# PRIORITIZED PROGRAM BUDGET

## GENERAL POLICY GUIDELINES AND PREPARATION PROCEDURES

### AMENDED FISCAL YEAR 2009
### FISCAL YEAR 2010

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www.opb.state.ga.us

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Attachment:  PROPOSED ANNUAL WORK PLAN

# I. INTRODUCTION

## A. Strategic Planning and Program Budgeting

The state strategic plan outlines the Governor's priorities and the results citizens expect from their government. The state strategic plan is a guide and tool for crafting and evaluating budgets to ensure that the policy outcomes drive funding decisions. Programs are designed to deliver services according to a stated purpose in law and to deliver improved results to Georgians.

Prioritized Program Budgeting incorporates both prioritized program budgeting and agency strategic planning in the budget development cycle.

Agency Strategic Plan is a tool to identify and communicate the specific strategies the agency wants 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 strategic investments needed to improve outcomes. For the most part, the agency finances its strategic investments through redirecting its resources. Agency strategic goals should align to the goals of the state strategic plan and agency strategies should ultimately influence outcomes identified in the state strategic plan.

While developing the FY 2010 budget requests, agencies should prioritize programs and consider how they contribute to the goals and indicators in the state strategic plan. Similarly, use the agency strategic plan as a guide to prioritize initiatives within the agency. As budgets are adjusted for reductions and redistribution plans, consider what reductions to on-going programs and services would have the least harm on the state's strategic priorities.

Zero-Based Budgeting Philosophy
Prioritized program budgeting and strategic planning are tools for agencies to use to re-examine existing programs and services and their component expenditures. As agencies analyze base budgets, consider what services are mandatory versus optional. Consider if the way services are provided can be improved at a lower cost. Each program and its services should be assessed not only for cost, but also for effectiveness and relevance to long-term goals and objectives.

The FY 2010 budget instructions require agencies to allocate existing funds according to the highest priorities of each agency. Your proposed annual business plan for FY 2010 combined with your FY 2010 budget redirection plan should reflect the culmination of this examination of your base budget.

When developing your agency's budget, the following steps are suggested to develop a request:
- Examine your agency's strategic plan. Assess agency priorities, program priorities, and the correlation with funding requests. Ensure that your agency's budget submission can be defended in the context of your strategic plan.

- Rank programs to reflect agency priorities. Agencies should assess their programs from a zero-base. Validate that the highest ranked program is the most essential program needed to carry out the agency's mission.

- Determine the extent to which redirection of funding for lower priority programs can accommodate demand for higher priority programs.

While re-assessing and re-ranking programs, the following questions should be addressed:
- What is the purpose of the program and how effective has the program been in achieving its purpose?

- Does the program and services it provides serve an existing need?

- Has the program had a positive effect on the customers it was designed to serve?

- How significantly does the program influence or impact the agency mission, agency strategic plan, and state strategic plan?

- Could programs or any of its component services be eliminated because other state agencies, local governments, or private entities provide similar services?

- Could a program or service be privatized? Will this privatization improve service delivery and save money?

- If the program or any of it services were eliminated what would be the impact?

Program ranking assists in an assessment of how existing funds are allocated and whether they are consistent with the highest priorities of each agency. Agencies should examine their existing programs to determine if current needs are more urgent than funding for lower priority of existing programs.

## B. 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.

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 and annual business plans are due to OPB using BudgetTool and COBS no later than **September 2, 2008.**

<u>SB 335 - Budget Accountability and Planning Act of 1993 : Fair and Open Grants Act</u>
Title 28-5-120 requires a process of identification and filing with the Office of Secretary of State information about grant availability, grant awards, and disbursements. The information should be filed before any state agency may make any grant of public funds or of funds otherwise within its power of disposition. Before December 31 of each calendar year, state agencies must also compile and file with the Office of Secretary of State a list of grants awarded and disbursed in the prior fiscal year. For further information, please contact Coral White of the Office of Secretary of State at (404) 656 - 2885.

## C.    Checklist of Key Components and Contacts

| <u>Key Components</u> | <u>Contacts</u> |
|---|---|
| Strategic Plan and Annual Business Plans | Assigned OPB Analyst |
| Base Budget (AOB /Cut-off) | Assigned OPB Analyst |
| Adjusted Base Budget | Assigned OPB Analyst |
| Other Adjustments | Assigned OPB Analyst |
| Capital Outlay Budget System (COBS) | Ron.Nawrocki@opb.state.ga.us |
| Information Technology (IT) APRs | GTA Account Manager |

# II. GUIDELINES FOR STRATEGIC PLANS AND BUSINESS PLANS

Governor Perdue has charged state decision makers with developing a rational, integrated, data-driven planning and budgeting system in which policy determines budget priorities instead of one in which budget constraints determine state policy. Governor Perdue's Planning and Budgeting for Results model establishes a framework for Georgia government that builds on traditional strategic planning, and then moves agencies into an annual business planning cycle. These requirements apply to ALL agencies, including authorities, including those not receiving a direct appropriation of state funds.

There are two major components of the Strategic Planning Requirements:
   a.   Three-year Strategic Plan
   b.   Proposed Annual Strategic Work Plan (or Implementation Plan for the Annual Operating Budget)

State of Georgia agencies have responded for the past 17 years to a legislative mandate requiring an agency strategic plan. Under the state strategic planning guidelines issued in February 2008, agencies are to provide OPB a proposed annual business plan that highlights the strategies the agency plans to implement in FY 2010 from its strategic plan. As this year's budget instructions call for reductions, agencies should reconsider the timing of their strategies in the three-year plan and determine what strategies may need to be deferred or delayed.

For more information about the state strategic planning guidelines, please go to the strategic planning section on the OPB website at ***http://www.opb.state.ga.us***.



Note: Adapted from Figure 1 in *Instructions for Preparing and Submitting Agency Strategic Plans Fiscal Years 2007 – 2011*, State of Texas, March 2006, p. 4

Submission Information
Agencies will provide their proposed annual strategic work plans (business plans) using the excel form available at the OPB website.

# III. GUIDELINES FOR BUDGET DEVELOPMENT

## A.    Requirements for Financial Submission

A Technical Manual will be available July 16 at ***www.opb.state.ga.us*** 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 2009 budget and the FY 2010 budget.  Identify either the AOB or the cut-off amendment to be used.  The base budget must be the same when requesting funds for either fiscal year.

### Amended FY 2009

The Amended FY 2009 Budget requires each agency to identify 3.5% of their FY 2009 appropriation for reduction.  Immediate action should be taken to control expenditures and proceed as though funds may not be available in FY 2009.  Agencies included in the GAIT 2010 Outsourcing project for the Georgia Technology Authority (GTA) must set aside or reduce these funds from the program budgets prior to calculating the 3.5% budget reductions.  Budget requests for additional funds or workload increase pertain only to those agencies with enrollment driven programs.

The budget submission process in BudgetTool consists of the following components:
1.   Adjusted Base Budget (pre-approved by OPB)
2.   3.5% Reductions
3.   Redistributions (optional)
4.   Workload

#### Adjusted Base Budget

Use the following guide to derive the Adjusted Base Budget:
   a.   Base Budget (AOB or cut-off amendment)
   b.   Other Adjustments: Consist of the following:
   - Items exempted from budget reductions and communicated to agencies by OPB prior to budget submission
   - GTA:  GAIT 2010 Outsourcing (where applicable)

The sum of the Base Budget and Other Adjustments is the Adjusted Base which agencies will use to calculate the 3.5% reduction for FY 2009.

#### 3.5% State General Funds Reduction

Agencies must reduce 3.5% 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 3.5% 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.

<u>Redistribution</u>
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 Amended FY 2009 budget request. However, requests for redistribution of funds *between programs* must be submitted in BudgetTool as part of the Amended FY 2009 budget request. 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.

<u>Workload</u>
Workload consists of enrollment changes only. Budget requests included as workload must pertain only to the Department of Education.

## FY 2010
The FY 2009 AOB or latest approved amendment is the base budget for requesting funds in the FY 2010 Budget. OPB analyst will ensure BudgetTool reflects the appropriate base budget for these requests.

The budget submission process consists of the following components:
1. Adjusted Base Budget (pre-approved by OPB)
2. 4% Reduction
3. Redistribution
4. Workload
5. Capital Outlay (optional)

<u>Adjusted Base Budget</u>
Use the following guide to derive the Adjusted Base Budget:
a. Base Budget: AOB or cut-off amendment
b. Other Adjustments: may consist of the following:
   - Items exempted by OPB from budget reductions and communicated to agencies prior to budget submission
   - GTA: GAIT 2010 Outsourcing (where applicable)
   - Non-recurring items of expenditure that are considered one-time purchases in FY 2009
c. Annualizers: 6 months cost of the pay raise effective January 1, 2009.

The sum of the Base Budget, Other Adjustments and Annualizers is the Adjusted Base which agencies will use to calculate the 4% reduction for FY 2010.

<u>4% State General Funds Reduction</u>
Agencies must reduce 4% of the total 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 4% of the agency's total adjusted base for State General Funds. Provide a complete description for all budget reductions and explain the impact on service delivery and performance of the program.

<u>Redistribution</u>
As part of the FY 2010 budget request, agencies have the opportunity to shift funds among programs to fund cost increases in other programs or to re-prioritize services. Agencies are encouraged to manage these cost increases in the redistribution plan. The adjusted base budget plus the 4% reduction must be the starting point for the redistribution of funds. 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.

<u>Workload</u>
Workload consists of enrollment changes only. Budget requests included as workload must pertain only to Department of Education, Board of Regents, Department of Technical and Adult Education and Department of Community Health.

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

**BudgetTool or COBS:** 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 (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:
- BudgetTool – Agencies should submit to OPB in BudgetTool generally lower cost items (≤$100,000) with useful service lives of less than five years. This includes those capital items traditionally funded in cash such as routine vehicle and equipment replacements.
- COBS – Agencies should submit to OPB in COBS generally higher cost capital projects (≥$100,000) having useful service lives of five years or more. This includes requests for annual funding allocations for facility related major repairs and renovations.
- Submit the request once, using one system – OPB will make the necessary 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.

**Priority Considerations:** In addition to the previously used agency identified sequential priority designation and additional priority considerations (Urgency, Operational Importance, Expected Impact/Benefit, and Leveraging of State Funds), funding requests must identify if the project is explicitly included in the agency's Strategic Plan, as submitted on the HORIZION system, and if so, cite the specific Goal and Strategy where the project is referenced.

**FY 2010 Bond Planning Amounts:** For those agencies with ongoing capital programs and requesting capital projects each year, bond planning amounts have been established for many (but not all) agencies. The planning amounts will be communicated directly to agencies via correspondence from OPB. These planning amounts are being established so agencies can better plan their priority funding requests to fit within these identified amounts and for the state to continue to follow its strong debt management plan and continue to receive the highest possible bond ratings and thereby realize 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 currently expected overall financial resources of the state. ***The planning amounts per agency are not to be considered guaranteed, nor are they to be considered absolute maximum amounts.*** Comprehensive evaluation of all funding requests will continue to 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 exceptional needs above the planning amounts, however, these will only be considered on a priority basis with other exceptional need requests from other agencies within the overall state's financial resources.

For those agencies that have smaller and/or infrequent capital project requests, agencies will be contacted that planning amounts were not established and specific capital requests from the agency will continue to be evaluated on a project by project basis.

**Use of COBS:** Capital outlay requests and funding actions from the five previous budget cycles (FY 2005 through FY 2009) are archived on COBS, and agencies can "retain" and use their FY 2009 project information as a starting point to develop this year's submittals. Agencies may update project information in COBS for their FY 2009 partially or unfunded projects, and 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 will be able to begin their FY 2010 Capital Outlay request data entry about mid-July, and must submit their completed project information to OPB by September 2, 2008.

OPB will provide a brief training session for new agency users (also useful as a refresher) in July and can provide tailored training and guidance to agencies on a requested basis. An updated COBS User Guide for FY 2010 will be available on the COBS homepage.

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

## B.    Requirements for Information Technology (IT) Budgets

**Requirements for IT Initiatives**
For this year's budget submission, the following parameters are to 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 2009 and FY 2010 budget submissions no later than September 2, 2008.  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 2009 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, 2009.

**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*).

**GTA Review Criteria**
- Is consistent with state's and agency's Strategic Goals
- 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
Exempted 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 Account Manager or Tom Fruman, Director, Program Management Office, Enterprise Technology 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.