



Agency Policies and Procedures

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Biennial Budget System

Policy Objectives:

- Agency policies and procedures for the biennial budget are to familiarize all levels of agency staff on the need to exchange information on the agency's budget issues and plans, so they can be communicated to the governor and legislature.
- The biennial budget must explain how the agency will meet financial challenges and address high priority needs within base level funding.
- The budget clarifies the implication of any requested change items. Specific decisions required on base and change items must be clearly identified on the agency budget briefs, program narratives, budget narratives, and/or change item pages.
- The budget must be consistent with the governor's and the agency's mission and priorities.

Background Information:

Biennial budget policies and procedures are used to create the agency's operating budget. *Biennium* in this policy is defined as a period of two consecutive fiscal years beginning in an odd numbered calendar year on July 1 and ending in the next odd numbered calendar year on June 30. *Fiscal year* in this policy is defined as the period beginning on July 1 and ending 12 months later on June 30.

Prior to the agency's development of the biennial budget, the governor and the Department of Minnesota Management and Budget (MMB) issue a memo and instructions that provide the general direction on the biennial budget preparation. This memo sets the priority areas and describes the financial outlook and the prospect for new spending. The most current biennial budget instructions are FY 2000-2001, thus the basis of the information in this document. The financial management director then provides instructions to the divisions which begin the preparation of the biennial budget.

Authority:

- **Minnesota Statute**
[M.S. § 16A.10 Budget Preparation](#) – This statute authorizes that in each even numbered calendar year the commissioner of Finance shall prepare biennial budget forms and instructions for all agencies subject to approval of the governor. (<https://www.revisor.leg.state.mn.us/statutes/?id=16A.10>)

Business Risks:

Failure to meet the objectives of the biennial budget process may lead to:

- Difficulties in the biennial budget presentation to the legislature,
- Reduction in funding, and/or
- The inability to meet the governor's and the agency's mission and priorities.

Policies and Procedures:

1. Program Structure

- A. Review and modify the program structure.
 1. The Executive Team (E-Team) evaluates and modifies the current program structure.
 2. The Financial Management and Reporting (FMR) Division then restructures the chart of accounts in the Biennial Budget System (BBS) to reflect the revised program structure.
 3. The executive budget officer (EBO) then reviews the chart of accounts.
- B. Complete the biennial budget narratives to reflect the agency's mission, vision, goals, and the method of operation.
 1. Budget Activity (BACT) Level
 - a. These narratives provide key operational information at the lowest level of the agency's structure.
 - b. The divisions are responsible for the updating of the budget activity pages according to MMB's instructions.
 - c. BACT level narratives should use the following headers:
 1. Program Profile - This justifies why the program exists.
 2. Strategies and Performance - This describes how the activity affects the issues identified in the Program Profile section, and what difference the activity is making.
 3. Financing Information - This provides the financial context for the activity.
 4. Budget Issues - These contain the justification for the entire BACT request, including the base level funding and any change items. This should focus on the activity's total financing.
 5. Governor's Recommendations - These will be provided by MMB after the governor's decisions are made.
 2. Program (PROG) Level
 - a. These narratives should briefly describe the budget activities and their relationship to one another within the bureau level.
 - b. The narratives follow the same header format as the BACT level narratives, but should be extremely brief, not to exceed one page.
 - c. The assistant commissioners are responsible for the program narratives.
 3. Executive Summary
 - a. This narrative contains key background information that decision-makers need to know before considering agency budget decisions.
 - d. The commissioner is responsible for the executive summary.
 - c. Headings for executive summary must include:
 1. Mission and Vision
 - a. Include key state policy goals in statute, agency mission, or vision.
 - b. Describe Minnesota Milestones goals that the agency's programs support.
 2. Key Service Strategies - These identify strategies the agency employs to accomplish the mission.
 3. Operating Environment - This explains agency operations, including agency history, description of populations, and program status.
 4. Organizational/Program Structure - This provides a summary chart of the structure with full time equivalent (FTE) counts as of the end of the previous fiscal year.
 5. Graphics - These provide certain budget information in graphical form to display trends and current status.
 4. The E-Team and the EBO review the narratives.
 5. The commissioner's staff enters the narratives into BBS.

2. Agency Budget Briefs

- A. The briefs are intended to summarize the major decisions by fund, including whether or not to continue base funding and any new funding requests.
- B. The financial management director is responsible for writing the agency budget briefs.
- C. Headings for the agency budget briefs must include:
 - 1. Base Year - This displays the base level funding in BBS for the upcoming biennium. For example, base level funding for FY 2000 and FY 2001 is based on the appropriations for FY 1999.
 - 2. Base Adjustment - This is required for items that would distort the base appropriation levels for the upcoming biennium.
 - 3. Base Level - This is the summation of the base year and the base adjustments.
 - 4. Change Items - These identify spending initiatives which cannot be reasonably funded within an agency's base level.
 - 5. Brief Explanation of Budget Decisions - This is a summary of the base budget issues, base adjustments, and change items. It briefly summarizes any restructuring or significant changes in agency operations, grants, and the impacts of the proposed decisions.
 - 6. Governor's Recommendations - These are the summation of all agency funding requests for the upcoming biennium. This information will be provided by MMB after final budget decisions are made.
- D. The E-Team and the EBO review the agency budget briefs.
- E. The commissioner's staff enters the agency budget briefs into BBS.

3. Original and Base Adjustments

- A. MMB provides the original budgets by loading the historical financial data into BBS based on the revised program structure received from the agencies. For example, the initial base level for FY 2000-2001 consists of FY 1999 rolled forward.
- B. MMB provides a list of acceptable base level adjustments in the biennial budget instructions.
- C. Base Adjustments
 - 1. The initial base level is adjusted by agencies to reflect total base level funding available to the agency. Thus, the adjusted base level becomes a reference point in the agency budget presentations, and is equivalent to the amounts necessary to continue a service at current levels. The agency based budget is expected to fund the governor's and the agency's highest priorities.
 - 2. Base adjustments are made by the FMR Division and the affected divisions.
 - 3. All base level adjustments are reviewed by the E-Team and the EBO.

4. Change Items

- A. The E-Team requests the divisions to submit the proposed narratives and the funding data on the change items.
- B. Division narratives must include:
 - 1. A summary of the proposal,
 - 2. Its relationship to the current funding,
 - 3. The rationale of the decision, and
 - 4. The expected outcomes and consequences.
- C. Approval Process
 - 1. The E-Team reviews, approves, and prioritizes these narratives and financial data.
 - 2. The FMR Division enters the approved change items into the BBS and distributes copies to the divisions.
 - 3. The commissioner's staff completes the narratives and forwards to the EBO for review.
 - 4. The EBO, in conjunction with the governor's budget staff, reviews the agency change items.
 - 5. The governor recommends the change items and releases these recommendations to the agencies.
- D. The FMR Division then adjusts the BBS to agree with the governor's recommended change items and distributes copies to the divisions.
- E. Change item information is included in the budget activity and program level narratives.

- F. The financial management director details the recommended change items on the agency budget brief page.

5. Dedicated and Non-Dedicated Revenue

A. Forecasts

1. MMB provides the original revenue information by loading the historical financial data into BBS. For example, in the FY 2000 – 2001 budget, the actual Minnesota Accounting and Procurement System (MAPS) revenue figures for FY 1997, FY 1998, and the original revenue budget for FY 1999 were loaded.
2. The FMR Division requests the dedicated and non-dedicated revenue forecasts from the appropriate divisions.
3. The divisions provide:
 - a. Dedicated and non-dedicated revenue forecasts based on historical financial data and future trends in their business,
 - b. A summary description of revenue and fee sources, and
 - c. The expected impact of any requested revenue changes on their divisions.
4. The financial management director reviews the estimates from the divisions and writes the agency level revenue summary narrative.
5. Agency Level Revenue Summary narrative headings must include:
 - a. Revenue Sources
 1. A summary description of the revenues and fees associated with agency programs,
 2. Any significant changes in the state or federal sources, and
 3. The expected impact of any anticipated or requested revenue changes on agency programs.
 - b. Fee Structure
 1. The primary components of the fee structure or revenue sources in relation to the agency's mission and clients,
 2. The relationship to the agency spending and customers,
 3. The primary revenue areas, and
 4. Statewide policy goals.
 - c. Recent Changes - These describe any recent revenue changes and the primary factors including any demographic shifts, changes in demand for services, policy changes, and fee changes.
 - d. Forecast Basis - This highlights the factors and assumptions used to forecast current law revenues.
 - e. Decision Items - These identify the expected impact of any forecast or requested revenue changes on agency programs.
6. The FMR Division enters the revenue forecast data and agency level revenue summary narrative into BBS.
7. The EBO reviews the revenue forecast data and narrative.

B. Departmental Earnings Report

1. This report provides summary information for most fees and charges collected by state agencies from the general public, regulated industries, occupational licensees, and other governmental units (except the federal government).
2. Affected divisions are asked to complete the Departmental Earnings report worksheet.
3. The FMR Division reviews and enters the data and narrative into BBS.

- C. Revenue forecast data is reconciled to the Departmental Earnings report by the FMR Division.

6. Additional Requirements

A. Agency Federal Fund Summary

1. The divisions complete the summary identifying:
 - a. The types of activities supported by federal monies,
 - b. Beneficiaries of the activities, and

- c. Whether the funding is expected to continue.
 2. The FMR Division reviews and enters the data and narrative into BBS.
- B. Salary Adjustment
 1. This process begins with the loading of the salary roster by MMB.
 2. The divisions are requested to review the salary roster to ensure that it includes all regular full time employees, permanent part-time employees, and vacant positions with intent to fill dates.
 3. The FMR Division adjusts BBS to reflect these revisions creating a salary roster by program structure.
 4. After closing the fiscal year, MMB produces a corrected salary roster based on the actual salary expenditures. For example, in the FY 2000-2001 biennial budget, the salary roster was based on the ending FY 1998 actual FTEs. Also, the salary cost projections included the FY 1999 union bargaining rates.
 5. The divisions again review the roster for accuracy.
 6. The FMR Division adjusts the budget to ensure that expense budgets are adequate to cover FY 2000-2001 anticipated personnel costs at 100%.
 7. Once the base level is approved, the biennial budget base salary adjustments are revised by the FMR Division to reflect the potential impact of salary and benefit changes.
7. Final Biennial Budget Document Presentation
 - A. Final approval is made by the commissioner of Admin.
 - B. Narratives and financial data are forwarded to MMB.
 - C. MMB prepares the Minnesota State Government Biennial Budget document.
 - D. The governor presents this budget to the legislature.
 - E. The governor's budget is reviewed by the legislative bodies with the Admin presentation made by the commissioner and appropriate staff.
 - F. The legislature approves/revises the budget and forwards to the governor for approval or veto.

See Also:

Minnesota Milestones

Minnesota State Government Biennial Budget

Department of Minnesota Management and Budget Biennial Budget Instructions

Refer to the [Glossary](#) for definitions of the key terms listed below:

base adjustment
bureau
change items
dedicated revenue

E-Team
Minnesota Milestones
non-dedicated revenue
program