

**JOB AID: ALLOWABLE INCREASES AND DECREASES TO FY 2020-21 AUTHORIZED BUDGET TO ESTABLISH
2021-23 BASE BUDGET**

Allowable increases and decreases do not change the FY 2020-21 authorized budget, but are shown in the increase/decrease columns of the Base Budget Document and may increase or decrease total spending for a purpose or program for the upcoming 2021-23 biennium as authorized by the State Budget Act.

Base Budget (“Worksheet I”) Entries in IBIS should fall into one of the seven authorized adjustment categories (described below); agencies may submit more than one form per category. OSBM requires a thorough explanation of the proposed adjustment using narrative in the Base Budget Entry (“Worksheet I”) form or one of the attachment forms provided. In most cases, these adjustments should be made in the Base Budget. However, depending on the extent to which a proposed change affects the scope of a program, OSBM may require these adjustments to be submitted as Change Budget adjustments.

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 account bears the appropriate share of increased costs.

1. **Annualizations** - Increases or decreases for *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, 2020 and were, therefore, not funded for an entire fiscal year. These increases or decreases should be made in the base budget for the 2021-23 biennium. Reductions for positions or programs abolished after July 1, 2020 must also be annualized. *Please complete the [Annualization Calculation](#) and attach to your Base Budget (“Worksheet I”) entry in IBIS.*

Example: A new position is authorized by the General Assembly effective October 1, 2020 at an annual salary of \$50,000. The budget for 2020-21 includes \$37,500 for the position for nine months. The difference between the annual salary of \$50,000 and the nine month (portion payable) salary of \$37,500 is \$12,500. \$12,500 is the allowable increase on the agency’s Base Budget entry. **Note:** The accompanying fringe benefits (Social Security, retirement, and health benefits) should also be annualized.

2. **Adjustments for prior year non-recurring increases or decreases** - All nonrecurring or one-time items approved by the General Assembly 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 2019-20 fiscal year and the 2020-21 fiscal year. Please review these entries for accuracy before submitting 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 2021-23 biennium, as well as known lease rate increases set to go into effect during the 2021-23 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. *Please complete the [Lease Increase Calculation](#) and attach to your Base Budget (“Worksheet I”) entry in IBIS.*

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4. **Realignments to accurately reflect receipts, expenditures, and fund balances across funds (purposes or programs)** - Agencies should carefully review the expenditures, receipts, and fund balances to ensure programs are correctly budgeted in the base budget. Agencies may propose realigning budgets across 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 (funds) within a budget code.
- Agencies may request increases and/or decreases for budgeted levels of personal services line items (health benefits, Social Security, retirement, longevity, etc.) if realignments within a Budget Code cannot cover the shortfall.

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

5. **Reconciliation of intra-governmental and inter-governmental transfers** -- Agencies must balance inter- and intradepartmental transfers. If one fund or agency includes a transfer requirement, the receiving fund or agency must budget a matching transfer receipt. *If transfers are out of balance, increases or decreases may be requested up to the level of 2019-20 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.

NOTE: Agency actual expenditures associated with transfers to DIT for subscription fee charges may NOT be included.

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 Base Budget entry.

7. **Restructure** – An agency wishing to restructure its budget by reducing or increasing the number of 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 20, 2020. After all Base Budget entries have been approved, OSBM analysts will review Restructuring Plans and work with agencies to submit Restructuring Base Budget entries. Restructuring will be shown as separate columns on the Base Budget Document.

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.