

CHAPTER 1

BUDGET PROCESS AND SCHEDULE

1.1 INTRODUCTION

This manual describes the process and formats to be used by all departments for submitting budget requests to the Governor and the General Assembly. Department budget requests and proposed legislation are key components of the Governor's Budget Request. On November 1, the Governor and the Director of the Office of State Planning and Budgeting (OSPB) submit the Budget Request to the Joint Budget Committee (JBC). The Governor's final Budget Request, including proposed legislation, is presented to the full General Assembly in the State of the State message in January.

The Budget Instructions reflect an emphasis on strategic planning and performance. This is addressed in Chapter 3. The remainder of this chapter provides an overview of budgeting concepts, the timeline for budget submissions, and identifies the number of copies required for various submissions. The Budget Instructions are now organized by the following chapters:

Chapter 1	Budget Process and Schedule
Chapter 2	Department Description
Chapter 3	Strategic Plan
Chapter 4	Change Requests and Change Request Schedules and Fact Sheets
Chapter 5	Line Item Description and Reconciliation
Chapter 6	Schedule 2 and 3 – Line Items and Divisions
Chapter 7	Other Summary Schedules
Chapter 8	Common Policy Instructions
Chapter 9	Statewide Budget Overview
Chapter 10	Information Technology Requests
Chapter 11	Capital Construction
Chapter 12	Education, Higher Education, Transportation, and Non-Executive Agencies

1.2 OVERVIEW OF BUDGET FUNDAMENTALS

Statutory Requirements

Much of what is required in the Budget Instructions promulgated by OSPB is set forth in statute. The following list contains some of the key requirements found in State law:

- Section 2-3-207, C.R.S. allows the Joint Budget Committee to request zero-based budgets;
- Section 24-37-304 (b), C.R.S. requires the submission of the Governor's annual Budget Request to the Joint Budget Committee by November 1 of each year;

- Section 24-37-304 (b.5), C.R.S. requires the submission of the Governor’s annual supplemental Budget Request to the Joint Budget Committee by January 1 of each year;
- Section 24-37-304 (c.3), C.R.S. requires the submission of capital construction and controlled maintenance requests to the Capital Development Committee by September 1 of each year, and the submission of a prioritized list by November 1 of each year; and the submission of supplemental capital construction and controlled maintenance requests by December 10 of each year;
- Section 24-75-111 (1) (c) (I) (A), C.R.S. requires OSPB approval of allowable overexpenditures before they can be authorized by the State Controller; and
- Section 24-75-201.3, C.R.S. requires OSPB to submit estimates for General Fund revenue no later than June 20 prior to the beginning of each fiscal year, and no later than September 20, December 20, and March 20 within each fiscal year.

Overview of Budget Components

The November 1 Budget Request is the foundation for budget transparency in Colorado State government. It allows the Governor to summarize his priorities, allows the Joint Budget Committee to view initiatives and outcomes, is the mechanism by which departments present to the Joint Budget Committee during its Hearings, becomes the basis from which figure setting is considered, informs the public about departments and what they are spending, describes the organization of departments, and describes and delineates the structure of the budget in terms of expenditures, appropriation, and requests. There is no greater source of consolidated information provided on Colorado State government.

The November 1 Budget Request is structured to meet all these goals. Therefore, departments are required to submit specific components to ensure consistency, usability, and comprehensiveness. Below, the required components are listed, and must be numbered as noted below for each department:

Volume I

A. Department Description

This is a new component, created from former requirements of the Strategic Plan and the Program Crosswalks. This component includes the department’s organizational chart, describes all the organizational units of the department and what they do and what line items they are responsible for, provides descriptive information about the department and its clients, lists the statutory authority of the department, and tells the public "what does this department do." Key trends and background information (such as caseload history, workload measurements, and productivity reports) are included here as well as appendixes. Guidelines for submission of the Department Description are provided in Chapter 2.

B. Strategic Plan

Each department will submit a strategic plan to serve as an overarching guide to the department’s core business. The required components of the strategic plan are the vision, objectives, performance measures, and benchmarks. Chapter 3 discusses the strategic plan in detail.

C. Change Requests

Change requests include decision items, base reduction items, supplementals, and budget amendments. A Change Request is required for every dollar increase, dollar decrease, FTE increase, line item change, or transfer except when prior-approved through a former budget action (annualization) or where otherwise exempted by law. Change requests are presented as distinct items. Detailed instructions for all budget change requests are discussed in Chapter 4.

D. Line Item Description

Another new component is a narrative description of each line item in the departments' budgets. The description should delineate how the line item was established, and discuss its adjustments for all years presented in the Schedule 3s. No reconciliation tables should be presented in the Line Item Description. In the end, the Line Item Description should be able to inform an analyst, a member of the General Assembly, or the public what the primary function is for and the history of each line item.

Volume II (if necessary)

E. Reconciliation (formerly Assumptions and Calculations)

This is an excel table, the format of which is provided and required by OSPB, that starts with the Long Bill appropriation for the Appropriation Year, builds to the final appropriation, then builds to the request, including Change Requests. It is presented by line item, by fund split, and also includes FTE (not by fund split). This approach was selected over another option which was to delineate all reconciliations in the Schedule 3s, based on feedback received by OSPB. The Reconciliation allows OSPB to confirm the final appropriation and to balance the Request Year.

F. Schedules (excluding Schedules 13s, which are submitted with the Change Requests)

Dollar and FTE data is provided to the Joint Budget Committee, General Assembly, and public through the use of various Schedules. The Schedules are described below at Table 1-1. The Schedules are to be presented in numeric order, as applicable.

Table 1-1 List of Schedules			
Schedule Number	Title	Notes	Requests Where Included
Schedule 1	Table of Contents	Includes Page Numbers and tab references	All
Schedule 2	Summary by Long Bill Group	Dollars and FTE: two Actual years, Appropriation, Estimate, Request by Long Bill group	November 1 January 2 January 23 February 15, if applicable

Schedule 3	Line Item by Year	Dollars and FTE: two Actual years, Appropriation, Estimate, Request by Long Bill group, by fund source. Reconciles appropriation to expenditure. See Chapter 6.	November 1
Schedule 4	Source of Funding	Same as last year, but read instructions to ensure compliance with requirements	November 1
Schedule 5	Line Item to Statute	Long Bill groups, Long Bill Line Item, Brief Line Item Description, and Specific State Statute Citation.	November 1
Schedule 6	Special Bills Summary	For Appropriation Year and two Actual years, appropriations by line item by fund source with bill titles	November 1
Schedule 7	Supplemental Bills Summary	For Appropriation Year and two Actual years, appropriations by line item by fund source with bill titles	November 1
Schedule 8	Common Policy Summary	Summarize all POTS line with Department. For Appropriation Year and two Actual years, appropriations by line item by fund source with bill titles. Only required for departments with more than one of each POTS line.	November 1
Schedule 9	Cash Funds Reports	Same as last year, but read instructions to ensure compliance with requirements. OSPB will scrutinize descriptions	November 1
Schedule 10	Summary of Change Requests	Running Summary of All Request Year Change Requests, including amendments. Also acts as table of contents. Include FTE and fund sources. Include all non-prioritized requests as well, such as Schedule 13s for other Department initiatives.	November 1 January 2 January 23, February 15, if applicable And with every Request Year Change Request, regardless of submission date

Table 1-1 List of Schedules			
Schedule 11	Summary of Supplementals	Running Summary of All Current Year Change Requests, including 1331s. Acts as table of contents. Include FTE and fund sources. Include all non-prioritized requests as well, such as Schedule 11s for other Department initiatives.	January 2, February 15, if applicable And with every Supplemental, regardless of submission date
Schedule 12	Summary of Budget Request Amendments	Running Summary of All Budget Request Amendments, including Stand Alones and with Supplementals. Acts as table of contents. Include FTE and fund sources. Include all non-prioritized requests as well, such as Schedule 13s for other Department initiatives.	January 2, January 23, February 15, if applicable And with every Amendment, regardless of submission date
Schedule 13	Summary of Individual Change Request	Spreadsheet that is the first page of every Change Request, no matter what type. Every Change Request that affects any department must have one from each affected department in order for OSPB to consider request. OSPB provides boilerplate form.	With all individual change requests, any time of year
Reconciliation	Build Appropriation to Request	See Chapter 5	November 1 January 2 January 23, February 15, if applicable And with every Request Year Change Request, regardless of submission date

1.3 BUDGET CYCLE CALENDAR

The Budget Cycle Calendar is prepared by the Office of State Planning and Budgeting (OSPB) and submitted for departments to reference by February 1 of each year. The calendar is frequently updated and notifications of updates and updated versions are periodically sent to departments and available on the OSPB web site. Executive State departments are required to follow all of the dates provided on the calendar, and to consider submission dates on the calendar as required deadlines. Exceptions to any deadlines require prior approval from OSPB.

The Budget Cycle Calendar is a legal sized document provided as Appendix C to these Budget Instructions.

1.4 GENERAL FORMAT AND ORDER

Table 1-2 presents the organization for each Governor’s Budget Request to the General Assembly. This table ties to the primary dates in statute and in the Budget Cycle Calendar. Appendix C provides a more detailed calendar for the budget cycle, Appendix B provides a glossary of terms related to budget requests, and Appendix A provides a suggested table of contents format for the various scheduled budget requests.

**Table 1-2
Required Order for FY 2009-10 Budget Requests**

Order of the Operating Budget Request	Schedule Number	Budget Instructions	Date Due to the OSPB
Cover Page and Table of Contents	Schedule 1	Chapter 1	October 17
Volume I (if applicable)			
Department Description	N/A	Chapter 2	July 1
Strategic Plan	N/A	Chapter 3	September 1
Change Request Summary Tables	Schedules 10, 11, 12 (see Table 1-1)	Chapter 4	August 1, 3 days after Hearing, October 17, October 30, November 12, 3 days after Supplemental Briefing, December 12, December 15, December 22, January 14, January 22, January 28, February 10, February 13
Change Requests	Schedule 13s plus Word document	Chapter 4	Same as above, as applicable
Line Item Description	N/A	Chapter 5	September 12
Volume II (if applicable)			
Reconciliation	N/A	Chapter 5	May 15, September 12, October 17, October 30
Summary by Long Bill Group	Schedule 3	Chapter 6	September 12, October 17, October 30
Line Item by Year	Schedule 3	Chapter 6	September 12, October 17, October 30
Source of Funding	Schedule 4	Chapter 7	September 12, October 17, October 30
Line Item to Statute	Schedule 5	Chapter 7	September 12, October 17, October 30
Special Bills Summary	Schedule 6	Chapter 7	September 12, October 17, October 30
Supplemental Bills Summary	Schedule 7	Chapter 7	September 12, October 17, October 30
Common Policy Summary	Schedule 8	Chapter 7	September 12, October 17, October 30
Cash Funds Reports	Schedule 9	Chapter 7	September 12, October 17, October 30

One of the goals of these budget instructions is to achieve a level of uniformity in the appearance of budget requests among departments. Although each department is unique and complete uniformity may not be achieved, more uniform budget requests decrease the chance for error and misunderstanding in budget preparation and analysis. Departments should follow the guidelines below when preparing budget documents:

- Hard copies (typically in binders) are due to OSPB whenever a deliverable is noted in the Budget Instructions or calendar. Electronic copies are required for all initial versions (to support briefing development) and as noted on the calendar for final, JBC-ready versions.
- OSPB requires the use of a standardized Change Request Form. This includes an Excel form for the Schedule 13 and a Word document for the narrative Change Request. This form is provided along with the Budget Instructions on April 1.
- When Schedule 13s are submitted to OSPB for signature, they must include the signature of the responsible person from the department. Original signatures are preferred and are expected for routine submissions. However, there is the possibility that scanned or faxed copies of the department-signed Schedule 13s would be accepted by OSPB, such as when rapid adjustments are needed.
- All tables and charts should be clearly presented and self-explanatory since their purpose is to demonstrate the text material more clearly. This includes providing clear titles and clear row and column titles so a table can stand on its own and make sense to the reader. All tables should total correctly based on the included numbers.
- Each Budget Request should be presented in a three-ring binder clearly labeled to identify the department and the request year. A pocket folder can be used if the request is under 30 pages total. The name of the department and relevant budget year should also appear on the spine of the binder.
- The November 1 Budget Request should be accompanied by a cover page that is signed by the Executive Director.
- Tabs should be provided to separate and identify, at a minimum, each major section of the budget (see Table 1-2) and other sections (e.g., Schedule 3 Long Bill Group/Division) as necessary. OSPB prefers that departments use numbered tabs that match the priority to separate individual change requests.
- Departments are required to separately prioritize decision items and base reduction items in the November 1 document. Supplementals are prioritized all in one list, as are budget amendments. However, all budget amendments are integrated into the Schedule 10 at each submission. See Chapter 4 for more information.
- After the official submission of a Budget Request to the Joint Budget Committee, changes can only be submitted through a budget amendment or revised request with a Schedule 13 approved by OSPB. However, it is acceptable to informally acknowledge or notify JBC staff of errors, with OSPB prior approval.

- Timely submission of the November 1 Budget Request on October 17 is critical to the success of the submission. After receipt, the OSPB analyst will review to ensure:
 - a) The department addressed OSPB issues about any schedules.
 - b) The department made the OSPB revisions and corrections to Change Requests.
 - c) That the department submitted a complete Schedule 1, with all the required pieces and that all the pieces were actually submitted.
 - d) That the Schedule 2 matches the Schedule 3s.
 - e) Required changes to the Strategic Plan were completed.
 - f) That the spines and cover sheets are labeled with the correct year, the department name.
 - g) If OSPB unexpectedly discovers an error, the department must submit the revision immediately so that OSPB can ensure accuracy before the October 30 deadline.

1.5 REAPPROPRIATED FUNDS

At the end of 2007, the Joint Budget Committee approved changing the format of appropriations, starting in FY 08-09, to eliminate the designation of cash funds exempt and create a new category for identifying moneys that are appropriated more than once in the same fiscal year. This new category is called “Reappropriated Funds.” The Cash Funds Exempt designation will be eliminated. Because the Joint Budget Committee decided to make this change for the FY 08-09 Long Bill, but after the Executive Request was submitted, Joint Budget Committee staff will determine, during the drafting of the Long Bill, which funds belong as Reappropriated Funds and which ones should be designated as Cash Funds.

The JBC staff reports that:

A “good test” to determine if dollars are Reappropriated Funds is “to imagine it being applied to three different types of double counts:

- Payments from one department to another for services, like to the Department of Personnel for computer services, or to the Department of Law for legal representation.
- Pass through exchanges, like Medicaid funds from the Department of Health Care Policy and Financing to the Department of Human Services, or stipends from the College Opportunity Fund to the higher education institutions that earn the revenue from the students.
- Cash funds where statutes require an appropriation both into and out of the fund, like the Colorado Heritage Communities (smart growth) Grant Fund in the Department of Local Affairs.”

The General Assembly passed HB 08-1320 to make this change. The Committee is committed to involving the Executive Branch in the process and allowed for statutory flexibility so that, during the FY 09-10 Budget Request cycle, the departments can provide changes to the FY 08-09 appropriation in regards to how the funds are designated. Pursuant to HB 08-1302, for FY 2008-09 and for each state fiscal year thereafter, departments must designate in the November 1 submission of their Budget Requests for the upcoming year all line items with transfers of spending authority, including the basis for and the amount of each transfer. Therefore, departments are asked to use the estimated column and the Request Column to identify funds

that need to be redesignated as “Reappropriated Funds” or redesignated as “Cash Funds.” These changes can be noted on the Schedule 3, but a footnote must accompany them to explain the basis for and the amount of each revision. These footnotes must be provided in all submissions of the Schedule 3, including September 12, October 17, and October 30.

Years prior to FY 08-09 will not be revised, so Departments must continue to show a Cash Funds Exempt row in their schedules, and add a Reappropriated Funds row, until the old years roll off the Schedules and the “Cash Funds Exempt” term expires.

1.6 THE REVERSE MARK

OSPB utilizes Reverse Mark process to reduce workload on department and OSPB analysts and to target General Fund dollars to key priorities. The Reverse Mark is a General Fund allocation that is provided to departments by June 16. To calculate the Reverse Mark, OSPB requires departments to submit the Base Budget Request via the required Reconciliation document described in Section 1.2 and Chapter 5. OSPB is aware that not all bills will be acted upon by this time, but departments are asked to make the best estimates that they can, based on knowledge of bill status. This timeline is necessary so that the amount departments have for Change Requests can be communicated in a timely manner.

The Reverse Mark does not restrict departments in term of non-General Fund initiatives, such as cash funded or federally funded items, unless specifically requested. Therefore, the Reverse Mark is a restriction on General Fund only. In addition, if departments can identify Base Reduction Items that reduce General Fund (not related to basic caseload reductions), then that General Fund is freed up for the affected department’s Change Requests. The Reverse Mark is the net amount of General Fund available. All Change Requests, even if fully funded by the Reverse Mark, are subject to the review and approval of OSPB.

Since it is expected that annualizations were developed at the time Change Requests and fiscal notes were written (see Column 10 on the Schedule 13 for FY 08-09 Change Requests), extensive work should not be necessary to develop these estimates. For this purpose, annualizations are 1) formerly-described adjustments that convert FY 08-09 estimates into FY 09-10,¹ 2) statutorily mandated standard adjustments such as Medicaid caseload and utilization or Corrections volume adjustments,² and 3) POTS annualizations. Annualizations that do not meet OSPB criteria must be submitted as separate Change Requests.

OSPB applies supplemental criteria very carefully to ensure that the regular and 1331 supplemental processes are not used to forward Change Requests that a department cannot fund through the Reverse Mark process.

¹For instance, if a bill requested an FTE starting in March 2009, annualizations for FY 09-10 would convert the salary from three to twelve months and remove the initial year one time operation costs. Annualizations would also remove one time system costs but adjust volume or caseload as long as the estimate and concept were described in the initial budget request or fiscal note.

²Initial projections will need to be used for the May 15 submission until complete estimates are developed for the August 1 submission.

Should the May 15 estimates referenced above require revision upwards after budgets are more fully developed, Change Requests at the department's lowest priority may be eliminated in order to balance the budget to the Reverse Mark.

1.7 GOVERNOR'S INITIATIVES

OSPB Budget Analysts will be working with departments on Governor's Initiatives that need to be developed into Change Requests. These requests are not a part of a department's Reverse Mark allocation. OSPB will notify departments by June 2 about which Governor's Initiatives should be developed into full Change Requests. After that, Governor's Initiatives follow the OSPB Budget Cycle Calendar, and they are due to OSPB on August 1.

1.8 BUDGET COPIES

Initial (Executive) submissions of Budget Requests to OSPB require one copy for each analyst assigned to the department and one copy for the library. Final (Legislative) submissions of Budget Requests (October 30 version of the November 1 Budget Request, December 22 versions of Supplemental requests, and January 22 version of Budget Amendments) require the following copies:

- OSPB (one copy for each assigned OSPB Analyst, one copy for each JBC Analyst, one file copy for OSPB, and one file copy for JBC);
- The State Auditor (one copy);
- The State Librarian (four copies),
- Colorado Legislative Council (two copies), and
- OIT (one copy for each assigned analyst, plus one file copy).

The OSPB will hand carry copies of all final budget requests to the JBC. The departments will be responsible for all other deliveries after JBC copies are delivered by OSPB.

Only one copy of the complete request needs to be provided on October 17.

1.9 REQUIREMENTS FOR E-SUBMISSIONS

OSPB requires electronic submissions of all initial and final Budget Requests, including all Supplementals and Budget Amendments. Electronic copies are required for all initial versions (to support briefing development) and as noted on the calendar for final, JBC-ready versions.

Final OSPB-approved November 1 Budget Requests ready for Joint Budget Committee submission must be delivered to OSPB on October 30. On the same date, full electronic submissions of the entire Budget Request must be provided to OSPB. OSPB will post all budget

requests to its website so that budgets are public hard copy and electronically via PDF by the day the Governor presents the Budget Request to the Joint Budget Committee.

Electronic copies must also be submitted to OSPB for all supplementals, including 1331s and capital construction, and for budget amendments. These electronic copies are due the same day that the hard copies are provided for delivery to the Joint Budget Committee.

The documents must be sent to OSPB in their original state (such as Word or Excel) so that a clean PDF can be created by OSPB. Signed Schedule 13s should be sent in PDF, but only the signed 13. OSPB is not responsible for ensuring that the correct and final versions are submitted. If edits are required, departments must make them and send them back to OSPB. OSPB is not responsible for making edits, printing, replacing pages, or stuffing binders.

Excel tables that represent the submitted request are encouraged to be provided to Joint Budget Committee staff, upon JBC staff request. This will save JBC staff time in entering data and illustrate the department formulas. Working tables, calculations, and comments that were not submitted with the Governor's request, but that the department wishes to provide to JBC staff, must be cleared with OSPB prior to submission.

Departments that do not submit their budget requests in hard copy and electronically by the due dates on the calendar may receive a 10% reduction on their Reverse Mark for the following year.

Hearing responses as submitted to the Joint Budget Committee must be provided in final form to OSPB no later than three hours before the Hearing. Hearings responses should be sent to the assigned OSPB Budget Analyst with a cc: to the OSPB Office Manager so that they can be posted to the OSPB web site in time for the Hearing.

Fact Sheets for all of the Change Requests must also be submitted to OSPB electronically, due the same day that the corresponding Budget Request is submitted. More information about Change Request Fact Sheets is provided in Chapter 4.

1.10 EXECUTIVE BUDGET HEARINGS

In September of each year, the OSPB Director will hold Executive Budget Hearings with each department's Executive Director, the Budget Director, and key senior staff. Prior to the Hearing, the Department will receive a copy of the OSPB Briefing. All Briefings, including Hearings and all discussions and decisions about Briefings, are Governor's work products and are strictly required not to be disseminated outside of the department. During the Hearing, the department will have an opportunity to rebut any findings of OSPB, and discuss them with the Director. Final decisions are typically made, so that the department can return and finalize the product.

For Supplementals and Budget Amendments, a formal Hearing will not be scheduled, unless one is requested by the Executive Director. However, a copy of the confidential Briefing will still be provided to the department. If the department does not agree with any decisions provided in the Briefing, the Executive Director may call or e-mail the OSPB director for an Executive

Comeback. This request should be made within one business day of the department's receipt of the Briefing. The assigned Budget Analyst should be copied on comeback requests.

1.11 LEGISLATIVE FISCAL IMPACTS

Fiscal impacts for legislative initiatives on the department's legislative agenda for the upcoming session are due to OSPB on August 1. Although the fiscal impact does not need to be on a Change Request Form (it should not, to prevent confusion about what is actually in the Governor's Budget Request), it should be complete with a general description, specific calculations, and specific assumptions about the calculations. OSPB must be able to confirm that the calculations are appropriate and accurate. Any fees driven by the proposed legislation must also be calculated and quantified. Any change to the State budget or a line item must be addressed in the fiscal impact that is due to OSPB.

Departments are to use the fact sheet format for these estimates, as described in Chapter 4. An example is provided there.

1.12 COMMUNICATIONS WITH LEGISLATIVE STAFF

All written communication from a department to the Joint Budget Committee (JBC) staff or JBC members (including e-mailed questions, statutory reports, footnote reports, and Hearing responses) must be cleared with OSPB prior to dissemination. OSPB staff are aware of the fact that departments will often require a quick turnaround for this clearance process to be successful. OSPB asks that departments attempt to provide their OSPB analyst with at least a half day to review emergency material. At least five working days must be allowed for the review of routine reports such as footnote and statutory reports.

Any face to face meetings including JBC staff must also include OSPB staff. Departments are requested to not simply invite OSPB staff or copy them on the meeting notice. Departments should include their OSPB analyst in the scheduling of such meetings to ensure attendance. OSPB staff will attempt to adjust schedules whenever possible to be flexible for arranging meetings.

Department Budget Offices are free to communicate with JBC staff on the phone to address the wide variety and volume of issues that come up, but OSPB would prefer that more complex issues be discussed in person to prevent confusion and to ensure all sides of the issue are addressed.