

**FY 2006 Budget Instructions
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Introduction

One of the most important policy functions of State Government is the development of the budget. The budget is the *plan of operation* describing how the state will use its financial resources to meet the needs of the public. This plan must include an estimate of all proposed expenditures and the means of financing them.

Budget Allocations

The first phase of the budget process involves the preparation and announcement of budget allocations, or targets, which are to be adhered to by each agency in the preparation of its upcoming budget. For the FY 2006 Budget, agencies will be provided a *single* target funding level. The statewide budget allocations formulated by the Budget Office are based upon preliminary revenue estimates for the ensuing fiscal year, mandated changes in expenditures, estimated caseload or population adjustments, the Governor's directives, and other relevant budget factors. We have a constitutional mandate to have a balanced budget.

The target funding level for FY 2006 will be a percentage reduction based upon the FY 2005 Enacted Budget. The departmental targets accompany these instructions. They reflect statewide changes, including medical benefit rate adjustments, anticipated changes in the retirement rates, changes in federal Medicaid participation rates, etc. Due to the constraints anticipated in the FY 2006 Budget, no expansion or enhancement requests should be included in agency budget submissions to the Budget Office.

A significant feature of the allocation process is that they are made at the agency level, rather than at the individual program or sub-program level within an agency. The agency Director is responsible for determining how these allocations will be distributed among the agencies' programs. This process encourages agency managers to make program adjustments that shift resources from low to high priority services.

The use of a funding target reinforces the role of agency managers in the assignment of priorities among programs. Where the allocation requires a reduction or elimination of programs, agency managers are given the opportunity to specify areas of reduction. Conversely, when agencies are afforded opportunities for enhancements, the agency managers indicate areas where additional funding would be most effective.

Program Budget Format

The Rhode Island Budget employs a program budget format. *A program is a collection of similar activities and services directed toward a defined purpose or goal and managed by a single identifiable authority.* Although the program is the primary budgetary unit for appropriation purposes, agencies are asked to prepare operating plans at the sub-program level, where applicable. This provides for a more detailed examination of the activities performed within each program, and aids in the analytical process at both the agency and Budget Office level.

Brief Outline of Budget Process

The Budget Office distributes the expenditure targets, along with other reports, forms, and historical data to each agency in July. The agency is requested to submit certain items at varying intervals during August and September, as outlined on the Timetable on page 3 and further detailed in these instructions. In accordance with Section 35-3-4 of the R.I. General Laws, the full agency budget is due to the Budget Office on a date determined by the Budget Officer.

During the fall, the Budget Office reviews agency budget requests for technical accuracy and concurrence between agency proposals and the Governor's policies. Agency proposals are brought into balance with the revised estimate of total revenues, as determined by the November Revenue Estimating Conference. Detailed preliminary budget recommendations are developed for each program and agency. The key elements considered as part of the development of these recommendations include the consensus revenue forecast, program plans and performance measures, adherence to policy guidelines, information contained in the agency budget submissions together with agency explanations of the differences in service, and information derived from discussions with agencies.

Beginning in October and continuing into mid-December, the Budget Office, along with the Governor's Policy Office, will meet with agencies to review recommendations for the budget year. Subsequent to these meetings, recommendations will be presented to the Governor, who will make final decisions on the budget in early January.

The 2004 General Assembly amended RIGL 35-3-4 to require the submission of both the Supplemental Budget and the new-year Budget by the Third Thursday in January. This falls on January 20, 2005 for the upcoming budget. As a result, the Budget Office is establishing earlier dates for the submission of agency budget requests. Agencies with total FY 2005 enacted budgets of less than \$7.0 million are requested to submit revised FY 2005 and FY 2006 budget requests no later than Wednesday, September 1, 2004. Agencies with total FY 2005 enacted budgets in excess of \$7.0 million are requested to submit their revised FY 2005 and FY 2006 budget requests no later than Wednesday, September 15, 2004. Your adherence to these submission dates would be greatly appreciated.

Timetable/Due Dates

The following table provides the due dates for various deliverables and the projected timelines for decision points during the FY 2006 budget cycle. Budget requests for agencies with total FY 2005 enacted funding of \$7.0 million or less are due to the Budget Office by September 1, 2004. Budget requests for agencies with total FY 2005 enacted funding in excess of \$7.0 million are due to the Budget Office by September 15, 2004. Intermediate due dates for specific items are further described within these instructions. Any questions concerning what is required as of a specified date should be addressed to the Budget Analyst assigned to your agency.

July 7	Budget Instructions and Funding Targets Distributed to Agencies
July 9	Salary/Wage Projections Database distributed by email.
July 15	FY 2006 - FY 2010 Capital Budget Requests Due to Budget Office
July 20	Expenditure/Revenue data distributed by email.
August 6	Requests for Changes to Current Program Structure Submitted to the Budget Office (if applicable). New or significantly revised Performance Measures will also be submitted at this time.
September 1	Budget Requests of agencies with total FY 2005 enacted funding of \$7.0 million or less submitted – Submit three (3) copies to the Budget Office, and one copy each to the House and Senate Fiscal Offices.
September 15	Budget Requests of agencies with total FY 2005 enacted funding over \$7.0 million submitted - Submit three (3) copies to the Budget Office, and one copy each to the House and Senate Fiscal Offices.
October	Agency meetings to review budget recommendations begin.
Late Dec.	Final Gubernatorial Decisions on FY 2005 Revised Budget.
Early Jan.	Final Gubernatorial Decisions on FY 2006 Budget.
January 20	Statutory Date for Governor's Supplemental FY 2005 and FY 2006 Budget Submissions to the Legislature

Program Planning

Program Planning is the basis for budget requests. The budget request should represent a translation of program plans into funding requests. What funding is needed to carry out program activities and achieve the program's established mission and objectives? Program plans provide a major source of background information to the Governor, the Budget Office, the Policy Office and the Legislature when budget requests are evaluated.

Each agency has at least one or more missions and objectives that are generally found in the General Law statutes that created the agency or assigned a responsibility to the agency.

Changes to Program Structure

Agencies and departments are encouraged to review their program structures annually. Program structures should be revised when evidence indicates that a revision will improve agency operations, budgeting, fiscal reporting, or management. Program structures should definitely be reviewed if legislative changes have recently been enacted, which in any way alter the responsibilities of the agency or program.

In developing or revising a program structure, the following rules should be followed:

1. Programs should serve a single purpose or set of objectives
2. Sub-Programs should be delineated when doing so will improve accountability, budgeting, fiscal reporting or management.
3. Accounts are **not** programs or subprograms, although one account may in some instances comprise one program or subprogram. Accounts are accounting devices used to reflect fund sources, cost centers, activities, etc. Accounts are used to display the funding which comprises a program or sub-program, therefore, funding within one account should not be shared by more than one program.

Agencies or departments may initiate a change in program structure. The Budget Office must approve all changes before they are incorporated into the budget or the accounting system. An agency proposal to change the program structure should be submitted in writing and should include the following:

1. Copies of the current and proposed program structure in the form of organizational charts.
2. An explanation of why the change is being requested. What problems have been encountered using the current structure, and/or what improvements will be gained from the new structure?

The creation of new subprograms or the deletion of existing subprograms within an existing program is considered a change in program structure, and therefore, should be approved by the Budget Office.

Written proposals concerning program structure changes must be submitted to the Budget Office by **August 6th**. Agencies will be notified of the Budget Office's decision within two weeks of the date that the request is received. Therefore, the earlier the request is submitted, the sooner you will be informed of the Budget Office's decision. Proposed Performance Measures for new programs will also be required as part of this submission. Further information on this requirement is contained in the Performance Measure section of these instructions.

Budget Request Preparation

Agency budget requests must adhere to the format as described below. Some agencies may not require each section as described, but the basic format and order of presentation should be followed in the preparation of your budget request. The general order of presentation is:

- ? Letter of Transmittal
- ? Table of Contents
- ? Agency Summary Information
- ? Budget Tracking Sheet ***NEW ITEM***
- ? FY 2005 Expenditure Plan Adjustments/Supplemental Request
- ? Revenue Estimates
- ? Program/Subprogram Information – FY 2006 Budget
 - ✍ Program Plans
 - ✍ Budget Specific Impacts ***NEW ITEM***
 - ✍ Program/Subprogram Summary Financial Data
 - ✍ Program/Subprogram Personnel Supplement Data
 - ✍ Budget Impact Statements
 - ✍ Budget Object Code Backup Information
 - ✍ Federal/Restricted Account Estimates

Each of these sections and the specific items that should be provided within each section, are described in more detail below. The order and format of the budget submission is shown in more detail in the *Technical Instructions* section of these instructions.

Letter of Transmittal

A letter of transmittal from the head of the agency or department must accompany the budget submission. This letter should provide a brief overview of the budget request from the Director's perspective. How does this budget meet the goals, objectives and policies of the department or agency? What major issues are of concern to the Director, and how are they addressed within the budget proposal? The letter should be addressed to the Governor.

Table of Contents

Each page of the budget request document should be numbered. Separate sections may be numbered individually (e.g. 2-1, 2-2, 3-1, 3-2), or the entire document may be numbered sequentially. A table of contents should include the major components/sections of the budget request and indicate the respective page numbers where these sections begin or where certain data can be found.

Agency Summary Information

A general narrative overview of the Department or Agency as a whole should be provided as a starting point. Summary financial data displayed on the *Agency Summary* form (Form BR-1) is also required in this section. (Note: One-program agencies are only

required to provide this information once.) The following information should be provided:

1. **Agency Description** - A general description of the agency, its organization, programs and overall objectives should be provided. This section should also provide information on major challenges facing the agency as a whole, trends, and other information that will give the reader a better sense of the direction the agency is taking. This section should provide the reader with an understanding of the agency's operations, why the agency exists, what services it provides, etc. This information should be provided on a *Narrative Information* form (Form BR-10).
2. **Agency Expenditure Summary** - The *Agency Summary* form (Form BR-1) should be completed to show the total expenditures by fund, program, and major category as requested for the budget year, the enacted and revised data for the current fiscal year, and the actual expenditures for the two prior fiscal years. (This form is automatically produced as a report in the SABRS budget request system.)

FY 2005 Expenditure Plan Adjustments/Supplemental Request

As part of the submission of the FY 2006 Budget Request, agencies are required to update their current year (FY 2005) expenditure plans to better reflect the most current and realistic estimate of expected costs. Any changes to appropriations, including reallocations, increases to federal or restricted caps, requests for additional general revenue funding, including approved reappropriations from FY 2004, and/or adjustments to the agency's FTE cap, must be included in the revised budget request.

Section 2 of Article 1 of the FY 2005 Appropriations Act establishes that "each line appearing in section 1 of this article shall constitute an appropriation." This language strictly limits expenditures to the appropriation in a given line item. Departments and agencies are not permitted to use funds in one line item to offset costs attributable to another line item. Any such reallocation of funds must be requested as part of the FY 2005 Revised Budget and approved by the Legislature in the Supplemental Appropriations Act.

In general, funds may be reallocated within each subprogram without explanation (e.g. shifting of funds between object codes). Major changes between subprograms or programs, however, should be accompanied by narrative explanation. This includes changes to restricted and federal account appropriations. Any reappropriation of general revenue funds from FY 2004 should only be included if the Budget Office has notified the agency of approval by August 15. The general laws mandate that all changes to appropriation lines be incorporated in the supplemental appropriations bill, which must be submitted to the Legislature by the third Thursday in January (January 20, 2005).

The *Expenditure Plan Adjustments* Form (Form BR-5) should be completed to provide detail of the changes being requested in the agency's FY 2005 Budget. General Revenue,

Federal, Restricted, and Other Fund Sources should be shown separately. The form should be completed at the account level, with a summary by line item. Accompanying this form should be a brief explanation as to the reason or need for each substantive change requested. Minor changes between accounts which are being done to better reflect where expenditures are going to occur, but have no significant effect on program operations, do not require significant explanation. However, if funding adjustments will alter a program's current operations, a detailed explanation of the change, its rationale, and impact should be provided. Supplemental funding requests should also be clearly identified, and a thorough explanation as to the basis and need for each request should be provided. Changes to federal and restricted account appropriations do not normally require significant explanation. A brief statement, such as "increase in federal grant", is sufficient. Federal changes requiring new or additional general revenue matching funds should be fully explained and justified. Further data on federal and restricted accounts will be requested on Form BR-7. Substantive explanations should be provided on a *Narrative Information* form (Form BR-10), while brief statements can be included directly on the *Expenditure Plan Adjustments* form (Form BR-5). *Narrative Information* forms used to explain expenditure plan adjustment requests should be placed directly after the *Expenditure Plan Adjustments* forms in your submission.

Revenue Estimates

Agencies responsible for collecting various general revenue departmental receipts (e.g. license fees, fines and penalties, etc.) are requested to provide updated estimates of these revenues for both the current fiscal year and the budget year. All estimates should be based on current law, and should not include any proposed changes to fee structures that may have an impact on revenues. If an agency believes current fee structures require review for potential adjustments, a separate analysis should be prepared and included under the "Additional Information" section of the budget request document.

In addition to implementing program reductions to achieve the constrained budget target funding level, increases to departmental revenues may be proposed for consideration during the gubernatorial transition. Any such revenue options should be submitted to the Budget Office for consideration as part of your budget request. All options will be reviewed primarily to determine their viability, **but will not be accepted as alternatives to expenditure reductions to meet the target exercise**. If determined to be acceptable, the Budget Office will make any adjustments to the budget recommendations requested by the Governor.

The *Estimated Departmental Revenues* form (Form BR-8) should be used to provide the estimates for each receipt account. The *Receipt Account Information* form (Form BR-9) should be used to provide backup information about each receipt account, and any additional information that may be helpful in understanding how the revenue estimates were derived. Historical receipt data and the Budget Office's official estimates for the current fiscal year will be provided to each agency in electronic format on Form BR-8.

Program/Subprogram Information

Narrative information is intended to provide program-planning information and to explain budget requests. It consists of both program plans and budget specific impacts. The principal components of this section of the budget request document are:

- ? Program Plans
 - ? Program/Subprogram Title
 - ? Program/Subprogram Explanation
 - ? Statutory History
 - ? Program Objectives
 - ? Long Term Trends (program level only, as applicable)
- ? Program/Subprogram Summary Financial Data
- ? Program/Subprogram Personnel Supplement Data
- ? Budget Impact Statements
- ? Budget Object Code Detail Backup Information
- ? Federal/Restricted Account Estimates

Program Plans

The Program Plan provides, in a narrative format, a general overview of the program or subprogram, its history, purpose, etc. The plan is intended to provide the reader with an understanding of why the program exists, what its public purpose is, why funding is and/or should be provided. The components of the program plan should be presented on the *Narrative Information Form* (Form BR-10), be presented in the order shown below, and include the following:

1. **Program/Subprogram Title** - Program plans should be headed by the program or subprogram title as included in the program structure. In most cases, titles at the program level should correspond to the line items as shown in the Appropriations Act.
2. **Program/Subprogram Explanation** - This section of the plan should be a clear and concise description of program or subprogram activities. The explanation should be brief but should address the major activities undertaken in the program and explain how the program operates. The descriptions for a program with subprograms should not simply be a restatement of the subprogram descriptions, but rather should provide the reader with an understanding of what links the various subprograms (e.g. why are they a part of the same program?).
3. **Statutory History** - Although you should list the statutory reference(s) that directly relate to the program or subprogram, this section should be more than a list of statutory citations. It should include a brief narrative summary describing the creation of the program or subprogram, and the statutory changes that have substantially affected program responsibility or operations in recent years. Federal statutes, regulations, and other mandates, which have a direct impact on the program or subprogram operations and requirements, should also be listed and discussed.

4. **Program Objectives** – This section is a list of statements that indicate measurable progress toward the achievement of the program purpose. They state the criteria for the determination of progress and indicate for each criterion how much progress is expected in the budget year. They state the anticipated accomplishments of programs or subprograms rather than the means by which progress is secured. What are the goals of this program or subprogram in the upcoming fiscal year? Objectives should be established at the subprogram level (where applicable), and be consistent with the purpose statement for the overall program. Objectives at the program level are required on the Agency or Department narrative page, which is used in the published Budget document. More information on this is provided in the Performance Measures section of these instructions
5. **Long Term Trends** - Any major trends that will affect program operations during the budget year and beyond should be described. Implications of such trends on populations, caseloads, funding requirements, revenues, etc. should all be discussed. A brief description of program responses necessary to deal with long-term trends should also be provided. This section should only be completed at the program level and only where noteworthy trends can be identified.

Program/Subprogram Summary Financial Data

Each program and subprogram should contain a *Program* or *Subprogram Summary* form (Forms BR-3 and BR-4). These forms aggregate the account/budget object code data by major category of expenditure (personnel, operating, etc.) and funding source (general revenue, federal, etc.). These forms provide a quick summary of the more detailed account/BOC data. The *Subprogram Summary* forms feed the *Program Summary* forms, which in turn feed the *Agency Summary* form. (These forms are automatically produced as a report in the SABRS budget request system.)

Personnel Supplement Data

Personnel expenditures constitute a significant portion of program expenditures in most agencies. Sound budgeting practice dictates that personnel expenditures receive additional attention. Section 35-3-7 (a) of the R.I. General Laws requires the Governor to submit “a personnel supplement detailing the number and titles of positions of each agency and the estimates of personnel costs for the next fiscal year.”

Each agency is requested to prepare a *Personnel Supplement Data* form (Form BR-2a) for each program. This information will form the basis for the development of the Personnel Supplement document to be submitted with the FY 2006 Budget. The FY 2006 submission will display two year’s data in the same format as the FY 2005 submission. Therefore, the FY 2005 Revised column on Form BR-2a should reflect all changes in salary, organizational structure and turnover, and should agree with the FY 2005 revised budget submission. The personnel supplement pages must agree with the object code detail. The Personnel Supplement **must** reflect changes from the printed Salary and Wage Projection Report, as a result of desk audit reallocations, promotions or other changes in employee compensation. The retroactive cost of any reallocations must be

reflected in the FY 2005 revised budget and the ongoing costs of existing or projected reallocations must be reflected in the revised FY 2005 budget and the FY 2006 budget requests.

The order of presentation for positions on the Personnel Supplement Data form should be as follows:

- ? Classified
- ? Unclassified
- ? Non-Classified
- ? Board and Commission Members
- ? Temporary and Seasonal
- ? Other Employee Compensation

The Salary/Wage Projection database utilizes the fringe benefit rates as shown in the Planning Values section. Fringe and related benefits for any new positions or vacant positions not shown on these reports should be computed using these rates.

Agencies should determine turnover expectancy, where appropriate, and deduct the computed amount from total salaries, wages, and fringe benefits to yield a budgeted salaries and wages total for each program or subprogram. There are two kinds of turnover expectancy. The first is the normal savings which occur from employees leaving state service and new employees being hired, usually after a modest delay and at a lower cost than the departing employee. The second kind of turnover expectancy is managed turnover where the department, by design, leaves positions vacant in order to achieve a certain level of savings.

Agencies should adhere to the following guidelines regarding salaries and wages, and FTE counts.

1. Count each authorized full-time equivalent position as one position notwithstanding the period of time within a fiscal year that the position is expected to be filled. For example, a full time position filled for six months of a fiscal year should still be shown as 1.0 FTE, not .5 FTE. Salaries for such a position should be shown, on the *Personnel Supplement Data Form*, at the full annual cost, and any savings resulting from the vacancy period should be taken as turnover.
2. The FY 2005 column should reflect any revisions to the enacted budget being requested by the agency.
3. Footnotes should be used to explain entries that may be misunderstood or misinterpreted when comparisons are made across the years contained on the form.
4. A *Program Reduction* line should be used in the budget year (FY 2006) to identify savings and FTE reductions resulting from program reductions or eliminations. However, program reductions may not be shown in this way for the current fiscal year, since it is expected that any such reductions

would be implemented by this time, and therefore specific positions should already have been identified for elimination (where applicable). Where layoffs are proposed, unemployment costs should be budgeted in BOC 282 in accordance with the Rhode Island Department of Labor and Training Unemployment Insurance “Quick Reference” Table.

In addition to the *Personnel Supplement Data* forms for each program, a detailed listing of positions with salary and fringe benefit costs by account, and summarized by program will also be required. The basis of this listing will be the SWP Access database provided to the agencies. Further explanation of this requirement is provided under the *Technical Instructions* section of these instructions.

Budget Object Code Detail/Backup Information

Although, these budget instructions continue to refer to the budget object codes that have been in existence for many years, this year’s SABRS database will use the RISAIL expenditure codes as the primary field for budget entry. Table 2a in the *Planning Values* section of these instructions provides a list of former BOCs and their corresponding new RI-SAIL natural account.

To avoid the need to print and copy excessive reports, agencies are not required to submit expenditure code detail pages for each account as had been required in past years. This data will be available to the Budget Office and Legislative Fiscal Office staffs from the budget database.

Some object codes by their nature or by the level of funding requested often require additional explanation. The *BOC Detail Backup Information* form (Form BR-6b) should be used to provide a listing of the items that will be purchased under a specific object code, or a brief explanation of the type of product or service to be purchased. At a minimum, backup should be provided for the object codes listed below. Backup for other object codes should be provided based on a review of the account budgets. If a particular object code is increasing or decreasing by more than 20 percent from the enacted FY 2005 budget, or if a particular object code has a significant amount of funding in comparison to others within the same account, some explanation would probably benefit the reader of the budget request. “Major changes” or “significant funding” are relative terms, which are dependent upon the size of the total budget and the budget for a particular account. Agencies should use their best judgment to determine if an object code warrants further backup, and which items to list. One rule of thumb: *you can never provide too much backup information.*

Federal/Restricted Account Estimates

Beginning with the FY 2004 Enacted Budget, restricted receipt appropriations, as had been the case with federal appropriations for several years, are now appropriated at the program level, not the individual account as had been the practice. This provides flexibility when there is more than one restricted and/or federal grant account per program. If needed, the budget ceiling (but not cash resources) from one account could be

shifted to another account within the same program (line item) without the need to request a cap increase.

In an attempt to avoid the need for multiple requests for cap increases to federal and/or restricted receipt accounts during the fiscal year, agencies are asked to provide a detailed explanation as to how funding estimates have been determined. The *Federal/Restricted Account Estimates Form* (Form BR-7) has been created for this purpose.

Agencies should carefully develop realistic estimates of funding for all federal and restricted receipt accounts. Using historical data, plus known carry forward amounts, and estimated new grants or receipts, agencies should be able to develop relatively accurate estimates of resources for both the revised budget and the new year budget.

Performance Measures

Section 35-3-24.1 of the RI General Laws requires that:

(a) Beginning with the fiscal year ending June 30, 1997, the governor shall submit, as part of each budget submitted to the general assembly pursuant to section 35-3-7, performance objectives for each program in the budget for the ensuing fiscal year, estimated performance data for the fiscal year in which the budget is submitted and actual performance data for the preceding two completed fiscal years. Performance data shall include efforts at achieving equal opportunity hiring goals as defined in the department's annual affirmative action plan. The governor shall, in addition, recommend appropriate standards against which to measure program performance. Performance in prior years may be used as a standard where appropriate. These performance standards shall be stated in terms of results obtained.

(b) The governor may submit, in lieu of any part of the information required to be submitted pursuant to subsection (a) an explanation of why such information cannot, as a practical matter be submitted.

Continuing the practice developed over previous fiscal year budgets, the Budget Office's goals for FY 2006 are to update and refine the measures included in previous budgets and to use performance measures as part of the budget decision making process. To that end, agency budget meetings will focus on discussions of program performance as identified by measures already in use. The Strategic Planning, Monitoring and Evaluation Unit of the Budget Office will be responsible for this part of the budget process, and will work closely with each agency in developing or refining appropriate measures.

Performance objectives stated on the *Program Performance Measurement* forms (e-mailed as an attachment to agencies) must be consistent with those contained in the narrative page under "program objectives" in the FY 2006 Budget document for a given program. Please review both measures and objectives for this consistency. In some cases, this may require a restatement of the program objective. The agency should describe how each program measure being reported specifically relates to a given program objective. We encourage performance measures that reflect core program functions. More than one measure may be required to demonstrate program performance. In some cases, it may be appropriate to use performance measures for subprograms to demonstrate program performance. **Completed *Program Performance Measure* forms should contain the name, title, phone number and e-mail address of the individual responsible for preparing and monitoring the program performance measure. Please return via e-mail to billm@budget.state.ri.us the performance measures that were e-mailed to you.** A hard copy of each measure should also be included in your budget request package. All performance measures must also be accompanied by defined quantifiable standards. In those instances where the agency is presenting new programs or program revisions, new or revised program performance measures may be required. These must be submitted to the Budget Office concurrently with program changes or revisions by August 6.

Agencies are requested to submit an Annual Performance Review with your budget submission. Part One of this annual review should report on FY 2004 actual performance data. In addition to providing performance data on the year ended, agencies are requested to provide a narrative paragraph on each measure (whether they achieved their goal(s), why or why not, reasons behind trends, etc). Agency performance reviews also should demonstrate the linkage between performance and funding levels for the current and proposed fiscal years. The performance review should indicate how your agency is doing in terms of its goals and objectives for the fiscal year just ended and list any modifications of these goals and objectives.

Part two of the Annual Performance Review should summarize your performance plan for FY 2005 and FY 2006. This plan should continue to link program performance measures to your agency's mission, goals and objectives as stated in your narrative summaries. In addition, your performance plan should include the performance objectives for each activity covered by an existing, revised, or new program performance measure, as well as explanations for any changes in those objectives from previous years and the linkage between funding levels and those objectives, if any.

This fall we will be reviewing and discussing program performance along with related activities for which you have provided ongoing data. Specifically, you should be prepared to discuss how well your programs performed in terms of your stated objectives for the fiscal year just ended; be able to explain variations from expected performance (positive as well as negative), trends and underlying explanatory factors; and how changes in program funding levels for FY 2005 (revised) and FY 2006 may affect performance. Your Annual Performance Review will serve as the guide for that discussion. **If percentages are used in your performance measures, please provide the data used in the calculations (e.g. the number of Rhode Islanders over 20 who smoke/the number of Rhode Islanders over 20).**

Each department or agency is also required to report its progress towards meeting equal opportunity and disability hiring goals using the same methodology and format as in the FY 2005 budget submission. Agencies should be aware that only full time employees should be included in the computation of percentages based upon guidelines provided by the State's EEO office. The Equal Employment Opportunity (EEO) should be updated, revising where necessary, the data for minorities, disabled and females as a percentage of the workforce, and estimating the percentages for the current and budget fiscal years. These tables will be e-mailed to agency CFO's. Please return these tables via e-mail to billm@budget.state.ri.us along with a hard copy in your budget submission.

Background

The application of Performance Based Management, a.k.a. managing for results, continues to grow at all levels of government in the U.S. and other countries. The motivation behind performance based government is the desire by administrations, legislatures and the public to know the *results* that government programs have on the lives of people. Thus, governments are increasingly determined to measure the value

added to taxpayers' dollars. This is not performance measurement for its own sake; the aim of these management initiatives is to *improve* government programs. Through strategic planning, monitoring and evaluation, and by tracking and reporting progress on identified performance measures, government becomes more publicly accountable for its efforts and activities. At the state level, departments and agencies are responsible for developing, implementing, monitoring, evaluating and reporting program performance as it relates to their missions and to the Governor's policies, as well as to state and federal mandates. When performance measurement is a management priority, it can serve to motivate and focus staff on desired achievements. Such measurement can reveal those strategies that work and those that do not. Performance indicators should concentrate on measuring a few of an agency's more important goals and priorities. We suggest that measures be widely displayed within your agency to communicate them to staff.

Performance Measurement Systems

While specifics may vary, performance measurement systems share several common features. All involve identifying desired program outcomes; setting goals or objectives for programs; selecting measures or indicators; reporting results; and using outcome or performance information as a continuous management tool. Program outcomes normally are determined as part of a strategic planning process involving policy makers, program managers and clients. After clarifying the agency's mission, goals are established for key programs that define the organization. This step answers the "Who are we and why are we here?" questions. Program goals and objectives are also established with input from policy makers and clients. They may be stated in terms of either final goals or intermediate goals and answer the "What do we want to accomplish and how will we know when we've succeeded?" questions. Program managers typically develop and oversee the implementation of action plans. They also develop the methods used to measure results, monitor progress and ensure accountability and continuous improvement. These activities are both internal and external to the program and answer the "How do we get there and how do we measure progress?" questions. Performance measurement systems are not linear; rather they are continuous loop systems involving constant feedback and adjustment.

Performance Measures

Performance measures or indicators fall into four categories: input measures, output measures, efficiency measures and outcome measures. Each has its uses and all should be used in program management. Please bear in mind that the State's statutes require the Budget Office to report outcome measures only.

- ? **Input measures.** Inputs are resources devoted to a program. They include dollars allocated and total employee-hours devoted to the program, activity or service.
- ? **Output measures.** These indicators report on the quantity of units produced or services provided. They may also report on the amount of effort expended to produce or deliver a product or service. Examples include the number of clients served, the number of permits reviewed, or the number of projects completed in given period of time. Output measures are often confused with outcome measures.

- ? **Efficiency measures.** These measures normally are used as an internal management tool to relate resource costs in dollars or employee time to unit of product or service output. Efficiency measures may also be used to measure cost-per-unit-of-outcome and, as such, may be considered an outcome measure when efficiency is a significant program objective. For example, the number of applications processes per employee is an efficiency measure.
- ? **Outcome measures.** These indicators report the results of activities or services. These tools measure the effectiveness of an agency's performance and the public benefit derived. They represent the highest form of performance measures. Examples of outcome measures include the ratio of healthy births to total births; percent of reduction in recidivism for juvenile offenders; percent decrease of repeat complaints to a regulatory board; percent increase of tourists to new target markets; percent increase of third graders reading at third grade level; etc.

Reporting Requirements

For the purposes of preparing the FY 2006 Budget *only outcome measures* should be reported. The Budget Office, in meeting the statutory requirement, will not utilize other types of measures. Most departments and agencies have completed the development of program outcome measures. Others are continuing in their efforts to clarify their strategic missions, goals and objectives, and will present initial or revised program outcome measures for the first time. In all cases the process should be seen as iterative and continuous.

Agencies with approved measures should review them to ensure that they are relevant to key agency goals and objectives as well as reliable and valid in terms of the information presented and the intent of the measure. It is especially important that agencies document what the program performance measures presented represent, what data sources are used, limitations on the measure, if any, and how the measure relates to the standards established.

Agencies that receive funding from federal programs that require the reporting of performance measures in support of the Government Performance and Results Act (GPRA) should attempt to use those measures as the basis for state program performance measures. In some cases, notably where state programs consistently exceed federal standards, program objectives and standards should be modified. In all cases, the goal here is to avoid creating separate program performance measures for state and federal reporting requirements. Where departments and agencies are collaborating on programs, agency program performance measures supporting shared objectives should be identified and reported as such in an explanatory footnote.

Standards

Performance standards are quantifiable estimates of results expected for a given period of time. There are three basic methods for establishing standards: improvement on baseline

performance, benchmarking and mandates. A baseline is usually established from the most recent measurement period available. If no data are available, industry or professional standards can be used. Benchmarking involves identifying best-in-class performance in other states or geographical regions and emulating it. State or federal mandates may be met or exceeded. Any of these three approaches is acceptable. Those who are accountable for the program, ideally with input from customers and stakeholders, should develop the standards. The best standards are those that are challenging but achievable and stretch the capacity and creativity of those involved.

For more information and assistance in developing appropriate performance measures, please contact Robert Griffith at 222-5817 or Bill McKenna at 222-6415.

Technical Instructions

This section of the Budget Instructions is intended to provide specific instructions on: (1) the use of certain data provided by the Budget Office; (2) how to complete certain required forms; and (3) the format within which your budget request should be submitted.

Salary-Wage Projections

The Salary-Wage Projection reports were developed many years ago as an aid to provide agencies with projections of personnel costs by position. Although the Budget Office attempts to verify the accuracy of the calculations through a testing of sample records, errors are still possible. Errors on these reports, such as no projection being calculated, are mainly due to errors appearing in the employee's personnel or payroll record, which preclude or in some way affect a calculation. These reports are for your assistance only. Each agency should perform its own sample testing of these calculations to assure their accuracy.

These reports are all encompassing, including step and longevity increases for all filled positions (as of the date that the reports were run) for both FY 2005 and FY 2006. **No cost of living adjustment has been included for FY 2005 or FY 2006.** All calculations are based on the position and grade the employee was in on the date these reports were run. Therefore, if an employee has received a promotion or has moved to a new job, these reports may not reflect this change depending upon the status of the personnel paperwork. Recalculation of these costs will need to be performed manually to achieve an accurate projection of personnel costs. Fringe benefits, including FICA, retirement, and the cost of the specific medical plan chosen by the employee, are also calculated. Specific information on the values used in these calculations can be found later under the Planning Values section.

Hard copies of these reports are not being provided this year. Relevant salary and fringe benefits data is provided in the Excel files as described later in these instructions. If you require copies of the hard copy reports, please contact Brenda Brodeur at 222-6417.

The two files being distributed are the same as those provided in prior years. One contains salary and fringe benefit cost data by employee for the FY 2005-revised budget and the other has data for the FY 2006 budget.

The data from these files should be used as the basis for the detailed listing of positions by account, which is required in lieu of *Personnel Supplement Data* forms for each subprogram. This listing should show each position funded within an account, with subtotals by account and by program. Additional lines for turnover or program reductions should be inserted after each affected account as needed. These totals will provide the BOC totals for each personnel object code.

Cost-of-Living Adjustment

As stated above, the salary-wage projections do not include a calculated cost-of-living adjustment (COLA). However, it is anticipated that a COLA will be negotiated for state

employees for FY 2005 and FY 2006. General revenue funding to finance the negotiated COLA will be added to respective budgets through the supplemental budget for FY 2005. The Budget Office will perform the calculation of this additional general revenue cost for both FY 2005 and FY 2006 after submission of your budget requests. For Federal, Restricted and Other fund accounts, we are requesting that you reserve a percentage of funding to cover the additional costs of a COLA once it has been negotiated. Since many non-general revenue sources have limited resources, allocating a portion of the funding for a COLA will assure that funds are available when negotiations are finalized.

As shown on the Planning Values page (Table 1), 1.3 percent of personnel costs (exclusive of medical benefits) should be set aside in the FY 2005-revised budget and 2.5 percent for FY 2006. If you have any questions on this, please contact your assigned Budget Analyst.

Payroll Accrual

Annually, at the end of the fiscal year, the State Controller's Office charges accrued payroll costs to all accounts that normally have payroll charges. The purpose of this accrual is to comply with the basic principles of accounting by recognizing expenditures in the period incurred. Since the first pay period of each fiscal year does not always begin on July 1, some days of this first pay period are worked in the old fiscal year, and some in the new fiscal year. For example, pay period 1 for FY 2005 began on June 27, 2004. Therefore, three days actually fell in FY 2004, but were paid on the first payday of FY 2005 or July 16, 2004. Under accrual accounting, these days should be charged to FY 2004 and not FY 2005. As there were only eight days in the first pay period of FY 2004, the net charge to FY 2003 was one additional day, for a total of 26.1 pay periods.

In most years, in order to account for the additional cost associated with one net additional day each fiscal year, the state budgets a payroll accrual amount in BOC 274. This object code is used for budget purposes only, and will never record actual expenditures. The accrued payroll charges are applied directly to the appropriate payroll object codes (see Planning Values table for a list). The Planning Values table instructs agencies to budget 0.4% (.004) of certain payroll codes for the payroll accrual. This percentage is calculated based on one workday out of 260 workdays in a fiscal year ($1/260 = .004$). This is the equivalent of one-tenth of one pay-period, which is often how payroll accrual is referenced.

Pay period tables for FY 2005 and FY 2006 indicating the amount of each pay period charged to the respective years are included in the planning values section of these instructions.

Revenue Data

The Budget Office will supply a spreadsheet file for each agency containing the general revenue receipt accounts for which the agency is responsible. For each receipt account, the following information will be provided:

- ? FY 2002 Actual Receipts
- ? FY 2003 Actual Receipts
- ? FY 2004 Actual Receipts
- ? FY 2005 Revenue Estimating Conference Estimate

The receipt information file will be distributed once final receipts and accruals for FY 2004 are recorded. (Approximately July 20.)

The agency will be responsible for providing a revised estimate of revenues for FY 2005 and an initial estimate for FY 2006. This file is the equivalent of the *Estimated Departmental Revenues* form (Form BR-8). The *Receipt Account Information* form (Form BR-9) should be used to provide additional data about each receipt account.

Expenditure Data

The Budget Office is providing two options for agencies to receive and submit data as part of the FY 2006 Budget Request process. The first option is the use of the Access SABRS (State Agency Budget Request System) that has been created for the budget request process. This system is a Microsoft Access Database that provides data entry screens and various reports equivalent to those required in the Budget Request. Each agency wanting to use this system must have the Microsoft Access software to run the Access SABRS.

The second option is to receive a spreadsheet file containing data downloaded data from the Budget Office database. Data for the FY 2005 revised budget and the FY 2006 budget request would be submitted back to the Budget Office in the spreadsheet for uploading into the Budget Office database.

Agencies will receive an Access SABRS file with expenditure history, unless you contact Brenda Brodeur at 222-6417 to request the spreadsheet format. More information on how to use the Access SABRS and how to resubmit data to the Budget Office will be made available when the expenditure data is distributed. In order to provide agencies data as quickly as possible, we will be obtaining expenditure data from the Controller's Office as of July 15. Any major expenditures/adjustments/accruals recorded after this date will need to be manually entered into the SABRS system by the agency. Note: such adjustments would only be required for major items whose absence would significantly distort reports being produced for your budget submission. Final expenditure data will be received by the Budget Office at a later date for input into the internal budget system and for use on reports prepared subsequent to budget submissions.

Form Explanations/Descriptions

Following are brief descriptions of each of the forms required in your budget submission. Electronic copies and samples of these forms are available on the Budget Office web site

at www.budget.state.ri.us. . If you have any additional questions about the proper way to complete a form, or the information required, please contact your Budget Analyst.

Form BR-1 – Agency Summary

This form provides a summary of the financial data for the entire agency or department. The information required for each fiscal year is:

1. Totals for each program within the agency.
2. Totals for each category of expenditure.
3. Totals for each source of funds.
4. Total number of FTE positions funded in the agency.

This data is derived from the Program Summary forms.

Budget Tracking Sheets (New Requirement in FY 2006 Budget Submission)

This form is the same one that has been used by the Budget Office for many years as part of the review and analysis of agency budgets, and thus should be very familiar to agency staff. In order to improve the overall budget review process and to give agencies a way of more clearly delineating the changes requested in their budget, we are asking this form be completed by each agency and submitted with their budget request. One tracking sheet form will be completed for the FY 2005-revised budget and one for the FY 2006 budget. Agencies will be responsible for completing the ‘Department Request’ column.

FY 2005

The FY 2005 tracking sheet will start with the enacted FY 2005 general revenue budget, followed by a listing of any reappropriations that have been approved by the Governor (to be determined by August 15). Following this should be a complete listing, by program, of any changes being requested to the FY 2005 enacted general revenue budget. Each item on the tracking sheet should be numbered and a brief description of the item entered into the ‘Description’ column. Items listed on the tracking sheet should be as specific as possible, when applicable. It is expected that some adjustments to the current year budget will be more generic in nature, such as adjustments to personnel funding to accommodate changes in costs since the development of the FY 2005 budget recommendations. However, the addition or elimination of FTE, for example, would not be a generic personnel adjustment and should be listed as a separate item, with a separate explanation.

FY 2006

The first column on the FY 2006 tracking sheet contains data on the current services adjustments developed by the Budget Office and the target reduction, where applicable. The current services funding level will be the basis of comparison for changes requested by the agency and delineated in the ‘Department Request’ column. Although the current services are reflected on the tracking sheet in the Department Target

column at the department level, the Budget Office has calculated the changes at the BOC level and will provide this data to agencies in the SABRS database.

As with FY 2005, changes from the current services funding level to the department request should be detailed as discrete items. At a minimum, changes should be described at the category (i.e Personnel, Operating, etc.) by Program. Major programmatic changes being proposed to meet the agency funding target should be itemized at a more detailed level. Any questions on how to properly complete the tracking sheet forms should be directed to your assigned Budget Analyst.

Form BR-2a – Personnel Supplement Data

Some general information on the completion of this form is contained under the Budget Request Preparation section of these instructions. This form should contain a listing of all personal services funded within the respective program. This would include:

1. Each position, in descending order of grade, grouped by position title.
2. Fringe benefit totals net of any turnover or program reductions. These amounts should equal the total of the respective object codes for each fringe benefit from all the accounts within the program. The cost of bonuses paid to employees choosing to waive medical coverage (BOC 218) should be displayed on a separate line entitled – “Medical Benefits – Salary Disbursements” (for FY 2005 only; this will not be an option in FY 2006).
3. A separate line entitled - “Assessed Fringe Benefit” is included to reflect BOC 283, which replaces both unemployment compensation and workers’ compensation lines. (see Planning Values).
4. Totals for consultant services (260 series of object codes and object code 275). Again, these amounts should equal the total of the respective object codes from all the accounts within the program.
5. Program reductions or turnover. These should be the salary portions of the savings only. Fringe benefit savings should be netted from the appropriate fringe benefit line.

Form BR-2b – Detail Listing of Positions

Most agencies, in the development of their budgets, prepare a listing of positions by account to determine the personnel funding required. This listing is often based on the salary and wage data provided by the Budget Office each year. A report of this type, listing each position, the salary requirement for the respective year, fringe benefit costs, etc. should be included in your budget submission.

Form BR-3 – Program Summary

This form provides a summary of the financial data for an individual program. The information required for each fiscal year is:

1. Totals for each subprogram within the program.
2. Totals for each category of expenditure with the program.
3. Totals for each source of funds.
4. Total number of FTE positions funded within the program.

This data is derived from the Subprogram Summary forms.

Form BR-4 – Subprogram Summary

This form provides a summary of the financial data for an individual subprogram. The information required for each fiscal year is:

1. Totals for each category of expenditure within the subprogram.
2. Totals for each source of funds.
3. Total number of FTE positions funded within the subprogram.

Form BR-5 – Expenditure Plan Adjustments

This form should provide a summary of the changes proposed in the FY 2005 budget from that enacted by the General Assembly. General revenue accounts should be grouped by program such that the totals in the enacted column tie into the Appropriations Act. Each general revenue account should be listed along with the FY 2005 Enacted amount and the FY 2005 Revised amount, whether it is different or not. The difference between the enacted and revised columns should be displayed in the Change column.

Federal accounts should be grouped by program such that the enacted column equals the federal funds line in the Appropriations Act. Restricted receipt and other fund accounts should be listed individually, but only if there is a change requested from the enacted appropriation.

The explanation field should be used to provide a brief explanation as to the need for the change (e.g. increased federal grant award). Substantive changes and requests for supplemental general revenue funding should be explained in detail on a *Narrative Information* form.

Budget Impact Statements

As with the Budget Tracking Sheets, the Budget Office has used the Budget Impact Statements for many years as the format for describing individual changes to the agency budgets. Each Impact Statement is directly associated with a discrete item on the Tracking Sheet. The Item Number from the Tracking Sheet should be carried over to the Impact Statement to identify the item.

The Impact Statement contains several sections that require completion by the agency.

1. Item Name – use the same description as shown on the Tracking sheet.
2. Amount – This is the amount of the change, increase or decrease, proposed for this item in FY 2005 and/or FY 2006. The first line is for the general revenue dollar change. The second line is for the total dollar change including all funds. This would be different from the first line, primarily if the general revenue change would have an impact on other sources of funds, such as a federal matching grant. The amount on the second line should be the total funding change, inclusive of the general revenue change.
3. Item Description – This is the section where the agency should provide a detailed description of the funding change being requested, what impact it will have on the agency, etc.
4. Interagency Impact – Describe any anticipated impact the requested change in your agency budget may have on other agencies in state government. For example, an agency proposes to close a residential center, the clients could spill over into another agencies' caseload.
5. Timetable – If an option is accepted by the Governor, how long will it take to implement? Also, explain what tasks will be required to implement this option in the stated timeframe.
6. Link to Fiscal Fitness Idea – As you will see, agency targets have not been adjusted for any of the Fiscal Fitness ideas that were not already incorporated into the FY 2005 enacted budget. Agencies are encouraged to use the ideas proposed for their agency as options for savings in FY 2006. If you do so, please indicate in this section that this item is part of an idea is one or more of the Fiscal Fitness proposals.
7. FTE Change – If the idea presented has an impact on the number of FTE in your agency, explain this impact here. Will additional FTE be required to carry out this idea or will this option result in fewer FTE? If fewer, will the reduction be achieved through attrition or will layoffs be required?
8. Revenue Impact – If the idea presented will have an impact, positive or negative, on state revenues, an explanation of the impact should be provided here. Also, an estimate of the projected change in revenues and how this estimate was determined should be provided.
9. Federal Change Impact – If this option will have an impact on federal funds, such as a loss of federal matching funds due to lower state funding, this should be explained in this section.

Form BR-6b – BOC Detail Backup Information

This form is used to provide additional backup and documentation associated with major areas of expenditures as explained earlier under the Budget Preparation section of these instructions. The information required is:

1. Account Number
2. Expenditure Code
3. FY 2005 Revised Funding Amount
4. FY 2006 Requested Funding Amount
5. An explanation or description of the items or services to be purchased with these funds.

Form BR-7 – Federal/Restricted Account Estimates (This form is being reviewed by the Budget Office in order to coordinate with the existing FGR-1 (Federal Grants Information Schedule) process. Additional information will be forthcoming).

This form will be used to provide detailed information about federal and restricted accounts and an explanation of the formulation of the requested funding levels. Information on this form should include:

1. Account Number
2. Account Name
3. Statutory Basis (for restricted accounts) or CFDA # (for federal accounts)
4. Granting Agency (for federal accounts)
5. Grant Period (for federal accounts) – what is the standard grant period for this grant; does it follow the state fiscal year, federal fiscal year or some other period?
6. Explanation of the purpose of the federal grant or the mandated use of the restricted funds. What is the funding in this account to be used for and what is it intended to accomplish?
7. Use the table to provide the derivation of the requested budget levels. Certain categories are provided for your assistance, but agencies should replace these as necessary to best explain the components of their estimates. Use the “Explanation” section to provide any further documentation of the requested budget.

Form BR-8 – Estimated Departmental Revenues

This form will be provided on diskette with history data, and the current year estimate provided. The agency will be responsible for providing a revised estimate of total receipts for the current fiscal year and an initial estimate for the budget year. These estimates will be used in the development of budget office estimates for the November Revenue Estimating Conference. Data to be distributed is dependent upon the Controller’s Office closing process, and will not be available until late July or early August.

Form BR-9 – Receipt Account Information

As backup to the Estimated Departmental Revenues, a Receipt Account Information form should be prepared for each receipt account under the agency's responsibility. Many receipt accounts include the collection of various different fees. This form is intended to provide the reader with an understanding of what fees are collected and how the estimated revenues have been determined. This form should include the following information:

1. Receipt account number as shown on Form BR-8.
2. Receipt account name as shown on Form BR-8.
3. The R.I. General Law reference(s) that authorizes the collection of these fees, licenses, etc.
4. A general description of the fees collected. Who are they collected from? What are the fees? When are they collected? Are they annual, biennial, etc.? What are the renewal time frames?
5. Describe how the FY 2005 Revised revenue estimate was determined. (e.g. Number of licenses x a certain fee)
6. Describe how the FY 2006 revenue estimate was determined. If the same as FY 2004, state as such.

Form BR-10 – Narrative Information Form

This form is simply a word processing template for use when providing most of the narrative explanations or descriptions requested as part of the budget submission. The name of the agency, program and/or subprogram should be provided when applicable.

Form BR-12 – Information Technology Information

See under Information Technology Supplemental Presentation

Form BR-13 – Information Technology Projects

See under Information Technology Supplemental Presentation

Format of Budget Submission

The following is the order of presentation for the Budget Forms. As mentioned earlier, the budget document should be numbered either sequentially or by section. For ease of use, we suggest that each major section (e.g. General Agency Information, Revenue Data, etc.) and each program separated into individual sections with separate tabs. The form to be used or associated with each section is shown in parentheses.

Budget request submissions should be in a bound format, preferably a three-ring binder, and should be labeled.

- ? Letter of Transmittal
- ? Table of Contents
- ? General Agency Information
 - ? Agency Description (BR-10)

- ? Agency Summary Form (BR-1)
 - ? Budget Tracking Sheets for FY 2005 and FY 2006
- ? FY 2005 Revised Budget
 - ? Supplemental Budget Request
 - ? Expenditure Plan Adjustment Forms (BR-5)
- ? Revenue Estimates and Data
 - ? Estimated Departmental Revenues Form (BR-8)
 - ? Receipt Account Information Forms (BR-9)
- ? Program 1 Information
 - ? Program Narrative Information (BR-10)
 - ? Program Summary Form (BR-3)
 - ? Personnel Supplement Data Form (BR-2a)
 - ? Detail Listing of Positions (BR-2f)
 - ? Budget Impact Statements
 - ? BOC Detail Backup Information (if no subprograms) (BR-6b)
 - ? Federal/Restricted Account Estimates (if no subprograms) (BR-7)
- ? Subprogram 1 Information (as applicable)
 - ? Subprogram Narrative Information (BR-9)
 - ? Subprogram Summary Form (BR-4)
 - ? Budget Impact Statements
 - ? BOC Detail Backup Information (BR-6b)
 - ? Federal/Restricted Account Estimates (BR-7)
- ? Subprogram 2 Information
 - ? Subprogram Narrative Information (BR-9)
 - ? Subprogram Summary Form (BR-4)
 - ? Budget Impact Statements
 - ? BOC Detail Backup Information (BR-6b)
 - ? Federal/Restricted Account Estimates (BR-7)
- ? Program 2, etc.
- ? Performance Measures
- ? Information Technology Supplemental Presentation (BR-12)
- ? Miscellaneous Information

Planning Values

Listed on Table 1 are the planning values for various budget object codes that should be utilized in the preparation of the FY 2005 revised and FY 2006 budgets. The values relating to personnel are the ones used in the development of the Salary-Wage Projections. Other values are either established on a statewide basis or have a specific rate that should be used when developing your budget estimates.

All **debt service**-related values will be budgeted centrally (within the Department of Administration) for both FY 2005 and FY 2006. The Budget Office will make any required adjustments at a later date.

The FY 2006 budget will be prepared in a manner consistent with the Office of Management and Budget (OMB) Circular A-87 that identifies the principles for allowable costs for federal programs. There will be an **assessed fringe benefit** that will include several components in order to capture charges through a cost allocation system. OMB A-87 stipulates that payments for unused leave, unemployment and worker's compensation for current or former employees be allocated as a general administrative expense to all activities of the government unit. Therefore, individual agencies will not be charged for the actual costs attributable to their employees for unused leave, worker's compensation, or unemployment, but rather charged a statewide benefit assessment that is charged as a percentage of payroll. Funds for worker's compensation or unemployment should not be budgeted separately; they will be funded from the statewide benefit assessment.

Also, section 28-31-8 of the Rhode Island General Laws requires that the state pay a share of the assessment levied by the Department of Labor and Training for the Worker's Compensation Administrative Fund. This assessment is utilized to fund services provided by the Donley Center, the Worker's Compensation Court, and to fund certain administrative costs relating to Workers' Compensation. This charge became effective with the fiscal year 2000 budget year and, consistent with OMB A-87, will also be a general administrative expense.

If you have any questions about any of these planning values, or need additional information about an object code not listed, please contact your budget analyst for assistance.

Table 2 provides a listing of the codes used by the Budget Office in our database to distinguish functions, funds, and categories of expenditure. This table will be most helpful in preparing the Personnel Supplement Data forms to assist you in identifying which object codes are assigned to which line.

A complete listing of valid RISAIL natural accounts and their corresponding legacy BOC can be found on the RISAIL web site (www.statements.doa.state.ri.us) and as a table in the SABRS database.

**Table 1
Planning Values for the FY 2005 Revised and FY 2006 Budgets**

	RI-SAIL Natural Account	Former BOC	FY 2005 Enacted Budget	FY 2005 Revised Budget	FY 2006 Estimates	Notes
Retirement						
State Employees						
Regular	621000	280	11.51%	11.51%	14.26%	Applied to salaries of permanent employees.
Judges	621200	276	36.19%	36.19%	36.19%	Applied to salaries of judges hired after 12/31/89.
State Police	621100	277	28.87%	28.87%	28.87%	Applied to salaries of State Police hired after 7/1/87.
Teachers	655300	472	14.84%	14.84%	17.94%	
Retiree Health Insurance	628300	294	1.33%	1.63%	1.71%	Applied to salaries of permanent employees.
FICA						
Social Security Rate	621700	281	6.20%	6.20%	6.20%	This portion of FICA is calculated on salaries and overtime up to an established level on a calendar year basis. The estimated salary limits for affected calendar years are: 2004 \$87,900 2005 \$91,200 (prelim.) 2006 \$94,700 (prelim.)
Medicare Tax		281	1.45%	1.45%	1.45%	This portion of FICA is applied to 100% of salaries and OT.
Contract Reserve for Federal/Restricted/Other						
Personnel set aside for negotiations		203		1.30%	2.50%	Apply percent to all non-general revenue personnel BOC's except medical (295, 297 & 298)
Assessed Fringe Benefit						
	628100	283	4.10%	4.10%	4.20%	Applies to direct salaries (excluding OT) (BOC 210,220,230,240,250,251,255)
Unemployment Compensation						
	628500	282	0	0	0	Budgeted under assessed fringe benefit
Worker's Compensation						
	various	570-579	0	0	0	Budgeted under assessed fringe benefit
WC - Discharge of Leave	617100	270				Expenditures for these are still part of agency payroll and should be budgeted as required.
WC - Assault Cases	617200	273				

**Table 1
Planning Values for the FY 2005 Revised and FY 2006 Budgets**

	RI-SAIL Natural Account	Former BOC	FY 2005 Enacted Budget	FY 2005 Revised Budget	FY 2006 Estimates	Notes
Cost of Living Adjustment			0.00%	0.00%	0.00%	No COLA is being budgeted for FY 2005 No COLA is being budgeted for FY 2006
Holiday	611500	205				-0.10% Applied to BOC's 205, 246 and 256 from the FY 2005
	613500	246				-0.10% enacted budget. FY 2006 does not have a holiday for election day
	615500	256				-0.10% therefore the targets have been adjusted, accordingly
Payroll Accrual	619900	274	0.40%	0.40%	0.40%	Applied to direct salaries, overtime, retirement, and FICA Enclosed for your reference is are Pay Period Tables for FY 2003 and FY 2004.
Medical Benefits	622100	295				See attached for individual health plans by fiscal year & type of plan (individual or family)
Weighted Average			\$10,035.00	\$10,035.00	\$10,849.00	Use this value when budgeting for vacant positions.
Dental Plan	622200	297				See attached for individual health plans by fiscal year & type of plan (individual or family)
Weighted Average			\$680.00	\$680.00	\$728.00	Use this value when budgeting for vacant positions.
Vision Plan	622300	298				See attached for individual health plans by fiscal year & type of plan (individual or family)
Weighted Average			\$129.00	\$142.00	\$154.00	Use this value when budgeting for vacant positions.
Cash Bonus to Employees Waiving Medical Insurance						
Bonus	619300	218	\$2,002.00	\$2,002.00	\$0.00	Payments will be made in December of each year.
Non-Personnel Related Object Codes						
Fiscal Fitness Reservation of Savings		301				Served as a repository in FY2005 budget for projected procurement savings accruing to federal, restricted, and other fund accounts. This should be reallocated in the FY2005 revised budget.
Master Lease Charges - Vehicles	641120	352				Lease cost data will be distributed to respective agencies by the end of August.
Insurance	639610	326				Updated amounts to be distributed at a later date
Employee Mileage Reimb.	639130	341				Current rate is .375/mile (effective 1/1/2004)
Employee Assistance Program	632100	269				Budgeted under assessed fringe benefit
Single State Audit Fee	639750	459				Federal accounts only - Budget .1% (.001) of federal funds.

**Revised Planning Values-Health Benefits Cost-
Budget Instructions FY 2005 and FY 2006**

	FY 2005 Planning Value <i>Enacted</i>	FY 2005 Planning Value <i>Revised</i>	FY 2006 Planning Value <i>Instructions</i>
Health Benefits Cost			
Medical	4,192	4,192	4,527
Vision	69	76	82
Dental	285	285	304
Individual	4,546	4,553	4,913
Medical	11,752	11,752	12,692
Vision	147	162	175
Dental	797	797	852
Family	12,696	12,711	13,719
Weighted Average Annual Cost Per FTE Position - All Plans			
Medical	10,035	10,035	10,849
Vision	129	142	154
Dental	680	680	728
Total	10,844	10,858	11,731

R.I. DEPARTMENT OF LABOR AND TRAINING
2004 UI AND TDI QUICK REFERENCE
(Effective July 1, 2004)

	UNEMPLOYMENT INSURANCE	TEMPORARY DISABILITY INSURANCE
TAXABLE WAGE BASE	\$14,000	\$46,800
TAX SCHEDULES/TAX RATES Employment Security Job Development Assessment (JDA)	Schedule I: 1.90% to 10.0% 1.69% to 9.79% 0.21%	1.5% Deducted from Employee's Wages
NEW EMPLOYER RATE	1.79% (+0.21%JDA)	NONE (Employee Tax)
EMPLOYEE WAGE DEDUCTION	NONE (employer payroll tax)	1.5% of first \$46,800 earned
WAITING PERIOD	7 days	7 days (paid retroactively if customer out for 28 consecutive days or more)
BASE PERIOD	The first four of the last five completed calendar quarters prior to claim; or last 4 completed quarters if needed to meet minimum earnings requirement.	
ELIGIBILITY - MONETARY Based on a Minimum Wage of \$6.75/hour.	\$8,100 in base period wages; or \$1,350 in one of the base period quarters and total base period wages of at least 1.5 times the highest quarter earnings, and total base period earnings of at least \$2,700.	
ELIGIBILITY - NONMONETARY	Worked for a subject employer and unemployed through no fault.	Worked for a subject employer and have medically certified disability.
WEEKLY BENEFIT RATE	4.62% of total high quarter wages in base period.	
MIN. WEEKLY BENEFIT AMOUNT	\$62 per week	\$63 per week
MAX. WEEKLY BENEFIT AMOUNT	\$462 per week	\$588 per week
DEPENDENT'S ALLOWANCE	Greater of \$10 or 5% of weekly benefit rate (up to 5 deps.)	Greater of \$10 or 7% of weekly benefit rate (up to 5 deps.)
MAX. WEEKLY BENEFIT AMOUNT WITH MAX. 5 DEPENDENTS	\$577 per week	\$793 per week
MAXIMUM DURATION	26 weeks	30 weeks
REASONS FOR DENIAL OF BENEFITS	Quit without good cause; fired for misconduct; refusal of suitable work; labor dispute (except lock-out); insufficient earnings in base period.	No medical certification; insufficient earnings in the base period. Receipt of unemployment or workers' compensation benefits.
BENEFIT APPLICATIONS	Call (401) 243-9100 to file.	Call (401) 462-8420 for application

Table 2

Database Categories

Function Codes

10	General Government
20	Human Services
30	Education
40	Public Safety
50	Natural Resources
60	Transportation

Fund Types (Fund)

1	General Revenue
5	Federal
8	Restricted Receipts
0	Other Funds
9	Internal Service

Categories of Expenditures (Category Code)

10	Personnel
20	Other State Operations
30	Aid to Local Units of Government
40	Assistance, Grants and Benefits
50	Capital Improvements
60	Capital Debt Service

Budget Object Codes

Personnel

Direct Salaries and Wages	202 – 255,299
Employee Benefits	280 - 298
Overtime	214,215,225,235,245,258
Medical	217,218
Retirement	248,276-280,285,286, 292,294
Health	291,295 – 298
FICA	281,285
Other	259,284,287,288,289,293
Holiday	205,246,256

Table 2

Payroll Accrual	274
Unemployment	282
Consultants	260 – 269,275
Workers Compensation	270,273,570-579
<u>Other State Operations</u>	
Operating	302-383,385,389 - 461,497- 499
Equipment Purchases	649 – 660,701,797,879,884
Miscellaneous	889 – 899
<u>Aid to Local Units of Government</u>	
	472,474,478,479,565,880
<u>Assistance, Grants and Benefits</u>	
Benefits	471,473,475,476,477,481-495
Grants	566-569,580-585,587-599,886
<u>Capital Improvements</u>	
	661-664,669
<u>Capital Debt Service</u>	
	384,388,387,789-792,794

Pay Periods - FY 2005

Pay Period	Pay Period Beginning Date	Pay Period Ending Date	Pay Period Pay Date	Salary Expense Charged	Remaining To Be Charged	Medical Expense Charged*	Remaining To Be Charged
26	06/13/04	06/26/04	07/02/04	0.00		1.00	25.00
1	06/27/04	07/10/04	07/16/04	0.70	25.40	1.00	24.00
2	07/11/04	07/24/04	07/30/04	1.00	24.40	1.00	23.00
3	07/25/04	08/07/04	08/13/04	1.00	23.40	1.00	22.00
4	08/08/04	08/21/04	08/27/04	1.00	22.40	1.00	21.00
5	08/22/04	09/04/04	09/10/04	1.00	21.40	1.00	20.00
6	09/05/04	09/18/04	09/24/04	1.00	20.40	1.00	19.00
7	09/19/04	10/02/04	10/08/04	1.00	19.40	1.00	18.00
8	10/03/04	10/16/04	10/22/04	1.00	18.40	1.00	17.00
9	10/17/04	10/30/04	11/05/04	1.00	17.40	1.00	16.00
10	10/31/04	11/13/04	11/19/04	1.00	16.40	1.00	15.00
11	11/14/04	11/27/04	12/03/04	1.00	15.40	1.00	14.00
12	11/28/04	12/11/04	12/17/04	1.00	14.40	1.00	13.00
13	12/12/04	12/25/04	12/31/04	1.00	13.40	1.00	12.00
14	12/26/04	01/08/05	01/14/05	1.00	12.40	1.00	11.00
15	01/09/05	01/22/05	01/28/05	1.00	11.40	1.00	10.00
16	01/23/05	02/05/05	02/11/05	1.00	10.40	1.00	9.00
17	02/06/05	02/19/05	02/25/05	1.00	9.40	1.00	8.00
18	02/20/05	03/05/05	03/11/05	1.00	8.40	1.00	7.00
19	03/06/05	03/19/05	03/25/05	1.00	7.40	1.00	6.00
20	03/20/05	04/02/05	04/08/05	1.00	6.40	1.00	5.00
21	04/03/05	04/16/05	04/22/05	1.00	5.40	1.00	4.00
22	04/17/05	04/30/05	05/06/05	1.00	4.40	1.00	3.00
23	05/01/05	05/14/05	05/20/05	1.00	3.40	1.00	2.00
24	05/15/05	05/28/05	06/03/05	1.00	2.40	1.00	1.00
25	05/29/05	06/11/05	06/17/05	1.00	1.40	1.00	0.00
26	06/12/05	06/25/05	07/01/05	1.00	0.40	0.00	0.00
1	06/26/05	07/09/05	07/15/05	0.40	0.00	0.00	0.00
				26.10		26.00	

* Medical Benefits charges are not accrued; charges for 7/1/05 will be an FY 2006 expense.

Pay Periods - FY 2006

Pay Period	Pay Period Beginning Date	Pay Period Ending Date	Pay Period Pay Date	Salary Expense Charged	Remaining To Be Charged	Medical Expense Charged*	Remaining To Be Charged
26	06/12/05	06/25/05	07/01/05	0.00		1.00	25.00
1	06/26/05	07/09/05	07/15/05	0.60	25.50	1.00	24.00
2	07/10/05	07/23/05	07/29/05	1.00	24.50	1.00	23.00
3	07/24/05	08/06/05	08/12/05	1.00	23.50	1.00	22.00
4	08/07/05	08/20/05	08/26/05	1.00	22.50	1.00	21.00
5	08/21/05	09/03/05	09/09/05	1.00	21.50	1.00	20.00
6	09/04/05	09/17/05	09/23/05	1.00	20.50	1.00	19.00
7	09/18/05	10/01/05	10/07/05	1.00	19.50	1.00	18.00
8	10/02/05	10/15/05	10/21/05	1.00	18.50	1.00	17.00
9	10/16/05	10/29/05	11/04/05	1.00	17.50	1.00	16.00
10	10/30/05	11/12/05	11/18/05	1.00	16.50	1.00	15.00
11	11/13/05	11/26/05	12/02/05	1.00	15.50	1.00	14.00
12	11/27/05	12/10/05	12/16/05	1.00	14.50	1.00	13.00
13	12/11/05	12/24/05	12/30/05	1.00	13.50	1.00	12.00
14	12/25/05	01/07/06	01/13/06	1.00	12.50	1.00	11.00
15	01/08/06	01/21/06	01/27/06	1.00	11.50	1.00	10.00
16	01/22/06	02/04/06	02/10/06	1.00	10.50	1.00	9.00
17	02/05/06	02/18/06	02/24/06	1.00	9.50	1.00	8.00
18	02/19/06	03/04/06	03/10/06	1.00	8.50	1.00	7.00
19	03/05/06	03/18/06	03/24/06	1.00	7.50	1.00	6.00
20	03/19/06	04/01/06	04/07/06	1.00	6.50	1.00	5.00
21	04/02/06	04/15/06	04/21/06	1.00	5.50	1.00	4.00
22	04/16/06	04/29/06	05/05/06	1.00	4.50	1.00	3.00
23	04/30/06	05/13/06	05/19/06	1.00	3.50	1.00	2.00
24	05/14/06	05/27/06	06/02/06	1.00	2.50	1.00	1.00
25	05/28/06	06/10/06	06/16/06	1.00	1.50	1.00	0.00
26	06/11/06	06/24/06	06/30/06	1.00	0.50	0.00	0.00
1	06/25/06	07/08/06	07/14/06	0.50	0.00	0.00	0.00
				26.10		26.00	

* Medical Benefits charges are not accrued; charges for 7/1/05 will be an FY 2006 expense.

FTE Cap

Article 1, Section 10 of the FY 2005 Appropriations Act establishes the FTE caps for each agency in state government. The FTE caps by agency are displayed in Table 3. These are the FTE caps upon which the FY 2005 and FY 2006 budgets will be based.

Article 1, Section 10 of the FY 2005 Appropriations Act also defines the procedure for obtaining an adjustment to a full time equivalent authorization level. Similar to the procedure for obtaining increases in federal and restricted receipt account appropriations, any adjustments to FTE authorizations must be approved, at the recommendation of the State Budget Office, by the Governor, the Speaker of the House and the Senate Majority Leader.

Agencies or departments that require an increase to their current FTE authorization limit, as established in the FY 2005 Appropriations Act (see Table 3), should include such a request in their FY 2005 Revised Budget request. Within each subprogram where additional FTE positions are being requested, the following questions should be answered on a *Narrative Information* form (Form BR-10).

- ? What is the critical need for the position(s)?
- ? What will the position(s) be doing?
- ? Why can't present staff perform the function(s)?
- ? If additional FTE's are not provided, how will the program be impacted?

If an increase to the current FTE authorization is required subsequent to the submission of the budget in October, agencies may submit a separate request, at any time during the fiscal year, which provides the same information as requested above. This request should be addressed to the Budget Officer. If approved, the appropriate paperwork will be submitted to the Governor, the Speaker of the House, and the Senate Majority Leader for their signatures.

Full-Time Equivalent Positions

	FY 2004	FY 2005
	Enacted	Enacted
General Government		
Administration	1,261.2	1,269.2
Business Regulation	109.0	111.0
Labor & Training	536.7	536.7
Legislature	280.0	280.0
Lieutenant Governor	10.0	10.0
Secretary of State	59.0	59.0
General Treasurer	84.5	85.5
Boards for Design Professionals	4.0	4.0
Board Of Elections	15.0	15.0
Rhode Island Ethics Commission	9.0	12.0
Office of the Governor	47.5	47.5
Public Utilities Commission	45.0	47.0
Rhode Island Commission on Women	2.0	1.0
Subtotal - General Government	2,462.9	2,477.9
Human Services		
Children, Youth, and Families	849.8	851.8
Elderly Affairs	52.6	52.0
Health	502.9	493.2
Human Services	1,058.6	1,071.3
Mental Health, Retardation, & Hospitals	2,021.7	1,999.7
Office of the Child Advocate	5.8	5.8
Commission On the Deaf & Hard of Hearing	3.0	3.0
RI Developmental Disabilities Council	2.0	2.0
Governor's Commission on Disabilities	6.6	6.6
Commission for Human Rights	15.0	15.0
Office of the Mental Health Advocate	3.7	3.7
Subtotal - Human Services	4,521.7	4,504.1
Education		
Elementary and Secondary	326.7	330.1
Higher Education - Board of Governors*	3,472.1	4,337.7
RI State Council On The Arts	7.0	7.0
RI Atomic Energy Commission	8.6	8.6
Higher Education Assistance Authority	45.6	46.0
Historical Preservation and Heritage Commission	17.6	17.6
Public Telecommunications Authority	22.0	22.0
Subtotal - Education	3,899.6	4,769.0
Public Safety		
Attorney General	228.5	230.5
Corrections	1,522.0	1,539.0
Judicial	734.5	743.5
Military Staff	93.0	98.0
E-911	50.6	50.6
Fire Safety Code Board of Appeal and Review	3.0	3.0

Full-Time Equivalent Positions

	FY 2004	FY 2005
	Enacted	Enacted
RI State Fire Marshal	27.0	32.0
Commission on Judicial Tenure and Discipline	1.0	1.0
Rhode Island Justice Commission	9.0	9.0
Municipal Police Training Academy	4.0	4.0
State Police	257.0	281.0
Office of the Public Defender	86.2	87.2
Subtotal - Public Safety	3,015.8	3,078.8
Natural Resources		
Environmental Management	539.7	538.7
Coastal Resources Management Council	28.0	29.0
Water Resources Board	9.0	9.0
Subtotal - Natural Resources	576.7	576.7
Transportation		
Transportation	812.7	815.7
Subtotal - Transportation	812.7	815.7
Total		
	15,289.4	16,222.2
*Higher Education Exempt Sponsored Research	319.8	
Total All Positions	15,609.2	16,222.2
Statewide Adjustments		
*Legislature Exempt		
*Judicial Exempt		
*Higher Education Exempt Sponsored Research	(319.8)	-
Balance of Vacant Positions/Hiring Freeze		
Executive Branch Cap	15,289.4	16,222.2
Legislature		
Judiciary		
Total Personnel Authorizations	15,289.4	16,222.2
*Higher Education Exempt Sponsored Research	319.8	
Total Personnel	15,609.2	16,222.2
*Higher Education Total with Exempt Positions	3,791.9	4,337.70

Supplemental Presentation of Information Technology and Information Resources Budget

Revised instructions on this requirement for a Supplemental Budget for Information Technology expenditures are being developed in conjunction with the Chief Information Officer. Further information on this will be distributed as soon as they are available.

Forms/Samples

Table 4 lists each of the forms that are part of the FY 2006 budget process. This table also indicates the type of format (Excel or Word) each form is in, and the name of the spreadsheet or word processing file containing the respective form template, if applicable. Some information, listed under the Template column as “data”, will be provided at a later date, upon receipt of data from the Controller’s System for FY 2004.

Both the templates of these forms and samples of completed forms are available on the Budget Office website at www.budget.state.ri.us under the Instructions tab. If you do not have Internet access, please contact Brenda Brodeur for a diskette with the form files.

If you have any questions on how to prepare a particular form, please contact your Budget Analyst for assistance.