



**GENERAL BUDGET
PREPARATION PROCEDURES FOR
PRIORITIZED PROGRAM BUDGETS
AMENDED FISCAL YEAR 2013 AND
FISCAL YEAR 2014**

**Nathan Deal
Governor, State of Georgia**

**Debbie Dlugolenski Alford
Director, Office of Planning and Budget**

**270 Washington Street, SW, 8th Floor
Atlanta, Georgia, 30334
404-656-3820**

opb.georgia.gov

July 19, 2012

TABLE OF CONTENTS

I. INTRODUCTION

Approach to Budgeting	3
Budget Laws	3

II. GUIDELINES FOR BUDGET DEVELOPMENT

Amended FY 2013 and FY 2014 Budgets	4
Calculating the Budget Request	4
State General Funds Reduction	5
Redistributions	5
Workload	5
Zero-Based Budgeting	6
Performance Management	6
Strategic Priorities	7
Capital Outlay Requests	7
FY 2014 Bond Planning Amounts	7
Facility “MRR” Type Projects	8
Major Capital Facility Projects	8
Agency Priority Considerations	9
Requirements for Submission	9
Checklist of Contacts	10

III. REQUIREMENT FOR INFORMATION TECHNOLOGY (IT) BUDGETS

Requirements for IT Initiatives	11
Agency IT Coordinator	11
IT Hardware, Software, System Development, Enhancement, or Modification less than \$100,000	11
GTA Review Exemptions	12

I. Introduction

Approach to Budgeting

The past several years have presented significant fiscal challenges for the State, but Georgia has weathered the economic downturn and is beginning to see a slow and steady recovery. Maintaining core services for Georgia's citizens throughout the downturn has required strong, conservative fiscal management, prioritizing the highest needs of the state and finding ways to meet those needs as efficiently as possible. As the economy continues to recover, we will maintain our focus on streamlining state government while investing strategically in outcomes that will strengthen and grow our economy and make the state more attractive to business, safer, healthier, and better educated.

Governor Deal is intent on making state government more strategically focused and accountable for performance. Program budgeting must incorporate strategic planning and performance measurement as part of the annual budget development cycle. Revenue growth for FY 2014 will likely be modest compared to growth in key state services such as education and healthcare. As such, Governor Deal will employ a fiscally conservative approach to the Amended FY 2013 and FY 2014 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, low priority, or not statutorily required. OPB will continue to examine opportunities for reductions as we seek to target our limited resources to core government services delivered in the most effective, efficient manner possible.

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 and 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 OPB and must be included in the budget report as prepared by them.

This document contains instructions designed to assist managers in meeting submission requirements of the Budget Laws and the Prioritized Program Budgeting process. Agency budget submissions are due to OPB using BudgetTool and COBS by **September 4, 2012.**

II. Guidelines for Budget Development

Amended FY 2013 (AFY) and FY 2014 Budgets

Given modest projected revenue growth and needs in core state services, for both AFY 2013 and FY 2014, budget submissions will require each agency to identify 3% of their FY 2013 appropriation of State General Funds for reduction. For FY 2014, the Department of Community Health should submit an additional 2% reduction plan for State General Funds in the Medicaid: Aged, Blind, and Disabled, Medicaid: Low-Income Medicaid, and PeachCare programs.

In approaching reduction scenarios, agencies should think strategically about program priorities and performance. Requested reductions should be targeted to programs that are low-priority, low-performing, or may be duplicative of services offered elsewhere either within or outside of state government. Agencies should look for true efficiencies within their budgets rather than across the board reductions. Where agencies are able to identify savings above the 3% reduction level, agencies may submit plans to redirect those savings to other higher priority needs or new initiatives within the agency.

Adjustments for any items to be excluded from the program budgets prior to calculating the required budget reductions will be communicated to you by OPB. Budget requests for additional funds for growth or workload increases are only applicable to those agencies with enrollment driven programs.

Agency fiscal officers should notify their OPB analysts as to the base budget that will be used for the Amended FY 2013 budget and the FY 2014 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. 3% Reductions (2% additional for Medicaid and PeachCare Programs in FY 2014)
3. Redistributions (optional)
4. Workload

Calculating the Budget Request

The formulas below should serve as a guide in accurately calculating an agency's FY 2013 and FY 2014 budget request. The Base Budget will be either AOB or approved cut-off amendment, and only the State General Funds (SGF) portion of the base will be used for calculating any reduction requirements. Exemptions are items exempted from budget reductions and will be communicated to agencies by OPB prior to budget submission. One-Time items are on-recurring expenditures that are considered one-time purchases in FY 2013.

$\text{FY 2013 Base Budget (SGF)} - \text{Exemptions and/or Non-Recurring Items} = \text{FY 2013 Adjusted Base}$ $\text{FY 2013 Adjusted Base} \times \text{Required \% Reduction} = \text{Required Reductions}$ $\text{FY 2013 Base Budget} - \text{Required Reductions} - \text{Non-Recurring Items} \pm \text{Redistributions} + \text{Workload} = \text{Budget Request}$
--

State General Funds Reduction

Reduction requirements need not apply to every program. Some programs/sub-programs may be unaffected as long as the total amount of the reduction equals 3% of the agency's adjusted base for State General Funds. For the Medicaid and PeachCare programs in FY 2014, reduction levels may vary between programs as long as the total reduction for the three programs is 5%.

Agencies should 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.

Redistributions

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 in order to properly meet projected expenditures. Redistributions of savings above the 3% required reductions 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
- Increases for Annual Required Contributions for retirement funds

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

A Technical Manual with detailed instructions regarding data entry and submission requirements for BudgetTool will be available through the OPB website at opb.georgia.gov on Monday, July 30.

Zero-Based Budgeting

Over the past five years, state agencies have seen significant budget reductions, program consolidations, agency restructuring, and resizing the workforce. This historic reshaping of state government has necessitated that agencies closely examine their budgetary programs for performance and efficiency to ensure taxpayer dollars are spent in the best way possible. A key tool in this process has been a zero-based budgeting (ZBB) approach to evaluating agency program budgets.

Agencies have already begun working with their OPB analyst in reviewing selected programs for FY 2014 budget development. As agencies review their programs, they should closely assess the program against its statutory responsibilities, the program purpose, the cost to provide services, and the outcomes achieved. Zero based budget review should start with assumed budget of zero and build a program budget from that point. The review process should inform the agency's budget submission and aid in identifying areas of the budget for potential savings, including programs that are low performing or low priority, are not statutorily required, are duplicative of services offered elsewhere, or for which existing funding is so low as to be ineffective. ZBB should provide agencies the opportunity to think strategically about program priorities and develop innovative new approaches to delivering core state services that generates cost savings.

Performance Management

In addition to using zero-based budgeting for selected programs, OPB will continue monitoring ongoing program performance for all budgetary programs and require agencies to provide updates to their 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.

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. Quality performance measures should provide decision-makers with data on how the program is operated, how well its customers are being served, and whether the program is achieving its intended outcomes. Agencies should use performance data in developing their budget reduction strategies to target low-performing programs or redirect funding to programs with a higher return on state investment.

OPB Performance Management staff will continue to work with each agency in developing and updating program performance measures for the Governor's Budget Report and the Agency Measures Report. Agencies will report the measures and four years of actual results for each budget program delivering services via BudgetTool for inclusion in the Governor's Budget Report. Data provided by agencies must be valid and accurate for each performance measure tracked. Agencies must provide supplemental information to OPB on any limitations associated with the data provided for each performance measure. OPB Performance Management staff will provide agencies with additional information on performance measure submission and the certification process for measures.

Governor's Office of Planning and Budget
Amended FY 2013 and FY 2014 Budget Instructions

Ideally, all programs will have at least three measures, including one for each of the following types and actual results for FY 2009 through FY 2012:

- **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 Priorities

The Governor has provided his vision, direction, and priorities of the state through the state strategic plan, which outlines the goals and statewide indicators for each of the Governor's key policy areas. The state strategic plan steers the development of the agency's strategic plan, which should identify and communicate the specific strategies the agency will implement to meet its core objectives.

In conjunction with developing the FY 2014 budget requests, agencies should prioritize programs/sub-programs and consider how they support not only the statutory responsibilities of the agency but also initiatives within the agency and state strategic plans. Existing programs and initiatives, as well as any proposed strategic reductions and investments, will be evaluated against state and agency goals and indicators during the budget process.

Capital Outlay Requests

FY 2014 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.

**Governor's Office of Planning and Budget
Amended FY 2013 and FY 2014 Budget Instructions**

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 2014 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

Governor's Office of Planning and Budget
Amended FY 2013 and FY 2014 Budget Instructions

- Initial FY of Funding – Request funding for **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) with useful service lives of five years or more through **COBS**, including requests for annual funding for repairs, improvements, and renovations at facilities, and vehicle fleet replacements of 25 or more vehicles.

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 nine budget cycles (FY 2005 through FY 2013) are archived on COBS, and agencies can "retain" and use their FY 2013 project information as a starting point to develop this year's submittals. Agencies may update project information in COBS for

Governor's Office of Planning and Budget
Amended FY 2013 and FY 2014 Budget Instructions

their FY 2013 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 4, 2012.

Beginning this September, OPB requests that agencies provide **project encumbrance amounts on bond funded projects**. OPB reviews bond project expenditure balances using GSFIC reporting, and with the addition of encumbrance information, a more accurate view of the project financial status will be possible to assist with funding recommendations. Agencies should provide encumbrance information at the project level using GSFIC's eBonds system. Additional information and instructions to agencies on entering encumbrance information will follow in a separate communication from OPB in August.

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.

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	Alice.Zimmerman@opb.state.ga.us
Performance Measures	Alice.Zimmerman@opb.state.ga.us
Capital Outlay Budget System (COBS)	Ron.Nawrocki@opb.state.ga.us

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 2013 and FY 2014 budget submissions no later than September 4, 2012. Agencies must internally identify funds to be redirected to these projects and should submit requests as redirections in Budget Tool. 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 or any remaining FY 2014 IT requests not meeting the thresholds listed above but which deviate from GTA Enterprise Policies and Standards should be submitted to GTA via the online e-APR.

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
- 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 Customer Relationship Manager or Teresa Reilly, Director, Program Management Office, Enterprise Governance and Planning Division, at 404-463-1009 or Teresa.Reilly@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.