STATE OF NORTH CAROLINA
OFFICE OF STATE BUDGET AND MANAGEMENT

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TO: Department Heads and Chief Financial Officers
All State Departments, Institutions, and Agencies

FROM: Kristin Walker *Kristin Walker*

SUBJECT: New Policies to Support Flexibility in Budgeting at Higher Levels

Earlier this year, OSBM met with agency CFOs to find opportunities where we could realign policies and practices to reduce low-value budget revision work, encourage more transparent budgeting, and leverage the new BRIDGE budget system for more efficient budget processes. One of the most frequently cited high-volume, low-value tasks took place around closeout when many agencies realign budgets to cover minor deficits in specific accounts, which in turn obscure program shortfalls and trends when looking at historical data.

To address this concern and with input from agency CFOs, we are implementing changes to support budgeting at a higher level. OSBM reviewed State Budget Act requirements and decided to leverage a longstanding practice at the UNC system to use certain pooled accounts to allow for budgeting at a higher level. To implement this change, we have refined policies and system supports, most notably: (1) implementing pooled accounts in NCFS and BRIDGE and (2) updating an NCFS report to facilitate budget review for closeout.

Required Levels of Budget Review for Closeout Processes

To support the effort to budget at a higher level while complying with State Budget Act requirements, OSBM conducts budget reviews at the following levels for quarterly and year-end closeout activities:

- For Salary and Benefit accounts (51xxxxxx), review is at the full 8-digit and funding source level.
- For accounts 56xxxxxx through 58xxxxxx, review is at the full 8-digit level.
- For operating accounts 520xxxxx through 550xxxxx, review is at the "higher level" of the NCFS Parent account level 1 (rolled up to 3rd digit).

To support agency review, OSBM and OSC have worked to adjust the NCFS *NC Budget to Actual (701) Certified Report (RPT-BE-006)* to reflect the NCFS Parent account level 1 (3rd digit) for operating accounts 520xxxxx through 550xxxxx. OSBM and agencies will use this higher-level account report as the foundation for completing closeout procedures.

State budgeting operations will fully transition to the new BRIDGE budget platform beginning with FY 2027-28, and BRIDGE reporting will be aligned to support budgeting at these higher levels.

Pooled Accounts

OSBM implemented changes that offer maximum flexibility for agencies preferring to budget at a higher level for certain (520xxxxx-550xxxxxx) accounts, while also meeting the requirements of the State Budget Act.

OSBM has worked with OSC to create pooled accounts in NCFS at the NCFS Parent account level 1 (rolled to 3rd digit) statewide. These pools allow agencies to consolidate budgets for specific accounts, while also keeping track of expenditures in more detailed accounts. As previously noted, this process has been used by the UNC system for many years.

The Appendix shows the new accounts available for budgeting at this new level. No changes are needed to the university pooled accounts that already exist in NCFS.

OSBM recognizes that individual agencies may have specific needs to maintain current budgeting practices and budget at more granular levels to meet other business requirements. Using pooled budget accounts will remain optional for agencies, who may opt to use all, some, or none of these pooled accounts for budgeting.

Thank you for your continued partnership and for your collaboration. By working together, we found ways to leverage the implementation of the new BRIDGE budget system to improve budget processes, increase budget transparency, and allow you to spend time on what matters most.

Please reach out to your OSBM Budget Execution analyst if you have any questions about these changes.

Appendix

Pooled Account	Description
52000000	PURCHASED SERVICES - UNIVERSITY
52100000	PURCHASED CONTRACTUAL SERVICES-UNIVERSITY
521B0000	PURCHASED CONTRACTUAL SERVICES-AGENCY
52200000	UTILITIES - UNIVERSITY
522B0000	UTILITY/ENERGY SERVICES-AGENCY
523B0000	REPAIR SERVICES-AGENCY
524B0000	MAINTENANCE AGREEMENTS-AGENCY
525B0000	RENTALS/LEASES-AGENCY
527B0000	TRAVEL & OTHER EMPLOYEE EXPENSE-AGENCY
528B0000	COMMUNICATION AND IT SERVICES-AGENCY
529B0000	OTHER SERVICES-AGENCY
53000000	SUPPLIES - UNIVERSITY
531B0000	GENERAL ADMINISTRATIVE SUPPLIES-AGENCY
532B0000	FACILITY & HARDWARE SUPPLIES-AGENCY
533B0000	VEHICLE/EQUIPMENT OPERATING SUPPLIES-AGENCY
534B0000	FOOD & DIETARY SUPPLIES-AGENCY
535B0000	CLOTHING & RECRETIONAL SUPPLIES-AGENCY
536B0000	MEDICAL/PHARMACEUTICAL SUPPLIES-AGENCY
537B0000	RESEARCH/DEV & EDUCATIONAL SUPPLIES-AGENCY
538B0000	PURCHASES FOR RESALE-AGENCY
539B0000	OTHER MATERIALS & SUPPLIES-AGENCY
54000000	PROPERTY PLANT & EQUIPMENT-UNIVERSITY
541B0000	LAND-AGENCY
542B0000	BUILDINGS PURCHASED-AGENCY
543B0000	BUILDINGS CONSTRUCTED-AGENCY
544B0000	OTHER STRUCTURES & IMPROVEMENTS-AGENCY
545B0000	EQUIPMENT-AGENCY
547B0000	INTANGIBLE ASSETS-AGENCY
54600000	ART LIBRARY LEARNING RESOURCES-UNIVERSITY
546B0000	ART OTHER ARTIFACTS & LITERATURE-AGENCY
55000000	OTHER EXPENSES AND ADJUSTMENTS-UNIVERSITY
551B0000	LEGAL LICENSES & PERMIT COSTS-AGENCY
552B0000	PENSIONS & BENEFIT CLAIMS PAYMENTS-AGENCY.
553B0000	DEBT SERVICE-AGENCY
554B0000	DEPRECIATION EXPENSE-AGENCY
556B0000	ASSETS & OTHER ADJUSTMENTS-AGENCY
557B0000	EXTRAORDINARY & SPECIAL ITEMS-AGENCY
558B0000	OTHER ADMINISTRATIVE EXPENSES-AGENCY
559B0000	OTHER EXPENSES-AGENCY