

### **3. Budget Spending Plan (BSP) Development**

#### **3-A. What is the Budget Spending Plan?**

As counties develop programs, they will be asked to use the Budget Spending Plan (BSP) form to plan expenditures. This document will assist in planning and explaining the structure of programs.

After the needs and resources assessment is complete and the county board has chosen its program focus areas, each county will be asked to complete a procurement process, as necessary, to select who will implement the proposed programs. Once responses are in and vendors have been selected, the county will develop a Level Two BSP. (Details on the procurement process can be found in Chapter 8.)

The BSP forms found within the Level Two grant application package are provided to help you show OFS, and the evaluation committee, what programs each county plans to fund and at what levels they will fund them. The BSP will allow the county to discuss expenditure types in detail and will divide expenditures into annual spending projections. Detail should be provided by expenditure type for each initiative and local match should be listed wherever possible.

OFS will use the BSP to send county's quarterly cash advance disbursements and manage cash flow. In addition, the BSP will establish expenditure ceilings for each model code and will control significant changes in spending by limiting shifts from spending items without prior approval from OFS.

During the BSP development process each county will also show that they will operate within its 8% administrative overhead cap. Partnerships requesting cap waivers will do so during the Level Two process; however, you should be aware that only a few waivers have been granted to date and waiver requests are discouraged.

The coding system used in the BSP mirrors the coding system that will be used in the accounting system and will allow cost/benefit analyses to occur by linking fiscal and programmatic data.

The BSP will be the only fiscal planning document that a county will produce for OFS. Counties may request technical assistance in completing the forms at any time.

BSP documents will be produced on an annual basis at the start of each fiscal year or when a partnership receives Level Two approval. Spending will be monitored against this document throughout the year.

In the remainder of this chapter, BSP forms are explained in detail.

### 3-B. Budget Spending Plan Format

The BSP is an EXCEL document that has been developed to perform a number of functions. To develop a BSP that complies with OFS policies and with state law, counties will need to pay special attention to chapters 4 and 5. Chapter 4 spells out the rules governing match, supplantation, capital and administrative overhead. Chapter 5 discusses how the line item and accounting coding system works. Remember that each county will need to read and understand these two areas before developing the BSP documents.

Some of the functions of the BSP are as follows:

- To control spending within programs and limit the ability to spend in a way that is significantly different than portrayed in the approved Level Two grant application
- To help the partnership plan spending by program code, which assists in program/subcontractor monitoring
- To allow the partnership to manage spending by fund source as required by First Steps Legislation
- To enable the evaluation team to use fiscal data to conduct cost/benefit analyses
- Distribution of **county partnership office operation budgets for administrative functions (1012) and indirect programmatic function (1502)** should include but are not limited to the following line items: office rent, office phone, office supplies, office equipment (leased or purchased), utilities, travel, etc. **A minimum of 25%** must be reflected in administrative functions (1012) and the balance reflected in indirect programmatic functions (1502). The total line item operations (*office rent, office supplies, office phone, office equipment (leased or purchased), utilities, travel, etc.*) budget between program codes 1012 and 1502 must equal 100%. Board (model code 5190) and miscellaneous (model code 5199) budgets are strictly administrative and cannot be distributed to indirect programmatic functions (1502).
- Distribution of budget for **in-house direct service programs** should include but are not limited to the following line items: office rent, office phone, office supplies, office equipment (leased or purchased), utilities, travel, etc. These line items should reflect 100% distribution for each in-house implemented program/strategy. Proper cost allocation ensures that **all** programs (*as well as in-house*) capture all applicable expenditures.
- Line item budget distribution must be reflected in increments of 5% for **salary only**. For example: Executive Director salary
  - County Administration (1012): 30%
  - County Indirect Programmatic (1502): 45%
  - Child Care Quality Enhancement (6012): 20%
  - Child Care Training & Professional Development (6052): 5%

There are four different pages contained within the BSP. OFS will assist a county in filling out these pages, if necessary, during the annual BSP workshop. The five pages are discussed below.

1. **Budget Spending Plan Summary Page:** This page is the cover page for the BSP. It tells the reader what the partnership plans to spend in total for each program by fund source. In addition, the page lists the match and administrative overhead percentages.
2. **County Administrative Functions Page:** This form is for the costs associated with county administration dollars. Partnerships will incur certain costs associated with administering the program. These costs might include, and are not limited to, the majority of the director's salary, paper and office supplies, and the cost of office space. Please remember that directors may also be performing programmatic functions such as developing a system that rewards child care workers who receive advanced degrees. When this is the case, a portion of the director's salary can be considered programmatic and does not count against the 8% administrative overhead cap. For more detail on how to divide county operations costs, please refer to Chapter 4b.
3. **County Indirect Programmatic Functions Page:** This form is for county operations costs that are programmatic in nature and DO NOT count towards the 8% administrative overhead cap. Please refer to Chapter 4b to understand how to make these decisions.
4. **Recipient/Sub-contractor or In-House Program Pages:** There are a number of blank program pages within each BSP template. Counties will fill out one for each type of program they are funding. Each county will use a different form for each sub-contractor and use different forms for a sub-contractor that has a variety of programs. The list of codes that you will use to assign program to sub-contractors can be found in Chapter 5.

**PLEASE CONTACT OFS FINANCE FOR THE MOST RECENT BSP FORMAT**

### 3-C. Carry Forward of Unspent Budget Policy

Many times, a government agency will reclaim all unspent budget authority in a particular fiscal year. Often this causes programs to attempt to spend all funds by the end of the fiscal year to avoid losing funding. This can lead to poor spending decisions that are based on spending money and maintaining funding levels and not on your programs' specific needs and goals. This behavior is commonly referred to as the "use or lose" mentality.

#### **First Steps Legislation Section 59-152-140 – Carry Forward for County Partnerships.**

Effective July 1, 2008, it is the policy of OFS to allow you to access 100% of your unspent state appropriated – fund 10 and Education Improvement Act (EIA) – fund 55 budget formula allocation in the immediate following fiscal year. You will be required to use the carry forward budget in the immediate following fiscal year within the programs approved in your renewal application. New programs not approved in your renewal application must be separately approved by the SC Board of Trustees as per normal new strategy procedures.

If you have unspent budget, it is possible that among other reasons you:

- Were able to negotiate a better price for materials and/or services than you anticipated in your BSP development process thereby resulting in cost savings;
- Were unable to start a program as quickly as expected due to procurement issues and therefore did not achieve the capacity expected by the year end; or
- Were unable to find the population for your programs that you anticipated.

Please remember that to receive approval to spend carry forward of unspent appropriated budget you must:

- Obtain financial reports from your RFM reflecting how much fund 10 and/or fund 55 unspent prior year appropriated budget allocation is available
- Develop a plan that corresponds to your strategic plan
- Obtain a county partnership board vote that approves the use of carry forward from the immediate prior fiscal year to be used in the new fiscal year only
- Conduct an official RFQ competitive bid process if the cost of the materials and/or services are \$10,000 or more
- Obtain approval from OFS
  - Submit allocation/reallocation form after June 30<sup>th</sup> when all prior year invoices have been paid
  - Cannot be placed in "Pending" status in budget spending plan

**Restrictions on the use of unspent carry forward appropriated budget:**

- Must be totally used in the following fiscal year
- Cannot be carried forward for more than one fiscal year. **For example**, FY 10 unspent fund 10 state appropriated budget cannot be carried forward into FY 12. FY 10 carry forward budget must have been entirely spent in FY 11.
- Carry forward **state** appropriation will be identified by accounting fund code **11**
- Carry forward **EIA** appropriation will be identified by accounting fund code **56**
- RFMs will automatically move cash/revenue between state funds 10 & 11 or 55 & 56 as necessary to pay your invoices

## **E X A M P L E**

**Wonderland** County First Steps Partnership has the following state allocated funds:

\$ 100,000 ... FY 11 state allocation/budget (fund 10)

(\$ 90,000) ... FY 11 spent state allocation/budget (fund 10)

\$ 10,000 ... FY 11 unspent state allocation/budget (fund 10) -- **carry forward to FY 12**

If FY 11 carry forward is approved for use in FY 12:

\$ 105,000 ... FY 12 state allocation (fund 10)

\$ 10,000 ... FY 11 approved carry forward (fund 11) to be used **only** in FY 12 (Jul 11 – Jun 12)

\$ 115,000 ... Total state budget authority (funds 10&11) to be used in FY 12 (Jul 11 – Jun 12)

The state allocation increased from \$100,000 in FY 11 to \$105,000 in FY 12 (increase of \$5,000). The FY 11 carry forward amount of \$10,000 was added to the FY 12 state allocation for a total state budget authority of \$115,000 in FY 12. **All carry forward budget authority must be used during the carry forward period or you will lose it.** You should be able to use all of your carry forward each year and not lose any of it during the carry forward period.

NOTE: Use of unspent budget will only be possible if SC First Steps is allowed to maintain its legislated carry forward authority.