

B.1 BUDGET DEVELOPMENT GUIDANCE

The State of Maryland uses a current services budget (CSB) process. DBM begins with a base of the previous year's budget, then adjusts that base for certain known changes, creating CSB targets for agencies. Agencies must carefully consider their targets and determine what action is needed to submit a budget within the target. Agencies may have to decrease portions of their budget below the previous year's expenditure level. Please contact your assigned DBM analyst if you would like guidance for a specific type of expenditure. Agencies should include documentation with the budget request regarding assumptions made about each category of expenditure (comptroller object or "subobject"). Please refer to [Section B.14](#) for a list of subobjects and guidance on each.

General Considerations

Agencies should answer the following questions before beginning to build their budget:

- Are any new facilities becoming operational and therefore increasing operating costs?
- Are there required rate changes from the federal government, service providers, or DBM?
- Are there any approved salary adjustments?
- Are there other budget drivers that should be considered?
- If the agency budget is dependent on a caseload forecast, how will that forecast change in the coming fiscal period?

Strategies

Averages: When determining the budget for some subobjects, it may make sense to budget the average of the last three completed fiscal years. Averages should be applied to recurring expenditures that are not "controlled subobjects." (See page 2 of this section for a description of controlled subobjects). For example, if the number of inspections an agency conducts stays the same each year, the travel costs related to these inspections may be relatively stable, depending upon fuel costs. Using the average of the last three years may allow for a stable funding level that changes marginally to reflect actual travel costs.

Most Recent Year Actuals: In some cases, it may be more appropriate to budget the same amount as was spent in the most recently closed fiscal year. Using the most recent actual expenditures is particularly valuable if the agency recently began a new program and does not have enough data or experience to fully predict the potential expenditures. Over time, the agency should be able to better determine which budgeting strategy is appropriate.

Inflationary Factor: In some cases, such as when calculating expenditures that are consumer-based, it makes sense to inflate the previous year's budget. In general, the State uses the Implicit Price Deflator for State and Local Expenditures. Additional information on the implicit price deflator can be found [at this link](#). Next, select *Section 1 – Domestic Product and Income* and then select *Table 1.1.9 Implicit Price Deflators for Gross Domestic Product (A) (Q)*. Scroll down to Line 26 to find the State and local expenditures.

Specific Commitments: In some cases, there are discrete additional charges that the agency may include for specific commitments. These are often one-time expenditures for new equipment or expenditures related to a new initiative. The agency may budget these within the target, reducing in other areas if necessary. This should include contracts that are multi-year commitments.

Building Blocks of the Budget

Set Staffing
Levels and
Salaries for
Permanent
Positions

- Budget the number of employees the agency will need in order to achieve the goals of the upcoming fiscal period and set the salaries for these employees using the subobject 0101 target set by DBM. New positions must be submitted as over-the-target requests.
- Budget the health and pension benefits and turnover rate that relate to the positions budgeted above.
- The most important subobjects for the agency for this step are 0101, 0112, 0151, 0152, 0154, 0161, 0169, 0174, and 0189.

Set Staffing
Levels and
Salaries for
Contractual
Positions

- Budget the number of contractual employees the agency will need in order to achieve the goals and objectives of the upcoming fiscal period and set the salaries for those contractals. Be diligent about ending contractual positions that are no longer necessary.
- The most important subobjects for the agency for this step are 0220, 0213, 0214, 0217, and 0289.
- The State provides health insurance for certain contractual employees. DBM will send a target to agencies to budget for this expense.
- When budget developers build their salary and fringe budgets, they should include the following considerations:
 - Will the agency be reclassifying individual employees?
 - Will the agency be converting contractual employees to permanent employees?
 - What are the current vacancies and how many of those will be filled in the budget?

Set All Other
Controlled
Subobject
Expenditures

- Controlled subobjects are nondiscretionary. The amounts in the request must be exactly the same, by fund source, as those in the legislative appropriation. The agency should carefully follow the budget instructions and contact the assigned DBM budget analyst if there are any questions or concerns. These specific subobjects are 0101, 0152, 0154, 0175, 0217, 0305, 0322, 0697, 0831, 0833, 0839, 0874, 0875, 0876, 0882, 0894 and 0897. Other controlled subobjects that must be budgeted according to guidance in Section B.14 include 0698, 0704, 1302, and 1303.

Set Any Other
Mandated
Expenditures

- The budget should include any mandated (non-discretionary only) increases or expenditures set forth in statute and carry forward any required contractual expenditures and capital lease financing payments. The staffing considerations for these mandated increases should be considered in the previous steps.
- Agencies should only include mandated increases where the legislature has passed a law that includes language that the “Governor shall” appropriate or include in the budget a specific expenditure amount or budget formula. These are non-discretionary. Agencies should *not* include funding for new laws that do not specify an amount or provide a formula, unless they are able to include the funding within the target. Alternatively, agencies may request this funding in an over-the-target request.
- CAVEAT: The Legislature will sometimes pass laws that include an intent section with budget language. Intent language in a law is not a legal requirement and agencies should *not* consider these mandates. Agencies should budget these expenditures within existing funds or submit an over-the-target request.