

JOB AID: ALLOWABLE CHANGES TO AUTHORIZED BUDGETS DURING BASE BUDGET DEVELOPMENT

Review of the authorized budget during Base Budget development allows agencies to permanently realign line item budgets within a fund. This process should be the first step agencies take to address overages and deficits that impact the ability to deliver existing programs and services outlined in the budget.

Agencies should examine FY 20-21 authorized budgets by fund code for opportunities to generate savings or redirect budgets within the fund code from over-funded to under-funded line items.

Depending on the magnitude of such adjustments and the extent to which they impact the scope of a program, OSBM may not approve these adjustments during Base Budget development, but rather work with agencies to develop a change budget request in order to accomplish the agencies' objectives.

The items listed below are the changes allowed within the authorized budget during Base Budget development. These changes are accomplished through recurring budget revisions which are manually pulled into the Base Budget by OSBM. These budget revisions will be marked "include in base" on the budget revision in IBIS.

1. **Reconciliation of Budget Revisions** –OSBM will generate the 2021-23 Base Budget Document in IBIS effective October 1, 2020. The 2020-21 Authorized Budget in the Base Budget Document is determined by using the 2020-21 BD 307 Certified Budget and adding all recurring revisions approved in the 2019-21 biennium through September 30, 2020. Recurring budget revisions approved after September 30, 2020 will be added to the Base Budget Document manually by OSBM. The first step in reviewing the Base Budget Document is to make sure that IBIS correctly included all recurring budget revisions approved as of September 30, 2020. Use the *RK 314 and Reconciliation Report* generated by IBIS (found here: Reports>>Self-Service>>Budget Development>>Worksheet I) for this analysis. The Reconciliation Report includes only revisions that are included the Base Budget; if you would like to see all budget revisions, use the RK 314 Report. The RK 314 and Reconciliation Report will be available starting October 2nd, and OSBM will work with agencies to determine which budget revisions should be included in the base. Agencies should complete their analysis and communicate with OSBM by October 9, 2020 to ensure that all necessary budget revisions are included in the base budget.

You can also use a feature under the Admin menu in IBIS to filter budget revisions by Included in the Base Budget or Excluded from the Base Budget. This feature also allows you to filter by Revision Type (11, 12, 14) and Recurrence (R, NR). To access this feature, click on the Admin Menu in the lower, left-hand corner of the menu column, and then select "Authorized/Certified."

A few reminders:

- a. Make sure all permanent allocations from statewide reserves are included in the Base Budget.
- b. If appropriation was transferred between budget codes, make sure both budget revisions are included or both excluded.
- c. Carryforward revisions are non-recurring and should not be included in Base Budget. Budget Revisions that authorize a carryforward from 2019-20 into 2020-21 should not be included in the Base Budget
- d. Type 14 budget revisions that need to be recurring may be included in the Base Budget.

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The totals for the budget code in the Reconciliation Report will match the total certified/authorized columns in the Base Budget Document.

Note: New FY 2020-21 budget revisions may be needed to adjust the Base Budget following the analyses outlined below. Be sure to indicate in the justification section of any new revisions whether the revisions should be included in the Base Budget and/or notify your OSBM Budget Execution Analyst.

2. **Realignments** - Agencies are encouraged to realign non-personnel expenditure account lines 532xxx – 535xxx within an operating fund to reflect more realistic levels of need for 2021-23. Agencies may submit new budget revisions to realign expenditures and receipts and/or request their OSBM Analyst to include nonrecurring type 12 and 14 revisions in the Base Budget by October 9th.
3. **Receipts Adjustments** - The State Budget Act, in [G.S. 143C-3-5\(b\)\(2\)c](#), requires estimated receipts in the recommended budget to be adjusted to reflect actual collections from the prior fiscal year, unless the Director of the Budget recommends a change that will result in collections that differ from the prior year, or determines there is a more reasonable basis to accurately project receipts. OSBM will engage agencies in an analysis comparing budgeted receipts with actual collections over the last three fiscal years and will work with each agency to determine the basis to accurately project receipts and to make associated increases or decreases to total requirements if necessary. In rare instances, it may be necessary to adjust receipts in the Base Budget to reflect receipts that are anticipated for the biennium but have not yet been received. This may be the case with certain grants. Agencies should contact their OSBM budget analyst if there is an instance that may meet this criteria.
4. **Salary Reserve and Personnel (531XXX) Expenditure Realignments** - Agencies should reconcile annualized salary budgets within IBIS and BEACON to ensure adequate funding for payroll commitments (filled positions) as well as funding to maintain appropriate FTE values for vacant positions. Agencies should also reconcile employer contributions for social security, retirement, and health insurance premiums. To the extent the annualized budget for salaries and fringe benefits exceeds requirements; these funds may be redistributed to fund under-funded line items.

OSBM will engage agencies in analysis of budgeted salaries and BEACON salary information by fund and account. Agencies should also use the B0149-Positions by Funding Source report to aid in the reconciliation of salaries and position counts. Agencies are responsible for maintaining current and accurate salary and position count data. Salaries reflected in BEACON must not exceed the authorized budget. If total salaries in BEACON exceed the authorized budget, appropriate personnel actions must be taken to adjust BEACON.

Agencies should carefully review this information and may submit budget revisions to OSBM to align salary reserve to accurately reflect the annual salary requirements in each operating fund, and to eliminate any negative amounts that exist. ***It may be necessary to reduce or abolish positions in some instances to eliminate negative salary reserve amounts.*** Agencies can retain positive salary reserve amounts in the Base Budgets, but ***if excess salary reserve exists, agencies should carefully consider whether unfunded operating needs should be addressed and should realign accordingly.***

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Once agencies have reconciled position counts and salaries, apply the rates listed below for each fund and then compare the calculated amount to what is in the authorized Base Budget for each appropriate line item (social security, health benefits, or retirement).

The fringe benefits rates are as follows:

Federal Insurance Contributions Act (FICA) Social Security & Medicare	7.65%
Social Security (OASDI) up to maximum taxable amount of \$128,400	6.20%
Medicare Portion (HI) on ALL earnings	1.45%
Teachers and State Employees Retirement Rate	21.68%
State Law Enforcement Officers Retirement Rate	26.68%
Optional Retirement Rate	13.61%
Consolidated Judicial Retirement Rate	43.12%
Legislative Retirement System Rate	33.98%
Health Benefits – Medicare Eligible Employees and Retirees	\$4,916
Health Benefits – Non-Medicare Eligible Employees and Retirees	\$6,326

Retirement and health benefits for permanent state employees who work at least nine months per year and at least 30 hours per week must be included.

Upon OSBM approval of allowable changes to authorized budgets, agencies should turn their attention to the Increases/Decreases to the authorized budget.