General Budget

Preparation Procedures

FOR

Prioritized Program Budget

Amended Fiscal Year 2015 and

Fiscal Year 2016

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I. Introduction

Approach to Budgeting

Georgia continues to experience increasingly strong economic growth during recent years; a trend that we expect to continue into future fiscal years as Georgia remains a worldwide destination for business growth and expansion. We expect that this continued economic growth will be sufficient to enable the state to meet mandatory growth obligations in education, healthcare, and pensions through increases in state revenues while maintaining the current level of funding for other core state services. Therefore, Governor Deal asks that state agencies continue a conservative approach to the AFY 2015 and FY 2016 budgets by utilizing existing resources strategically to deliver services to Georgians as efficiently and effectively as 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 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 2, 2014**.

II. Guidelines for Budget Development

Amended FY 2015 (AFY) and FY 2016 Budgets

In recent years, agencies were required to submit budget reductions in order to meet projected revenues. Given the current projected revenue growth, budget submissions will require that each agency submit the same level of funding that is appropriated for FY 2015 (HB 744) for both AFY 2015 and FY 2016.

Budget requests for additional funds will be allowed only for growth, 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 2015 budget and the FY 2016 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

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 2015 and FY 2016 budget requests.

One-Time Deletes

One-Time-Deletes are non-recurring items of expenditure that are considered one time purchases in FY 2015 and are deleted from the base. These will be provided by OPB. 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. 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's Planning, Research and Evaluation 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 budgeted program via BudgetTool. Data provided by agencies must be valid and accurate for each performance measure tracked, and data limitations should be clearly noted. Additionally, agencies must provide supplemental information to OPB on any measure identified as a "ZBB measure" in the BudgetTool system. OPB will provide agencies with additional information on the process and requirements for performance measure submission and validation.

Ideally, all programs will have at least three measures, including one for each of the following types and actual results for FY 2011 through FY 2014:

- **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 2016 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 2016 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 2016 planning amounts were 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.

Facility "MRR" Type Projects

To assist with the proper recommended bond term for funding, FY 2016 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.

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)
    - 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)

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

Agency funding requests must: 1) ***continue the funding of projects that are in the pipeline (underway partially funded projects) to complete the project in an expeditious manner consistent with scheduled funding needs,*** 2) reference the agency's sequential funding priority designation, 3) identify if the project is part of the agency's Strategic Plan (if so, cite the specific Goal and Strategy from the Strategic Plan), 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 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 the previous eleven budget cycles (FY 2005 through FY 2015) are archived on COBS, and agencies can use their FY 2015 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 2015 partially or unfunded projects if funding is requested for FY 2016, 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 2, 2014.

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
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