



FY 2018 Budget Instructions

AGENCY OF ADMINISTRATION
DEPARTMENT OF FINANCE & MANAGEMENT
DIVISION OF BUDGET AND MANAGEMENT
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Executive Summary

These budget instructions offer guidance in preparing your FY 2018 Budget Submissions to the Governor and transition team. Finance & Management has been reviewing the current process of budget development, and has updated these instructions to incorporate changes based on that review and from feedback from agencies and departments.

Some updates this year included in these instructions:

- Requiring Vantage entries as part of an agency's or department's initial budget submission
- Providing statewide guidance on budgeting changes to internal service funds and salary allocations
- Giving all agencies and departments the ability to enter their own position changes
- Updates to the infoAdvantage reports to help agencies and departments in the budget development process
- New requirements regarding how and when budget language should be submitted to Finance & Management.

Finance & Management is projecting that General Fund expenditures will need to be adjusted to align with the revenue forecast. Targets for initial submissions and instructions for how to submit your budgets are on pages 4-6 of these instructions. Finance & Management is requesting that agencies and departments build budgets to continue current operations and assume that no new programs or initiatives will be added. Given that this year is a transition to a new Administration, new programs and/or initiatives with the associated costs/savings should be included in transition plans, not in the budget submission.

In addition to a steady state operating budget, these instructions request that agencies and departments recommend a program or program(s) that should be changed, modified, or eliminated to achieve any necessary budgetary savings. Rather than receive budget submissions where agencies and departments chip away around the edges of their operating budget, Finance & Management is requesting that a full program be recommended for elimination or modification to achieve necessary savings. These should also be discussed in detail in your transition plan.

There will be separate instructions for the Miscellaneous Tax Bill, the Fee Bill and Budget Adjustment Requests. They will be sent in the coming weeks.

Please read through these instructions carefully. If you have questions, please don't hesitate to contact your budget analyst.

FY 2018 Budget Build Time Line

The following table includes the important dates for the Governor’s Budget development, submission, and review process. The dates are for planning purposes only and are subject to change; you will be notified if dates change or when they are finalized.

| | Description | Due Date |
|--|---|--|
| Calendar Year 2016 | FY 2018 Budget Instructions Issued | August 3 |
| | Vantage System Open for Department Entry | August 29 |
| | Initial Budget Submissions due to the Governor submitted electronically to Finance & Management | September 20 |
| | Meetings with Departments and Agencies | September 26 – October 14 |
| | Vantage Budgets Submitted and moved to Stage 2 | By Departments Budget Meetings with Finance & Management |
| | Analysts work with agencies/departments on Budget Submissions | October – November |
| | Election | November 8 |
| | Internal Service Funds Finalized | November 15 |
| | Non-Salary Benefit Changes Finalized | November 15 |
| | Updates sent from Finance & Management based on election changes | On or around December 1 |
| | Final Targets issued by Finance & Management | On or around December 15 |
| | Final Budget Submissions entered in Vantage | December 19 |
| | Language for the Big Bill Due to Finance & Management | December 19 |
| | Calendar Year 2017 | Supplemental information for legislative requirement due to Finance & Management |
| Executive budget book goes to print | | On or around January 17 |
| Emergency Board adopts an updated revenue forecast | | On or around Jan 15 |
| Governor’s Budget address and publication of the Governor’s budget Documents | | By January 24 |
| Budget Testimony to Finance & Management | | 1 week prior to testimony |

FY 2018 Budget

General Fund

As with previous years, Finance & Management will build a budget that aligns General Fund expenditures with General Fund revenues. The new Governor will need to present a balanced budget to the Legislature in January. The Agency of Administration understands the pressures that agencies and departments have been under to reduce their budgets over the last several fiscal years, and recognizes that this task has made budget construction challenging. For this budget exercise, the Agency of Administration requests that you assume that no new programs will be added. Any new programs should be offered to the new Administration via your transition plans and should include the associated costs/savings with that proposal. Please present a budget that follows the guidelines below where relevant:

- Include the projected need for the annualization of the FY 2017 Pay Act
- Internal service funds and salary and other benefit costs should be budgeted per the instructions below
- Rate increases and rationale for cost changes associated with fuel and utilities should be explicit in your budget presentation documents
- Caseload changes should be enumerated and explanations for changes in assumptions should be included in budget presentations
- Changes in utilization of services should be outlined with explanations for your assumptions in budget presentations

Programmatic Changes and Restructuring Proposals

It will be challenging to balance the FY 2018 budget without changes to the way that some programs operate. Rather than approach this budget exercise with a numeric target for each agency or department, the Agency of Administration is asking that agencies and departments approach their budget submissions more holistically. **In your budget submission, please provide proposals for the modification or elimination of one or more program(s) that would bring your budget in-line with a level funded scenario.** Recent budget exercises have generally resulted in budget presentations that address the targets by making small operational changes. Finance & Management does not believe this is a sustainable way to approach the budget process. By examining whole programs across state government, the Administration may be more successful addressing the role of state government than perpetuating the expectation that agencies and departments do more with less.

The Agency of Administration recognizes that selecting a program or programs that do not align with core to the mission of agencies and departments, that do not operate effectively, or are simply too costly to continue without some major overhaul and/or additional funding, will be a challenge. With your budget submission please include the following:

- an overview of the program;
- projected savings from reduction or elimination of the program;
- the number of positions, if any, that would be eliminated;
- the policy tradeoffs associated with the programmatic change; and
- the legislative challenges associated with changing the program.

Finance & Management will present the new Governor and transition team with a budget and a list of options for budgetary savings prior to him or her taking office in January.

Federal Funds

Please budget your federal funds accurately. Do not assume that Finance & Management will back fill any lost federal dollars. For any changes in federal funding please provide an explanation for the impact on the agency/department and the individuals served. If increasing, please describe how this decreases reliance on other state funds, if at all.

Reminder: any new federal funds (or other gifts grants or donations) need to be approved by the Joint Fiscal Committee (JFC) pursuant to 32 V.S.A. § 5. The appropriations process cannot be used as a means to accept Federal or any other funds.

Special Funds

Special Funds should be budgeted within available revenue. Please provide your assumptions for your special fund budgets in your budget submissions (existing balances or expected in FY 2018) and all special funds should be included. Budget analysts will be working to understand how agencies and departments forecast the revenue that is budgeted. Any fee increases will need to be in the FY 2018 Fee Bill. This year's fee bill cycle includes general government, labor, commerce and community development, and general education. Instructions will be sent to the relevant agencies and departments in the coming weeks. Any other agency or department that has a need to raise a fee outside of their fee cycle should please contact their budget analyst.

Agencies and departments with special funds that have a negative or a projected negative balance need to submit a remediation plan along with their budget submissions. This plan should be presented in sufficient detail to understand how and when the negative balance will be retired. Do not assume that Finance & Management will provide General Funds to manage these negative balances.

Position Requests

Please assume that no additional positions will be approved in the FY 2018 Budget. If new positions are needed, you should propose the reclassification of a position in your agency or department to fill these needs. If this is not possible and a position request has to be made, please provide the following in your budget submission: the classification of the position(s) being requested, including the proposed grade and salary costs; the source of funds to pay for the position; the rationale for requesting an additional position; the programmatic implications for not receiving additional personnel resources; the number of vacancies in your agency or department; and the number of vacancies of the same class of position.

FY 2018 Budget Construction Guidance

To facilitate consistent budgets across agencies and departments for areas that have not been finalized by Finance & Management, shortly, we will be issuing guidelines to prepare your budget to account for statewide allocations. Finance & Management will work with relevant agencies and departments to finalize these numbers as soon as possible and will work to send final numbers soon after the election.

- Salaries and Benefits – **to be issued in the near future, for now, Vantage will contain the same amounts as last year.**
 - Vantage will be loaded with the following amounts for benefits:
 - Retirement rate:
 - Health insurance cost:
 - Dental insurance cost:
 - When these numbers are finalized we will update Vantage and notify agencies and departments with funding target changes if necessary.

- Internal Service funds
 - Agencies and departments should submit budgets that assume a 2.5% growth in internal service fund charges.
 - Budget submission should include the funding split for increases in internal service fund charges.
 - Any known changes, such as changing buildings, known increases in workers' compensation charges, or changes in services purchased from DII should be specifically outlined in addition to changes in based allocations from internal service funds.
- Vacancy Savings
 - Most agencies and departments should anticipate having some amount of vacancy savings built into their budget; in most cases, it should reflect your average vacancy rate.
 - Agencies and departments should include their anticipated vacancy savings number in their budget submission and an explanation of how it was developed (data).
 - If an agency or department does not have a number that was developed using a specific agency or department statistic, please budget a vacancy savings rate of 4% of personnel costs.

Submission of FY 2018 Budgets

Budget submissions will be due to the Governor on **September 20, 2016**. It is imperative that Finance & Management receive submission timely. Finance & Management's goal is to have as much of budget development complete when the new Governor begins transition to office to minimize the number of decisions and budget modifications required at the end of the calendar year.

Agencies or departments should submit their budget requests to the Governor through the Secretary of Administration using the mail folder adm.budget@vermont.gov. Agencies or departments should also complete an initial budget in the Vantage budget submission by their meeting with Finance & Management.

The last few budget cycles, Finance & Management has required that agencies and departments submit their budgets on the "Budget Development form" also known as the "ups and downs" form. Finance & Management is not going to require that agencies and departments submit their budget on the ups and downs form this year. Agencies and departments are welcome to use the form but it is not required. Finance & Management recognizes that agencies and departments know the best way to communicate budgetary changes; the budget development form might be the best means, but not necessarily. However, the budget development form will be required for Legislative testimony.

Regardless of how an agency or department decides to send its budget request, the following details need to be communicated to Finance & Management:

- Any budgetary and policy changes that you anticipate having an effect on your budget
- The impact of changes in internal service funds
- The cost of the annualization of the FY 2017 Pay Act
- Any other relevant change to your budget
- Items listed in the General Fund Section on page 4

- A summary of changes, by fund, that includes your FY 2017 budget, all changes, and your proposed total FY 2018 budget.

Prior to your meeting with Finance & Management, agencies and departments must submit their budget information in the Vantage budget system. Additional details on this requirement will be discussed below.

If you have any questions regarding how or what to submit to the Governor, please contact your budget analyst.

Vantage Budget System

This year Finance & Management is going to utilize the data in the Vantage budget system to help in the review of agency and department budgets. Agencies and departments must submit their budgets in the Vantage budget system prior to meetings with Finance & Management. This change will provide Finance & Management with more information to analyze as well as attempt to minimize the amount of work in the system required by agencies and departments and Finance & Management at the end of the calendar year.

Finance & Management recognizes that this is a significant change in work flow, and does not expect budgets in Vantage to be perfect when they are submitted. Budget analysts will be working with agencies and departments on entries throughout the fall. Finance & Management anticipates the need to make modifications to submissions throughout the process as statewide allocations and personnel rates are established and as programmatic decisions are made.

Personnel Changes

Agencies and departments will be required to make all of their own position changes in Vantage this year. Last year a few agencies and departments participated in a successful position entry pilot. Finance & Management has decided that all agencies and departments will now make their own changes.

Training will be provided to agencies and departments on how to make these changes. Only individuals who have attended training will be given security access to the position module. Agencies and departments must send at least one user to the training. Training will occur in August so that you have ample time to make major changes to the position module before submissions are due.

Finance & Management knows that the personnel changes will not be complete until later in the fall once health and retirement rates are established, targets sent, and funding splits are finalized. However, there will be an expectation that an initial estimate will be incorporated in the first submission based on the state wide assumptions listed on pages 5 and 6.

Base Budget Form and Decision Items

The base budget form must be completed as part of your initial submission and moved to stage 2. The base budget form should only include general base operating changes that you anticipate in your annual budget. These changes include but are not limited to:

- Changes in internal service fund charges
- Changes in non-salary operating costs, such as fuel, supplies, equipment, etc.
- Current programmatic caseload or utilization changes

Programmatic changes, including the inclusion or elimination of additional positions, need to be added through a decision item. Decision items allow agencies and departments to approach each programmatic change individually without having to modify the base budget form or personnel data. All decision items should be moved to stage 2 by budget meetings with Finance & Management.

Note: We have updated a copy of the budget detail report in infoAdvantage to include decision items to make total budget review easier. This is discussed in more detail in the following section.

InfoAdvantage Reports

Finance & Management has been working on updating reports to be more useful for agencies and departments and budget analysts during the budget development process. A new sub-folder has been created, within the “Budget Preparation” folder titled “Department Budget Review”. Within that folder will be the following new reports:

- Budget Detail Report – that includes decision items
- Reports with charts

Finance & Management hopes that agencies and departments will be able to utilize these reports during the budget development process. Budget analysts will be reviewing them throughout the fall and working with agencies and departments on analyzing the data included in them.

Training

Training on Vantage will be provided in August for new users, on the personnel module, and as a refresher for experienced users. Finance & Management has updated the training documents and they will be available on our website by August 15th, 2016. Finance & Management will provide some additional details on how to run reports and how to use them to your full advantage.

Big Bill Language

Agencies and departments must submit language that is necessary with any programmatic changes that are being proposed. At a minimum agencies and departments need to indicate in their budget presentations which proposed changes will also need accompanying language. As the budget is finalized and changes are adopted, it is expected that agencies and departments will work with their legal staff or the Attorney General’s Office to ensure that the language proposals are properly drafted.

Language will not be due to Finance & Management until later in December but the expectation is that the submissions will be in a standard form. Finance & Management will provide guidelines for language submission later this fall.

Legislative Submissions

Historically, the budget instructions have included information on legislative presentations. Since the legislative session is several months away, and Finance & Management wants agencies and departments to focus on the new changes to budget development, we will not be providing legislative requirements at this time. Finance & Management will send legislative submission requirements later in the fall.

Agencies and departments can expect that legislative requirements will be similar to prior years. Finance & Management will request that legislative submissions be shared with budget analysts no less than one week prior to testimony for review.

Big Bill requirements for F&M budget submissions

2016 Act 172 Sec. E. 100.9 includes additional requirements about “reporting unfunded budget pressures” for the FY 2018 budget submission by Finance & Management. Budget analysts will be working with agencies and departments on the presentation of this required information. Please review this language and be prepared to respond to Finance & Management’s request for information this fall.