Preparing Base Budget Information in the Budget Planning and Analysis System (BPAS)

TABLE OF CONTENTS

I. What's in these instructions?

The following instructions (formerly known as "Part B") provide guidance for preparing financial data for the FY 2016-17 biennial budget. Specifically, it includes instructions on:

1. Preparing agency historical (FY 2012-14) data
2. Updating current year (FY 2015) budgets
3. Creating the base budget for FY 2016-17, and planning estimates for FY 2018-19.

II. What steps do agencies need to take?

The base budget plan must meet the agency's mission, priorities, and legal requirements within their current base funding level. Below is a summary of the steps agencies should take to prepare their base budget plan by **October 15** in BPAS. More detailed instructions for each of these steps can be found on the pages indicated.

- Obtain access to BPAS and attend system training (page 19)
- Reconcile and correct FY 2013 and 2014 (page 6)
- Adjust FY 2015 budgets as loaded from SWIFT to accurately present the agency budget (page 4)
- Develop FY 2016-17 base budget plans and FY 2018-19 planning estimates
  - Base adjustments (page 7)
  - Dedicated revenue (page 10)
  - Adjust compensation budgets to align with SEMA 4 cost projections and to include an annual total compensation increase of 1.8% in both FY 2016 and 2017 (page 12)
  - Update FTE data in each year to account for planned changes in FTE levels (page 14)
  - Budget for all IT related costs in account code 41196 (page 15)
  - Budget all anticipated federal funds (page 11)
- Review agency fiscal page reports to make sure activity, program and agency data is correct. A fiscal page example is provided on page 21.

III. What will be produced for the biennial budget?

There are several items produced as part of the biennial budget process. The final product submitted to the legislature is the agency budget book that contains:

1. Budget narratives/background materials—*initially published in October and again in January/February*
2. Base budget reports – *published on December 1*
3. Agency fiscal pages—*published in January/February*
4. Change item summaries – *published in January/February*
5. Federal funds and grant summaries (if applicable for your agency) –*published in January/February*

IV. What happens when?

Date	What Happens…
August 8	BPAS open to agencies to review FY2012 and FY 2013 data, including FY 2013 high level adjustments.
August 18	Agency accounting structures (i.e., chart of accounts), FY2014 close and FY2015 budget data (as of Aug. 15) are loaded from SWIFT to BPAS. FY2015 current budget data pushed forward into FY2016–19.
As requested prior to September 30	FY 2015 updated current modified budget data may be reloaded from SWIFT into BPAS as requested by agencies. Clean-up and budgeting in SWIFT may necessitate a reload of FY 2015 current modified budgets for certain agencies. **Agency actions:** • Review FY 2015 budget data in BPAS. If significant activity has occurred to the current modified budget in SWIFT for FY 2015 since the initial load, an agency may choose to reload FY 2015. Any changes already made in the system will be overwritten with the new data load. • Agencies should communicate with their executive budget officer if they are interested in reloading FY 2015 current modified budget data.
August 26	BPAS opened to agency users. **Agency actions:** • Review loaded data for errors. • Enter appropriation base adjustments, as well as dedicated and non-dedicated revenue forecasts for FY 2016-17 and FY 2018-19 to establish available base budget amounts. • Adjust expenditure budgets within available resources. • Reconcile appropriations that have a variance.
October	Budget narratives published on MMB's website.
October 15	Agency base budgets due. **Agency actions:** • Finalize historical and current year data in BPAS. Update all dedicated and non-dedicated revenue estimates in BPAS Finalize all base adjustments to provide current law information for the November forecast. • Complete base level budget information in BPAS, including FTE data. • Available resources equal uses of funding at the appropriation account level.
November	*Agencies with forecast programs:* Update budget estimates in BPAS prior to the November forecast release.
December 1	Base budget reports posted to MMB website and submitted to legislature.

V. Understanding BPAS Data and Structure

A. Sources of Data for Historical Years

Financial data in the budget system will include FY 2012-14 actual, FY 2015 estimate, FY 2016-17 base budget plans, as well as agency revenue and spending projections for the FY 2018-19 biennium.

Unlike the FY2014-15 biennial budget document, this budget document will include one complete biennium of historical data (FY2012-13). And, SWIFT will not be the source of data for these two years. Since BPAS has been used for consolidated fund statement development consistently since BPAS was first opened two years ago, the FY 2012-13 data that is currently in the system will be the source for the FY 2016-17 budget document, and data from these two fiscal years will not be re-loaded from SWIFT.

Fiscal information, revenues and spending, for FY 2014 close and FY 2015 current budget will be loaded from SWIFT. The 2015 budgets (revenues and spending) will then be pushed forward into FY 2016-19. This will occur after FY 2014 hard close, August 15. Full-time equivalents (FTEs) for FY 2013-14 will be loaded from SEMA4. FTE data from FY 2014 will be pushed forward to FY 2015-19. Below is a summary of the fiscal years, the source of data, and the points of data entry.

	Historical			Current	Base Budget	Planning Years
	FY 2012	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016-17**	**FY 2018-19**
Source of Data	BPAS	BPAS	SWIFT hard close	SWIFT budget as of hard close	2015 SWIFT budget pushed out to these years	
Financial Data Entry	FY 2012 data cannot be changed.	FY 2013 open on "Other Funds" form for reconciliation of non-LLBC funds.	FY 2014 Actuals form open for reconciliation.	Form open for edits.		
FTE Data Entry	Same as FY 2014-15 budget document	Actual FY 2013 FTE count	Actual FY 2014 FTE count	FY 14 pushed forward and open for edits		

B. Distributing Planning Years

In addition to distributing detailed revenue and expenditure information for FY 2016 and FY 2017 at the account level for all appropriations, agencies are required to provide account level base budget information for the FY 2018 and FY 2019. There is a distinct difference, however, in how FY 2018-19 planning estimates are used in budgeting and the state forecasts. For all forecast revenues - and major forecast spending areas such as K-12 education, Human Service programs, and local aids - they form the basis of the state's forecast for planning estimates beyond the budget period. It is against this framework of planning estimates that the longer term impact and affordability of FY 2016-17 budget proposals ("change items") are measured.

C. Budget Structure and Data

The accounting system is the original source for FY2014 and FY2015 data, so agencies should review and make corrections and adjustments in the accounting system whenever possible *prior to data being loaded in the budget system (August 15)*. Appropriations not fully allotted will create problems for agencies when reconciling available resources and uses of funding at the account level. That is, FY 2015 allotments will have to be manually increased in BPAS to include any monies carried forward from FY 2014 at close for FY 2015 resources and uses to balance. Ensuring budgets are fully allotted before the load to BPAS will minimize differences in accounting and budget system data, and minimize agency work making duplicative adjustments

Agencies will not be able to "restructure" historical (FY 2012-14) data in BPAS to match proposed program structures (agency, program, activities, appropriations) for the coming biennium as they have in the BBS. Known program structure changes should be made in SWIFT prior to the load into BPAS with an effective date of July 1, 2015. BPAS will then automatically realign history.

Agencies may wish to adjust current year data (FY 2015) in BPAS only, and not in the accounting system, where valid reasons may exist for not updating the information in SWIFT, such as:

- Fully allotting FY 2015 budgets where money has been held in reserve
- Forecast items and estimates that have not yet been officially recognized
- Frequently updated revenue estimates
- Planned future transfers
- Federal funds not yet officially acknowledged or received.

Finally, some non-standard entities (e.g., MnSCU) that do not use SWIFT as their primary accounting system may be required to manually re-create information within BPAS that is not present in the accounting system.

D. Balance Forward In/Out

A new feature in BPAS this year is an automatic calculation of balance forward in from the previous year's balance forward out account in the budget and planning years only. The goal of this change is to reduce errors and manual entry that often occurs when agencies are reconciling their base budget. Therefore, to change balance forward in amounts in fiscal years 2015-2019, agencies must change the prior year's balance forward out.

E. Available Resources and Uses Format

BPAS will display budget information in an "available resources" and "uses of funds" format. This will be present on budget entry forms, as well as some reports generated from the system. An "account net" will display total available resources minus total uses. A positive or negative "net" indicates that sources do not equal uses in the year(s) shown, such variances must be analyzed and corrected for dedicated appropriations. Below is a display of the new "available resources" hierarchy format with a note of whether or not the data will be pushed forward from FY 2014 current modified budget.

Account Name	FY 2015 current amount pushed forward?
Available Resources:	***No***
Balance Forward In (from prior year)	***No***
Revenues	***Yes***
Appropriation	***Yes***
Net Transfers	***No***
Transfers In	***No***
Transfers Out	***No***
Balance Forward Out (to next year)	***No***
Cancellations	***No***
***Uses of Funds*:**	***Yes***
Expenditures	***Yes***

Note: The budget system contains data that is rounded to the thousands, not the whole dollar amounts that are available in SWIFT. Unlike BPAS two years ago, a user will no longer be able to click on a cell in BBIS to see amounts after the decimal place. This will lead to rounding differences that may affect your agency's tracking of reconciled and budgeted data.

VI. Reconciling Closed Years

A. FY 2012

FY 2012 data was reconciled in BPAS two years ago. Changes to that data will not be allowed unless a significant error or problem can be demonstrated and documented. Any approved changes will need to be made centrally by MMB, Budget Operations.

B. FY 2013

FY 2013 data was loaded to BPAS in August 2013. For most agencies' appropriations, FY 2013 will reflect fiscal year hard close data. However, during the production of November, February, and 2014 legislative session fund statements, high level entries were made to some agency accounts in order to reconcile to CAFR LLBC financial reporting of FY 2013 actuals. Individual agencies affected will be notified of where adjustments were made to close data by MMB staff. Therefore, the following steps are required of agencies in order to reconcile FY 2013 in BPAS:

1. Review MMB adjustments and distribute to appropriate appropriation/account level, if applicable. If any adjustments are needed for general fund appropriations, it will need to be will need to be made by MMB.
2. Reconcile all appropriation variances:

- For all funds, reconciled numbers should reflect FY 2013 hard close, not current FY 2013 data in SWIFT, plus any adjustments or error corrections approved by MMB (Financial Reporting and Budget Operations).
- For LLBC fund, agency's aggregate fund level data (revenue, expenditures, etc.) should ***not*** change. This is because any fund level changes would impact actual data reported for FY 2013 on fund statements. If significant issues are identified with FY 2013 data, any changes impacting an agency's aggregate fund totals will require EBO and Budget Operations approval.
- For special revenue and other non-LLBC funds, fund totals may be changed, but must reconcile to FY 2013 hard close data.
- For reconciling FY 2013, agencies may access SWIFT reporting of FY 2013 hard close data through the Administrative Portal and called "FMS Year End Reporting", and/or the AppropID Overview Variance Close Report available in the "FY 2013-14 Reconciliation" folder under Shared Documents on the Budget Division Document Management Site (https://connect.mn.gov/sites/BPAS/SitePages/Home.aspx).

3. When you are reconciling appropriations, remember that because FY 2013 must reflect hard close, FY 2013 balance forward out will likely not match FY 2014 balance forward in.

C. FY 2014

Appropriations must be reconciled to FY 2014 hard close.

- Eliminate all appropriation variances by reconciling to FY 2014 hard close data, which is available through the Administrative Portal and called "FMS Year End Reporting". You may also reference the AppropID Overview Variance Close Report that will be made available after hard close in the "FY 2013-14 Reconciliation" folder under Shared Documents on the Budget Division Document Management Site(https://connect.mn.gov/sites/BPAS/SitePages/Home.aspx).
- Appropriations' FY 2014 balance forward out must match the FY 2015 balance forward in.

VII. Agency Base Budget Preparation

Agencies are required to adjust projected FY 2016-17 and FY 2018-19 spending data to reflect budget plans that fit within the guidelines for base budget development. Below are instructions for developing a base budget.

A. Starting Point

FY 2015 direct appropriations, revenues and expenditures are the starting point for FY 2016-17 base budgets and FY 2018-19 planning estimates.

B. Direct Appropriated Funds and Base Adjustments

Confirming an agency's base budget appropriation amount is an important first step in determining the total resources available for an agency's budget planning. Budget development and presentation begin where the legislature last left off. The base budget should reflect how an agency would use the base level of funding to best accomplish their mission. This plan must accommodate known budget pressures, such as compensation changes and other operating cost drivers, within the available base budget.

BPAS will automatically roll agency FY 2015 appropriations, forecast revenues and spending into FY 2016-19. Agencies will not be allowed to change the direct appropriation amounts.

The "base" for an agency's budget in FY 2016-19 is FY 2015 appropriation amounts adjusted for a limited number of technical changes. Agencies are required to enter adjustments for items that may distort FY 2015 appropriations as the starting point for the FY 2016-19 base levels – and to reconcile to official end-of-session planning estimates. These "base adjustments" represent technical and one-time changes to determine FY 2016-19 "current law" base amounts.

For direct appropriations, agencies must adjust FY 2016-19 resources at the appropriation account level, using the base adjustment categories identified below. Each increase/decrease in an agency's base appropriation must be entered by unique adjustment category at the appropriation level. This is necessary so BPAS can report all changes from FY 2015 appropriation amounts to the budget base for FY 2016-19. In most cases, the base adjustments to FY 2016 amounts will continue into FY 2017-19.

- ***(ONE) All Other One-Time Appropriations:*** Special appropriations or portions of an agency's regular appropriations that were designated as one-time funding must be reduced from the base. Representative items in this category include LCCMR projects, pilot projects, moving expenses, or studies that are identified in appropriations law as one-time expenditures.
    - **(LFD) One-Time Legacy Fund Appropriations:** This base adjustment code should be used for one-time legacy or heritage fund appropriations. The appropriations affected are in the following funds:
        - 2300 Outdoor Heritage Fund
        - 2301 Arts & Cultural Heritage Fund
        - 2302 Clean Water Fund
        - 2303 Parks and Trails Fund
    - **(ITA) One-Time IT Appropriations:** This code should be used for information technology (IT) appropriations for systems and projects that are identified in law and are one-time in nature.
    - **(CAP) One-Time Capital Appropriations:** Where cash was specifically identified for capital projects instead of capital bonding appropriations, agencies should use this base adjustment code to adjust the appropriation(s).

- ***(BIA) Biennial Appropriations:*** When appropriations may be spent in either year of a biennium, the entire appropriation may have been set up in FY 2014, and there may be zero appropriation amounts shown for FY 2015. Agencies must adjust their base to ensure that FY 2016-17 and FY 2018-19 totals do not exceed the total amount appropriated for the current (FY 2014-15) biennium.
- ***(ANN) Current Law Base Change:*** This base adjustment is used when the legislature has specified a base amount in law that is different from the agency's FY2015 appropriation. The adjustments should reflect documented changes recognized and tracked by the legislature when the items were adopted. This adjustment can be positive (out-year costs) or negative (out-year savings).
- ***(ATA) Approved Transfer Between Appropriations:*** Where legal authority exists, and monies have been transferred between appropriations/programs in FY2015 – and the legislature has been notified of such transfers – an agency may reflect this as a permanent change using this base adjustment. This expands agencies' legal authority to move money between appropriations.
- ***(SUN) Program/Agency Sunsets:*** When legal authority for an agency, program or project expires on a specific date within FY 2016-17 or FY 2018-19, related appropriations amounts should be removed from the base.
- ***(TRF) Transfers Between Agencies:*** When transfers between agencies are permanent, base adjustments are authorized to reflect the appropriate offsetting increase and decreases to the respective agencies' appropriations. An executive re-organization order is an example of a situation that might require such an adjustment.
- ***(OPN) Forecast Open Appropriation Adjustments:*** Agencies may adjust projected spending to reflect anticipated changes in programs funded from open appropriations in what would normally be a direct-appropriated fund. These adjustments should be presented as a base adjustment from FY 2015 estimated amounts. The base adjustment is strictly limited to situations in which specific formula requirements are clearly stipulated by current law and consistent with official state forecast and planning estimates.
- (***NOV) November Forecast Adjustment:*** This category applies only to a limited number of programs in the departments of Human Services, Education, and other forecast programs, including open appropriations. This adjustment is used to reflect the cost of forecast changes in client populations, statutory aid formulas and forecast factors consistent with the state forecast and planning estimates based on end-of-session estimates. This adjustment should be used to reflect the change from the end-of-session planning estimates to the November forecast planning estimates.
- ***(FEB) February Forecast Adjustment:*** This category applies only to a limited number of programs in the departments of Human Services, Education, and other forecast programs, including open appropriations. This adjustment should be used to reflect the change from the November forecast planning estimates to the February forecast planning estimates.

An agency's executive budget officer must review and approve all base adjustments.

C. Budgeting Transfers

Transfers are budgeted as they actually would occur in the accounting system. Actual transfers for FY 2014 in SWIFT and current FY 2015 anticipated and year-to-date actual will be loaded into BPAS. Anticipated transfers not entered in SWIFT for FY 2015 may be added using the Transfer application in BPAS. Agencies must enter all budgeted transfers for FY 2016–19 using the Transfer application, as the FY 2015 transfers are not pushed forward. Data from that Transfer application will be loaded into the BBIS application during the first 10 minutes of every hour for appropriate display of each appropriation's resources and uses.

In order to eliminate the duplication of transfers that was experienced two years ago, the account hierarchy now includes a Net Transfers member. This member will be used on fiscal pages to net the transfers in and the transfers out, instead of showing both transfers in and out.

- **Budgeting for Recurring Appropriation Transfers:** The standard policy is for appropriations to be made directly to the agency or fund that will spend the requested funds. However, there may be situations where an agency requests a direct appropriation with the intent of transferring those funds to another state agency for spending. To properly present the original appropriation amount and transfer, as well as the anticipated expenditures within the correct agency for FY 2016-19, agencies must follow the procedure below:
  a. The agency transferring the funds will use the Transfer application to select the appropriation the funds will be transferred from and the appropriation the funds will be transferred to (agencies will be able to see the appropriations assigned to other agencies).
  b. Enter the fiscal information for each year that the transfer will occur.
  c. Enter the legal citation or other comments for the transfer in the tab labeled "Comments."

  After the scheduled process of moving data from the Transfer application to the identified appropriations in the BBIS application has occurred, both the sending and receiving agency will need to go into the correct appropriation in the BBIS budget entry form to make sure the transfer is present and the appropriation is balanced.

D. Statutory Funds

Agencies must review and revise FY 2015-19 forecast dedicated revenues to reflect the best estimate of projected revenues likely to be received. For statutory and dedicated funds (including federal funds), base adjustments are not used. Budgeted spending plans should be developed within those resource amounts. Forecast growth in dedicated receipts may support increased spending within agencies' current law base budget plans. Proposed fee or other revenue changes must be presented as change items.

1. **Non-Dedicated and Dedicated Receipts Forecast:**

- Review dedicated and non-dedicated revenue actual data for FY 2014.
- Review revenue forecast methodology and assumptions with your assigned executive budget officer.
- Review and update all revenue forecast data for FY 2015-19 to provide final data for the November 2014 forecast and agency budget submissions. All revenue data must be updated, based on current law, current rates, and sound forecasting assumptions no later than October 15, 2014.
- Whenever significant changes become apparent, agencies should update the BPAS revenue amounts for FY 2015-19. After the October 15 due date for entry of agency revenue information, MMB staff will work with agencies as needed to verify revenue assumptions and data prior to release of the November forecast. Agencies will be asked again to review and update projected revenues in February 2015 prior to release of the February forecast.

2. **Agency Departmental Earnings (Fees):** Part of the biennial budget process is a required review of historical and projected revenues and expenditures associated with departmental earnings, because current law (16A.1283) requires executive agencies to get legislative approval to levy new or increase existing fees. This review includes both dedicated and non-dedicated departmental earnings, with agency fees being the most common. Detailed instructions on requirements of the departmental earnings report will be provided in September/October.

E. Federal Funds

Agencies should budget 100 percent of expected federal revenues based on enacted federal budgets as part of their forecast of dedicated receipts. Federal grants often significantly affect state and local matching and spending requirements. Thus, to ensure proper review of federal programs and their effect on state programs and funding, Minnesota Statute 3.3005 (https://www.revisor.mn.gov/statutes/?id=3.3005) requires that state executive branch agencies (not including the Historical Society, the University of Minnesota, and the Minnesota State Colleges and Universities) receive legislative review before they spend federal money.

In most instances this review is accomplished by including anticipated federal receipts and expenditures in an agency's biennial budget submission. Federal projects and funds shown in the biennial budget are considered approved 20 days after the biennial budget is submitted to the legislature unless a member of the Legislative Advisory Committee (LAC) requests further review within the 20-day period.

If a request for further review is made, the agency may not spend the federal award until the request has been satisfied and withdrawn, the expenditure of the funds is approved in law, or the regular session of the legislature is adjourned for the year. Accordingly, it is *essential* that agencies accurately update or forecast federal receipts to reflect anticipated levels of funding by following these steps:

1. **Forecasting Federal Revenues**: The purpose is to develop a useful analysis that can be used in identifying potential issues within an agency's budget, and to identify new or significant changes in federal programs or grants.

   Due to the annual Congressional appropriation process, there is always the potential for changes in future federal funding flowing to the state. As agencies prepare their base budget plans, the following should guide preparation of federal revenue and spending estimates for the budget system:

   - Use current funding as the baseline, and modify estimates based on guidance provided by federal agencies.
   - Each agency must project *all reasonably anticipated federal receipts* available for FY 2015-19 as part of the revenue forecast for the budget. The forecast must be based on federal appropriations or continuing resolutions.

2. **Timeline:** All anticipated federal revenue should be included in BPAS by October 15 (the deadline for agency base budget data). The system will be open during the development of the Governor's budget for agencies to update federal revenue in the system. All anticipated federal funds should be updated in the system and on the summary table (instructions are forthcoming) prior to publishing the Governor's biennial budget in January 2015.

VIII. Managing Expenditures within Base Budget Plans

Using FY 2014 expenditures and FY 2015 budgeted amounts as a starting point; agencies should pay careful attention to future plans and ensure adequate funding is available for FY2016-17 operating expenses. Agencies are not expected to plan out-year budget projections for operating budgets with the same level of detail as their FY 2016-17 base budget plans. Recognizing the difficulty in projecting operating costs in FY 2018-19 within the constraint of flat base budget appropriations, agencies should plan for FY 2018-19 operating costs similar to those in FY 2017 and not assume further increases to costs at this time.

A. Developing Compensation Budgets and Full-Time Equivalent Positions (FTEs)

Employees' salary, benefits and related compensation expenditures represent the majority of agency operating expenses. Therefore, prudent financial management requires a reasonable set of planning assumptions be used by agencies for preparing base budget plans for FY 2016-17. Agencies should be prepared to provide the basis of compensation planning estimates, assumptions and methodology used to develop the proposed compensation funding and FTE numbers included for FY 2015-17. To adequately fund projected increases, it may be necessary to reduce staffing, reduce non-compensation spending, or transfer funding between activities (where legal authority exists) to accomplish this within an agency's base level budget.

The planning assumptions included in these instructions are intended to provide a uniform basis for agencies to use in developing FY 2016-17 compensation budgets. They are not intended to predict the outcome of negotiated labor agreements or other factors affecting total compensation.

Agencies must plan to fund all potential compensation cost increases in FY 2016-17 within their "base" budget plans. Agencies should use the SEMA4 salary projection reports as the basis for developing compensation estimates. The projection includes:

1. The impacts of the currently negotiated contracts
2. Changes to insurance rates expected for January 1, 2015
3. Changes to compensation costs related to progression ("steps")
4. Scheduled increases in employer's retirement contributions, and
5. Changes in FICA ceilings.

These cost projections have been pushed out to FY 2016 and FY 2017. No future salary, insurance, or other fringe increases are included in SEMA4 salary projections in FY 2016-19. For detailed information on the assumptions included in the SEMA4 salary projections, see the payroll bulletin on cost projections: http://www.mn.gov/mmb/images/20140224-pdf.pdf.

It is necessary to take into consideration the potential for future cost increases that may occur as a result of negotiated salary agreements, or other compensation changes. Trying to predict individually the cost of future labor negotiations or changes in other factors likely to drive future state compensation costs is not useful, and it will not be accurate. However, recognizing future cost pressures is essential. Based on the compound annual compensation spending rate increase per FTE over the last ten years for executive branch employees, agencies should use an annual increase of 1.8% for FY 2016 and 2017 to develop planning estimates in addition to the SEMA4 salary projections that account for the costs of the currently negotiated contracts.

Agencies should also separately consider their own unique factors in planning for costs such as reclassifications, discretionary increases, premium pay, overtime, turnover, retirement, severance, workers compensation, unemployment insurance and other costs.

- **FY 2018-19:** Agencies are not expected to plan FY 2018-19 compensation budgets with the same level of detail as their FY 2016-17 base budget plans. Recognizing the difficulty in projecting compensation costs in FY 2018-19, and the constraint of flat base budget appropriations, agencies should plan for compensation costs in FY 2018-19 similar to those in FY 2017 and not assume further increases.

- **Tool:** Agencies may also use a newly developed OBIEE compensation planning tool, called the Compensation Analysis dashboard and available in the Statewide folder within the SWIFT warehouse. The tool contains seven prompts for the user to populate, which are:

Field	Optional / Required	Notes
Fiscal Year	Required	Users can enter multiple fiscal years
Agency Code	Required	Users can only enter one code
What-if Amount %	Required	The tool has been pre-populated with the assumption that total compensation will grow 1.8% in FY16 and FY17. For a separate analysis, users can enter a different assumption in this field to develop their compensation budgets. The 1.8% assumption and the what-if assumption will display in separate columns on the report.
Approp ID	Optional	Users can select one or more of these codes to tailor the analysis to a specific level. Only those codes that apply to the agency will appear.
FinDept ID	Optional	
Union Desc	Optional	
Bargaining Unit	Optional	

After prompts are applied and the report runs, users will see compensation data at three different levels:

1. Detail – provides data at the employee level
2. Appropriation – Provides data at the appropriation level
3. FinDept ID – Provides data at the FinDept ID level.

Additionally, users can select a "Salary Projection Type" tab. This tab is intended to help agencies perform historical analysis to determine how much of their total compensation costs have come from premium and overtime pay. That information may be useful in projecting compensation costs over the next two years.

Once users have run their reports, data can be exported to Microsoft Excel for additional analysis.

- **Full Time Equivalent Positions (FTEs):** Along with establishing base budgets for compensation costs, agencies are required to enter estimated FTEs for FY 2015-19. FY 2014 FTE counts will be loaded into BPAS at the appropriation level.

  Agencies should use SEMA4 salary projections, salary rosters, or historical data as a guide for position – or portions of positions – funding to determine FTEs counts for each appropriation. FTEs must be estimated, not only for full time positions, but also expected part-time and seasonal employment, and overtime. Agencies should ensure that there is an appropriate relationship between the FTE count and the compensation budget for each fiscal year.

B. Planning for Employer Shared Responsibility

As part of the Affordable Care Act, agencies must offer employee insurance benefits, including full employer contribution level health coverage, beginning on January 1, 2015 for employees that averaged 30 or more hours of service per week and seasonal employees that average 30 or more hours per week and are anticipated to work more than six months. This means that any classified temporary, student worker, intern, or employee working in more than one agency within a Control Group who is anticipated to work on average 30 or more hours per week or more will become insurance eligible. Agencies should be planning for these new insurance costs in FY15 for eligible employees, and should include employer shared responsibility expense assumptions in their FY 2016-17 compensation budgets.

If you have questions regarding employer shared responsibility and if it affects your agency, please contact Lorna.Smith@state.mn.us.

C. Other Operating Expenses

Agencies must ensure appropriate amounts are budgeted for indirect costs, statewide systems billing, state owned property, non-state owned property, building maintenance, and other rates charged by state agencies such as MN.IT, Department of Administration, Office of Administrative Hearings and the Attorney General. Since specific FY2016-17 rates are not yet available, as a general guideline, agencies should review past spending along with known future plans to determine appropriate budget amounts for FY 2016-17. Additionally, some guidance and assumptions are provided below for some of these expense areas:

1. **Lease Rates:**

   - **Capitol Complex Leased Space** – While approved lease rates for FY2016-17 won't be available until October 2014, it is important to consider other factors that might affect your agency's lease payments in the next biennium, such as programmatic changes. Agencies must plan for any growth or scaling back of programs that might change the amount of square footage that your agency must lease. If your agency is planning programmatic changes that will affect occupied space, contact Susan Estes (Susan.Estes@state.mn.us) to help identify and plan for your changing space needs. If no space changes are planned, review past spending to determine appropriate budget amounts for FY16-17.

   - **Commercial Leases** – The Department of Administration manages 600 commercial leases on behalf of state agencies. Check the report of expiring leases to see if your agency is affected (http://mn.gov/mmb/budget/budget-instructions/bibudprep/). The market drives the rates for commercial leases. If the lease for your space is expiring, it's likely you will see a 2-6% increase in the new rate. Contact Susan Estes (Susan.Estes@state.mn.us) for additional information on what to expect with your agency's new commercial lease.

2. **Maintenance & Betterment**: M.S. 16A.11 requires agencies with real property to budget for maintenance and betterment of state buildings. These budgets should equal one percent of the replacement cost of the building. Agencies can reference their Facility Condition Assessment (FCA) data in the Enterprise Archibus system for current replacement values. Contact your agency Real Property Governance or Total Infrastructure Facilities Maintenance (TIFM) administrator for assistance with Archibus.

3. **Statewide Indirect Costs:** Statewide indirect costs should now remain relatively consistent from year-to-year. This is because MMB now has better usage statistics for allocations, and expects fewer roll forward adjustments. Unless significant changes are expected to an agency's use of statewide resources, an agency's statewide indirect costs for FY2016-17 should be similar to their FY2015 allocation. Therefore, please review your FY2015 statewide indirect costs allocation for budgeting in the next biennium. Please use the 42010 Statewide Indirect Costs account code for budgeting statewide indirect costs.

4. **Information Technology (IT):** MN.IT is given authority and oversight over all executive branch IT spending in the state. Agencies and entities that are not subject to IT consolidation should continue to budget for IT expenditures as they always have. Agencies that are subject to IT consolidation will need to follow the instructions below in order to accurately reflect IT oversight and financing in the FY2016-17 budget document.

   The implementation of the 2011 IT consolidation law has been occurring in phases. Accordingly, below are instructions on budgeting for IT expenses for each of the three agency groups subject to IT consolidation. The process for each group has the same key element – enter your total IT spend (agency and centrally provided services) into BPAS using the account code 41196. Your IT spend should be based on your agency's FY 2015 Service Level Agreement (SLA), and then adjusted for compensation changes (see page 11) and any onetime costs. If you don't know which group your agency belongs, contact your agency's CIO. In addition, the amount of your IT spend should be coordinated with your agency's CIO, such that agencies and MN.IT are budgeting consistent amounts.

   - **Group A Rate Based:** All IT services (including payroll, contracts, equipment, back office services, etc.) are part of approved service rates in each agency's Service Level Agreement (SLA) that are billed through MN.IT. Agencies within Group A Rate Based should use their FY2015 SLA as the starting point for determining appropriate budget amounts for FY2016-17. This group must use the account code 41196 – Centralized IT Services to budget all IT expenses.
   - **Group A Actuals:** For agencies in Group A Actuals, all IT expenses are paid for by MN.IT, and then agencies are billed based on the actual costs of those items. Group A Actuals agencies should use their FY2015 IT budget as the starting place for determining FY 2016-17 IT budgets. This group must use the account code 41196 – Centralized IT Services to budget IT expenses.

- **Group B:** In FY 2015, the payroll for all IT personnel is managed and paid by each of the Group B agencies. All other IT expenses (contracts and procurement, asset management, etc.) are handled and paid by MN.IT, with some exceptions for the Department of Human Services. Agencies are then billed by MN.IT for the actual expenditures of these services and products. In FY2016-17, Group B agencies will be treated like Group A Rate Based agencies. That is, all IT expenses, including payroll, will be managed by MN.IT and billed to the agency based on rates. Therefore, in order to budget for FY2016-17 IT expenses, agencies within this group should start by combining their payroll projections with their FY2015 IT budget. This total IT spend can serve as the base for your FY2016-19 IT budget. Just like Group A, budgeted IT spending should be reflected in BPAS, as service level agreement payments by appropriation, using the expenditure account code 41196– Centralized IT Services.

  If your agency is using the SWIFT IT attribute to track IT staff payroll, unfortunately, this level of information is not included in the load since it is at the expense budget level which is not included in BPAS. Therefore, the IT spend detailed information is not available is BPAS.

  Group B agencies will need to:

  - Reduce payroll expenditure accounts in any appropriation that has spending for IT staff, and
  - Then reduce the associated FTEs at the appropriation level to reflect the FTEs that will be transferred to MN.IT.

  The human resource records for those FTEs are identified in SEMA4 salary projections with both G46 (MN.IT) and the agency currently funding the position. We encourage agencies to work with their CIO to identify the number of FTE that are being paid from the appropriations identified in the IT spend account detail by appropriation report.

  Below are step-by-step instructions to help Group B agencies accurately reduce their FTEs, salary and benefit projections associated with IT-related activities, and to accurately prepare their IT base budgets in FY 2016-19.

  Accounting Changes to BPAS

  1. In BBIS, on the Budget Entry Form, select a fund and appropriation that has IT payroll spending.
  2. If the “Centralized IT Services” account code (41196) is not already on the form, click the Add Account tab. Select the fund, appropriation, and the “Centralized IT Services” account code (41196). In the box, type a 0 and hit save.
  3. Return to the All Appropriations tab. The new account code should be displayed as one of the uses.

4. In the row "Centralized IT Services" and in the columns for FY 2016-19, enter the total sum of IT staff payroll and other IT services billed through MN.IT.
5. Also on the All Appropriations tab, adjust the compensation account code rows so the amounts in the columns for FY 2016-19 do not include IT staff compensation.
6. Repeat the steps above for each appropriation that has identified IT spending.

FTE Changes to BPAS

1. FTE calculations will need to be adjusted beginning in FY 2016 to reflect reductions for Group B employees moving to MN.IT as part of IT consolidation. This adjustment to FTEs should be entered based on estimated FY 2015 FTEs paid out of agency budgets.
2. On the FTE form in BPAS, adjust the number of FTEs based by the number that will be paid by MN.IT.

IX. Special Instructions

A. Internal Billing

Some agencies have central office functions that provide centralized administrative services for the entire agency, and then internally bill the different divisions within the department for those services. This practice double counts both revenues – when initially collected by a division for services rendered, and then again when the money is received by the central administrative services unit – and expenditures – when paid to the central office, and then out to a vendor for a product or service.

Although Financial Reporting at MMB eliminates the internal billing revenue and expenditure account codes when preparing the CAFR to avoid double counting, we do not eliminate any of the accounts in BPAS. This is due to the fact that all revenue and expenditure accounts are needed when displaying available resources and uses on the fiscal pages for agencies' programs and budget activities, which may include a centralized administrative services unit. If including these account codes presents a considerable challenge in the presentation of your agency's budget and fiscal pages, please contact your executive budget officer.

B. Direct Appropriated Special Revenue

A few state agencies have direct appropriation accounts that are supported by a dedicated revenue source. To ensure consistent treatment of these accounts, MMB is recommending changes to selected agencies' account structures. Agencies with this type of account will be sent further instructions about the recommended changes. If you have questions, please contact your EBO.

C. Contract Reporting Requirements

Minnesota Statute 16A.11, Subd. 3(b) requires that detailed budgets include information on professional and technical contracts as part of the biennial budget.

A professional technical services contracts report will be generated from BPAS based on the actual dollars spent or budgeted in the object class 41130 (Professional Technical Services with Outside Vendors) and 41145 (IT/Prof/Tech O/S Vendor).

Prior to budget publication, a copy of the report will be made available to agencies for review. The report will also be made available to legislative committees at the time of the Governor's budget release. A sample of the report is shown below:

	Professional Technical Services Contracts	
Agency	**Actual/Est. 2014-15 Biennium**	**Governor's Rec 2016-17 Biennium**
Agriculture Dept	**320**	**425**
General	250	300
Agriculture	50	100
Federal	20	25

D. Capital Items

The focus of the 2015 Legislative Session will be on operating budgets. Agencies should assume that only limited capital budget requests for emergency items will be considered in the 2015 Legislative Session. Capital budget requests, normally considered in the 2016 Legislative Session, will be assembled next year.

If the Governor decides to present an emergency capital budget in 2015, Minnesota Management & Budget will work with agencies to prepare materials regarding projects that fit limited and yet-to-be-determined criteria. For now, agencies should identify any potential urgent capital budget items that would require action in the 2015 Legislative Session by notifying their executive budget officer.

X. Who to Call for Help

Area	Contact Person	Phone Number
BPAS Technical and System Support	Help Desk	651/201-8100 ext. 3
BPAS Training and System Access	Camille Drinkwine	651/259-3772
Forecast and Fund Statements	Joy Thao	651/201-8189
Compensation Budgeting and FTEs	Executive Budget Officers	Varies
Departmental Earnings	Alisha Cowell	651/259-3782
Federal Funds Summary and Grants Funding Detail	Alisha Cowell	651/259-3782
Capital Budget	Executive Budget Officers	Varies
Word Document Issues	Roxanne LaPlante	651/201-8080
SharePoint Access Issues	Camille Drinkwine	651/259-3772

XI. Agency Expenditure Overview Fiscal Page Example

(Dollars in Thousands)

Expenditures By Fund

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
1000 - General	35,269	25,829	31,825	31,265	31,265	31,265	31,600	31,600
2000 - Restricted Misc Special Rev	4,526	1,196	6,284	6,724	4,477	4,805	4,477	4,805
2001 - Other Misc Special Rev	3,046	3,570	3,348	3,425	3,448	3,511	3,448	3,511
2018 - Agriculture Fund	22,137	23,161	26,516	26,691	26,620	27,087	26,658	27,125
2050 - Environment & Natural Resource	211	184	695	0	0	0	0	0
2301 - Arts & Cultural Heritage Fund	1,333	1,427	0	0	0	0	0	0
2302 - Clean Water Fund	2,036	4,323	8,915	7,460	0	0	0	0
2403 - Gift	33	14	28	28	15	15	15	15
2801 - Remediation Fund	1,759	1,922	1,948	1,948	1,948	1,948	1,948	1,948
3000 - Federal	8,623	7,277	7,881	7,854	7,680	7,664	7,680	7,664
6000 - Miscellaneous Agency	75	66	87	77	77	77	77	77
8200 - Clean Water Revolving	3,682	0	5,297	5,827	6,410	7,051	6,410	7,051
8250 - Rural Finance Administration	64		335	85	185	85	185	85
Total	**82,794**	**68,970**	**93,159**	**91,384**	**82,126**	**83,508**	**82,499**	**83,881**
Biennial Change				32,780		(18,909)		(18,163)
Biennial % Change				22%		(10)		(10)
Governor's Change from Base								746
Governor's % Change from Base								0

Expenditures by Category

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Compensation	31,647	33,807	34,370	35,105	34,976	35,294	35,010	35,328
Operating Expenses	21,337	25,216	34,808	31,623	24,310	24,519	24,649	24,858
Other Financial Transactions	7,466	585	10,023	10,745	9,202	10,063	9,202	10,063
Grants, Aids and Subsidies	21,418	9,073	13,919	13,880	13,607	13,607	13,607	13,607
Capital Outlay-Real Property	927	288	40	32	32	27	32	27
Total	**82,794**	**68,970**	**93,159**	**91,384**	**82,126**	**83,508**	**82,499**	**83,881**

Expenditures by Program

	Actual FY12	Actual FY13	Actual FY14	Estimate FY15	Forecast Base FY16	Forecast Base FY17	Governor's Recommendation FY16	Governor's Recommendation FY17
Program: Protection Service	43,123	47,261	55,915	53,959	46,328	46,794	46,701	47,167
Program: Promotion and Marketing	4,810	5,402	5,368	5,320	5,225	5,227	5,225	5,227
Program: Value-added Products	15,398	2,627	10,760	10,235	10,235	10,235	10,235	10,235
Program: Admin and Financial Assist	19,463	13,679	21,117	21,871	20,338	21,252	20,338	21,252
Total	**82,794**	**68,970**	**93,159**	**91,384**	**82,126**	**83,508**	**82,499**	**83,881**
Full-Time Equivalents	**424**	**441**	**382**	**415**	**413**	**413**	**413**	**414**