

I. Introduction/Overview

Overview of the Budget Process

The State of North Carolina appropriates operating and capital funds on a biennial cycle. An approved budget includes annual amounts for each of the two fiscal years that make up the biennium. The General Assembly, convening in May 2022, will consider the Governor’s Recommended Budget Adjustments as well as other changes presented for legislative review before passing a short session budget to be certified by the Office of State Budget and Management (OSBM). In accordance with the State Budget Act, the Governor’s Recommended Budget Adjustments for FY 2022-23 will be prepared and presented to the General Assembly.

The process for preparing the Governor’s 2022-23 Recommended Budget Adjustments in a manner consistent with that prescribed in the State Budget Act is beginning now. [This document summarizes the instructions for preparing the Recommended Budget Adjustments.](#)

Timeliness and deadlines are critical to budget development

OSBM has established deadlines to ensure that OSBM and the Governor have adequate time to review information and finalize the Governor’s Recommended Budget Adjustments as required by the State Budget Act. Below are key dates and deliverables in the 2022-23 budget development process. A complete timeline can be found on the [OSBM website](#).

FY 2022-23 Budget Preparation Key Dates/Deadlines	
Date	Action
February 7, 2022	OSBM issues 2022-23 Short Session Budget Instructions
February 9, 2022	OSBM hosts Change Budget Instructions Training, 2-3pm, via Microsoft Teams
February 25, 2022	Agencies submit Agency Budget Change (ABC) Lists to OSBM
March 23, 2022	Agencies submit Final Worksheet II’s, Worksheet II EZ’s, Worksheet IIIs, and Special Provisions

Budget Kick-Off and Agency Meetings

OSBM will host a [virtual budget information and training session](#) for agency staff on **Wednesday, February 9, from 2-3 PM** via Microsoft Teams. The kick-off will include a review of the 2022-23 Budget Instructions, focused on the process and timeline, and an opportunity to address your questions. Key staff members involved in developing your agency’s change budget are encouraged to attend.

To streamline the process this year, OSBM leadership will meet with agencies upon request.

II. 2022-23 Short Session Change Budget Instructions

The Short Session Budget consists of proposals for expansion or reductions from the FY 2021-23 long session budget. Given that the state is just implementing S.L. 2021-180, agency requests should be limited in scope. Agencies should prioritize requests to those that deliver critical services, meet operational needs, and achieve high agency and administration priorities. All requests should link clearly to the agency’s strategic plan and include data and/or evidence to ensure the request has a strong justification. Although reduction options are not required, agencies are encouraged to look for opportunities to improve program delivery and agency operational efficiency.

For the FY 2022-23 short session budget, Change Budget proposals should focus on addressing the following priorities identified by Governor Cooper:

1. Positioning North Carolina to create new jobs and foster economic growth and recovery;
2. Strengthening our education and workforce development systems to ensure students and jobseekers are prepared for the jobs of today and tomorrow;
3. Promoting healthier and safer communities;
4. Advancing equity; and
5. Ensuring an effective, accountable, well-run state government

III. Agency Submissions

Agencies are asked to submit the following information:

1. Agency Budget Change (ABC) Lists, including an IT Project Survey for all IT requests
2. Change Budget Requests with Worksheet II or Worksheet II EZ forms, including IT project requests
3. Capital and Repair & Renovation Requests with Worksheet III forms

1. Agency Budget Change (ABC) List

Agencies are asked to first submit an [Agency Budget Change \(ABC\) List](#)—a tool to provide a summary list of potential budget requests—before submitting any Worksheet IIs or IIIs. The ABC List summarizes change, IT, and capital project requests. Agencies will work with OSBM to determine which requests are viable given budgetary and other constraints, develop the business case for requests using data and evidence wherever possible, and further refine and adjust requests based on feedback from decision makers. Agencies will submit selected requests as Worksheet IIs and IIIs taking that guidance into account.

The ABC List template includes separate tabs for operational, capital, and R&R requests. The first tab, “Instructions”, provides guidance on how to complete the form. Each agency should only submit one ABC List.

This process is intended to reduce agency workload by reducing the need for detailed Worksheet IIs and IIIs for items not likely to move forward and to facilitate a collaborative process with OSBM and agencies to build the best possible business case for those items that will ultimately be included in the Governor’s Recommended Budget Adjustments.

2. Change Budget Requests

Change Budget requests should focus on meeting critical operational needs, filling budget gaps and unmet needs, and addressing key agency and administration strategic priorities. Although reduction options are not required, agencies are encouraged to look for opportunities to improve program delivery and agency operational efficiency.

Change Budget requests may include the following:

- Funding adjustments due to changes in enrollment or population served in public schools, community colleges, the University of North Carolina system, prisons, and North Carolina’s Medicaid and Health Choice programs, State and County Special Assistance program, and Foster Care and Adoption Assistance program.

- Additional funding needed to maintain current service delivery or provide services where there is an unmet need or increased demand(i.e., waitlist)
- Departmental proposals to redirect funds from inefficient or ineffective programs.
- One-time major equipment purchases.
- Information Technology projects.
- Operating Building Reserves.
- Funds to replace lost federal funds.
- Changes to compensation and benefits to attract and retain talent.

Change Budget requests can be submitted either via a Worksheet II-EZ or Worksheet II form. The Worksheet II-EZ is a shortened form that may be used for less complex requests, such as lease increases and internal service adjustments, and reduces justification requirements for these types of budget requests. For more information, see the [Expansion Request and Reduction Proposal Job Aids](#).

In addition to General Fund appropriation expansion requests, agencies should also submit expansion requests supported from 100 percent non-General Fund sources (federal funds or other receipts) or if an expansion item is supported from cash balances in non-reverting funds.

2.1 Information Technology (IT) Requests

The State CIO and OSBM will jointly review the business case for all IT requests based on additional submission requirements. This includes IT projects or projects where there is an IT component, regardless of funding source.

As with all Change Budget requests, the ABC list is the first step in the IT budget process. Agencies must document their IT requests on the “Change Budget” tab on their respective ABC lists. This year, OSBM has modified its process, and all agencies submitting IT requests are also required to complete an [IT Project Survey](#) to provide extra detail on each prospective project. The General Assembly, the Administrative Office of the Courts, and the University System are exempt from this requirement.

More information on the process for IT requests this year can be found in the [IT Job Aid](#).

3. Capital Project Requests

Capital projects, such as land acquisitions, new construction, rehabilitation of existing facilities, and repairs and renovations, are submitted as part of the six-year Capital Improvement Plan and Capital Improvement Budget. The Capital Improvement Budget are items required for agencies to continue to operate and deliver current and new services in the next six years.

The Capital Improvement Plan consists of two components. The first is the statutorily required needs estimate of capital projects required by state agencies to operate and provide current and expected services over the next six years. The second component takes the six-year needs estimate and plans those projects out over a six-year schedule that may reasonably be completed by each agency, assuming funds are available.

Please note that \$1.0 billion for new UNC capital projects and \$873 million for agency capital projects was appropriated in the first year of the biennium. Given that, OSBM does not anticipate many capital project requests this year but will consider capital requests for items that did not receive capital funds in the first year of the biennium, as well as requests for inflationary adjustments.

All Capital Projects and repair and renovations projects, including General Fund requests and non-General Fund (receipts), must be requested in IBIS through the Worksheet III form. Capital and repair and renovation requests must conform to the process and requirements found in the [Capital Job Aid](#) and the [Repair and Renovation Job Aid](#).

IV. How Will OSBM Evaluate Budget Requests?

OSBM will evaluate Change Budget requests based on the strength of the business case and supporting data and evidence provided by the agency. Agencies should focus their efforts on ensuring the narrative components of the Worksheet II and III clearly and succinctly articulate the problem being addressed, the intended outcome, and the expected impact of the request. Requests for new or expanded programs or services must include data, evidence and research that support the program's anticipated effect on desired outcomes. For certain requests, such as addressing inflation and related increases in operational costs, less detail on these components is required. However, it is imperative that agencies complete all components of the form and provide supporting data to present a compelling justification for the request.

OSBM is also continuing efforts to integrate and utilize strategic planning information in the budget development process. Strategic plan information will be used to review spending requests during the budget development process in conjunction with the Governor's Recommended Budget Adjustments. Budget requests must clearly support goals included in the agency's strategic plan.

OSBM analysts will conduct meetings with agencies to discuss agency budget requests and top priorities. Analysts will also be available for consultation and assistance throughout the process of developing Change and Capital Improvement Budget proposals.

V. Agency Submission Deadlines and Resources

All change budget and capital budget proposal should be submitted via the ABC List or Worksheet IIs and IIIs submitted in IBIS to OSBM on or before **February 25, 2022**. Agencies that submit ABC lists do not need to submit final Worksheet IIs and IIIs in IBIS until **March 23, 2022**.

Job aids on change, IT and capital budget requests and budget instructions can be found on OSBM's website: <https://www.osbm.nc.gov/budget/budget-instructions>