

Financial Management Circular # 2021-1 (Replaces #2020-2)
Effective Date: February 19, 2021
General Subject: Cost Saving Measures – February 2021
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.

In April 2020, the State Budget Agency (SBA) and the Office of Management and Budget (OMB) published FMC #2020-2 in anticipation of a significant strain on the State’s resources due to COVID-19. While COVID-19 continues to impact many aspects of our operations and economy, the State’s financial outlook is better than we anticipated ten months ago.

While this Circular removes or amends many of the restrictions that were implemented in FMC #2020-2, your continued fiscal restraint is appreciated. Please understand that while a restriction may have been lifted, that does not imply that an unnecessary or inefficient use of funds is acceptable. Furthermore, 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.

In our continued collective efforts to address the fiscal impacts of COVID-19, SBA and OMB announce the following policies effective immediately, until revised or rescinded.

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 should work with SBA 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 (i) the SHC has reviewed and approved the request or (ii) the SHC has reviewed and approved a staffing plan that covers the position.
2. **Hiring** – There is no longer a freeze on all hiring requests; however, hiring requests should be prioritized by the position's critical operational need or role to address the COVID-19 public health emergency.
3. **New Positions** – The creation of new positions is strongly discouraged. Any request to create new positions must include significant justification and will be highly scrutinized.
4. **Knowledge Services / Guidesoft** – Agencies must obtain signed approval from their CFO before completing a job posting questionnaire or renewing a staffing engagement with Knowledge Services or Guidesoft. Agencies should not utilize Knowledge Services, Guidesoft, or similar QPA services to avoid oversight by the SHC or to fill positions denied by the SHC.
5. **Salary Increases** – Salary increases should only be provided through the annual pay for performance review process or as determined to be necessary in accordance with state pay policies and with approval of the SHC.

6. **Bonuses** – Spot bonus programs may continue without SHC approval and will follow the pre-pandemic guidelines which stipulated that:
 - a. No spot bonus should be greater than \$1,000,
 - b. An agency may not spend more than its number of full-time equivalents (FTE) multiplied by \$100 on its annual spot bonus program, and
 - c. Any other type of bonus program (e.g. referral bonus) must be reviewed and approved by the SHC.

7. **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.

8. **Contractors** – Agencies should evaluate their continued use of contractors and alternatives to the structure of these relationships measured against program priorities, effectiveness, and critical services.

9. **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.

10. **Internships** – In general, agencies are strongly encouraged to proactively utilize unpaid internships. If an agency desires to utilize a paid internship to attract the necessary talent and skill set required for the role, a plan must be submitted to the SHC for approval to offer a paid internship.

11. **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 considering paying for license or credential fees, relocation expenses, or expenses for obtaining necessary visas or work authorizations for a job applicant will need prior authorization from SPD and SBA based on a demonstrated need from the agency.

12. **Telework Policies** – Agencies should work with SPD and the Governor’s Office to develop or update policies that prioritize teleworking when appropriate.

13. **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 within state government. There are 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.

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. Please note that due to the Covid-19 Pandemic and the concern for offender’s health and safety, agencies may not be able to utilize offender labor at this time. Nonetheless, in the absence of a pandemic or other variables as determined by DOC, the use of Offender labor to reduce cost is highly encouraged

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 SBA 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. **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 and reduces costs to the State overall. Unless an exception is approved in writing by the Governor’s Office Communications team, 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
3. **Travel** – Agencies should limit travel expenses by:
 - a. Out-of-state travel – will be handled through the normal IDOA protocol.

- b. Car Pooling – State employees should make reasonable efforts to carpool 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.
4. **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 provide high quality services efficiently and effectively 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.

5. **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 1st 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.

6. **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 1st annually the list of license and membership fees they are paying on behalf of employees and the purpose of the license or membership.
7. **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.
8. **Fleet Purchases** – Fleet purchases are scrutinized in the context of the overall State inventory of vehicles and utilization. Agencies should work with IDOA to identify underutilized vehicles across State government that can be reassigned when possible in lieu of purchasing new vehicles.

Section 4 – Communications:

1. **Mail** – Agencies should only mail information, notices, and documentation to each other as a last resort, unless otherwise prescribed by law. Information should be sent via email or interoffice mail at no charge or moved via SharePoint and other cloud computing services as approved by IOT.
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 instance, 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 SBA budget analyst to determine the most cost-effective resolution. Agencies that must renovate should coordinate with IDOA to maximize space and reduce renovation costs.

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 minimize furniture purchases to the extent possible. Agencies should first seek to obtain furniture through surplus or other existing inventory.

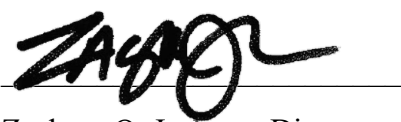
IDOA can assist agencies with recycling used furniture through the State Surplus program.

Section 6 – Operational Cost Savings:

1. **Operational Efficiencies** –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.
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.
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.
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 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 – Additional Guidance:

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

A handwritten signature in black ink, appearing to read 'Zachary Q. Jackson', is positioned above a horizontal line.

Zachary Q. Jackson, Director
State Budget Agency