



GENERAL BUDGET
PREPARATION PROCEDURES FOR
PRIORITIZED PROGRAM BUDGETS

AMENDED FISCAL YEAR 2012 AND
FISCAL YEAR 2013

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I. Introduction

Approach to Budgeting

State government has weathered the economic downturn by focusing on its core services and finding more efficient ways to deliver those services. The attention to core services and a more efficient government will continue. We will be conservative in our budget approach by containing costs and investing strategically in outcomes that will grow jobs and make the state more attractive to business, safer, healthier and better educated.

Program budgeting provides agencies the flexibility to deliver government services in the best way possible. With flexibility comes accountability. Each agency is to report on the performance of each of its programs. Program performance measures will indicate how efficiently a program is operated, how well customers are served, and whether the program is achieving its intended outcomes. Measuring results affords the opportunity to identify programs that work and programs that need to be improved or even discontinued. Through performance comparisons and performance data, strategies can be identified to make programs more effective.

Governor Deal is intent on making state government more strategically focused on performance. Program budgeting incorporates strategic planning and performance measures in the annual budget development cycle. Revenue growth for FY 2013 will likely be modest compared to growth in key state services such as education, healthcare, and public safety. As such, Governor Deal will employ a fiscally conservative approach to the Amended FY 2012 and FY 2013 budget focusing on the State's most critical needs. This approach requires a delicate balance among policy priorities and a hard look at programs that are underperforming. OPB will continue to examine opportunities for reductions as we seek to target our limited resources to the most effective and efficient programs.

Budget Laws

Title 45-12-78 of the Official Code of Georgia Annotated provides that *no later than* September 1 of each year the head of each budget unit, with the exception of the General Assembly and the Judiciary, shall submit to the Office of Planning and Budget (OPB) estimates of the financial requirements of the budget unit for the next fiscal year, on the forms and in the manner prescribed by OPB, with such explanatory data as is required by OPB. The submission shall utilize programs and budget classes and be within expenditure parameters as established by the Governor. The head of a budget unit also may submit additional supporting data as necessary. The estimates submitted must bear the approval of the board or commission of each budget unit for which a board or commission is constituted.

The budget estimate for the Legislative and Judicial Branches shall be prepared and shall be submitted to the director of the budget at the same time as the other budget estimates are submitted in the format and manner designated by OPB.

All data relative to the Legislative and Judicial Branches of the government shall be for the information and guidance of the Office of Planning and Budget in estimating the total financial needs of the state for the ensuing period, but none of these estimates shall be subject to revision or review by the Office of Planning and Budget and must be included in the budget report as prepared by them.

This procedure manual contains instructions designed to assist managers in meeting submission requirements of the Budget Laws, the Prioritized Program Budgeting process, and strategic and business plan requirements.

Agency budget submissions are due to OPB using BudgetTool and COBS no later than **September 1, 2011**.

Zero-Based Budgeting

Philosophy

Over the past four years state agencies have seen significant budget reductions, program consolidations, agency restructuring, and resizing the workforce. As agency leaders develop their AFY 2012 and FY 2013 budgets, the Governor asks each agency to evaluate their programs and services from a zero-based budgeting philosophy. Agencies should assess the agency's programs against its statutory responsibilities, the program purpose, the cost to provide services, and the outcomes achieved.

Detailed ZBB evaluations will be completed on **select** programs and agencies to help in the budget decision process. Your OPB Analyst will work with your agency to identify the selected programs for which ZBB evaluations will be performed.

Program Performance Measures

As part of OPB's effort to monitor ongoing program performance, each year agencies are required to provide updates to the program performance measures. Performance information provides crucial information for state decision-makers and establishes the context for the state's annual budget. Program measures are particularly important during periods of fiscal constraint when agencies anticipate the impact of program funding limitations.

OPBs Performance Management staff will work with each agency in developing program performance measures for the Governor's Budget Report and the Agency Measures Report. OPB will be reporting the measures and four years of actual results for each budget program delivering services. The process this year will consist of three primary steps:

1. Review and Update of Agency Program Performance Measures - August 2011
2. Measure Update in BudgetTool for Publication in the Governor's Budget Report - October 3, 2011
3. Agency Measures Report published on OPBs website – January 2012

Ideally every program should have three measures, one for each of the following types and actual results for FY 2008 through FY 2011:

- **Input/Output/Workload:** These basic count type measures can be used to develop efficiency measures and to analyze the impact of different scenarios.
This type of measure answers the question – How much did we do?
- **Efficiency:** These are measures of productivity. Usually, they involve dividing an output or activity by the cost or staff involved. Efficiency measures may also include measures of quality and backlogs/waiting lists.
This type of measure answers the question – How well did we do?
- **Effectiveness:** These are outcome measures that indicate the program accomplishments or results that occur as a result of the services provided.
This type of measure answers the question – Is anyone better off?

It is important that measures are based on reliable data, that agencies document the data sources used and provide information on any limitations on the measures.

Strategic Planning and Performance Management

The state's performance management framework is being updated and includes three main components:

1. Agency Strategic Plans

The Agency Strategic Plan is a tool to identify and communicate the specific strategies the agency will implement to meet its core objectives. Strategic plans are developed at the agency level, but ultimately implemented or funded through its programs. The strategic plan highlights investments needed to improve outcomes. For the most part, the agency finances its strategic investments through redirecting its resources.

In conjunction with developing the FY 2013 budget requests, agencies should prioritize programs/sub-programs and consider how they support not only the statutory responsibilities of the agency but also the initiatives within the agency strategic plan.

Updated agency strategic plans are due to OPB on September 1, 2011 and are to be submitted in the HORIZON web-based system. For this planning cycle agencies should follow the current strategic planning guidelines. It should be noted that Governor Deal is working on revisions to the state strategic plan and the strategic planning guidelines for next year will reflect these revisions. The current strategic planning guidelines are available at opb.georgia.gov under "Planning and Evaluation".

2. Annual Performance Plans

The second component of the state's performance management framework is the annual performance plan. New guidelines for the annual performance plans (formerly known as the Annual Implementation Plan) are being developed. Several pilot agencies have been selected by the COO and CFO to work on the new format and

performance dashboard. More information about the new annual performance plans will be issued next calendar year.

3. Ongoing Performance Monitoring

The third component of the state's performance management framework is on-going monitoring of agency and program performance. The Governor, through OPB, has oversight of all executive branch agency budgets and activities. OPB monitors the implementation of new programs and initiatives and the on-going performance of budget programs. Each fall as part of the budget development process OPB updates and publishes the program performance measures. More specific instructions on program performance measures are provided below.

Checklist of Contacts

Base Budget (AOB /Cut-Off)	Assigned OPB Analyst
Adjusted Base Budget	Assigned OPB Analyst
Other Adjustments	Assigned OPB Analyst
Strategic Plan and Annual Implementation Plan	Kathy.kinsella@opb.state.ga.us or Assigned OPB Analyst
Performance Measures	Kathy.kinsella@opb.state.ga.us or Assigned OPB Analyst
Capital Outlay Budget System (COBS)	Ron.Nawrocki@opb.state.ga.us or Assigned OPB Analyst

II. Guidelines for Budget Development

Amended FY 2012 (AFY) and FY 2013 Budget

The Budget submission requires each agency to identify 2% of their FY 2012 appropriation of State General Funds for reduction for AFY 2012 and FY 2013. Adjustments such as certain items of expenditure communicated to you by OPB must be excluded from the program budgets prior to calculating the budget reductions. Budget requests for additional funds or workload increase pertain only to those agencies with enrollment driven programs.

A Technical Manual will be available on Friday, July 29 at opb.georgia.gov with detailed instructions regarding data entry and submission requirements through BudgetTool.

Agency fiscal officers should notify their OPB analysts as to the base budget that will be used for the Amended FY 2012 budget and the FY 2013 budget. Identify either the AOB or an approved cut-off amendment for the base budget. The base budget must be the same when requesting funds for either fiscal year.

The budget submission process in BudgetTool consists of the following components:

1. Adjusted Base Budget (pre-approved by OPB)
2. 2% Reductions
3. Redistributions (optional)
4. Workload

Formula for Calculating a Budget Request:

		FY 2012 Base Budget (State General Funds)
Subtract:		Exemptions
		Non-Recurring
Total	=	FY 2012 Adjusted Base
Subtract:		2% Reduction
		Redistribution items
Add:		Workload
		Redistribution items
Total	=	AFY 2012 or FY 2013 Budget Request (State General Funds)

Adjusted Base Budget

Use the following guide to derive the Adjusted Base Budget:

- a. Base Budget (AOB or cut-off amendment)
- b. Base Adjustments - consist of the following:
 - Exemptions: Items exempted from budget reductions and communicated to agencies by OPB prior to budget submission
 - One-Time: Non-recurring items of expenditure that are considered one-time purchases in FY 2012

The Base Budget and sum of the Base Adjustments is the Adjusted Base which agencies will use to calculate the 2% reduction of State General Funds for Amended FY 2012 and FY 2013.

State General Funds Reduction

Agencies must identify 2% of the adjusted base budget for state general funds. This reduction requirement need not apply to every program. Some programs/sub-programs may be unaffected as long as the total amount of the reduction equals 2% of the agency's adjusted base for State General Funds.

Explain the impact of each reduction by program/sub-program. Provide a complete description for all budget reductions and explain the impact on service delivery and performance of the program using the BudgetTool application. To address additional expenditure needs, agencies must identify resources from within the current budget.

Redistribution

Agencies can identify funds that may be shifted among programs to meet additional needs. Types of changes would include a shift of funds between programs or a realignment of fund sources between programs. Redistribution may be used to distribute resources to fund higher priority programs that may need additional funding to meet the agency's mission, goals, and objectives.

Agencies are expected to manage their expenditures needs through the flexibility provided in program budgeting. The total of all redistributions and increased funding needs must net to zero. Positions and motor vehicles redistributed from one program to another should be reflected in the position and motor vehicle counts for the programs affected.

Redistribution among *object classes and among sub-programs* within a program should be requested as an amendment to the current budget and should **NOT** be included as part of the agency's budget request. However, requests for redistribution of funds *between programs* must be submitted in BudgetTool as part of the budget request.

Workload

Budget requests requiring new state funding out of revenue growth include:

- Increases in student enrollment
- Increases for Medicaid growth
- New facility openings
- Other priorities of the Governor

Funding to be included as Workload increases will be communicated to agencies by OPB prior to budget submission.

Capital Outlay Requests

FY 2013 Bond Planning Amounts

Bond planning amounts have been established for many (but not all) agencies with ongoing capital programs that request capital projects each year. The planning amounts were communicated directly to agencies via correspondence from OPB. The amounts are established so agencies can prepare funding requests that align with the state's strong

debt management plan and continued receipt of the highest possible bond ratings, thereby realizing the lowest possible debt payments.

The planning amounts are established after careful review of recent appropriations, agency plans, programs and projects underway and proposed, and the current expected overall financial resources of the state. *The planning amounts per agency are not guaranteed, nor are they to be considered absolute maximum amounts.* A comprehensive evaluation of all funding requests will be conducted. *Agencies are strongly encouraged to identify and address all critical capital needs and prioritize accordingly within their planning amounts.* Agencies may also identify needs above the planning amounts, however, these will only be considered on a priority basis with other need requests within the overall state's financial resources.

Planning amounts were not established for agencies that have smaller and/or infrequent capital project requests. These agencies have been notified that planning amounts were not established and that specific capital requests from the agency will be evaluated on a project by project basis.

Facility "MRR" Type Projects

To assist with the proper recommended bond term for funding, FY 2013 funding requests for annual allocations for MRR type projects for facility related repairs, improvements, and renovations, agencies are instructed to group and submit project requests as follows:

- Projects with activities of predominately 5-year expected lives should be titled "Facility Repair and Sustainment." Sustainment includes those actions needed to keep the asset usable.
- Projects with activities of predominately 20-year expected lives should be titled "Facility Major Improvements and Renovations"

Projects that are submitted with various activities with a wide mix of expected service lives will be "unsubmitted" by OPB for agency revision and re-submittal.

Major Capital Facility Projects

In order to ensure that funded priority major capital facility projects advance expeditiously from design to completion, agencies are instructed to develop their funding requests as follows:

- Funding of major facility projects of \$10 million or more total project cost
 - Initial FY of Funding – Request funding for Design [If recommended for Design, 5-year bonds will be used as design is relatively short-term, limited-life, and does not result in a physical asset]
 - Next FY – Request funding for Construction [If recommended, 20-year bonds will be used]
 - Third or Fourth FY – Request funding for Equipment and Furnishings based on scheduled need [If recommended, 5-year bonds will be used]
- Funding of major facility projects of less than \$10 million total project cost

- Initial FY of Funding – Request funding for both Design and Construction in same FY [If recommended, 20-year bonds will be used]
- Next FY – Request funding for Equipment and Furnishings [If recommended, 5-year bonds will be used]

It is the state's priority to fund construction for existing projects for which we have already authorized funding for the design. Agency funding requests should explicitly prioritize previous partially funded major projects within their established planning amount per the above guidance before requesting funds to initiate new major capital projects.

Agency Priority Considerations

Funding requests must: 1) *continue the funding of projects that are in the pipeline (partially funded projects) to complete the project in a timely manner*, 2) reference the agency's sequential funding priority designation, 3) identify if the project is part of the agency's Strategic Plan (cite the specific Goal and Strategy), and 4) present additional funding considerations (urgency, operational importance, expected impact/benefit, and leveraging of state funds).

Requirements for Submission

Agencies must submit their Capital Outlay requests and out-year projections to OPB using the web-based Capital Outlay Budget System (COBS). The COBS home page is <http://cobs.opb.state.ga.us/Main.asp>.

Due to their relatively high cost and long service lives, the vast majority of Capital Outlay requests are funded by the authorization of General Obligation Bonds, and funding the debt using state appropriations. The state may also choose to directly fund smaller capital requests using state general funds (Cash) appropriated in the operating budget.

Agencies should follow this general guidance in preparing and submitting capital funding requests:

- Submit requests for lower cost items (\leq \$100,000) with useful service lives of less than five years through **BudgetTool** as budget redistributions from other funding within an agency's budget. Do not request as additional funding.
- Submit requests for higher cost capital projects (\geq \$100,000) having useful service lives of five years or more through **COBS**. This includes requests for annual funding allocations for repairs, improvements, and renovations at facilities.

An individual request should only be submitted once using one system. If necessary, OPB will make modifications to handle a project if the recommended funding differs from that submitted; do not submit duplicate requests on both systems for the same item.

Capital outlay requests and funding actions from the previous eight budget cycles (FY 2005 through FY 2012) are archived on COBS, and agencies can "retain" and use their FY 2012 project information as a starting point to develop this year's submittals.

Agencies may update project information in COBS for their FY 2012 partially or unfunded projects and they may also enter new projects for consideration as appropriate.

Once project information is entered into COBS for all requested and projected projects, the agency "submits" the projects to OPB. Agencies must submit their completed capital project information to OPB by September 1, 2011.

Agencies should contact Ron Nawrocki, OPB Capital Budgeting, at (404) 656-6364 if there are questions regarding capital outlay requests and projections, or the COBS web-based submittal process.

III. Requirements for Information Technology (IT) Budgets

Requirements for IT Initiatives

For this year's budget submission, the following parameters should be followed for submitting the Agency Project Request (APR):

- APR's for budget requests for IT projects exceeding \$100,000 and any proposed IT projects using base funds over \$300,000 must be submitted along with the agencies Amended FY 2012 and FY 2013 budget submissions no later than September 1, 2011. Submit your request using the online e-form (e-APR) at <http://sps.gta.ga.gov/sites/projects/agency>.
- Agencies are reminded that any IT request over \$100,000 to be initiated during the fiscal year should be submitted to GTA via the online e-APR. Any remaining FY 2013 IT requests not meeting the thresholds listed above but which deviate from GTA Enterprise Policies and Standards (and not due during the budget process) are due to GTA no later than June 16, 2012.

Agency IT Coordinator

The agency head will designate an IT Coordinator for the agency who may be the agency CIO, IT Director or other responsible party familiar with information technology to be the single point of contact for IT reviews. The IT Coordinator will become familiar with and monitor the most current GTA IT requirements, including but not limited to GTA Enterprise Policies and Standards. The responsibilities of the IT Coordinator are to review agency IT needs and assure and document the agency's compliance with the GTA Enterprise Policies and Standards.

IT Hardware, Software, System Development, Enhancement or Modifications less than \$100,000

GTA delegates approval authority to the IT Coordinator for IT initiatives costing less than \$100,000 which comply with the GTA Enterprise Policies and Standards. The GTA Enterprise Policies and Standards are maintained on the GTA Web site at [GTA IT Enterprise Policies and Standards \(http://gta.georgia.gov\)](http://gta.georgia.gov).

GTA Review Criteria is as follows:

- Is consistent with state's and agency's Strategic Goals

Governor's Office of Planning and Budget
Amended FY 2012 and FY 2013 Budget Instructions

- In compliance with GTA project management standards
- In compliance with Technology Review Policy
- In compliance with State Security Policy
- In compliance with GTA's Independent Verification and Validation (IV&V) Standards

GTA Review Exemptions

Initiatives costing \$100,000 or more involving acquisition of the following items may be exempt from technology review by GTA.

a. System Maintenance/Modification

This exemption covers routine maintenance and routine software modifications of existing systems.

b. Miscellaneous

Exempt items (with GTA approval) are:

- building control systems and maintenance
- closed circuit TV systems and maintenance
- computer controlled industrial equipment and maintenance
- consumable IT supplies (media, toner, ink, etc.)
- standalone/non-networked digital copiers and maintenance
- standalone/non-networked facsimile machines
- instructional equipment and maintenance
- laboratory equipment and maintenance
- life support and monitoring equipment and maintenance
- mailing equipment/systems and maintenance
- scientific equipment and maintenance

Completed e-APRs for all qualified IT requests must be submitted electronically via the online e-APR form at <http://sps.gta.ga.gov/sites/projects/agency>. Agency staff with particular questions in regards to the GTA review of IT projects or e-APR form, User ID or Password should contact their respective Service Delivery Consultant or Tom Fruman, Director, Program Management Office, Enterprise Governance and Planning Division, GTA 404-463-6815 or tfruman@gta.ga.gov.

The Technology Review Policy, issued jointly by OPB, GTA and DOAS, should be used in conjunction with these budget instructions. The Policy is published on the GTA website under the existing list of Policies and Standards. Both GTA and OPB will review agency's e-APRs.