

Part B: Preparing Fiscal Information in the Biennial Budget System

Action Steps & Timeline

Part B of the biennial budget instructions provides guidance on organizing financial data for FY2010-11. It includes information needed for the preparation and display of agency historical and planned base budget financial data for budget review and presentation in biennial budget documents.

This information is prepared in the Biennial Budget System (BBS). It begins with loading historical and current year budget information for appropriations, spending, and revenues from the accounting system (MAPS) as well as salary and personnel data from SEMA4. This will occur at the beginning of August. Agencies are required to review historical data and adjust projected FY 2010-11 spending data to reflect budget plans that fit within the guidelines for base budget development.

Initial Loading of Biennial Budget System – Early August

Biennial Budget System Opened for Agency Access – August 11

FY 2008 & FY 2009 Fiscal Data Reloaded after FY 2008 Closing–August 22-26

Agency Base Budgets Completed in BBS – October 15

By October 15, agencies are required to complete a base budget plan for FY 2010-11 that serves as the starting point for budget review. This requires that agencies assemble a budget within their current funding level. This plan will be the reference point for analyzing agencies' budget priorities and issues.

Guidance on developing agency budget plans and next steps in budget review will be released as Part C of the budget instructions that will be released in August. In preparing, agencies should expect that discussions during budget review will focus on:

- Defining an agencies highest and lowest priorities;
- Aligning agency priorities within base funding levels;
- Demonstrating how budget plans contribute to statewide priorities and outcomes; and
- Identifying opportunities for innovation, service changes or operational efficiencies.

This framework for budget review is the starting point for developing budget options and alternatives on a statewide basis for executive review. As a result, agency plans and information must be sufficient to assess agency priorities and the impact of budget changes – both programmatic and financial.

Agency Base Budget Preparation

FY 2009 Appropriations Are the Starting Point for FY 2010-11 Budgets

Budget development and presentation begin where the Legislature last left off – FY 2009 appropriations. The base budget should reflect how an agency would use this level of funding to best accomplish their mission. This plan must accommodate known budget pressures such as compensation changes and general inflation.

In most cases, an agency's FY 2009 appropriations are the base for FY 2010 and FY 2011. Appropriations are adjusted only to remove one-time projects or to reflect current law increases or decreases that were officially tracked at the end of the 2007 and 2008 sessions. The budget documents will clearly list every funding change added to or subtracted from appropriations last approved by the Legislature.

Statutory Funds

Identifying a starting reference point for statutory appropriations and dedicated funds is a little more difficult. In these cases, the level of forecast receipts determines the allowable limit for spending. For FY 2010-11 budget planning, agencies' planned spending - limited by projected current law resources - is the starting point for presenting budget decisions and changes.

Calculating Base Budget Amounts - Base Adjustments

Confirming the agency's base budget amount is the important first step in determining total resources available for an agency's budget planning.

- The "base" for an agency's budget in FY 2010 and FY 2011 is FY 2009 direct appropriations adjusted for a limited number of technical changes (ex. removing one-time spending, adjusting biennial appropriations, or annualizing documented current law program changes).
- For statutory and dedicated state funds, the "base" is FY 2010-11 estimated spending limited to the amount of projected current law forecast resources. Forecast growth in dedicated receipts may be reflected as increased spending within agencies' current law base budget plans. Proposed fee or other revenue changes must be presented as change items.
- Federal Funds: Agencies should budget 100 percent of expected federal revenues based on enacted federal budgets as part of their forecast of dedicated receipts. The Federal Funds Summary appendix document is now a required element of the budget.

Managing the Uncertainties of Labor Costs

Employee salary, benefits and related compensation expenditures are, on average, 75 percent of an agency's total operating budget, excluding grants. Because this is normally the largest single operating expenditure item for an agency, careful attention must be paid to managing total compensation costs.

Agencies must anticipate and fund the potential costs of FY 2010-11 labor contracts within their (“base”) appropriated funding levels. These contracts will not be negotiated for another year, but it is necessary to make some allowance for cost increases in the biennial budget. The potential for general, or agency-specific funding adjustments for possible FY 2010-11 contract increases will be considered in the Governor’s budget decision-making process.

Although parameters have not yet been set for the next round of collective bargaining, recent negotiated settlements provide some guidance. Based on recent trends, ***agencies should budget for an increase of 3 percent per year in total compensation for FY 2010-11.*** This includes all compensation costs - adjustments for salaries, progression, and insurance, as well as scheduled increases in employer’s retirement contributions and changes in FICA ceilings. Reclassifications, all discretionary increases, overtime pay, premium pay, retirement and severance costs must similarly be considered within the guideline.

The guideline of 3 percent increase annually is based upon statewide averages. It may not reflect the individual circumstances of an agency or bargaining unit. Depending upon the concentration of bargaining units within an agency, projected compensation costs may vary. Each agency must consider its unique circumstances including turnover and dominance of particular bargaining units in planning compensation changes that may differ from the guideline. Forecast inflation, as measured by the consumer price index, is expected to be 1.9 percent in FY 2010 and FY 2011 based on GII’s (Global Insights Inc.) February 2008 forecast.

Budget Documents Overview

Budget documents will remain similar to those prepared two years ago. The documents are designed to separate preparation of background budget information (narratives and historical and base level fiscal information) from future proposals (i.e., change items). This allows more than half of the final budget volumes to be electronically available to legislators and the public by late fall when published on the web. This information can then be used for informal briefings, executive branch budget review, as well as for early January committee hearings prior to publication of the Governor’s Budget.

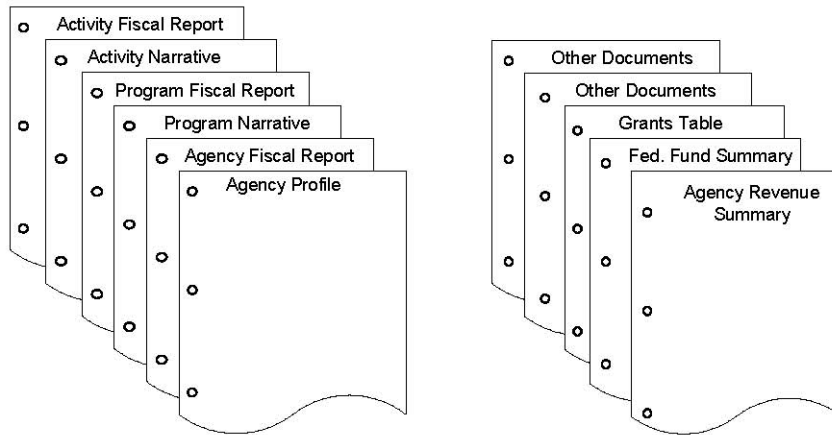
After the background (late September) and base budget information (early December) is completed, additional information and fiscal pages will be prepared reflecting any budget changes made as Governor’s budget recommendations. All of this information, in combination with the background materials, will comprise the Governor’s Budget to be released on January 27, 2009.

Background & Base Budget Information

Agencies’ base budget presentation is divided into two distinct pieces: Background and Appendix.

1. 2010-11 Budget Background Information (Narratives & Fiscal Data)
 - Agency Profile (to be published on web September 30, 2008)
 - Program and Activity Narratives (to be published on web September 30, 2008)
 - Base Fiscal Pages (to be added to web December 1, 2008)
2. Appendix (posted on the web December 1, 2008)
 - Agency Revenue Summary
 - Federal Funds Summary
 - Grants Table
 - Other optional documents

Agency Budget Document Organization



BACKGROUND

- *Narratives posted on web 9/30/08*
- *Fiscal report posted 12/01/08*
- *Fiscal reports updated with Governor's Recommendations data at release of budget 1/27/2009.*

APPENDIX

- *Section posted on web with release of Governor's Budget 1/27/2009*

TECHNICAL INSTRUCTIONS

The following sections provide primarily technical instructions and guidance governing the preparation of particular requirements that may be unique to individual agency budgets. The nature and purpose of each section of these instructions is summarized in the contents below:

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USING THE BIENNIAL BUDGET SYSTEM (BBS)

Budget System Overview

The Biennial Budget System (BBS) is the state's centralized budget system. The system is used to prepare historical and budgeted data for the biennial budget. Financial data in the budget system will include FY 2007 actual, FY 2008 actual, FY 2009 estimates, FY 2010 and 2011 base budget plans, and Governor's recommendations – as well as revenue and spending projections for the following biennium FY 2012-13.

While each agency may approach development of its budget differently, BBS provides common basic functions to ensure uniform format and presentation of the budget:

- Provides historical and current year appropriation, expenditure, and FTE data for comparison with the recommended budget for the coming two-year period
- Collects agencies' fee and other revenue estimates for statewide revenue forecasts for the budget
- Provides a common reference point for considering agency initiatives and developing budget recommendations
- Manages decision item information ("Change Items") for presentation in budget.

Changes in FY 2010-11 Budget System Information Preparation

There have been no significant changes to the budget system or the manner in which agencies will review or enter data. The statutory definition of "base" requires that budget fiscal tables clearly present recommended changes compared to the FY 2009 appropriation. This will happen by agencies adding *program and budget activity coding at the appropriation level* for direct appropriated accounts. The budget fiscal pages will present current and recommended direct appropriations, not just spending information.

Key Agency Requirements & Responsibilities

The level of effort required for each agency to work with budget system data will vary greatly – depending on the size, complexity, and account structure – as well as the status of data in the accounting system. Since the accounting system is the original source for both actual and the current year data, agencies should review and make corrections and adjustments in the accounting system whenever possible *prior* to data being loaded in the budget system. The objective is simple: to minimize differences in accounting and budget system data and to minimize the amounts of agency work in making duplicative adjustments.

BBS supplements other financial reporting available from MAPS and the Information Warehouse. Agencies should carefully consider how changes made in the budget system for historical and current year data compare to current accounting system information.

The budget system is most commonly used to "restructure" historical data to match proposed program structures (agency-program-activities) for the coming biennium. For this purpose accounting data may be adjusted or corrected as follows:

- Allotment Coding (Kind Code and Program & Budget Activity codes)

- Program Structure (Program and Budget Activity names)
- Splitting and distributing expenditures between accounts to align with changes in proposed program structures.

While BBS provides considerable flexibility to realign historical data -- transactional level data such as expenditure object codes or revenue source codes should *not* be changed unless a significant error can be demonstrated and documented.

Some current year data (FY 2009) may be adjusted in BBS only, and not in the accounting system - where valid reasons may exist for not updating the information in MAPS, such as:

- Fully allotting FY 2009 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, Legislature) that do not use the statewide accounting system in the standard fashion may be required to manually re-create minimal level information within BBS for history or current year data that is not present in the accounting system.

Key Budget System Events, Required Actions

<u>Date</u>	<u>What Happens.....</u>
August 11	<p>BBS open to agency users. Chart of accounts, program structure, FY 2007 actual data, preliminary pre-close FY 2008 data, and FY 2009 budget will be loaded. FY 2009 appropriations, revenue estimates are rolled forward to FY 2010-11 and 2012-13.</p> <p>Agency actions:</p> <ol style="list-style-type: none">1. Begin review of loaded data for potential problems or errors. Review budget display format for chart of accounts coding changes, programmatic coding changes, chart of accounts maintenance, and re-pointing of program-activity level data - if necessary.2. Review and reconcile actual FY 2007 data to close data.
August 11	<p>Employee budget roster for three years (FY 2009-2011) will be produced and the BBS Employee Roster module will be opened to agency users.</p> <p>Agency actions:</p> <ol style="list-style-type: none">1. Review FY 2009 roster for possible errors and corrections, bringing roster into agreement with budgeted FY 2009 compensation allotments.2. Begin to adjust data to develop agency compensation budgets for FY 2010-11 as described in section entitled <i>Planning Compensation Budgets and the Employee Roster</i> beginning on page 18.
August 11	<p>FY 2010-11 Base adjustment modules open to agency users.</p> <p>Agency actions:</p> <ol style="list-style-type: none">1. Add program and activity coding on direct and open appropriations accounts, ensuring alignment of appropriations with budget structure.2. Begin to enter required appropriation base adjustments, as well as dedicated and non-dedicated revenue forecast entries for FY 2010-2011 to establish a base budget ceiling.3. Begin to adjust expense budget detail to bring allotment level detail into agreement with appropriation / base level resources to establish a base budget spending plan.
August 27	<p>FY 2008 actual and updated FY 2009 data reloaded from MAPS after FY 2008 closing. BBS will be closed August 22 - 26 for reload.</p> <p>Agency actions:</p> <ol style="list-style-type: none">1. Review and reconcile FY 2008 and FY 2009 to close date.2. Review and update both dedicated and non-dedicated revenue forecast estimates in BBS for FY 2009-2013.

- October 15 Agency budget due.
- Agency actions:**
1. Agency historical and current year data finalized in BBS.
 2. All agency dedicated and non-dedicated revenue estimates updated in BBS and all base adjustments finalized to provide current law information for the November forecast.
 3. Base level budget information completed in BBS, including roster and position data.
 4. Constitutional offices and non-executive branch agencies' budgets are due.
- Nov. 15 Where applicable agencies with forecast programs, must update budget estimates in BBS prior to the November forecast release.
- Dec. 4 Economic and Budget Forecast for FY 2009-11 and initial FY 2012-13 planning estimates released.
- Dec. – Jan. Executive budget review and approval process.
- Agency actions:**
- Enter Governor's recommendations, and approved change items to complete the budget presentation in BBS.

Budget System Training and Assistance

Technical system training sessions for both experienced and new users are scheduled for July and August. A separate set of technical instructions that describes BBS modules is available at:

http://www.finance.state.mn.us/agencyapps/bis/manual_bbs_agency_user.pdf

The BBS manual is also available as on-line help within the system. Other training may be offered as agencies begin to use BBS. These sessions will be announced to all agencies and will provide additional direction on items not covered in the initial training, to review particular requirements at various points in the budget schedule, or to provide agencies an opportunity to raise questions or concerns.

After the initial load, BBS will be open for agency access 24 hours a day. If agency users have BBS technical questions, requests for access and clearance, or need BBS training session information, call Mary Crosson at 651/201-8042.

Small agencies that do not have direct access to BBS should contact Robert Erickson at 651/201-8044 or your executive budget officer to make alternative arrangements. Budget Operations staff will coordinate with executive budget officers to assist small agencies with budget system data input.

Loading and Reconciling BBS Data

Financial data is downloaded from the state’s accounting system into the budget system in two steps. The first step will take place the first week of August and the second step the last week of August following fiscal year 2008 closing. Three types of accounting system data will be initially loaded into the budget system: actual history from **closed** FY 2007, year-to-date data for **pre-close** FY 2008, and **current** budgets from FY 2009.

The first download will use the FY 2009 current budget information for agency appropriations, revenue budgets, and expense budgets to “push forward” and populate the FY 2010-2011 budget request years and the FY 2012-2013 planning estimates. The first download provides the basis for making chart of account or program structure changes and reviewing agency budget pages.

In second load, after the FY 2008 closing, all financial data for FY 2008 and FY 2009 will be replaced. Financial data in the request and planning years (FY 2010 - 2013) that had been pushed forward *will not* be updated.

The following table shows the content and timing of the two downloads of fiscal data from MAPS to the Biennial Budget System via the IA Warehouse.

Biennial Budget System Downloads from MAPS				
<i>Budget Fiscal Year</i>	<i>MAPS Summary Data</i>	1st Load – Beginning of August		2nd Load FY08 Close - Late August
		<i>Rolled Forward-Expense Budgets</i>	<i>Rolled Forward- Direct Appropriations and Revenue Budgets</i>	<i>Actual MAPS Summary Data</i>
2007	Actual History			
2008	YTD Data			Actual History
2009	Current Budget			Current Budget
2010		FY 2009	FY 2009	
2011		FY 2009	FY 2009	
2012			FY 2009	
2013			FY 2009	

Early August – First Download (Agency Action)

The early August download will require your agency to review the accounting and program structures that will be used for completing your biennial budget. Agencies must make sure that all of the appropriation and allotment accounts, as well as the revenue and expense budgets are properly coded in order to display information as desired in the budget, and that the programmatic structures on the accounts properly reflect the structure of an agency’s budget presentation.

Late August – Second Download (Agency Action)

The information initially loaded for FY 2008 and 2009 will be replaced. The “rolled forward” data in FY 2010 through FY 2011 from the initial load will not be updated with the second load.

To minimize the number of manual corrections to the fiscal data in BBS, it is important for agencies to have their FY 2009 annual spending plans fully allotted in MAPS in time for the load. Spending plans not fully allotted will create problems for agencies when reconciling sources and uses of funding at the appropriation account level. Carry-forward amounts from FY 2008 will have to be manually allotted in BBS for FY 2009 for account sources and uses to balance.

Reconciliation Requirements

When the Fiscal Year 2008 Closing download is complete your agency will need to reconcile (i.e. balance sources and uses) the appropriation level data in BBS. You will first need to review the downloaded information for completeness and accuracy. Second, you must ensure that the fiscal information is reconciled so that all accounts are in balance within the fiscal year and that all beginning and ending balances between fiscal years 2008 and 2009 are in agreement.

The reconciliation for each appropriation account for each year *must be* completed by October 15, 2008 -- prior to the publication of the historical fiscal summaries. The requirement, to reconcile the historical and year-to-date budget information in fiscal years 2007 through 2009 in the budget system, is based on one simple concept -- all money must be accounted for. Agencies must complete the reconciliation to verify that the sources of funding and uses of funding are equal for each appropriation account level for each year.

Sources of Funding:

- Balance forward in (from prior year)
- Direct appropriation
- Open appropriation
- Transfers in:
 - LAC
 - Other
- Dedicated receipts

Less Uses of Funding:

- Transfers out Reductions
- Balance forward out (to next year)
- Cancellations
- Expenditures

Equals Variance:

This amount must equal zero.

MAPS fiscal year close and BBS reconciliation reports are available to identify any variances and to ensure that the agency financial data agrees with the official statewide FY 2007 and FY 2008 closing data and FY 2009 is complete and fully allotted.

2010-11 Biennial Budget Checklist

<u>Actions</u>	<u>Due Date</u>	<u>Status</u>
A. Agency background narratives completed in BBS.	8-29-2008	
B. Modify program structure; correct/re-point chart of accounts data (BBS) <i>Key Report(s):</i> <ul style="list-style-type: none"> ▪ Account Structure Reports ▪ Program Structure Report ▪ Organization Listing Report ▪ Appropriation Listing by Sequence ▪ Appropriation Listing by Sequence, Program ▪ Allotment Listing by Appropriation ▪ Allotment Listing by Appropriation ▪ Orphan Allotment Listing ▪ Receipts w/o Program Structure 	10-15-2008	
C. Complete BBS reconciliation process for FY 2007-09. <i>Key Report(s):</i> <ul style="list-style-type: none"> ▪ Exception Reports <ul style="list-style-type: none"> ○ Bal. Forward Out/In Problems ▪ Financial/Reconciliation Reports <ul style="list-style-type: none"> ○ Reconciliation (Sequence, Fund, Appropriation, Program) 	10-15-2008	
D. Technical or base adjustments completed in BBS for FY 2010-11. <i>Key Report(s):</i> <ul style="list-style-type: none"> ▪ Financial/Reconciliation Reports ▪ Reconciliation Reports ▪ Base Adjustment (Sequence, Fund, Adj.) ▪ Base Adjustment (Sequence) ▪ Transfers Between Appropriations ▪ Transfers by Fund 	10-15-2008	
E. All spending allotted and entered at the expense budget level to complete “base” budget plan. <i>Key Report(s):</i> <ul style="list-style-type: none"> ▪ Financial/Reconciliation Reports ▪ Reconciliation Reports 	10-15-2008	

F. Change Items for constitutional offices and non-executive branch agencies entered in BBS to complete agency request. <i>Key Report(s):</i> ▪ Financial/Reconciliation Reports	10-15-2008	
G. Dedicated and non-dedicated revenue estimates entered/updated in BBS.	10-15-2008	
H. Forecast adjustments for caseload and enrollment driven programs entered into BBS. Revenue estimates updated for forecast.	11-15-2008	

<u>Required Agency Documents:</u>		
Agency Profile, Program and Activity Narratives posted on the Department of Finance & Employee Relations website.	9-30-2008	
Preliminary Departmental Earnings Analysis to EBO	10-15-2008	
FY 2010-11 Forecast Base Budget posted on the Department of Finance & Employee Relations website.	12-1- 2008	
Other appendix materials (if applicable)		
▪ Federal Funds Summary	10-15-2008	
▪ Grants Detail Form	10-15-2008	
FY 2010-11 Governor's Biennial Budget Recommendation	1-27- 2009	
Final Departmental Earnings Report	1-27- 2009	

A. Agency Fiscal Page(s)

The Agency Fiscal Summary provides information on total agency funding. It is generated from the detailed data in the Biennial Budget System.

The initial report will be posted on the web and merged with the other Background material at the end of November presenting “forecast base” budget information. When this report is updated for Governor’s budget data, a copy of the report will be included in the Governor’s Recommendation section of the budget.

The agency fiscal summary will include two years of history data and FY 2010-11 forecast base data. The report provides multi-year financial information, displaying agency level appropriations data, and actual and planned expenditures. This display emphasizes changes over time for appropriations, as well as spending by major spending categories, funds, and programs. It will also display full-time equivalent employment numbers by year – actual for FY 2008 and estimates for FY 2009-11. Where appropriate, similar formats will be produced at the program and budget activity levels for larger agencies.

During review of agencies’ base budget plans and agency options, agencies will be given specific directions on the nature and timing of which budget options should be developed as change items.

Legislative, judicial and non-executive branch agencies that submit budget requests, must complete materials, including change requests, and submit all information by October 15th.

A sample agency fiscal page displaying historical and projected base level data is shown on the following page.

Dollars in Thousands

	Current		Forecast Base		Biennium
	FY 2008	FY 2009	FY 2010	FY 2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	16,476	15,470	15,470	15,470	30,940
Forecast Base		15,470	15,216	15,216	30,432
Change		0	(254)	(254)	(508)
% Biennial Change from 2008-09					-4.7%
State Government Spec Revenue					
Current Appropriation	5,000	5,000	5,000	5,000	10,000
Forecast Base		5,200	5,500	5,500	11,000
Change		200	500	500	1,000
% Biennial Change from 2008-09					10.0%
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	15,100	16,846	15,216	15,216	30,432
State Government Spec Revenue	4,800	5,200	5,500	5,500	11,000
Statutory Appropriations					
Special Revenue	8,353	12,185	6,853	6,853	13,706
Federal	2,000	2,000	2,000	2,000	4,000
Total	30,253	36,231	29,569	29,569	59,138
<u>Expenditures by Category</u>					
Compensation	19,000	18,854	16,800	16,800	33,600
Other Operating Expenses	11,250	17,377	12,969	12,969	25,938
Local Assistance	3	0	0	0	0
Net Transfers	0	0	(200)	(200)	(400)
Total	30,253	36,231	29,569	29,569	59,138
<u>Expenditures by Program</u>					
Program 1	14,932	15,527	15,384	15,384	30,768
Program 2	15,321	20,704	14,185	14,185	28,370
Total	30,253	36,231	29,569	29,569	59,138
Full-Time Equivalents (FTE)	175.7	179.0	158.5	158.5	

B. Base Adjustment Categories

The biennial budget system will automatically roll agency FY 2009 appropriations, forecast revenues and allotments into fiscal years 2010 through FY 2013.

Agencies are required to enter adjustments for items that may distort FY 2009 appropriations as the starting point for the FY 2010-11 base levels – and to reconcile to official end-of-session planning estimates. These “base adjustments” represent technical and one-time changes to determine FY 2010-11 “current law” projections.

For direct appropriations, agencies must adjust FY 2010-11 resources at the appropriation account level, using the base adjustment categories identified below. Each increase (decrease) in an agency's base level must be entered by unique adjustment category at the appropriation (APPR) level and be distributed to the allotment level. This is necessary so the biennial budget system (BBS) can report all changes from FY 2009 appropriation to the budget base for FY 2010-11.

In most cases the base adjustments for FY 2010-11 amounts should be “straight-lined” into FY 2011-13. The first planning estimates for the following biennium (FY 2012-13) will be presented in the November forecast (December 4, 2008 release) based on these individual agencies’ base budget projections.

1. *(ONE) 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, system development costs, moving expenses, or studies that are acknowledged in appropriations law to be one-time expenditures.
2. *(BIA) Biennial appropriations.* When appropriations may be spent in either year of a biennium, there may be zero appropriation amounts shown for FY 2009. Agencies must adjust their base to ensure that FY 2010-11 totals do not exceed the total amount appropriated for the current (FY 2008-09) biennium.
3. *(ANN) Current Law base change.* Agencies may reflect the cost or savings of program changes that were not fully operational in FY 2009. 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). There are also a limited number of instances where increases or decreases to an agency’s FY2010-11 budget base are actually specified in current law.
4. *(PTC) PT Contract base reduction.* Selective permanent base reductions were required to be allocated to executive branch agencies under Laws 2008, Chapter 363, Article 13, section 21. Detail on the total reduction of \$575,000 per year that was allocated to agencies is contained in a June 26 memorandum to agencies.
5. *(ATA) Approved Transfer Between Appropriations.* Where legal authority exists, and monies have been transferred between appropriations/programs in FY2009 – and the legislature has been notified of such transfers – an agency may reflect this as a permanent change using this base adjustment.
6. *(SUN) Program/agency sunsets.* When legal authority for an agency, program or project expires on a specific date within FY 2010-11 or FY 2012-13, related appropriations amounts should be removed from the base.
7. *(FCC) Fund changes/fund consolidation.* In some instances, current law may provide for revenues and expenditures be moved between funds or that funds be eliminated or consolidated. Base adjustments should be made as necessary to reflect such changes.
8. *(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.

9. *(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 2009 estimated amounts, rather than changing the “open appropriation” amounts for FY 2010-13. 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.
10. *(FOR) Forecast adjustment.* This category applies only to a limited number of programs in the departments of Corrections, Human Services, and Education. 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.
11. *(NOV) November Forecast Adjustment.* This category applies only to a limited number of programs in the departments of Human Services and Education. This adjustment should be used to reflect the change from the end-of-session planning estimates to the November forecast planning estimates.
12. *(FEB) February Forecast Adjustment.* This category applies only to a limited number of programs in the departments of Human Services and Education. 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. The Biennial Budget System will enable agencies to include comments and explanations when entering base adjustments. Agencies must use the description field and the text-memo capability within the budget system to identify the specific nature of the adjustment. For example, a one-time appropriation would be identified as, “Remove one-time funding for Geographic Information Study”. Agencies should use this capability to document base adjustments for executive budget officer and legislative review.

Statutory and Federal Funds

For statutory and federal funds, base adjustments are not used. Agencies must review and revise forecast revenues to reflect the best estimate of projected revenues likely to be received. Expense budget spending plans should be developed within those resource amounts.

C. Planning Compensation Budgets and the Employee Roster

Key Agency Requirements

Agencies must plan carefully to ensure that budgets are adequate to fund projected FY 2010-11 total compensation costs. The 3 percent per year planning guideline for total compensation is provided for this purpose. The guideline reflects not only costs likely to be affected directly by collective bargaining, but also includes other costs - such as the yearly changes in employer retirement contributions enacted in the 2006 session. To adequately fund projected increases, it will likely be necessary to reduce staffing, reduce non-compensation spending, or transfer funding between activities to accomplish this within an agency's base level budget.

- All agencies **must** be able to explain planned staffing, budgeted compensation assumptions, and FTE information at the agency-fund level for the budgeted years. Agencies should be prepared to provide data from the employee roster or other projection methods used to explain the proposed compensation funding included in the agency base budgets.
- All agencies must project compensation costs and enter FTE estimates for FY 2009-11. External agencies that do not use the state personnel/payroll data must provide equivalent compensation information and follow the same planning guidelines. These agencies must manually enter summary level compensation data and FTE into the budget system.
- The budget documents will display the number of full-time equivalent positions by year for FY 2008-11. FY 2008 actual FTE data will be calculated from the payroll/accounting systems. FY 2008 actual FTE counts will be rolled forward into FY 2009-11. FTE estimates for FY 2009-11 must then be reviewed and adjusted by agencies in BBS at the allotment level to be consistent with agency employment plans and budgeted compensation.

Agencies should use either the BBS roster to prepare salary and benefit detail and FTE estimates - or equivalent information from an agency's internal worksheets or systems. Agencies that use the BBS roster should note that the module **already reflects known step increases and the planning assumptions outlined above**. The section titled "Roster Assumptions and Calculations" describes the factors and calculations built into the roster.

Employee Budget Roster

The BBS employee roster uses SEMA4 position data as a starting point. It automatically calculates step increases and the effects of planning assumptions for salary and fringe, and then allows agencies to make modifications (lump sum, bargaining unit, or by position) to reflect individual agency experiences and to bring their compensation budget into balance within the planned allocation of base budget resources.

Data Load and Verification

Current year (FY 2009) personnel data is loaded from SEMA4 to the BBS roster to provide the basis for projected compensation costs. Agencies must verify the data to ensure it is an appropriate starting point for compensation projections. The data loaded into the roster is from SEMA4 for the pay period ending 7/22/08. It is the basis of the SEMA4 cost projections run over the 8/2/08 weekend.

- Salary calculations will be based on employees' hourly pay rates and the total hours paid in each fiscal (2088 in FY 2009, 2088 in FY 2010, and 2088 in FY 2011).
- All regular full-time employees, by individual position, as well as permanent part-time employees are included.
- Vacant positions coded in active status with an "intend to fill" date on or before 8/5/08, are included and

compensation costs are projected. These vacant positions will be brought in either a) at the step indicated in the SEMA4 request to fill or b) at the first step of the position class range. An agency should review salary levels and begin dates if it intends to fill these positions. Vacant positions designated as inactive in the payroll system, without an “intend to fill” date, or with an “intend to fill” date later than 8/5/08, will not be included in the roster. A report will be generated and sent to agencies that will show any positions not loaded.

- Scheduled step increases for individual employees for the balance of FY 2009 and through FY 2010-11 are calculated automatically in the budget roster, if the information is complete in SEMA4. Off-step employees, employees at step 0 and employees working out-of-class should be checked. Agencies should recognize these progression costs are already incorporated in the roster when planning other changes and factors affecting compensation costs.
- “Lump Sum” category amounts for Part-time (non-permanent), seasonal, overtime, premium pay and other benefits (i.e., worker's and unemployment compensation). Unlike regular position data, these personal service items will be loaded from FY 2008 actual data for purposes of planning FY 2009-11 expenditures and related full-time equivalent positions. These items must be carefully reviewed as part of your 2010-11 budget plans.

If position/payroll files were not accurate at the point at which the FY 2009 roster data was extracted, correcting adjustments must be made in BBS to reconcile the roster with FY 2009 compensation budgets. Common adjustments may include one or more of the following:

- Corrections to salary or fringe data;
- Changes in position assignments or funding;
- Adding positions not established in the SEMA4/payroll system.

Roster Assumptions and Calculations

Within the overall 3 percent per year planning guideline for compensation, the BBS roster starts with FY 2009 compensation and position information as verified by agencies. It then projects compensation costs for each year of the next biennium by applying specific cost changes by position and general percentage estimates for the remainder by bargaining unit.

- Specific cost increases: scheduled step increases by employee, scheduled increases in employer retirement, insurance, FICA and Medicare contributions. These rates have been incorporated in the compensation projection formulas for each position.
- Residual estimates: The roster also applies an average, uniform percentage by bargaining unit by year to calculate the remainder of potential FY 2010 and FY 2011 cost increases. Based on statewide averages, this equates to a percentage adjustment of 2.3% for FY 2010 and 4.4% compounded for FY 2011. The percent change is applied against current salaries (including retirement contributions and FICA – but **excluding insurance**). This calculation occurs at the bargaining unit level only and is not reflected in individual position projections.

Agency Modifications

In addition to the factors built into the BBS roster, the roster provides agencies the flexibility to make adjustments to reflect any significant potential differences from statewide averages and to align compensation costs within base budget resource plans. The BBS roster provides agencies three ways to modify compensation data:

- **By position:** Agencies may adjust individual position data (begin dates, end dates, hourly salary, progression dates, etc.) in the employee roster maintenance table. NOTE: If begin and end date are changed, the FTE shown in the roster will be adjusted as well. FTE in the BBS roster is calculated as a percent of the fiscal year using begin and end dates. For example, a full time position with a begin date of 1/1/2009 will calculate a 0.5 FTE.

- **By bargaining unit:** Agencies may effectively change the factors applied to salaries by bargaining unit for their agency. To reflect potential variations based on an agency’s unique experience, agencies can introduce percentage changes applicable only to their agency. Using the “Bargaining Unit Adjust. By Agency” table, agencies can enter a percentage increase or decrease from the statewide BBS percentages by bargaining unit provided for FY 2009, FY 2010, and FY 2011.
- **Lump sum:** Agencies may enter lump sum adjustments to reflect factors that are not related to a specific position or bargaining unit. These factors may include costs or savings from estimated turnover, layoffs, early retirements, part-time or seasonal workers, overtime, or severance payments. Lump sum reconciliation amounts may also be used to adjust the FTE for full-time, part-time, seasonal, or overtime. These items can be entered as lump sums at the allotment level and will not require identification of individual positions as part of the agency plan to reconcile the roster liability to budget allotments. These adjustments are entered in a line identified as “reconciliation” on the employee category screen of the employee roster maintenance table. Agencies must be prepared to explain these adjustments. Reconciliation amounts should also reflect a relative adjustment to the FTE.

Employee Budget Roster Reports

Under the Reports Menu, there are three Employee Roster reports available:

1. Employee Roster – reports various Employee Roster data, including FTE positions, salary, retirement, FICA, Insurance, total compensation, and total compensation with adjustments.
2. Estimated Salaries – reports a summary of estimated personal service costs, FTEs, and progression increases by year for FY 2009, 2010 and 2011. It also has a comparison between budgeted compensation at the allotment level to the roster.
3. Estimated Salaries Comparison – reports a comparison of Roster and Budgeted FTEs and compensation amounts by fund, appropriation and allotment.

From the BBS Main Menu, select BBS Reports Menu, and then select Employee Roster. For instructions on how to run and print reports, please refer to the section entitled “Reports” in the *Biennial Budget System FY 2010-11 Training Manual* which can be downloaded at:

http://www.finance.state.mn.us/agencyapps/bis/manual_bbs_agency_user.pdf .

Full-Time Equivalent Position Estimates in Budget Documents

As a final step, agencies must review historical and adjust projected full-time equivalent employment numbers in BBS. Budget fiscal pages will display full-time equivalent positions for FY 2008 based on all regular, temporary/part-time/seasonal, and overtime paid hours. Initially, FY 2008 actual FTE is used to populate FY2009-11 estimates. FTE data must be adjusted at the allotment level to match FY 2009 through FY 2011 and to align with agency compensation budget plans. Adjustments to FTE data must be made within the **Budgeting at Appropriation Level** module in BBS. FTE displayed on the biennial budget fiscal pages should indicate the number of positions that can be funded within the agency base budget.

The budget roster will project total compensation costs and projected FTEs. If an agency is using the budget roster for planning purposes, the FTE and compensation costs identified in the roster should reconcile to information that will be shown in budget documents.

Employee Budget Roster Training and Assistance

Specific BBS training sessions focused on the Employee Budget Roster were scheduled for July 22nd and 29th. Separate technical instructions for the Biennial Budget System Employee Budget Roster module are available at http://www.finance.state.mn.us/agencyapps/bis/manual_employee_roster.pdf . The BBS manual is also available as on-line help within the system.

D. Non-Dedicated and Dedicated Receipts Forecast

Key Requirements

- Review dedicated and non-dedicated revenue actual data for FY 2007 and FY 2008.
- Review and update dedicated and non-dedicated revenue estimates for FY 2009, FY 2010, FY 2011, FY 2012, and FY 2013.
- Review revenue forecast methodology and assumptions with assigned EBO.
- Review and update all revenue actual and forecast data for FY 2009 through FY 2013 after FY 2008 closing to provide final data for the November 2008 forecast and agency budget submissions. All revenue data must be updated and correct no later than October 15, 2008.

Current Law Revenue Forecast

Estimates of any revenues that agencies expect to deposit in the state treasury during FY 2009 through FY 2013 must be entered in the biennial budget system (BBS). These revenue projections must be entered for all accounts in direct appropriated and dedicated state operating funds. This includes all fund codes within fund classes 030, 100, 130, 150, 170 through 280, 300, 310 through 331, 340, 341, 342, 361, 510, 561, 570, 571, 580, 690, 850 and 860.

Forecasts provided by agencies for revenues they collect provide part of the overall forecasts for the general fund and other state funds. Consequently, the forecast of revenues must be based on current law, current rates, and sound forecasting assumptions. Proposed law changes should not be included in the current law forecast.

Whenever significant changes become apparent, agencies should update the BBS revenue amounts for FY 2009 through 2013. After the October 15 due date for entry of agency revenue information, FER 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 2009 prior to release of the February forecast.

Reviewing and Adjusting FY 2009 - 2013 Revenue Estimates

Biennial Budget System (BBS) reports showing non-dedicated and dedicated revenues by revenue source code, account, and fiscal year will be available after the initial BBS load. Agencies must review actual and estimated revenues for accuracy and completeness. Detailed instructions for entering and editing revenue data is provided in the BBS agency user manual using the “Non-dedicated Revenue Budgeting” module for entering non-dedicated receipts data and the “Budgeting At Appropriation Level” module for entering dedicated receipts.

E. 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 - agency fees being the most common. This includes both dedicated and non-dedicated departmental earnings. This is because current law (16A.1283) requires executive agencies to get legislative approval to impose new or increase existing fees.

To begin the analysis, actual fee revenues from FY 2007 and FY 2008, and current budgeted fee revenues for FY 2009, will be automatically loaded into BBS with other MAPS data in early August. FY 2009 information will be projected forward as a starting point for FY 2010-2013. The same is true for expenditure data in dedicated accounts. Agencies need to review, correct, and update this information within BBS by October 15th as they do with other financial data. BBS uses the “***Non-dedicated Revenue Budgeting***” module for entering non-dedicated receipts and the “Budgeting at Appropriation Level” module for dedicated receipts. Detailed instruction for entering and editing revenue data is provided in the BBS manual.

The information is automatically pulled into the “***Departmental Earnings***” module where agencies add additional information required to determine whether fees are recovering (or under/over recovering) associated costs. This analysis is used to determine whether or not a change in fees should be considered.

Background explanatory information on the nature, number and type of fees in BBS from the prior cycle must be reviewed and updated for potential changes that may have occurred to ensure that the information remains current and accurate.

Any legislative, constitutional office or executive branch agency that may be exempt under the law above should still complete the revenue and expenditure analysis within BBS. While legislative approval may not be required, the budget process requires that all changes in current fee be highlighted.

Departmental Earnings Training and Assistance

Specific BBS training sessions focused on the Departmental Earnings were scheduled for July 22nd and 29th. Separate technical instructions for the Biennial Budget System Employee Budget Roster module are available at http://www.finance.state.mn.us/agencyapps/bis/manual_dept_earnings.pdf. The BBS manual is also available as on-line help within the system. Departmental Earnings Report instructions for 2010-11 will be sent out separately to agencies with fees/departmental earnings.

F. Grants Funding Detail

The Grants Funding Detail page is an optional appendix element of the budget. A stand-alone grants funding page is not necessary for all agencies and should be included based on consultation with your executive budget officer. Agencies with significant pass through funding or local grant payments should prepare a funding detail page provided to explain the level and nature of payments to individuals or local assistance payments. If grants are a minor portion of a given activity, the agency may provide the necessary information to explain payments to individuals and local assistance in the program or budget activity narrative rather than preparation of a separate page.

The basic format for the grants funding detail budget page should display the grant/program name and legal citation, purpose, recipient type with eligibility criteria and the historical spending with requested budget. The basic template as shown below will be available in the Biennial Budget System (BBS).

Some public entities receive funds through state grants. When the state funds a budgeting entity such as Horticultural Society, as a grant payment, this expenditure on the budget fiscal page appears under the expenditure by category classification of local assistance. Agencies should anticipate questions on this expenditure category and provide clarifying narrative data to explain the purpose or use of the funding.

Grant Funding Detail (Sample)

State and Federal Grant Programs Administered by the Department of Health

Program Name Federal or State or Both (citation)	Purpose	Recipient Type (s) Eligibility Criteria	Budgeted 2009	Most Recent Federal Award (cite year)
Indian Health Grants (State) <i>M.S. 145A.14, subd.2</i>	Provides assistance to support health for Native Americans who reside off reservations.	Community health boards	\$177,000/ Year	n/a
Migrant Grants (State) <i>M.S. 145A.14, subd 1</i>	Subsidizes health services, including mobile, to migrant workers and their families.	Cities, counties, groups of cities or counties, or nonprofit corporations.	\$104,000/ Year	n/a
HCAF- Summer Health Care Internships (State) <i>M.S. 144.1464</i>	Summer internship program for high school and college students.	Statewide non-profit organization representing health facilities.	\$ 100,000/ Year	n/a
HCAF- Sole Community Hospital (State) <i>M.S. 144.1484, subd 1</i>	Preserve hospitals that are geographically isolated (at least 25 miles from another).	Rural hospitals with 50 or fewer beds, 25 or more miles from another hospital, with financial losses.	\$200,000/ Year	n/a
HCAF- Community Health Grants (State) <i>M.S. 144.1486</i>	Increase access to primary and preventive care.	Rural non-profit or local government organizations in designated shortage areas.	\$250,000/ Year	n/a
HCAF- Rural Hospital Planning & Transition Grant (State) <i>M.S. 144.147</i>	Assist with strategic planning; transition projects.	Rural hospitals with 50 or few beds.	\$250,000/ Year	n/a
HCAF- Rural Continuing Education Grants (State) <i>M.S. 144.1497</i>	Interdisciplinary training for advanced practice-nursing students.	Colleges or schools of nursing training students for rural practice.	\$250,000/ Year	n/a

G. Federal Funds

Key requirements

- Each agency must project all anticipated federal receipts available for FY 2007-2011 as part of the revenue forecast for the budget.
- The forecast must be based on federal appropriations or continuing resolutions.
- Each agency must include as part of the budget submission an agency level federal fund summary appendix which identifies federal program estimates for state fiscal years 2007-2011, and which assesses the direction and risks of significant changes in program funding.

The purpose is not “to guess” what is going to happen on the federal level. The purpose is to develop a useful analysis and inventory of federal programs 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.

Statutory Requirements

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 requires that state executive branch agencies (not including the Historical Society, the University of Minnesota, and the Minnesota State Colleges and Universities) receive legislative authorization before they spend federal money. In most instances this is accomplished by including estimated/anticipated federal receipts and expenditures in an agency's biennial budget submission. Unless specifically noted and rejected by the legislature within 20 days after receipt of the biennial budget, federal projects and funds shown in the biennial budget are considered approved. Accordingly, it is essential that agencies accurately update or forecast federal receipts to reflect anticipated levels of funding.

Forecasting Federal Revenues

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

- Utilize current federal law as the baseline. Where significant changes are anticipated, use current federal appropriation or Continuing Resolutions to estimate revenues.
- Clearly identify any additional assumptions used to estimate federal revenues. Program estimates and their rationale will form the basis of an agency Federal Funds Summary.

Federal Funds Summary

The Federal Funds Summary is now a required element of the budget. Please consult with your executive budget officer if you need assistance with your federal fund summary. Agencies should prepare this display highlight major sources of federal revenue for agency operations and the relationship to state funding. The intent is to identify the types of activities supported by federal monies, who benefits from the activities, and whether the funding is expected to continue.

Federal Funds Summary information may be presented in a format similar to the last biennial budget and should include a list of grants received, whether there was related state spending, the program purpose (state operations, grants-individuals, grants-political subdivisions, grants to community-based organizations), revenues for 2008-09, and estimated revenues for 2010-11. The format as shown in the example will be included as a narrative template in the Biennial Budget System (BBS). Where practical, small grants should be grouped together. The most important considerations for the Federal Fund Summary are:

- Identify significant federal grants
- Include the state benefits from federal grants
- Tie to budget information
- Indicate the maintenance level of effort (continued state funding required)
- Indicate what flexibility the state has with federal funding
- Indicate the state match related to federal funding.

Federal Funds Summary (Sample)

Discuss the following:

- Any grants with a required maintenance level of effort and the amount
- Significant changes in program funding or guidelines in past years
- Areas at risk of future funding cuts or likely increases
- Any additional elements necessary to clearly understand your federal funding (ex. Federal granting agency)

Name of Federal Program	Related SFY 2008 Spending	Primary Purpose	SFY 2008 Revenues	SFY 2009 Revenues	Estimated SFY 2010 Revenues	Estimated SFY 2011 Revenues
FEMA Dam Safety Program	-0-	SO	19	86	86	86
Federal Flood Plan Management	70	SO	115	108	108	108
Agency Total	70		134	194	194	194

Note:

- Distinct Federal Programs should, in general, be listed separately. However, if necessary, small grants may be consolidated.
- Programs seeking legislative approval for new funding should be followed with an asterisk [*].

- ◆ Related state fiscal year (SFY) 2008 spending should indicate related state amount. If no state funds were spent for the same purpose, enter “0”. The intent is to indicate whether the state is spending funds for the same purpose, whether mandated or not.
- ◆ Primary purpose categories should be identified within: “State Operations”; “Grants to Individuals”; “Grants to Political Subdivisions”; and “Grants to Community-Based Organizations”. The purpose should designate use of funds from the state’s perspective.

KEY:

Primary Purpose:

SO = State Operations

GPS = Grants to Political Subdivision

GI = Grants to Individuals

GCBO = Grants to Community-Based Organizations

- ◆ Revenues shown for state fiscal years 2008-11 should be taken directly from BBS. The agency total should on the federal funds summary should tie to the total shown in an agency’s budget fiscal pages. In this context, revenues should describe funds actually drawn by the state in a given fiscal year.

H. 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 the Biennial Budget System (BBS) based on the actual dollars spent or budgeted in the object class 2DO (Professional Technical Services with Outside Vendors). 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. A sample of the report is shown below.

	Professional Technical Services Contracts		
Agency	Actual 2006-07 Biennium	Actual/Est. 2008-09 Biennium	Governor's Rec 2010-11 Biennium
Agriculture Dept	600	300	400
General	500	250	300
Agriculture	100	50	100
Animal Health Board	20	20	25
Federal	20	20	25
Statewide Total	620	320	425

I. Budgeting Indirect Costs

General Indirect Cost Procedures Key

Requirements:

- An agency's budget estimates for 2010-11 must ensure that sufficient amounts are budgeted to pay for statewide and agency indirect cost (IDC) liabilities.
- Estimates of the statewide IDC liability for each fund should be based on the FY 2009 invoice amounts.

In developing budget estimates, you must assume that all dedicated and non-dedicated receipt activities will recover both agency and statewide indirect costs. This means that budgets must include allotments for both agency and statewide IDC expenditures for all activities with dedicated receipts. Activities in the general fund with non-dedicated receipts must recover indirect costs but they are not required to provide allotments to pay for these costs.

To meet these requirements, prepare your budgets to include IDC using one of the following methods.

1. For agencies that receive full funding of general support/administrative costs in their appropriations, both agency and statewide indirect costs that are recouped must be returned to the general fund. This requires:
 - The establishment of estimated receipts for IDC recoveries in program accounts;
 - Allotments for both statewide and agency IDC expenditures (Object codes 2P0, and 2N0 respectively).
2. Agencies may budget the agency portion of IDC recoveries in a separate Indirect Cost Appropriation in the 200 fund if one of the following conditions are met:
 - The agency receives federal funds.

This condition assumes that federal funds received by the state for indirect cost reimbursements belong to the state.

In all cases, agencies should avoid co-mingling federal and state funds. When indirect cost recoveries are made from federal sources, depositing them into the federal fund can overstate the balance of federal dollars held by the state. This overstatement will result in additional interest costs to the state under the Cash Management Improvement Act.

Therefore, all IDC's recovered from federal sources should be deposited into a separate indirect cost appropriation in the 200 fund. From there payments should be made to the fund (or Appropriation) that provided the general support/administrative services.

- Agency operates fee-supported activities intended to be self-supporting.

The assumption here is that the general support/administrative service costs are incurred and should be recouped through the fees charged.

Agencies, which establish fees for dedicated or non-dedicated revenues, must collect and deposit amounts that recover the *total* cost of services provided, including agency and statewide indirect cost. Any recovery of direct appropriated general fund or other agency or statewide indirect cost expenditures must be returned to the fund from which the support was provided. Accordingly, that portion of total IDC recoveries that reimburse expenditures made from a 200 fund should be returned to the 200 fund.

Use of a 200 fund IDC Appropriation requires the following steps:

1. Budget Dedicated Receipts in the IDC Appropriation (receipts should not exceed estimated expenditures).
2. Budget IDC Expenditures in the program accounts.

Note: If there is only one program in a fund and the indirect cost reimbursements are *not* used to provide general support costs, a separate IDC appropriation should not be set up. Instead, an allotment for IDC (using object codes 2P0, or 2N0) should be made as a line item within the program budget(s).

Questions on budgeting for indirect costs should be directed to Mary Borresen at (651) 201-8152 or to your assigned executive budget officer.

J. Budgeting Transfers

There are two methods of budgeting for interagency or interfund transfers in the Biennial Budget System (BBS). The choice of the correct method is dependent on whether the transfer is from a direct appropriated account.

- Budgeting for Transfers from Direct Appropriated Accounts uses the 9A object of expenditure class to reflect budgetary uses of the funds. This method allows the appropriation request to be properly presented in the Fund section on the budget pages for both sides of agencies or funds involved in the transfer.
- Budgeting for Transfers from Non-Direct Appropriated Accounts uses the Transfer Out/In function on the base maintenance (load) screen. This method is similar to the transactions completed in MAPS.

1. Budgeting for Transfers from Direct Appropriated Accounts

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 or fund for spending. To properly present the requested direct appropriation and transfer, as well as the anticipated expenditures within the correct agency or fund for fiscal years 2010 and 2011 on the budget page, both agencies or funds involved must follow the procedure as shown in the example below.

The current (FY 2009) and historical years (FY 2007 – 2008) information is not affected by this budget procedure; they continue to be displayed in the budget system as actually occurred in MAPS.

Example: Budgeting for an Interagency Transfer from a Direct Appropriated Account

The Pollution Control Agency requests a General fund appropriation of \$500 that is transferred to the Board of Water and Soil Resources, which will spend the funds on a joint ongoing project.

The table below illustrates the Pollution Control Agency's base maintenance (load) screen after the BBS load from MAPS. The direct appropriations and expenditures are copied into the budget years FY 2008 and FY 2009, but transfers are not copied to the budget years.

	2007	2008	2009	2010	2011
Direct, Omnibus	500	500	500	500	500
Direct, Special					
Transfer In					
Transfer Out	(500)	(500)	(500)		
Total Load	0	0	0	500	500
Expenditures	0	0	0	0	0
Variance	0	0	0	500	500

The table below illustrates the Board of Water and Soil Resources' base maintenance (load) screen after the BBS load.

	2007	2008	2009	2010	2011
Direct, Omnibus					
Direct, Special					
Transfer In	500	500	500		
Transfer Out					
Total Load	500	500	500	0	0
Expenditures	500	500	500	500	500
Variance	0	0	0	500	500

Follow the steps outlined below to correct the appropriation variances for FY 2010 and FY 2011 on the base maintenance screens for both agencies and to properly reflect the direct appropriation to the Pollution Control Agency follow the steps below.

- The agency to receive the direct appropriation (Pollution Control Agency), must distribute the amount of the requested appropriation of \$500 to the 9A2 object class (Interagency Transfer Out) for both budget years.
- The agency that receives the transfer and spends the money (Board of Water and Soil Resources) must detail the appropriate objects of expenditure (e.g., compensation, supplies, travel) and distribute an offsetting (negative) amount of the transfer to the 9A1 object class (Interagency Transfer In) for both budget years.

Pollution Control Agency	
Object Class	FY2010
9A2 Interagency Transfer-Out	\$ 500
TOTAL – Requested Direct Appropriation PCA	\$ 500
Board of Water and Soil Resources	
Object Class	FY2010
1AO Regular Salaries	\$ 400
2JO Supplies and Materials	75
2CO Printing	25
9A1 Interagency Transfer-In	(500)
TOTAL – Requested Direct Appropriation BWSR	\$ -0-

Note: The 9A1 object class is not automatically linked in the system to the 9A2 object class so the two agencies involved in this method of budgeting for transfers must carefully coordinate so that like objects of expenditure and dollar amounts are used. If your agency needs assistance in coordinating with another agency, contact your assigned executive budget officer. On the Pollution Control Agency's fiscal pages, the Fund section will show a General fund request and the Category section on the fiscal page will show a separate line, Transfers, with a positive amount in the budget years. On the Board of Water and Soil Resources' fiscal pages, the Fund section will show no general fund request and the Category on the fiscal page will show a separate line, Transfers, with a negative amount in the budget years to offset proposed spending.

Pollution Control Agency's fiscal page

Expenditures by Category	Actual FY2007	Actual FY2008	Budgeted FY2009	Gov Rec FY2010	Gov Rec FY2011
Transfers	0	0	0	500	500
Total	0	0	0	500	500

Expenditures by Fund					
General	0	0	0	500	500
Total	0	0	0	500	500

Board of Water and Soil Resources' fiscal page

Expenditures by Category	Actual FY2007	Actual FY2008	Budgeted FY2009	Gov Rec FY2010	Gov Rec FY2011
Compensation	400	400	400	400	400
Other Operating Expenses	100	100	100	100	100
Transfers	0	0	0	(500)	(500)
Total	500	500	500	0	0

Expenditures by Fund					
General	500	500	500	0	0
Total	500	500	500	0	0

The procedure presented in the above example is the same procedure agencies should follow for Interfund Transfers and Attorney General Transfers except the following object classes should be used instead of the 9A1 and 9A2:

- 9A3 Interfund Transfer - In**
- 9A4 Interfund Transfer – Out**

- 9A5 Attorney General Transfer - In**
- 9A6 Attorney General Transfer – Out (Partner Agencies Only)**

2. Budgeting for Transfers from Non Direct Appropriated Accounts

Budgeting for transfers from accounts that are not direct appropriated required using the Transfer Out/In function on the base maintenance (load) screen. This method is similar to the transfer transaction completed in the accounting system (MAPS).

Agencies transferring money to an appropriation within another agency must submit a completed Request for Transfer Between Agencies form (included in the Appendix section) to Department of Finance & Employee Relations, Budget Operations staff for entry into BBS. Staff will complete the budget transfer transaction because system security will not allow the user access to both sides of the transfer (out/in) to process the transaction.

Example: Budgeting for an Interagency Transfer from a Statutory Appropriation Account

The Department of Finance Treasury Division collects receipts of \$500 from the courts fines that are used to fund part of the Peace Officer's Standards and Training Board (POST). The Special Revenue fund receipts are transferred to the POST Board, which will spend the funds for ongoing operations.

The dedicated receipts and expenditures are copied into the budget years FY 2010 and FY 2011, but transfers are not copied to the budget years. The table below illustrates the Department of Finance & Employee Relations Treasury Division's base maintenance (load) screen after the BBS load from MAPS.

	2007	2008	2009	2010	2011
Direct, Omnibus					
Transfer In					
Transfer Out	(500)	(500)	(500)		
Dedicated Receipts	500	500	500	500	500
Total Load	0	0	0	500	500
Expenditures	0	0	0	0	0
Variance	0	0	0	500	500

The table below illustrates the POST Board's base maintenance (load) screen after the BBS load.

	2007	2008	2009	2010	2011
Direct, Omnibus					
Transfer In	500	500	500		
Transfer Out					
Dedicated Receipts					
Total Load	500	500	500	0	0
Expenditures	500	500	500	500	500
Variance	0	0	0	500	500

Follow the steps below to correct the appropriation variances for FY 2010 and FY 2011 on the base maintenance (load) screen for both agencies and to reflect the Transfer In and out:

1. The agency transferring the funds out of the appropriation account must complete the Request for Transfer Between Agencies form. The following information is needed before the transfer can be completed in BBS:
 - Transfer amount for each fiscal year.
 - Section Sequence Number, Agency name, Appropriation Org and Unit and Name for the Transfer Out appropriation.
 - Section Sequence Number, Agency name, Appropriation Org and Unit and Name for the Transfer In appropriation.
 - Explanation and Legal Citation for the Transfer.
2. The Transfer Out agency must coordinate with the Transfer In agency, if assistance is needed in coordination between the two agencies, contacts your assigned executive budget officer.
3. The Transfer Out agency submits the completed form to the Department of Finance & Employee Relations, Budget Operations staff for BBS entry.
4. The Transfer In and Out agency contacts are notified of the completed Interagency Transfer. After the transfer is entered into BBS the transfer can be viewed from the Base Maintenance (Load) screen of either the Transfer In or Out agency.

On the Department of Finance & Employee Relations Treasury Division’s fiscal pages, the Fund section and the Category section on the fiscal pages will show no expenditures or budget request. The Revenue Type by Fund section will show the Dedicated, Special Revenue fund revenue. On the POST Board fiscal pages, the Fund section will show a Special Revenue fund request and the Category section on the fiscal pages will show the how the funds will be spent.

Department of Finance & Employee Relations Treasury Division’s fiscal page

Expenditures by Category	Actual FY2007	Actual FY2008	Budgeted FY2009	Gov Rec FY2010	Gov Rec FY2011
	0	0	0	0	0
Total	0	0	0	0	0

Expenditures by Fund					
	0	0	0	0	0
Total	0	0	0	0	0

Revenue by Type & Fund					
Dedicated					
Special Revenue	500	500	500	500	500
Total	500	500	500	500	500

POST Board’s fiscal page

Expenditures by Category	Actual FY2007	Actual FY2008	Budgeted FY2009	Gov Rec FY2010	Gov Rec FY2011
Compensation	400	400	400	400	400
Other Operating Expenses	100	100	100	100	100
Total	500	500	500	500	500

Expenditures by Fund					
Special Revenue	500	500	500	500	500
Total	500	500	500	500	500

Current Year (FY 2009) Transfers

The current year (FY 2009) is also identified on the Request for Transfer Between Agencies form (located in the Appendix section) in the event a transfer between agencies was not completed in MAPS before the data loads. **The Request for Transfer Between Agencies form should be used for all current year (FY 2009) transfers between agencies regardless of the appropriation type.**

Transfers within an Agency

A transfer between appropriations within the same agency can be completed in BBS using the Transfer In/Out function on the Base Maintenance (Load) screen by an agency without submitting a form to the Department of Finance & Employee Relations.

Request for Transfer Between Agencies Form

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Transfer Amount	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

TO: Section/Sequence _____ **Appropriation Org and Unit**

Agency: _____ **Appropriation Name**

FROM: Section/Sequence _____ **Appropriation Org and Unit**

Agency: _____ **Appropriation Name**

Explanation and Legal Citation:

Agency Requesting Transfer In:

Agency Contact: _____ **Phone:** _____

Agency Requesting Transfer Out:

Agency Contact: _____ **Phone:** _____

Date Submitted:

Date Completed:

K. LCCMR Project Funding

Many state agencies have submitted funding requests to the Legislative-Citizen Commission on Minnesota Resources (LCCMR) for special projects to be financed from the Environmental and Natural Resources Trust Fund, State Land & Water Conservation Account in the Natural Resources Fund, Oil Overcharge Fund and the Great Lakes Protection Account. These project requests are annually reviewed by the LCCMR and recommended for funding to the full Legislature. LCCMR staff will notify agencies of their project recommendation.

2009 LCCMR Projects

LCCMR funding is considered to be one-time. All FY 2009 LCCMR project funding must be removed from the 2010-11 base with a negative base adjustment, using the One-time appropriations (ONE) base adjustment category. FY 2010-11 LCCMR funding recommendations will be displayed as a lump sum amount in the LCCMR budget fiscal pages, and will not be shown in individual agency budget pages.

Project Description

Descriptions of the LCCMR – recommended projects will be included as an auxiliary budget document and also on the LCCMR website at the link below:

<http://www.lccmr.leg.mn/lccmr.htm>

L. Capital Items

The legislature authorized \$882.5 million in new G.O. bonding projects in the 2008 legislative session. The focus of the upcoming legislative session will be on operating budgets. Agencies should assume that only limited capital budget requests for emergency items will be considered in the 2009 session. Capital budget requests to be considered in the 2010 session will be assembled next year.

If the Governor decides to present an emergency capital budget in 2009, the Department of Finance and Employee Relations 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 2009 session by notifying their Executive Budget Officer. (Please also cc: Capbud08.Finance@state.mn.us on any email notifications.)

Technical Assistance Contacts

Functional Area:	Contact Person:	Phone Number:
BBS Training, Technical and System Support Support	Mary Crosson	651/201-8042
Small Agency Assistance	Robert Erickson	651/201-8044
Forecast, Cash Flow and Fund Statements	Nancy Rooney	651/201-8043
Employee Budget Roster Policy	Robert Erickson	651/201-8044
Departmental Earnings- Revenue Source Codes	Nancy Rooney	651/201-8043
Departmental Earnings- Policy/Other Issues	Kristi Schroedl	651/201-8035
Federal Funds and Grants Summary	Robert Erickson	651/201-8044
Indirect Costs	Mary Borresen	651/201-8152
Capital Budget	Jayne Rankin	651/201-8032
Legislative-Citizen Commission on Minnesota Resources Funding LCCMR	Marsha Battles-Jenks	651/201-8037
Clerical Instructions and Small Agency Clerical Support	Roxanne LaPlante	651/201-8080
All other questions	Kristi Schroedl	651/201-8035