USDA

United States Department of Agriculture

Farm and Foreign Agricultural Services

Farm Service Agency

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TO: Karen A. Messmore
Director
Office of Human Resources Management

June 30, 2011

FROM: Jacqueline J. Whitaker
Human Resources Division Director

SUBJECT: Request for Voluntary Separation Incentive Payment (VSIP) Authority for Fiscal Year (FY) 2012

The Farm Service Agency (FSA) is requesting Voluntary Separation Incentive Payment (VSIP) authority for FY 2012. FSA is requesting VSIP authority in order to achieve an overall 7.4% reduction of its entire permanent full-time employee (FTE) workforce. The FY 2012 President's Budget proposed a 10% reduction of the federal workforce (504 federal FTE's). Action to date on the FY 2012 appropriations bill not only does not provide the President's Budget requested level but currently provides $87 million below the FY 2011 funding level. FSA's salaries and benefits, information technology and rent and utilities utilize 90% of the total administrative funding. This severely limits FSA's flexibility in dealing with significant budget shortfalls especially if final decisions are made after the beginning of the fiscal year. Although the final appropriations level may change, FSA is proposing a 5.9% reduction to the non-federal permanent workforce (507 non-federal FTE's). Therefore, VSIP authority is requested for Federal and non-Federal FSA employees. FSA non-Federal employees are employees of the county committees established under section 8(b)(5) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h (b)(5). They are specifically covered as employees for the purpose of VSIP in P.L. 107-296 and in 5 CFR Part 576.101. FSA is requesting VSIP authority to cover the period of October 1, 2011, through March 31, 2012.

Although staff reductions have already begun through hiring controls and an early retirement offer agency-wide, as well as normal attrition and other separations, these actions will not achieve the necessary 7.4% workforce reduction for FY 2012. Further, FSA has been faced with six consecutive years of appropriations below the President's budget request, combined with inflationary increases for fixed operating expenses that were not covered in the enacted levels. These shortfalls have, so far, been addressed through aggressive cost-cutting measures in discretionary operating expenses, such as IT, supplies, equipment, travel and training. The Agency is at a point where expenses can no longer be absorbed through the same approaches and we must begin reviewing our infrastructure and personnel.

Currently, FSA employs at total of 13,543 permanent employees; 4,881 Federal employees in Headquarters, state and county offices and 8,662 non-Federal employees located in the county offices. These permanent workforce levels have remained relatively steady over the past two years. FSA experienced stagnant retirement levels in FY 2009 and FY 2010, despite increases in the number of employees eligible for optional retirement. In FY 2010, there were 1,861 employees eligible for retirement (877 Federal employees and 984 non-Federal employees) as compared with FY 2009 which had an aggregate of 1,544 employees eligible for optional retirement. However, the actual number of retirements was nearly unchanged in FY 2010 from FY 2009. In both years, only 4% of FSA's Federal workforce voluntarily retired; 209 in FY 2009 and 210 in FY 2010. Similarly, in FY 2009, 3% or 268 of FSA's non-Federal employees retired, while in FY 2010, 2.9% or 260 or non-Federal employees retired. As we approach December 2012, FSA will have more than 4,000 employees who are eligible for optional retirement. Currently, FSA is using VERA agency-wide to offer employees early retirement through August 31, 2011.

Based on the static retirement rate and limited options for reduction of personnel compensation costs, FSA needs additional flexibility to assist in reshaping the organization to meet FY 2012 fiscal demands. FSA has applied a strategic approach in developing this request for VSIP authority to downsize the workforce by targeting positions in organizational units where (1) there is sufficient flexibility to shift resources, (2) workload has already decreased, or is anticipated to diminish in the foreseeable future, (3) offices may be consolidated, or offices may be shifted into shared management settings, and (4) there is access to workload and program delivery data which enables them to target offices or positions for which reducing staff will have the least negative impact on delivery of services.

Attached for your review and consideration of this request are the responses to the VSIP assessment questions contained in your June 9, 2011 memorandum and a listing of targeted occupations by location for the voluntary incentive offer.

If you have any questions, please contact Ms. Clarissa Watson, Chief, Policy ánd Accountability Branch, at 202-401-0244 or clarissa.watson@wdc.usda.gov.

Attachments

Farm Service Agency (FSA)
Responses to FY 2012 Voluntary Separation Incentive Program (VSIP)
Assessment Questions

1) **What and where are the immediate, short-term impacts of funding reductions to your agency's programs/functions, organization, workforce, and/or to specific programs?**

The Agency plans to reduce a total of 298 Federal and 477 non-Federal positions within the HQ staff, state and county offices due to budget constraints. FSA anticipates that this level of reduction can be absorbed, but expects to sustain short-lived impacts with regard to program delivery and customer service. However FSA intends to overcome these temporary challenges by identifying and developing new process improvements, realigning staff to meet workload demands, adjusting the ratios of supervisors to subordinates where needed, and achieving efficiencies through increased technology deployment and utilization.

2) **What and where are the projected long-term impacts of funding reductions to your agency's programs/functions, organization, workforce, and/or to specific positions.**

FSA's goal is to reduce the long-term impact of reducing the Agency's workforce is through the modernization of IT systems and identifying opportunities of broader service areas within states. When complete in FY 2015, IT transformation and modernization of business processes and IT services will empower and equip FSA employees with the tools and information required by current demands to make it easier for farmers and ranchers eligible for Agency programs to receive prompt, first-rate service. Additional intended customer benefits include: reduced timeframes for program implementation and update after the passage of legislation, reduced number of visits to local offices, reduced waiting times and duration of visits, simpler benefit program application processes, simpler compliance and reporting processes for farmers and ranchers, less forms, and, less redundancy in collecting customer information. .

3) **What is the business case for the elimination of positions targeted for buyout and any projected restructuring anticipated as a result? Provide detailed narrative description.**

In order to begin to deal with anticipated FY 2012 budget reductions, FSA needs to reduce 10% of our FY 2010 Federal ceiling level and 5.9% of our FY 2010 non-Federal ceiling level. While this will have an inevitable impact on program delivery, it is FSA's intention to use VSIP as a tool to mitigate that impact to the extent possible by:

a. avoiding the significant disruptions caused by furloughs or RIFs
b. ensuring our 2,400 offices' staffing is more equitably distributed according to workload
c. positioning the Agency to establish additional shared management scenarios, thereby also expanding our supervisory to employee ratio in some of our smaller offices

d. providing incentive to retirement-eligible employees with higher salary bases to separate from the Agency
e. providing separation incentives to employees whose expertise is in program disciplines are diminishing or even obsolete.

Because every Deputy Administrator area and every State is in a different situation in terms of needing to realign positions, FSA chose to not approach VSIP planning from a one-size-fits-all perspective. Instead, we asked every office to provide a plan that would get them to the reduction necessary in the way that would best support their continued capacity to deliver their core mission programs.

A very few organizations are already within their FY 2012 target ceilings due to the temporary hiring freeze and/or normal attrition, so in our current funding reduction scenario there is no business case for those organizations to offer their employees separation incentives. The Agency examined the option of offering additional VSIPs to permit organizations under ceiling to recruit for critical skills, but the current budget limitations preclude that.

For the FSA organizations which need to reduce their ceiling, VSIPs will only be offered to the extent needed to get them to their targeted ceiling. Therefore, attrition between now and when the VSIP is offered may reduce the total number of VSIPs ultimately offered.

There are four broad categories of proposals:

1) Where States' and major Divisions' workload and staffing are generally equitable already, and there is sufficient flexibility to move resources among organizational units after the VSIP employees are off the rolls, those organizations are offering VSIP based on straight Service Computation Date, although some are applying maximum numbers for critical positions or by location.

   The following organizations fall into this category:
   - Deputy Administrator for Field Operations (Immediate Office)
   - Arkansas
   - Colorado (Federal)
   - Delaware
   - Hawaii
   - Illinois (County)
   - Indiana
   - Kansas
   - Maryland
   - Maine
   - Michigan
   - Missouri

- New Hampshire
- New Jersey
- Ohio (County)
- Oklahoma (County
- Pennsylvania
- South Carolina
- South Dakota
- Tennessee
- Utah
- West Virginia
- Wisconsin
- Human Resources Division

2) A few organizations have work units where the workload has already decreased, or is anticipated to diminish in the foreseeable future, so the employees in those offices will be in a high priority placement for VSIP offers.

The following organizations fall into this category:

- Arizona
- California
- Colorado (County)
- Iowa (County)
- New Mexico

3) The third category is where organizations are positioned such that offices may be consolidated, or offices may be shifted into shared management settings. In both cases, the employees and supervisors in those offices will be placed in a high priority VSIP category and as the managers separate from the Agency one or more of the current supervisory positions will be eliminated, thus expanding the supervisor-to-employee ratio.

The following organizations fall into this category:

- Alabama
- Connecticut
- Florida
- Georgia
- Idaho
- Oregon
- Texas

4) The fourth category is where organizations have access to workload and program delivery data which enables them to target offices or

positions for which reducing staff will have the least negative impact on delivery of services.

- Appeals and Litigation Staff
- Office of External Affairs Economic and Policy Analysis Staff
- Deputy Administrator for Farm Programs
- Information Technology Services Division
- Aerial Photography Field Office
- Office of Budget and Finance
- Deputy Administrator for Management (Immediate Office)
- Management Services Division
- Emergency Preparedness Division
- Illinois (Federal)
- Iowa (Federal)
- Kentucky
- Louisiana
- Massachusetts
- Minnesota
- Mississippi
- Nebraska
- North Carolina
- North Dakota
- New York
- Ohio (Federal)
- Oklahoma (Federal)
- Puerto Rico
- Vermont
- Virginia
- Washington
- Wyoming

4) What workforce and/or succession planning efforts will be undertaken to address the projected loss of positions and the impact on agency operations?

FSA continues to undergo business process modernization efforts and cultural transformation. These initiatives demand updated skill sets and competencies of Agency employees in program and administrative areas and thus, a portion of the realized savings will be utilized to make investments in training and relocation. Succession planning efforts include use of current on-board staff that has successfully fulfilled the County Office Training (COT) Program or the Farm Loan Training (FLOT) Program to address projected losses of county executive director, district director and farm loan officer positions at the state and county level. FSA will also consider opportunities for shared management of county offices where staffing resources are inadequate to satisfy workload demands.

5) What, if any, cost savings or workforce reductions does the agency expect to be realized through use of this VSIP authority?

Savings specifically related to the use of VSIP authority are anticipated to be **$55.5** million annually. In FY2012, this savings will be offset by **$25.1** million for a net savings in FY2012 of **$30.4** million. To achieve the anticipated savings, the reductions would need to occur within the first 6 weeks of the fiscal year. Delays in approval to begin the necessary notification and implementation would reduce anticipated savings and could potentially result in a need for a greater staffing reduction.

6) As a result of funding reductions, what de-layering, reorganization, reduction in force, transfer of function, or other workforce restructuring will occur? Please explain.

FSA does not expect any significant changes in the agency's organizational structure after the agency has completed the incentive payments. Any additional staffing reductions will be absorbed within the existing agency structure. FSA may reshape segments of the organization where needed by expanding the supervisory span of control, implementing shared management concept, reassigning, or realigning staff to supply services where needed.

7) How would the benefits of offering VSIP assist the agency in reaching their outcomes described in #6 above? If utilized, would you anticipate eliminating, restructuring, or refilling positions for employees who choose to take VSIP? Provide detailed information.

A benefit of offering VSIP at FSA is the potential to gain efficiencies by strategically de-layering the organization and providing opportunities to (1) establish shared management arrangements to improve the span of control and (2) hire trainees in mission critical occupations in locations where most needed.

8) What, if any, collective bargaining obligations would the agency encounter and how will this factor into your projected windows and time lines for use of this authority?

FSA will share information pre-decisionally with its two unions as early as possible; so as to minimize the time required to negotiate impact and implementation.

9) What time periods or windows of opportunity to offer VSIP are beneficial to meet restructuring goals?

In order for FSA to maximize savings in FY 2012 from use of the VSIP authority, the most beneficial VSIP window would need to occur during the first quarter of FY 2012, with employees separating not later than October 31, 2011. In order to achieve the targeted reduction for FY 2012, FSA may need to offer two rounds of VSIP, with the first round occurring within the first quarter and possibly, a second round after

December 31, 2011. Therefore, FSA proposes to open the first VSIP window from September 19 to September 26, 2011. The effective release date for the employees with VSIP approval will be no later than October 31, 2011. FSA will determine the need for a second round of VSIP following an assessment of the effectiveness of VERA and VSIP utilization and the end of year natural attrition. The FY 2012 President's Budget proposal assumed employees would separate no later than November 15, 2011.

10) Have categories of employees been identified for exception to VSIP opportunities, and if so, what information can be provided to describe these groups and supports the exceptions?

In general, the FSA strategy is to use the VSIP authority to offer buyouts to employees in organizational units where occupations can be spared or that have surplus numbers. Specific occupations that will be excluded are the GS-2210 Information Technology Specialist ((INFOSEC), (ENTARCH) and (PROJMGMT)), Contracting Specialist, GS-1102 and Nurse GS-0610 or GS-0620, as well as employees serving in time-limited positions or other certain positions excluded by law. FSA also identified the following organizations to exclude from VSIP as there is no business case to offer separation incentives to employees within these organizations because of existing staffing shortages or the need to retain mission critical talent.

Organization	Location
Office of the Administrator	Washington, D.C.
Office of Civil Rights	Washington, D.C.
ORAS	Washington, D.C.
Office of the Deputy Administrator for Commodity Operations	Washington, D.C. and Kansas City, MO
Office of the Deputy Administrator for Farm Loan Programs	Washington, D.C.

11) What recent considerations or strategies have been utilized and/or implemented to offset reductions in FY2012 funding levels and beyond?

Initially FSA implemented hiring freezes and used existing staffing to fill critical vacancies. In addition, FSA suspended the hiring of student interns. Currently, FSA is utilizing Voluntary Early Retirement Authority (VERA) agency-wide to offer early retirements to employees and reduce as many FTEs as possible prior to the beginning of FY2012. FSA employees can apply for early out during the open window June 13 through July 8, 2011. Under the current VERA offering, early out retirements must occur between July 29 and August 31, 2011. As of June 28, 2011, FSA has a total of 249 VERA applications pending approval; 166 are from non-Federal employees and 83 are from employees at the State and Headquarters level.

12) What other options has the agency considered/implemented to deal with budget shortfalls?

FSA has reduced non-personnel operating expenses (support service contracts, postage, tuition expenses, publications/advertising, travel program, supplies and equipment). FSA reduced personnel operating costs by implementing a hiring freeze, curtailing overtime, and eliminating performance awards. The agency also considered furlough of personnel. FSA has reduced the number of temporary positions in FY 2011 and is considering more cutbacks of temporary positions for FY 2012.