



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

OFFICE OF THE
CHIEF FINANCIAL OFFICER

JUN 8 2006

MEMORANDUM

SUBJECT: FY 2008 Technical Budget Guidance

FROM: Lyons Gray
Chief Financial Officer

A handwritten signature in black ink that reads "Lyons Gray".

TO: Assistant Administrators
General Counsel
Inspector General
Regional Administrators

Thank you for the opportunity to speak with you individually and for sharing your thoughts on the difficult choices we will need to make as we develop the FY 2008 budget. I appreciate the ideas and suggestions that many of you have offered for potential savings for 2008 and beyond. As I mentioned, the FY 2008 budget presents difficult challenges for the Agency.

This memorandum provides Agency technical guidance on the next phase of the budget process. Based on our analysis, responses provided to the templates and discussions at the hearings, OCFO has developed a set of proposed disinvestments, innovations, efficiencies, and consolidations. Your written comments and responses to our proposal are due no later than Tuesday, June 20, 2006. OCFO will develop a Straw Budget, which we will share with you prior to our Senior Leadership Meeting on July 17.

APPROACH TO THE FY 2008 BUDGET PROCESS

In keeping with the Administrator's principles, our FY 2008 budget will promote environmental results and accountability, innovation, best available science, and collaboration in our work with all of our partners taking into account a very challenging budget forecast. The decisions we make will be critical, difficult, and will have long-term consequences. We must evaluate our programs across the Agency to identify priorities, reduce duplication, and identify opportunities for consolidation and streamlining. We must continue to emphasize ways to deliver our programs more effectively. We will continue to rely on performance and results information as key decision factors in developing our budget. The Agency will need to defend its budget by demonstrating past and future achievements through measurable improvements in program performance.

GUIDANCE FOR PREPARING NPM AND REGIONAL SUBMISSIONS

FY 2008 SAVINGS

Based on our one-on-one conversations with the AA's, discussions that will take place at the Senior Leadership meeting, and decisions by the Administrator, OCFO will issue final FY 2008 budget target levels and guidance for the OMB submission by the first week of August. Agency managers will have through mid-August to complete resource data, performance data, and justifications for the OMB submission. At that time, OCFO will work with NPMs to resolve any outstanding issues so that the budget can be submitted to OMB by the deadline of September 11, 2006.

OUTYEAR SAVINGS: FY 2008 AND BEYOND

Beginning this year (FY 2006), we will explore long term opportunities to achieve larger savings and efficiencies into the future. As budget constraints continue, our ability to link budget, performance, and results more closely will become increasingly important.

- Attachment D:* Template for NPM acceptance of OCFO proposal
- Attachment E:* Template for NPM alternative response to OCFO proposal
- Attachment F:* NPM and regional proposal for targeted FTE buyout/early-out
- Attachment G:* Regional proposal for FTE realignment

For your information, we have also included a schedule of key dates as Attachment C and a list of OCFO contacts as Attachment H.

I. Submissions for FY 2008 due by June 20th

- *Addressing OCFO Proposals* - Each NPM must explain how it will achieve the specific reduction OCFO has proposed by either:
 - 1) Accepting the OCFO proposal using the template provided as *Attachment D*, or
 - 2) Providing alternative disinvestments using the template provided as *Attachment E*. (Any alternatives proposed must meet OCFO's target.)
- *Proposals for Targeted FTE Buyout / Early-out* - NPMs and Regions are asked to identify FTE from GS 12 to GS 15 for proposed targeted reductions. Please reference *Attachment F* for more information.
- *Regional FTE Realignments* - Beginning with the FY 2008 Budget, Regions will be responsible for determining how best to allocate their FTE. Regions still must meet performance commitments agreed to with the NPMs, but FTE shifts may be made to accommodate the priorities and needs of the Region. At this time, we would like to codify regional FTE shifts that were proposed in the hearing templates or subsequent to the hearing. Regions should complete Attachment G if they propose to make FTE shifts. Recognizing that additional FTE reductions will occur, Regions will have another opportunity to make FTE shifts during the formulation phase of the FY 2008 budget process. Please note that with this control over your resources, Regions also

will need to actively participate in the development of all justification materials and explain any changes.

- OARM is directed to develop a plan implementing grant set asides which addresses how the costs of administration will be calculated, how costs will be charged, and how the set aside will be implemented within the Agency. The proposal should specifically identify what the Agency would do with the set aside funds. OARM also should outline the advantages and disadvantages associated with this idea. } X
- OARM, with Region 8 and AIEO as Co-Leads, is directed to develop a plan with options to reduce tribes' administrative burden, for example through the use of block grants. } X

II. Exploring Outyear Savings: FY 2008 and Beyond

The Agency needs to develop a set of plans to realize long term efficiencies and savings. This process will start in 2006 and continue through the next 5 years.

Submissions for the June 20th deadline should include:

- 1) An outline of the overall process for developing the products listed, and
- 2) A timeline for creating the products

The Agency will consider the long term projects listed below. While the initial submission is due on June 20th, the plans will be long term, with milestones beginning in FY 2006. As needed, OCFO will provide feedback and additional guidance in the July Straw Budget. To guide your thinking, items to be included in the plans are listed in each section. Each lead office is asked to assign a senior manager as a point of contact. To save on travel costs, workgroups are encouraged to meet via teleconferencing or video conferencing.

A. Centers of Excellence Plan: OARM and the Lead Region (Region 1 in FY06, Region 9 in FY07-08), working with lessons learned from Region 7, are to develop a plan to consolidate and streamline Agency functions related to contracts, grants, and human resource work (e.g., by creating centers of excellence). Each function is to have up to three regional centers. Headquarters and other ancillary offices can be considered as centers. } X

The plan should include:

- Mutually agreed locations for each center.
- Facilities and equipment requirements of each center.
- Space reduction or consolidation plans, including proposals for emptied space.
- An approach for reducing or relocating necessary staff, including a FTE transition strategy.
- Expected savings and interim implementation expenses.

B. Laboratory Consolidation: - ORD will coordinate a workgroup comprised of other NPMs

and Regions to develop a plan for reducing the Agency's laboratory physical infrastructure costs by a minimum of 10% by 2009 and another 10% by 2011.

The Laboratory Consolidation Plan should outline:

- A recommendation for closing, relocating, and consolidating lab/field locations.
- An approach for relocating wet and dry laboratory equipment, personnel, and functions to localized centers of excellence, for example, by designating one location to do all micro-array work.
- An approach for reducing or relocating necessary staff, including a FTE transition strategy.
- An analysis of the cost per square foot and personnel per square foot of laboratory space before and after plan implementation.
- An implementation plan and schedule.
- Expected savings and interim implementation expenses.

C. Centralized IT Service Consolidation Implementation Plan – OEI will take the lead in developing a plan for reducing the Agency's IT/Network Services costs by consolidating servers and other mechanisms across the Agency, including small systems. The goal is to achieve at least a 10% to 15% savings. OEI will coordinate a workgroup with designated representatives from the Regions and NPMs to produce this plan. The plan may present multiple options or scenarios for achieving these reductions. OEI should utilize current inventories of IT systems.

The IT Consolidation Plan should outline:

- A recommendation for closing, relocating and consolidating agency IT projects (including small systems) and Network services such as file servers and email servers.
- An approach for relocating computer equipment, personnel, and functions to localized centers of excellence and the costs and savings associated with such moves.
- An approach for reducing or relocating necessary staff, including a FTE transition strategy.
- The implementation plan and schedule.
- Expected savings and interim implementation expenses.
- A justification that links to E-GOV Initiative.

OEI should provide savings for this effort starting in FY 2007 with significant savings in FY 2008.

D. Long Term Space Consolidations – OARM will develop a process to ensure a 90% to 95% occupancy rate for all Agency facilities by 2010. OARM should start the process by establishing the framework to address the steps required to consolidate office space in the national capital region and expand the effort to include regional and field offices. OARM should establish a workgroup with input from Regions and NPMs to ensure the plan covers all of EPA's facilities.

The Space Consolidation Plan should address:

- The process to inventory space requirements.
- The methodology used to target facilities for consolidation and/or closure.
- The process to request space changes including the approval and decision making processes.
- The implementation plan, including a milestone schedule.
- The impact and costs associated with relocating staff and reconfiguring space.
- Average costs per square foot for the various types of space (Office, conference rooms, field offices, etc.).
- Alternative solutions to keep rent/leased costs down.
- Expected savings and interim implementation expenses.

E. Energy Efficiencies: - OARM will continue its effort to establish a plan for reducing overall energy use within the Agency, including satellite offices. OARM will develop a plan for reducing the Agency's utility budget by a minimum 10%.

The Energy Plan should outline:

- A recommendation that addresses linking BTUs to the utility budget.
- An implementation plan and schedule.
- Expected savings and interim implementation expenses.

F. Voluntary programs: -OPPTS and its Lead Region are directed to develop a plan to review the Agency's voluntary programs to develop options for consolidation to maximize efficiency and results. The review also should consider severity of the environmental problems addressed and the effectiveness of the approach. The plan should include milestones and for the analysis and for the development of criteria as well as implementation options. OPPTS should form a workgroup for this effort; all NPMs are to be included except enabling/support programs.

G. Reducing Reporting Burden:

Reducing Reporting Burden: States

1. OCIR is directed to request that ECOS compile a comprehensive inventory of State reporting requirements imposed by EPA. The plan for conducting the inventory is due on June 20, 2006, and the inventory should be completed by November 2006.
2. OCIR is directed to coordinate with NPMs and Regions to compile a comprehensive inventory of EPA reporting requirements affecting the States. The plan for conducting the inventory is due on June 20, 2006, and the inventory should be completed by November 2006.
3. OCIR will compare the ECOS and EPA inventories to ensure all state reporting requirements are included. OCIR will then conduct an analysis and prioritize areas where the State reporting requirements can be reduced by EPA and those that would require Congressional approval.

OCIR will report to the Agency's senior leadership on its findings and recommendations.

Reducing Reporting Burden: Tribes

1. The American Indian Environmental Office (AIEO) is directed to work with the Tribal Caucus to compile a comprehensive inventory of Tribal reporting requirements imposed by EPA. The plan to conduct the inventory is due on June 20, 2006, and the inventory should be completed by November 2006. A

2. AIEO is directed to coordinate with NPMs and Regions to compile a comprehensive inventory of EPA reporting requirements affecting the Tribes. The plan to conduct the inventory is due on June 20, 2006 and the inventory should be completed by November 2006.

3. AIEO will compare the inventories to ensure all tribal reporting requirements are included. AIEO will then conduct an analysis and prioritize areas where the tribal reporting requirements can be reduced by EPA and those that would require congressional approval. AIEO will report to the Agency's leadership on its findings and recommendations.

Status Update: Regulatory Burden

OPEI is directed to provide an update of their review of selected rules (now underway), per a commitment to the Agency and ECOS in 2005. The update should describe the proposed approach, key milestones, and expected completion date, and is due June 20.