Job Aid: Allowable Increases and Decreases To Establish 2025-27 Base Budget

Allowable increases and decreases do not adjust the FY 2024-25 authorized budget but are reflected in the increase/decrease columns of the Base Budget Document. These adjustments may increase or decrease total spending for a purpose or program for the upcoming 2025-27 biennium, as authorized by the State Budget Act or applicable state law.

Base Budget ("Worksheet I") entries in IBIS should fall into one of the eight authorized adjustment categories (described below); agencies may submit more than one form per category. OSBM requires a thorough explanation of the proposed adjustment by providing a narrative in the Worksheet I entry and/or one of the attachment forms provided.

In most cases, these adjustments should be made as part of the Base Budget process. However, depending on the scope and nature of a proposed change, OSBM may require certain adjustments to be requested as part of the Change Budget process.

Allowable increase/decrease categories are described below. In cases where a portion of the increase is supported by receipts, these receipts must be increased to ensure that the funding split remains the same.

1. **Annualizations –** Increases or decreases for **recurring** *positions, programs, and operating costs of new facilities* that were partially funded in the previous fiscal year by the General Assembly**.** Agencies should prepare a Base Budget entry to ***fully annualize*** positions, programs, or operating costs that had effective dates **after** July 1, 2024, and were, therefore, not funded for an entire fiscal year. These increases or decreases should be made in the base budget for the 2025-27 biennium. Reductions for positions or programs abolished after July 1, 2024, must also be annualized. *Please complete the Annualization Calculation Form and include as an attachment to your Worksheet I entry in IBIS.*

   Example**:** A new position is authorized by the General Assembly effective October 1, 2024, at an annual total compensation (salary and fringe benefits) of $50,000. The budget for 2024-25 includes $37,500 for the position for nine months. The difference between the annual total compensation of $50,000 and the prorated total compensation of $37,500 is $12,500. $12,500 is the allowable increase on the agency's Base Budget entry. Annualization of both salary and fringe benefits (social security, retirement, and health benefits) should be included in the increase.

2. **Adjustments for prior year non-recurring increases or decreases** – All non-recurring items approved by the General Assembly for the second year of the biennium must be removed from the authorized budget in the increase/decrease columns. IBIS will automatically generate Base Budget entries for nonrecurring items approved for the 2024-25 fiscal year. Please review these entries for accuracy before submission to OSBM.

3. **Changes for federal payroll tax changes and existing lease rate increases –** For known changes to federal payroll taxes set to occur in the 2025-27 biennium, as well as known lease rate increases set to go into effect during the 2025-27 biennium, agencies should prepare Base Budget entries to make appropriate adjustments. If agencies have existing leases with automatic rate increases, adjustments are allowed in accordance with the terms of real property the leases.

NOTE: Agencies must have a fully executed lease agreement in place; anticipated lease increases are not eligible for adjustments as part of the base budget process.

Please complete the [Lease Increase Calculation] and attach to your Worksheet I entry in IBIS.

4. **Realignments to accurately reflect receipts, expenditures, and fund balances across budget funds (purposes or programs)** – Agencies should carefully review the expenditures, receipts, and budget fund balances to ensure programs are correctly budgeted in the base budget. Agencies may propose realigning budgets across budget funds to more accurately reflect actuals.

   NOTE: This is the only opportunity in the two-year budget cycle in which realignments between funds are allowed on a recurring basis.

   - In preparing a proposed realignment of the base budget, agencies may finance structural gaps or unmet needs within the existing base budget, including realigning budget across programs (budget funds) within a budget code.

   Please contact your OSBM Budget Execution Analyst to discuss proposed realignments.

5. **Reconciliation of intra- and inter-governmental transfers that require no net General Fund increase –** Agencies must balance intra- and inter-departmental transfers. If one budget fund or agency includes a transfer-out (requirement), the receiving budget fund or agency must budget a matching transfer-out (receipt). If transfers are out of balance, increases or decreases may be requested up to the level of 2023-24 actual expenditures. Please review the RK 333B (Found at IBIS>Self Service Reports>Budget Development Reports>Worksheet I Reports) and contact your OSBM Budget Execution Analyst to discuss any proposed reconciliations; some reconciliations may be accomplished through budget revisions rather than a Worksheet I entry.

   Agencies must also ensure that the new NCFS interfund segment is accurate for all relevant transfer accounts. The interfund should reflect the budget fund funds are being transferred to or received from.

   NOTE: Adjustments based on agency actual expenditures associated with transfers to DIT for subscription fee charges are NOT allowable as part of the base budget process.

6. **Adjustments for legislative and statutory requirements –** In a limited number of circumstances, the General Assembly has directed, through statute or session law, that certain adjustments be included in the base budget development process. If an agency is required by statute or session law to include items in the base budget, the statute reference must be included in the justification field of the Worksheet I entry.

7. **Restructure –** An agency wishing to restructure its budget by reducing or increasing the number of budget funds within a Budget Code in order to increase operational efficiency should complete the *Budget Restructuring Attachment* and submit it to OSBM for review by November

12, 2022. After all Base Budget entries have been approved, OSBM analysts will review Restructuring Plans and work with agencies to submit Restructuring Base Budget entries.

Agencies should consider if there are any adjustments to budget structure that may desired as a result of the transition to NCFS, including to adapt to functionality that may be different from what was available in NCAS.

Budget structure changes should not necessarily be the result of, or require, a reorganization within your agency; restructuring your budget may simply be an opportunity to be more efficient in your operations. However, if a budget restructuring involves a reorganization, a report must be made to the Joint Legislative Committee on Governmental Operations and Fiscal Research as required by GS 143B-10.

8. **Reconciliation of salary-related employer contributions, longevity, and special separation allowance under Article 12D of Chapter 143 of the General Statutes –** Once agencies have reconciled position counts, salaries, and salary-related benefits within a budget fund through a recurring budget revision, agencies may submit a Worksheet I entry for any additional reconciliation of salary-related employer contributions, longevity, and special separation allowances under Article 12D of Chapter 143 that requires a recurring realignment across budget funds and/or an increase or decrease to the total budget. After applying the rates listed below for each budget fund and then comparing the calculated amount to what is in the authorized Base Budget for each appropriate line item, any surpluses within a fund may be realigned to funds with deficits. If a shortfall or surplus exists at the budget code level, the increase or decrease should be requested through a Worksheet I entry.

   Please contact your OSBM Budget Execution Analyst to discuss proposed realignments and personal services line item increases and decreases.

Again, the adjustments outlined in this section are to be done on a Worksheet I entry to reconcile salary-related employer contributions, longevity, and special separation allowance under Article 12D of Chapter 143 <u>across between funds</u> or address surpluses or deficits at the budget code level.

Fringe benefits rates to be used are as follows:

Federal Insurance Contributions Act (FICA) Social Security & Medicare	7.65%
Social Security (OASDI) up to maximum taxable amount of $168,600	6.20%
Medicare Portion (HI) on ALL earnings	1.45%
Teachers and State Employees Retirement Rate	24.04%
State Law Enforcement Officers Retirement Rate	29.04%
Optional Retirement Rate	13.96%
Consolidated Judicial Retirement Rate	43.99%
Legislative Retirement System Rate	28.99%
Health Benefits – Active Employees	$8,095

Retirement and health benefits for permanent state employees who work at least nine months per year and at least 30 hours per week must be included.