



STATE OF NORTH CAROLINA
OFFICE OF STATE BUDGET AND MANAGEMENT



Employment First State for Individuals with Disabilities

ROY COOPER
GOVERNOR

CHARLES PERUSSE
STATE BUDGET DIRECTOR

August 3, 2022

MEMORANDUM

TO: Joint Legislative Commission on Governmental Operations

FROM: State Budget Director *Charles Perusse*

SUBJECT: Deviation Request from Department of Agriculture and Consumer Services

Pursuant to G.S. 143C-6-4 (b1), prior consultation with Governmental Operations is required when the over expenditure would cause a department's total requirements for a fund to exceed the department's certified budget for a fiscal year for that fund by more than three percent (3%) prior to authorizing the over expenditures.

The Department of Agriculture is requesting to deviate in two budget codes in order to properly budget expenditures and receipts required to close the 2021-22 fiscal year.

In Budget Code 63702, the agency requests to budget transfers between two funds to eliminate a cash balance. The negative cash balance was the result of a higher volume of program activity and resulting higher interest payments and loan collections through the NC Agricultural Finance Authority, which was established by the NC General Assembly to provide credit throughout the state for people who operate family-sized units for agricultural products and exports.

Budget Code 63705 encompasses fiduciary activities of the Department on behalf of non-state entities. In prior fiscal years, the activity was recorded in a liability account which was a non-budgeted account. GASB 84 dictated a change to the process. The Department submitted and OSBM approved a budget revision that increased the authorized budget but not the certified budget to account for expected activity for the fiscal year based on the guidance in GASB 84. Activity in the fund codes exceeded estimates due to the assessments collected by the Department and issued to the appropriate foundation/entity.

Please see the attached Deviation Exception Request Form for more details.

If you have questions or concerns, please contact Budget Analyst Unika Ashe-Valentine at unika.valentine@osbm.nc.gov

REQUEST TO DEVIATE UNDER G.S. 143C-6-4:

(b1) Prior consultation with Governmental Operations is required when the overexpenditure would cause a department's total requirements for a fund to exceed the department's certified budget for a fiscal year for that fund by more than three percent (3%) prior to authorizing the overexpenditures.

DEPARTMENT: Agriculture & Consumer Svcs
FISCAL YEAR: 21-22
Date: 7/27/2022
Budget Revision #: 12-0008,12-0019, 12-0020

GASB/Budget Code	Certified Requirements	3% Deviation Threshold	Amount of the Overexpenditure Request	Amount the Request Exceeds the Deviation Threshold
9000/63702	\$ 692,819	\$ 20,785	\$ 845,939	\$ 825,154
3900/63705	\$ 1,332,652	\$ 39,980	\$ 1,422,916	\$ 1,382,936
		\$ -	\$ -	\$ -
		\$ -	\$ -	\$ -
		\$ -	\$ -	\$ -
		\$ -	\$ -	\$ -
		\$ -	\$ -	\$ -
		\$ -	\$ -	\$ -
		\$ -	\$ -	\$ -
Fund Type Total	\$ 2,025,471	\$ 60,764	\$ 2,268,855.00	\$ 2,208,091

JUSTIFICATION FOR REQUEST:

The budget code is directly related to the NC Agricultural Finance Authority that was established by the NC General Assembly to provide credit throughout NC (Chapter 122D). NC Rural Rehabilitation as identified by fund codes 6600 and 6602 provides funding for purchase, development and improvement of family farms. Funds are also used for financing food processing plants located in non-urban areas. Use of guarantees on loans to minimize the delinquency rate among borrowers is implemented where possible. The Authority performs all necessary services to continue the lending and collecting in a manner consistent with maximizing the impact of the available resources. Due to staff turnover, the state of the economy, and post pandemic, executive leadership chose to hire additional resources which in turn increased the volume of program activity, resulting in more interest payments and loan collections.

63702

The budget code encompasses fiduciary activities of the state agency and is identified by the trust fund designation. In prior fiscal years, the activity was recorded in a liability account (funds held for others) which was a non-budgeted account. GASB 84 dictated a change to the process. GASB 84 was issued with the goal of improving financial reporting by properly identifying all of a government's fiduciary activities, determining the type of fiduciary fund used to report each fiduciary activity, and presenting the financial statements of fiduciary funds appropriately. The Department submitted and OSBM approved a budget revision that increased the authorized budget but not the certified budget to account for expected activity for the fiscal year based on the guidance in GASB 84. Activity in the fund codes exceeded estimates due to the assessments collected by the Department and issued to the appropriate foundation/entity. The activity noted is simply a pass-through for the agency. Fund 6112 is related to the Egg Promotion Tax outlined in GS 106-245.30 through GS 103-245.39 and is further identified as the North Carolina Egg Fund. An excise tax is levied on eggs and processed eggs sold for use in this State. Funds are held in trust and are specifically for the research, education, publicity, advertising and other promotional activities for the benefit of producers of eggs sold in NC. Fund 6161 supports the Farm to School Program administered by the Department's Food Distribution Division. The Division transports locally grown fresh fruits and vegetables from NC farmers to schools participating in the program. Fund 6134 is related to the funds collected by the Department and issued to the NC Horse Council to be used in support of the equine programs. In 1999, the horse industry began collecting a self-assessment from the purchase of horse feed. Fund 6135 represents the check-off funds that the Department collects and issues to the NC Agricultural Foundation. The self-assessment by NC tobacco growers supports tobacco research and education. Fund 6150 houses the assessments related to feed, seed, lime and fertilizer.

63705

Instructions: REQUEST TO DEVIATE UNDER G.S. 143C-6-4

1. Department

Enter the department/agency name.

2. Fiscal Year

Enter the current fiscal year.

3. Date

Enter the current date.

4. Budget Revision #

Enter the budget revision number for the overexpenditure request from the IBIS system.

5. Budget Code

Enter all of the agency budget codes for the requested fund type only (general fund, special fund, etc.)

6. Certified Requirements

Enter the current certified requirements for the budget code as reflected on the BD 701 report.

7. 3% Deviation Threshold

This is calculated as 3% of the Certified Requirements. These figures will be calculated automatically for each budget code.

8. Amount of the Overexpenditure Request

Enter the amount of the overexpenditure request. This figure should represent the amount requested on the budget revision.

9. Amount Over Deviation Threshold

This is the total amount of the current request over the 3% Threshold. This figure will be calculated automatically. If the figure is not greater than zero, no consultation is required.

10. Submit the completed form to your Budget Analyst in the Office of State Budget and Management for consultation with the Joint Legislative Commission on Governmental Operations.