

## MEMORANDUM

**DATE:** June 27, 2016

**TO:** All State Agencies, Boards and Commissions  
State Financial Officers

**FROM:** Gerry A. Oligmueller, State Budget Administrator

**RE:** Budget Preparation Instructions for the 2017-2019 Biennium

The final State of Nebraska Budget Instructions for the 2017-2019 biennial budget request cycle are now available at <http://budget.nebraska.gov/instructions.html> .

The 2017-2019 biennial State budget process emphasizes development of budget requests within a strategic results-oriented process. To underscore the importance of the relationship between strategic planning and the development of an agency's budget request, we have released the Nebraska Budget Request and Reporting System (NBRRS) in two phases.

The Agency, Division, and Program narrative screens for your operations and aid budget request submissions were released on May 23, 2016, with a preliminary completion date within the budget request system of August 5, 2016. Today, the second phase of instructions are released and the remainder of the system screens are made available, including the following: 1) operating and aid budget requests (including the Base Appropriation, Permanent Salaries Base, Issue Details, and Funds Analysis screens), 2) capital construction and building renewal requests, 3) budget modifications, and 4) information technology project proposals. **An agency's final budget request version must be locked and submitted in the budget request system by 5:00 p.m. Thursday, September 15, 2016.**

### Agency, Division, and Program Narratives

It is important that the narrative information accurately reflect the product of your current strategic planning efforts leading into preparation of your 2017-2019 biennium budget request. Agencies should carefully review and edit this information to ensure that the narrative to be submitted represents the agency's current goals, statutory responsibilities, program objectives and priorities, among other elements. Agencies are encouraged to provide as much text in the budget request system as is necessary to adequately explain their budget request and budget modifications as well as to provide summary information regarding their programs and activities. The system does allow for entry of unlimited narrative information in the "Supporting Information" narrative sections.

Please use the attachment function on the Agency Narrative screen to attach any additional strategic plan documents developed by your agency, independent of the strategic results-based elements already included in the Agency, Division, and Program Narrative screens.

Essential to a results-based budget request is the development and documentation of performance standards for each program, subprogram, and activity to measure and evaluate present as well as projected levels of expenditures. Taxpayers and their elected representatives expect state agencies and other recipients of state funding to respect the critical link that exists between agency strategic, results-based planning and the allocation of finite public resources. To further highlight the importance of the development and documentation of an agency's key performance indicators, the Administrative Services State Budget Division has developed an Excel template to facilitate the entry and submission of performance measures for each budget program. The template is available in the "Part A – Narratives" section of the budget instructions under the link to the Program Narrative Instructions. The "attachment" functionality on the Performance Measures tab of the Program Narrative screen is available for submission of the performance measures Excel template file for each respective budget program.

Pursuant to Laws 2016, LB 1092, each department and agency shall certify with their biennial budget request, for each program or practice it administers, whether such program or practice is an evidence-based program or practice, or, if not, whether such program or practice is reasonably capable of becoming an evidence-based program or practice. An Excel template form is provided on the State Budget Division website at <http://budget.nebraska.gov/instructions.html> in the "Part A – Narratives" section under the link to the Agency Narrative instructions. The Excel template must be used by agencies for identifying all programs and practices they administer and for indicating whether the programs or practices are evidence-based or reasonably capable of becoming evidence-based. Use the file attachment function to attach the agency completed certification form to the Executive Summary, Management Processes, and Service Delivery Methods tab of the Agency Narrative screen.

#### Base Appropriation

The Legislature enacted certain changes to agency appropriations for FY 2016-17 during the 2016 legislative session. The final revised and enacted FY 2016-17 new appropriations as of July 21, 2016, will be used and should be reported in your budget request submission as the "FY 2017 Current Appropriation" on the Base Appropriation screen. The Balance Checking process will compare the agency entered FY2017 Current Appropriation to the official, legislatively authorized appropriations (including aid earmarks) to ensure that an agency's 2017-2019 budget request begins with the correct base appropriation.

#### Issues

The Nebraska biennial budget request process places the emphasis on explanation and justification, not accounting codes or job codes. An *Issue* is a change to the base and therefore could be a positive (increase) or negative (decrease). Using the "Issue Details" screen, an agency can identify the specific agency goals, objectives, outcomes, cost-drivers, activities or initiatives for which the agency is requesting a change in appropriated resources. The *Issue* is defined by the agency on one screen with all of the justification necessary to support the request encapsulated within the identified issue, especially in so far as how the requested Issue relates to the agency's operation goals and performance objectives. This information becomes a "decision point" for the Governor and Legislature. The issues submitted for consideration can also be much more easily understood by the public than was previously the case when account codes were the primary basis for requested appropriation changes.

#### Budget Modifications

The budget modification process for the 2017-2019 biennial budget request requires that agencies with General Fund appropriations submit modifications at the 92% base level. Budget modifications represent the lowest priorities for continued or additional new funding within the budget request and will be considered as such during the budget process. It is our expectation that the 92% base level will generate a number of thoughtful choices and priorities for each affected agency for the Governor's and Legislature's consideration and that agencies will give serious attention to their identification of modification issues.

### Funds Analysis

We ask agencies with cash, federal, and revolving funds to be especially diligent in completing the Funds Analysis screen. The Funds Analysis screen should reflect all enacted adjustments to fund balances. Note the continuation of the narrative tab on the Funds Analysis screen. The Funds Analysis narrative will continue to be required for federal grant awards in order to provide an outlook on future federal funding. Agencies should also provide narrative explanation in the General Comments tab of the Funds Analysis narrative screen for any situations where estimated annual revenues exceed estimated annual expenditures by an amount greater than seven percent for FY 2019, or where the estimated June 30, 2019, fund balance exceeds twenty-five percent of FY 2019 estimated expenditures. Please also explain any projected negative fund balances. If your agency determines that an adjustment of fees/charges would be advisable, narrative information should be included outlining any agency plans for making such adjustments.

### Submission

As noted above, an agency's final budget request version must be locked and submitted in the budget request system by Thursday, September 15, 2016. At that time, access to the budget request submissions will be granted to the Nebraska Legislative Fiscal Office, the Coordinating Commission for Postsecondary Education, the Task Force for Building Renewal, the Comprehensive Capital Facilities Planning Commission, and the Nebraska Information Technology Commission. Printed copies of your 2017-2019 biennium budget requests are not requested. This electronic submission and sharing of information is a significant cost-savings measure associated with the Nebraska Budget Request and Reporting System.

### Public Access and Governor's Recommendations

All State agency, board, and commission budget requests will also be made available to the public via the State Budget Division's website. This provides easy anytime access and 100 percent transparency of the 2017-2019 biennial budget requests of all State agencies, boards, and commissions. The Governor's budget recommendations for the 2017-2019 Biennium will be presented to the Legislature in January 2017, pursuant to Section 81-125, Reissue Revised Statutes, 2014.

### Special Note

The importance of the quality and accuracy of the information you provide as part of your 2017-2019 biennium request is underscored by the recent reports from the Department of Revenue that actual general fund tax receipts year-to-date through May for FY 2015-16 are \$71 million below the tax receipt forecast which is the basis for the first year of our current biennial appropriations. A reasonable conclusion is that actual general fund tax receipts may also not meet the forecasted amount for FY 2016-17. The Nebraska Economic Forecasting Advisory Board is scheduled to make its forecast of net General Fund tax receipts for the 2017-2019 budget biennium on October 28, 2016. Your identification of agency goals, objectives, and priorities, especially as further communicated through budget modifications, will be critically important in the decision-making process for 2017-2019 biennial appropriations.

Thanks very much for your special efforts in preparing a quality 2017-2019 biennial budget request. The staff of the Department of Administrative Services State Budget Division are prepared to answer your questions and assist you in the preparation and submission of your requests.