2024-25

Governor's Short Session Budget Development Kickoff

January 11, 2024

Integrity   Innovation   Teamwork

Excellence

Objectives

1. Explain focus and priorities for the Governor's short session budget recommendations
2. Review short session budget process
3. Discuss how to apply evidence
4. Answer questions and share knowledge across agencies

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Governor's Budget Priorities

Strengthen public education, including early childhood education, to ensure students are thriving and educators are respected

Position North Carolina to create new jobs, foster economic growth, and develop the workforce for the jobs of today and tomorrow

Promote healthier, cleaner, and safer communities

Advance equal opportunities and diversity

Ensure an effective, accountable, well-run state government

Focus and Priorities for Agencies

- Prioritize requests that focus on:
  - Meeting critical needs
  - Enhancing service delivery
  - Investing in evidence generation

- Continued emphasis on evidence

- Align budget requests with Governor's priorities and agency strategic plans

Fewer economic forecasters anticipate a near-term recession, but most still anticipate a slower-growing economy through 2025

Certified General Fund revenues for FY 2024 = $33.7 billion

- Net revenues through November closely tracking expectations
- Better-than-expected gross tax revenue collections roughly offset by elevated refunds

Certified FY 2025 revenues = $33.4 billion

- Anticipated revenue decline reflects lower tax rates and a slowing economy

QUESTIONS?

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Short Session Budget Development Process

January

IT Request Survey Training – Jan. 10

Budget Kick-off – Jan. 11

Capital Training – Jan. 16

Evidence Trainings – Jan 23, 25, or 31

February

Operational ABC Lists, IT Surveys – Feb. 2

Capital and R&R ABC Lists– Feb. 9

Leadership Meetings

Analyst -Agency Review Meetings

March

WS-IIs, WS-II-EZs. WS-IIIs, OC-25s, Provision forms – March 1

Special Provision Language – March 27

Leadership Meetings

April

Governor's Review

Step 1: ABC List

Aims to reduce agency workload and streamline the budget development process.

Agencies:

1) Summarize all operational (including IT), capital, and repairs & renovations (R&R) budget requests prior to submitting Worksheet-IIs or IIIs

2) Work with OSBM in February to
   1) Refine requests given constraints, and
   2) Support requests with evidence

3) Incorporate feedback into WS-IIs and WS-IIIs

New for 2024: ABC Lists

- Due to IBIS updates required due to NCFS, all agencies must submit ABC Lists.

- Operational and Capital ABC Lists will be in different sheets.
    - Operational ABC List: **DUE February 2**
    - Capital ABC List: **DUE February 9**

- Capital ABC List doesn't include a tab for recurring R&R projections this year.

For each request, agencies should be able to answer:

1. What is the need, and why is it a problem or opportunity?

2. How will this request address that need?

3. Why does the agency believe this request will have the desired outcome?

4. What performance measures will be used to measure efficiency and/or effectiveness?
   1. Quantity
   2. Quality
   3. Result

Instructions for Budget Request Tabs

1	This form is to submit initial requests for changes to **operating** budgets.
2	Please enter all operational budget requests into the Operational Requests tab. Coordinate with your agency IT team to complete the IT survey *after* completing this ABC list.
3	Include all requests regardless of budget code or division/ program on the appropriate tab. D**o NOT create new tabs for Operational Requests for each budget code. Include all operational budget requests on the single Operational Request tab.**
4	A description of the columns captured on the Operational Requests tab is provided below.

Column	Description
Columns to be Completed	
Budget Code	Provide the budget code for the request. Include all budget codes in your BRU (Agency) on one tab.
Division/Program	Provide the Division or Program for the request.
Priority	Indicate the request's priority level among the agency's expansion items. Agencies should rank their requests in priority order, with "1" indicating the highest priority request, with higher numbers indicating decreasing prioritization for the agency.
Request Title	Brief title with enough specificity to identify the request.
Request Description	Provide a short description of the request, including the specific activities, functions, and services provided and a timeline for expenditures and positions (if any). If request is a Legislative Mandate, please list Citation. Two to three sentences should suffice.
Have you requested this item before?	Indicate whether you have previously requested this item, and in which fiscal year.
Is a Special Provision needed?	Indicate whether a special provision is needed to authorize the requested activity. If you are unsure, select that option from the drop down menu.
Governor's Priority	This column may be used to indicate which of the Governor's priorities this request meets.
IT Request? If "Yes", complete the IT Request Survey in addition to this tab.	Use the drop down box to indicate if the request is an IT project. If you are unsure, please review the IT Job Aid and check with your budget development analyst before submitting this ABC list. For items marked "Yes", collaborate with your agency CIO to complete the IT Request Survey in addition to completing the Operational Requests tab. The General Assembly, the Administrative Office of the Courts, and the University System do NOT need to respond to survey.
R or NR	Indicate if this request is recurring (R) or nonrecurring (NR).

IT Requests

Include all IT requests, including receipt-supported projects, on the agency Operational ABC List.

Agency CIOs or designees complete an **IT Request Survey** for each IT request (refer to IT Request Job Aid for details) – **DUE 2/2/2024**

- IT requests must appear on *both* the ABC List and IT Request Survey to be considered.

- OSBM analysts and DIT staff review submissions and contact agencies with questions.

- Note: The General Assembly, the Administrative Office of the Courts, and the University System are exempt from this requirement.

Agency Leadership Meetings: The Basics

Attendees:

OSBM	Agency
• State Budget Director	• Leadership team
• OSBM Deputy Directors	• Budget team
• Asst. State Budget Officer	• Government Affairs team
• Budget Development Analyst(s)	• CIO
** OSHR may attend as schedules allow	** Others substantively involved in budget development or major request

Duration: 30-45 mins

Style: Conversational

A formal presentation is not expected or required

Bring a summary document

Come prepared to share the "story" of your requests

5 Tips for a Successful Meeting

Share evidence and evaluation plans to support your requests

Know and share your priorities

Be ready to answer questions

Step 2: Worksheet-II/Worksheet-II-EZ/Worksheet-III and Special Provision Request Forms

All final change requests must be submitted in IBIS – **DUE 3/1/2024**

- Worksheet-II (WS-II) for operating and IT requests

- Worksheet-II-EZ (WS-II-EZ) for less complex operational requests

- Worksheet-III-C (WS-III-C) for capital project requests
  - WS-III-R for R&R projects are not required, but OC-25s are needed for all one-time R&R projects.

Due to required IBIS changes, IBIS will not be ready for change budget entries until early to mid-February.

Worksheet-II and Worksheet-II E-Z (Operating & IT)

Worksheet-II-EZ	Worksheet-II
• Administrative operations adjustments • Internal service adjustments • Inflationary increases • Software licenses & maintenance contracts increases • Lease increases • Building reserves • Vehicle or equipment replacement	• Compensation & benefits • Enrollment/population change • Information Technology • New vehicles or equipment • New program or program expansion

New for 2024: IBIS Forms

- Since all agencies are expected to submit ABC Lists, WS-IIs, WS-II-EZs, and WS-IIIs for all agencies are due March 1.

- IBIS change budget forms will now:
  - Use the Account Group (Parent 2) level
    - Thus, position requests should include all FTE-related expenses in 51XXXX
    - Use the narrative questions to explain the funding sources and corresponding percentages for split-funded positions.
  - No longer include the columns for actual expenditures and authorized budgets in previous years.

- Agencies will now attach a Justification Documentation form in lieu of completing the narrative tab questions for WS-II increases.
  - Agency budget staff should coordinate with division directors, program managers, and other subject matter experts to respond to the prompts.

Worksheet-III (Capital and Repairs & Renovations)

- **Capital**
  - WS-III-Cs are required for all General Fund and receipt-supported capital projects - **DUE 3/1/2024**

- **R&R**
  - **Agencies should include R&R requests in their ABC Lists, which includes a list for one-time R&R projects for FY 2024-25.**
  - *No WS-III-Rs required for R&R.*
  - Submit OC-25s for R&R projects funded from receipts or other non-General Fund sources - **DUE 3/1/2024**

- All requests over $100,000 must have an OC-25 Cost Estimate certified by the State Construction Office.

OSBM will host a separate Capital & R&R training on January 16

Special Provision Forms

Special provisions are needed to:

- Define or guide new programs
- Improve existing program operations
- Change or clarify statutory requirements (i.e., reporting)
- Amend Session Law or General Statute
  - Including repeals, policy changes, technical corrections, etc.

Complete <u>ONE</u> Special Provision Form per proposal – DUE 3/1/2024

- ❑ Do not group proposals together
- ❑ Specify type of proposal
  - Boilerplate, reporting change, required for change request, study, etc.
- ❑ Summarize proposal
- ❑ Confirm agency general counsel has reviewed proposal
- ❑ Explain fiscal and stakeholder impact

Step 3: Drafting Special Provisions

Submitting Special Provisions Language – DUE 3/27/2024

❑ Refer to the **Special Provision Request Job Aid** pages 2-4.
- Special formatting of language is *required*. See tips on page 3.

❑ **Determine** if using General Statute vs. Session Law.

❑ **Pay attention** to the use of *May* vs. *Shall*
- May is permissive. Shall is obligatory.

❑ **Be specific by including:**
- Definition of terms not otherwise defined in Statute.
- Effective dates
- Reporting dates & entities

❑ **Avoid:**
- Being overly prescriptive in program requirements
- Using "notwithstanding any other provision of law."
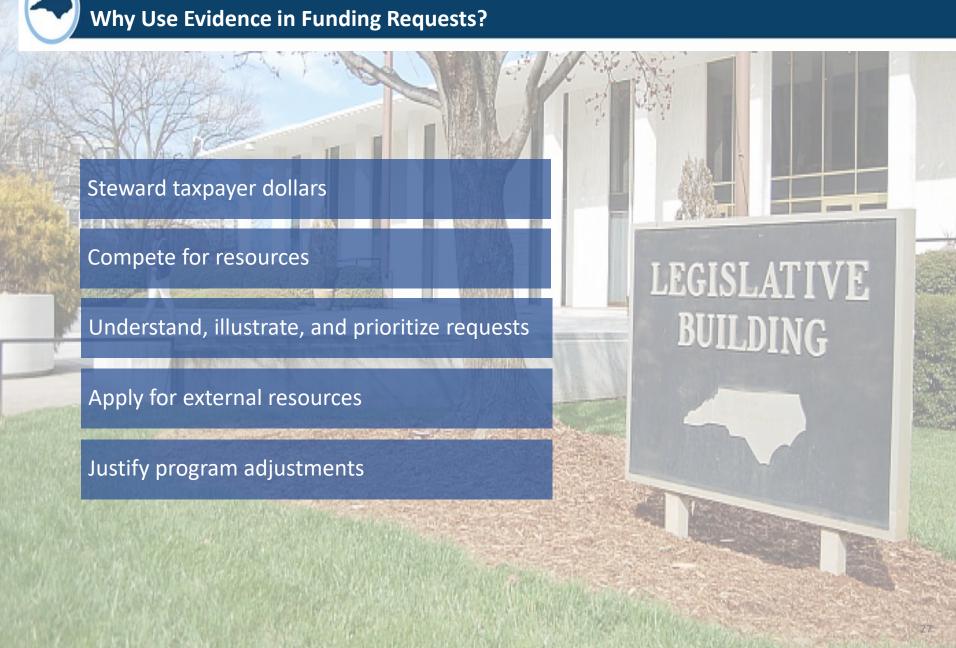- Double appropriation language.

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Why Use Evidence in Funding Requests?

Steward taxpayer dollars

Compete for resources

Understand, illustrate, and prioritize requests

Apply for external resources

Justify program adjustments

1. Strength of business case, including details on:
   - The need
   - How the request will address the need
   - Why the agency believes the request will address the need
   - Expected impact

2. Use of evidence
   - How likely will the program or service achieve expected outputs/outcomes? Why?
   - How will agencies collect and measure program data? How does this request support data collection and analysis?

3. Clear agency strategic plan alignment

Best Practices for Building A Business Case

Agency Strategic Plan

Budget Request

| Define the need | Describe your solution | Detail expected benefits/challenges | Discuss plans for measuring success |

Evidence

Step 1. Define The Need

- Summarize why this is a problem or opportunity needing more resources.

- Describe critical needs, undesirable outcomes, or program constraints, including current staffing and budget information.

- Document impact on workload, service, or program delivery.

- Specify what could happen if the need is not addressed.

Step 2. Describe the Solution

- Have you implemented other solutions with existing resources? Why were they unsuccessful or not implemented?

- Document associated cost estimates and explain methodology.

- Provide evidence to describe why this solution and not alternative solutions.

Step 3. Detail Expected Benefits (and Why You Expect those Benefits)

- For new programs, describe anticipated output/outcomes if funded

- If program expansion, review current outputs/outcomes and discuss anticipated changes.

- Explain **why** the request will result in the expected outcomes:
  - Research evidence
  - Program evaluation findings
  - Internal or external data analysis
  - Industry standards or best practices
  - Professional judgement
  - Successful implementation in other state(s)

Step 4. Discuss Plans for Measuring Success

- What data will be used to evaluate changes in outcomes, and/or what evidence is needed to evaluate impacts?

- Are there existing baseline measures to track against future performance?

- Does the request include funds to evaluate – and build the evidence base for the program or service?

Things to Keep in Mind

- **Incorporate evidence throughout** your business case

- Stick to evidence that is **relevant and generalizable**

- **Consider the quality** when choosing which evidence to include

- **Avoid only considering** evidence that **support your assumptions**

- **Be transparent** in discussing any evidence limitations.

Evidence Trainings

Budget and division staff should sign for one of three Evidence Trainings via OSBM's website (January 23, 25, and 31).

Evidence Trainings will cover:

- Where to find program evidence.

- How to make a strong case for your budget request using evidence.

- How to access additional resources including program evaluation support.

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2024-25 Budget Development Key Dates

Due on or before:

2024-25 Budget Preparation Key Dates/Deadlines	
Date	**Action**
February 2, 2024	Agency Budget Change (ABC) Lists and IT Request Surveys due for all agencies
February 9, 2024	ABC Lists for capital and R&R requests due for all agencies
March 1, 2024	WS-IIs, EZs, and IIIs, OC-25s, and Special Provision Forms due
March 27, 2024	Special Provision language due
April	**Budget Book Released**

Resources

- **FY 2024-25 Budget Instructions**
- **Job Aids**
  - ABC Templates
  - Evidence
  - Justification Documentation Form
  - Operational Requests and IBIS
  - IT Requests
  - New Capital Requests
  - Repairs and Renovations Requests
  - Special Provisions
    - Special Provision Submission Form

QUESTIONS?

Stay in touch!

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