

State of Maine
Zero-Base Budget Overview

What is Zero-Base Budgeting?

Zero-base budgeting is a planning and budgeting tool that uses cost-benefit analysis of programs and activities to improve the allocation of funds and staff resources in an organization.

Comparison to Current Budget Process

Current Process Incremental Budgeting

- Requires only additions or deletions to current expenditures to be explained or justified
- Funding proposals are based on current activities.
- Current activities are continued even if they do not support the core mission of the agency or exceed legal requirements.

New Process Zero-Base Budgeting

- Subjects all programs, activities and expenditures to justification.
- Funding proposals for new and existing programs are ranked in priority order on the basis of alternative service levels, which may be lower, equal to or higher than current levels.
- Requires a comparison of current activities to activities required to support the agency's core mission and to comply with legal requirements.

Benefits of Zero-Base Budgeting

- Provides the Governor, the Legislature and the public with a complete picture of the agency's budget.
- Highlights what is in the base, lending credibility to budget proposals.
- Reveals where resources might be reallocated to better meet the agency's core statutory mission and strategic plan.
- Challenges agencies to think in terms of statutory drivers, performance and the strategic plan through a ranking and prioritization process.
- Makes it easier for agencies to identify areas in which to focus efforts within limited resources.

Zero-Base Budgeting Steps

- Make policy decisions, set goals and objectives and identify relevant measures of performance.
- Conduct a full review of all state and federal mandates and other requirements and restrictions.
- Identify all current activities, funding and staff/contract resources.
- Identify the activities necessary to support the agency's core mission.
- Compare to current activities to identify variances from the agency's core mission. This is the starting point for prioritizing agency baseline budgets.
- Identify other alternatives for carrying out the necessary activities.
- Identify funding and staff/contract resources to carry out the necessary activities for the preferred alternative.
- Priority rank activities based on the degree to which they accomplish the agency's core mission, fulfill legal requirements and meet performance expectations.

- Identify incremental adjustments that are needed to bring existing funding and staff resources into line with the results of the zero-based analysis.
- Draft language to bring legal requirements into line with the results of the zero-based analysis.

Zero-Base Budget Submissions

- Department-wide organizational chart based on current structure including total funding and staff resources for each bureau/division. Funding levels are identified as state and non-state and staff resources are reflected as total FTEs.
- Bureau/division level organizational charts based on current structure including funding and staff resources for each program or cost center. Funding levels broken out by fund source and staff resources (FTEs) broken out by job class code.
- Description of each bureau/division and related programs, include state and federal legal requirements and other restrictions.
- List of activities for each program identifying the relationship to the agency's core mission and any gaps between what the program is required to do and what the program is currently doing.
- Comparison of current funding and staffing levels to necessary levels for preferred alternatives.
- Department-wide prioritization based on the degree to which each program accomplishes the agency's core mission, fulfills legal requirements and meets performance expectations.
- Revised department and bureau/division organization charts based on reconstructed budgets.

Zero-Base Budget Submissions



Zero-Base Budget Timeline

2012-2013 Supplemental Budget

Instructions to be provided mid to late September, 2011

2013 Emergency Supplemental and 2014-2015 Biennial Budget

Statutory deadline for agency budget submissions is September 1, 2012