

Financial Management Circular # 2020-2  
Effective Date: April 20, 2020  
General Subject: Cost Saving Measures – April 2020  
Specific Subject: COVID-19 Cost Saving Measures  
Authority: IC 4-12-1-13  
IC 4-3-22-4  
Application: This Circular applies to all instrumentalities (hereinafter referred to as “State agencies”) of the Executive Branch, including all bodies corporate and politic.

The Coronavirus (COVID-19) is altering many of the ways that Hoosiers live. As the need for government services will undoubtedly continue to grow, higher unemployment and less economic activity will certainly lead to lower than forecasted State revenue collections. We anticipate that both of these forces, higher demand for services and dramatically lower revenue collections, will exert a significant strain on the State’s resources.

In our continued collective efforts to address the fiscal impacts of COVID-19, the State Budget Agency (SBA) and the Office of Management and Budget (OMB) announce the following policies effective immediately, until revised or rescinded, to ensure that funding is available to maintain and support critical services and operations in light of the conditions we will soon be facing.

**Section 1 – Budget Management:**

1. **Spending** – When possible, agencies should prioritize the use of federal then dedicated funds in order to maximize General Fund reversions.
2. **Federal Funds** – Agencies receiving federal funds must be mindful that the uses of federal funds must be necessary, reasonable and allocable; conform to federal law and grant terms; consistent with State policies; and consistently treated. Expenditures of federal funds must be necessary to meet the goals and objectives of the federal award. Agencies should consider how federal funds can best be leveraged across state agencies in light of flexibility provided by the U.S. OMB and the federal awarding agency. Additionally, agencies should make certain they are drawing federal funds in a timely manner.
3. **State Match Requirements** – New federal funding opportunities that require expenditure of additional state matching funds or require a maintenance of effort will be strictly evaluated for cost-benefit to the State. This will include recently adopted and yet

to be adopted federal relief and stimulus programs related to the COVID-19 public health emergency.

4. **Avoiding Funding Cliffs** – Federal stimulus funding should be used for one-time spending or to temporarily replace existing State funding so that State funding can be saved. Federal stimulus funding should not be used for new ongoing expenses that would need to be supported by State funding once the federal stimulus funding is no longer available.
5. **Provider Rates** – Agencies may not increase provider reimbursement rates. If increased compensation to providers is necessary for continuation of essential services, an agency can work with their budget analyst to evaluate cost effective solutions that do not result in increased ongoing expenses.

## **Section 2 -- Personnel:**

1. **Strategic Hiring Committee (SHC)** – All personnel actions (e.g. filling of positions, creation of positions, reclassifications, reorganization) require review by the SHC. No job offer or salary may be extended to any candidate until the SHC has reviewed and approved the request.
2. **Limited Hiring** – There is a freeze on all hiring requests unless the agency determines and the SHC confirms filling the position is essential to addressing the COVID-19 public health emergency.
3. **Knowledge Services / Guidesoft** – Agencies may not utilize Knowledge Services, Guidesoft, or similar QPA services to supplement staff without SBA approval. Agencies must obtain signed approval from their budget analyst before completing a job posting questionnaire or renewing a staffing engagement with Knowledge Services or Guidesoft.
4. **Salary Increases** – Salary increases should only be provided through the annual pay for performance review process.
5. **Bonuses** – Bonuses may only be issued under a defined program approved by the SHC. An agency may submit a defined bonus program to the SHC for approval and award bonuses consistent with the approved program. All existing bonus programs, including previously approved programs, need to be re-evaluated by the SHC in light of the current financial situation. No spot bonus should be greater than \$1,000, and an agency may not spend more than its number of full-time equivalents (FTE) multiplied by \$100 on its annual spot bonus program.

6. **Overtime** – Agencies should carefully monitor overtime expenses, especially where employees are working considerably more than 37.5 hours per week. Agencies should work with SBA to identify ways to reduce or eliminate overtime that results in a savings to the agency and State. For example, agencies can explore opportunities to reduce overtime expenditures by offering compensatory time.
7. **Contractors** – Agencies should evaluate the continued use of contractors and alternatives to the structure of these relationships measured against program priorities, effectiveness and critical services.
8. **Temporary Employees** – Agencies should evaluate their use of temporary employees and whether there are alternatives utilizing existing staff. For example, an agency with variable workflows could offer compensatory time to existing employees in lieu of overtime or hiring temporary staff.
9. **Paid Internships** – Paid internship programs are suspended. Agencies are free to continue to utilize unpaid internships.
10. **Talent Acquisition** – Agencies should minimize talent acquisition expenses to the greatest extent possible. Individual agencies should not utilize paid recruiters or job sites without prior approval from the State Personnel Department (SPD) and SBA. Agencies may not offer or agree to pay the license or credential fees, relocation expenses, or expenses for obtaining necessary visas or work authorizations for a job applicant without prior SPD and SBA approval based on a demonstrated need from the agency.
11. **Telework Policies** – Agencies should work with SPD and SBA to develop or update policies that prioritize teleworking when appropriate. The goals of these policies shall be to increase productivity and job satisfaction of employees while decreasing office space and parking needs within the agency.
12. **Training** – Before paying for external speakers, trainers, or training materials or utilizing internal staff to develop new training, agencies should verify whether no or low cost alternatives are already available through SPD. SPD currently offers several training options available to agencies for no-cost, including online learning through LinkedIn Learning or instructor-led training in the Government Center. In the event agencies need to pay for external speakers, trainers, or training materials, they should consult with SPD to determine if other agencies could also benefit from the same training and costs can be pooled and reduced. Training proposals must be approved by SPD and SBA.
13. **Health and Wellness Programs** – Agencies should actively encourage employees to participate in the Health and Wellness Programs (ActiveHealth, Anthem Employee Assistance Program, LiveHealth Online, Government Center Clinic by Our Health)

offered by the State Personnel Department. More information is available at SPD's website or at: <http://www.investinyourhealthindiana.com/activehealth/>  
<https://www.anthem.com/employer/eap/employee/>  
<http://www.investinyourhealthindiana.com/ourhealth/>

14. **Offender Labor** – Agencies should work with the Department of Correction to identify opportunities to utilize offender labor (mowing, painting, capital work, etc.) in order to reduce costs whenever possible.

### **Section 3 – Procurement:**

1. **Contract**– Agencies should carefully scrutinize contracts. Opportunities to renegotiate more favorable terms should be negotiated with your agency legal team and your budget analyst in consultation with the Indiana Department of Administration (IDOA), if needed. Contracts primarily funded by federal assistance should not extend beyond the existing federal grant agreement or without approval by the SBA.
2. **Special Procurements** – Agencies should carefully scrutinize special procurement requests. Unless a special procurement is clearly and directly related to essential COVID-19 response efforts, the default position on special procurements is denial unless the agency makes a strong case that traditional procurement mechanisms are not appropriate.
3. **Media / Advertising** – Agencies should minimize media and advertising expenses to the greatest extent possible. Requests for expenses should be justified, including an explanation of how it remains necessary and appropriate during the pandemic recovery. Spending on media and advertising requires prior approval from the Governor's Office Communications team (MHoltkamp@gov.IN.gov) and will be reviewed in conjunction with SBA. Agencies should also work with IDOA to identify ways to consolidate media and advertising spend in a way that meets the needs of agencies, but reduces costs to the State overall. Agencies should not:
  - a. Pay for news clips services
  - b. Pay for any listserv tool
  - c. Pay for any sponsorships
  - d. Pay for any promotional items
  - e. Pay for any gifts, mementos, awards, trophies
  - f. Pay for any internal posters and campaigns
  - g. Pay for any image, PR, or messaging consulting services
4. **Information Technology** – OMB will be working with the Indiana Office of Technology (IOT) to develop cost saving policies for the State. Agencies should carefully review their information technology expenditures and work with the IOT to identify appropriate savings.

5. **Travel** – Agencies should limit travel expenses by:
  - a. Out-of-state travel – In addition to the normal travel protocol, all out-of-state travel must be approved by SBA.
  - b. Car Pooling – State employees should make reasonable efforts to car pool when travel is deemed essential. IDOA can assist agencies with rental cars or pool cars that can be used when travel is necessary.
  - c. Conferences – Agencies should minimize the number of State employees being sent to conferences and training seminars. In most cases, one or two State employees can bring the relevant information back to other State employees who do not attend the conference. Moreover, agencies should maximize opportunities to use the "train the trainer" model in order to avoid the costs of sending multiple employees to the same conference or seminar. Conference attendance for training may only be undertaken with SBA approval and demonstrated need for the attendance.
  - d. Overnights – Overnight stays should be limited to out-of-state travel deemed essential. In-state travel should rarely require an overnight stay.
  - e. Alternatives to travel, such as teleconferences and webinars, should be considered in all cases.
  
6. **Refreshments and Meal Expenses** – The following list contains examples of circumstances where the purchase of simple refreshments or light meals by agencies is not appropriate. This is not an exhaustive list:
  - a. Office refreshments
  - b. On-campus meetings at which only State employees are present
  - c. Birthday, holiday, going-away, and/or retirement parties
  - d. Meals during job interviews

SBA policy is to permit a State agency head to authorize the expenditure of State agency funds at State functions for “simple” refreshments and “light” meal expenses. The standard to use for gauging the appropriateness is whether the provision of simple refreshments and light meals is reasonable and necessary in the due course of transacting legitimate State business for the purpose of furthering the State’s mission to efficiently and effectively provide high quality services to Indiana citizens. There is a high burden of proof to show that paying for food/meals with federal funds is necessary to meet the goals and objectives of the award.

Agencies unsure of a situation should reach out to your SBA budget analyst to inquire with further details.

7. **Agency Associations / Memberships** – Agencies should only belong to organizations or associations that directly relate to the agency’s mission and responsibilities. Memberships that do not permit multiple staff participation should be avoided. Agencies shall report to SBA by July 1<sup>st</sup> annually the list of organizations or associations they are

paying members of, the amount of the annual membership, and the purpose of the organization or association.

8. **Employee Licenses / Memberships** – Agencies should only pay for fees on behalf of an employee for licenses or memberships that directly relate to the agency’s mission and the employee’s responsibilities. For example, an agency may pay the professional licensing fees for an employee serving in that professional capacity for the agency; however, an agency should not pay professional license fees for an employee serving in a role that does not require the professional licensure. Agencies should not pay association or professional organization membership fees on behalf of employees unless required for the performance of the employee’s responsibilities. Agencies shall report to SBA by July 1<sup>st</sup> annually the list of license and membership fees they are paying on behalf of employees and the purpose of the license or membership.
9. **Subscriptions** – Agencies should analyze their subscriptions to periodicals and journals, and reduce or eliminate the number of subscriptions wherever possible. An agency should have no more than one subscription for the same periodical.
10. **Fleet Purchases** – There is a temporary freeze on vehicle fleet purchases. Agencies should work with IDOA to identify underutilized vehicles across State government that can be reassigned when possible.

#### **Section 4 – Communications:**

1. **Mail** –Agencies shall not mail information, notices, documents, etc. to each other. Information should be sent via email or interoffice mail at no charge, unless otherwise prescribed by law.
2. **Printing** – Agencies should strive to reduce printing where possible. This includes but is not limited to the following:
  - a. If paper copies are required, print double-sided.
  - b. Color copies should only be used when absolutely necessary and not for internal meetings.
  - c. Paper publications should be eliminated wherever possible. Annual reports and other information can be posted to agencies’ websites and/or distributed electronically in most instances.
3. **Publications and Reports** – Agencies should evaluate the need to create publications and reports that are not required by Indiana law or federal law. Any reports or publications that are done outside of legal requirements should be reviewed by the agency to determine if the report adds value to the agency, State, etc. and the amount of time and resources committed to reports and publications could not be used elsewhere to benefit the agency and State.

## **Section 5 – Physical Space:**

1. **Meeting Space** – Agencies should minimize their costs for internal and external meetings including agency hosted trainings. This includes:
  - a. Agencies should not pay for meeting spaces. Agencies should utilize existing meeting space in the government center as well as State facilities with meeting space, State universities, etc. before seeking to use space that will result in additional State spending. For instances, the Department of Natural Resources can host off-site meetings at locations such as the Fort Harrison State Park Inn.
  - b. Agencies should utilize web videoconferencing and webinar tools when available and appropriate for meetings and agency-hosted training.
  
2. **Hosted Conferences** – Agencies should minimize costs for conferences, including limiting the number of conferences that agencies host to the extent possible. This includes but is not limited to the following:
  - a. The default position on agency-hosted conferences is that they are not necessary unless required by State or federal law unless an agency can demonstrate a strong need for the conference or substantial benefit to the State or citizens of Indiana.
  - b. Sponsorship and registration fees should be used to cover expenses for any conferences, rather than State funds, to the extent they are legally permissible and consistent with State ethics rules.
  - c. Consistent with the provisions on meeting space, agencies should not use State funds to pay for meeting space.
  - d. Agencies should not pay for conference hosting services, event planners, or catering for hosted events.
  - e. Agencies should not pay for travel for conference presenters.
  - f. Agencies should not pay for lodging expenses for conference attendees, unless the attendees are agency employees and attendance in-person is required for the performance of the employee’s responsibilities.
  
3. **Renovations** – Agencies should pause planned renovations, including but not limited to plans to remodel, reconfigure, paint, or otherwise update existing space. Agencies that are in the midst of renovations or have otherwise incurred expenses related to renovations should work with their budget analyst to determine the most cost effective resolution.
  
4. **Office Space** – OMB will be working with the IDOA to develop cost saving policies for the State. Agencies should carefully review their office space expenditures and work with the IDOA to identify appropriate savings, such as consolidation of space within the government center or elimination of leases or satellite locations.
  
5. **Furniture** – Agencies should eliminate furniture purchases. IDOA can assist agencies with recycling used furniture through the State Surplus program.

## **Section 6 – Operational Cost Savings:**

1. **Operational Efficiencies** – As mentioned in the March 23, 2020, fiscal management letter to agency heads and chief fiscal officers, agencies should work with SBA staff to identify ways to maximize reversions. Agencies should evaluate all of their operations to identify areas where cost savings can be achieved through operational changes or efficiencies as these are ideal targets for maximizing reversions. Agencies interested in assistance with these efforts can utilize SBA’s Agency and Programs Continuous Improvement team. Requests for assistance can be sent to [Indianastatebudgetagency@sba.in.gov](mailto:Indianastatebudgetagency@sba.in.gov).
2. **Minimal Value Activities** – Agencies are asked to evaluate their current operations and identify any activities that can be targeted for elimination. Such activities include programs, reports, licenses, permits, or other actions by an agency that no longer serve an active constituency or the current constituency is greatly reduced from when the activity was first implemented. For example, an agency continues to administer a permit program even though there are no longer any active permits. Agencies should send any identified activities to [Indianastatebudgetagency@sba.in.gov](mailto:Indianastatebudgetagency@sba.in.gov).
3. **Cost of Administration Outweighs the Benefits** – Agencies are asked to evaluate their current operations and identify any areas where the revenue received or community benefits obtained from a particular program are outweighed by the cost of enforcement and administration of the program. Agencies should send any identified activities to [Indianastatebudgetagency@sba.in.gov](mailto:Indianastatebudgetagency@sba.in.gov).
4. **Operational Efficiencies Through Legislation** – Agencies are asked to identify areas where significant cost savings or operational efficiencies could be obtained through changes to the Indiana Code. Agencies should send any potential identified legislative items to [Indianastatebudgetagency@sba.in.gov](mailto:Indianastatebudgetagency@sba.in.gov) and the Governor’s Legislative team.
5. **Office Supplies Inventory** – Agencies should develop policies to minimize excess inventories of office supplies, including printer paper, letterhead, pens, binder clips, business cards, etc. To the maximum extent possible, these purchases should be coordinated through a centralized procurement process to eliminate duplicative or unnecessary purchases within an agency.



## **Section 7 – Fiscal Year 2021 Strategic Plan:**

As mentioned in the March 23, 2020, fiscal management letter to agency heads and chief fiscal officers, agencies should work with SBA staff to identify ways to maximize reversions. As part of this effort, agencies are required to submit a strategic plan to SBA by June 1, 2020, that demonstrates their ability to meet the reserve target and spending plan for FY 21. The strategic plan should address each of the above sections of this FMC – Budget Management, Personnel, Procurement, Communications, Physical Space, and Operational Cost Savings – and describe:

1. How the spending plan will achieve the reserve target;
2. The agency's plan to comply with the policies in the FMC;
3. Any cost savings identified by the agency;
4. Any opportunities to prioritize federal spending rather than State funding;
5. Anticipated federal grant opportunities or renewals through June 30, 2021, which include a State match component;
6. The agency's staffing plan in light of the directives in the Personnel Section;
7. An analysis of open contracts in light of the directives in the Procurement Section;
8. The agency's anticipated procurement needs through June 30, 2021, including any anticipated new procurements or contract renewals;
9. An analysis of agency's communications in light of the directives in the Communications Section;
10. An analysis of the agency's physical space in light of the directives in the Physical Space Section;
11. An analysis of potential cost savings in light of the Operational Cost Savings Section; and
12. Any anticipated exceptions to particular polices (covered by Section 8 below) along with the justification for the requested exception.

The strategic plans will be reviewed with each agency and revised as necessary as circumstances dictate. The strategic plan will be reviewed in conjunction with proposed agency expenses (for example SHC, procurement, or federal grant requests) to ensure they coincide with the plan. If a request is submitted that is outside of the submitted plan, the agency must provide justification for the deviation.

## **Section 8 – Additional Guidance:**

Exceptions to the above policies can only be approved by the SBA Director or the OMB Director.

This list should not be taken as an exhaustive list of cost savings measures. As always, agencies should conserve all tax dollars as if expense was coming out of their own pocket.

This is a highly fluid and evolving situation and we are constantly reviewing the State's fiscal situation. Revisions to these policies will be made as appropriate.

Finally, as our practice has been, we welcome any and all suggestions that agencies may have for additional costs savings ideas or initiatives. Feel free to email us at [Indianastatebudgetagency@sba.in.gov](mailto:Indianastatebudgetagency@sba.in.gov).

A handwritten signature in black ink, appearing to read 'Zachary Q. Jackson', written over a horizontal line.

Zachary Q. Jackson, Director  
State Budget Agency