time you are ready to submit to your cabinet secretary. As previously mentioned, the exact process for reviewing plans may vary from secretariat to secretariat. You will need to contact your cabinet secretary’s office for guidance on this topic.

September 19th Submission and Governor’s Office Review

The review and approval of your agency’s savings strategies by your cabinet secretary should be completed by September 19th. After that time, Governor’s Office review will commence.

To help in this review, you must submit a copy of the strategies listing spreadsheet and a scanned copy of the approval form signed by your agency head and cabinet secretary to [budget@dpb.virginia.gov](mailto:budget@dpb.virginia.gov) with a copy to your DPB budget analyst. Please make sure you include your agency’s three-digit agency code in the file name of the documents you transmit to DPB. This submission to DPB must be completed by 5 PM on Friday September 19th.

Part 2: Submit in Performance Budgeting System

Instructions and deadlines regarding the submission of approved savings strategies in the Performance Budgeting system will be issued at a later date. Do not enter any savings strategies or other decision package requests in the Performance Budgeting system until additional instructions have been released.

Appendix A: Agency Savings Targets Template

Step 1, Downloading the Targets Template and Enabling Macros:

Navigate to the link referenced at the beginning of these instructions.

**If you are using Internet Explorer as your Internet browser:**

1. RIGHT-CLICK on the link for the Excel file; “Agency Savings Targets”.
2. Select “Save Target As” and save the file to your local drive.
3. Once the file is saved, close Internet Explorer and open the file using Excel.
4. Please note that in order for the template to operate correctly, you must click on the "ENABLE MACROS" button.
5. If you are prompted with a Microsoft Visual Basic error, please see the instructions below on adjusting macro security levels.

**If you are using Mozilla Firefox as your Internet browser:**

1. Click on the link for the Excel file; “Agency Savings Targets”.
2. After you click on the file name on the website, you will be prompted to open the file or save it to a drive. You should choose to save the file to your computer.
3. A box will appear warning you that the file contains macros. The box will prompt you to disable the macros or to enable the macros.
4. Please note that in order for the template to operate correctly, you must click on the "ENABLE MACROS" button.
5. If you are prompted with a Microsoft Visual Basic error, please see the instructions below on adjusting macro security levels.

**If you are prompted with a Microsoft Visual Basic error alerting you to disabled macros:**

**For Excel 2007 and later version users, please use the following instructions:**

Before opening the Excel template the following set-up needs to be done.

1. Open Excel 2007 or later version.
2. Select the “Office Button” in the upper left hand corner of the window.
3. At the bottom of the window, select the “Excel Options” button.
4. On the “Excel Options” window, select the “Trust Center” from the selections along the left of the page.
5. Then, select the “Trust Center Settings…” button near the center of the page.
6. On the “Trust Center” window, select “Macro Settings” along the left of the window.
7. Under the “Macro Settings” section select “Enable all macros”.
8. Select “OK” to close the “Trust Center” window, then “OK” again to close the “Excel Options” window.

Step 2, Populating the Agency Savings Targets

Populating the agency savings targets required that you select your agency form the dropdown list at the top of the form. Once you have done that, you will be prompted to confirm that you have selected the correct agency. Click “Yes” if you have selected the correct agency and the target information will be populated in the template. Save the file again to retain the information as populated.

Your agency’s five and seven percent savings targets can be found under the “FY 2015 5% GF Reduction” and “FY 2016 7% GF Reduction” columns.

If you have any questions, please contact your DPB budget analyst.