

Glossary of Budget Terms

Source: Governor's Office of State Planning and Budgeting

A

Allocation- Personnel funds which are apportioned or designated to a program, function, or activity.

Anniversary Pay - The increase in salaries based on the advancement of permanent employees to the next salary step in the salary classification system. There are seven steps for each salary grade. Each step is five percent higher than the previous step. Employees advance through these steps each year on the anniversary of their hire date. Employees can only move from step six to step seven after five years. Once in step seven, an employee will not receive an anniversary/merit increase.

Appropriation - A legislative authorization of money for a specific purpose, as contained in the Long Bill and special bills.

Arveschoug/Bird Limit - A statutory six percent limit on increases in General Fund appropriations. Exemptions from this limit include: spending increases based on a tax fee increase approved by the voters; spending increases caused by federal mandates for new programs or court orders; transfers to the Capital Construction Fund; Old Age Pension Payments; Cigarette Tax rebates; the Property Tax and Heat Credit; and Police/Fire Pension payments.

B

Base - Estimated level of funding before legislatively authorized changes.

Base Reduction Items - The OSPB has redefined efficiency items. They will now be referred to as "base reduction items" and will only include requests that result in a reduction of total funds in the request year and do not meet the criteria for an allowable base adjustment (e.g. a reduction to reflect elimination of one-time funding for capital outlay). These base reductions may be proposed regardless of whether or not they result from the targeted base review.

Baseline - Current trends and future expectations assuming no programmatic changes or adjustments to revenue and expenditure policies.

Budget Amendment - Requests that are submitted to make changes to the request year budget after it has been submitted to the JBC on November 1.

Budget Justification - Narrative which explains expenditures and services from prior years and supports the requested level of expenditure and services.

C

Capital Construction - Capital construction includes:

- Purchase of land, regardless of value;
- purchase, construction, or demolition of buildings or other physical facilities, including utilities;
- remodeling and renovation of existing buildings or other facilities to make physical changes necessitated to accommodate changes (including changes needed to comply with applicable codes, conserve energy resources, generate cost savings, or improve appearance);
- site improvements or development;
- purchase or installation of the fixed and moveable equipment necessary for the operation of new, remodeled, or renovated buildings and other physical facilities and for the conduct of programs initially housed therein upon completion of the new construction, renovation or remodeling;
- purchase of services of architects, engineers and other consultants to prepare plans, program documents, life-cycle cost studies, energy analyses, and other studies associated with any capital construction project and to supervise construction or execution of such capital construction projects;
- any item of instructional or scientific equipment if the cost exceeds \$50,000;
- information technology if the cost exceeds \$500,000 (see section on information technology requests); and
- preliminary planning including initial review of proposed projects for conformance with long-range development plans, technical and economic feasibility of a project, preparation of outline plans and specifications, and preparation of preliminary cost estimates.

Capital Outlay - Capital outlay includes:

- Equipment, furniture, motor vehicles, software, and other items having a useful life of one year or more and that cost less than \$50,000.
- Alterations and replacements, meaning major and extensive repair, remodeling, or alteration of buildings, the replacement thereof, or the replacement and renewal of the plumbing, wiring, electrical, fiber optic, heating, and air conditioning systems therein, costing less than \$15,000.
- New structures, meaning the construction of entirely new buildings where the cost will be less than \$15,000, including the value of materials and labor, either state-supplied or supplied by contract.
- Nonstructural improvements to land, meaning the grading, leveling, drainage, and landscaping thereof, and the construction of roadways, fences, ditches, and sanitary and storm sewers, where the cost will be less than \$15,000.
- "Capital outlay" does not include those things defined as capital construction by section 24-75-301, C.R.S.

Cash Funds - Appropriated - Non-General Fund revenue sources which may include state cash funds established by statute, non-statutory cash accounts, tuition, overhead reimbursements, and certain fees, governmental and non-governmental "third party" payments and interagency transfers appropriated by the General Assembly.

Cash Funds - Exempt - Revenues that are exempt from the Taxpayers' Bill of Rights (TABOR) limitation such as: donations, collections from a previous year or revenues transferred from another agency.

Cash Funds - Non-Appropriated - Funds not appropriated to an agency by the General Assembly but otherwise authorized by statute for expenditure.

Continuing Appropriation - An appropriation available for incurring obligations for the life of the project and not subject to the usual restriction of the fiscal year.

Contractual Services - Services which state agencies purchase from other private or governmental entities under a contract. Most contracts are subject to a competitive bidding process.

Controlled Maintenance - Controlled maintenance includes:

- Corrective repairs or replacement used for existing state-owned general-funded buildings and other physical facilities, including, but not limited to, utilities and site improvements, which are suitable for retention and use for at least five years; and
- replacement and repair of the fixed equipment necessary for the operating of such facilities, when such work is not funded in a department's operating budget to be accomplished by the department's physical plant staff.

Controlled maintenance does not include:

- Corrective repairs or replacement when such work is funded in a department's operating budget and when the work is accomplished by the department's physical plant staff;
- repair or replacement of fixed and movable equipment necessary for the conduct of programs (such repairs are funded as capital outlays);
- repairs for rented or leased facilities or for facilities maintained by a self-liquidating property fund; and
- minor maintenance projects that are accumulated to create a controlled maintenance project.

Cost/Benefit Analysis - Estimation of various costs and benefits attributable to a particular policy, program or service. Costs and benefits can be tangible and/or intangible. When possible, all of the costs and benefits are totaled to determine the net effect of the program under review.

D

Decision Items - Requests for an increase in spending and/or funds in the budget request year beyond the base operating request.

Discretionary Requests - All requests are discretionary except those necessary to continue programs and activities required by state or federal law.

E

Effectiveness Measure - Estimation of quality of products provided and/or services performed.

Efficiency and Effectiveness Analysis - An analysis that evaluates how well a program performs and how effectively a program achieves its objectives and performance measures. Types of efficiency and effectiveness analyses include: benefit/cost analysis, switch-point analysis, and return on investment analysis.

Efficiency Measure - A measure describing how well a program performs based on inputs relative to outputs. Efficiency measures may include measures of value added.

Entitlement - The amount of payment to which a state or local government is entitled pursuant to an allocation formula contained in applicable statutes. An entitlement is an obligation to provide services to all persons in a class identified in law as eligible for a government-funded program.

Expenditures - Disbursements and payables for services rendered and goods received, including authorized encumbrances for a specified appropriated period.

F

Federal Funds - First-party moneys received directly from federal agencies.

Fiscal Year - The twelve-month financial period used for record keeping, budgeting, appropriating, revenue collecting, and other aspects of fiscal management. The fiscal year of the State of Colorado runs from July 1 to June 30. Unless otherwise noted, the term "fiscal year" always refers to the Colorado fiscal year and not the federal fiscal year.

FTE (Full Time Equivalent) - FTE means the budgetary equivalent of one permanent position continuously filled full time for an entire fiscal year by elected state officials or by state employees who are paid for at least 2080 hours per fiscal year, with adjustments made to:

- Include in such time computation any sick, annual, administrative, or other paid leave; and
- Exclude from such time computation any overtime or shift differential payments made in excess of regular or normal hours worked and any leave payouts upon termination of employment.

³/₄ "Full time equivalent" or "FTE" does not include contractual, temporary, or permanent seasonal positions.

³/₄ As used in this paragraph "state employee" means a person employed by the state, whether or not such person is a classified employee in the state personnel system.

- For purposes of higher education professional personnel and assistants in resident instruction and professional personnel in organized research and activities relating to instruction, "full time equivalent" or "FTE" means the equivalent of one permanent position continuously filled for a nine-month or ten-month academic year.

G

General Fund - The fiscal entity in which receipts are not earmarked for dedicated purposes and which supports the general functions of state government.

Gifts - Funds voluntarily given to the State.

Goal - High level results which are the basis for the department's existence.

H

Health, Life, Dental Insurance - The dollar amount made available to the agency to cover the cost of the State's share of the employee's health and life insurance.

Highway Users Tax Funds (HUTF) Off-the-top - Off-the-top funds are removed from total available HUTF revenue prior to allocating the HUTF to cities, counties and the Department of Transportation.

I

IMC and ADP Requests- Requests for additional funding for computers, information systems, software, and any ancillary costs associated with such requests.

Indirect Costs - Indirect costs are defined as costs incidental to the operation of the program and accrued by the State or an agency as a result of an agency utilizing a federal grant or a statutory cash fund. This term is interchangeable with overhead reimbursement.

Interest Earned - All funds deposited with the Treasury are invested and may earn interest. This interest is usually deposited in the General Fund unless otherwise specified in statute.

J

Justification - Explanation with supporting documentation and analyses demonstrating reason for action and linkage to strategic plan.

L

Leased Space - Office space expenses for state agencies not housed in state-owned office space.

Line Item - Funds requested and/or appropriated on a detailed or itemized basis in the annual Long Bill (e.g., personal services, operating, travel and subsistence, capital outlay, special purpose, etc.).

M

Mark Letters - Letters which summarize the Governor's decisions concerning the amount, type, and purposes for which each agency may request funds for the budget request year.

Memorandum of Understanding (MOU) - Agreements which are often used between state agencies in contracting for goods or services or for establishing policies and procedures. Legislative MOUs are sometimes used by agencies to formalize agreements with the Legislative Branch.

O

Object Codes - A system established by the State Controller for categorizing or classifying obligations or disbursements in terms of the types of services, articles, or items necessary to carry on an activity or program.

Objective - In preparing objectives, the OSPB recommends that departments use the following guidelines:

- *Linkage to Programs* - A single program must have at least one objective, but may have several objectives. A single objective can be associated with multiple programs.
- *Quantifiable/Verifiable* - Objectives are measurable, verifiable, and have clear targets. They should be as specific as possible, and should specify a single result to be accomplished.
- *Definitive Time Frame* - Objectives incorporate a specified time horizon. They include an explanation of how and when the department will meet a particular target.
- *Relationship to Measures* - Measures show accomplishment or progress toward accomplishment of objectives. A single objective must have at least one measure, but may have several.
- *Linkage to Vision/Mission* - Objectives describe the different ways in which the department will accomplish its vision/mission. They are the core actions that the department undertakes.

- *Realistic and Attainable* - Objectives must have a good chance of achievement with effort that stretches the capacities of those involved. However, an objective should not be so ambitious that it is virtually impossible to achieve.

Operating Expenses - Operating expenses include:

- Supplies and materials which by their nature are consumable and which have useful lifetime of less than one year, or which after usage undergo an impairment of, or material change in physical condition;
- Current charges, such as rental of property and equipment, insurance premiums, other fixed charges; and
- Current obligations, such as awards, property damages, personal injuries, judgments, losses, and special assessments against state-owned property.

Original Appropriation - The total amount of an agency's appropriation as it appears in the Long Bill or other original appropriations acts.

P

Pension Fund (earnings and contributions) - A fund type subclassification under trusts and agency funds used primarily to account for the activities of a government's single-employer public employee retirement system. The revenues needed to finance retirement benefits are accumulated through the collection of employer and member contributions and through income on investments. The primary expense of a retirement system is the disbursement of retirement and survivor benefits. These recurring benefit payments, along with refunds of contribution accounts to members who terminate employment, subsidies towards health care premiums, and the cost of administering PERA comprise the total expense.

Performance Based Budgeting - The process of linking resources to fulfill ranked objectives, which are expected to achieve specific and measurable results. The performance based budgeting process allows policymakers to track where budgetary resources have and will achieve prioritized objectives and generate efficiencies. Ultimately, outcomes are tied to funding decisions.

Performance Measures - Measures show progress toward the accomplishment of objectives and provide the yardstick by which programs are evaluated. Measures describe effectiveness, efficiencies, or output of programs. Each measure should be explicitly linked to an objective and compared to targets. These targets set standards that a department expects to achieve. In addition, measures should be indexed to a baseline (e.g., actual performance data).

Measures are:

- *Realistic* - In out-years, program outcomes will be evaluated according to how well they achieve the targeted measures. Therefore, targets for measures set in the base year should be achievable, but should also not underestimate the potential of the program.

- *Measurable* - Quantifiable measures enable policymakers to track overall programmatic performance and to assess which components of the program require improvement.
- *Understandable* - Expertise within particular discipline should not be necessary to comprehend the significance of a particular measure. Measures should be clear enough to be understood by the public.
- *Balanced* - Measures selected for evaluation should encompass a variety of programmatic functions to avoid a biased assessment of a program. A balanced set of measures avoids the problem of creating program-wide generalizations based on a narrow evaluation. An emphasis should be placed on identifying performance measure as well as workload measures.
Each measure must include:
 - two to five years of actual data;
 - two estimate years (the fiscal year ending as the strategic plan is prepared and the following fiscal year);
 - one projected year (the request year); and
 - if the measure supports an objective that targets future fiscal years, additional targets should be provided for the out years.

Personal Services - Personal services include:

- All salaries and wages including those paid to full-time, part-time, or temporary employees of the state, including the state's contribution to the Public Employees' Retirement Fund; and
- Contractual services, consisting of services rendered or performed by firms or individuals other than for employment compensation as an employee of the state; and tuition for employee workshops which are approved by personnel system regulations.

"Pots" - Appropriations common to all departments which are appropriated to each Executive Director's office and then allocated out to divisions or programs within each department. Examples include Group Health and Life, and Workers' Compensation.

Priorities - Ranking of objectives based on department's mandate, mission and strategic plan.

Program - In defining programs, the OSPB recommends that departments use the following criteria:

- *Identifiable* - Programs are unambiguous and distinct. They should meet a specific and explicit need as described in the department's strategic plan.
- *Linked to Objectives and Measures* - All programs must be linked to concrete objectives and quantifiable performance measures.
- *Function* - A program is not synonymous with a function, although a function may be divided into various programs. For example, licensing would be a function of a department, while programs would include licensing of taxis, licensing of insurance brokers, etc. However, a program can include internal responsibilities such as administration as long as the program meets the other criteria contained in this section.

- *Clear Accountability* - Programs seldom cross managerial lines. Managerial responsibility is easily located within the organization, and accountability for program performance is explicit. Program accountability is distinguishable for control of all of the variables which affect a program. Although a manager may not be able to control all of the factors that affect program performance, the manager remains accountable.

R

Reclassification - Change in job title approved by the State Department of Personnel.

Reconciliation of Funds - Reconciliation of funds is used to explain the differences between appropriated funds and actual expenditures.

Refund - An amount paid and then recovered by the state because of an incorrect payment, adjustment of an advanced payment, or any other error that can be corrected by a return of funds.

Reimbursement - Cash received as payment for the cost of work or services performed or for other expenditures made on behalf of a state agency. Reimbursement also includes proceeds from the sale of obsolete equipment.

Reinvestment - Funds accrued from savings, efficiencies and/or performance changes which are then invested back into the department/program to further objectives.

Request Year - The fiscal year for which resources are being requested. Also synonymous with Budget Year.

Roll-Forward Appropriations - The amount of an appropriation that is extended beyond its normal period of authorization upon specific approval of OSPB and the State Controller.

S

Salary Act Appropriation - The amount appropriated to a department to cover the cost of salary survey increases.

Senior Executive Service (SES) - A classification for a fixed number of senior management positions who are not considered part of the classified workforce.

Special Bills - Bills other than the Long Appropriations Act which contain an appropriation amount.

Shift Differential - The adjustment made to salaries of employees to compensate them for work performed outside the regular Monday to Friday and 8:00 am to 5:00 pm work schedule.

Special Purpose - Funds appropriated for a special project covering personal services and related operating costs often appropriated as a lump sum.

Strategic Plan - Focused summary of department mission, vision, prioritized objectives, goals, key trends, stakeholders and critical performance measures over a four-year time horizon. The strategic plan should be based on the intent of statutory mandates.

Supplemental Appropriation - Legislation authorizing changes in appropriations for the current fiscal year. Each departmental "supplemental" is enacted through separate legislation, usually introduced in January.

T

Taxpayers' Bill of Rights (TABOR) - The TABOR limit (Article X, Section 20 of the Colorado Constitution) restricts the State's total revenue growth to the sum of inflation and population growth.

W

Workload Measure - An estimate of the quantity of service and/or product was delivered.

Z

Zero-Based Budgeting - Includes but is not limited to the following (Section 2-3-207, C.R.S.):

- A listing of any other state, federal agencies which administer similar or cooperating program;
- A description of the statutory authority for the historical and quantified objectives of the program;
- A quantification of the need for the program;
- A description of the activities which are intended to accomplish each objective;
- Indicators of quantified measures of effectiveness and efficiency of performance of these activities;
- A ranking of activities by priority;
- Level of effort (funds and personnel) required to accomplish each activity; and
- A statement which describes expected accomplishments by the funding of the activity at any levels specified by the JBC, and ranking priorities in increments as determined by the JBC.

Have questions? Contact www.ColoradoSeniorLobby.org