



**Procedures for
Zero Based Budget Analysis
Fiscal Year 2015**

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I. INTRODUCTION

Budget Law

The Official Code of Georgia establishes the zero-based budgetary process as passed during the 2012 legislative session. O.C.G.A. 45-12-75.1 requires state departments, agencies, boards and authorities to submit a zero-based budget (ZBB) for programs identified by OPB in consultation with the House Budget and Research Office and Senate Budget and Evaluation Office each year. The House and Senate budget offices in consultation with OPB must balance the number of agencies and programs submitting zero-based budgets with staff available for preparing a budget and staff available for conducting review and analysis of the budget submission.

This procedure manual contains instructions and timelines designed to assist managers in meeting submission requirements of the Zero Based Budgeting process. 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 in gathering data for which ZBB evaluations will be performed.

Approach to Zero Based Budgeting

ZBB is a method of budgeting in which all expenses must be justified and every function within an organization is analyzed for its needs and costs. The purpose of the ZBB analysis is to assess a particular program's activities against its statutory responsibilities, purpose, cost to provide services, and desired performance outcomes. The results of the ZBB analysis and the agency budgets will be presented to the Governor during the fall budget development process. A final report of all ZBB analysis will be published in conjunction with the Governor's budget report and posted to the OPB website.

II. ZBB ANALYSIS PROCESS

The ZBB review and analysis is a collaborative process between OPB, agency, and agency program staff. OPB analysts will meet with the agency staff as needed to review and obtain any relevant information to perform a thorough analysis. These instructions provide a worksheet in Appendix A as a starting point for analyzing the program with your OPB analyst. Plan to use this worksheet in your initial ZBB meeting with OPB. The ZBB analysis process consists of four main steps:

A. Identify and Evaluate Key Activities

OPB analysts will initiate the process by gathering information from the agency and compiling their research on the program and the key activities. The state agency will receive an Excel workbook to assist in providing the requested information to OPB. In collaboration with the agency, OPB analysts will work to ensure an adequate understanding of the program and its

activities. Agencies will be asked to discuss the program's key activities and explain why the program and its activities are critical and necessary. Agencies will also be asked to provide information to OPB on the programs' intended outcomes, statutory authority, customers, budget, and consider alternative methods for delivering program services.

Some questions to consider when evaluating the key activities and related information include:

Key Activities

- Who is the primary constituency for the activity?
- Is the activity concentrated in one particular part of the state, or is it implemented consistently statewide?
- Is there any historical context for the activity that is important for decision makers to know?
- What is the policy objective for the activity and program?
- What are some alternative ways of delivering the services of the program? What are the trade-offs of the alternative methods?
- How do the key activities relate to the appropriated purpose of the program?

Statutory Authority

- Is the agency statutorily required to perform the activity?
- Is the statutory authority specific to that activity or is the activity being performed within the broader general powers and authority of the Department?
- What are the legal consequences to not performing the activity? Include any state, federal, or rule/regulation authority or requirements.

Personnel

- Are personnel wholly or partially dedicated to this activity? If partially, what percentage of the time is the employee working on this activity?

Expenditures

- What is the current budget/cost to carry out the activity?
- What are the major cost centers for the activity?
- What are the overhead costs to operating the program?

B. Develop and Evaluate the Performance Measures

After the key activities are identified, the next step is to identify the appropriate performance measures for the program and its activities. As part of the ZBB analysis process the three budget offices will conduct a thorough review of the measures and come to an agreement on the measures the agency should report. The coordinated review helps develop a common understanding of the program's purpose and ensure that the measures reported satisfy the expectations of all three budget offices. Agencies will review the recommendations and offer alternative metrics if appropriate. At the end of this process, the ZBB report should reflect the best possible measures for the program and its activities and provide state and agency leadership the information needed to assess program performance and improve operations.

The process should include:

1. Review of existing and historical measures for the program
2. Development and evaluation of measures for the program
3. OPB internal review of ZBB measures
4. Discussion of measures with the agency
5. OPB, House and Senate budget review of measures with the agency

Performance metrics are an integral part of a ZBB analysis and should describe the workload, efficiency, and effectiveness of the activity or program.

Ideally, measures will include four years of actual data and the agency should be able to explain trends over time in outcomes as well as how those outcomes reflect a program's overall effectiveness. Where historical data is available, analysts will review performance trends and consider factors contributing to program performance. In instances where the ZBB process results in a new measure that the agency does not currently track, analysts will work with the agency to develop a plan for tracking the measure in FY 2015.

While the ZBB process focuses on performance at the program level, one should not lose sight of the agency and state performance metrics to which the program contributes. When selecting candidate measures, identify relevant state indicators and federal benchmarks and include them with the other ZBB performance measures.

Measures should be selected based on overall value for providing meaningful information to management and decision makers. Quality performance measures are clear (understandable to general audience), valid (data can be measured), and relevant to the core purpose of the program or agency.

Questions for analysis/consideration:

- Based on the measures identified, how are the program and its activities performing?
- What factors may be causing a program to be less effective than desired and what would need to change to increase effectiveness? This could include law changes, funding changes, etc.
- Is the data provided for the measure reliable and accurate? Is the agency able to document the sources used for the data?
- What are the limitations of the data available for the measures, if any?

A measure selection worksheet is provided in Appendix C to help identify and select meaningful measures for the program. Instructions to complete this worksheet are included in Appendix B. Completing this worksheet will help ensure that all three measure types (i.e., output, efficiency and outcome measures) are represented and that the measures selected say something of central importance about the program. OPB analysts will work with the agency to compile the current and potential measures.

C. Analyze the Program Budget and Expenditures

The financial analysis of a program will examine historical expenditures by object class for a program. The goal of the analysis is to show the cost effectiveness or return on investment of the program when compared to the outcomes established in the performance metric analysis. Agencies will be asked to supply prior year expenditure data as well as the FY 2014 budget in an Excel workbook provided by OPB analysts.

Agencies should be able to explain in detail the expenditures that comprise each object class and identify the major cost centers for each program. The following are some questions to consider when reviewing prior year expenditures and current budget by object class.

Personal Services

- What percentage of program expenditures is dedicated to personnel?
- Are personnel expenditures primarily for full-time staff or for temporary/part-time staff?
- Could more functions of the program be performed by part-time rather than full-time staff? Why?
- Does the agency use contractors to fulfill activities that could be done with staff or the converse?
- How have budget reductions over the last few years affected personnel as compared to basic operations such as travel, equipment, contractual services, etc. in the program?

Regular Operating Expenses

Motor Vehicle Expenses and Repairs

- Is the agency spending an increasing and/or substantial amount on motor vehicle expenses and repairs? If so, be able to show the size and age of fleet, average operating cost per vehicle, anticipated mileage for the upcoming year, etc. Would vehicle expenses be reduced by replacing part of the fleet rather than continuing to repair older vehicles?

Publications and Printing

- Are there publications that could be reduced or eliminated by making them available electronically to consumers?
- Could forms be consolidated to reduce the number or types of forms that the agency prints?

Supplies and Materials

- Are there unusual items that this program requires or are there cyclical buying cycles for supplies? How has supply expenditures changed over the last two years?

Repairs and Maintenance

- Are there major repairs funded through this object class that could be funded through bonds rather than cash?

- Does the agency perform repairs and maintenance in house or are these functions contracted out? Could savings be achieved by outsourcing (or insourcing) these items?

Equipment

- Is this a large cost center for the program? What is the age of inventory? Is an inordinate amount spent to repair older equipment? Would it be more cost effective to repair existing equipment or purchase new?

Energy

- How have utility costs changed over the last several budget cycles? Have increases in utility costs forced the agency to reduce spending other places?
- Has the agency found ways to reduce utility costs to offset increases in rates?

Travel

- Have travel expenditures decreased with the statewide travel restriction policies?
- How do travel expenditures correspond with motor vehicle expenses? Are employees who travel primarily relying on their vehicles or state vehicles?

Real Estate Rentals

You should have a thorough inventory of real estate space including the square footage, price per square foot, geographic locations, and details of the rental agreement. Are there penalties to relocating certain offices or consolidating office space with other divisions or departments?

Telecommunications

Does the agency have a staff member who reviews GTA billings each month? Has the agency thoroughly evaluated the inventory for which it is billed to determine if there are terminals/phone lines that are unused that should be disconnected? Has the agency worked with GTA to find ways to lower its overall billings? Are there other telecommunication or computer charges that are critical to the delivery of program services?

Contractual Services

- What services are contracted?
- Are any of these services that could be provided using existing staff?
- Are there services currently performed by full-time staff that could be provided more efficiently through a contract?
- Are funds for contracts spent in a timely manner or are there contracts that act as a “parking lot” for funds between years and may take multiple fiscal years to spend down?
- Are contractors working on specific time-limited projects or ongoing routine work?

As with real estate, the agency may be asked to provide a list of all contracts associated with the program, their cost, and any specifics associated with the contract (options for renewing, penalties for early termination, etc.)

Unique Object Classes

- Why was a unique object class created?

- What account codes are charged for expenditures related to the unique object class?
- How are the funds in the unique object class used?

Other questions for consideration:

- Has an agency targeted one area of spending in a program for reductions over the last several budget cycles, or have they made cuts across the board?
- Has this program sustained greater budget cuts compared to other programs within the agency, or has the agency sought to limit cuts on this program?
- Has an agency's effectiveness in implementing the program diminished due to cost reductions?
- With recent budget reductions, has the program operated more efficiently?

D. Summarize the Analysis

In summarizing your ZBB analysis, positive results should be highlighted as well as areas that need improvement. The following questions should be addressed in discussions with your OPB Analysts:

- Do the program's goals align with the Governor's strategic plan?
- Is the program currently performing any activities that are not statutorily authorized? What would be the impact of halting those activities? Conversely, are there activities the program is not performing that it is statutorily required to do?
- What have the staffing trends been for the program since 2008?
- Does the performance measure data the agency currently collects provide an accurate depiction of the efficiency and outcomes of the program and its activities?
- How have changes in funding affected the cost to provide services? What are the revenue and expense trends for the program over the last few years? How has it affected program services?
- Can a program or activity be implemented more efficiently?
- Are there alternative ways or less costly ways the program could be implemented to deliver the same services?
- Does this program or activity have to be provided by state government? Could the non-profit or private sector or another level of government provide the service?
- Is this program or any of its services duplicative or similar to other programs or services the state or another entity outside of state government already offers?
- Given the cost vs. outcomes, is it a program the state should continue to fund?
- Would any laws need to change to end an activity or alter it to make it more efficient?
- If a program is successful, what best practices could they offer for other programs or agencies?
- What trends and outcomes are you seeing in performance measures?

III. TIMELINE FOR REVIEW

The following timeline summarizes the tasks for the ZBB process:

Month	Participants	Task
April	OPB, HBRO, SBEO	Review and finalize program list
	OPB	Issue ZBB budget instructions
May	Agency	Complete program overview worksheet (Appendix A)
	OPB, Agency	Schedule initial meeting
	OPB, Agency	Define program activities
	OPB, Agency	Collect and research data on program activities
	Agency	Complete performance measure analysis (Appendix C)
June	OPB, Agency	Compile financial, personnel, and performance data
July	OPB, Agency	Compile financial, personnel, and performance data, (continued)
	OPB, HBRO, SBEO, Agency	Finalize performance measures
August	OPB	Final OPB internal review
January	OPB	Publish ZBB report

APPENDIX A – PROGRAM OVERVIEW WORKSHEET

1. Describe why the program is necessary and who benefits from its services?
2. What are the major activities or services of the program? Is the program currently performing any activities that are not statutorily required? What would be the impact of halting those activities?
3. Who are the customers of the program's services?
4. If applicable, what improvements have been made in recent years to service delivery and program outcomes?
5. What are your program's biggest opportunities for improvement in the future? What are the major obstacles to success?
6. What are the significant cost drivers in the program?
7. List at least three alternative ways of delivering program services that would still achieve the intended outcome. Indicate whether each alternative would cost more, less or the same as the current service delivery model.
 - a.
 - b.
 - c.
8. Describe any fees or fines currently collected and their impact on program operations and services to your customers.
9. Identify any other program or entity in the state (Federal, state, local government or non-profit or private sector) that provides similar services or functions. How are you coordinating functions to avoid duplication of effort?
10. List any of the program services that are contracted out. What controls and oversight are in place to ensure the effectiveness and efficiency of the outsourced services?
11. Provide the program's services that must be provided by state government. Could the non-profit or private sector or another level of government provide the service?

APPENDIX B – PERFORMANCE MEASURE INSTRUCTIONS

Program Name: Enter the program name.

Program Purpose: Enter the appropriations act purpose statement.

Program Goals: Briefly list the goals of the program. The goals for the program are concise statements of what the agency is striving to achieve with the program and its activities. OPB will work closely with the agency in developing the goal statements for the program.

Activity(ies): List the key activity or group like activities in the program.

Target Population/Clients: List the customer or target population of the program or activity.

In what do we invest?

Inputs: What is funded in the budget? Staff, contracts, equipment, materials

Candidate Measures: List the types of measures that relate to the inputs (e.g. Number of full-time equivalent employees)

What do we do? How much do we do?

Outputs: Identify the type of work performed. You may refer to the appropriations act program purpose statement as you develop this list.

Candidate Measures: List candidate measures for the work performed. This may include existing measures as well as new measures.

How well do we do it?

Efficiencies intended: How does the program know when it is doing the work well? What are the program expectations for performance? Consider efficiency, cost effectiveness, timeliness, responsiveness, quality of service delivered, etc.

Candidate Measures: List possible measures for efficiencies, such as unit cost, average workload per FTE, average processing or response time, return on investment, etc.

What is the impact on the target population?

Outcomes desired: Considering the program purpose and target population, why does this program exist? What are the desired results of the services rendered or work performed?

Candidate Measures: List possible outcome measures. Good outcome measures help the program demonstrate that it is accomplishing its statutory purpose. You may consider outcomes at the activity, program and even agency level.

State Indicators or Federal Benchmarks

Benchmarks: Benchmarks are important for comparing program performance to that of others in the field. Are there any state indicators or federal benchmarks related to this activity? Are there any national measures that states use to gauge performance related to this activity? Are there industry standards or federal benchmarks to which the program should compare its performance?

Candidate Measures: List benchmark measure and targets if known for the activity/program.

APPENDIX C – PERFORMANCE MEASURE SELECTION WORKSHEET

Purpose: The measure selection process focuses on identifying the various elements of a program and developing the most appropriate measures for capturing performance.	
<i>Program Name</i>	
<i>Program Purpose</i>	
<i>Program Goals</i>	
<i>Activities</i>	
<i>Target Population & Clients</i>	
In What Do We Invest?	
Inputs:	Candidate Measures:
What and How Much Do We Do?	
Outputs:	Candidate Measures:
How Well Do We Do It? (E.G. Unit Cost, Avg. Performance, How Much, How Fast, Processing Time, Return on Investment)	
Efficiencies:	Candidate Measures:
Is the "Target Population" Better Off? Impact on Target Population/Clients? What Does Success Look Like?	
Outcomes:	Candidate Measures:
Are There Any State Indicators Or Federal Benchmarks Related To This Activity?	
Benchmarks:	Candidate Measures:
<p><i>After completing the worksheet, select the most appropriate measures for the program/activity. Measures are selected based on overall value for providing meaningful information to management and decision makers. Quality performance measures are clear (understandable to general audience), valid (data can be measured); and most importantly relevant to the core purpose of the activity, program or agency.</i></p>	

APPENDIX D – FY 2015 ZBB Excel Templates

The agency is responsible for completing the following tabs in the ZBB Excel workbook provided by OPB:

1. Header Page
2. Report - Key Activities
3. Report - Financials

Header Page:

Enter the agency and program name.

Report - Key Activities:

1. List of Activities: Provide a detailed list of activities performed by this program. It is most useful if the activities listed match the agency's accounting structure. Include all activities that the program is statutorily required to perform.
2. For each activity, include the following information:
 - Activity description: Activity descriptions should be brief, but should provide sufficient information to understand the purpose and goal of the activity as well as the services provided.
 - Authority: (List on of the following)
 - Georgia Code Section (OCGA 45-12-70)
 - Federal Law or Regulations reference (CFR...)
 - Executive Order
 - Budget Act
 - Other (provide specifics in a footnote)

In some situations new functions or activities are funded in the budget but not specifically mentioned in statute or federal law. In this case the authority is the Budget Act.
3. Number of positions associated with the activity: List the number of full-time benefit eligible employees that are associated with the activity.
4. Current budget (state and total funds): List the amount of state and total funds budgeted that are attributed to each activity. State funds should match the FY 2014 appropriations bill (HB 106). If additional federal or other funds are amended in during the fiscal year, this should be noted in the activity description.
5. Alternative: Provide an alternative approach to delivering program activities within the agency's current budget. Show the monetary change within the alternative approach columns.

Report - Financials:

1. Add any unique object classes associated with the program to the template in the space provided below all of the common object classes. Add additional rows if necessary.
2. Fill in the expenditures by object class for FY 2012 and FY 2013.
 - a. For agencies on TeamWorks financials, run the BD10 Query and use period 998.
3. Fill in the current FY 2014 budget (cut off amendment in most cases) for the program.
4. Leave the FY 2015 Change and Recommendation columns blank.
5. Positions:

- a. FY 2012 and 2013 positions: Include the number of full-time benefit eligible employees for the program as of June 30 for the respective fiscal year.
 - b. FY 2014 positions: Include the number of full-time benefit eligible employees as of June 30, 2013 plus or minus the number of positions included in the FY 2014 appropriations bill (HB 106).
6. Motor Vehicles:
- a. FY 2012 and 2013 motor vehicles: Include the number of motor vehicles as of June 30th for the respective fiscal year.
 - b. FY 2014 motor vehicles: Include the number of motor vehicles as of June 30, 2013 plus or minus the number of motor vehicles included in the FY 2014 appropriations bill (HB 106).

APPENDIX E – FY 2015 PROGRAM LIST
(Listed by OPB Division)

OPB Division	Policy Area	Agency	FY 2015 ZBB Programs
EXEC	Responsible	Office of the Governor	Georgia Commission on Equal Opportunity
ED	Educated	Early Care and Learning	Nutrition
ED	Educated	Regents	Public Libraries
ED	Educated	Regents	Research Consortium
ED	Educated	Student Finance Commission	Accel
ED	Educated	Student Finance Commission	HOPE Administration
ED	Educated	Student Finance Commission	Low Interest Loans
ED	Educated	Technical Colleges	Adult Literacy
HHS	Healthy	Behavioral Health & Developmental Disabilities	Child and Adolescent Addictive Disease Services
HHS	Healthy	Behavioral Health & Developmental Disabilities.	Child and Adolescent Mental Health Services
HHS	Healthy	Community Health	GBPW - Mercer School of Medicine Grant
HHS	Healthy	Community Health	GBPW - Morehouse School of Medicine Grant
HHS	Healthy	Community Health	Healthcare Facility Regulation
HHS	Responsible	Office of the Governor	Child Advocate, Office of the
HHS	Responsible	Office of the Governor	Children and Families, Governor's Office for
HHS	Healthy	Human Services	Child Support Services
HHS	Healthy	Human Services	Family Violence Services
HHS	Healthy	Human Services	GVRA - Roosevelt Warm Springs Institute
HHS	Healthy	Human Services	GVRA - Vocational Rehabilitation
HHS	Healthy	Public Health	Emergency Preparedness/Trauma System Improvement
HHS	Healthy	Public Health	Epidemiology
HHS	Healthy	Veterans Services	Georgia War Veterans Nursing Home - Augusta
HHS	Healthy	Veterans Services	Georgia War Veterans Nursing Home - Milledgeville

OPB Division	Policy Area	Agency	FY 2015 ZBB Programs
PED	Responsible	Administrative Services	Office of State Administrative Hearings
PED	Growing	Economic Development	Small and Minority Business
PED	Growing	Forestry	Forest Protection
PED	Responsible	Labor	Department of Labor Administration
PED	Responsible	Labor	Unemployment Insurance
PED	Growing	Natural Resources	Wildlife Resources
PED	Responsible	Public Service Commission	Facility Protection
PED	Responsible	Revenue	Customer Service
PED	Responsible	Revenue	Forestland Protection Grants
PED	Growing	Soil and Water	Commission Administration
PED	Growing	Soil and Water	Conservation of Agricultural Water Supply
PED	Growing	Soil and Water	Conservation of Soil and Water Resources
PED	Growing	Soil and Water	U.S.D.A Flood Control Watershed Structures
PED	Mobile	Transportation	Construction Administration
SAFE	Safe	Corrections	Health
SAFE	Safe	Juvenile Justice	Secure Detention (RYDCs)
SAFE	Safe	Pardons & Paroles	Clemency Decisions
SAFE	Responsible	Public Defenders Office	Public Defenders
SAFE	Safe	Public Safety	Firefighters Standards and Training Council