PREPARATION PROCEDURES
FOR

PRIORITIZED PROGRAM BUDGET

AMENDED FISCAL YEAR 2011 AND
FISCAL YEAR 2012

Sonny Perdue, Governor

Debbie Dlugolenski, Director
Office of Planning and Budget

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

www.opb.state.ga.us

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TABLE OF CONTENTS

I.   Introduction

A.   Budget Laws

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

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

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

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

Agency budget submissions are due to OPB using BudgetTool and COBS no later than **September 1, 2010.**

B.   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. In conjunction with developing the FY 2012 budget requests, agencies should prioritize programs/sub-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.

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

finances its strategic investments through redirecting its resources. 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.

<u>Prioritizing Programs</u>

Prioritized program budgeting and strategic planning are tools for agencies to use to re-examine existing programs and their component expenditures. The FY 2012 budget instructions require agencies to rank programs and subprograms. This year we are asking agencies to:

- Rank activities at the subprogram level;
- Rank a program only if a function is performed at the program level that is **not** performed by a sub-program; then
- When programs with unique functions are ranked, rank the program based on that unique function along with subprograms based on their unique function; and
- Provide additional data that will help OPB analyze the program/sub-program rankings.

A copy of the program profile and ranking template is available on the OPB webpage as a Microsoft Excel workbook. The template includes detailed instructions and examples. The completed template should be e-mailed to planning@opb.state.ga.us .

C.   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   Richard.Young@opb.state.ga.us
                                                     Kathy.kinsella@opb.state.ga.us
                                                     or Assigned OPB Analyst
Performance Measures   Richard.Young@opb.state.ga.us
Program Ranking Matrix   Richard.Young@opb.state.ga.us
                                                     or Assigned OPB Analyst
Capital Outlay Budget System (COBS)   Ron.Nawrocki@opb.state.ga.us

II. Guidelines for Budget Development

A.   FY 2011 Allotment Withhold

Beginning with the August FY 2011 allotment, OPB instructs each state agency to take appropriate action to control expenditures and withhold 4% from State General Funds and Tobacco Settlement Funds allotment requests. Agencies should anticipate and prepare as though budgets will be reduced by the entire 4%. OPB will communicate items to be included and/or exempted from the 4% withhold. In the meantime, OPB staff will be in touch with your agency to discuss the policy and operational implications for chosen budget strategies.

B.   Requirements for Financial Submission

A Technical Manual is available 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 2011 budget and the FY 2012 budget. Identify either the AOB or an approved cut-off amendment to be used. The base budget must be the same when requesting funds for either fiscal year.

Amended FY 2011 Budget
The Amended FY 2011 Budget requires each agency to identify 4%, 6%, and 8% of their FY 2011 appropriation of State General Funds and Tobacco Settlement Funds for reduction. Immediate action should be taken to control expenditures and proceed as though funds may not be available in FY 2011. Adjustments such as GTA-GETS (Georgia Enterprise Technology Services) Charges and certain items of expenditure communicated to you by OPB must be excluded from the program budgets prior to calculating the budget reductions. Budget requests for additional funds or workload increase pertain only to those agencies with enrollment driven programs.

The budget submission process in BudgetTool consists of the following components:
1. Adjusted Base Budget (pre-approved by OPB)
2. 4%, 6%, and 8% Reductions
3. Redistributions (optional)
4. Workload

In addition to the State General Funds reductions, agencies with Tobacco Settlement Fund appropriations must identify 4%, 6%, and 8% of their FY 2011 budget for reduction. These reductions must be requested using the data entry and submission requirements for BudgetTool.

Adjusted Base Budget

Use the following guide to derive the Adjusted Base Budget:
   a. Base Budget (AOB or cut-off amendment)
   b. Base Adjustments - consist of the following:
   - Exemptions: Items exempted from budget reductions and communicated to agencies by OPB prior to budget submission
   - GTA: GETS charges
   - One-Time: Non-recurring items of expenditure that are considered one-time purchases in FY 2011

The Base Budget and sum of the Base Adjustments is the Adjusted Base which agencies will use to calculate the 4%, 6%, and 8% reduction of State General Funds and Tobacco Settlement Funds for Amended FY 2011.

State General Funds Reduction

Agencies must identify 4%, 6%, and 8% 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 4%, 6%, and 8% of the agency's adjusted base for State General Funds. The Department of Education is instructed to submit reduction plans of 2% for QBE, Equalization and State Schools.

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.

Tobacco Settlement Funds Reduction

Agencies with Tobacco Settlement Fund appropriations must identify 4%, 6%, and 8% of their FY 2011 budget for reduction. These reductions must be requested using the data entry and submission requirements for BudgetTool.

Redistribution

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 2011 budget request. However, requests for redistribution of funds *between programs* must be submitted in BudgetTool as part of the Amended FY 2011 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.

Workload

Workload consists of enrollment changes only. Budget requests for additional funds or workload increase pertain only to those agencies with enrollment driven programs.

FY 2012 Budget

The FY 2012 Budget requires each agency to identify 6%, 8%, and 10% of their FY 2011 appropriation of State General Funds and Tobacco Settlement Funds for reduction. Adjustments such as GTA-GETS Charges and certain items of expenditure communicated to you by OPB must be excluded from the program budgets prior to calculating the budget reductions. Budget requests for additional funds or workload increase pertain only to those agencies with enrollment driven programs.

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

1. Adjusted Base Budget (pre-approved by OPB)
2. 6%, 8%, and 10% Reductions
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   - Exemptions: Items exempted from budget reductions and communicated to agencies by OPB prior to budget submission
   - GTA: GETS
   - One-Time: Non-recurring items of expenditure that are considered one-time purchases in FY 2011

The Base Budget and sum of the Base Adjustments is the Adjusted Base which agencies will use to calculate the 6%, 8%, and 10% reduction of State General Funds and Tobacco Settlement Funds for FY 2012.

State General Funds Reduction

Agencies must identify 6%, 8%, and 10% 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 6%, 8%, and 10% of the agency's adjusted base for State General Funds and Tobacco Settlement Funds. The Department of Education is instructed to submit reduction plans of 2% and 4% for QBE, Equalization and State Schools.

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C.   Capital Outlay Requests

FY 2012 Bond Planning Amounts

Bond planning amounts have been established for many (but not all) agencies with ongoing capital programs that request capital projects each year. The planning amounts were communicated directly to agencies via correspondence from OPB. The amounts are established so agencies can prepare funding requests that align with the state's strong debt management plan and continued receipt of the highest possible bond ratings, thereby realizing the lowest possible debt payments.

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

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

Priority Considerations

Funding requests must reference the agency's sequential priority designation, if the project is part of the agency's Strategic Plan (cite the specific Goal and Strategy), and

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 (≤$100,000) with useful service lives of less than five years through BudgetTool. This includes those capital items traditionally funded in cash such as routine vehicle and equipment replacements.
- Submit 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 major repairs and renovations at facilities.

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

Capital outlay requests and funding actions from the previous seven budget cycles (FY 2005 through FY 2011) are archived on COBS, and agencies can "retain" and use their FY 2011 project information as a starting point to develop this year's submittals. Agencies may update project information in COBS for their FY 2011 partially or unfunded projects, and they may also enter new projects for consideration as appropriate.

Once project information is entered into COBS for all requested and projected projects, the agency "submits" the projects to OPB. Agencies must submit their completed capital project information to OPB by September 1, 2010.

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

III. Guidelines for Strategic Plans and Implementation 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. This Planning and Budgeting for Results model establishes a framework for Georgia government that

builds on traditional strategic planning, and then moves agencies into annual business planning cycles. These requirements apply to ALL agencies, including authorities, even 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.   Annual Strategic Implementation Plan

The Annual Strategic Implementation plan for FY 2011 is due July 31, 2010. Additionally, the FY 2010 year-end report is due no later than August 15, 2010.

State of Georgia agencies have responded for the past 18 years to a legislative mandate requiring an agency 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 delayed.

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

IV. Program Performance Measures

The program performance measure development process this year consists of two primary steps:

1. Measure Review and Improvement - July through August
2. Measure Update in BudgetTool for Publication - October

OPB initiated a collaborative process with agencies starting in July of this year to identify measures that accurately reflect their programs and functions. Based on the information provided by agencies in the summer review process, OPB will enter select measures into BudgetTool for publication in the Budget Report.

V. 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 2011 and FY 2012 budget submissions no later than September 1, 2010. 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 2012 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, 2011.

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 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 Service Delivery Consultant or Tom Fruman, Director, Program Management Office, Enterprise Governance and Planning Division, GTA 404-463-6815 or tfruman@gta.ga.gov.

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