

THE BUDGET DEVELOPMENT PROCESS

The ultimate product of the budgetary process is a plan describing how, during the next fiscal year, the state will use limited resources to best meet the needs of its citizens. While the final formulation of an overall plan rests with the Legislature and the Governor, it originates with the individual budget requests of state agencies.

Program Development

Idaho uses a process known as program budgeting. Funding decisions are made on the basis of goal-oriented programs within each organizational unit for the upcoming fiscal year. The purpose of program budgeting is to relate expected results to costs.

A program is a set of activities that follows a planned course of action to achieve specified goals and objectives. A program is a broad category of similar services (WHAT) for an identifiable group (WHO) and for a specific purpose (WHY).

The creation of a program results from:

- The identification of a problem and/or desired outcome;
- A decision to take action to solve the problem or achieve the outcome;
- A plan for allocating resources to solve the problem or meet the outcome.

Programs must be manageable. There must be a specific person designated to be responsible for the operation of the program and for the achievement of the program's objective(s).

Programs should have well-defined and measurable outcomes.

Programs should have at least one long-range goal and one short-range objective. All objectives should clearly contribute to the program goal.

The first step in budget preparation is to identify the needs or problems that necessitate the existence of a program. The agency should focus emphasis on needs and problems that require policy review by the Governor and the Legislature. From this process evolves the establishment of program goals, identification of objectives, and the proposal of a recommended solution.

When identifying needs and problems, the following questions should be answered:

- What is the real problem or issue, and what is the cause?
- Who are the specific population groups (i.e., clientele) affected?
- Why is a program needed to address the problem or need?
- What is the magnitude and trend of the problem or need?

Program Goal: The program goal is the strategic long-range result or accomplishment planned for a program. It should relate directly to the problem the program is trying to solve or the need the program is trying to meet. It should indicate the general direction of the program as opposed to a specific level of accomplishment.

Evaluation of Program Performance: A performance evaluation is the systematic review of a program to determine how well it meets its objectives and how it might be modified to better meet those objectives. Performance evaluation is an ongoing process of formally reviewing goals, objectives, and strategies against established standards for performance. The annual evaluation of the program performance is required to be submitted in the form of the annual Performance Measurement Report that is due on September 1, 2011.

The Performance Measure Report will include up to ten performance measures that are tied to the agency's strategic plan. DFM and LSO analysts use these reports as part of the budget analysis process to evaluate the effectiveness of programs. Analysts may also contact agency staff for specific caseload data or service level, if necessary, to complete their analysis of the submitted budget request.

The following questions should help the manager evaluate a program:

- Are intended program results occurring as provided by the appropriation? (If the answer is no, the activities need to be re-evaluated in terms of the program objectives).
- Are the activities and objectives effective in achieving the identified goal? (If the answer is no, the activities and objectives need to be re-evaluated in terms of the problem or need).
- Are the activities performed as efficiently as possible, and are the results worth the cost of achieving them? (If the answers are no, thought should be given to improving efficiency or eliminating the program).

Program Structure: An agency program structure is used for the presentation of budgetary information and resource allocation. Program structure is not necessarily the same as organizational structure. A program structure assembles related activities of an agency into an identifiable group. This helps management evaluate the cost and the effectiveness of providing a specific service and makes comparisons between programs more meaningful. Program levels should be used to group activities into a framework useful to decision-makers and not for tracking specific objects, locations, fiscal years, etc. The program structure will be based, wherever possible, on the STARS agency/function/activity structure. This will allow for greater continuity between resource allocation and expenditure accounting.

Evaluation of Current Program Structure: The agency director and the program managers should evaluate the existing program structure. The program structure should be modified only to the extent necessary to meet the needs of decision-makers and the characteristics outlined in the following paragraphs. Generally, agencies should submit their FY 2013 budget requests at the same program level at which they received their FY 2012 appropriation.

Appendix A contains the program structure that agencies are to use for FY 2013. Any changes involving current programs that are anticipated for FY 2013 will have to appear in the budget document as adjustments before the FY 2013 Base. The addition of a new program, and its associated program structure, will require the use of a line item decision unit (12.00 series). Review and approval of these proposals must take place prior to, or during DFM reviews to be held with each agency by August 15.

Program Objectives: Objectives are specific accomplishments that are pursued in an effort to achieve the longer-range program goal(s). Objectives should be developed for each identified program and should be clear, concise, understandable, and measurable by specific performance indicators so that the degree of accomplishment can be determined.

Program Performance Indicators: Performance indicators are measures of accomplishment for a goal, objective, or strategy. The best performance indicators are outcome indicators that specifically describe the degree to which objectives are being accomplished.

Outcome indicators provide information on the degree to which objectives are achieved by describing both the quantity and quality of service. They should indicate the effect of service on the well being of clients and the public. For example, the percent of clients of a Vocational Rehabilitation program that are employed 60 days after completing the program would be an outcome indicator. Outcome indicators provide information on the cost of providing government products or services. They may appear as ratios comparing the amount of workload accomplished to the amount of input (e.g. number of lane miles of highway repaired per person per day).

Other outcome indicators may appear as utilization rates of facilities, equipment, or employees. These can be expressed in a variety of ways such as hospital capacity utilization factors, vehicle or equipment down times, and the amount of nonproductive time per employee, such as parole/probation officers waiting in court rooms.

Program Decision Units

Integral to the budget process is the development of decision units. The purpose of the decision unit is to relate expected program component results with costs. Decision units should contain a description of a requested course of action, the expected benefits or impacts, and the cost or savings associated with the action. This manual, as well as the various budget forms, will represent a specific decision unit in its abbreviated form ("DU").

Any change in the cost, manner of realizing objectives, or a change in the objectives themselves requires a decision unit. Decision unit categories 1 through 11 are very specific concerning the titles and information. The first number in the decision unit represents a major category in the submission process. For example, all decision units that begin with a "6" are current year Expenditure Adjustments. The first number to the right of the decimal point represents a specific type of Expenditure Adjustment. DU 6.40 is an Object Transfer with the "4" referring to the specific type of Expenditure Adjustment. The second number to the right of the decimal point represents the priority of that Object Transfer within that particular program; for example, DU 6.41 would be the first priority, DU 6.42 would be the second priority, DU 6.43 would be the third priority, and so on. If you do not have any Object Transfers within a program you will skip DU 6.40 entirely. A table of the standardized decision unit category numbering system can be found in Appendix B.

Line item decision units (sometimes referred to as "after-maintenance" or "after MCO" decision units) are used to request funding for new or expanded activities after the maintenance of current operations, or for major changes to current operations. Line item decision units must be listed in priority order from the highest to the lowest. It will be necessary to reflect the priorities of line item decision units at the program level and at the agency-wide level.