



STATE OF INDIANA

Michael R. Pence
Governor

STATE BUDGET AGENCY
212 State House
Indianapolis, Indiana 46204-2796
317/232-5610

Brian E. Bailey
Director

June 2, 2016

Dear Colleagues,

Indiana is in an enviable fiscal position – a AAA credit rating (higher than the federal government's), an honestly balanced budget, a healthy level of reserves, and significantly reduced debt levels – thanks to your efforts. Maintaining Indiana's strong fiscal position will require the continued vigilance and good stewardship of our fellow citizens' dollars that you have consistently demonstrated.

Accordingly, our priorities for the next budget biennium consist of firm commitments to an annual structural surplus, maintaining reserves to support critical operations in the event of an economic downturn, holding the line on spending, protecting Hoosier taxpayers, and funding our obligations. We will continue to spend within our means and address our challenges without borrowing from the future or using other reckless gimmicks. We will work to ensure that Hoosier families and businesses keep as much of their hard earned income as possible through low taxation. These common-sense principles have served Indiana well in recent years, and will best position the State for continued private sector job growth and investment in the future.

To achieve these ends, it is imperative that agency budget requests be **fully and timely completed by Monday, August 15** to assist in our submission of the next biennial State budget in the 2017 legislative session. As shown more fully below with corresponding milestones and deadlines, there are additional documents and information that agencies must submit.

Attached, you will find FY 2018 and FY 2019 Budget Instructions for your organization. These instructions are the forms and directives of the State Budget Agency for preparation of the biennial budget as authorized by Ind. Code 4-12-1-7. The general approach to developing and submitting budget requests will be familiar to your staff, but there are some notable exceptions:

1. The "Base," as determined in consultation with your Budget Analyst, will generally be limited to the FY 2017 appropriation level. Budget Analysts will work with their agencies on an individual basis to establish the base budget.
2. We anticipate very few requests for expanded services and/or new programs. These "special initiative" requests must identify possible existing funds to support these requests. **For every dollar you want to spend on a special initiative, you should expect to cut a dollar from some other program within your agency.** You must propose program measures to accompany any request for a new program. Furthermore, any proposed special initiatives are considered part of the deliberative process and will be ranked with other proposals in light of the December 2016 revenue forecast. It is

expected that no outside communication or lobbying on these proposals will occur unless and until the Governor approves them as part of his final submitted budget.

3. The State is again using Hyperion software for budget submission. The system provides for a more seamless flow of information while retaining many aspects of the former budgeting software system (e.g., reports, change packages, etc.).
4. **The purchasing and maintenance of fleet vehicles was reformed and centralized in the FY 16/17 biennium, which means that all vehicle purchases for the FY18/19 biennium will continue to be made by the Department of Administration.** Agency budget requests should not include expenditures to purchase new fleet vehicles. An assessment of your agency’s fleet should be conducted, so that you will be able to determine your fleet needs for each year during the FY 18/19 biennium. Please submit your needs assessment for vehicle purchases to IDOA Fleet Services via email (fleetservicesva@idoa.in.gov) by Friday, July 29, 2016. Agencies should still include the maintenance costs associated with their vehicles in their budget request for the FY 18/19 biennium.

The following are key documents and deadlines necessary for each agency’s **operating** budget submission and are fully described below:

Deadline	Task	Format/Method
Monday, June 20	Establish agreed-upon FY 2017 spending plan with your Budget Analyst	E-mail confirmation from SBA on agreed-upon spending plan
Friday, July 15	Establish agreed-upon CYE and Base with your Budget Analyst	E-mail confirmation from SBA on agreed-upon CYE and Base
Friday, July 29	Submit Fleet Needs Assessment to IDOA	Excel document
Monday, August 15	Submit Agency Overview and Fund Narratives to your Budget Analyst	Word document
Monday, August 15	Electronic submission of FY 2018 and FY 2019 agency budgets	Hyperion

Please note, additional instructions are being sent on for **capital** budgeting. Key deadlines associated with capital budgeting are:

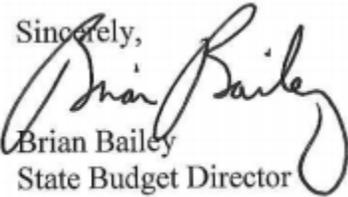
- Friday, June 10** Request that the Division of Public Works develop a master plan (if you do not have a master plan)
- Friday, July 29** Master plans submitted to your Budget Analyst
- Monday, August 15** Capital forecast submitted to your Budget Analyst

Monday, August 15 Inventory of deferred maintenance submitted to your Budget Analyst

Monday, August 15 FY 2018 and FY 2019 PM (preventative maintenance) spending plan and Capital Transmittal/Overview Letter submitted to your Budget Analyst

Monday, August 15 Electronic submission of FY 2018 and FY 2019 agency budget

As you prepare your submissions, I urge you to keep in mind the Governor's direction of operating Indiana state government as efficiently and effectively as possible as we drive from *Good to Great*.

Sincerely,

Brian Bailey
State Budget Director

cc: Governor Michael R. Pence

I. BUDGET SUBMITTAL

This set of instructions focuses on budget preparation policy. It explains how to develop, request, and justify all operating funding for FY 2018 and FY 2019. All state agencies, including executive, legislative, judicial, and other entities that receive appropriations, must submit proposed budgets to the Budget Agency. Budget information must be submitted for all funds that receive appropriations from the General Assembly and all funds that had activity, or will have activity, in any of the years from FY 2015 through FY 2019.

Your budget must be submitted electronically by Monday, August 15. A summary of key deadlines can be found in Section IX (Budget Submission) on page 11.

Please read these instructions carefully before starting to prepare your budget, particularly noting the information required in the Agency Overview, the Base, Reallocations, Special Initiatives, and Legal Fund Balance Reports sections.

Note: For the FY 2018 and FY 2019 budget development process, all agencies will use the Hyperion system directly. Budget Analysts have already been working with agencies to schedule Hyperion training.

However, work on elements of your budget not impacted by the Hyperion submission process can and should begin independently of data entry into Hyperion. Documents that are not submitted through Hyperion are:

- Agency Spending Plan
- CYE and Base calculations
- Agency Overview letter
- Fleet Needs Assessment
- Program Performance evaluation information
- Fund Narratives

As indicated below, some of these documents have deadlines earlier than August 15.

Note: For agencies that have an MOU with the State Budget Agency for accounting services, your budget analyst will enter the request into Hyperion. In order to enter the request into Hyperion, the agency must submit the Agency Overview (see Section II), Fund Narratives (see Section VI), Revenue Estimates (see Section VII) and budget requests to their budget analyst by Monday, August 15. Revenue Estimates should be sent in a spreadsheet format. Budget requests should also be in a spreadsheet format and follow the outline for Current Services Requests and Special Initiatives explained in Sections III and IV, respectively.

Separate instructions have been developed for Capital Budget requests. Please call your Budget Analyst if you have questions.

II. AGENCY OVERVIEW (TRANSMITTAL LETTER)

An Agency Overview must be prepared in conjunction with your proposed budget. This is a Word document that should be electronically submitted to your Budget Analyst separately from loading actual budget data via Hyperion. The purpose of the overview is to summarize the agency's total budget request. It should reflect **your plan** to allocate the resources available to you to provide the best services to taxpayers at the lowest cost possible.

You will want to include in your overview:

1. A description of your agency's programs and functions (by department or division, as appropriate), prioritized from most to least important
2. Accomplishments and challenges over the last two years
3. Your objectives for the next biennium
4. Your agency's key performance indicators
5. An organizational chart
6. Any programs to be reduced, eliminated, and/or replaced by other programs (these should be described in some detail)
7. Any reallocation of funds to accomplish these changes should also be included

If any special initiatives are proposed for funding in the next biennium, they must be described in the Agency Overview. A special initiative is either an entirely new program or the expansion of an existing one. **As outlined later in these instructions, special initiatives will be prioritized along with special initiatives from all agencies and may only be funded if sufficient resources are available. If you spend a dollar on a special initiative, plan to cut a dollar from your existing programming.** Likewise, if there are any major challenges anticipated that could affect the operating budgets of the agency, recommendations on how to address these challenges should be included.

The Agency Overview is an integral part of the budget submission and should be prepared with particular care. The letter, which will be provided to the Governor and members of the Budget Committee, the House Ways and Means Committee, and the Senate Appropriations Committee, should demonstrate the agency's mission, purpose, and effectiveness as reflected in the budget. It is the primary document the Governor and members of the General Assembly will use to understand and assess your budget request. It will be posted to the State Budget Agency's website this fall.

Please work with your Budget Analyst to develop this information and submit your Agency Overview to your Budget Analyst by **Monday, August 15**.

III. CURRENT SERVICES REQUEST

The current services budget has the following components:

A. Historical Expenditures

All expenditures made in FY 2015 and FY 2016 will be provided for you in Hyperion. These historical figures have been transferred electronically from the Auditor's records to your budget file. FY 2016 expenditures will be updated to reflect expenditures as of June 30, 2016, along with any adjustments made during fiscal close-out. You should review these numbers and verify their accuracy. If there is a material error, please contact your Budget Analyst.

Note: Although historical expenditure data has been loaded from the Auditor's records, you will need to identify the funding sources for these expenditures.

B. Staffing Table Position Control Records

Staffing Table Position Control Records (PCRs) have already been loaded into Hyperion from the State Personnel Department's database (PeopleSoft) to reflect the most recent and accurate data available. This data is used to calculate salary and fringe benefits expenditure levels for your budget submission. It is critical that this information be reviewed and updated as necessary.

The following two subsections (C and D) set limits for your agency's Current Year Estimate and Base. To stay within these limits, it may be necessary for PCRs to be flagged as inactive. A negative dollar adjustment to other personal services to reflect changes in the funding status of a PCR will not be acceptable.

C. Current Year Estimate (CYE) (FY 2017)

You are required to estimate expenditures that will be made in FY 2017 ending June 30, 2017. The CYE, which is to be agreed upon with your Budget Analyst no later than **Friday, July 15**, cannot exceed your FY 2017 spending plan. Any exceptions to this will need to be discussed with your Budget Analyst prior to budget submission. **Budget Agency analysts will work with each agency to appropriately calculate the agency's current year estimate.**

D. The Base

Your total base may not exceed your FY 2017 appropriation level. It may be necessary to flag vacant PCRs as inactive to avoid exceeding the base limitation. **Budget Agency analysts will work with each agency to appropriately calculate the agency's base.**

Adjustments to the Base will be very rare, although the Budget Agency recognizes there may be conditions that warrant an adjustment. Because of functional or operational changes, an agency's spending pattern might change from those described in the Current Year Estimate. For example, the General Assembly's budget reflects different service levels during the long and short session years. Annualization of a new state facility opening during FY 2017 would be another possible example of a necessary base adjustment. For example, a new facility opening March 1, 2017 would have the CYE reflecting the cost of 4 months of operation and the Base would reflect 12 months of operation. On the other hand, if an agency is implementing cost savings measures during FY 2017, it may only realize a partial year of those savings. As a result,

the Base would reflect 12 months of cost savings. Your Budget Analyst will help you if you believe you have a condition that warrants an adjustment.

As you prepare the Base, please keep in mind the following:

- Overtime expenditures must be managed within existing levels of funding.
- For agencies and programs funded with dedicated and/or federal funds, SEA 501-2007 (Retiree Medical Benefits Accounts) and Statewide Cost Allocation Plan (SWCAP) expenses must be budgeted for and managed within existing levels of funding.
- You may not include in the Base any adjustments for general inflation or any other price increase.
- Expanded services and new services are not part of an agency's Base; they are part of the expanded or new services budget request. **Do not incorporate expanded or new services into your Base.** Funding for these initiatives will be recommended only if they survive the prioritization process.

You must calculate your CYE and Base, and contact your Budget Analyst to discuss and agree upon these figures by **Friday, July 15**.

E. Request for FY 2018 and FY 2019

Please note: Unlike FY 2016, both FY 2018 and FY 2019 have 26 payrolls.

Your requests for FY 2018 and FY 2019 may not include a change in, or an adjustment from, the Base for general inflation or any other price increase.

1. Reallocations

Agencies that are planning to reduce or redirect agency resources from those budgeted in the Base may request the reallocation of the savings generated by those changes to other initiatives and objectives for FY 2018 and FY 2019. These requests for reallocations may take place between points within a fund or between funds within a legal fund.

Note: Changes from the Base to the request years can only be accomplished through the completion of Change Packages (either Current Services or New Services). Each package must include a narrative explanation and justification. If there is going to be a significant reallocation from Other Operating to Personal Services or from Personal Services to Other Operating, then creating a separate Current Services Change Package would be appropriate. A Current Services change package is used for a reallocation of funds, whereas a New Services change package is used for new or expanded services provided by the agency.

2. Personal Services (Point 1)

Agencies may also request that savings achieved through efficiencies be reallocated to Point 1 to request additional positions, if needed, for existing services/programs or special initiatives approved by the Budget Agency. However, requests for additional positions will be scrutinized closely and only granted in rare instances.

Note: Reallocation of funds from Other Operating to Personal Services (or vice versa) can only be accomplished through the completion of a Current Services Change Package as described above. Adequate narrative explanation and justification will be necessary.

IV. **SPECIAL INITIATIVES (New/Expanded Services)**

Any new special initiatives should be described in enough detail so that the importance of the new initiative to the State is easily understood. If you spend a dollar on a new program or initiative, cut a dollar from an existing plan or initiative.

Note: Any approved Special Initiatives will need to be submitted in the budget using the New Services Change Package process. Please rank all New Services Change Packages starting with 1 as your highest priority.

Any request for expanded or new services must include a summary in the Agency Overview (Transmittal Letter) that includes:

1. The agency's statutory authority (state and/or federal) to implement the program or service (or a statement that legislation will be proposed)
2. A statement as to how the program or service will help the agency accomplish its mission
3. A thorough explanation of the need for the expansion or new service, including a discussion of who, if anybody, provides these services today (e.g., federal government, local government, private sector, non-profit, etc.)
4. The number and profile of the population to be served
5. Evidence and research that the new or expanded program is likely to achieve important outcomes (this should include information from other states or jurisdictions, where applicable)
6. Specific goals, benefits, and performance measurements (approved by GEFP/MPH)
7. A timetable for reporting success
8. For requests to expand existing services, results of outcome-based performance measures approved by GEFP/MPH for at least the past two (2) years
9. Projected additional cost for the expanded or new service and possible sources of funding to cover the additional cost

As mentioned previously, the information above should also be included in your Agency Overview to be submitted by Monday, August 15.

Note: A new Position Control Record (PCR) must be established for any new positions requested due to new programs. Remember, when developing the budgets for Special Initiatives, new position requests should be budgeted at the middle of the established salary level currently in effect. Please work directly with your Budget Analyst if you have questions about what level to fund new positions classified as Executive Broadband. Fringe benefit amounts will be calculated automatically for you. Requests for new positions will be closely scrutinized.

For your information the Fringe Benefits are calculated as follows:

	FY 2017	Base	FY 2018	FY 2019
The following are calculated as a percentage of salary:				
Life Insurance	0.15%	0.15%	0.15%	0.15%
Social Security	7.65%	7.65%	7.65%	7.65%
PERF-State Share	11.20%	11.20%	11.20%	11.20%
PERF-Employee Share Paid by State	3.00%	3.00%	3.00%	3.00%
Disability Insurance	1.75%	1.75%	1.75%	1.75%
Total % of Payroll	23.75%	23.75%	23.75%	23.75%
Full-Time Employees	23.75%	23.75%	23.75%	23.75%
Part-Time Employees	21.85%	21.85%	21.85%	21.85%
Intermittent Employees	7.65%	7.65%	7.65%	7.65%

The following are calculated as a flat dollar amount per employee:

Health, Dental, Vision – Single	\$6,338	\$6,338	\$6,338	\$6,338
Health, Dental, Vision – Family	\$17,727	\$17,727	\$17,727	\$17,727
Health, Dental, Vision – Blended	\$12,967	\$12,967	\$12,967	\$12,967
Deferred Comp - State Match	\$242	\$242	\$242	\$242

Note: Part-time employees are not eligible for health, dental, vision, life or disability insurance. In addition, Hyperion uses the blended rate as the default in the fringe benefits calculations. There is the option to use the single or family rate for individual PCRs.

V. FEDERAL FUNDS

Agencies should keep in mind that in circumstances where federal funding for regulatory mandates is being reduced or terminated by the federal government, it should not be assumed that the State will be able to replace the lost federal funds or reinstate terminated federal programs. Agencies should document the fiscal impact and service reductions resulting from the

federal funding cutbacks. Agencies that distribute federal funds to local municipalities or other local entities will also need to assess the impact of federal revenue reductions and describe them in the account narrative.

Agencies should provide details if federal funding has decreased or is expected to decrease in future biennia. Specific figures for future biennia should be provided if available.

Note: Be sure to update anticipated budgets for all federal funds (and projects).

VI. FUND NARRATIVES

The Fund Narrative is an overview or summary of each budgeted fund. It is an important part of the budget request for each fund and presents key information that decision-makers use in determining the importance of the budget request. Like the Agency Overview, Fund Narratives should be developed as Word documents and e-mailed to your Budget Analyst by **Monday, August 15**.

Provide the following information for each Fund:

1. A summary of the program(s) or purpose of the fund
2. Specific statutory authority for the program(s)
3. Number and profile of the population served
4. Specific performance measures and goals for the new biennium (agreed upon with GEF/MPH)
5. Major changes in the scope of the program(s)
6. New initiatives
7. Other relevant information

VII. REVENUE ESTIMATES

It is important that agencies provide revenue estimates for the next biennium when the budget request is submitted. **Any outside revenue sources need to be reported. These revenues may be derived from fines, fees, settlements, grants, or interest earned.** In this context, “outside” includes transfers from other legal funds, such as the General Fund, as well as federal receipts. Most agencies receive revenue of some kind.

Agencies that collect fees that are deposited in the General Fund must provide a revenue estimate for FY 2017, FY 2018, and FY 2019.

Agencies are also required to provide revenue estimates for each of their dedicated funds. Revenue estimates must include fee revenue and interest earned, as well as federal and general fund amounts transferred in to support expenditures from the dedicated fund. The redemption of investments should NOT be included in your revenue estimates. These assets were included in the beginning balance.

Current and future federal fund receipts must also be estimated and entered. And, like dedicated funds, any general fund or dedicated fund dollars transferred in to federal fund budgets (such as from multiple funding sources) must also be recorded.

VIII. DEDICATED FUNDS

Programs funded partially with General Fund and other dedicated funds must demonstrate that they are using their dedicated funding sources to the fullest extent while maintaining the integrity of the legal fund. Please contact your Budget Analyst if you have questions regarding your legal fund balances.

IX. BUDGET SUBMISSION

Your budget must be electronically submitted by **Monday, August 15**. An electronic copy of the Agency Overview letter, Fund Narratives, and Performance Metrics information should also have been submitted by this date to your Budget Analyst.

Key Deadlines for Operating Budgets:

Deadline	Task	Format/Method
Monday, June 20	Establish agreed-upon FY 2017 spending plan with your Budget Analyst	E-mail confirmation from SBA on agreed-upon spending plan
Friday, July 15	Establish agreed-upon CYE and Base with your Budget Analyst	E-mail confirmation from SBA on agreed-upon CYE and Base
Friday, July 29	Submit Fleet Needs Assessment to IDOA	Excel document
Monday, August 15	Submit Agency Overview and Fund Narratives to your Budget Analyst	Word document
Monday, August 15	Electronic submission of FY 2018 and FY 2019 agency budgets	Hyperion