Budget Development Guidance

This document provides an overview of general budgeting concepts and best practices to assist agencies in developing a complete and accurate budget request. Detailed budget submission requirements, a budget development roadmap, and a Budget Request Submission (BRS) checklist are provided in the Fiscal Year (FY) 2028 Budget Instructions and should be consulted when preparing the budget request. Questions concerning budget submission requirements should be directed to the agency's assigned Office of Budget Analysis (OBA) Budget Analyst.

General Budget Considerations

Before developing the budget request, agencies should evaluate factors that may affect expenditures in the upcoming budget year. Question to consider include:

- Will any new or expanded facilities become operational, increasing operating costs?
- Are there required rate changes from the federal government, service providers, or the Department of Budget and Management (DBM)?
- Are there any approved salary adjustments?
- If the agency budget is dependent on a caseload forecast, how will that forecast change in the coming budget year?
- Are workloads or service demands expected to change?
- Are there any new or changing funding mandates that were not reflected in the target?
- Are there expiring federal grants, one-time funding sources, or temporary initiatives that must be replaced or removed?
- Are there multi-year contracts, leases, or other commitments with known future cost changes?
- Are there operational efficiencies, vacancy savings, or other savings opportunities that can help the agency remain within its target?

For detailed guidance on budgeting personnel, contracts, operating expenses, vehicles, leases, grants, and other expenditure categories, refer to the applicable sections of the FY 2028 Budget Instructions.

Common Strategies for Budget Development

Different expenditure categories may require different budgeting methodologies. Agencies should select an appropriate approach and maintain documentation supporting any significant budget changes. Agencies should also be prepared to explain the methodology and assumptions used to develop budget requests during OBA review. Below are examples of different methodological approaches.

Historical Averages: Averages can be applied to recurring expenditures that are not controlled statewide 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 a three-year average can provide a stable funding level while reflecting recent expenditure trends. Agencies should consider whether unusual events, such as the COVID-19 pandemic or one-time purchases, significantly affected historical spending before relying on averages.

Most Recent Year Actual Expenditures: For newer programs or expenditures that have recently stabilized, the most recently completed fiscal year's actual expenditures may provide the best estimate for future funding needs.

Inflationary Factors: Where appropriate, agencies should consider known inflationary factors, like contractual price increases, utility rate increases, or other known cost adjustments. Unless otherwise directed in the Budget Instructions, agencies should use reasonable and supportable assumptions when estimating these costs. 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. Click on the link to Table 1.1.9 and scroll down to "State and Local" (line 26).

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 spending in other areas if necessary. This should include contracts that are multi-year commitments.

Workload- or Caseload-Based Budgeting: Programs driven by workload, enrollment, utilization, or caseload should base requests on the best available forecasts and supporting data. Agencies should be prepared to explain significant increases or decreases from prior years.