**How Can The Executive Budget Office Help**

**State Agencies Navigate The Budget Process?**

Kevin D. Etheridge

South Carolina Department of Administration
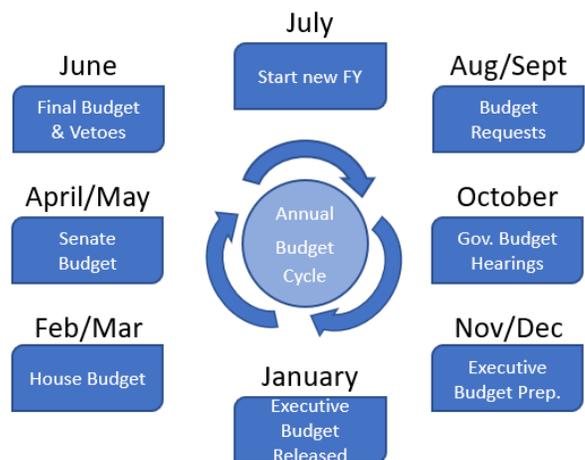
February 12, 2019

**Problem Statement**

The state budgeting process is complex and includes the critical overlapping components of budget development for the next fiscal year, and maintenance throughout the current fiscal year. The Executive Budget Office (EBO), a division of the Department of Administration (Admin), works with all state agencies in the process and supports the Governor's Office in creation of the Executive Budget. Admin and EBO were created as part of the Restructuring Act of 2014. Admin places a strong emphasis on customer service and the standardization of processes in order to help agencies achieve operational efficiencies. This project aims to support the following three goals of Admin's strategic plan:

- Collaborate with agencies to promote and implement an enterprise approach to state government services

- Provide a customer focus for all agency services and products by fostering customer service, continuous improvement, and innovation.

- Promote transparency and accountability to more effectively manage the resources of the state.

When state agencies utilize budget best practices, it makes them more effective and efficient. State agencies are competing for limited resources and must manage and maximize their existing appropriations. When agencies are efficiently navigating the budget process, they can increase focus on their mission and goals.



July
Start new FY

June
Final Budget & Vetoes

Aug/Sept
Budget Requests

April/May
Senate Budget

Annual Budget Cycle

October
Gov. Budget Hearings

Feb/Mar
House Budget

January
Executive Budget Released

Nov/Dec
Executive Budget Prep.

Currently, employees in state agencies do not have a comprehensive, written "go-to" guide for budgeting. While some longer tenured employees have obtained valuable knowledge through experience, newer employees are relying on information being passed down to them by their predecessor and/or learning on the job. Ultimately, the EBO should identify solutions that assist state agencies in managing their budgets.

**Data Collection**

In order to deliver better service to our customers, it was clear that a survey of EBO customers would be crucial to identify potential areas for improvement. EBO maintains an email contact list of all agency Chief Financial Officers and Budget Contacts. This is often the same person in smaller agencies. I created a survey using Google forms and sent an email to the 140 individuals on our list informing them that the survey was brief, completely voluntary, and anonymous.

The survey included nine Likert scale questions gauging level of familiarity with budget concepts, two questions with multiple response options, and three questions setup for open answers. My main goal was to assess what our contacts feel that they know, what they need to know more about, get a sense of their interest in the shared services model, gather best practices, and collect general comments. Also, by offering the survey in an anonymous format, I felt as though we would receive more direct answers. EBO has not surveyed our customers before, and this project was the perfect opportunity to solicit feedback and gain insight on how we can better help the agencies be successful.

**Data Analysis**

Fifty survey responses were received for a response rate of 35.7% (50 out of 140).

When asked to rate knowledge and understanding of several key budget processes, respondents indicated a relative degree of confidence. On a scale of 1 to 5 with 1 being Least Agree and 5 being Most Agree, approximately 69% of the questions were rated as a 4 or 5.
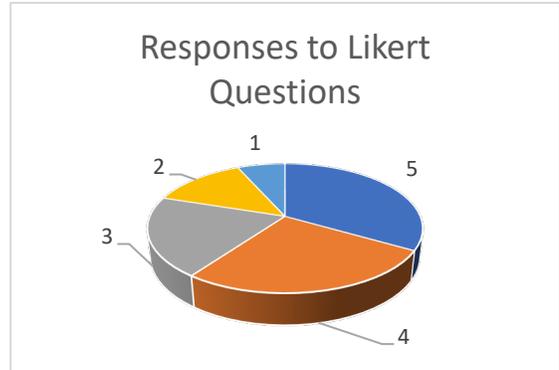


Five of the nine questions averaged four or higher.

| Question ( Likert scale, 1 = Least Agree, 5 = Most Agree) | Average Response |
|---|---|
| I understand the overall state budget process. | 4.26 |
| The rules and procedures of maintaining my budget are clear to me. | 4.08 |
| The budget request process makes sense to me. | 4 |
| I understand the special carryforward and 10% carryforward processes. | 4.22 |
| I know how to perform routine deficit monitoring. | 4.32 |
| I know what the 2% personnel transfer limit is. | 3.68 |
| I know how to request interim FTEs. | 3 |
| I understand how to ask for an Other Funds increase during the fiscal year. | 3.76 |
| When I have a budget question, I know who to call at the Executive Budget Office, Revenue & Fiscal Affairs, House Ways & Means, and/or Senate Finance? | 3.74 |

Although the data averages suggest that agency budget contacts are comfortable with most of the surveyed budget processes, some respondents were more confident in certain areas than others. Five respondents averaged less than 3 for all questions, with one averaging 2. In state government, there is a wide range of levels of experience in budgeting from

beginner to 30 years plus of service.  In addition, some of the budget processes may only be

needed by some agencies periodically, impacting familiarity due to infrequent use.

When budget help is needed, respondents indicated that they overwhelmingly prefer a

having a Contact Person over other possible resources.

**What type of resource would you most prefer to utilize when you have a budget question?**

|  | # of Responses |
|---|---|
| Contact Person | 38 |
| Email | 1 |
| Publication | 2 |
| Website | 8 |
| Website then contact person if website wasn't clear. | 1 |
| **Grand Total** | **50** |

However, noting that the younger generation generally prefers to utilize technology,

EBO may see a shift in this preference over time.  Another area that may evolve in the way

government conducts business is in the concept of shared services, where a central office

provides streamlined functions such as finance, human resources, information technology, and

budget.  Thirteen survey respondents indicated that they thought some version of shared

services would be beneficial to their agency.  The Legislature mandates that the smaller to

medium size agencies explore the use of shared services.  Proviso 117.147 of the FY19

Appropriations Act directs agencies with appropriations of $20m or less to consult with Admin

"to determine whether the use of consolidated administrative services offered by the

department would be beneficial to the agency."

When asked what budget related items or processes they would be interested in

learning about, the responses indicated there is a desire for increased information.  Items

included allocation process used for employee pay plan and related fringe benefits, approval of

interim FTE though the following year's budget process, best practices to prepare an indirect cost proposal, calendar of events, requesting emergency funds in the event of a disaster, more information about Other Funds, methods to monitor the agency's budget and projections for Federal and Other funds, Other Funds survey, a more seamless process between budget, SCEIS and closing package process, and the 2% transfer rule.   These items signal that there is an information gap that could be improved upon.

At the same time, agencies have valuable experience to share.  The survey asked respondents to provide best practices that they would recommend when managing budgets:

- Monthly reporting with fiscal year end projections detailing surpluses and deficits for all funds (General, Other, and Federal)

- Push budgets down to unit section levels where practical

- Monitor, monitor, monitor.  Project, Project, Project

- Monthly budget meetings with department managers, explanations if budget percentile exceeds variance by 5% for the month

- Meet with EBO before budget submission

- Payroll is the biggest expenditure so constantly run reports and create projections

- Run weekly cash reports to see what is available in Other Funds

- Use a business case model to develop the requests

- Use Excel for trend analysis and forecasting

Another aspect worth noting is that state agency budgets vary greatly in size. For FY19, the overall state budget was $24.9 billion, with General Funds accounting for $8.3 billion. The two largest agencies have budgets over $1 billion dollars, and the smallest of state agencies manage only a few

**Number of agencies with General Fund appropriations**

35

62

- Under $20 million
- Over $20 million
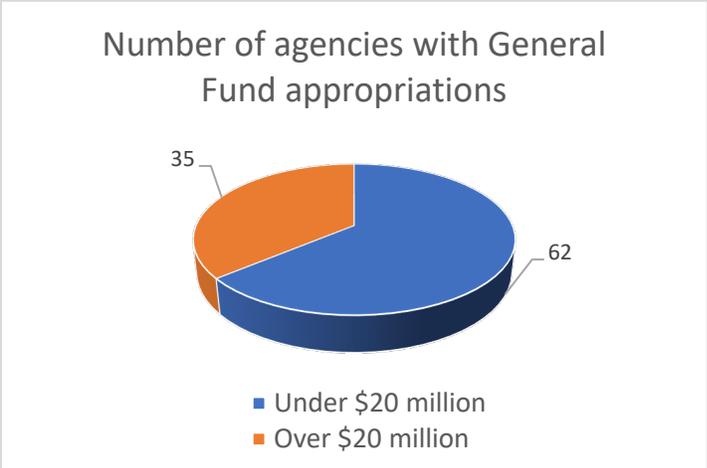
hundred thousand. Not only do agencies differ in size of budgets, many have completely different missions, organizational strategies, and leadership approaches. Therefore, each agency's needs differ. Any solution must account for this unique aspect of state government.

Regardless of size, the budget process plays a critical role in planning, organizing, and controlling for all agencies. One respondent stated, "Budgeting is the heartbeat of the financial processes for the agency. As budget managers and analysts, we would like to learn as much as possible about the planning, monitoring and execution of the budget. Any assistance that the Executive Budget Office can provide will be greatly appreciated." Given the importance of the budget function, it is imperative that EBO provides an information resource to agencies who wish to be knowledgeable about the budget process and any related business processes that will aid their efforts.

Some budget contacts have been exposed to various budget processes and procedures over the years, whereas there are contacts who are less knowledgeable perhaps due to being less experienced. Although the survey respondents prefer information sharing through a contact person, the amount of information that can be shared is so extensive that a written

resource should be provided.  This not only could supplement existing customer service, but also serve as a knowledge transfer vehicle.  As one respondent noted: "I think it would be helpful for EBO to have quick reference guides similar to what SCEIS has for their information.  This would cut down on the calls and agencies would have a go-to "manual" for items that come up often or once a year."  Producing reference guides could address the current challenges of sharing information especially with newer staff, help with processes that may be used infrequently, inform agencies of important reporting deadlines, and ensure agencies have the best tools available to administer their budgets.

**Implementation Plan**

Providing an information resource to the agencies can be challenging:  too little information will not be useful and too much information will be intimidating and ultimately useless.  A balanced approach and continued customer support will be key to success.  EBO should focus on implementing these strategies:  1) Quick reference guides for the most important budget processes; 2) A website redesign to make information easy to locate; and 3) deployment of internal financial dashboards.

*Quick Reference Guides*

One-page quick reference guides will be created for agencies and posted online.  (See Appendix A).  First, EBO will need to identify the most needed subject matter by reviewing the survey results and having the eight EBO Budget Analysts brainstorm topics they are frequently

contacted about.  The brainstorming session may best be aided through completion of an affinity diagram since the topic of budgeting has many components, and items could be logically grouped.  Once topics are selected, each Budget Analyst will be responsible for drafting the quick reference guide based on a standard template.  The EBO Managers and the EBO Director will edit and approve.  The process will start in January after completion of the Executive Budget and will take approximately three months.  Using our in-house expertise will not incur any additional costs.  Additional quick reference guides will be developed and deployed as needed.   Possible obstacles include other projects with higher priority and staff availability.  Once developed, EBO will notify the stakeholders and solicit feedback.  This will be intended as an ongoing project where updates and improvements will be implemented over time.

*Website Redesign*

The survey indicated that the current EBO website (https://admin.sc.gov/budget) is not regarded as a resource to help agencies.  The quick reference guides will need to be posted to a website that is user friendly.  Currently, EBO's website mixes content from its Operating Budget, Grants Management, and Capital Budgeting divisions.  By improving the layout and
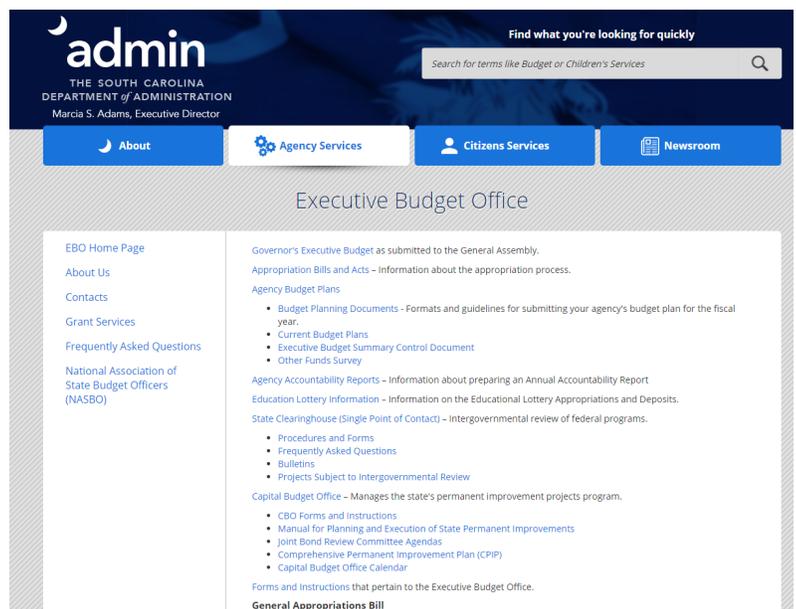
navigation of the EBO website, agency users will be able to research their questions and find

detail that they indicated in the survey was lacking.  To accomplish this goal, EBO will utilize the

existing resources of the Admin's Division of Technology Operations and the Communications

Staff of the Office of the Executive Director.  New website software is not needed, just the

design and content needs improvement.  (See Appendix B) To implement this project, the EBO

Director will assign an EBO Manager as website redesign project manager.  The project

manager will coordinate with Admin resources to transform the current website into a

customer friendly portal of information.  EBO should aim to complete this project in three

months.  The major challenges to the website redesign might be conforming to the Admin

website capabilities and the availability of technology staff.  Much like the quick reference

guides, the website will need to be an ongoing project as users will likely demand updated

content.

*Dashboards*

Dashboards are one-stop graphical representations of financial and/or performance

information.   They are widely used in the public and private sectors to allow users to visualize

and analyze data.  Dashboards should be implemented as survey respondents emphasized the

importance of monitoring their budgets. Admin is currently in the process of purchasing a

software platform for creating dashboards.  While the initial goal is to have dashboards for

public use, more detailed dashboards for internal use will prove to be a valuable tool.  Not all

users are adept in SCEIS reporting, so dashboarding presents a great opportunity for users to be

able to view and analyze data without having to have extensive knowledge of the accounting

system.  Since this requires a relatively major software procurement and special technological

expertise for implementation, the timeframe can be realistically calculated as one year.  The

major obstacles will be cost and staff hours, however, the eventual utilization of the tool will

help agencies more effectively manage their budgets.


**Evaluation Method**

An annual customer survey will need to be conducted to gauge customer satisfaction

and receive feedback on needed improvements.  After implementing the quick study guides,

website redesign, and dashboards, we would ensure the survey asks to rate them and inquire

as to their usefulness.  In addition, EBO should obtain website statistics to assess agency

utilization of the online resources.  By consistently evaluating our efforts, the EBO can continue

to improve our operations.


**Summary and Recommendations**


Budgeting in state government is a critical process that promotes financial

responsibility, allocation of limited resources, and ultimately sets policy.  It is the backbone of

government administration and therefore must be conducted efficiently and effectively.  The

Executive Budget Office supports agencies throughout the fiscal year in managing current year

budgets and planning for the future year.  There are a myriad of rules and processes that go

along with the state budget.  Our job in EBO is to make sure that we offer impeccable customer

service and provide agencies with the right tools.  This project proposes adding quick reference

guides, redesigning the EBO website, and developing dashboards all in the spirit of supporting

the agencies through the Admin strategic goals of collaborating with agencies, providing

customer service and continuous improvement, and promoting transparency and

accountability.

**Appendices**


Appendix A:  Sample quick reference guide


Appendix B:  Executive Budget Office conceptual website redesign

## Personnel Services Transfer Limit

**What is it?**

Agencies can transfer 2% of personal service funds (or $100,000, whichever is greater) out of personal service and fringe into operating accounts.  Every budget transfer in SCEIS is run through a separate ledger (ZJ) to check this personnel service limit.  If the net amount of personal service dollars transferred out exceeds the established limit, the FMBB transaction will not post and will give the user a hard stop error message.

**Why?**

Proviso 117.9 (GP: Transfers of Appropriations) allows the Department of Administration to set the restrictions on transfers in or out of personnel service.  The Budget and Control Board (now the Department of Administration) updated its operating procedures on June 29, 1999 to allow a limit of 2% of the total personnel service budget or $100,000, whichever is greater.  This helps to ensure agencies will have enough budgetary resources to meet personnel expenditures.

**What if the limit is reached?**

Agencies needing additional funds moved out of personal services should submit a memo to EBO stating the need for the transfer and the amount of the transfer.  The Executive Budget Office will increase the limit as approved by the State Fiscal Accountability Authority (SFAA).

**How do I check the Personnel Services Transfer limit?**

Agencies can check values for 2% limits by running SCEIS report FMAVCR01.  Update the selection criteria for the current fiscal year and Control Ledger ZJ.

**Who do I contact in EBO?**

Your assigned budget analyst can assist you with this item.

**Appendix B**

EBO Home Page

About Us

Contacts



Brian J. Gaines
*Director*

### Citizen Information

- Frequent Asked Questions
- Budget Process Overview
- General Appropriations Bill
- Agency Accountability Reports
- Accountability Portal

### Governor's Executive Budget

- Governor's Executive Budget
- Summary Control Document
- Governor's Office (link)

### State Agency Support

- Agency Communications
- Budget Development
- Budget Administration
- Performance Measurement and Planning
- Capital Budgeting and Planning
- Grant Services