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June 12, 2015

To: Agency Accounting Coordinators

From: Ron Mavetz, Agency Support Director
Bryan Dahl, Budget Planning Director

Subject: Annual Budget and Accounting Instructions – Document 2
Establishing Budget Fiscal Year 2016-17 Accounts and Closing Fiscal Year 2015

This memo accompanies the second of three documents that address establishing budgets for FY 2016 and closing FY 2015 in SWIFT.

The 2015 legislative session ended on May 18 with five of the eight omnibus appropriations bills enacted into law that week. The remaining three omnibus appropriations bills are awaiting enactment in special session. With 2015 session laws in place, agencies may now begin to create or modify any necessary SWIFT accounts, enter appropriations for FY 2016 and FY 2017, and establish revenue and expense budgets that reflect legal authority and legislative intent for the coming biennium.

There were no broad legislative changes affecting the manner in which individual agency budgets should be established. However, there are several significant issues and guidelines that agencies must consider in establishing their budgets:

- Unexpended FY 2015 dollars that do not have specific authority to be carried forward into FY 2016 will cancel on June 30, 2015. Agencies may wish to consider investing in technology projects under the Information and Telecommunications Account authorized by M.S. 16E.21. MMB recently announced the creation of a Statewide Systems account which will support upgrades to SWIFT and Enterprise Learning Management as well as the addition of reporting subjects to the Data Warehouse. If your agency is interested in investing in this account, please contact Michelle Weber at (651)201-8007 or Michelle.Weber@state.mn.us.
- Labor contracts for FY 2016-17 have not yet been negotiated. As a result agencies must plan to fund potential compensation cost increases within their budget plans for FY 2016-17. Agencies should use an annual increase of 1.8%, the same guidance provided in the biennial budget instructions.
- Agencies will be required to review and resolve appropriations that are in negative/deficit cash balance for fiscal years 2011 through 2014 as part of the spend plan process.

It is important that agency accounting, procurement, payroll, and human resources staff are aware of the important deadlines on the SWIFT and SEMA4 schedules. Please distribute this and related documents to the appropriate personnel within your agency

ANNUAL BUDGET AND ACCOUNTING INSTRUCTIONS

DOCUMENT 2

Contents

PART I. OVERVIEW

As a part of the annual budget and accounting process, a series of documents are issued to provide instruction to agencies on establishing budget fiscal year (BFY) 2016-17 and closing BFY 2015 appropriations in SWIFT.

This is the second document in a series of three to begin that process. It highlights several important tasks, which require agency action in order to successfully open BFY 2016 and close BFY 2015.

Document 3 will be distributed in July and will cover preparation for BFY 2015 closing. If you have questions related to these instructions, please contact Agency.Assistance@state.mn.us.

The only activities that may occur in budget period 2016 prior to July 1st, 2015 are the establishment of expense budgets, revenue budgets, anticipated transfers, grant/project budgets, and encumbrances.

If you would like to be added to the Accounting Coordinators email notification list, please go the link for Mailman, fill in your email address, then click "subscribe." (https://mn.gov/mmb/accounting/payroll/email-list/)

PART II. FY 2016 Budget Preparation

Instructions for preparing Fiscal Year 2016-17 budgets will be included in two documents. Document 1 provided to agencies on April 9 gave guidance to agencies on establishing organizational FinDeptID structures, appropriations, revenue budgets, allotments, grants and projects. The document also contained information on legal level of budgetary control, federal grants, bookkeeping accounts, transfers, balance forward prior to close and invested treasurer's cash authority and the initial steps related to closing FY 2015.

Document 2 provides guidance on FY 2016 budget preparation, spending plan certification, processing new year transactions before July 1 and preparing for FY 2015 close.

A. Appropriation Transfers

As discussed in Document 1 agencies can establish an anticipated transfer (XAT) in SWIFT prior to July 1, 2015 for FY 2016 in order to set-up expense budgets and begin purchasing and contracting activities; however, an agency must not process actual transfers (XTA or XTN) until July 1, 2015. There is no authority to move funds prior to July 1. This includes appropriation transfers between funds (interfund) and transfers within the same fund (intrafund).

Transfers between programs:

Minnesota Statutes 16A.285 (https://www.revisor.mn.gov/statutes/?id=16A.285) provides general authority that 'an agency in the executive, legislative, or judicial branch may transfer state agency operational money between programs within the same fund if: 1) the agency notifies the commissioner of Minnesota Management & Budget (MMB) as to the type and intent of the transfer; and 2) the transfer is consistent with legislative intent. If an amount is specified for an item within an activity, that amount must not be transferred or used for any other purpose.'

If appropriated money is transferred between programs or activities within an agency, as permitted by M.S. 16A.285, the agency must prepare a memo from the agency head to the chairs of the Senate Finance and House Ways and Means Committees. The memo must accompany the anticipated transfer documentation. The transfer must be approved by the agency's executive budget officer (EBO).

Transfers between agencies:

Transfers between agencies must have specific authority in statute or session law.

B. Revenue Budgets

Revenue budgets are an estimate of expected receipts for the fiscal year. They are critical to budget management, as they define spending constraints. Therefore, it is important that agencies review prior fiscal year's actual revenue and revenue forecast assumptions to ensure that revenue budgets for both dedicated and non-dedicated receipts are complete and represents the most likely estimates of revenues expected during FY 2016 and FY 2017. On a statewide basis, individual agency revenue budget estimates are aggregated to prepare the official state forecasts of all non-tax revenues for the general fund and other operating funds.

Agencies must establish revenue budgets using the correct revenue account code so that all revenues are accurately recorded and reported throughout the fiscal year. Appropriations receiving non-dedicated receipts must be coded with an appropriation ID that has an appropriation type 99. MMB strongly encourages agencies to prepare monthly revenue budget estimates for internal monitoring.

1. Establishing, modifying, or deactivating revenues budgets

Agencies should review their BFY 2015 dedicated and non-dedicated revenue budgets and estimates from the Governor's 2016-17 Biennial Budget document as a basis to enter revenue budgets for BFY 2016-17. The amounts estimated should include any impacts from the 2015 legislative session. Agencies can also use their monthly estimated and actual receipts report for BFY 2014 as a guide. Agencies should be establishing revenue budgets for BFY 2016-17 appropriations that have been created.

SWIFT will not automatically prevent receipts from being applied to BFY 2016; however, agencies don't have legal authority to deposit to budget period 2016 until July 1, 2015. There is an exception for Minnesota State College and University's (MnSCU) summer session receipts.

An excel template is available on MMBs website to import revenue budgets – see the SWIFT Rev Bud KK Jrnl Template (http://www.mn.gov/mmb/accounting/swift/forms/).

2. Revenue Accounts

MMB assigns and maintains the revenue account code table. If a new revenue account is needed or a revenue account code is no longer in use for FY 2016, please contact Chris Johnson (651-201-8176 – Christopher.Johnson@state.mn.us), MMB Budget Planning for the form and instructions. As a general rule, when a revenue account has been deleted, it will not be reused for five years after deletion. If you have a one-time receipt with an amount less than $100,000, please consider using an existing revenue account code.

C. Cash Flow Assistance

For non-federal dedicated receipt accounts, it may be necessary for a state agency to incur costs prior to receipt of funds. Cash flow assistance is available to alleviate this problem. Upon approval of a cash flow request, MMB will change the budget authority code on the appropriation account to allow payments against the greater of estimated or actual dedicated receipts and/or the greater of anticipated or actual transfers.

Cash flow requests and analyses are not required for federal funds. For other dedicated receipt accounts, when the timing of estimated receipts does not provide for sufficient cash flow to pay for start-up or ordinary and necessary expenses, the commissioner of MMB may authorize payments to be made before receipts are received. Agencies request this authorization by completing a Request for Cash Flow Assistance Form 0301-01-05F (mn.gov/mmb-stat/documents/accounting/forms/0301-01-05f-cash-flow-request-form.docx) and a Cash Flow Analysis Spreadsheet 0301-01-05F (mn.gov/mmb-stat/documents/accounting/forms/0301-01-05f-cash-flow-analysis.xlsx). These forms must be submitted to the agency's EBO each fiscal year. Cash flow may not be requested for internal service funds. See MMB Statewide Operating Policy Number 0301-01 for more information on cash flow assistance.

Key points to keep in mind when developing and managing cash flow:

- Total program receipts and/or expenditures in SWIFT should approximate the amount on the Cash Flow Analysis form. Amounts established in SWIFT for the revenue or expense budget must be modified and a revised cash flow analysis submitted if the agency's original amounts change materially. Cash flow analysis should include expenditure and revenue information for one state fiscal year. Cash flow analysis should be a comprehensive estimate of expenditures and revenues. Simply dividing the annual estimate 12 months (or however many months the funds are available) is not a comprehensive analysis.
- Agencies must process reimbursement requests as often as economically feasible to maximize interest earnings for the state.
- Agencies which have other sources of dedicated receipts should use periodic progress payments (monthly/quarterly) to request reimbursement where legally permissible and not wait until the completion of the project.
- Any negative amounts in an appropriation account must be eliminated prior to fiscal year close, unless there is an exemption requested to process receipts after fiscal close. Without an exemption, MMB will change the budget authority back to its original code before fiscal year closing so that additional expenditures do not accumulate in the account.
- Agencies with interest-earning appropriation accounts are required to pay interest for periods where the account has a negative balance.

D. Expense/Allotment Budgets

Once appropriation sources of funding have been entered in SWIFT, expense budgets can be posted. Establishing expense budgets builds allotment budgets. Expense budget amounts against SWIFT account codes should be entered consistent with amounts budgeted in the biennial budget adjusted for known material changes such as reductions, cancellations, legislative, or adjustments to revenues, etc

SWIFT has two distinct types of allotments, payroll and non-payroll. Payroll allotments are created when expense budgets are entered against salary accounts. Payroll allotments are considered reserved (encumbered) when allotted. Non-payroll allotments are created when expense budgets are established against non-payroll accounts. Agencies can exceed an expense budgets in non-payroll allotments as long as unobligated funds exist at the allotment level.

All BFY 2016 anticipated spending accounts **should be fully allotted by June 30, 2015**. To accomplish this, agencies should establish expense budgets equal to the spending authority amount for each appropriation. Ensure that the budget journal header budget type is changed from 'original' to 'adjustment' when making adjustments to the budget throughout the year that are not adjustments to the original budget. There are situations where money cannot be allotted prior to June 30 because specific approval or other action must occur prior to allotting the funds.

An excel template is available on MMBs website to import expense budgets see the SWIFT Exp Bud KK Jrnl Template (http://mn.gov/mmb/accounting/swift/forms/).

E. Workforce and Compensation Planning

1. Establishing Correct Position Funding in SEMA4 / SWIFT

As part of establishing FY 2016 budgets, each agency must review their SEMA4 position funding records and enter updates where necessary. This review is especially important if your agency is changing chart of accounts codes or making other organizational changes.

Expense budgets must be established in order to properly post payroll expenditures in SWIFT. In order to minimize the risk of position funding or labor distribution validation errors, agencies must have at least one expense budget established using an expense account included in the PAYRLL account group (accounts beginning with 410) for each expense budget level FinDeptID within an appropriation. In addition, if travel or any business expense re-imbursement is anticipated, there will need to be at least one expense budget established using an expense account in the NONPAY account group.

Each agency must have an agency payroll clearing appropriation which is used to post SEMA4 transactions that are rejected in SWIFT during the posting process. MMB agency Assistance has established a payroll clearing (default) appropriation and necessary expense budgets for each agency.

Contact Erin Gregory (Erin.Gregory@state.mn.us) or 651-201-8077 if you have any questions

2. Planning for FY 2016-17 Compensation Costs

In establishing budgeted amounts for compensation, agencies must recognize that labor contracts for FY 2016-17 have not yet been negotiated. Prudent financial management requires that a reasonable set of planning assumptions be used for preparing budgets for FY 2016-17. As a result agencies must plan to fund potential compensation cost increases within their budget plans for FY 2016-17.

Future costs will likely be affected not only by any negotiated salary agreements, but also by potential changes in employer-paid contributions for insurance, FICA, Medicare, retirement and other factors. For budget planning, Agencies should use an annual increase of 1.8%, the same guidance provided in the biennial budget instructions.

3. Budgeting for Employee Training and Development and Achievement Awards

As agencies develop their FY 2016 budgets in SWIFT they are encouraged to consider budgeting resources to support training, development and leadership opportunities to assist with workforce and succession planning within the agency. Training and development opportunities are an important management tool to be used in recruiting, retaining and developing a skilled workforce. Proactively setting aside resources at the beginning of the budget period for these activities will assist agencies in making these opportunities available to their employees.

The statewide Achievement Award policy instructs agencies intending to make monetary awards to budget dollars specifically for this purpose. Agencies should establish funds for monetary awards at the beginning of the year as part of the annual operating budget. End of the year allocation of budget dollars towards achievement awards is not an acceptable practice.

F. Budgeting and Implementing IT Consolidation in FY 2016

In FY 2016, agencies will continue to budget for IT spending that includes the following costs: the acquisition, storage, communication, and processing of information by computers, telecommunications, applications and other software. This definition includes all personnel cost (positions) in IT job classifications and related positions that directly provide IT services.

Group A (Rates/Direct) and Group B Agencies

Group A and Group B agencies that are financially consolidated will, as in FY 2015, need to budget for IT related service agreements and payments - setting up budgeted amounts and making payments under account class 41196 - Centralized IT Services. The budgeted amounts and payments to MN.IT will be established through a Service Level Agreement (SLA) between the individual agency and MN.IT. FY 2016 expense budgets must reflect the negotiated amounts included in the Service Level Agreement authorized by an agency's chief financial officer (CFO) and chief information officer (CIO). For Group B agencies whose payroll has not transitioned to MN.IT, agencies will continue to budget IT personnel within the agency budget and non-payroll expenses within the account class 41196-Centralized IT Services.

Budget Planning for IT Projects - MN.IT Telecommunications Account

In 2007, the legislature established the Information and Telecommunications Account (ITA) program (https://www.revisor.mn.gov/statutes/?id=16E.21, or "Odyssey Fund." Agencies may transfer funds to this account based on charges agreed to by agencies and MN.IT, for the purpose of defraying costs and activities that create government efficiencies such as the IT consolidation program. The ITA account is used to fund agency specific IT projects or enterprise IT projects that show some benefit to the State such as data center consolidation and enterprise security. Agencies wishing to invest in one of the ITA account fund projects should visit the Odyssey program site. Information about the requirements and process are in the Resources folder (https://connect.mn.gov/sites/mnitcommons/org/PI/odyssey/SitePages/Home.aspx).

Agencies investing in a new project will complete an Odyssey Fund Project Request Form and submit it to the Odyssey Program Team for review. When a Project Request Form is approved, MN.IT will notify the agency's Executive Budget Officer. Agencies should contact their EBO to verify authority to transfer specific funds to an Odyssey project, prior to entering into an interagency agreement with MN.IT. As with any transfer, transfers to an Odyssey Fund account must be used for purposes consistent with the legal intent for the appropriation from which the transfer originates.

MMB has created a Statewide Systems Odyssey account that will enable agencies to invest in upgrades to SWIFT and Enterprise Learning Management as well as the addition of reporting subjects to the Data Warehouse and other statewide systems improvements.

Interested parties can contact the Odyssey Program Team with questions.

G. Federal Funds Approval and the Legislative Advisory Commission (LAC)

The federal funds requests which were submitted as part of a budget submission were approved during the 2015 legislative session.

There are two methods for new or revised Federal Funds to be reviewed and approved between legislative sessions:

20 Day review: October of even or odd numbered years				
Agency submits items for 20 day submission	→	MMB forwards items to LAC for approval	→	Federal Funds approved 20 days after submission, unless a recommendation is received from a legislator for further review
10 Day review: urgent, awarded requests only				
Agency submits items for 10 day review	→	MMB forwards items to LAC for approval	→	Federal Funds approved 10 days after submission, unless a recommendation is received from a legislator for further review

20 Day Review: the agency submits the items for 20 day review. Next, MMB forwards to LAC for approval. Finally, funds are approved 20 days after submission, unless there is a recommendation for further review. These are completed every October.

The next 20-day submission to the LAC will be completed on October 1, 2015. MMB will email agency contacts about submissions for the 20-Day review process in late August or early September.

Before preparing a 10-day urgent request, agencies should contact their executive budget officer. Urgent requests are limited and agencies must demonstrate the need to spend funds in advance of the October submission. A 10-day request can only be used if Federal funds have already been awarded and it is an urgent request outside of the normal 20-Day review process.

Agencies with requests should utilize the Federal Funds Review Request form (07250-01) on the MMB SWIFT forms website (http://www.mn.gov/mmb/accounting/state-financial-policies/forms.jsp).

For more information regarding the LAC process, please see the Budget Division's LAC Page (http://www.mn.gov/mmb/budget/legadcomm/)

Part III. FY 2016 Spending Plan Certification

Minnesota Statutes 16A.14, Subd. 3 (https://www.revisor.mn.gov/statutes/?id=16a.14) requires that all agencies submit a spending plan to MMB to certify that: 1) the amount required for each activity is accurate and is consistent with legislative intent; 2) revenue estimates are complete and reasonable; and 3) the plan is structurally balanced, with all legal restrictions on spending having been met for the purpose for which money is to be spent.

To meet this requirement, each agency must submit a formal FY 2016 annual spending plan certification and supporting reports via SharePoint by **July 31, 2015**.

Agencies are required to certify that employee training and development was considered during the spending plan review process. Agencies are required to enter an amount that has been budgeted for training and development.

New this year is the requirement that agencies review and resolve negative appropriations for fiscal years 2011 through 2014. Agencies should resolve appropriations from FY2011 through FY2015 that are in a negative/deficit cash balance as part of the spend plan process. If circumstances prevent an agency from resolving these accounts during the spend plan process, they should work with their EBO to develop a plan to resolve these accounts.

Required Reports (MS Access database): To complete the spending plan certification, agencies must be able to run Microsoft Access 2007 or greater and have Oracle 11g Client software in order to provide a snapshot of spending plan data in SWIFT. Each report is built using prompts and utilizes information from the SWIFT Data Warehouse. If your agency does not have the capability of accessing and running SWIFT Crystal reports and Microsoft Access please contact Chris Johnson (651-201-8176 – Christopher.Johnson@state.mn.us) for assistance.

1. Program Structure with AppropID - This report displays SWIFT's programmatic structure. The Program, Budget Activity, and Management Activity with associated appropIDs. Please confirm this structure. If you have changes, please contact your EBO.
2. AppropID Overview - This report summarizes an agency's appropriations by sources and uses within each fund.
3. AppropID Detail - This report identifies the legal citation and most of the attributes and financial information of each appropriation account. Fund totals are included.
4. Revenue Budgets - This report shows dedicated and non-dedicated revenue budgets by program, fund, approprID and account for the new fiscal year as well as two previous fiscal years. FY 2015 actual revenue collected is SWIFT amounts only.
5. Compensation Analysis - This report compares FY 2015 compensation budgets in SWIFT to the current salary projections in SEMA4. If there are large variances between SWIFT budgets and SEMA4 projections, an agency must be prepared to explain reconciling differences.

6. Negative Appropriations – This report shows appropriations from FY2011 through FY2015 that are in a negative/deficit cash balance (unfunded). Agencies must resolve these appropriations.

The spending plan certification form, as well as the six reports can be found on MMB's Access Database-Spendplan website (https://mn.gov/mmb/budget/budget-instructions/crex-spendplan.jsp). Click on the link for Access Database Spend Plan Reports. This will allow you to open and save the Access database to be able to run the reports related to the spend plan.

Instructions for gaining access to SharePoint and submitting spending plans and other budget documents via SharePoint, please refer to Appendices A, B and C of this document.

See appendix B for "Spend Plan Principles & Monitoring".

Part IV. Processing New Year Transactions before July 1st

Most SWIFT budgetary transactions, including requisitions, solicitations, purchase orders, and other non-cash related transactions, may be processed against BFY 2016 funds at any time after budgetary amounts are established, unless otherwise noted. Other transactions, such as payments, cash receipts, accounts receivables, balance forward and actual appropriation transfers between funds, **cannot be processed until July 1st, 2015**. The following information applies to certain types of BFY 2016 transactions processed before July 1st, 2015.

A. Appropriation Transfers and Balance Forwards

Agencies should not enter appropriation transfers or balance forward transaction in SWIFT prior to **July 1st**. Agencies should enter anticipated transfers (XAT) if they need to encumber funds prior to July 1st.

B. Requisitions, solicitations and purchase orders

You may copy older orders and requisitions, as well as set up new orders and requisitions using BFY 2016 budgets provided that the goods or services are to be delivered or provided on or after **July 1st, 2015**.

C. Payments

Payments cannot be made against BFY 2016 budgets until **July 1st, 2015**. A few exceptions exist for this requirement and are supported by State law.

D. Accounts Receivable

New receivables for BFY 2016 should not be entered into SWIFT until **July 1st** to ensure the transactions are recorded in the proper accounting date / period. A BFY 2016 receivable created prior to **July 1st** will be recorded against the Accounting Fiscal Year 2015 accounting date / period and will require adjustments to the State's Comprehensive Annual Financial Report (CAFR).

Agencies must ensure that their accounts receivables are accurately recorded in SWIFT in accordance with Generally Accepted Accounting Principles (GAAP) and the Governmental Accounting Standards Board (GASB) at end of the fiscal year. The revenue must be recognized, measurable, and available / collectible to finance the expenditures for the current period (generally within 60 days after year-end).

For example: an Agency may create an invoice to a customer for services that will be provided in the upcoming month. The receivable would be entered against BFY 2016, but would be recorded against Accounting Fiscal Year 2015 overstating revenue for Accounting Fiscal Year 2015. These transactions would need to be adjusted to properly record this activity in the CAFR.

If you have accounts receivable questions, please contact Kris Meyers at (651) 201-8155 (Kris.Meyers@state.mn.us.

E. Miscellaneous Cash Receipt

Miscellaneous cash receipts for BFY 2016 should not be deposited prior to July 1st. SWIFT allows BFY 2016 receipts to be processed prior to July 1st but Agencies should only enter these transactions on an exception basis.

F. Cash Receipt Transactions Generated By Payroll

Agencies will need to verify the cash receipt transactions for the pay period ending July 2nd. If adjustments are necessary between fiscal years or you have questions, please contact Hongyu Liu at 651-201-8156 (Hongyu.Liu@state.mn.us) or Erin Gregory at 651-201-8077 (Erin.Gregory@state.mn.us).

PART V. Preparing for FY 2015 Close

A. State Agency Value Initiative (SAVI) Process

In 2011, the legislature established the “state agency value initiative” (SAVI) (MS 15.76). This program may allow agencies to retain up to 50% of unspent appropriations – resulting from unanticipated innovation, efficiencies and creative cost savings – at the end of the biennium. Agencies may use these funds on one-time items or short-term initiatives to support their mission.

Agencies wishing to take advantage of the program are required to certify their savings prior to the end of the year. These savings and, and accompanying spending proposals, will be reviewed and approved by MMB. If approved, they will be forwarded to the Legislative Advisory Commission for their review and comment. Proposals must also be posted for 30 days on an agency’s website prior to implementation. Once these requirements have been met, these amounts will be set aside for the agencies’ use in a separate appropriation.

Timeline

Date	Action
By June 11	MMB communicates program to agencies in the accounting instructions
By June 30	Agencies identify savings and prepare and submit materials to your Executive Budget Officer (EBO) at MMB
By July 15	EBOs review materials
By July 25	Commissioner of MMB forwards any approved initiatives to the LAC for review and comment
By August 8	Monies are transferred or cancelled
By September 1	Monies can be spent after 30 day notice of intent posted to agency’s website

Proposals:

In order to qualify for SAVI funds, agencies must submit their savings and spending proposals to their Executive Budget Officer at MMB using the form available on the Accounting Instructions website (http://www.mn.gov/mmb/accounting/swift/budg-acct-instr/). A proposal will not be considered fully approved for implementation until it has been approved by MMB, submitted to the Legislative Advisory Commission for their review and comment, and posted to an agency’s website for 30 days.

For definition of the terms involved in SAVI, please see Appendix C of this document.

B. Cancelling Unexpended State Seminar fees

M.S. 16A.721 requires that unobligated balances of state seminar fee appropriations carried forward must be expended in the following year. If the expenditure in the following fiscal year is not equal to or greater than the carry forward amount, that balance must be transferred to the general fund account:

- Fund: 1000
- ApropID: G9R0017
- FinDeptID: G9R13036
- Budget Period: 2015

If your agency has an appropriation which meets these criteria, you will receive a report from the Budget Operations division which will indicate the amount to be transferred. If you have state seminar fee account questions, contact Chris Johnson (651-201-8176 – Christopher.Johnson@state.mn.us).

C. Purchasing

Minnesota Statute 16A.28 (https://www.revisor.mn.gov/statutes/?id=16a.28) defines the period of time an appropriation is available for spending. More specifically, it requires that goods must be ordered or services rendered by June 30th of the year the money was appropriated.

1. Requisitions

Requisitions not pre-encumbered or fully awarded to a purchase order, budget checked and dispatched by June 30th must use BFY 2016 budgets or be cancelled.

2. Solicitation Events

I. Purchases for Services

Events tied to a BFY 2015 funded requisition for any type of service must be in an awarded status and resulting purchase orders must be budget checked, dispatched and the service(s) performed on or before June 30th, 2015. If the service(s) are not performed by this time, any outstanding purchase orders and accompanying event(s) will need to be cancelled.

Requisitions tied to the event / purchase order will need to be edited to update the chartfields to have the correct BFY 2016. The requisitions can then be sourced to a new event and new purchase orders awarded.

Events not tied to a requisition when awarded must use current BFY funding on the resulting purchase order award.

II. Purchases for Commodities

Events tied to a BFY 2015 funded requisition that are to be awarded to a purchase order for commodities will need to have the purchase orders budget checked and dispatched no later than June 30th, 2015.

Any event that is not at an awarded status after June 30th will need to be cancelled. Any requisitions tied to the event will need to be edited to update the chartfields to have the correct BFY 2016. The requisitions can then be sourced to a new event and new purchase orders awarded.

3. Purchase Orders

Minnesota Statute 16A.28 (https://www.revisor.mn.gov/statutes/?id=16a.28) requires purchase orders be closed unless Agency heads certify to the Commissioner of MMB that goods were ordered or services rendered by June 30th. Agencies are encouraged to cancel any unneeded purchase orders and requisitions as soon as possible.

Agencies may run the Encumbrance Certification Report for a listing of open purchase orders that may need action. To run the report please navigate in SWIFT to Purchasing > Reports > Encumbrance Certification Rpt.

4. Grant Purchase Order

Minnesota Statute 16A.28, Subd. 6 (https://www.revisor.mn.gov/statutes/?id=16a.28) permits purchase orders for grants issued by June 30th to be certified for a period of one year beyond the year in which the funds were originally appropriated. Services rendered under grant contracts may occur during the certification period. Final payments can be processed after this one year period, but Agencies are expected to work closely with grantees after final grant related services are completed to ensure that final payment is processed as soon as possible.

5. Purchasing Receipt Dates on SWIFT Transactions between July 1st and August 14th (Accounting Fiscal Year and BFY Close)

To ensure accurate financial reporting, Agencies must accurately record the date they received goods or services in SWIFT, rather than allowing the date to default to the current date.

For detailed instructions please refer to the Quick Reference Guides on the SWIFT training website (http://www.mn.gov/mmb/accounting/swift/training-support/reference-guides/index.jsp).

D. Payments

BFY 2015 payments made after June 30th, 2015 must be for goods ordered and services rendered by June 30th, 2015. Generally these payments must reference a Purchase Order.

Invoices for services that cross fiscal year end must be split between fiscal years. Agencies need to request this breakout from the vendor if it is not provided.

While it is important for Agencies to accurately code the date of receipt field throughout the fiscal year, it becomes critical at year end. The date of goods /services received field is used to determine liabilities for the State's comprehensive annual financial report (CAFR).

E. SEMA4

1. Payroll Allotments

Agencies should take steps to ensure negative allotment balances are resolved prior to August 10th, 2015.

2. Processing BFY 2015 SEMA4 business and relocation expenses

Business expenses and business expense corrections that are being charged to BFY 2015 accounts must be completed and entered into SEMA4 by the end of the day on July 17th. Relocation expense reports with BFY 2015 expenses must be received in Statewide Payroll Services by noon on July 14th to be paid from BFY 2015 funds. Agencies should notify all employees of their Agency specific internal requirements needed to meet that deadline. For additional information, refer to the Employee Expense Report Policy section of SEMA4 Policy and Procedure PAY0021.

3. Agency payroll clearing accounts

Document Direct / InfoPac report ID HP2190, Expense Transfer Reconciliation report, is available to identify all transactions that are currently accounted for in the Agency payroll clearing (default) accounts. All items that appear on the report with a fiscal year equal to or prior to BFY 2015 must be transferred to a valid account within your Agency by entering a mass expense transfer in SEMA4. These mass expense transfers must be completed by noon on July 24th. If you have questions, please contact Erin Gregory at (651) 201-8077 or Erin.Gregory@state.mn.us.

4. Payroll mass expense transfers

Other SEMA4 mass expense transfers for BFY 2015 accounts must also be completed by noon on July 24th, 2015. If you have questions, please contact Erin Gregory at (651) 201-8077 or Erin.Gregory@state.mn.us.

5. Payroll prior period adjustments

Prior period adjustments that affect BFY 2015 SWIFT accounts must be entered by noon on July 17th, 2015. After July 17th, adjustments entered for pay periods prior to July 1st, can only post to BFY 2015 SWIFT accounts. Labor distribution for these prior period adjustments will default the funding to the chart string to which the payment originally posted. Users will have to change the funding to valid BFY 2016 accounts. If you have questions, please contact Erin Gregory at (651) 201-8077 or Erin.Gregory@state.mn.us.

Appendix A: Access to SharePoint for agencies with enterprise email

Minnesota Management & Budget (MMB) has developed an enterprise SharePoint site available as a utility service through MN.IT Services for the purposes of collecting and reviewing documents. This site was originally named the Budget Planning and Analysis System (BPAS) SharePoint site and has been recently updated and renamed in an effort to create a more manageable, more secure document sharing site. MMB will continue to use the enterprise SharePoint site for the purposes of collecting documents including the annual spending plan certifications and reports.

Changes to the site are as follows:

- The site has been renamed to the Budget Division Document Management site and will no longer be referred to as the BPAS SharePoint site.
- Access to this site is granted solely through Active Directory Groups. In order to gain access to the site, complete the SharePoint Access Request form located on the Budget Instructions page on MMB's website. Send the completed form to Camille Drinkwine at Camille.Drinkwine@state.mmb.us.
- The Minnesota Management & Budget icon acts as the "home" button and will return the user to the home page.
- The home page displays announcements, a calendar reflecting important dates, and a shared documents library.
- All users are able to view all documents within the shared documents library.
- Each agency is now displayed as a document library listed on the left-hand side of the screen.
- All users at an agency are able to view all documents within an agency's document library with the exception of the legislative initiative documents. Legislative initiative documents are restricted to users authorized to work on the legislative initiative process only.

The updated Budget Division Document Management SharePoint site is located here: http://connect.mn.gov/sites/BPAS/SitePages/Home.aspx.

All technical concerns regarding the use of this SharePoint site should be directed to Camille Drinkwine at (651) 259-3772 or Camille.Drinkwine@state.mn.us.

Appendix B: Spending Plan Principles and Monitoring

A. Principles

When your agency establishes its spending plan for the next fiscal year, the plan must adhere to the following sound accounting and financial management principles.

- **Spending must be legally authorized**

  All original or supplemental appropriation accounts in your spending plan must be authorized by session law or statute and be identified by a valid legal citation. Appropriation accounts that are established in the accounting system must reflect the proper legal level of budgetary control as indicated in the authorizing legislation. Appropriation amounts established in SWIFT must reconcile to the amounts in the session laws.

- **Appropriations must be recorded in the state's accounting records**

  Every appropriation or reduction enacted by the legislature must be recorded in the state's accounting system (SWIFT).

  An appropriation must be recorded in SWIFT even if the use of the appropriated funds is contingent or conditional based on matching funds, specific performance, or some other qualifying event. However, appropriate steps must be taken to ensure that spending does not occur before appropriations and allotments are legally authorized and all special conditions are met. Immediate inactivation of the appropriation account will prevent expenditure or obligation of funds prior to meeting the required mandates.

- **Appropriations/funds must be balanced every fiscal year**

  All accounts, particularly those that rely on dedicated revenues, must be able to close each fiscal year's operations with a zero or positive balance. Spending plans must use realistic and most probable scenarios in establishing revenue and expense budgets. If there are uncertainties that cannot be reasonably estimated, agencies should use conservative fiscal estimates. One time funding (e.g. carry-forwards, grants, and accumulated balances) should not be relied on to cover the ongoing operating costs of an agency's programs.

- **Plans must ensure that all funds due to the state are collected and deposited promptly**

  Revenue budgets must be established for all accounts expecting to receive revenue during the fiscal year. All amounts that are due to the state must be collected as soon as legal agreements or billing cycles permit. The normal operating cycle for the state is monthly and invoices or claims for funds must be made in accordance with that cycle. Longer cycles are permitted through signed agreements with the payer.

- **Plans must be established to promptly meet financial obligations**

Agencies must develop plans to ensure that they meet the projected cash flow requirements needed to allow for the prompt payment of state obligations. Differences in the timing of receipts and disbursements can cause cash shortages; therefore, the agency must prepare cash flow analysis forms that accurately represent the timing of receipts and payments, and request cash flow assistance where necessary.

- **Plans must include allowances for variable costs as well as other contingent liabilities**

Some costs are likely to increase on an annual basis such as indirect costs, employer insurance premiums, workers' compensation, and negotiated salary increases. Legislative action or executive order mandates must be integrated into the agency's spending plans. This includes cost savings allocations, across the board reductions, spending limitations, etc.

Initially, when setting up the spending plan, and at least quarterly thereafter, agencies must review any external factors that could adversely and/or materially impact an agency or the program. Once changes in potential costs or revenues are identified and quantified, the spending plan must be amended to reflect the appropriate adjustment.

- **Expenditures must be reasonable and prudent**

Spending plans must identify the most probable spending activity of the agency and must demonstrate reasonable use of the state's funds with sensitivity to the public perception of wastefulness, excess, or impropriety.

- **All revenues, expenditures, transfers, cancellations, or other transactions required by law or statute must be included in spending plans**

Spending plans must be established with account structures and transactions that will track legislative or statutorily mandated special conditions or activities. Funds subject to spending restrictions must also be handled appropriately.

- **Agency accounts must be set up with a reasonable expectation of providing the legislature and the public access to understandable information**

The chart of accounts and organization structure used to account for each agency's fiscal operations must provide accountability consistent with legislative intent. The structure and organization must provide a reasonable basis for accessing information and agency operations annually as well as biennially.

B. Spending Plan Monitoring and Corrective Action

While MMB approves the annual spending plan, each agency is expected to have procedures that ensure a comprehensive periodic review of agency spending plan performance during the year. This information must be maintained by your agency and must be available to be examined by MMB staff as appropriate. Agencies must ensure that procedures are in place, as well as reporting mechanisms, to monitor budget variances. Revenues, expenditures, and cash balances must be monitored on a monthly basis. Periodic formal reviews with your EBO may be required.

C. Monitoring Schedule

Monthly - all months

Fee supported activities and other revenue budgets must be prepared based on monthly estimates. These budgets must be monitored monthly for variances.

Because expenditures for compensation represent (on average) over 75% of an agency’s budget, it is essential to have accurate salary projections. It is important for agency fiscal staff to work with agency human resource staff to monitor their positions’ “Intend to Fill Date” and “Not to Exceed Date” in SEMA4. It is also very important that each position point to a valid funding string (even if the position will not be filled). Maintaining position dates will ensure accurate salary projection amounts at the allotment and expense budget levels in SWIFT. This also provides a basis for accurate statewide compensation reporting.

Quarterly - July through December

All accounts with revenue or expenditure variances, including those identified above, should be examined and appropriate corrections made to the budgets. Your agency must be prepared to make timely corrections if:

- Actual receipts fall shorter than planned estimates;
- Expenditures and/or obligations increase significantly over budgeted amounts.

Monthly - January through June

All accounts with revenue, expenditure, transfer, and balance forward variances must be examined and appropriate corrections must be made to the budgets and activities immediately. No account will be permitted to close the fiscal year with a deficit except for those authorized by MMB with statutory cash flow authorizations.

Appendix C: State Agency Value Initiative (SAVI) Definitions

The SAVI program intends to encourage innovation within state government in order to deliver exceptional services at better value to Minnesotans. Examples of the kinds of innovation that would result in financial savings eligible for retention may include:

- Initiating new procedures, services and programs to create value and efficiency in the delivery of state services
- Developing and implementing creative ideas that set the stage for changing the direction of work in a positive way
- Developing a new way to approach an issue or examining an issue through new perspectives
- Thinking "outside the box" by suggesting new ideas and solutions and/or removing existing assumptions and restrictions
- Evaluating and challenging existing norms, methods and barriers; taking that knowledge and developing new or revised strategies to better achieve agency goals and objectives
- Finding opportunities to improve the status quo

The SAVI program intends to encourage efficiency within state government in order to deliver exceptional services at better value to Minnesotans. Examples of the kinds of efficiency that would result in financial savings eligible for retention may include:

- Improving existing governmental procedures, services, products or programs
- Improving operation of state government through education, information, regulation or applied research
- Improving quality of services delivered to the public
- Improving agency processes in a way that positively impacts the work of individuals, teams or work units

The SAVI program intends to encourage creative cost-savings within state government in order to deliver exceptional services at better value to Minnesotans. Examples of the kinds of creative cost-savings that would result in financial savings eligible for retention may include:

- Achieving greater value and cost-effectiveness in the provision of services and the operation of state government
- Cutting the cost of state government by reducing expenditure of funds or eliminating unnecessary expenditures
- Realized monetary savings to the state [and/or increased revenue to the state].

Cost-savings are **NOT** creative if such cost-savings:

- Would result from obvious and progressive normal business practices, such as a foreseeable expectation that the idea would be implemented in a reasonable time frame as a result of evolving business or industry practice;
- Are obvious solutions to mandated budget cuts, such as abolishing vacant funded positions or reducing staff through layoffs;

- Result in cost avoidance as the method of documenting cost savings, such as no or lowered increases in costs for staff, supplies, or equipment;
- Result in revenue enhancement as the method of documenting cost savings, such as new or increased fees for services;
- Simply shift the cost from one state agency to another; or
- Are duplicative of another creative cost-saving idea that was submitted within the prior twelve-month period or are duplicative of a recommendation contained in an audit report, budget document, or any other evaluation of Minnesota State Government.

Future Obligations:

An agency's expenditure of retained funds on specific agency proposals or projects is contingent on the agency's demonstration that any costs associated with implementation of the chosen agency proposal or project will be no greater than the savings appropriated to the agency as a result of unanticipated innovation, efficiencies, or creative cost-savings, and that the costs associated with implementation are one-time, not recurring, and are accounted for entirely by the savings appropriated. Before an agency's proposal or project is approved, the agency must provide budget information detailing the full cost required to implement the agency proposal or project and must outline the planned use of funds in order to verify that such costs would be equal to or less than the amount of retained savings appropriated to the agency and to verify that no additional, future or ongoing budget requirements for the project or proposal exist.

An agency's expenditure of retained funds on specific agency proposals or projects is contingent on the agency's demonstration that the chosen agency proposal or project directly supports the performance of the agency's mission. Because each state agency is guided by a unique mission statement, each state agency participating in the SAVI program must create agency-specific supplemental submission materials outlining the agency-specific requirements for how a project or proposal demonstrates that it directly supports the performance of the agency's mission. Each state agency shall post such materials on their respective web sites, and submit the completed materials with their application(s) for retained savings. Generally, however, an agency proposal or project might demonstrate that it directly supports the performance of the agency's mission by:

- Exemplifying, reinforcing, or reflecting the practice of the agency's stated values;
- Exemplifying the attributes, attitudes and outcomes that contribute to the agency's success;
- Communicating what is important to the agency;
- Meeting or exceeding expectations for quality results in products, processes and services;
- Meeting or exceeding ethical and professional standards of the organization; or
- Demonstrating excellence in providing service which responds to a recognized public need.