

STATE OF UTAH

FY 2005 BUDGET GUIDELINES HIGHLIGHTS

OVERVIEW

- Following an economic downturn that led to significant budget reductions for all state agencies, the economy is showing signs of a slow, modest recovery. Thus, agency budget requests should include *mandatory items only*, as outlined below. In order to fund mandatory items, additional cuts may be required. However, agencies are not being asked to identify new cuts at this time.

REQUESTS FOR ADDITIONAL FUNDING

New Program Requests:

- Funding for new programs (including those proposed through legislation) that require state funds (i.e. General Fund or school funds) may be requested only if the state funding comes from within existing base funding levels. However, if reductions are identified within an agency to fund a new program, it is possible the reduction may be taken to fund mandatory items and not the new program.
- New programs funded from federal funds, dedicated credits, fixed collections, and/or restricted funds must still be submitted to GOPB as a request for a budget increase.

Existing Programs Requests are limited to the following situations:

1. Mandatory Items

- Federal mandates or federal match rate changes;
- Caseload growth for federal or state mandated programs;
- Existing critical programs for which an imminent risk to public health and safety exists; and
- Replacement of one-time funding for critical ongoing programs.

2. Other Items

- Due to the slow growth rate in state revenue collections, other items may not be requested.
- Merely replacing prior cuts will not automatically be considered mandatory requests.

Although GOPB will give priority to mandatory items, *it is likely that not all mandatory items can be funded within available revenue.*

PRIOR APPROVAL

- GOPB's approval is required before submitting final requests for budget increases.

OTHER CRITICAL AREAS OF GOPB REVIEW FOR FY 2005

- GOPB will closely scrutinize all increases in non-state funds, including federal funds, dedicated credits, fixed collections, and/or restricted funds;
- GOPB will closely scrutinize FTE growth, and;
- GOPB will closely scrutinize nonlapsing fund balances and proposed uses.

DUE DATES (SEE PAGE 8 FOR THE FULL DUE DATES CALENDAR)

- Preliminary requests - Friday - September 12, 2003
- Final requests - Monday - September 29, 2003

STATE OF UTAH

FY 2005 BUDGET GUIDELINES

GUIDELINES PURPOSE AND AUTHORITY

PURPOSE

These guidelines instruct entities desiring an appropriation of state monies on the procedure for preparing budget requests to the governor. The governor will review the requests, then prepare and submit his budget recommendations to the legislature.

AUTHORITY

These guidelines are issued under the authority of and pursuant to Utah Code 63-38-2(7)(a):

Any entity desiring an appropriation must follow the governor's guidelines.

For the purpose of preparing the budget the governor shall require from the proper state officials, including public and higher education officials, all heads of executive and administrative departments and state institutions, bureaus, boards, commissions, and agencies expending or supervising the expenditure of the state monies, and all institutions applying for state monies and appropriations, itemized estimates of revenues and expenditures. The governor may also require other information under guidelines and at times as the governor may direct.

FY 2005 BASE BUDGET

Agencies are to build budgets on FY 2004 funding levels adjusted for one-time appropriations, plus other GOPB approved adjustments.

The FY 2005 base budget is calculated by starting with the FY 2004 General Fund and school funds appropriations, reducing those amounts for one-time appropriations, and making other adjustments as needed. This same process is also followed for restricted funds and Transportation Fund. The FY 2005 base budgets for these funds are shown in Tables 1 thru 5.

ONE-TIME APPROPRIATIONS

Column b in Tables 1 thru 5 shows the amount for one-time appropriations that must be backed out of FY 2004 appropriations for General Fund, school funds, Transportation Fund, and restricted funds.

WORKING HOURS

Base budgets are adjusted for number of working days

There are 2,088 working hours in FY 2005 compared to 2,096 in FY 2004. Thus, the adjustment for extra working days in FY 2004 has been removed from FY 2005 base budgets, as shown in column c of Tables 1 thru 5.

NON-STATE FUNDS

Non-state funds will be used for compensation and benefit increases.

Agencies may not enter into new non-state funded programs without prior approval.

Agencies are required to absorb inflation within base budgets.

New programs requiring state funds should be absorbed within base budgets.

New programs funded with other sources require prior approval.

IT budget requests must be included in IT Plans and approved by the CIO before GOPB will consider them for new funding.

Agencies are to reserve a portion of their non-state funds (i.e., federal funds, dedicated credits, fixed collections, and restricted funds) to cover compensation and benefit changes. See the discussion under the heading Personal Service Increases for more information.

Agencies may not start or begin participation in non-state funded programs or activities without GOPB approval. Such financing may obligate or commit the state to eventually spend state funds. Requests to enter into such programs must be made using Form 400, *Request for Increase in Funds for FY 2005 Budget*.

INFLATION

Agencies are to fund inflationary increases for FY 2005 within existing budgets.

GOPB may build in appropriate amounts for increases in rates for statewide internal service funds.

BASE BUDGET PROGRAM PRIORITIES

Because of the uncertainty surrounding the economy and Governor Leavitt's desire to properly manage government growth, departments should closely examine programs within their base budget for FY 2005.

Any department desiring to create or start a new program or service must propose elimination of an existing program or service, or reduce its base budget to provide funding for the new activity. However, it is possible identified savings may be used to fund mandatory requests rather than proposed new programs. A Form 400 must be completed for each proposed new program or service.

INFORMATION TECHNOLOGY REQUESTS

IT BUDGET REQUESTS LINKED TO IT PLANS

Requests for funding of information technology projects must be submitted through the state's chief information officer's (CIO) review process.

For budget year FY 2005, GOPB budget and policy analysts will work closely with the CIO to better coordinate the review and approval of IT requests and related requests for funding.

Initial entry of information about IT plans are due to the CIO's section of the Governor's Office of Planning and Budget by **July 1, 2003**. Updates to agency IT plans, including FY 2005 budget requests, are due to the CIO by **September 12, 2003**.

New federal programs may not be implemented without prior approval.

FEDERAL FUNDS

Any agency currently receiving federal aid or planning to receive federal aid in the future must complete a federal funds reporting form (Form 370).

Without prior approval, agencies may not begin a new program or activity with federal aid, particularly if it creates an expectation that the state will maintain or continue this program or its infrastructure when the grant expires or is reduced.

Also, agencies may accept or use federal aid only for programs that are consistent with the needs and goals of the state and its citizens and that are not prohibited by the provisions of state law. For more information on accepting federal aid, see 63-40-1 of the *Utah Code*.

Agencies should submit loan program data, even if funds are not appropriated.

APPROPRIATED LOAN FUNDS

Any agency that manages an appropriated loan or grant fund should include estimates for revenue, expenditures, and loan amounts in their budget packages.

PERSONAL SERVICES

VACANCIES AND TURNOVER SAVINGS

Budget for and fund only those vacancies that are likely to be filled in FY 2004 and FY 2005. Do not include contingency positions, i.e., positions that regardless of funding source will only be filled under unusual or unanticipated circumstances. The inclusion of contingency positions could lead to funding reductions through the elimination of those positions by GOPB or LFA.

GOPB will not recommend positions that are not fully funded.

Agencies are required to budget for turnover savings.

Agencies should budget turnover savings for each program. Turnover savings reflect the amount of money saved when a budgeted position remains unfilled or is underfilled. Turnover savings should be shown as a negative dollar amount in each program's personal services budget.

PERSONAL SERVICES INCREASES

Agencies should submit budget requests based upon FY 2004 benefit and salary rates.

A portion of an agency's federal

Funding sources for the recommended compensation package and changes in benefit rates will be determined from the information included on Forms 334

funds, dedicated credits, etc., will be used to fund compensation.

and 335 (Detail of One Percent Change). The following should be considered when completing these forms:

1. Compensation and benefit rate changes should be funded using the same funding ratio as the base budget for each program (taking into account pass-through federal and other funding). Programs with non-state funds (e.g., dedicated credits, restricted funds, federal funds, mineral lease revenue, and fixed collections) need to set aside revenue from these sources to cover compensation and benefit changes.
2. If a program has insufficient non-state funding to cover its proportional share of personal services increases, it should consider raising fees, creating greater efficiencies, or reducing services to cover compensation cost increases. Typically, General Fund will not be used to replace or supplement other funding sources.

GOPB's recommended compensation package will include a turnover factor.

FTE CALCULATIONS

Authorized and request year full-time equivalent (FTE) counts should be comparable to actual year counts. Actual year FTE will be calculated by the Division of Finance for FY 2003 by dividing the total number of hours your agency paid by 2,088.

An FTE, by definition, equals the number of regular hours available for work during a given year. For most years this equals 2,080 hours. For FY 2003 this equals 2,088 hours, for FY 2004 this equals 2,096 hours, and for FY 2005 this equals 2,088 hours.

When calculating FTE for your agency for FY 2005 (and for entering FTE into Budget Prep), use the following rules:

1. Include all ***permanent positions***, including seasonal, in FTE counts:
 - ▶ A full-time, year-round position is equivalent to 1.0 FTE.
 - ▶ For part-time, year-round positions, divide the annual hours worked by 2,088. A person budgeted to work 15 hours per week year-round is .375 FTE, or $15 \text{ (hours)} * 52 \text{ (weeks)} / 2,088$.
 - ▶ For full-time, part-year positions, divide the annual hours worked by 2,088. A person budgeted for six months at 40 hours per week is .50 FTE, or $40 \text{ (hours)} * 26 \text{ (weeks)} / 2,088$.
 - ▶ Budgeted overtime hours divided by 2,088. An agency budgeting for 10,000 overtime hours should include 4.8 FTE, or $10,000 \text{ (hours)} / 2,088$.
2. Do ***not include*** the following in FTE counts:
 - ▶ Board and commission members

Agencies are required to follow standard rules to report FTE counts.

- ▶ Legislators
- ▶ Temporary positions (AJ positions that are nine months or less)
- ▶ Contracted positions
- ▶ Overtime funded from turnover savings

When determining FTE for your agency for FY 2004 (and for entering into Budget Prep), use these same rules but use 2,096 hours instead of 2,088 hours for all calculations.

LEGISLATION

BILLS

Agencies must submit all known legislation to GOPB with their budget package.

Agencies must submit a summary of any upcoming legislation on Form 105 by **September 29, 2003**. This includes legislation with and without a fiscal impact and bills proposed by others outside your agency that you are aware of. The summary will be reviewed by the lieutenant governor, governor's general counsel, and GOPB. If drafted, a copy of the legislation should be included with the summary.

The governor's budget recommendations will include funding for legislation that he supports. Only legislation that has been reviewed in the budget process will be considered for inclusion in the budget.

INTENT STATEMENTS

Agencies must submit intent language requests to GOPB.

Agencies desiring legislative intent statements must submit them on Form 104 for approval along with their budget requests by **September 29, 2003**.

PERFORMANCE MEASURES

Additional emphasis is being placed upon performance measures.

Agencies are required to provide an inventory of all existing performance measures used to evaluate the effectiveness and efficiency of each program. The legislature is requiring each appropriations subcommittee to review these measures. This information has been requested in the past, but only for new funding requests. We are asking for a list of all performance measures used by each agency on Form 361.

VEHICLE REQUESTS

The addition of vehicles to an agency fleet must be requested during the budget process.

Agencies wishing to increase the number of vehicles in their fleet must do so through the budget process. This can be done by requesting intent language (Form 104), by requesting nonlapsing spending authority (Form 210B), or by requesting new ongoing funding (Form 400). Regardless of the funding source, the agency should work with GOPB and the LFA to accurately reflect the anticipated number of vehicles in the LFA report to the appropriations subcommittee.

REQUIRED BUDGET FORMS AND REPORTS

Agencies are required to submit specific forms and reports to GOPB.

The required forms and Budget Prep reports for Budget Prep users are shown in Appendix One. ***It is suggested that agencies submit Budget Prep files electronically to GOPB for review and approval before printing and submitting hard copies of reports.*** The required forms for non-Budget Prep users are shown in Appendix Two.

Executive Appropriations Committee will review agency cost drivers during November Interim.

Based on intent language in HB 1 (item 4) two additional forms have been added for FY 2005, Forms 102 and 210A. All agencies should use Form 102 to provide GOPB and the legislature a one page summary of the significant factors driving budget requests for FY 2004 (supplementals) and FY 2005.

Please use Form 210A if you intend to request nonlapsing authority from your appropriations subcommittee. This form is designed to provide a statement of purpose and justification for nonlapsing authority, which subcommittees will be required to provide to the Executive Appropriations Committee.

DEADLINES

Attached is a planning and budget calendar for the FY 2005 budget cycle. Deadlines for the submission of budget data begin **September 12, 2003** and continue through **September 29, 2003**. Required data must be submitted on or before the specified due date.

Agencies not using Budget Prep are required to submit electronic data in a Budget Prep-compatible format. That data is due on or before **September 29, 2003**.

Task forces, commissions, and study groups whose recommendations fiscally impact the state should submit preliminary recommendations to GOPB by **September 12, 2003**.

FY 2005 PLANNING AND BUDGET CALENDAR

- 2003 -

July 1	State Agency FY04 IT Plan and Preliminary FY05 IT Plan submitted to CIO
Mid-September	Statewide ISF Rate Approval Meeting (proposed changes)
September 12	Preliminary Requests Forms 400 and 600 Due to GOPB
September 12	Agency Budget Requests for FY05 IT Plans Due to GOPB and CIO
September 29	Final Budget Requests Due
September 29	Summary of Upcoming Legislation Due
September 29	Performance Measures Inventory Due
September 29	Form 102 - Summary of Significant Factors Effecting Budget Increases
October 1	Building Board Hearings on Capital Development Projects
October 1	USHE Financial Reports Due
Mid-October	Final ISF Rate Committee Meeting (final rates)
October 15	Building Board Prioritization / Recommendations
Oct. 28 - November 8	Governor's Budget Briefings (tentative dates)
November 1	UCAT Financial Reports Due
December 1	Last Day for Governmental Entities to File Bills
December (early)	Governor's Recommendations Released
December 17	Executive Appropriations sets Legislative Priorities
December 17	Agency Directors Present Form 102 Information to Executive Appropriations

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January 19	Legislative Session Begins
March 3	Legislative Session Ends