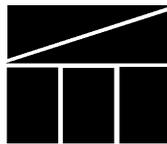


# Instructions for Preparing the Base Budget, Base Adjustment, and Technical Adjustment Submissions

**2006-2008 Biennial Budget**



**Department of Planning and Budget**

**June 2005**

# Table of Contents

- Overview..... 1
  - Definitions ..... 1
  - Calendar..... 2
- Base Budget..... 2
  - Preparing the budget data submission ..... 2
  - Personal services..... 3
  - Turnover and vacancy..... 3
  - Personal service recoveries..... 3
  - Nonpersonal services..... 4
- Base Budget Adjustments..... 4
  - Base budget adjustment data electronic submission..... 4
- Technical Adjustments ..... 5
  - Technical adjustment narrative (TAN)..... 5
  - Technical adjustment data electronic submission..... 6
- Appendix A..... 7
  - Fringe Benefit Table ..... 7
- Appendix B..... 8
  - Technical Adjustment Narrative (TAN) Form ..... 8

# Overview

This package of instructions is the first your agency will receive related to development of the Governor's executive budget for the 2006-2008 biennium. It provides guidance and instructions for preparing three submissions, all of which are **due by August 1, 2005**. The three submissions are:

- Base budget submission;
- Base adjustments to be identified by the Department of Planning and Budget (DPB); and
- Technical adjustments to the base.

These instructions apply to all state agencies and institutions of higher education.

In August, DPB will issue additional instructions for submitting "decision packages" which will include requests for changes in services or new services. The final total budget request for the 2006-2008 biennium will consist of the base budget, base adjustments, technical adjustments, and any decision packages that you submit.

Instructions will also be sent to agencies in the next month for preparing nongeneral fund revenue estimates required for development of the 2006-2008 biennial budget and legislative reporting forms.

The budget process for 2006-2008 has changed from two years ago. The first change is that the base budget submission will not include any adjustments to account for central appropriation actions, reflect certain changes approved administratively, delete one-time costs, or annualize partial-year funding. These will be submitted as base and technical adjustments. The base budget for the 2006-2008 biennium will equal the dollar and positions in the second year of Chapter 951, the 2005 Appropriation Act, which was signed into law on May 4, 2005.

The second change is that service areas will be used rather than subprograms for base budget submission. Service areas are the link between the budget and the strategic planning work being done with agencies this spring. The use of service areas has eliminated the need for agencies to submit an activity submission. Agencies should have already received the new service area taxonomy from their budget analyst.

Some agencies have designated service areas at the program level for the purposes of strategic planning and service area planning. For example, some larger agencies have the program entitled, Administrative and Support Services, which is designated as the service area. These agencies are reminded to utilize the subprograms below the program to prepare the base budget, base budget adjustments and technical submissions for WebBEARS. The subprograms should also be used to record any requests for decision packages in September. To help agencies clarify if there are subprograms below the service area programs, go to the Strategic Planning page on DPB's website and click on the PDF document entitled, Service Area Structure by Agency (<http://dpb.virginia.gov/SP/index.htm>).

## **Definitions**

**FY 2007** refers to the period from July 1, 2006, to June 30, 2007.

**FY 2008** refers to the period from July 1, 2007, to June 30, 2008.

**2006-2008 biennium** refers to the two-year period that begins July 1, 2006 and ends June 30, 2008.

## **Calendar**

Below is a calendar of key budget development dates for the 2006-2008 biennium:

<i>Submission</i>	<i>Date Due to DPB</i>
Strategic Planning Service Area Plan	July 15, 2005
Base Budget	August 1, 2005
Base Budget Adjustments	August 1, 2005
Technical Adjustments	August 1, 2005
Nongeneral Fund Revenue Estimates	August 15, 2005
Decision Package Submission	September 15, 2005
Federal and Organizational reporting requirements	September 15, 2005

The Governor will submit his 2006-2008 biennial budget to the General Assembly on December 16, 2005.

## **Base Budget**

The 2006-2008 base budget submission consists of a data submission only, with no narrative requirement. Agencies will use WebBEARS to prepare and transmit the data submission. At the agency level, dollars and positions in the base submission must equal the agency's legislative appropriation for FY 2006 in Chapter 951. The dollar and position totals for both FY 2007 and FY 2008 will be the same.

### ***Preparing the budget data submission***

The data submission allocates your FY 2006 Chapter 951 appropriation among assigned programs and service areas, objects/subobjects of expenditure, and fund group or fund detail. Data must be submitted using WebBEARS. Array the dollar amounts for each program/service area by subobject code for all personal services expenses (e.g., 1111, 1112, 1123, etc.), and by major object for all nonpersonal services (e.g., 1295, 1395, etc.).

The following are some basic tips to help proceed through WebBEARS:

- **Choose "2006\_Base."** In WebBEARS, be sure to choose the submission called "2006\_Base" from the drop-down menu on the main screen.
- **Balancing the submission.** Before submission, make sure that the total dollars and positions by fund/fund detail at the program level balance to the dollars and position level by subobject detail at the program level.

- **Click the ‘Complete Submission’ button.** WebBEARS automatically sends DPB an e-mail when you complete your data submission by clicking on the final “Complete Submission” button.

WebBEARS has an on-line help feature for those who are unfamiliar with the system. Go to DPB’s website: <http://dpb.virginia.gov/> and click on WebBEARS in the blue column at left.

### ***Personal services***

The 2006-2008 base will not include 2004-2006 salary adjustments and fringe benefit changes funded in central appropriations in Chapter 951. Salaries and fringe benefits used in the base will have to be as of July 1, 2004, the beginning of the current biennium. Refer to Appendix A for the fringe benefit rate table to use for your base submission. The base personal services request must include any projected expenditures in the next biennium for such personal service costs as overtime payments, wage employment, and payment of leave balances.

Although the base position level must be fully funded, this is not possible to do in your base submission. The 2004-2006 salary and fringe benefits adjustments are not in the FY 2006 appropriation. These transfers, however, will be included in your base adjustments. The sum of the funding for personal services in the base budget and the base budget adjustments should then be sufficient to fully fund the position level for your agency.

### ***Turnover and vacancy***

Your base submission needs to reflect projected turnover and vacancy savings for your agency. These savings should be based on historical trends and assumptions for the 2006-2008 biennium. Savings from turnover and vacancy need to be shown as a negative number. The savings can be applied to another area as a positive number to offset spending in other personal services areas (such as severance or hourly employment) or nonpersonal services. The following designated subobject codes are to be used for adjustments in the submission for turnover and vacancy savings:

- 1192 Turnover/Vacancy Faculty Salaries
- 1193 Turnover/Vacancy Fringe Benefits
- 1194 Turnover/Vacancy Medical/Hospital Insurance
- 1195 Turnover/Vacancy Classified Salaries

### ***Personal service recoveries***

Recovery codes are used only for non-vendor relationships that would include refunds made by vendors or parties outside state government. Recovery codes should not be used to record payments for goods or services provided to public or private individuals or entities. The xx98 subobject codes should only be used when the expenditure and recovery of expenditure occur in the same fiscal year. The following designated subobject codes are to record any adjustments for personal service recoveries:

- 1196 Indirect Cost Recoveries from Auxiliary Program for Personal Services (higher education only)
- 1197 Indirect Cost Recoveries from Sponsored Programs for Personal Services (higher education only)
- 1198 Inter-Agency Recoveries for Personal Services
- 1199 Intra-Agency Recoveries for Personal Services

## ***Nonpersonal services***

For all nonpersonal services, array the planned expenses by major object of expenditure. Use ONLY the designated convenience codes listed below; e.g., for your expenses in the 1200 major object of expense, enter your aggregate amount using the convenience code 1295.

- 1295 Undistributed Contractual Services
- 1395 Undistributed Supplies and Materials
- 1495 Undistributed Transfer Payments
- 1595 Undistributed Continuous Charges
- 2195 Undistributed Property and Improvements
- 2295 Undistributed Equipment
- 2395 Undistributed Plant and Improvements
- 3195 Undistributed Obligations

Do not use any other budgetary nonpersonal services convenience codes in the Expenditure Structure. These convenience codes cannot be used during budget execution.

## **Base Budget Adjustments**

Base budget adjustments consist of mandatory changes to your 2006-2008 base submission. This submission is also due on **August 1, 2005**. DPB will identify and communicate these mandatory adjustments to you soon after these instructions are issued.

Examples of base budget adjustments include:

- Removal of one-time costs or savings,
- Net zero transfers of dollars or positions
- Annualization of partial year spending or reductions,
- Shifting of funds or positions between programs,
- Addition of nongeneral fund revenues, or
- Increase in position level to reflect actions already approved administratively.

Base adjustments will also include selected central account adjustments such as increased funding to reflect the general fund share of the November 2004 and November 2005 salary increases and 2004-2006 increases in health insurance premiums.

The base adjustment consists solely of a data submission using WebBEARS to prepare and transmit this data submission. No narrative submission is required.

Use the fringe benefit rates in the second column of Appendix A when computing personal services costs for base adjustments.

### ***Base budget adjustment data electronic submission***

The data submission must array the mandatory adjustments by program/service area and by object of expenditure (subobject for personal services and major object for nonpersonal services). Here are some additional guidelines for submission:

- **Choose “2006\_Base\_Adjust.”** In WebBEARS, be sure to choose the submission called “2006\_Base\_Adjust” from the drop-down menu on the main screen.
- **Use addenda series 100.** These numbers will be assigned to the agencies during this phase of budget submission.
- **Follow the instructions for base budget,** including instructions for personal services and nonpersonal services.
- **Remember to click the ‘Complete Submission’ button.** WebBEARS automatically sends DPB e-mail when you complete your data submission by clicking on the final “Complete Submission” button.

## Technical Adjustments

Technical adjustments are agency generated and due by **August 1, 2005**. This technical submission consists of a narrative and data submission. **Do not submit technical submissions for items identified as base adjustments.**

Similar to base adjustments, technical adjustments can be submitted for one or more of the following purposes:

- Remove one-time costs not included in base adjustments,
- Net zero transfer of dollars or positions
- Annualize partial year funding not included in base adjustments,
- Shift funds or positions between programs,
- Account for additional nongeneral fund revenues, or
- Account for an increase in position level to reflect actions already approved administratively.

Contact your budget analyst if you have questions about whether an adjustment meets these criteria or not. Generally, any adjustments resulting in additional general fund dollars or involving new policy should be submitted as a decision package in September.

For more than one proposed technical adjustment, include the narratives in one Word Document, separating each with a page break. Submit the document to [budget@dpb.virginia.gov](mailto:budget@dpb.virginia.gov) as an attachment to an e-mail.

Use the fringe benefit rates in the second column of Appendix A when computing personal service costs for technical adjustments.

### ***Technical adjustment narrative (TAN)***

The technical adjustment narrative (Form TAN) provides DPB with a description of the proposed adjustment and the supporting rationale or justification. A copy of the form can be found in Appendix B.

Agencies must complete a separate Form TAN for each proposed technical adjustment. This form is available in Microsoft Word format on DPB’s web site at <http://dpb.virginia.gov/forms/forms.cfm>. For more than one technical adjustment, a separate narrative justification for each technical adjustment must be generated, and should be separated by a page break in the Word document.

All items in the Form TAN must be completed, if an item is not applicable, insert “N/A.” Do not delete any items. Name the file according to the following convention: your agency’s three-digit code followed by “TAN.” Example: If you are agency 999, the file would be named 999TAN.doc

- Item 1. Agency name: Type in the agency name.
- Item 2. Agency code. Insert your agency’s three-digit code.
- Item 3. Addenda number. Use the 200 series. If your agency is proposing more than one technical adjustment, number the first one 201, the second one 202, and then sequentially, 203, 204, etc. **(It is important that you use the SAME number here that you do in the WebBEARS data submission.)**
- Item 4. Title. Insert a short descriptive title (no more than 100 characters long) describing the action.
- Item 5. Description. Summarize the actions your agency proposes to take.
- Item 6. Rationale needed for the request. What issue or problem are you trying to resolve? What is the need for the proposed action? Be as specific as possible.
- Item 7. Methodology for cost of proposal. Provide an explanation of the methodology used to calculate the figures in the technical adjustment.
- Item 8. Nongeneral fund sources. Put an X in the appropriate box to indicate if the proposed technical adjustment involves a change in nongeneral fund revenue. If “yes,” insert in the table the revenue source code, the fund/fund detail code, the title of the fund/fund detail, and the amount for each year of the biennium. Add additional lines if needed for more revenue source codes or fund details. Also, provide in the block marked “Nongeneral Fund Methodology” the methodology used to calculate the nongeneral fund amounts. State if the nongeneral funds involved are grant funds.

### ***Technical adjustment data electronic submission***

Agencies will use WebBEARS to prepare and transmit this data submission. The data collection arrays your requests by program/service area and by object of expenditure (subobject for personal services and major object for nonpersonal services). Submission of data for any technical adjustments must be through WebBEARS.

Here are some additional guidelines for submission:

- **Choose “2006\_Technicals.”** In WebBEARS, be sure to choose the submission called “2006\_Technicals” from the drop-down menu on the main screen.
- **Use addenda series 200.** Use the 200 series for technical adjustments. If your agency has more than one technical adjustment to propose, assign the numbers consecutively, starting with 201 and continuing with 202, 203, etc.
- **Follow the instructions for base budget,** including instructions for personal services and nonpersonal services.
- **Remember to click the ‘Complete Submission’ button.** WebBEARS automatically sends DPB e-mail when you complete your data submission by clicking on the final “Complete Submission” button.

# Appendix A

## Fringe Benefit Table

Subobject	Factor	Base Budget Annual Cost Factors	Base and Technical Adjustments Annual Cost Factors
1111	<b>VRS Retirement Contributions</b>		
	State Employees	9.24%	8.91%
	Virginia Law Officers Retirement (VaLORS)	21.15%	21.99%
	State Police (SPORS)	30.00%	21.49%
	Judges (JRS)	50.00%	35.55%
1112	<b>Social Security</b>	6.20% capped at \$90,000	6.20% capped at \$90,000
1112	<b>Medicare</b>	1.45%	1.45%
1114	<b>Group Life</b>	0.80%	0.80%
1115	<b>Annual Employer Health Insurance Premiums</b>		
	<b>COVA Care (Statewide) and Kaiser (Northern VA)</b>		
	Single	\$3,168	\$4,080
	Employee Plus One	\$5,652	\$7,272
	Family	\$8,280	\$10,668
1116	<b>Retiree Health Insurance Credit Premium</b>	1.21%	1.04%
1117	<b>VSDP &amp; Long-Term Disability Insurance</b>		
	State employees	1.07%	1.65%
	State Police	1.42%	1.65%
	VaLORS	1.42%	1.65%
1118	<b>Teachers Insurance and Annuity</b>	10.40%	10.40%
1119	<b>Defined Contribution Plan</b>	10.40%	10.40%
1138	<b>Deferred Compensation Match Payments</b>	One-half of an employee's contribution per pay period, up to a maximum of \$20 per pay period or \$480 annually.	One-half of an employee's contribution per pay period, up to a maximum of \$20 per pay period or \$480 annually.

Note: Percentage costs refer to percent of salaries. Health insurance premiums are the annual employer dollar cost for an individual.

# Appendix B

## Technical Adjustment Narrative (TAN) Form

1. Agency name: \_\_\_\_\_ 2. Agency code: \_\_\_\_\_

3. Addenda number: \_\_\_\_\_ 4. Title: \_\_\_\_\_

5. Description:

6. Rationale or need for the request:

7. Methodology for cost of proposal:

8. Nongeneral fund sources:  YES  NO

If YES, fill in table below:

Revenue Source Code	Fund/ Fund Detail Code	Fund/Fund Detail Title	FY 2007 Amount	FY 2008 Amount

Nongeneral fund methodology: