MANAGEMENT AND BUDGET

FY 2022-23 Biennial Budget Instructions
Governor's Budget Requests

Context

Current estimates indicate we face a $4.7 billion budget shortfall in the general fund in the FY 2022-23 biennium. This projected shortfall represents nearly 9 percent of general fund spending and requires agencies to thoroughly assess spending priorities for the coming biennium.

As the Governor and Lieutenant Governor begin the work to craft the FY 2022-23 biennial budget, they are guided by the values of the One Minnesota plan, with a focus on children and families, and the overarching priority of racial equity. To ensure this priority is recognized in budget proposals, agencies must clearly and specifically demonstrate whether they have used an inclusive community engagement process when developing proposals that impact communities of color and Indigenous communities, highlighting which communities are expected to be affected, and the expected results of the proposal on those communities.

Overview and Timeline

Three documents make up the instructions to complete the development of the FY 2022-23 biennial budget:

1. Preparing Budget Narratives (issued July 7)
2. Preparing Base Information in the Budget Planning and Analysis System (BPAS) (issued August 25)
3. Governor's Budget Request Instructions (issued today)

A note about the sections in this document

Sections 1 and 2 are directed to cabinet and select non-cabinet agencies. The select non-cabinet agencies will be contacted by their executive budget officer. These agencies will engage in an assessment and planning process to provide:

1. A memo describing budget priorities in section 1
2. Spending reduction plans as described in section 2

All other agencies are encouraged to participate in the activities defined in sections 1 and 2

Section 3 outlines budget proposal submissions for small agencies, non-executive branch agencies and constitutional officers.

Section 4 provides a list of resources available to help agencies complete this work.

Timeline

The following table outlines specific action steps agencies are required to take to finalize the FY 2022-23 biennial budget. This timeline includes activities detailed in the "Preparing Budget Narratives" and "Preparing Base Information in the Budget Planning and Analysis System" portions of the biennial budget instructions, as well as those described in these instructions.

Action Step	Timeline or Due Date
Complete and submit background budget narratives to MMB	August 28
Background budget narratives published to the MMB Website	October 1
Base budgets for all agencies complete in BPAS	October 15
Non-executive branch, constitutional officers and small agency change pages due to MMB, and BPAS entry for change items complete	October 15
Cabinet and select non-cabinet agency priority-based budget memos due to MMB And Reduction options due to MMB	October 15
Cabinet and select non-cabinet agency and MMB meetings on priority-based budget memos and draft reduction option plans	Beginning Mid-October
Cabinet and select non-cabinet agency change pages due to MMB, and BPAS entry for change items complete	November 13
Non-executive and constitutional office change items and all agency base budget information published to the MMB website	November 30
Executive decision making	November - January
Governor's FY 2022-23 Biennial Budget Recommendations submitted to the Legislature	By January 26

Agencies must submit all required documents or information to MMB by uploading to the agency specific Biennial Budget/2022-23 Biennial Budget folder on the MMB Budget Division Document Management SharePoint site by the due date.

Section 1: Priority-Based Budget Memo

Cabinet and select non-cabinet agencies must engage in priority-based budgeting as they assess current programs and identify options for savings. Specifically, agencies are asked to review, evaluate and prioritize current programs and activities and document this analysis in a memo. Consider the following questions in your review:

- Which activities are critical? Which activities could be scaled back, delayed, or eliminated in a time when fewer resources are available? How can this be achieved without limiting accessibility or disproportionately burdening communities of color, Indigenous communities and historically underserved communities?
- Which programs or activities have demonstrated results through evidence?
- Are there any services provided by your agency that are not required by statute?
- Are there more cost-effective, efficient ways to deliver services deemed essential that do not disproportionately burden communities of color, Indigenous communities and historically underserved communities?

- Can activities be provided outside of state government or supported by user fees?
- What large-scale opportunities for innovation, restructuring, or service changes exist? What activities could be narrowed in scope or targeted to a specific population while achieving its stated goal?
- Are there demonstration or pilot programs that were never fully brought to statewide scale and could be eliminated from base funding?
- What are other states doing to reduce expenditures or improve efficiency in your program areas?

This assessment should guide the development of the reduction plans described in section 2.

In completing your assessment, please note that the general fund is not the only state fund experiencing budget pressures, nor is it the sole focus of budget preparation. Agencies with other significant funding sources, both dedicated and non-dedicated, must ensure spending can be managed within projected forecast resources. In many cases other funding sources have a direct or indirect link to other general fund activities. Where this is the case, an agency's assessment of their activities and priorities must be based on total funding – both general fund and "other" funding sources.

Submit your memos by October 15 by uploading to the agency specific Biennial Budget/2022-23 Biennial Budget folder on the [MMB Budget Division Document Management SharePoint site](). In mid-October through early-November, MMB will meet with agencies to discuss the priority-based budgeting assessment and draft reduction plans described in section 2.

Section 2: Spending Reduction Plans

Cabinet and select non-cabinet agencies identified to complete the priority-based budgeting assessment memo described in section 1 should use information gained through that work to develop savings options for consideration by the Governor and Lieutenant Governor. These options should yield overall savings, to the general fund, equal to the target provided to your agency by your executive budget officer. Savings should result from expenditure reductions, not from cost shifts or revenue increases.

While the focus is on the FY 2022-23 biennial budget, agencies should attempt to identify items that will result in ongoing savings to the state. You may consider both operating and program (i.e., grants or aid payments) reductions when developing reduction plans.

And, while other funds with sufficient balances are not specifically subject to the reduction plan targets, agencies may consider other funds when developing options to achieve general fund savings.

Agencies should use the "Budget Reduction Spreadsheet" Excel template to develop the reduction plans and submit by uploading to the agency specific Biennial Budget/2022-23 Biennial Budget folder on the [MMB Budget Division Document Management SharePoint site]() by October 15.

Specific instructions for completing the "Budget Reduction Spreadsheet" template are:

- **Proposal Name:** Provide a name/title for each of the budget options that uses plain language and avoids acronyms.
- **Brief Description:** Provide a 3-4 sentence description of the preliminary budget option. Please include information necessary for decision-making including: information about the program or operating expense being reduced, the stakeholders involved, the anticipated reduction in service, why this is a viable budget reduction option and any other information that may help decision makers understand the proposal. Agencies may attach additional information in their own format if deemed helpful.
- **Rationale:** Provide brief rationale for the proposal, explaining why the proposal is critical for the coming legislative session.

- **Impact of Reduction**: Provide information about who will be impacted by the proposal and describe the magnitude for the impact.
- **Type:** Select from the drop-down menu whether the proposal is an operating, program, grant, or other expenditure.
- **Fund:** Select from the drop-down box which fund the budget option will impact.
- **Rev/Exp:** Select from the drop-down box whether the proposal is a revenue or expenditure.
- **Fiscal Impact:** Provide the value of the revenue or spending changes of the proposal by fund and for each fiscal year from FY 2021-2025.
- **FTE Impact:** Include FTE impacts resulting from the proposal by fiscal year.

Agencies will be asked to complete the change item template described in section 3 for items that will be considered during the biennial budget process. This determination will be made following the meetings between MMB, the Governor's Office and agencies in October and November. Budget proposals should be entered into BPAS at that time.

While other non-cabinet and small agencies are not currently being asked to submit this information at this time, they should engage in priority-based budgeting and be prepared to assist in addressing the projected budget deficit.

Section 3: Submitting Budget Change Items

- Non-executive branch, constitutional officers and small agency change items due October 15
- Cabinet and select non-cabinet agency change items due November 13

Agencies should take into consideration the current budget outlook if they are considering requests for new or increased funding, as it will be challenging for decision makers to consider any new spending that is not deemed essential. **Cabinet agencies should only submit requests for funding increases after a conversation with the Governor's Office and MMB budget staff about funding priorities and needs.**

Proposals that impact communities of color and Indigenous communities and historically underserved communities should explain who is impacted by the proposal, the level of community engagement during its development, the intended impact on specific communities, and how outcomes will be monitored. Please note that the intended impact should go beyond stating the number or proportion of people impacted and include information on how they will be impacted, specifically if certain communities are likely to experience the impact differently from others.

Change Item Requests Required Information
The change item narrative template that agencies must use is available on our website https://www.mn.gov/mmb/budget/budget-instructions/bibudprep/. These change item narratives will be used by MMB and the Governor's Office to better understand your proposed changes, and ultimately will be published in an agency budget book if the proposal is included in the Governor's budget recommendations to the legislature.

Budget requests submitted by non-executive branch agencies will be considered for inclusion in the Governor's budget recommendations. In addition, these requests will be forwarded directly to the legislature on November 30 with the base budget information.

Change item request required information checklist:

- **Change Item Narrative.** Complete a change item narrative for each item you would like considered in the Governor's 2022-23 biennial budget. Proposals should reflect distinct budget decisions and should not combine proposals such that key decision points are obscured.
- **Change Item Entry in BPAS.** Enter change item summary level fiscal impact and relevant base information by fund in BPAS.
- **Fiscal Detail for Change Item.** Provide fiscal detail supporting the key cost drivers of the change item to your Executive Budget Officer.
- **IT Requirements.** Discuss IT proposals with your Chief Business Technology Officer (CBTO) and make sure required IT documentation is submitted along with your change item template.
- **Results Evaluation (Optional).** Consider whether your agency would like your change item to be evaluated by MMB experts for evidence-based results. Submit the evidence-based proposal form as well as the change item narrative to the Budget Division Document Management SharePoint site (https://mn365.sharepoint.com/sites/MMB-Budget/SitePages/Home.aspx), if your agency chooses to opt into this evaluation.
- Upload a complete change item narrative for each request to the Budget Division Document Management SharePoint site (https://mn365.sharepoint.com/sites/MMB-Budget/SitePages/Home.aspx) in the Biennial Budget/2022-23 Biennial Budget/CI Narratives folder.

Enter Summary Level Fiscal Impact by Fund in BPAS

Agencies must use BPAS to enter summary fund level information related to each individual change item. The information collected in BPAS will be used by MMB to support the decision-making process with the Governor and Lieutenant Governor. Below is a list of the required BPAS elements:

- **Change Item Name.** Develop a clear and concise name for the change item using the same title that was used on the change item narrative.
- **Change Item Description.** Provide a brief and clear description of the change item request.
- **Summary Level Fiscal Impact by Fund**. Identify the fiscal impact, both revenues and expenditures associated with the change item for each fund by year.
- **Full Time Equivalent Position.** Identify new FTE and/ or FTE being maintained by year.
- **IT.** Indicate whether the change item has IT expenditures. If your change item has ancillary IT expenditures, such as those associated with hiring a new FTE or system modifications to accommodate a program change, then you should select no. Select yes is if your proposal is for an IT project, an increase in IT staff support, or an increase in your agency's IT budget.
- **Fee Change.** Indicate whether the change item includes a fee change.
- **Rank.** Indicate the change item's priority for your agency.

Relevant Base Information by Fund in BPAS

Two additional required elements will help us to understand how much you currently spend, from all sources, on activities related to the request. When completing the 'relevant base' questions in BPAS, 'base' should be a relevant and specific comparison of the amount being requested to the current funding for the specific service at your agency. It should be identified by fund and at a low enough level of detail that it provides helpful context. This means it may be at a different level than either a program or budget activity base for the agency. For example, if funding is being requested to increase the frequency of boat launch inspections, the relevant base would be the amount of money currently being spent on boat launch inspections from all sources at your agency.

- **Relevant Base Description.** Provide a definition of what is included in the base and describe the base budget numbers entered in Relevant Base Funding.

- ☐ **Relevant Base Funding and FTE.** Identify the current funding base and FTE for the activity for which you're requesting funds. Revenue base information need only be completed for proposals including revenue changes.

IT Related Change Items

Please include your agency Chief Business Technology Officer (CBTO) when developing any IT related change items. Technology related change items should be clearly identified both in the change item request narrative as well as in BPAS. Complete the table on the narrative by noting the components of the project (infrastructure, software, MNIT staffing, training, etc.) and indicating each component's cost for FY 2022-2027.

M.S. 16E.01 and 16E.03 requires that the state's chief information officer review and report on any information technology projects in the Governor's budget. To facilitate this review, agencies must work with their CBTO to complete the IT change item addendum (https://www.mn.gov/mmb/budget/budget-instructions/bibudprep/) for all IT projects. The addendum must be completed in addition to the change item narrative, and both must be submitted on SharePoint.

MMB will provide MNIT with all agencies' information related to budget requests that have an IT impact so they may complete their review of the requests. MNIT staff may follow-up directly with individual agencies to request additional information.

Evidence-Based Proposal Form

Your agency may complete an Evidence-Based Proposal Form for any budget proposals that your agency would like to see categorized as "evidence-based" during the budget review and decision-making process. You may submit this form for proposals to create new programs as well as proposals to change or expand existing activities. Completion of this form is optional. For more information, contact the MMB Results Management team at resultsfirstmn@state.mn.us or see the evidence-based policymaking website https://mn.gov/mmb/evidence/.

Section 4: Resources to Assist Agencies

The following resources are available to assist agencies when developing change items for consideration in the Governor's 2022-23 biennial budget. These documents can be found on the MMB Biennial Budget Instructions website (https://www.mn.gov/mmb/budget/budget-instructions/bibudprep/).

1. Budget Reduction Spreadsheet
2. Change Item Narrative Template
3. IT Change Item Addendum
4. Evidence-Based Proposal Website
5. FY 2022-23 Budget Narrative Instructions:
   - Program Performance
   - Plain Language and Style Instructions
   - Creating Accessible Documents
   - Using SharePoint for Document Submission
6. Budget Planning and Analysis System (BPAS) User Guide and Instructional Videos (http://www.mn.gov/mmb/budget/statewide-budget-systems/bpas/)