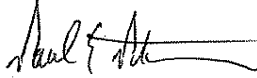




STATE OF CONNECTICUT  
OFFICE OF POLICY AND MANAGEMENT

To: Executive Branch Agency Heads

From: Paul E. Potamianos  
Executive Budget Officer 

Subject: FY 2017 General Fund Spending Plans and Program Prioritization – Phase 2

Date: February 29, 2016

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This communication is a follow up to my memorandum dated February 16, 2016, and provides guidance on development of FY 2017 General Fund resource information for prioritized agency activities.

In **Phase 1**, agencies were asked to provide a list of activities currently performed by the agency, in priority order. **Phase 2** requires provision of detail about spending and staffing for each activity, and identification of specific actions (such as program revisions, staffing reductions or contract cancellations) that will be necessary in order to operate within the resources recommended in the Governor's budget. As with the first phase, the second phase applies only to agencies with General Fund appropriations.

**Agencies should not undertake Phase 2 until their Phase 1 submissions have been reviewed and approved by OPM. Please contact your assigned OPM analyst to verify approval to proceed.**

To accomplish this next phase, agencies are asked to undertake the following steps.

1. **Step 1 – Develop Baseline.** For each activity identified in Phase 1, agencies must identify funding by appropriation (SID). The resource base for this step is the FY 2017 enacted budget pursuant to Public Act 15-244, and does not include revisions recommended by the Governor on February 3<sup>rd</sup>. The software module for this step is pre-loaded with enacted appropriations (SIDs), and agencies are responsible for indicating the distribution of the enacted budget by activity.

In addition, agencies are asked to identify the number of General Fund employees associated with each activity, broken out by permanent full time, permanent part time, and all other employees. Note that we seek the number of staff, not the number of positions. Agencies should use the most recent payroll as a basis for determining the number of employees; include staff out on long-term leave, but do not include pending new hires or positions under recruitment. This step corresponds with the tab labeled "Budget Allocation" in the ABS Budget Activities module.

2. **Step 2 – Allocation of Budget Changes by Activity.** For each budget option included in the Governor's recommended budget, agencies must distribute the financial impact of the option by SID and activity. This includes the rollout of FY 2016 lapses into FY 2017, the rollout of December deficit mitigation savings, and all other specific options identified in the agency's budget. (The options correspond to the detail shown on the OPM "short forms" provided as backup for the

budget revisions. Your assigned OPM analyst can assist if there are any questions.) The ABS software module will be pre-loaded with option amounts by appropriation (SID).

- a. **For all options except the 5.75% “across-the-board” reduction:** This step corresponds with the tab labeled “Option Allocation” in the ABS Budget Activities module, and covers all options except the 5.75% “across-the-board” reduction. Guidance for handling the 5.75% reduction is addressed in subsection (b) of this memo. The software module for this step is pre-loaded with options by appropriation (SID), and agencies are responsible for indicating how the options would be applied to each of the activities identified in your March 4<sup>th</sup> submission.

In aggregate for all options on the “Option Allocation” screen, agencies are asked to identify the number of impacted General Fund employees by activity, broken out by permanent full time, permanent part time, and all other employees. Note that we seek the number of staff, not the number of positions. Agencies should use the most recent payroll as a basis for determining the number of employees; include staff out on long-term leave, but do not include pending new hires or positions under recruitment. A text field labeled “Work Force Impact” is included in the ABS software module for capturing the aggregate workforce impact of options; agencies should provide as much description as possible, including an assessment of attritional savings as well as savings that will require separations.

For the option related to the allocation of fringe benefits to agency budgets, an exact distribution of resources by activity is unnecessary; allocating in approximate proportion to salaries assigned to each activity is sufficient. Recall that the Governor’s budget assumed fringes at 37.44% of wages and salaries.

- b. **For the 5.75% reduction applied to Agency Operations and most non-ECS municipal aid accounts,** agencies must identify the specific budget proposals that are needed to achieve the savings and must indicate the distribution of each proposal by SID and activity. This process—analogue to submission of budget options each Fall—uses the tab labeled “Across the Board Allocation” in the ABS Budget Activities module. Proposals may include program revisions or eliminations, staffing reductions, or contract revisions or cancellations. In developing specific proposals, please adhere to the following:
  - i. Reduction proposals must provide sufficient detail about how cost reductions will be achieved, and must be actions the agency is prepared to undertake. OPM will review proposals to ensure they are achievable, are realistically priced, and are aligned with the agency’s activity prioritization.
  - ii. Agencies may not propose any actions that require collective bargaining or changes to existing contractual provisions. Instead, agencies should develop proposals that are consistent with current contracts with the state’s unionized workforce.
  - iii. For each proposal, identify the number of impacted General Fund employees by activity, broken out by permanent full time, permanent part time, and all other employees. Note that we seek the number of staff, not the number of positions. Agencies should use the most recent payroll as a basis for determining the number of employees; include staff out on long-term leave, but do not include

pending new hires or positions under recruitment. Indicate the workforce impact of options in the Description text field; agencies should provide as much description as possible, including an assessment of attritional savings as well as savings that will require separations.

- iv. Reductions associated with eliminating vacant positions do not impact staff, so agencies do not need to provide workforce impact assessments for such options and should not indicate any change in employees (i.e., no change to staff on board).
- v. Reductions associated with eliminating filled positions should reflect both the anticipated salary savings as well as the anticipated fringe benefits savings. In calculating the marginal fringe benefit impacts, agencies should use the 37.44% rate proposed in the Governor's budget.
- vi. Agencies may not propose revenue increases in lieu of appropriation reductions. While revenue options are welcome, the focus is on supporting the Governor's budget as recommended, rather than proposing revisions to that budget. Revenue ideas should be separately communicated to your assigned OPM analyst.
- vii. Indicate whether legislation is required to implement any reduction proposals.

**Submission.** The Phase 2 task described above should be submitted via ABS by Friday, March 11, 2016. Following review and analysis, follow up meetings or communications may be required. If you have any questions, please contact your assigned OPM analyst.

Attachment – instructions for using ABS software