Part C Instructions:
Budget Proposal Guidelines

I.   Overview

The *Part C: Budget Proposal Guidelines* build upon the information previously provided in *Part A: Preparation of Background Materials* and *Part B: Preparing Fiscal Information in the Budget Planning and Analysis System (BPAS)* to provide agencies with the information necessary to complete FY 2014-15 biennial budget submissions.

In addition to a base budget plan, agencies are required to prepare budget options packages according to the criteria outlined in the accompanying transmittal letter. Strategic investments are an optional component, while 5% reductions are a required component.

Agencies are encouraged to work collaboratively with other agencies and stakeholders on the development of budget plans. MMB will contact agencies, and where appropriate, will arrange cluster meetings to discuss budget plans and to develop options for consideration in the Governor's budget.

All budget options will be collected in the new Budget Planning and Analysis System (BPAS).

II.   Budget Alternatives and Options Packages

Change items are used to identify budget alternatives and options. Individual change items, grouped together and identified by priority, constitute an agency's package of budget alternatives and options.

The budget alternatives and options package is the place for the agency to make a persuasive case for any proposed investments, as well as to present required reduction options. An agency's budget alternatives and options package will organize and describe proposed budget changes in a way that highlights decisions and impact on statewide services and outcomes.

Individual change items present financial information, supporting justification, and a statement of the anticipated impact for a specific action or policy proposed in the budget.

A. Individual Change Items: Representing significant, discrete decisions
Each change item should be listed as one line with a **positive or negative** amount on an agency summary - and should represent a significant, discrete budget decision. Prepare your change items so related items are grouped together, but do not obscure or combine separate decisions.

Change items may represent revised strategies or substantial differences in program direction and should include proposed program reductions. *Investments* can include new programs or any change in the level or scope of existing programs. This category also covers improvements that would result in more effective delivery of services, or higher quality services. Requests for new programs should be balanced by replacing lesser priority programs. *Agencies should also list low-cost and no-cost solutions.* Any policy decision that would result in a reduction of services or clients served should be displayed as a separate decision item.

B. **Revenue Change Items: Include related revenues in the same decision package**
Revenue changes related to a policy or expenditure level option should be included in the same change item with the expenditures.

C. **Statewide Outcomes: Budget options should be anchored to statewide outcomes and an agency's strategic plan**
Budget alternatives and options should be tied to stated outcome goals, performance objectives, and problems being addressed. An agency's budget package should be clearly anchored to statewide outcomes and achieving fundamental improvement in the desired results of state programs. Budget alternatives and options that are inconsistent with the strategic orientation to statewide outcomes are unlikely to be approved.

D. **Legislative Initiatives: Agency legislation packages must be reflected in the budget**
If an agency submits proposed agency policy or technical legislation with a budget impact, a corresponding change item must be included in the agency budget package.

E. **Plain Speak**
Your budget alternatives and options will be persuasive only if your colleagues, Governor's staff, and MMB analysts involved in review and decision making can understand them. Use plain talk, avoid jargon and acronyms. Keep your writing brief and clear.

F. **Common Framework**
A clear objective for the 2014-15 biennial budget is strengthening the link between what is being spent and what is being accomplished. This administration is committed to making budget decisions based on their impact on important statewide outcomes. This has been a clear goal in re-designing budget documents and the new state budget system. Agency budget materials - from base budget plans to proposed budget alternatives and options– should be described under the common framework of statewide outcomes.

G. **Clear and Complete**
Identifying agency budget options is not meant to be a paper-generating process. Rather, it is designed to focus and manage information through the initial stages of budget review.

The time available for budget review and discussion is limited, and multiple rounds of questions on agency alternatives are not desirable. The risk of rejection by the Governor's office and administration review teams increases greatly if options presented are unclear, if requested information is missing, or if expected result/performance impacts are not explained.

H. Specific Information

Changes items must provide key information, MMB needs to analyze the request and manage information through the various stages of budget review. We expect justification materials to vary in length and complexity, depending on the nature of an agency's proposals.

III.   Entering Change Items in BPAS

All change items, both optional investments and required reductions, will be entered into the Change application of BPAS. Below is an overview of the required elements.

A. Change Item Titles (Agency Change Items, Form 1, CI Name)

The change item title is a first impression. Use it to accurately describe what is being proposed or the issue being addressed. The title will appear in review materials used during the process, and ultimately in the Governor's budget documents. It should be as descriptive as possible.

B. Change Item Summary Text (Agency Change Items, Form 1, CI Desc)

Each change item should have a brief description of its purpose, written in complete sentences. This text should be entered into BPAS and will serve as the starting point for text that will ultimately describe items included in the Governor's budget. Change item summary text must succinctly answer the following questions:

- What problem or opportunity does the proposal address?
- What are the key elements of the proposal?
- What specific outcome or result is expected?

Make your text concise and compelling. Avoid jargon and acronyms. The text should be clear to an audience that is not an expert on the issue. BPAS will limit text to 2000 characters; we suggest that agencies limit text to 100 words.

C. Performance Measures and Outcomes (Agency Change Items, Form 1, Performance Measures and Assign Funding Info, Form 4, Category B)

Each change item must clearly identify what expected results will be achieved and how success will be measured for investments. For reduction options, please identify the performance criteria used to evaluate this option. The primary statewide outcome that will be impacted by the change item must be identified.

D. Information Technology Change Items (Agency Change Items, Form 1, IT Spend Flag)

Agencies are required to identify in BPAS, using form 1, any change items that are related to information technology (IT). Be sure to include your agency CIO in the planning efforts for IT-related change items.

M.S. 16E.01 and 16E.03 require the chief information officer to review and report on information technology projects in the Governor's budget. Technology-related change items should be clearly identified in BPAS. Agencies should use the description field to identify the purpose (infrastructure, hardware, software or training) as well as FY 2018-19 costs.   MN.IT analysts may follow up with individual agencies to request additional information following submission.

E. **Fiscal Detail (Assign Funding Info, Form 4)**
Agencies should enter operating expenditures by account, staffing detail by FTEs, and revenue detail by account for each decision item. The net impact of each change item will be calculated on the form.

F. **Categorizing Change Items (Assign Funding Info, Form 4)**
Any proposed increases in funding for identified investment opportunities should be identified as "Investments." Similarly, reduction options should be identified with the code "Reductions" – and be entered in BPAS in the order that, if required, the reductions would be implemented. Three additional categories exist: "Technical" for technical and small and incidental items, "Reallocations" for reallocations, and "Other" for other items that cannot be categorized by one of the other categories.

G. **Change Item Versions (Assign Funding Info, Form 4)**
Agency change items are entered in BPAS at a default version on Agency Pending. When an agency is ready to submit their change item to MMB for consideration, they should change the Version from Agency Pending to Agency Yes.

IV.   Action Steps and Timelines

The following table outlines specific action steps agencies are required to take to finalize their FY 2014-15 biennial budgets.

Action Step	Timeline (By)
Base Budgets for All Agencies Completed in BPAS	October 15
Non-Executive Branch and Constitutional Officers Budget Requests Entered in BPAS	October 15

Action Step	Timeline (By)
Executive Branch Budget Packages Entered in BPAS	October 15
Agency and MMB Meetings with Cabinet and Select Non-Cabinet Agencies on Budget Plans	Beginning Sept - November
Non-Executive and Constitutional Office Agency Requests and Agency Base Budget Information Posted to MMB Website	November 30
Executive Decision Making	December – early January
Governor's FY 2014-15 Biennial Budget Recommendations Published	By January 22

V.   5% Reduction Plans

To develop the required 5% reduction plan, agencies should conduct a review of agency activities. Reduction options should relate to your desired outcomes, choosing those that may have the least impact, may be of lower value, can be discontinued, no longer fit within the priorities of the agency, or do not contribute to increased performance in achieving outcomes.

Based on this review of existing activities, agencies should submit a 5% reduction plan that is both targeted and realistic. Agencies should identify specific activities and law changes necessary to support discontinuing activities. Those changes should also be identified within an agency's overall legislative package.

Developing reduction plans that are targeted and realistic will require agencies to avoid plans that either provide an across-the-board reduction to all agency activities or identify activities that may be perceived as "protected" and exempt from reductions. Within the context of how to best deliver outcomes, agencies are expected to balance between operating and program costs so that reduction plans will result in long-term savings to the state and still reflect agency priorities.

When developing agency reduction plans, attention should be paid to all state funds, not just the general fund. While much of the decision making process is focused on the general fund, the general fund is not the sole focus of budget preparation. Agencies with other significant funding sources, both dedicated and non-dedicated, must ensure that spending can be managed within projected forecast resources. In many cases other funding sources have a direct or indirect link to other general fund activities. Where this is the case, an agency's

reduction plan should be based on total funding – both general fund and "other" funding sources.

VI.   Non-Executive Branch Agency Requests

Non-executive branch entities, including the courts, higher education systems and constitutional offices, have the authority to submit their requests directly to the legislature. However, all entities are required to use the uniform forms and format specified by the commissioner of MMB. Preparation of a base budget and an agency request reflecting any proposed change items must be completed in BPAS by the October 15 statutory deadline.

Budget submissions and appropriate data must be completed in BPAS by October 15. Non-executive branch and constitutional officer requests will be submitted to the legislature on November 30.

Information and materials on BPAS training and specific instructions on using the Change application in BPAS will be available at: http://www.beta.mmb.state.mn.us/bps-training.