



**Procedures for  
Zero Based Budget Analysis  
Fiscal Year 2018**

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**Nathan Deal  
Governor, State of Georgia**

**Teresa A. MacCartney  
Director, Office of Planning and Budget**

2 Capitol Square SW  
Atlanta, Georgia, 30334  
404-656-3820

[opb.georgia.gov](http://opb.georgia.gov)

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## **I. INTRODUCTION**

### **Budget Law**

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

This procedure manual contains instructions and timelines designed to assist managers in meeting submission requirements of the Zero Based Budgeting process. Detailed ZBB evaluations will be completed on select programs and agencies to help in the budget decision process. Your OPB Analyst will work with your agency in gathering data for which ZBB evaluations will be performed.

### **Approach to Zero Based Budgeting**

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

## **II. ZBB ANALYSIS PROCESS**

The ZBB review and analysis is a collaborative process between OPB, agency, and agency program staff. OPB analysts will meet with the agency staff as needed to review and obtain any relevant information to perform a thorough analysis. The ZBB analysis process consists of four main steps:

### **A. Identify and Evaluate Key Activities**

OPB analysts will initiate the process by gathering information from the agency and compiling their research on the program and the key activities. In collaboration with the agency, OPB analysts will work to ensure an adequate understanding of the program and its activities. Agencies will be asked to discuss the program's key activities and explain why the program and its activities are critical and necessary. Agencies will also be asked to provide information on the programs'

intended outcomes, statutory authority, customers, budget, and consider alternative methods for delivering program services.

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

#### Key Activities

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

#### Statutory Authority

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

#### Personnel

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

#### Expenditures

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

## **B. Develop and Evaluate the Performance Measures**

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

The process should include:

1. Review of existing and historical measures for the program

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

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

Ideally, measures will include four years of actual data and the agency should be able to explain trends over time in outcomes as well as how those outcomes reflect a program's overall effectiveness. Where historical data is available, analysts will review performance trends and consider factors contributing to program performance. In instances where the ZBB process results in a new measure that the agency does not currently track, analysts will work with the agency to develop a plan for tracking the measure in FY 2018.

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

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

Questions for analysis/consideration:

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

### **C. Analyze the Program Budget and Expenditures**

The financial analysis of a program will examine historical expenditures by object class for a program. The goal of the analysis is to show the cost effectiveness or return on investment of the program when compared to the outcomes established in the performance metric analysis.

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

Personal Services

- What percentage of program expenditures is dedicated to personnel?

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

### Regular Operating Expenses

#### Motor Vehicle Expenses and Repairs

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

#### Publications and Printing

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

#### Supplies and Materials

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

#### Repairs and Maintenance

- Are there major repairs funded through this object class that could be funded through bonds rather than cash?
- Does the agency perform repairs and maintenance in house or are these functions contracted out? Could savings be achieved by outsourcing (or insourcing) these items?

#### Equipment

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

#### Energy

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

#### Travel

- Have travel expenditures varied significantly between years?
- How do travel expenditures correspond with motor vehicle expenses? Are employees who travel primarily relying on their vehicles or state vehicles?

### Real Estate Rentals

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

### Telecommunications

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

### Contractual Services

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

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

### Unique Object Classes

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

## **D. Summarize the Analysis**

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

- Do the program’s goals align with the Governor’s strategic plan?
- Is the program currently performing any activities that are not statutorily authorized? What would be the impact of halting those activities? Conversely, are there activities the program is not performing that it is statutorily required to do?

- What have the staffing trends been for the program since 2008?
- Does the performance measure data the agency currently collects provide an accurate depiction of the efficiency and outcomes of the program and its activities?
- How have changes in funding affected the cost to provide services? What are the revenue and expense trends for the program over the last few years? Has it affected program services?
- Can a program or activity be implemented more efficiently? Are there alternative ways or less costly ways the program could be implemented to deliver the same services?
- Does this program or activity have to be provided by state government? Could the non-profit or private sector or another level of government provide the service?
- Is this program or any of its services duplicative or similar to other programs or services the state or another entity outside of state government already offers?
- Given the cost vs. outcomes, is it a program the state should continue to fund?
- Would any laws need to change to end an activity or alter it to make it more efficient?
- If a program is successful, what best practices could they offer for other programs or agencies?
- What trends and outcomes are you seeing in performance measures?

### **III. APPENDIX A – PROGRAM OVERVIEW**

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

## IV. APPENDIX B – KEY ACTIVITIES

**Agency Name**

*Program Name*

**Provide a brief overview of the agency’s purpose.**

**Provide a brief overview of the program’s purpose.**

**Provide a list of the program’s top three ultimate and long-term goals.**

1. Goal 1
2. Goal 2
3. Goal 3

**Please, list the program’s key activities, and complete the table below:**

1. Key Activity 1
2. Key Activity 2
3. Key Activity 3
4. Key Activity 4
5. Key Activity 5

\*Your agency should have between 3-5 main program activities. If additional activities are needed, feel free to add them.

Key Activity	Description	Authority/ Statute	Number of Positions
1			
2			
3			
4			
5			

## V. APPENDIX C – FY 2018 PROGRAM LIST

(Listed by OPB Division)

<b>OPB Division</b>	<b>Policy Area</b>	<b>Agency</b>	<b>FY 2018 ZBB Programs</b>
ADM	Responsible	Office of the Governor	Office of the Governor
ADM	Responsible	Office of the Governor	Office of Planning and Budget
ED	Educated	Regents	Agricultural Experiment Station
ED	Educated	Regents	Cooperative Extension Service
ED	Educated	Student Finance Commission	Nonpublic Postsecondary Education Commission
ED	Educated	Student Finance Commission	North Georgia Military Scholarship Grants
ED	Educated	Student Finance Commission	North Georgia ROTC Grants
ED	Educated	Student Finance Commission	Public Memorial Safety Grant
FM	Responsible	Administrative Services	Office of the State Treasurer
FM	Responsible	Employees' Retirement System	Deferred Compensation
FM	Responsible	Employees' Retirement System	Georgia Military Pension Fund
FM	Responsible	Employees' Retirement System	Public School Employees Retirement System
FM	Responsible	State Accounting Office	Georgia State Board of Accountancy
FM	Responsible	State Properties Commission	Georgia Building Authority
FM	Responsible	State Properties Commission	State Properties Commission
FM	Responsible	Teachers Retirement System	System Administration
HHS	Healthy	Behavioral Health & Developmental Disabilities	Adult Nursing Home Services
HHS	Healthy	Behavioral Health & Developmental Disabilities	Sexual Offender Review Board
HHS	Healthy	Community Health	Georgia Board of Dentistry
HHS	Healthy	Community Health	Georgia State Board of Pharmacy
HHS	Healthy	Community Health	Low-Income Medicaid
HHS	Healthy	Human Services	After School Care
HHS	Healthy	Human Services	Federal Eligibility Benefit Services

<b>OPB Division</b>	<b>Policy Area</b>	<b>Agency</b>	<b>FY 2018 ZBB Programs</b>
HHS	Responsible	Insurance	Departmental Administration
HHS	Responsible	Insurance	Enforcement
HHS	Healthy	Public Health	Adolescent and Adult Health Promotion
PED	Growing	Community Affairs	Building Construction
PED	Growing	Community Affairs	OneGeorgia Authority
PED	Growing	Economic Development	Global Commerce
PED	Growing	Economic Development	Innovation and Technology
PED	Growing	Natural Resources	Departmental Administration
PED	Responsible	Secretary of State	Real Estate Commission
PED	Mobile	Transportation	Capital Construction Projects
PED	Mobile	Transportation	Departmental Administration
PED	Mobile	Transportation	Local Road Assistance Administration
PED	Mobile	Transportation	Planning
PED	Mobile	Transportation	Routine Maintenance
SAFE	Safe	Corrections	County Jail Subsidy
SAFE	Safe	Corrections	Detention Centers
SAFE	Safe	Corrections	Offender Management
SAFE	Responsible	Driver Services	Customer Service Support
SAFE	Safe	Georgia Bureau of Investigation	Bureau Administration
SAFE	Responsible	Office of the Governor	Georgia Emergency Management Agency