



STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

To: All Agency Heads

From: Benjamin Barnes, Secretary 

Date: August 1, 2018

Subject: Guidance for Agency Budget Requests for the FY 2020 and FY 2021 Biennium

As OPM begins development of the budget for the FY 2020 and FY 2021 biennial budget, I want to first acknowledge the significant budget reductions that you've implemented over the past eight years. Your efforts at spending restraint have served the state well and have enabled thoughtful adaptations to the state's new economic reality while restoring fiscal strength and confidence. Thank you for your efforts and dedication.

We should all take great pride in the accomplishments of this administration, particularly in the major initiatives that have been undertaken in the areas of early childhood education, transportation, public safety and criminal justice, and beginning to face our long-term liabilities, just to name a few. I want to sincerely thank each and every one of you for your contributions to our past successes. But we must recognize that fiscal challenges remain over the next few years, and the citizens of Connecticut are counting on us to continue to be part of the solution, even as the transition to a new administration takes place early in 2019.

Section 4-79 of the General Statutes requires that OPM present the Governor-elect with a transition budget by November 15th. The first step in the budget development process is the preparation of a baseline, or current services, budget for the upcoming biennium. The next step is to assemble a menu of potential policy options for consideration by the Governor-elect. With this as a backdrop, the guidance below addresses development of both a baseline budget request for FY 2020 and FY 2021 as well as policy adjustments to that baseline. This guidance memo and software instructions are available at the following link: <https://www.ct.gov/opm/cwp/view.asp?a=2961&Q=604168>

Development of the Baseline (Current Services) Budget for the FY 2020 and FY 2021 Biennium

The first step in the state's biennial budget process is the development of a baseline budget. The baseline budget is based on current appropriations adjusted to reflect changes in funding requirements under existing state and federal laws. Typical adjustments include the impact of reflecting full-year costs or savings for programs that will start or end during the current fiscal year (annualization), legally-required rate changes for rate-based expenditures, anticipated changes in caseload or utilization, funding changes that are contractually required, and the impact of other statutory, federal or legally-required changes that affect expenditure requirements.

This letter establishes guidelines and planning factors to be used for development of the baseline budget for fiscal years 2020 and 2021 as well as operating instructions for using the Automated Budget System

software. Questions regarding budget development should be directed to your assigned budget analyst. Under CGS Sec. 4-77, agency budget requests are due to OPM not later than September 1st. Further, CGS Sec. 4-79 requires that OPM provide the Governor-elect with a tentative budget not later than November 15th. Accordingly, **baseline budget requests must be submitted to OPM by August 31, 2018**. Late submissions are unacceptable.

Baseline Operating Budget

Pursuant to CGS Sec. 4-77, agencies are required to submit estimates of expenditure requirements for each year of the upcoming biennium to the Office of Policy and Management. This year, agencies will be preparing submissions for the biennial budget covering fiscal years 2020 and 2021. All estimates of operating budget requirements must be developed and submitted using the Automated Budget System (ABS) software available at: <https://www.ct.gov/opm/cwp/view.asp?a=2961&Q=604168>

In accordance with CGS Sec. 4-73, budget requests are developed with program-level detail. The Governor's budget must include the following information for each budgeted appropriation and program:

1. Program budget data, broken down by major object of expenditure (account code), showing federal and private funds,
2. A summary of permanent full-time positions by fund,
3. A statement of expenditures for the last-completed and current fiscal years, and
4. The agency request and Governor's recommendation for expenditures in each year of the ensuing biennium.

As noted above, the baseline request includes estimated expenditure requirements for each combination of fund, program, SID, and account category. The request must include FY 2018 actual (unaudited) expenditures, FY 2019 budgeted expenditures, and FY 2020 and FY 2021 requested appropriations for all appropriated funds. Both the FY 2020 and the FY 2021 requests are based on a series of proposed adjustments to the funding level established by the FY 2019 appropriation, which are detailed below.

Technical Adjustments to the Baseline

1. Personnel Cost Projections

- The starting point for personnel costs is the current year (FY 2019) appropriation.
- Contractually-required increases for each settled bargaining unit are reflected in the ABS software. Funding for potential settlement of unsettled contracts as well as any adjustments due to agreements that are reached prior to presentation of the Governor's budget in February 2019 will be handled centrally by OPM.
- In order to facilitate the calculation of increases due to collective bargaining, the system will automatically calculate GWI and AI/Exception increases based on the assumptions outlined in the previous bullet, as well as your agency's roster.
- The calculations noted above apply to both Personal Services accounts as well as any wage accounts in Other Current Expenses appropriations.

2. Inflation

- Do not budget for inflation unless such adjustment is statutorily required. Provide a statutory cite if an inflationary adjustment is requested.
- Do not request inflationary adjustments on commodity purchases.

3. Municipal Aid

- Reflect the statutory level for formula-based municipal aid. Any changes in funding for formula-based municipal aid will be handled as policy adjustments during the budget option process.
- Non-formula aid should be consistent with FY 2019 funding unless a negative adjustment is required based on caseload or other factors.

- Funding for Town Aid Road grants should not be included in the biennial budget request. This will be handled centrally by OPM as a policy option.
- 4. Rate-Based Programs**
 - Include rate changes required under existing statute. Do not include discretionary rate changes; these may be considered as policy adjustments (budget options).
 - 5. Caseload Adjustments**
 - For caseload or utilization-based expenditures, adjustments to baseline spending may be requested based on anticipated changes in caseloads or utilization. For accounts where both a caseload/utilization and a unit cost or rate factor is proposed, the utilization factor should be applied before the cost/rate factor. If you are unsure about requesting these increases, contact your assigned budget analyst to discuss potential adjustments.
 - 6. Annualization and Other Adjustments**
 - Include an annualization adjustment, if needed, for any new or expanded programs funded during FY 2019.
 - Include a negative annualization adjustment where there are decreased costs for programs that will expire or be reduced during or after FY 2019.
 - Include an adjustment for any new programs not funded during FY 2019 but which are required by current law to begin in FY 2020 or FY 2021. Operating costs for new buildings that are scheduled to open during the biennium may also be requested. Do not request funding for new or discretionary programs; these may be considered as policy adjustments.
 - Funding should not be requested for programs currently funded through non-appropriated resources (e.g., pickups of expiring federal funds); these may be considered as policy adjustments.
 - 7. Equipment**
 - For General Fund agencies, only equipment that does not meet the requirements for disbursement under the Capital Equipment Purchase Fund (CEPF) should be requested as part of the agency's operating budget (Fund 11000, SID 10050). Equipment that meets CEPF requirements may also be requested but should be coded to CEPF as a funding source.
 - Legislative branch agencies and agencies funded from the Special Transportation Fund and industry funds should continue to reflect equipment needs as part of their operating budget requests.
 - All agencies must supply descriptions of items to be purchased, quantity and unit cost information, and detailed explanations and justification to support the requested funding level for each year of the biennium.
 - 8. Workers' Compensation Costs**
 - Agencies with Workers' Compensation Claims appropriations should request funding based on projected payouts, but should generally not request inflationary increases. Provide documentation to your assigned analyst regarding assumptions used for the request.
 - 9. Fringe Benefit Recovery Rate**
 - Please refer to Comptroller's memorandum 2018-11 regarding the fringe benefit recovery rate in developing your budget for the 2020-2021 biennium. This information is available at: <https://www.osc.ct.gov/2018memos/numbered/201811.htm>
 - 10. Additional Supporting Information**
 - Additional data is required in support of certain elements of agency baseline requests:
 - SID descriptions: A description of the purpose, statutory reference, and agency contacts for each budgeted appropriation is required. The software contains a module for submission of this information. Descriptions have been pre-populated by OPM for appropriations that are common across agencies, such as Personal Services, Other Expenses, and Fringe Benefits and Indirect Overhead in industry-funded agencies.

- Spending plans: Spending plans are required for grant accounts in Purchase of Service (POS) agencies. The software contains a module for submission of this information.
- Consultant contracts: A listing of all current and proposed consultant contracts is required from all agencies. The software contains a module for submission of this information.
- Leases: Pursuant to CGS Sec. 4b-23, OPM's Bureau of Assets Management has provided training and directions, under separate cover, for completing your agency's state facilities plan. Completion of all required plan documents is required in order to allow for the review of requested lease costs.

11. Baseline requests should not include:

- Expansions of existing programs or funding for new programs. Such requests should be submitted as budget options.
- Reallocations of funding between appropriations. Such revisions should be submitted as budget options.
- The pick-up of any items funded in FY 2019 from carryforward funds. If there is an unfunded requirement in FY 2020 and/or FY 2021, this must be requested as an expansion option.
- Pick-up of programs funded via expiring federal or private grants, except where existing law does not permit the cancellation of such expenditures.
- Estimates of expenditures related to the implementation of evidence-based programs pursuant to CGS Sec. 4-77c. This statutory provision applies to the departments of Correction, Children and Families and Mental Health and Addiction Services, and the Court Support Services Division of the Judicial Branch.

12. Actual Expenditures – FY 2018

- FY 2018 actual expenditures were extracted from Core-CT on or about July 16, 2018. Please review all FY 2018 actuals for completeness and accuracy.

Capital Budget

As capital plans for the next biennium are developed, agencies should keep in mind the statutory cap on general obligation debt. Any requests for additional bonding should reflect only those projects that are essential to be completed over the next biennium. Additionally:

- Agencies must review all authorized, unallocated bonds that are in effect as of July 1, 2018 and determine which authorizations should be cancelled.
- Agencies with critical needs that are a part of an ongoing project or program should request additional funds in the appropriate fiscal year via the capital budget application.
- Agencies can request a change in purpose by submitting a language-only request via the capital budget application.

The Automated Budget System includes a module for capital budget requests. **Capital budget requests are due to OPM by August 31, 2018.**

Policy Options – Revisions to the Baseline Budget Request

Following the completion of the baseline budget, policy options that would modify the baseline level of revenue or expenditures will be reviewed for their possible inclusion in the Governor-elect's final recommended budget. (Note that reallocations of funding between appropriations constitute policy options and should not be submitted as baseline adjustments.) Budget options represent the fiscal outcome of policy changes to the requested budget for the upcoming biennium. In order to give the Governor-elect a full menu of policy and budgetary choices, OPM is soliciting reduction, reallocation, revenue and expansion options. All agencies are required to submit options, as per the guidance below. As always, budget options requiring legislative action are acceptable, and agencies should identify relevant statutory changes that would support option proposals. **The due date for options is October 5, 2018.**

Agencies must provide reduction options and may also propose options requiring additional resources. Note, however, that the ability to fund new or expanded programs in the coming biennium will be constrained by available revenue, as well as the policy preferences of the Governor-elect. As in the past, agencies are strongly encouraged to undertake a critical look at existing programs and activities in order to direct resources in ways that continue to improve the services and operations of state government. Agencies are encouraged to hold discussions with their assigned budget analyst regarding potential budget options.

Reduction Options

The Office of Fiscal Analysis projects General Fund deficits in excess of \$2.0 billion in FY 2020 and \$2.5 billion in FY 2021, growing to more than \$3 billion per year in the biennium thereafter (source: OFA fiscal note for Senate Bill 543). As a result, all agencies, including those that are industry-funded, are required to submit realistic and achievable reduction options that will result in reductions to the agency's baseline budget request. **Agencies should prepare options that would result in at least a five percent reduction from the FY 2020 baseline, exclusive of formula-based municipal aid.** Agencies with entitlements and formula-based municipal aid should also submit responsible proposals for restructuring and reducing such appropriations independent of and in addition to any other reduction proposals. OPM is available to consult with agencies to identify potential areas for reduction.

I strongly encourage you to be creative in considering alternative service delivery models, updates to your practices and procedures, cross-agency collaborations, and other new ways to do business. Agencies should also give thought to any potential mergers and program consolidations that might merit consideration. If you identify potential savings that may be applicable across state government, I ask that you contact me, Deputy Secretary Susan Weisselberg, or Executive Budget Officer Paul Potamianos so that the appropriate budget analyst(s) can be assigned to follow up as necessary.

Reallocation Options

Reallocation options provide an opportunity for an agency to propose shifting resources between appropriations and programs in order to address higher priority needs, as well as to realign funding to accounts that better support particular program activities. These options are "zero-based" in nature. An agency should submit a reallocation option if a need to consolidate or shift resources between programs or accounts has been identified. Reallocations to offset the potential loss of revenue or federal funds should be clearly identified in your submission.

Revenue Options

Agencies may submit revenue options where the cost/benefit is clearly advantageous to the state. To the extent possible, revenue options should be proposed within available resources; any request for appropriations or positions necessary to secure additional revenue should be made sparingly, recognizing the need to constrain expenditure growth and anticipated near-term economic conditions. If state expenditures are required in order to receive increased revenue, your submission must provide detailed cost projections in addition to revenue estimates.

Expansion Options

As part of the process of providing policy alternatives to the next administration, agencies may submit requests for new resources for consideration by the Governor-elect. Expansion requests should be focused on the most pressing areas the agency believes merit consideration for new or additional funding. In recognition of the significant deficit projected for the next biennium, which will constrain the ability of the incoming administration to consider any expansions, use discretion and restraint in requesting additional resources.

Narratives and Measures

CGS Sec. 4-73 requires that budget requests be developed with program-level detail. The statute requires that the following narrative information be provided for each budgeted program:

1. The statutory authorization for the program,
2. A statement of program objectives,
3. A description of the program, including a statement of need, eligibility requirements, and any intergovernmental participation in the program,
4. A statement of performance measures by which accomplishments toward the program objectives can be assessed, and
5. An explanation of any significant program changes.

Each agency must update its program budget text and the description of agency purpose to make them current; contact your budget analyst if you have questions. The budget narrative text from the budget-in-detail (long narrative) and from the budget summary (short narrative) is available for download at the webpage noted above. **Narratives and measures must be updated and are due to your assigned OPM analyst by November 1st.**

Narratives

Narrative information is required in two different formats for separate budget documents.

1. Short narrative: This is a succinct description of the agency's mission and accompanies the main volume of the Governor's recommended budget, often referred to as the "budget summary." Text is typically bulleted, and each bullet begins with "To (verb)" followed by a brief description of the agency's purpose.
2. Long narrative: This document is used as a component of the program budget, often referred to as the "budget-in-detail." The long narrative consists of several elements:
 - a. Description of overall agency mission (essentially the same description of agency mission as is used for the short narrative, although somewhat expanded descriptions may be accepted); and
 - b. For each separate budgeted program, the following is provided:
 - i. Statutory reference(s) applicable to the program;
 - ii. Statement of Need and Program Objectives. This is a brief statement that begins with "To (verb)" and identifies the goals of the program. E.g., "To regulate...", "To provide...", "To administer..." and
 - iii. Program Description: A narrative explanation of the program.

Measures

Measures are a means by which the reader can assess program accomplishments. Performance information can help policymakers address a number of questions such as whether programs are contributing to their stated goals, well-coordinated with related initiatives, and targeted to those most in need of services or benefits. Agencies are strongly encouraged to present a limited set of objective, quantifiable measures that demonstrate program outcomes rather than presenting input or process measures. Examples of input or process measures include the number of beds or slots operated or funded by the program, the percentage of capacity at which a program operates, or the number of hearings held or the number of contracts processed by an administrative unit. Output or outcome measures describe whether anyone is better off as a result of the expenditure of taxpayer funds, and focus on results and accomplishments rather than on inputs.

A limited set of well-thought out, results-oriented measures of program accomplishments is more powerful than input or process metrics and helps the reader understand what the state realizes from its investment. Ideally, measures will be identified for each distinct program category described in the

narrative. Measures supported by peer-reviewed research findings, where available, are preferable. If a program does lend itself to an objective, quantifiable means of presenting accomplishments, the agency may elect not to provide measures for that program.

Performance-Informed Budget Review

All budgeted agencies are reminded of the requirement to report, utilizing the results-based report format developed by the accountability subcommittee of the Appropriations Committee, information and analysis for each program administered by the agency as required by CGS Sec. 2-33b of the 2018 supplement to the General Statutes. Such reports are due on or before October 1, 2018. See https://www.cga.ct.gov/2018/sup/chap_016.htm#sec_2-33b.

Guidance and Assistance

Direct technical questions related to the budget software to A.J. Dean at alvin.dean@ct.gov or 860-418-6249. For questions regarding budget or policy issues, please contact your assigned OPM budget analyst.

Submission

1. Late submissions are not acceptable, given the statutory deadline for providing the Governor-elect with a transition budget.
2. Follow the submission instructions in the attachment.
3. **Baseline operating and capital budget requests are due by August 31, 2018.** Please provide a hard copy of your operating and capital submission to the Office of Fiscal Analysis.
4. **All reduction, reallocation, revenue and expansion options must be submitted not later than October 5, 2018.** The submittal should include the Agency Summary and printouts of each of the individual FY 2020 and/or FY 2021 requested options (including backup documentation). Additionally, agencies are to provide a complete copy of their submission to the legislature's Office of Fiscal Analysis.
5. **Narratives and measures are due by November 1, 2018.**
6. Performance-informed budget information should be separately submitted by October 1, 2018, to OPM, OFA, and the committees of cognizance in accordance with the requirements noted in Sec. 2-33b of the 2018 supplement to the General Statutes.

Attachment – Automated Budget System Instructions

c: Agency Fiscal Officers
 Neil Ayers, Office of Fiscal Analysis