



**FISCAL RESEARCH DIVISION**  
A Staff Agency of the North Carolina General Assembly

# **NC's Budgeting Practices, Process and Policies**

**February 28 2017**

# Presentation Topics

- **NC Budget Process**
- Budget Terms
- Budget Organization
- Budget Policy



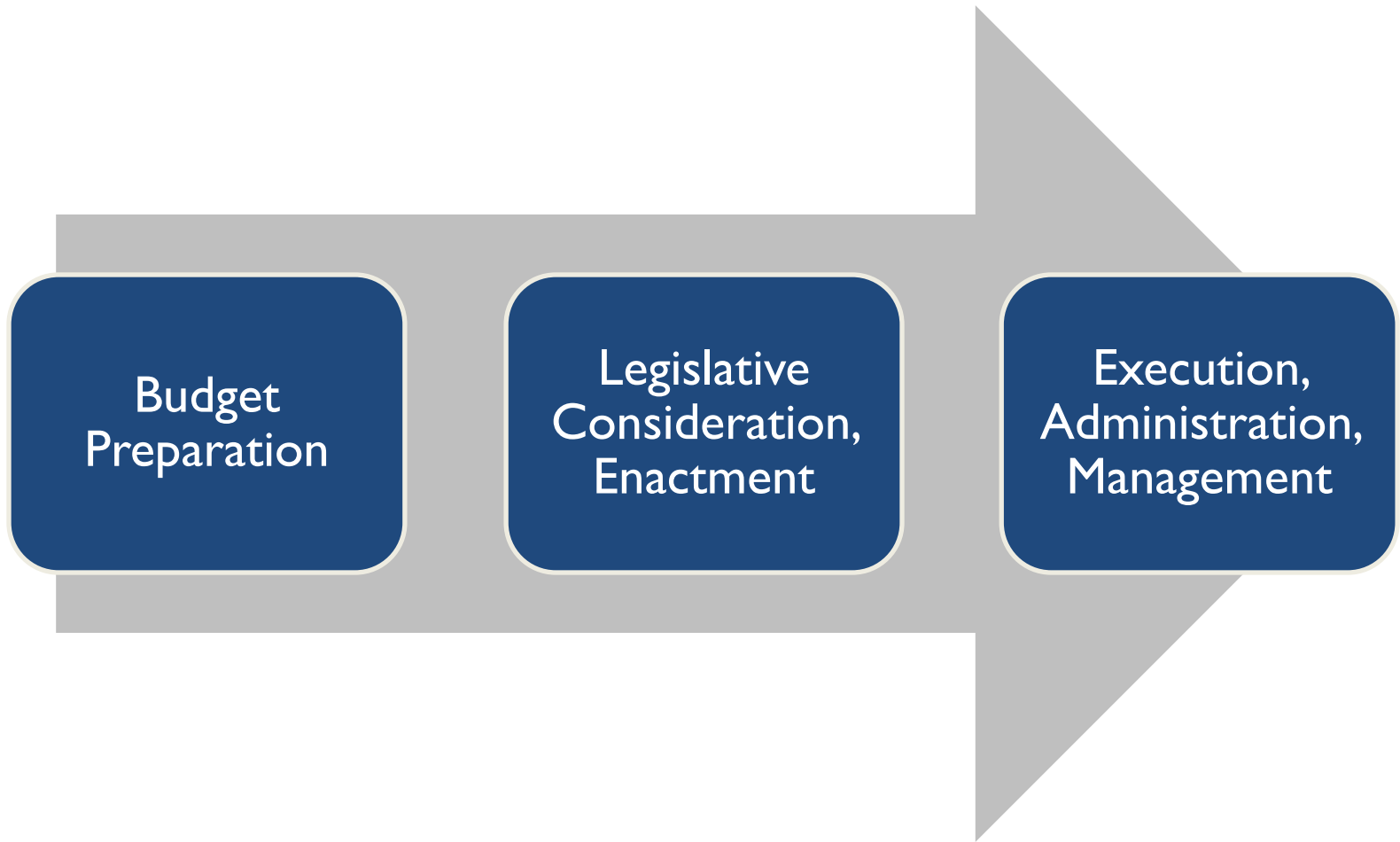
# NC Budget Process

State Constitution requires:

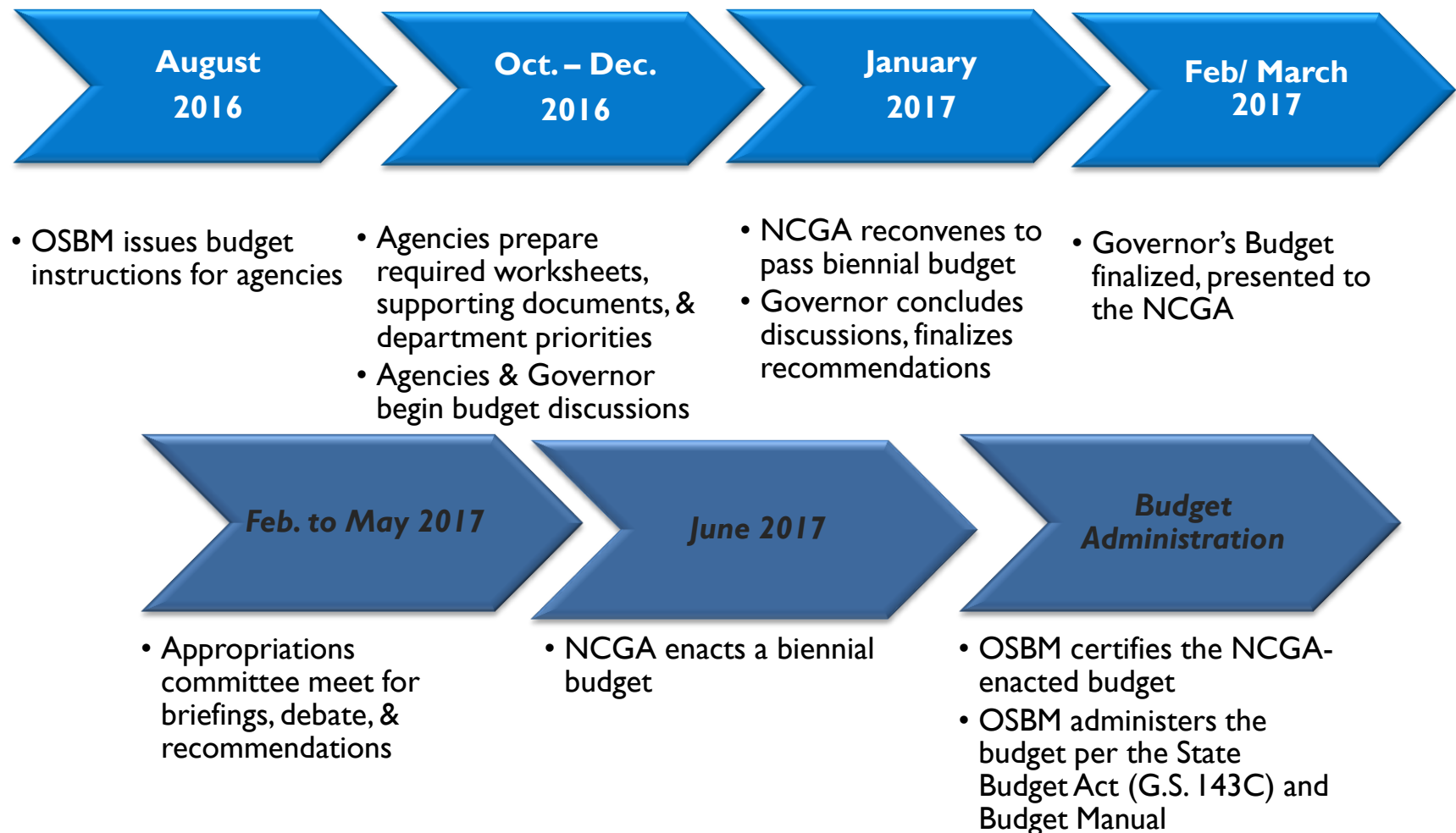
- **Preparation:** Governor to prepare and recommend to the General Assembly a comprehensive budget of anticipated revenue and proposed expenditures (Art.III, Sec 5(3))
- **State Treasury:** “No money shall be drawn from the State treasury but in consequence of appropriations made by law” (Art. V, Sec.7)
- **Administration:** “The budget as enacted by the General Assembly shall be administered by the Governor” (Sec 5(3))



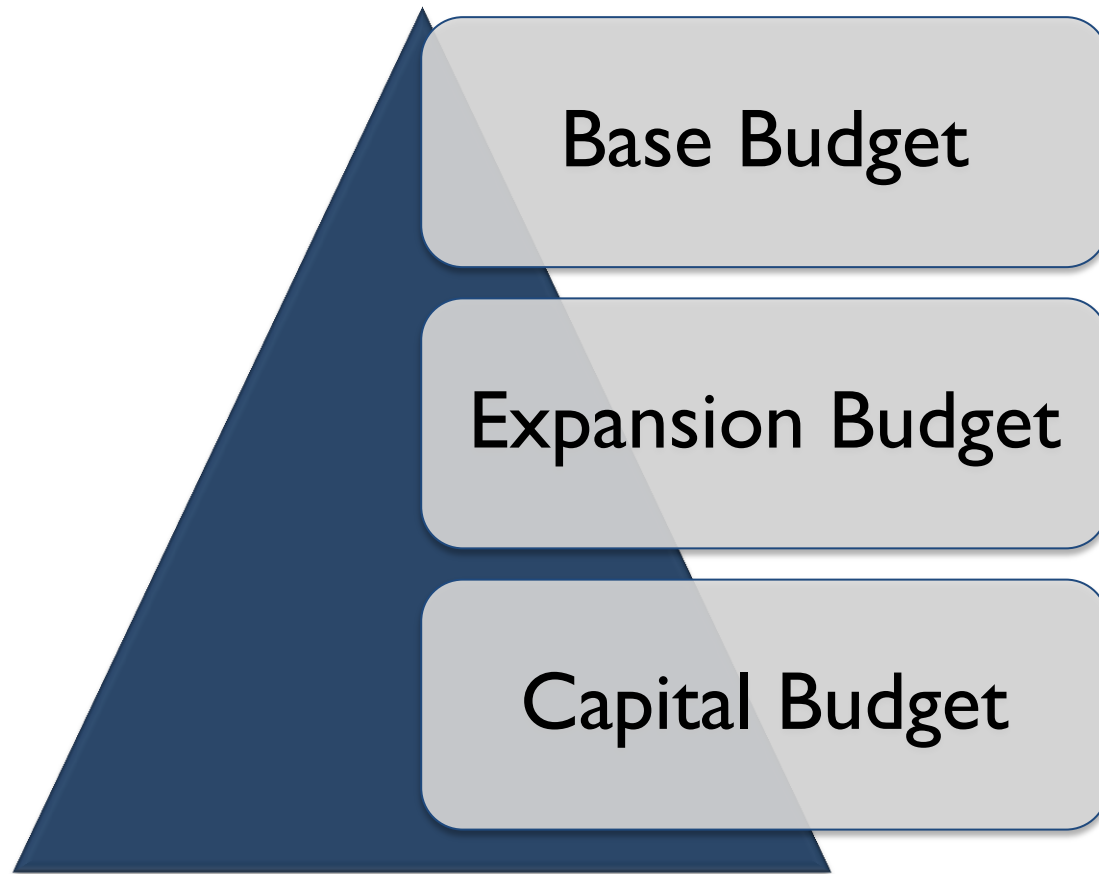
# Budget Process



# Budget Preparation Schedule

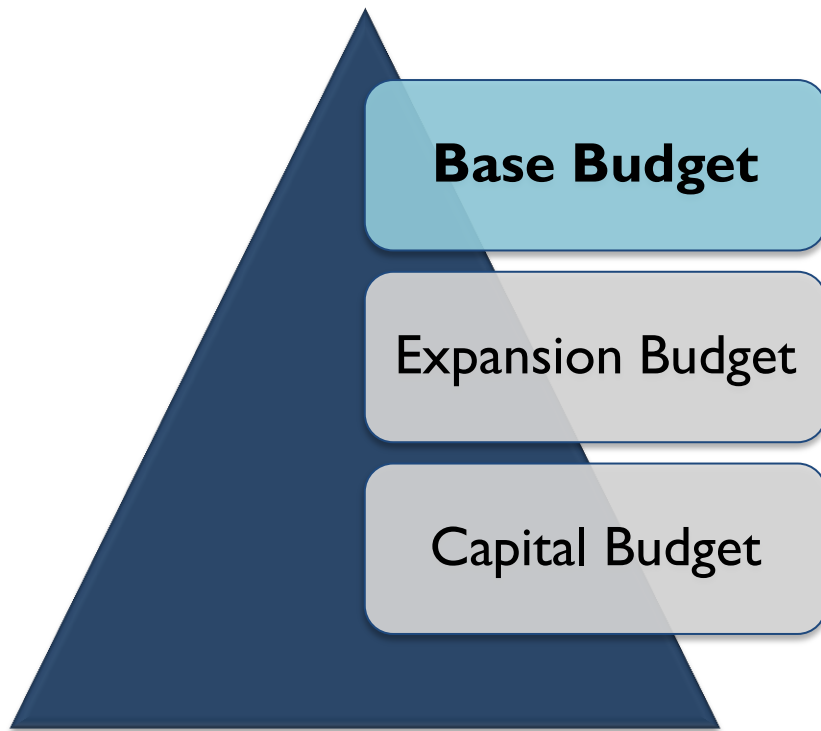


# Governor's Recommended Budget



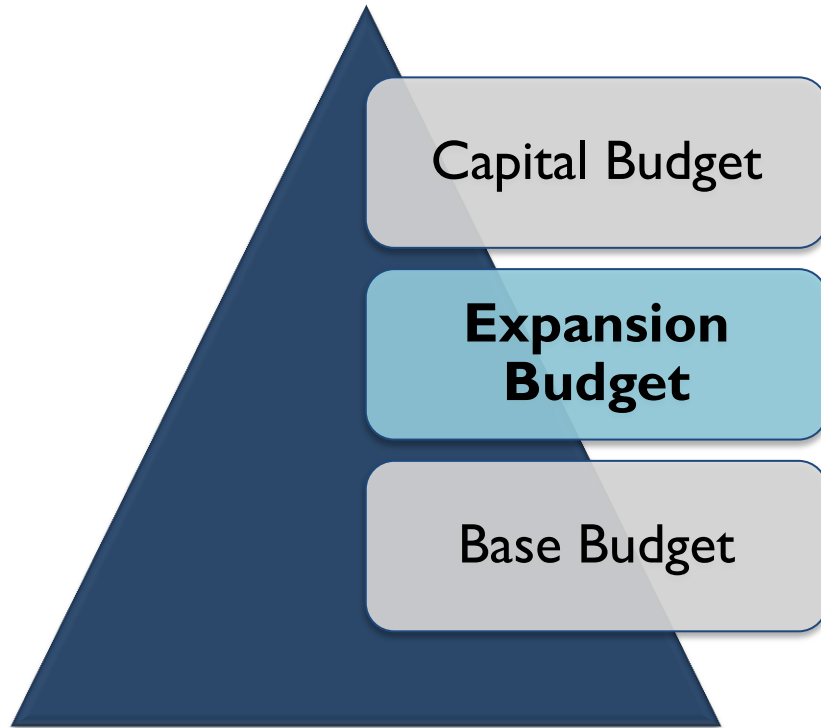
# Base Budget

The part of the Governor's Recommended Budget that provides the baseline for the next biennium. Starting point is current year authorized budget plus allowable adjustments:



1. Program & position annualizations
2. Nonrecurring adjustments (+/-)
3. Federal payroll tax changes
4. Lease increases
5. Receipt projections changes
6. Reconciliation of transfers
7. Other statutory

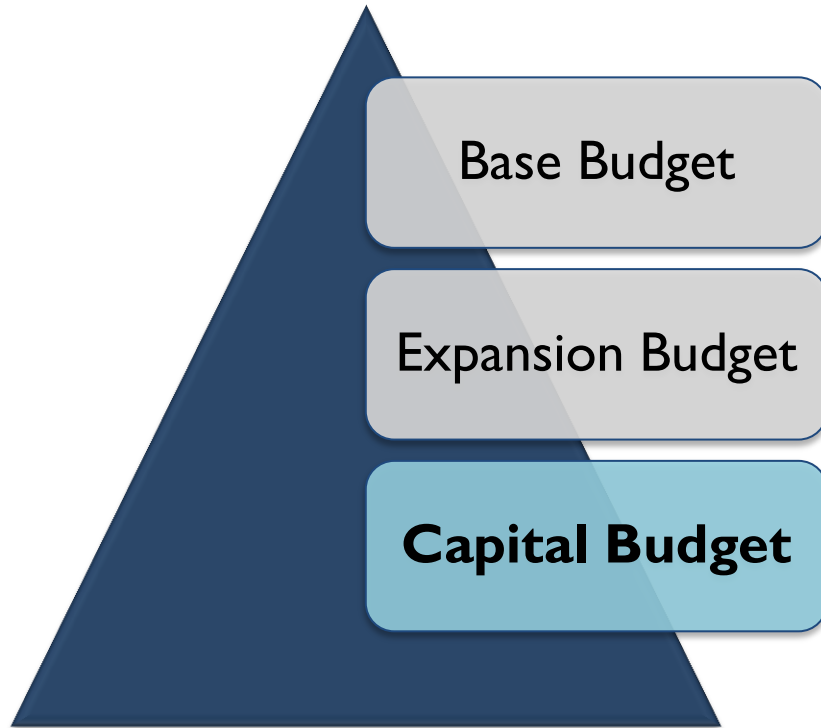
# Expansion Budget



- Recommendations related to:
  - New programs & expansions
  - New initiatives
  - Salaries & benefits
  - Departmental need for equipment, staff, vehicles, etc.
  - Enrollment growth
  - And more...



# Capital Budget



- Recommendations related to:
  - Constructing new facilities
  - Repairing/ renovating existing facilities
  - Purchasing land/ facilities

# Budget Terms

**Certified Budget** - The budget as enacted by the GA plus

1. distributions to State agencies from statewide reserves appropriated by the General Assembly,
2. distributions of reserves appropriated to a specific agency by the General Assembly, and
3. organizational or budget changes mandated by the General Assembly.

**What gets added/ How is it changed:**

- Salary increases, retirement adjustments
- Management flexibility reserves
- Reorganizations



# Budget Terms

**Authorized Budget** - The certified budget with changes authorized by the Director of the Budget through authority granted in G.S. 143C-6-4 or other statutes.

- **What gets added/ How is it changed:**
  - New grants, changes to existing grants, or federal “carryforward”
  - Moving money between funds/programs
  - Budgeting of an increase in departmental receipts



# Budget Terms

Line Item	Certified	Authorized	Actuals
Computers	\$10,000	\$11,000	\$5,500
Furniture	\$10,000	\$9,000	\$9,000

- **Certified budget:** Provides \$10,000 to buy 10 computers
- **Authorized budget:** Agency determines they need 11 computers, and reallocate money from the furniture line-item
- **Actual expenditures:** Agency got a great deal on computers  
The final cost for the 11 computers is \$5,500



# Fund Types

- **General Fund (1xxxx)**
- **Special Revenue Funds (2xxxxx)**
- **Capital Funds (4xxxxx)**
- **Enterprise Funds (5xxxxx)**
- **Trust Funds (6xxxxx)**
- **Internal Service Funds (7xxxxx)**
- **Others – institutional funds, agency funds**



# General Fund

- The primary operating fund for most governmental entities
- Accounts for all financial transactions, except those that must be accounted for in another type fund
- Money reverts at end of fiscal year

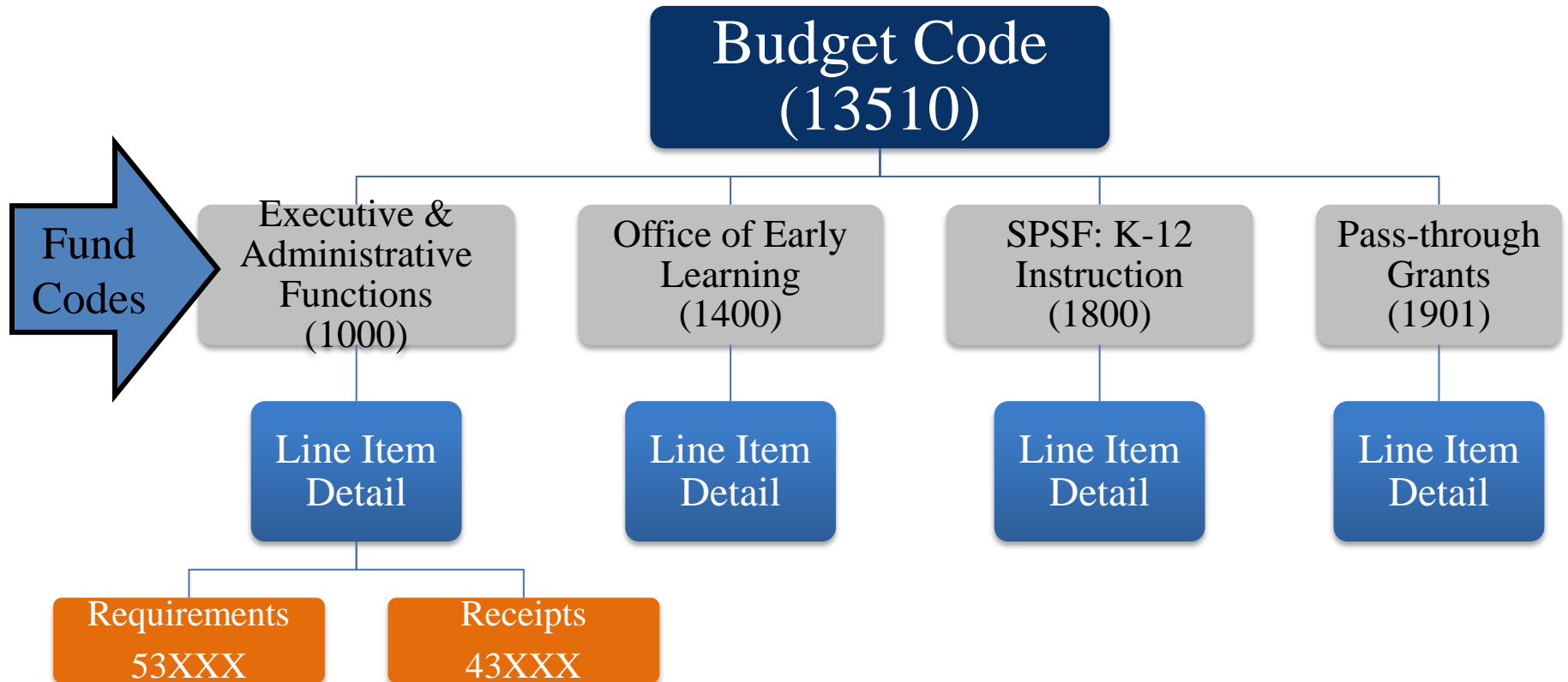


# Special Revenue Funds

- A fund to which revenues are deposited that are designated for a specific purpose and remain in the account until expended for that purpose
- Funds do not revert to the General Fund
- Can build cash balances over time
- Cash balances are non-recurring in nature



# Budget Structure





# Base Budget Requirements

## State Budget Act:

- **Development of Governor's Recommended Budget:**
  - Must clearly distinguish program base budget requirements, program reductions and eliminations, program expansions, and new programs, and all proposed capital improvements
  - Must contain a base budget presented in the “budget support documents” for each budget code and purpose or program in line-item detail
  - Must contain a comparison of actual expenditures, current year budget, allowable increases/decreases and recommended base budget



# Base Budget

## 13510-Public Instruction - General Fund

### 1000-DPI - Executive and Administrative Functions

The purpose of this fund is to support personnel and State Board of Education functions that establish policy for North Carolina's public school system subject to the laws enacted by the General Assembly, and implement policy through the State Superintendent, Human Resources, Policy and Strategic Planning, Communications, Internal Audit, Legal and State Board of Education staff.

#### Requirements

#### PERSONAL SERVICES

Account Code	Account Title	Actual 2013-14	Certified 2014-15	Authorized 2014-15	Incr/Decr 2015-16	Total 2015-16	Incr/Decr 2016-17	Total 2016-17
531141	SEC/COUNCIL OF ST SAL-APP	\$124,676	\$125,676	\$125,676	\$0	\$125,676	\$0	\$125,676
531211	SPA-REG SALARIES-APPRO	\$2,156,991	\$2,157,758	\$2,259,064	\$0	\$2,259,064	\$0	\$2,259,064
531212	SPA-REG SALARIES-RECPT	\$704,418	\$1,157,705	\$1,001,744	\$0	\$1,001,744	\$0	\$1,001,744
531222	SPA TIME LIMITEDSAL-REC	\$0	\$10,000	\$0	\$0	\$0	\$0	\$0
531311	REG(N S) TEMP WAGES-APPR	\$50,102	\$6,050	\$3,550	\$0	\$3,550	\$0	\$3,550
531312	REG(N S) TEMP WAGES-RECPT	\$180	\$82,700	\$43,503	\$0	\$43,503	\$0	\$43,503
531322	CONTR EMPL PER IRS-RECPT	\$0	\$211	\$0	\$0	\$0	\$0	\$0
531351	STU TEMP WAGES - APPRO	\$2,360	\$0	\$0	\$0	\$0	\$0	\$0
531411	OT PAY - APPROPRIATED	\$15	\$0	\$0	\$0	\$0	\$0	\$0
531412	OT PAY - RECEIPTS	\$0	\$200	\$200	\$0	\$200	\$0	\$200
531452	DUAL EMPL WAGES - RECPTS	\$150	\$0	\$0	\$0	\$0	\$0	\$0
531461	EPA&SPA-LONGVTY PAY-APPRO	\$41,565	\$45,803	\$48,434	\$0	\$48,434	\$0	\$48,434
531462	EPA&SPA-LONGVTY PAY-REC	\$14,591	\$15,840	\$9,335	\$0	\$9,335	\$0	\$9,335
531511	SOCIAL SEC CONTRIB-APPRO	\$176,560	\$175,076	\$180,779	\$0	\$180,779	\$0	\$180,779
531512	SOCIAL SEC CONTRIB-RECPTS	\$53,896	\$100,481	\$109,688	\$0	\$109,688	\$0	\$109,688
531521	REG RETIRE CONTRIB-APPRO	\$341,154	\$318,155	\$328,893	\$0	\$328,893	\$0	\$328,893
531522	REG RETIRE CONTRIB-RECPTS	\$105,637	\$135,903	\$158,629	\$0	\$158,629	\$0	\$158,629
531561	MED INS CONTRIB-APPRO	\$185,816	\$208,951	\$214,386	\$0	\$214,386	\$0	\$214,386
531562	MED INS CONTRIB-RECPTS	\$54,248	\$85,385	\$89,019	\$0	\$89,019	\$0	\$89,019
531572	UNEMP COMP PAYMNTS TO DES	\$53,316	\$1,123	\$1,123	\$0	\$1,123	\$0	\$1,123
531576	FLEXIBLE SPENDING SVG ACCT	\$3,462	\$3,729	\$4,167	\$0	\$4,167	\$0	\$4,167
531577	UI INS 1% PAYMENT TO DES	\$20,932	\$0	\$0	\$0	\$0	\$0	\$0

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# Presentation Outline

- NC Budget Process
- Budget Terms
- Budget Organization
- **Budget Policy**



# NC's Budget Policy

- State Constitution
- State Budget Act (Chapter 143C)
- Appropriations Act
- North Carolina General Statute
- State Budget Manual
- Budget Instructions



# NC's Budget Policy

- **State Budget Act (Chapter 143C)**
  - Sets out the statutory procedures and requirements for preparing, reviewing, adopting and managing the State's Budget in accordance with the Constitution
  - **Defines Appropriation:** “An enactment by the General Assembly authorizing the withdrawal of money from the State treasury. *An enactment by the General Assembly that authorizes, specifies, or otherwise provides that funds may be used for a particular purpose is not an appropriation.*”
  - **Defines State Funds:** Any moneys including federal funds deposited in the State treasury except moneys deposited in a trust fund or agency fund as described in G.S. 143C-1-3.



# NC's Budget Policy

- **State Budget Act (Chapter 143C)**
  - Directs how the budget is to be administered
    - Appropriations for the purposes and programs and line-items enumerated in the Governor's recommended, as amended by the General Assembly
    - The Governor shall ensure that appropriations are expended in strict accordance with the budget enacted by the General Assembly.
  - Sets out the limited circumstances under which the budget enacted by the General Assembly can change
    - Line items within programs
    - Responses to extraordinary events
    - Responses to unforeseen circumstances.
  - Restricts expenditures for purposes for which the General Assembly has considered but not enacted an appropriation, regardless of source of funds



# Budget Policy – Appropriations Bills

Special provisions provide guidance on how to spend money and set budget policy:

- Places limits on how to implement management flexibility reduction:
  - No reductions to NC Center for Advancement of Teaching, three pass-through entities and the residential schools, except under certain circumstances (S.L. 2015-241, Section 8.37(b))
- No more than \$120,000 in State funds may be used for the annual salary of any individual employee of a nonprofit organization receiving State funds. (S.L. 2015-241, Section 6.26)
- Limits the authority of agency to spend funds....
  - A constituent institution shall not expand more than \$1 million of State funds on advancement programs...applies to FY 2016-17 and each subsequent fiscal year.



# Budget Policy – Other Statutes

- **Sets Fees:**

- **G.S. 115C-216(g)** “The local boards of education shall fund driver education courses from funds available to them and may charge each student participating in a driver education course a fee of up to 65.00 to offset the costs of providing the training and instruction. “

- **Creates Special Revenue Funds:**

- **115C 102.6D(a):** “There is established under the control and direction of the State Board of Education the State School Technology Fund. This fund shall be a nonreverting special revenue fund consisting of any monies appropriated to it by the General Assembly and any monies credited to it under G.S. 20 81.12 from the sale of School Technology special license plates.”

- **Spends Reversions:**

- **G.S. 116-30.3:** “Of the General Fund current operations appropriations credit balance remaining at the end of each fiscal year in each budget code of a special responsibility constituent institution...the amount carried forward under this section shall not exceed 2½ % of the General Fund appropriation.”





# Budget Policy – State Budget Manual

- Prepared by the Office of State Budget and Management (OSBM)
- Used by state agencies in the administration of their budgets
- Provide more detailed budget related guidance to agencies
  - Examples: Use of lapsed salaries, travel reimbursement policies, etc.



# Budget Policy –Budget Instructions

- Prepared by the Office of State Budget and Management (OSBM)
- Used by state agencies to prepare their budgets



# Contact Information

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