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I. Introduction/Overview

Budget Process Overview

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 (FY) that make up the biennium. In even years, the Governor prepares a Short Session Recommended Change Budget to update the biennial budget. The General Assembly, convening in April 2024, will consider the Governor’s Short Session Recommended Change Budget as well as other changes presented for legislative review.

This document instructs agencies how to prepare recommended adjustments to the biennial appropriations act. Agencies can find these instructions – as well as job aids explaining evidence, operational, information technology (IT), and capital budget and repair and renovation (R&R) requests – on [OSBM’s website](#).

Budget Kick-Off and Trainings

OSBM will host a virtual training to review the 2024-25 budget instructions for agency staff on **January 11, 2024, 10:00-11:30 am via Microsoft Teams**. [Please RSVP using this form](#). We invite all budget staff involved in developing your agency’s change budget to attend.

OSBM and DIT will brief agency CIOs on the IT Request Survey at the **January 10** CIO monthly meeting.

OSBM will brief agency capital staff on that process on **January 16 at 10am via Microsoft Teams**. Capital staff may register for that training [here](#).

OSBM will host three evidence trainings on **January 23, 25, and 31**. Budget and division staff who may submit information for budget requests should sign up [here](#).

Critical Document Due Dates

1. **February 2:**
 - a. Operational Agency Budget Change (ABC) Lists
 - b. IT Request Survey for all IT requests
2. **February 9:** Capital and R&R ABC Lists
3. **March 1:**
 - a. WS-II or WS-II-EZ for operational budget requests, including IT
 - b. WS-III and OC-25s for capital requests (in priority order)
 - c. OC-25s for R&R requests set to start in FY 2024-25
 - d. Special provision forms for operational and capital requests
 - e. Updated enrollment cost data for any Enrollment/Population Change requests to OSBM (DHHS, DPI, NCCCS, and UNC only)
4. **March 27:** Draft special provision language for operational and capital requests.

Note: All agencies are expected to submit ABC Lists. Due to updates to the Integrated Budget Information System (IBIS) related to the North Carolina Financial System (NCFS), the IBIS forms will not be available until mid-February. As a result, all agencies should submit operational ABC Lists by February 2 and capital and R&R ABC Lists by February 9.

Agency Meetings

OSBM analysts will meet with all agencies to ask clarifying questions and discuss ABC Lists, evidence supports, and prioritization.

The Budget Director's Assistant is scheduling Agency leadership meetings with OSBM leadership to discuss budgetary needs between February 5 and March 1. OSBM will review best practices for these meetings during the January 11 budget kick-off.

II. How Will OSBM Evaluate Budget Requests?

Evidence

OSBM compares requests within and across agencies to recommend the best allocation of limited state resources. Requests with the strongest business case, including evidence that speaks to how likely the program or service is to achieve desired outputs or outcomes, have the best chance of inclusion in the Governor's Recommended Budget. Agencies should clearly and succinctly describe the problem being addressed, how the request will solve the problem, and the expected impact. For more detail, see the [Evidence Job Aid](#) and the January evidence trainings.

Agency Strategic Plan

Agencies should ensure their budget requests align with their mission and goals as found in their strategic plans. OSBM analysts will evaluate budget proposals with the agency's strategic plan in mind.

III. Funding Priorities

Due to limited revenues and availability, agencies should prioritize requests that deliver critical services and are grounded in evidence. Requests should address agency strategic priorities and Governor Cooper's priorities:

1. Strengthening public education, including early childhood education, to ensure students are thriving and educators are respected;
2. Positioning North Carolina to create new jobs, foster economic growth, and develop the workforce for the jobs of today and tomorrow;
3. Promoting healthier, cleaner, and safer communities;
4. Advancing equal opportunities and diversity; and
5. Ensuring an effective, accountable, well-run state government.

Although reduction options are not required, agencies are encouraged to look for opportunities to improve program delivery and agency operational efficiency.

IV. Agency Submissions

1. Agency Budget Change (ABC) List

The [Agency Budget Change \(ABC\) List](#) is intended to lessen agency workload by helping agencies and OSBM analyze and refine budget requests before submitting WS-IIs or WS-IIIs. There are separate ABC templates for operational requests and for capital and R&R requests. The first tab, “Instructions,” provides guidance on how to complete each sheet. Each agency should only submit one operational ABC List and one Capital/R&R ABC List.

While OSBM does not request evidence information on the ABC List, agencies should be prepared to discuss evidence and evaluation plans during February meetings with OSBM analysts.

2. Operations Change Budget Requests – WS-IIs

After discussing ABC Lists with OSBM, agencies must submit operational requests via a WS-II or W-II-EZ in IBIS. The WS-II-EZ is a shortened form that agencies may use for less complex requests such as lease increases and internal service adjustments. The WS-II-EZ has fewer justification requirements, and it must be completed in its entirety.

In addition to General Fund-supported requests, agencies should submit WS-IIs/WS-II-EZs for requests supported entirely by non-General Fund sources (federal funds or other receipts), by cash balances in non-reverting funds, and split-funded from multiple sources.

NEW in 2024: Agencies will attach the new Justification Documentation to WS-IIs for increased funding rather than inputting responses in the narrative tab in IBIS. This process change aims to reduce the input burden on budget staff and facilitate coordination within agencies. Agencies do not need to attach the Justification Documentation to WS-II-EZs, WS-IIs for reduced funding, or WS-IIIs. For more detail, see the [Operational Budget Request Job Aid](#).

2.1 Information Technology (IT) Requests

OSBM will jointly review the business cases for all IT requests, regardless of funding source, with the State CIO to ensure that the proposal is technically sound. As with all change budget requests, the ABC List is the first step in creating an IT request. Agencies must document their IT requests on the “Change Requests” tab on their respective ABC List. Agency CIOs then complete the IT Request Survey in coordination with CFOs to provide detail on each IT request before ultimately incorporating the final request into a WS-II. Each IT Request Survey item must also appear on the ABC List, and vice versa. For more detail, see the [IT Request Job Aid](#) and the January training.

Note: The General Assembly, the Administrative Office of the Courts, and the University System are exempt from the IT Request Survey requirement.

3. Capital Project and Repairs and Renovations Requests – WS-IIIs

Capital projects, such as land acquisitions, new construction, and rehabilitation of existing facilities, and R&R are submitted as part of the Capital Improvement Budget.

After discussing ABC Lists with OSBM, agencies must request Capital projects, including General Fund and non-General Fund (receipts) requests, in IBIS through the WS-III. **Agencies should not submit WS-IIIs for R&R projects.**

OSBM's Capital Budget Development team will hold a separate training for agency capital leads on **January 16th** to support agencies in developing their capital requests. CFOs should ensure these instructions are passed onto their capital teams and that capital analysts attend the January 16th capital training. For more detail, see the [Capital Request and R&R Request Job Aids](#) and the January training.

4. Special Provisions

Agencies must submit one [Special Provision form](#) for each requested provision to OSBM by March 1, 2024. Final drafted special provisions language, which your agency's General Counsel should approve, is due to OSBM by March 27. For more detail, see the [Special Provision Job Aid](#).

V. Budget Development Checklist

- Attend CIO Training on January 10 at CIO monthly meeting – *Agency CIOs.*
- Attend OSBM Change Budget Kickoff on January 11 – *Agency budget staff.*
- Attend Capital Budget Training on January 16 - *Agency capital staff.*
- Attend Evidence training on January 23, 25, or 31 – *Agency budget staff and division or programmatic staff involved with requests.*
- Submit the operational requests ABC List to OSBM by February 2 – *Agency budget staff.*
- Submit IT Request Survey by February 2 – *Agency CIO and budget staff.*
- Submit the capital and R&R requests ABC List to OSBM by February 9 – *Agency budget staff.*
- Meet with OSBM analyst February 5-23 – *Agency budget staff and division staff as needed.*
- Meet with OSBM leadership in February or early March – *Agency leadership.*
- Submit WS-IIIs, -II-EZs, -IIIs, OC-25s, and Special Provisions forms by March 1– *Agency budget staff.*
- Submit updated enrollment cost data for any Enrollment/Population Change requests to OSBM by March 1 – *Agency budget staff.*
- Submit final Special Provisions language by March 27 – *Agency budget staff and General Counsel.*