



***2021-23 Governor's
Budget
Development
Kickoff***

December 2, 2020

Integrity

Innovation

Excellence

Teamwork



Objectives

1. Provide an update on budget context for next biennium
2. Review long session budget process, guidelines, and timeline
3. Answer questions and share knowledge across agencies



Key Factors Affecting Long Session Budget Development

- Continued uncertainty resulting from COVID-19 pandemic
- Revenue and budget pressures
- Continued emphasis on data and evidence
- Aligning budget requests with Governor's priorities and agency strategic plans



Governor's Budget Priorities



Positioning North Carolina to create new jobs and recover from pandemic economic losses



Making North Carolina a Top Ten educated state



Promoting healthier, safer, and more resilient communities



Ensuring an effective, accountable, well-run state government



Follow these principles when preparing budget requests:

1. Assemble a diverse team to craft budget priorities
2. Prepare business cases that use data and evidence
3. Prioritize with your strategic plan and goals in mind
4. Focus on critical needs and high-priority items
5. Incorporate feedback from OSBM analysts and decision-makers
6. Be judicious with the overall magnitude of requests
7. Be flexible!

QUESTIONS?



Change Budget Overview

What is the Change Budget?

- Proposed expansions or reductions that can't be accommodated through Base Budget process (including receipt-supported items):
 - New programs, expanding or improving existing programs, and fulfilling mandated functions
 - Redirecting funds from inefficient or ineffective programs
 - Inflation, enrollment changes, and related cost adjustments
 - Changes to receipt-supported programs

[Job Aid: Change Budget Expansion Request](#)
[Job Aid: Change Budget Reduction Proposal](#)

IT Projects

- All IT project requests, including receipt-supported projects over \$500,000, must:
 - Be submitted as part of Change Budget requests (via Worksheet II)
 - Be identified in agency IT plan
 - But are NOT required to be entered into Touchdown

[Job Aid: Change Budget – Information Technology](#)



Change Budget Overview

Capital Budget (Worksheet III)

- New buildings, full building renovation, land purchases, and repairs & renovations for the *next six years* (FY 2021-27)
- Requests entered in IBIS from the short session have been carried forward. Check to see if your requests are correct and make any needed adjustments.

[Job Aid: Capital – New Capital Project Request](#)

[Job Aid: Capital - Repairs and Renovations](#)

COVID-19 Requests

- Agencies are asked to submit a separate COVID-19 request. Requests should consider:
 - Critical, non-recurring needs that are clearly tied to COVID-19 response
 - Potential needs related to COVID-19 recovery and response for the rest of this fiscal year and for the first year of next biennium (in the event additional Federal funds become available)



Change Budget Process

There are two options for submitting Change Budget requests:

Option 1:

- Submit high-level information on requests via the Agency Budget Change (ABC) List.
- Work with OSBM analysts to develop a subset of requests into more detailed Worksheet II & III proposals (**OSBM recommends this approach for most agencies**)

Option 2:

- Submit only the more detailed requests via the Worksheet II & III forms (**may be appropriate for agencies with few requests**)



Option 1: Two-step process using the ABC List

Step 1: complete the ABC List with summary data by **December 18, 2020**

Step 2: review requests with OSBM and complete Worksheet II and IIIs for selected items by **January 20, 2021**

Benefits include more feedback and more time to develop high-quality business cases. Agencies retain control over which requests are ultimately submitted for consideration.



Change Budget Process

Agency Budget Change (ABC) List Template

	A	B	C	D	E
1	Instructions for Budget Request Tabs				
2	1 This form is for your initial submission of change and capital budget requests.				
3	2 Please enter all change budget requests into the Change Requests tab, all capital requests into the New Capital Requests tab, all R&R requests into the R&R Requests tab, and all COVID-19 budget requests in the COVID-19 Response tab.				
4	3 Include all requests regardless of budget code or division/ program on the appropriate tab. For example, do <u>NOT</u> create new tabs for Change Requests for each budget code. Include all change budget requests on the single Change Request tab.				
5	4 A description of the columns captured on each tab is provided below.				
6					
7	Column	Description			
8	Columns to be Completed on All Tabs				
9	Budget Code	Provide the budget code for the request. Include all budget codes in your BRU (Agency) on one tab.			
10	Division/Program	Provide the Division or Program for the request.			
11	Priority	Priority Ranking - determined by Agency/Department.			
12	Request Title	Brief title for the request.			
13	What is being requested?	Provide a short description of the request. A sentence or two should suffice.			
14	Why is this needed? If request is a Legislative Mandate, please list Citation.	Provide a brief justification for this request, including any data to support it and if it is supported by evidence/research. Up to three sentences should suffice.			
15	Is a Special Provision needed?	Indicate if a special provision to authorize the requested activity is needed or not. If you are unsure, select that option from the drop down.			
16	Agency Goal	Indicate which of the agency's strategic goal(s) this request addresses.			
17					
18	Change Request Columns				
19	IT Project	Use the drop down box to indicate if the request is an IT project.			
20	Governor's Priority	This column may be used to indicate which of the Governor's priorities is met by this request.			
21	R or NR	Indicate if this request is recurring (R) or nonrecurring (NR).			
22					
23	Capital Request Columns				
24	<i>These categories are based on the capital improvement needs criteria outlined in G.S. 143C-8-3.</i>				
25	All capital budget requests for the 2021-23 biennium should be entered in the ABC List. However, if a Worksheet III was entered last year for a request in the 2019-21 budget development process, it does not need a new Worksheet III entry. Only complete new Worksheet IIIs if a request is new for the short session or if costs for the project have changed.				
26	Federal or State Mandate	Indicate if this request is due to a federal or state mandate?			
27	Health & Safety	Indicate if this request is to address health and safety considerations?			
28	Needed for Gov't Services	Is this project needed in order to continue existing or provide new government services?			
29	Extend Useful Life	Will this project extend the useful life of the building?			
30	Increase Operational Efficiency	Will this project increase operational efficiency?			
31	R & R Request Columns				
32	<i>These categories are based on the allowable use of funds for the Repair and Renovation Reserve outlined in G.S. 143C-4-3.</i>				
	All R&R budget requests for the 2021-23 biennium should be entered in the ABC List. However, if a Worksheet III was entered last year for a request in the 2019-21 budget development process, it does not need a new Worksheet III entry. Only complete new Worksheet IIIs if a request is new for the short session or if costs for the project have changed.				



Option 2: Submit requests directly via Worksheet IIs & IIIs

Step 1: Complete Worksheet IIs and IIIs for all expansion and reduction requests by **December 18, 2020**

More streamlined process for agencies with few requests.



Worksheet II-EZ form

The “Worksheet II-EZ” form is available for entering less-complex requests regardless of which option you choose. This form:

- Requires less narrative justification
- Is limited to certain types of requests, including:
 - Adjustments to administrative operations
 - Building reserves
 - Inflationary increases
 - Internal service adjustments
 - Increases to software licenses and maintenance contracts
 - Other (in consultation with OSBM analysts)



Worksheet II

- Includes additional narrative fields for addressing the business case for more complex requests
- Agencies should focus on ensuring that narrative components clearly articulate:
 - The problem or opportunity addressed
 - Details of proposed solution
 - Expected outcomes and impacts
 - Link to goals in agency strategic plan
- Requests for new or expanded programs or services should be supported by relevant evidence and research



Worksheet III

- Required for all General Fund and receipt-supported capital projects
- All requests over \$100,000 must have an OC-25 Cost Estimate certified by the State Construction Office
- Agencies should explain why proposed projects are a priority:

Critical criteria

- Mandated by Federal or State law
- Health & safety considerations
- Timing is critical

Strategic criteria

- Advances the Governor's and Agency's strategic goals and objectives
- Addresses increased relevant populations and/or services
- Operational benefits
- Cost-benefit / finance / economic considerations
- Environmental or historic preservation



Special Provisions

- Draft special provisions are due by **January 29, 2021**
- When a special provision might be needed:
 - To guide new programs
 - To improve existing program operations
 - To clarify or streamline reporting requirements
- A [summary form](#) must be submitted with all proposed Special Provisions
 - Forms indicate why a provision is needed and require confirmation of agency general counsel review
- Provisions should use track changes when amending past law or statute and follow guidelines in the [Special Provisions Job Aid](#)



Key Requirements for Change Budget Requests

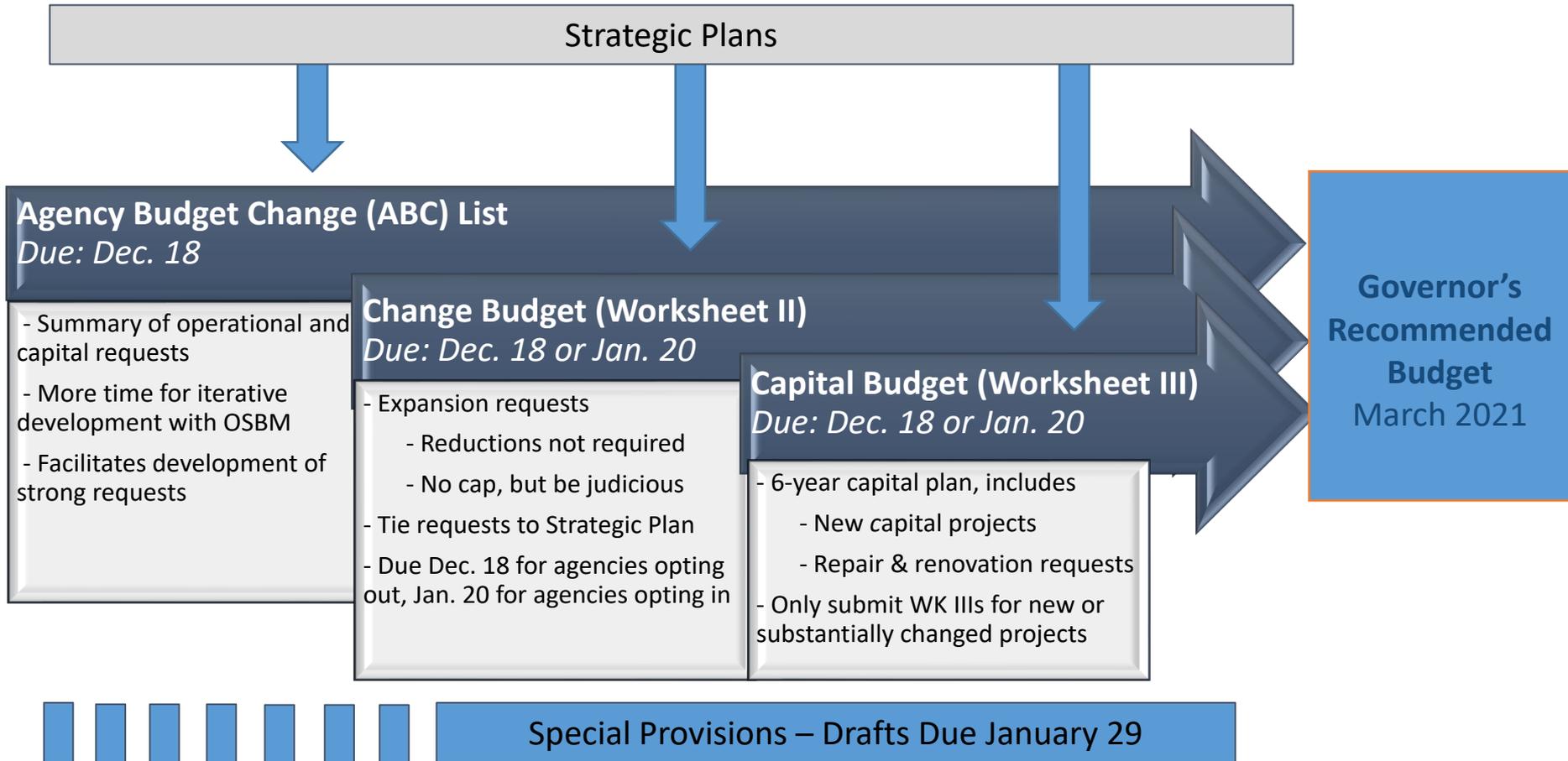
- Focus on critical needs and services
- Connect to strategic plans and goals
- Make a strong case using data and evidence
- Align with Governor's priorities
- Clearly identify and isolate COVID-related requests

Change Budget Reminders

- Submit via the Worksheet II forms in IBIS
- Due by **Dec. 18** or **Jan. 20** based on 2-step participation



Change Budget Development Process





2020-21 Budget Development Key Dates



Due on or before:

-
- | | |
|---------|--|
| Dec 18 | Option 1 agencies submit ABC List |
| Dec 18 | Option 2 agencies submit Worksheet IIs and IIIs |
| Dec-Jan | Agency heads meet with Budget Director to discuss requests (ABC List or Worksheet IIs must be submitted prior to meeting) |
| Jan 20 | Agencies using ABC List submit Worksheet IIs and IIIs |
| Jan 29 | Agencies submit Special Provision drafts and summary |
| March | Governor's Recommended 2021-23 Budget Released |



Budget Development: Key Takeaways

1. All Change Budget requests should align with the Governor's priorities and agency strategic plans. They must also have a strong business case backed by data and evidence
2. Due dates vary depending on which option you choose.
 - Option 1: ABC Lists with summaries of requests due December 18. Worksheet IIs and IIIs due by January 20.
 - Option 2: Worksheet IIs and IIIs due by December 18.
3. Budget Development is an ***interactive process!***
 - OSBM analysts will coordinate meetings and agency-specific timelines.

Reminder!

Deadlines are critical for development of budget recommendations and revenue plans.



Budget Instructions Website



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Budget Development Timeline

For 2021 - 23 Biennium



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2021-23 Biennial Budget Development Guidance
Budget Memo for 2021-23 Biennium

2021-23 Biennial Budget Development Instructions
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