

BUDGET REDUCTION PLANNING GUIDELINES

Avoid one-time savings. The emphasis is to take actions that would provide ongoing long-term reductions, rather than one-time savings. In the unusual case in which a one-time strategy is utilized for 2009-10, the plan must specifically describe how this will be converted into a base budget action.

Consider eliminating lower-priority activities or underperforming activities. It is time to consider whether Virginia Tech 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 by a certain percentage.

OK to include costs to achieve savings. It is permissible to propose in the budget reduction plan individual strategies that include up-front costs to achieve long-term savings. However, your plan must show an overall net savings (including all their strategies) that meets the required reduction target for each year.

Savings must be realizable. Strategies may even consider central cost items, if the unit is able to document the ability to create an overall savings.

Focus on overall savings. Do not propose reduction strategies that would reduce university revenue. Thus, actions that reduce tuition revenue will not be accepted unless there are additional savings identified to offset the revenue reduction.

Don't close the Washington Monument. Do not propose the elimination or curtailment of core service or programs in an effort to avoid any reductions. According to the Department of Planning and Budget, a federal agency once proposed closing the Washington Monument, in hopes that popular protest would prevent the imposition of budget reductions on the agency. Strategies that employ this tactic will not be acceptable.

Remember that personnel actions may generate costs. One-time costs to generate long term savings must be planned for as part of the overall reduction plan.

Be as specific as possible.

Cost out strategies separately. Array plans to produce savings down into specific strategies and cost those out individually.

Incremental Revenues will be considered, but proposals for new charges should be approved in advance before submission.

Cost Shifting. In general, strategies that shift costs from one unit to another will not be allowed since these actions do not reduce overall costs. Specifically, without advance approval:

- Academic programs should not shift costs between programs.
- Administrative units and activities should not increase costs for other departments through internal rates assessed for various types of business and administrative services.

INSTRUCTIONS FOR PREPARING FORMS

The budget reduction form is attached. The Budget Reduction form (attachment 1) is in an Excel format. If you have trouble with the form, contact Cortney Hagerman in the Budget Office at crclay@vt.edu or 1-3281. Cindy Spangler is available to answer questions about the budget process. The Office of Human Resources should be contacted about personnel questions and the calculation of one-time costs resulting from any layoffs.

Instructions for the Budget Reduction Summary Form (Attachment 1a and 1b)

1. **Insert Agency number (208 or 229) at the top of the form.**
 - For agency 229, please also identify if the plan is for AES or COOP.
2. **Insert the Vice Presidential/College name at the top of the form.**
3. **Please do not insert or delete any columns in the form.**
4. **Enter savings amounts and position reductions as negative values.**

Column-by-column instructions for the summary form.

Priority Number: Each reduction strategy should be included on a separate line and numbered sequentially.

Title: In this column, provide a short title for each reduction strategy you propose.

Reduction Category: In this column, please select the appropriate savings category, from the drop-down menu in the spreadsheet, that best describes this reduction strategy:

- Reduce personnel costs
- Improved business practices or efficiencies
- Deferral of discretionary expenses
- Reduce or eliminate current services
- Supplant E&G with other resources

Description: Briefly describe the planned reduction action. If the strategy is specific to a certain department or has a layoff or non-reappointment, please list the department. *Since Excel is limited in what it will display in a cell, if necessary, please attach additional explanation in a separate document and a reference to that document in the spreadsheet.*

Impact: Briefly describe the impact of the reduction. Please indicate if the action will adversely impact university revenue.

Since Excel is limited in what it will display in a cell, if necessary, please attach additional explanation in a separate document and a reference to that document in the spreadsheet.

Base (Savings)/Cost: These columns relate to the amount of base savings that each strategy will yield. Fringe savings and total savings will calculate automatically when the relevant columns are populated.

Insert dollar amounts (rounded to the nearest whole dollar) for savings in the appropriate expenditure category columns. **Enter negative values for reductions.**

One-time: severance cost or savings: Any one-time costs necessary to produce long-term savings should be entered in this column. Costs should be entered as a positive value. One-time resources to cover one-time costs should be entered as a negative.

- **NET SAVINGS** (base and one-time) is automatically calculated at the bottom of the form. **This amount should tie to the budget reduction target.** Budget reductions should be fully addresses by identification of ongoing savings.

Positions: Enter a negative amount indicating the incremental number of positions being eliminated in the appropriate category, carrying each position to two decimal places. For example, one position would be shown as (1.00). The column labeled "Total FTE" will automatically total the position changes in all columns. Total includes elimination of vacancies, layoff, and non-reappointment.

Layoff and Non-Reappointment: Count of position layoff and non-reappointment.

Due Date of Form Submission

Please send your submission electronically (as an e-mail attachment) to Cortney Hagerman at crclay@vt.edu by December 12, 2008.

The submission may include a transmittal memo summarizing the plan.

For agency 208, please include completed forms for the 3% reduction scenario (Attachment 1a) as well as the 5% reduction scenario (Attachment 1b).

For agency 229, please include the completed forms for the 9% reduction scenario (Attachment 1a) as well as the 13% reduction scenario (Attachment 1b).

The Office of Budget and Financial Planning and the Department of Human Resources are available to help you with your reduction plans and any personnel reduction costs.