



FY 2016 BUDGET INSTRUCTIONS

Department of Finance & Management
Budget & Management Division

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A. FY 2016 Budgets (NEW)

These budget instructions offer guidance in preparing responses to the budgetary challenges facing us in FY 2016 and beyond. **They ask for responses to two funding targets for FY 2016. One set at a decrease of 5% from FY 2015 General Fund levels as adjusted by the August 13, 2014 rescission adopted by the Joint Fiscal Committee and one set at level funding from FY 2015 General Fund levels as adjusted by the August 13, 2014 rescission. Departments are also expected to absorb the annualization of the FY 2015 Pay Act.** In addition, your Budget submissions, to the degree possible, should be consistent with your Strategic Plan.

Summary Responses must be approved by the Agency Secretary and Commissioner or the exempt head of your Department or Office, and **must be submitted electronically to the Governor, through the Secretary of Administration using the mail folder (adm-budget@state.vt.us) by October 10, 2014.** (See the “FY 2016 Budget Development Timetable” at end of this document for a complete list of due dates.) **NEW: Responses will be submitted on the “Budget Development Form” – Attachment B of this document. This form can be supplemented with a narrative as appropriate.**

1. Funding Levels:

All FY 2016 programs, services and activities must be designed to be affordable within the specified funding levels. If you have any questions about your FY 2016 General Fund target amount, please consult your budget analyst.

Special fund and Tobacco Settlement Fund spending authority should be set in-line with available revenues.

a. Budgeting of Anticipated Federal Funds

As always, federal funding should be conservatively estimated, cognizant of current Federal actions and prospects. **In this upcoming year, however, please be particularly mindful of any potential reductions to your federal grants. Do not assume that federal reductions will be covered with increased General Funds; rather, you should assume that these programs will not be replaced unless you can demonstrate they meet a critical State policy goal.**

If your budget reflects reduced federal activity, it is expected that there will be a corresponding reduction in associated limited service positions and administrative expenses.

2. “Pressures” in FY 2016:

There may be many routine expenditure pressures that must be covered within your funding targets, such as the July 1, 2014 cost of living adjustment and step increases that are expected to take place during FY 2015. Other potential factors include general inflation; specific cost centers experiencing elevated price increases; other contractual increases; growing caseloads and workload demands; and reductions in federal funding.

a. Cost of salaries in FY 2016

Under Vermont's budgeting convention, for the FY 2016 budgets, the Vantage budget system reflects the annualized cost of the July 2014 cost of living adjustment and step increases that are expected to take place during FY 2015. As usual, the salary changes that are expected to take place DURING FY 2016 are handled separately (i.e., under the Pay Act) and are not to be included in your budget request.

b. Health care and dental premium costs and other benefit rates:

We will centrally install the benefit rates on the Vantage budget system for FY 2016 benefit calculations. We have not yet determined new retirement or benefit rates. At this time, you should assume no change to those rates. We will notify you promptly when the retirement and benefits rates have been determined.

3. Response to funding levels (NEW):

a. Submissions due:

Your submissions are due and must be submitted electronically to the Governor, through the Secretary of Administration using the mail folder (adm-budget@state.vt.us) by October 10, 2014. Please use the "Budget Development Form" included here as Attachment B for your submission. Linda Morse will contact you shortly to schedule meetings with Commissioner Reardon. Responses must be approved by your Commissioner or the exempt head of your Agency, Department or Office.

b. Restructuring and Reductions:

In developing your budget, elimination and/or reductions to on-going programs may be necessary to achieve base savings sufficient to place the budget on a sustainable path for the future. Any combination of proposals may be considered.

Please itemize the restructuring, elimination and reductions in programs, services, staffing, activities, etc. necessary to meet the FY 2016 targets. A major focus of your additional documentation should be an explanation of the elimination and/or changes in programs, services, staffing and activities that will be needed in order to function within the assigned FY 2016 funding levels assigned.

Preference should be given to the elimination of entire program(s) and/or service(s) rather than across-the-board reductions that jeopardize the stability and sustainability of multiple programs and/or services.

Please consider whether any proposed reductions can begin in FY 2015, so that the programmatic changes will be in effect for the entire FY 2016. Please use the FY 2015 Budget Adjustment Bill for this purpose.

Finally, list the order in which you would restore programs, services, etc. if your funding were to increase, and explain your rationale for the prioritization of your list.

Agencies and Departments may shift funding among programs and organizational units to best accomplish their mission and goals, as long as impacts are clearly identified.

c. Vantage Budget System:

Vantage system instructions are available on the Finance & Management website at: http://finance.vermont.gov/state_systems/vantage.

Vantage system training will be held on September 17, 2014 for users that need a refresher and September 19, 2014 for new users. Training is mandatory for new Vantage users.

Departments should advance their budget requests in Vantage as far as possible before their meeting with the Finance Commissioner; however, completed Vantage entry is not required for the meeting.

d. Performance Measures (NEW):

Each year, departments are expected to present to the appropriations committees summary information related to their strategic overview, program profile, and performance information, as required under 32 VSA §307(c). The Department of Finance and Management has annually provided a template (Attachment A) format for such presentation, for your convenience. Departments, however, have had flexibility to develop their own presentation of program and performance information.

For the FY 2016 budget cycle, **in addition to departments' individual presentations described above**, and in accordance with 2014 Act 186 (An act relating to reporting on population-level outcomes and indicators and on program-level performance measures), departments – and specific appropriations -- will incorporate performance measures into the Vantage system. Department Performance Accountability Liaisons (PALs) have been working with the Chief Performance Officer, Sue Zeller, and have selected programs to be included in the Vantage system. Department business offices should work with their budget analyst and PALs on the programs that will be included in Vantage. The Vantage instructions will include more detailed information on how to set up performance measures in the system, and how to enter the related data.

e. Additional Detail in EXCEL or WORD:

In addition to the Vantage budget materials, please provide additional detail and backup to your submission in the EXCEL "Budget Development Form" form and a WORD document addressing the following issues if needed:

- Upward and downward pressures relative to your FY 2015 base appropriation;
- Reductions needed to meet funding targets; and,
- Priority of restoration; rationale of prioritization.

A simple format for your response would be the following:

Funding target: \$

Upward pressures that you face, including the increases due to payroll, growing caseloads, reduced federal funding etc.; and changed or expanded programs, services, activities.

- | | | |
|------|------|-------------|
| 1. | \$\$ | Explanation |
| 2. | \$\$ | Explanation |
| Etc. | | |

Reductions or eliminations or revisions in programs, services, activities necessary to meet target - Please be very specific as to program / service impact.

- | | | |
|------|------|-------------|
| 1. | \$\$ | Explanation |
| 2. | \$\$ | Explanation |
| Etc. | | |

Restoration of programs, services, etc. if funding level improves. Rank in order of priority (i.e., 1= first thing to restore / add if more funding is made available).

- | | | |
|------|------|-------------|
| 1. | \$\$ | Explanation |
| 2. | \$\$ | Explanation |
| Etc. | | |

4. Employee Suggestions (NEW):

Many departments have incorporated employee feedback as part of the budget development process. As part of this year's budget process, we would like all agencies and departments to utilize a meaningful method to solicit employee suggestions on how to most effectively address this spending reduction. Employee suggestions should be solicited and discussed with your management teams and, where appropriate, incorporated into your budget proposals. If employee ideas are used as part of the budget response, highlight those areas in your submission.

5. Final Budget Submission:

Final budget targets will be issued in mid-December. Upon receipt of a final target, please finalize Vantage entries as soon as possible, and notify the department's budget analyst when they are complete. Vantage entries must match final target exactly.

Additional materials must be submitted electronically to the Governor, through the Secretary of Administration using the mail folder (adm-budget@state.vt.us).

6. Current Services Budget

Section E.100.2(b) of Act 162 of the 2012 Session (see below) contains legislative language that places emphasis on developing a "current services" budget; i.e., "an estimate of what the current level of services is projected to cost in the next fiscal year." As we do every year, in developing the Governor's recommendation, we will identify our current service needs separately from new initiatives. Given the recent language, however, we ask that you pay particular attention to the budget instructions (in subsection (3)(e)) -- identifying current service needs and new initiatives -- as you develop your summary materials for your meetings with the Commissioner of Finance. In addition, the Vantage

budget system specifically requires departments to differentiate between their current services budget and new initiatives.

Sec. E.100.2(b): Current Services:

The administration shall develop and publish annually for public review as part of the budget submission process a current services budget, providing the public with an estimate of what the current level of services is projected to cost in the next fiscal year. The initial current services budget shall be submitted with the administration's fiscal year 2014 budget proposal.

7. Information technology projects or activity

The Legislature requires that all information technology (IT) activities with a lifecycle cost in excess of \$100,000 be identified through DII as part of the budget submission. IT activities are defined in 3 V.S.A. §2222(a)(10). DII's Enterprise Project Management Office (EPMO) will solicit this information from your Departments in October. It is critical that each and every IT activity that is valued in excess of \$100,000 is clearly identified. Budget requests for IT funding that were not included in DII's unified presentation of IT costs risk not being approved. The detail required by DII includes:

1. **IT Activity Name:** The name given to an IT Activity. Based on State statute, an IT Activity may be an on-going IT maintenance activity or an IT project (which is a temporary endeavor undertaken to implement a unique product, service or result).
2. **IT Activity Description:** A brief ("elevator pitch") description of the IT Activity.
3. **IT Activity Business Lead:** The name of the lead person on this IT Activity. This person should be very familiar with the project/IT Activity details.
4. **IT Activity Phase:**
 - For IT projects, list the current [project phase](#):
 - **Exploration:** In the idea stage of the project and you're exploring alternatives.
 - **Initiating:** Beginning to define high-level objectives and are looking to commit to a project.
 - **Planning:** Actively planning the project, including creating detailed business requirements, performing procurement activities (RFP or contract) and developing a project plan/schedule.
 - **Execution:** A project team is executing a project plan and the project manager is monitoring scope/schedule/budget.
 - **Closing:** The project is wrapping up, go-live is complete, and support is being transitioned to operations.
 - For on-going IT maintenance (i.e., not a project) list **Maintenance** as the IT Activity Phase.
5. **IT Activity Type:**
 - If it's an IT project, list the type:
 - **New Technology:** Implementing a brand new technology for either a new service or for a service that is currently manually provided.
 - **Replace Existing Technology:** The current system is being replaced with something new.

- **Upgrade Existing Technology:** Features, functionality and/or enhancements are being added to an existing system.
 - **Other:** The project doesn't fit into any of the above descriptions.
 - If it's on-going IT maintenance (i.e., not a project) list **Maintenance** as the IT Activity Type.
6. Indicate how the **IT Activity aligns with the goals of the FY 2015 - FY 2018 [IT Strategic Plan](#): Modernization, Effective Operations, Sustainability, Productivity Improvement or New Solutions Partnering with Other Agencies.**
7. Provide **Five Year Cost Information** for each IT Activity broken down by Implementation versus Operating costs (see definitions below chart), as well as funding source (i.e., are you using State or Federal money to fund your IT Activity or if it's both what is the percentage split?). Here is a visual of the cost information being requested:

FY 15 Costs	FY16 Costs	FY17 Costs	FY18 Costs	FY19 Costs
Implementation: \$	Implementation: \$	Implementation: \$	Implementation: \$	Implementation: \$
Implementation Funding: % State: % Federal: % Other:	Implementation Funding: % State: % Federal: % Other:	Implementation Funding: % State: % Federal: % Other:	Implementation Funding: % State: % Federal: % Other:	Implementation Funding: % State: % Federal: % Other:
Operating: \$	Operating: \$	Operating: \$	Operating: \$	Operating: \$
Operating Funding: % State: % Federal: % Other:	Operating Funding: % State: % Federal: % Other:	Operating Funding: % State: % Federal: % Other:	Operating Funding: % State: % Federal: % Other:	Operating Funding: % State: % Federal: % Other:

Implementation costs are the one-time project costs (that can span across multiple fiscal years) to get that IT Activity up and running (e.g. implementation/installation costs, hardware, software licenses purchased as part of the installation, project management or other contracted resources, and the State labor implementation costs).

Operating costs are the on-going costs of performing that IT Activity (e.g., annual maintenance fees, software and hardware costs, licensing fees, hosted cloud provider fees, and labor costs).

8. Indicate if the IT Activity **generates Revenue** for the State.
9. Provide an **explanation for any expected increases in the cost of the IT Activity from FY 2015 to FY 2016** (i.e., will more be spent on this IT Activity in the upcoming fiscal year than in the current one).

Indicate if this IT Activity will be **included in the FY16 budget submission**.

If you have questions about whether an activity or project for which funds will be expended meets the criteria to report those projects to DII, contact DII Commissioner Richard Boes at 828-4141, or Deputy Commissioner Darwin Thompson at 828-1142.

Please note, in constructing budget detail submissions, it is not appropriate to budget IT contracting in 507600 - Other Contracts and 3rd Party Services. Use a specific IT-related account.

8. New positions:

Only those requests for new positions for which the requesting department has existing or available base funds to support the position will be considered. Your request for new positions must include the formal title of the position, fund source, position type (limited service, classified, exempt), estimated cost (personnel and operating), and detailed justification. For multiple position requests, please prioritize the positions within your department or agency.

9. Budget Development Form and Interdepartmental Transfer / Federal Receipts Form:

32 VSA §307(b) requires as part of the budget submission detailed information concerning:

- (1) The specific special funds used as receipts in the budget.
- (2) Explanations of interdepartmental transfers, including which department is the source. **If your funding is reliant on interdepartmental transfers, be sure to coordinate with the source department.** Do not assume that both departments have the same expectations. Written funding agreements are recommended.
- (3) Budgeted positions.
- (4) Changes in program funding levels and associated policy changes in the requested budget.

Vantage is configured to meet all four of these requirements; however, departments are responsible for the accuracy of their Vantage entries, and any supplementary, summary, or explanatory information, including the Budget Development Form. Documentation on Interdepartmental Transfers Receipts and Federal Receipts are now generated by departments from the Vantage system.

A blank template "Budget Development Form" to illustrate changes from your FY 2015 appropriation to your FY 2016 request is attached as Attachment B. This is the form to be submitted as part of the exercise.

10. Grants, gifts, loans, things of value:

32 VSA § 5 requires that **all new grants, gifts, loans or things of value** with a value over \$5,000 received by the State must be accepted in accordance with the statutory procedure requiring submission to the Joint Fiscal Office through the Governor. (Form AA-1 is the administrative vehicle for this submission.) **Including these items in the budget is not a substitute for this process.** However, once duly accepted, grants (on-going revenues and expenditures) should be budgeted in subsequent years.

Please note that items of \$5,000 or less may be accepted, with notice to the Secretary of Administration and the Joint Fiscal Office (see 32 VSA Sec 5(a)(3)).

B. FY 2015 Budget Adjustment:

The budget adjustment process may be considered for extraordinary needs that we have not already identified, and for internal funding changes that cannot be accommodated by administrative means (i.e., appropriation transfers, excess receipts, etc.). There is limited capacity this year to deal with expenditure increases in the FY 2015 budget adjustment.

For development of the Governor's recommended FY 2015 Budget Adjustment bill, we will utilize the July 24, 2014 revenue forecast approved by the Emergency Board. Further adjustments to the FY 2015 Budget Adjustment proposal may be necessary based upon any revisions to the consensus revenue forecast by the Emergency Board at its January 2015 meeting.

The first recourse in solving current-year budget issues is to redirect resources within your existing funding. Please bring to our attention any significant issues that will be handled in this way, identifying the problem and a solution, and whether Budget Adjustment action (e.g., transfer of funding between appropriations) is required.

Any requests for additional General Fund spending will be subject to a very high standard of necessity. Prior to consideration of a request, the requesting department's budget will be reviewed by Budget & Management to ascertain why the budget adjustment need developed, and whether other factors exist with the department's current-year spending pattern that could mitigate the need for the request.

As noted above, we may be using the Budget Adjustment for funding and programmatic changes that can be implemented prior to FY 2016. Please bring to our attention any opportunities to trim funding, reduce or restructure and eliminate program activities in FY 2015, to ease the transition to reductions required by the funding constraints of FY 2016 and future fiscal years.

Notification of budget adjustment proposals should include a description of the causes of increased or decreased expenditures or receipts, the related actions already taken to contain increased spending, and the proposed remedy. A request should cite all specific sections of the FY 2015 Appropriations Act that are affected and include draft language of the changes required.

Requests for inclusion in the Budget Adjustment must be submitted electronically to the Governor, through the Secretary of Administration using the mail folder adm-budget@state.vt.us by October 10, 2014. Responses must be approved by the Commissioner or the exempt head of your Agency, Department or Office.

Finance and Management encourages requests for transfers of appropriations or expenditure of "excess receipts" that can be anticipated, which (1) represent on-going expenditures that have repeatedly been handled as excess receipts; or (2) for large amounts, be presented for the FY 2015 Budget Adjustment. While administrative solutions (i.e., approval by the Commissioner of Finance & Management) remain available for such items that cannot be predicted, Finance and Management wants to utilize the Budget Adjustment more fully for the review and approval process and most certainly for sizeable and potentially controversial transfers or increased expenditures.

As noted above, new grant receipts (e.g., federal grants) should be submitted for approval per 32 VSA § 5. They will be sent to the Joint Fiscal Committee separately; **do not include them in the Budget Adjustment as proposed changes to appropriations.**

C. Executive Fee Bill

In the 3-year cycle, the focus of the Executive Fee Bill this year will be on Human Services and Agency of Natural Resources. Other than for emergency situations, only these areas of State government will be considered for inclusion in the Fee Bill. Changes in fee legislation might include: new fees, changes to existing fees, reauthorization or termination of fees, re-designating the funds into which the fees are deposited, and clarifications in current statutory authorities to charge and retain fees. Any changes proposed should be designed so that no additional adjustments would be needed at least for three years, when the opportunity to change fees will again occur.

Fee changes should be consistent with budget proposals and any fee changes that would create differences from revenue projections based on current fee or charge structures need to receive specific approval from Finance and Management.

Please be sure that ALL fee change proposals are forwarded to Finance and Management office for inclusion in the Fee Bill, even if the associated programmatic changes were to occur in different pieces of legislation. They may ultimately be rejoined in other legislation, at the Legislature's discretion.

Proposals should cite the existing statute, showing exactly how it needs to be changed, and provide a strong rationale for the necessity of the change. Any revenue impact should also be clearly shown.

32 V.S.A. §605(d)(2) specifies the justifications deemed acceptable in support of fee requests, and which should accompany the requests. The prime consideration is an analysis or discussion of the relationship between the revenue to be raised by the fee or the change in the fee, and the cost or the change in the cost of the service, product or regulatory function supported by the fee. The underlying premise is that, normally, fees are tied to costs of service; other justifications may be advanced, but they must be clearly supported and grounded in policy considerations. Please contact your Budget Analyst at Budget & Management to discuss any such rationales.

The Legislature has asked that proposals for the Fee Bill be prepared using a specific electronic format which we will send on request. (Contact Aimee Pope at: aimee.pope@state.vt.us to request the format.) **Please submit your proposals to the Governor, through the Secretary of Administration using the mail folder (adm-budget@state.vt.us) by **October 10, 2014**.**

D. Miscellaneous Tax Bill

Budget submissions should clearly identify legislative proposals that have tax implications. The submission should include a description of the proposal, a revenue estimate if known, whether an agency or a department intends to advance the proposal as part of the Miscellaneous Tax Bill or a separate piece of legislation, and the appropriate contact person at the department. This information will be used to ensure that proper revenue estimates are provided by the Tax Department to the Department of Finance & Management, and ensure the Tax Department is aware of and understands all tax proposals prior to their submission to the Legislature. **Please submit these proposals electronically to the Governor, through the Secretary of Administration using the mail folder (adm-budget@state.vt.us). Upon submission, tax proposals should be clearly labelled as such. If you would like to discuss proposals, please contact Mary Peterson, Tax Commissioner, at 828-3763.**

E. Appropriations Bill Narrative

Please closely review the verbiage associated with your appropriations or programs in Act 179 of the 2014 session and identify to us any **necessary** changes that **must** be made in order to implement your department's budget plan as part of the FY 2015 Budget Adjustment and/or the FY 2016 Appropriations Bill. The best way to communicate these changes is to return a copy of those portions of Act 179, marked up for any deletions, additions, or changes. It is your responsibility to be aware of language from other bills in prior years which may need modification.

Please submit your marked-up narrative portions to your Budget & Management Analyst by **October 10, 2014 for Budget Adjustment language changes and by **December 12, 2014** for FY 2016 Big Bill language.**

F. Self-Assessment of Internal Controls Scorecard:

The Commissioner of Finance and Management will be requesting an update on the status of compliance with Administrative Policies and Procedures. See below from the Self-Assessment of Internal Controls.

IMPORTANT: New Requirement for Metric #3 - Compliance with Administrative Policies and Procedures

For each item (*if any*) of non-compliance (i.e., 'NO' response to any of the 58 questions pertaining to Administrative Policies and Procedures) – **If substantive compliance is not achieved by October 31, 2014, then a written corrective action plan must be submitted by the department's appointing authority to the Commissioner of Finance & Management by December 1, 2014.** For each non-compliance item, the plan must specify: **(1) expected date** that compliance will be achieved, **(2) summary of key steps** to be taken to achieve compliance, and **(3) contact information** for the responsible person(s).

A corrective action plan is not required if compliance is attained by October 31st.

[Budget Development Timetable follows on next page.]

G. FY 2016 Budget Development Timetable

The following set of dates may help in planning tasks in the development of the FY 2016 budget and the FY 2015 budget adjustment. Dates are for planning purposes only and are subject to change; you will be notified of any changes in due dates.

	Due Date	Deliverable Description and Comments
Calendar Year 2014	Now	Vantage Budget System opens for field departments' development of current services budget, as training is completed.
	Sept. 12	FY 2016 Budget Instructions Issued.
	Oct. 10	Summary responses to targets submitted electronically to the Governor, through the Secretary of Administration using the mail folder (adm-budget@state.vt.us).
	Oct.10	Summary proposals for FY 2015 Budget Adjustment requests submitted electronically to the Governor, through the Secretary of Administration using the mail folder (adm-budget@state.vt.us), including any language changes necessary for the Budget Adjustment.
	Oct. 10	Executive Fee Bill requests due in electronic format with accompanying statutory changes and justifications.
	Mid-December	Governor's Budget Adjustment Recommendations compiled and prepared – to be presented to the fiscal committees when the legislature convenes in January.
	Mid-December	Final targets issued by Budget & Management. Vantage entries to be finalized promptly thereafter.
	Dec. 12	Narrative sections of Appropriations Bill due at Budget & Management.
CY 2015	Jan. 7, 2015	"The General Assembly shall meet biennially on the first Wednesday next after the first Monday of January." (VT Constitution, Chapter II, Section 7).
	TBD – approx mid-Jan.	Exec Budget Book goes to BGS Print Shop.
	TBD - no later than Jan. 27	Governor's budget address (by 3rd Tuesday of the session - 32 VSA §306(a)).
	TBD	Exec Budget Book distributed at budget address. Big Budget Book posted to Finance & Management's website.
	Jan. 15 (on or about)	Emergency Board revenue estimate (32 VSA §305a).
	1 week prior to testimony	All budget materials, including Vantage and supplemental materials, to Appropriation Committees, with copy to Budget & Management.