STATE OF NEW YORK
EXECUTIVE DEPARTMENT
DIVISION OF THE BUDGET
STATE CAPITOL
ALBANY, NEW YORK 12224

Eliot Spitzer
Governor

Paul E. Francis
Director of the Budget and
Senior Advisor to the
Governor

BUDGET BULLETIN	B-1176	May 3, 2007

TO: **ALL DEPARTMENT AND AGENCY HEADS**

FROM: **Paul E. Francis**

SUBJECT: **Financial Management Plans for 2007-08**

This Bulletin establishes guidelines for the development of Agency Financial Management Plans for implementing the enacted 2007-08 budget and for development of broader financial management plans aimed at achieving short and longer term structural budget balance. **Commissioner-approved Financial Management Plans should be submitted to each agency's budget examination unit no later than May 31, 2007.**

Overview

The 2007-08 Enacted Budget was a critical first step towards achieving many of the Governor's financial and operating goals. The Budget was balanced on a cash basis, but relied on prior year surpluses and a limited number of nonrecurring revenue items to achieve that balance. The State faces a projected cash deficit of approximately $3.1 billion in the 2008-09 fiscal year and larger projected deficits in subsequent years.

The Governor has made it clear that the State must live within its financial means. In the State of the State address, the Governor made it abundantly clear that the State cannot resort to increased taxes to meet its needs. This means that Department and Agency Heads must find ways to achieve their core mission and provide essential services while reducing the rate of spending growth.

Agencies Financial Management Plans should be based on rethinking and redefining core programs, delivering those programs at a more efficient cost, and eliminating non-core functions. The beginning of a new Administration—and for nearly all of us the beginning of our tenure—provides the best opportunity we will have to engage in this kind of process.

Financial Management Plans should also be consistent with the Priorities for Agency Results that are included in the Monthly Reports to the Director of State Operations. To the extent possible, Financial Management Plans should also include financial metrics. Because financial metrics are closely linked with performance measurements, the

Division of the Budget will work with you, the Director of State Operations and Program Staff to develop over time an appropriate set of Financial and Performance Measurements for each Department and Agency.

Financial Management Plans for 2007-08: Guidelines

Agency-specific cash disbursement amounts and FTE levels will be communicated to agencies directly by each agency's budget examination unit. This information will serve as the basic parameters for the 2007-08 Management and Fiscal Plans.

In general, the Plan is a document that describes how the agency will balance three policy objectives — implementing new initiatives, meeting fiscal requirements for this year and the future, and planning and measuring performance — while operating within its 2007-08 spending and FTE limits. Agencies are encouraged to consult extensively with their examination units in the course of developing their Plans. The Plan must address the following:

All Spending Categories. All agency programs and operations should be evaluated to identify opportunities to eliminate less essential activities, increase efficiency and improve outcomes. The Plan should strive to identify fundamental cost-saving changes and recurring savings. **Proposals for recurring savings, for the current year and/or 2008-09, are a mandatory component in each agency's plan.**

State Operations – Personal Service. A significant increase in the workforce occurred in 2006-07; and additional hiring has been authorized by the enacted Budget for certain agencies, tied to implementation of specific program and revenue initiatives. Further workforce growth must be constrained to the maximum extent possible without impeding the progress of priority initiatives. **To assist in our statewide workforce planning, each agency's Plan must include a staffing plan that reflects the agency head's assessment of how staff resources should be utilized.** Current and planned staffing patterns should be evaluated to determine the optimal allocation of numbers and types of staff to specific functions. Unnecessary or lower-priority activities should be considered for elimination or reduced staffing. Situations in which staffing could be shifted from non-essential purposes to achieve savings, increase revenue or improve outcomes in important program areas should also be highlighted.

State Operations - Nonpersonal Service. Since the enacted budget and cash disbursement projections reflect NPS savings proposed in the Executive Budget for most agencies, economies must be achieved. Spending must be limited to essential needs. All NPS obligations must be approved by the agency head, either as specific transactions or pursuant to a plan approved by the agency head. Spending for technology acquisitions, office equipment and supplies, conferences, publications, travel, and contractual services should be subjected to particular scrutiny.

Agencies should include in their Plans the agency head-approved plan for NPS spending, and otherwise notify the Division of the procedures being used to minimize NPS expenditures.

Aid to Localities. Given the proportion of the budget represented by local assistance programs, this spending must be closely scrutinized as a source of potential savings this year and particularly for 2008-09 and beyond. Opportunities to eliminate or reshape local assistance programs or achieve efficiencies in program administration should be identified and proposed for consideration. The assumptions behind spending projections for essential programs, including caseload and utilization levels, should be reexamined and verified or adjusted as appropriate.

Capital Projects. All projects "in the pipeline" should be examined with respect to need, scope and consistency with this Administration's program and fiscal priorities. Non-essential projects at an appropriate stage of development should be identified for possible deferral or cancellation. Health, safety, the need to support essential services and long-term program plans, and the responsible preservation of State assets are the standards to apply for this determination.

Plan Document; Submission

The specific form of each agency's Plan should be determined jointly by the agency and its Budget examination unit. At a minimum, however, each plan must include:

- A plan for implementing the new initiatives authorized in the 2007-08 enacted budget;
- A narrative description of how each of the spending categories will be addressed during 2007-08 and 2008-09, including proposals for recurring savings to assist in gap-closing, consistent with the policy guidance provided above and with the cash disbursement and FTE parameters;
- A staffing plan that reflects the agency head's conclusions from a review of the workforce;
- Identification of target areas that will be examined more closely during the fiscal year; and
- A plan and format for monthly reporting on actuals vs. planned spending, FTE levels and key strategic and performance metrics.

Please begin discussions immediately with the appropriate Budget Division staff and submit two copies of your Agency's Plan to the responsible Budget examination unit no later than May 31, 2007. Your discussions and the submission should be considered Confidential Policy Advice to the Budget Director.

Questions

Questions on this Bulletin should be directed to your agency's Budget examination unit. Copies of prior Financial Management Plans are available from your Budget examiner. Because this is a new process for many of you, please do not hesitate to ask for guidance if you have questions about the format or substance of these Plans.

Note: This Bulletin applies to the 2007-08 fiscal year and supersedes all previous Budget Bulletins regarding spending plans and limitations.