

## 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.

In BARS, we reference “targets” in two ways:

- A CSB target, which is the total General Fund and /or Special Fund target for the agency's entire budget submission. This is what DBM has historically referred to as the agency's budget target. The full budget submission in BARS will validate to ensure the request does not go over the target amount(s).
- Target adjustments and/or locks, which are specific updates that DBM analysts have entered in BARS to ensure that budget mandates and other specific budget items are properly reflected in the submission. For example, DBM may increase a grant program by \$1 million to reflect the funding level specified in statute through a target adjustment. DBM may also “lock” that subprogram or fund source to ensure that the funding stays in the mandated location.

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?
- Are there any new or changed funding mandates that were not reflected in the target?

### 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.

### **✎ General Guidance for Working in BARS**

*While DBM is providing some basic guidance and ideas for how to approach the budget request, we recognize each agency will complete the request in BARS differently. We're just sharing one possible approach. We encourage you to share best practices as you work in the system so we can continue to refine and improve the guidance we provide over time.*

### **Reconcile Positions**

Even before the target and agency request is available in BARS, agencies can begin by ensuring that Workday data is up-to-date as much as possible, consulting reports in BARS that indicate where differences exist between the budget system and Workday. If there are differences between the two data sources, create a separate tracking spreadsheet to plan for the needed changes. These changes may include differences in location, class code and grade/step, and fund split. Agencies should also be tracking the differences in salaries and fringes between FY 2020 and FY 2021 and assess changes for the budget request. During the official "Position Reconciliation" process directed by DBM, agencies should go into BARS and begin using position adjustments to correct the position data.

Agencies can prorate fund splits across all positions within a given subprogram to simplify position revenue data consistent with expenditures in a given program or subprogram. This method has been found to be far easier than managing fund splits on a PIN-by-PIN basis within the budget system.

### **Update the Prior Year (PY) Actuals Data**

As feasible, agencies should balance to the expenditure levels in FMIS displayed in the agency's DAFR 6000 and G200 reports. Agencies are encouraged to use this as a guide, but should understand that their Chief Financial Officer (CFO) or Budget Director will know best what the final numbers should look like from a budget perspective. Agencies should consult DBM if they believe they're off from what the General Accounting Division (GAD) has for the official DAFR 6000. For contractual positions (subobject 0220), contracts (Object 08), grants (Object 12), and non-DGS real estate (subobject 1303) agencies should prepare SD tab adjustments as noted below and instructed in this document.

### **Contractual Positions**

Agencies should have a conceptualization of the FY 2019 Actual expenditures and personnel and begin making adjustments in the Contractuals SD against the rollover FY 2019 appropriation data to effectuate these changes. In addition, perform adjustments where necessary in FY 2021 to adjust for changes since the previous budget request. Agencies are not required to make changes to the Current Year. Contractual positions must be in a specific location rather than be co-located within an administrative unit, and must always maintain at least a 1.00:\$20,000 FTE-to-salary ratio.

### **Contracts/Grants**

Agencies should also have a list of specific contracts and grants that constitute real-time tracking of contractual services provided to the agency. This data includes duration, total cost, description, an easily-identifiable name indicative of the purpose (not simply the vendor name), and how much it is expected to cost over the course of the contract. Agencies are required to provide descriptions of the contracts and grants that describe its purpose and utility. Begin by making adjustments in the Contracts/Grants SD tab against the rollover FY 2019 appropriation (for the FY 2019 Actuals). Continue by planning funding changes for existing contracts and assessing changes in the FY 2021 budget request versus FY 2020. Small agencies may be able to complete this process in one work item per fiscal year, while large agencies are encouraged to break down contracts into subsidiary units for both ease and performance in the system. Keep in mind anticipated fund split changes in both FY 2020 and FY 2021, and track differences against the target using resources provided by the budget system and DBM. **Please be mindful of using the appropriate object 08 subobject and do NOT use 0899 “Miscellaneous” unless absolutely necessary.**

### **Non-DGS Real Estate Leases**

Similarly to the Contracts/Grants process, agencies should have accumulated a list of real estate leases that have a specific duration, total cost, description, name, and cost of the lease. Make the requisite adjustments in FY 2019 to reconcile to the Actuals, and make changes where necessary in FY 2021.

### **All Other Expenditures**

Agencies should begin using the Expenditures tab to allocate funds against non-Personnel 01 subobjects, non-Contractual salary 02 subobjects, and Object 03, 04, 05, 06, 07 (including 0701), 09, 10, 11, non-lease 13, and 14 subobjects. Virtually all agencies should have spent the interim developing strategies for how to budget these expenditures and begin planning the adjustments of the existing budget system data to reflect the newly-intended data for the FY 2021 agency budget request. Agencies should be cognizant of inflation rates, effects of the rollover from the previous fiscal year, and all specific programming that is included in the rollover and necessary in order to fund the agency within the target for FY 2021.

**Use the Export/Import feature** with formulas if you are more comfortable inputting whole numbers while working on the budget request instead of adjusted numbers.

FY 2021 Operating Budget Submission Requirements

- This can also help agencies quickly budget three year actuals or some other calculated budgeting methodology.
- The data uploaded into the “Expenditures” tab must reconcile to the SD tabs for contractual positions, contracts/grants, and non-DGS leases.
- For an example, see the exported BARS grid one the following page as well as the formula view of the same spreadsheet.

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	
	Unit	Program	Sub-Program	Object	Comptroller Subobject	Agency Subobject	Fund	PY 2016	PY 2017	PY 2018	CY 2019	BY 2020 Approved	FY 2020 Adjustment	Comment	Three Year Average
1				09	0901	0908	03	474	1291	1000	1200	1200	-278	3-yr actual avg	922
2				09	0902	0901	03	2279	1167	1365	2810	2810	-1206	3-yr actual avg	1604
3				09	0903	0925	03	0	196	0	0	0	65	3-yr actual avg	65
4				09	0904	0902	03	2049	2253	3999	4524	4524	-1757	3-yr actual avg	2767
5				09	0904	0902	09	2475	1800	0	0	0	1425	3-yr actual avg	1425
6				09	0912	0912	03	760	100	906	600	600	-11	3-yr actual avg	589
7				09	0917	0910	03	0	700	30	750	750	-507	3-yr actual avg	243
8				09	0930	0937	03	324	0	0	324	324	-216	3-yr actual avg	108
9				09	0951	0934	03	3059	1882	0	3059	3059	-1412	3-yr actual avg	1647
10				09	0999	0917	03	2479	6988	9872	6820	6820	-374	3-yr actual avg	6446
11				09	0999	0917	09	3596	2003	1678	4000	4000	-1574	3-yr actual avg	2426
12				09	0999	0918	03	538	1033	697	1000	1000	-244	3-yr actual avg	756
13				09	0999	0913	03	105	0	0	0	0	35	3-yr actual avg	35

L	M	N	O	P
BY 2020 Approved	FY 2020 Adjustment	Comment		Three Year Average
1200	=P2-L2	3-yr actual avg		=ROUND((H2+H2+J2)/3,0)
2810	=P3-L3	3-yr actual avg		=ROUND((H3+H3+J3)/3,0)
0	=P4-L4	3-yr actual avg		=ROUND((H4+H4+J4)/3,0)
4524	=P5-L5	3-yr actual avg		=ROUND((H5+H5+J5)/3,0)
0	=P6-L6	3-yr actual avg		=ROUND((H6+H6+J6)/3,0)
600	=P7-L7	3-yr actual avg		=ROUND((H7+H7+J7)/3,0)
750	=P8-L8	3-yr actual avg		=ROUND((H8+H8+J8)/3,0)
324	=P9-L9	3-yr actual avg		=ROUND((H9+H9+J9)/3,0)
3059	=P10-L10	3-yr actual avg		=ROUND((H10+H10+J10)/3,0)
6820	=P11-L11	3-yr actual avg		=ROUND((H11+H11+J11)/3,0)
4000	=P12-L12	3-yr actual avg		=ROUND((H12+H12+J12)/3,0)
1000	=P13-L13	3-yr actual avg		=ROUND((H13+H13+J13)/3,0)
0	=P14-L14	3-yr actual avg		=ROUND((H14+H14+J14)/3,0)



Delete this column before importing back into BARS

**Reference: Agency Adjustment Types in BARS**

Adjustment Type	Description	PY	CY	BY	Stage	OBA Approval?
Agency Actuals Adjustment	Allows an agency to adjust their stated actuals for the Prior Year in whatever way they need to.	Y	N	N	Agency Actuals	N
Reorganization	Allows program changes where otherwise changes to the actuals year need to be balanced by program – please discuss with Kurt Stolzenbach at DBM.	Y	N	N	Agency Actuals	Y
CY Adjustment	Allows CY adjustments which are not budget amendments (i.e., realigning within program by fund type). Not a requirement for the budget request.	N	Y	N	Agency Working	N
Deficiencies	Agency deficiency requests for the Current Year.	N	Y	N	Agency Add'l Working	Y
Agency Adjustments	These are changes which agencies submit as an adjustment which do materially change programs, but fall within an agency's target (e.g. a reorganization between programs).	N	N	Y	Agency Request	N
Over the Target Requests	Agency "Over the Target" additional funding requests .	N	N	Y	Agency Add'l Request	Y
Reduction Options	Reduction options submitted by an Agency.	N	N	Y	Agency Add'l Request	Y
Position Reconciliation	Allows an agency to perform a position reconciliation which does not allow net changes to FTE counts. These are the only adjustments that may be submitted outside of the Budget Request Submission module.	N	N	Y	Baseline Adjusted	N

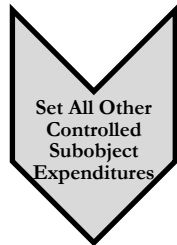
## Building Blocks of the Budget



- 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 during the Position Reconciliation exercise. 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.



- 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, level fund from FY 2020.
- 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?



- Controlled subobjects are nondiscretionary. The amounts in the request must be exactly the same, by fund source, as those in the legislative appropriation. While BARS will validate this, the agency should ensure this is correct 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.



- 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.