GENERAL BUDGET

PREPARATION PROCEDURES

FOR

PRIORITIZED PROGRAM BUDGET

AMENDED FISCAL YEAR 2017 AND

FISCAL YEAR 2018

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Approach to Budgeting

The strong economic growth we have seen across Georgia in recent years has allowed us to meet the needs of the growing population we serve while making strategic long-term investments for future robust growth for our state. We expect revenues for the current and next fiscal years to be sufficient to continue meeting the needs of our growing citizenry, but we are monitoring uncertainties in the global economy. Therefore, Governor Deal will maintain a conservative fiscal management budget strategy in order to plan for any economic contingencies by asking agencies to maintain FY 2017 spending levels for agency 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 object 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 1, 2016**.

II.   Guidelines for Budget Development

Amended FY 2017 (AFY) and FY 2018 Budgets

Budget submissions for AFY 2017 and FY 2018 will require that each agency submit the <u>same level of funding</u> that is appropriated for FY 2017 (HB 751). Budget requests for additional funds will be allowed only for workload or enrollment driven programs. OPB will notify agencies which programs have been identified for additional funding requests.

Agency fiscal officers should notify their OPB analysts as to the base budget that will be used for the AFY 2017 budget and the FY 2018 budget. Agencies should 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. Base Budget (pre-approved by OPB)
2. One-Time Deletes
3. Redistributions (optional)
4. Workload Adjustments

Base Budget

The base budget should be either the AOB or an approved cut-off amendment which will include Statutory, Fiscal Affairs, or Executive Order amendments to date in BudgetNet. The same base is used for AFY 2017 and FY 2018 budget requests.

One-Time Deletes

One-time deletes are non-recurring items of expenditure that are considered one time purchases in FY 2017 and are deleted from the base. These will be provided by OPB if appropriate for your agency. These items reduce the budget request submitted to OPB.

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.

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

Funding to be included as Workload increases will be communicated to agencies by OPB prior to budget submission.   **Budget requests that do not adhere to the budget instructions will be rejected in BudgetTool.**

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.

Performance Management

OPB will continue monitoring ongoing program performance for all budgetary programs and require agencies to provide updates to their program performance measures. Agencies should work with their respective OPB analysts to submit their performance measures to OPB through BudgetTool no later than September 1. OPB's Planning, Research and Evaluation staff is also available to work with agencies to ensure appropriate data and measures are submitted for use in the Governor's Budget Report.

Performance information provides crucial information for state decision-makers and establishes the context for the state's annual budget. Measuring results contributes to the analysis of the effectiveness of programs and helps identify where improvements can be made. 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 requests to focus funding on programs with higher returns on state investment.

Agencies will report the measures and four years of actual results for each budgeted program via BudgetTool. Data provided by agencies must be valid and accurate for each performance measure tracked, and data limitations should be clearly conveyed to the agency's respective OPB analyst. Please validate all measures confirmed accurate by checking the appropriate box on BudgetTool after entering the data.

Ideally, all programs will have at least three measures, including one for each of the following types and actual results for FY 2013 through FY 2016:

- **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 goals and statewide indicators for each of the Governor's key policy areas. These priorities steer 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 2018 budget requests, agencies should prioritize programs/sub-programs and consider how they support not only the statutory responsibilities of the agency but also statewide initiatives and initiatives within the agency. 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 2018 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 FY 2018 planning amounts will be communicated directly via correspondence from OPB to those agencies receiving planning amounts. The amounts are established so agencies can prepare funding requests that align with the state's strong debt management plan and the continued receipt of the highest possible bond ratings, thereby realizing the lowest possible debt payments for the state.

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 for a given 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 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.

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.georgia.gov**.**

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 with the debt service funded through 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 project requests for lower cost items (≤$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 project requests for higher cost capital projects (≥$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, and vehicle fleet replacements of 10 or more vehicles.

A funding 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 previous budget cycles back to FY 2005 are archived on COBS, and agencies can use prior year submitted project information as a starting point to develop this year's submittals. Agencies should update project information and re-submit in COBS their FY 2017 partially or unfunded projects if funding is requested for FY 2018 or future out-years. Agencies may also enter new projects for consideration as appropriate.

Once project information is entered and confirmed in COBS for all requested and future projected funding, the agency "submits" the projects to OPB. Agencies must submit their completed capital project information to OPB by September 1, 2016.

Project Types and Priority Considerations

Agencies must specify both the type of capital project and its priority within the agency's total capital request in submitting their request to OPB.

Agencies should determine whether the project they are requesting is a multi-year ongoing project or a specific project in entering their project request.

Multi-year ongoing projects should be used for requests that are continuous activities for which there is no expected clear end date. These are usually limited to annual equipment refreshments or facility "MRR" type projects. To assist with the proper recommended bond term for funding, FY 2018 funding requests for annual allocations for MRR type projects for facility related repairs, improvements, and renovations, agencies are again instructed to group and submit project requests as follows:

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

- Projects with activities of predominately **20-year expected service lives** should be titled "**Facility Major Improvements and Renovations**." Improvements include activities to extend the overall facility service life.

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.

Projects for which there is a clear end date or that would only need periodic capital funding should be entered as specific projects. This would include major capital facility projects (even if funding will be allocated over a multi-year period), information technology projects or upgrades, and one-time equipment purchases.

For major capital facility projects, funding should be requested 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)
  - Following 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 **Design and Construction** in same FY (If recommended, 20-year bonds will be used)
  - Following FY – Request funding for **Equipment and Furnishings** (If recommended, 5-year bonds will be used)

Capital projects intended to bring existing agency facilities into compliance with the Americans with Disabilities Act should continue to be submitted to the State ADA Coordinator's Office as in previous years. State agencies are responsible for complying with ADA obligations in order to ensure all Georgians have access to state programs. The State ADA Coordinator's Office is available to provide technical support to agencies on the ADA's requirements as applicable to state government. Agencies should contact the GSFIC

State ADA Coordinator's Office at gaada@gsfic.ga.gov or (404) 657-7313 to confirm the individual responsible for ADA compliance in the agency. The State ADA Coordinator's Office will contact your designee concerning ADA projects for consideration in the upcoming budget cycle. The Office will compile project requests to share with OPB. As many accessibility projects fall below the $100,000 threshold for general obligation bond funding, agencies should consider alternative funding opportunities for accessibility projects, including cash funding and redirecting bond proceeds from other completed capital projects.

Finally, all projects must have a priority ranking in COBS prior to submitting their request to OPB. 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. Agencies should also weigh any additional project funding considerations (urgency, operational importance, expected impact/benefit, and leveraging of state funds) in establishing their priority ranking.

Agencies should contact Bakia Parrish at (404) 651-9421 or Bakia.Parrish@opb.georgia.gov 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
Other Adjustments	Assigned OPB Analyst
Strategic Plan	James.Taylor@opb.georgia.gov
Performance Measures	James.Taylor@opb.georgia.gov
Capital Outlay Budget System (COBS)	Bakia.Parrish@opb.georgia.gov

III. Requirements for Information Technology (IT) Budgets

Following the 2016 Georgia legislative session, Governor Deal signed HB 676 which establishes new requirements for information technology projects effective July 1, 2016. All executive branch state agencies (including boards, authorities and commissions) must now submit a written business case to the Georgia Technology Authority (GTA) and the Office of Planning and Budget (OPB) for any IT project with a value of more than $1 million. Agencies will submit these business cases to GTA no later than August 1, and a revised version must then be submitted to OPB with agency budget requests.

Definition of IT Investment

For the purposes of this requirement, an Information Technology investment is defined as the commitment of resources to any product or service that consists of, or relies upon, information technology to capture, process, store, share, or otherwise manipulate data that is managed by a state entity.

Development of the Business Case

Business cases must be developed regardless of the funding source(s) to be leveraged (federal, state appropriations, state general funds, bonds, blended, etc.) and will be based on a total cost of ownership (TCO) over five years. According to statute, the business case should include, at a minimum:

- A description of the business need for the project
- An estimated budget for the investment
- An estimate of its operational impacts
- A scan of available options to meet the business need (including doing nothing)
- An outline of the anticipated benefits
- An analysis of the risk of not acting
- An assessment of the level of business process improvement required for success, including change management

A template for the business case is available on the OPB website as well as the BudgetTool homepage.

Submission of the Business Case

Business cases should be delivered to the Investment Management Team (GTAInvestmentManagement@gta.ga.gov) at the Georgia Technology Authority upon completion, but **no later than August 1**. GTA will review the case and provide written recommendations back to the agency. The revised version, incorporating GTA feedback, should then be submitted to OPB along with the agency budget request submission **on September 1**. It should be delivered to OPB as an attachment through BudgetTool for projects that will be initiated in FY 2018 and beyond. Proposed projects in BudgetTool must be entered as a redistribution of funds rather than as a workload item.

Neither the existence of a business case nor any feedback regarding a business case from GTA or OPB guarantees that a project will be funded. The funding decisions for IT projects will continue to be based upon a variety of factors, including the availability of funds and the need for investment in other state priorities.

Agencies should contact the Enterprise Portfolio Management Office at GTAInvestmentManagement@gta.ga.gov or their OPB analyst if there are questions regarding large IT investments or the business case submission process.