

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

NC's Budgeting Practices, Process and Policies

February 21, 2019

Outline

- **NC Budget Process**
- Budget Terms
- Budget Organization
- Fiscal Research



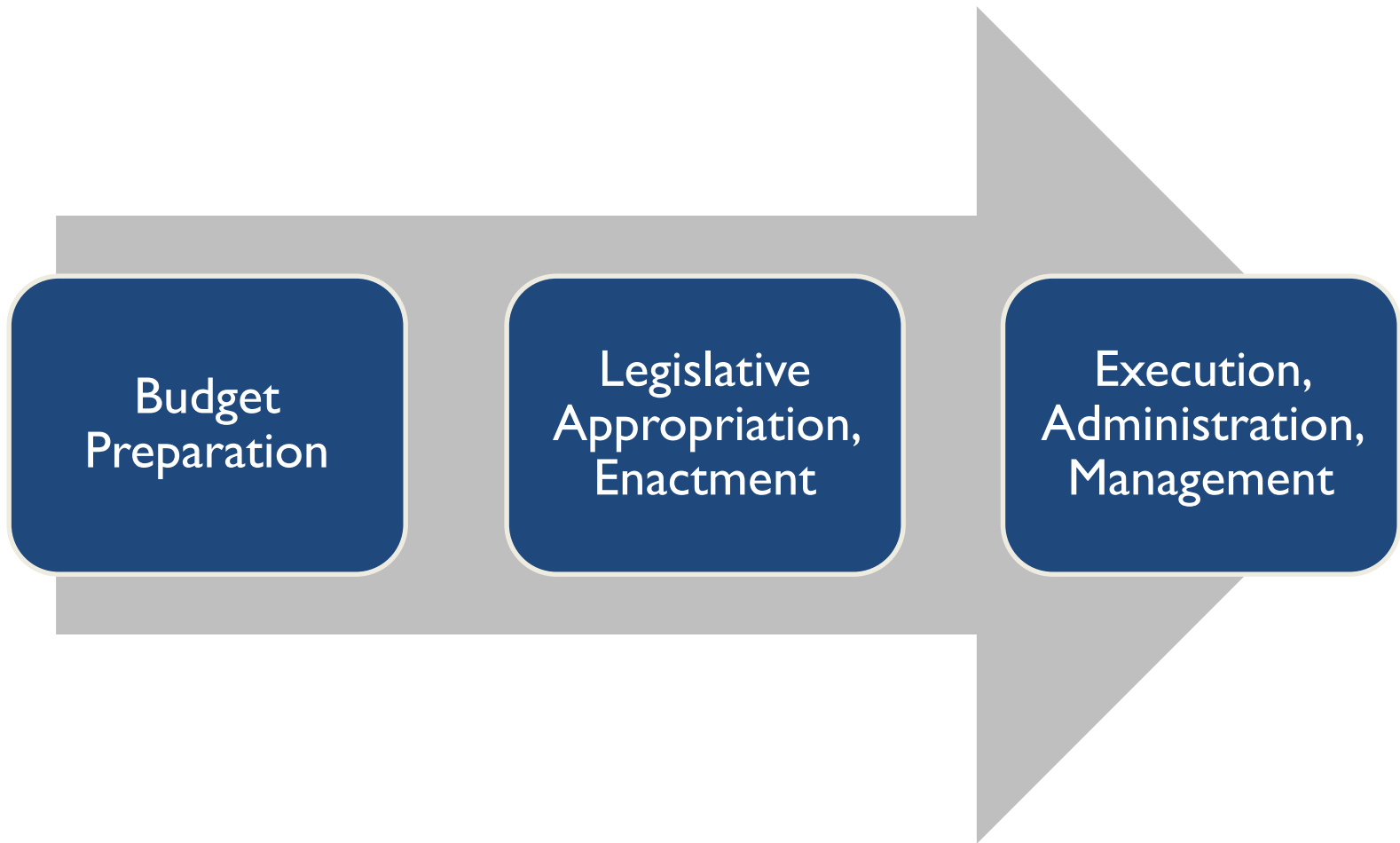
Budget Process – State Constitution

State Constitution requires:

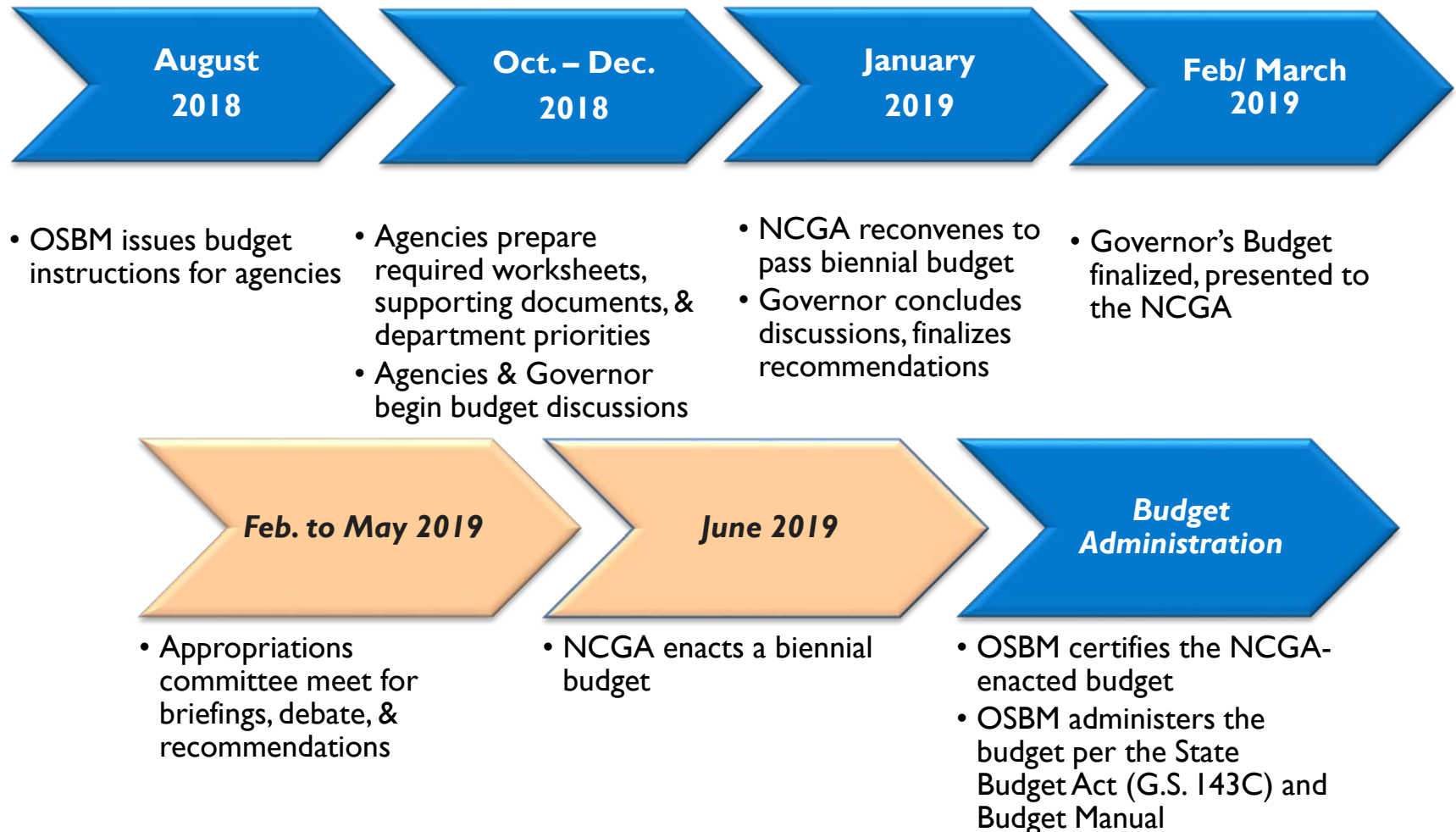
- **Preparation:** Governor to prepare and recommend to the General Assembly a comprehensive budget of anticipated revenue and proposed expenditures (Art. III, Sec. 5(3))
- **Appropriation:** “No money shall be drawn from the State treasury but in consequence of **appropriations** made by law” (Art.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



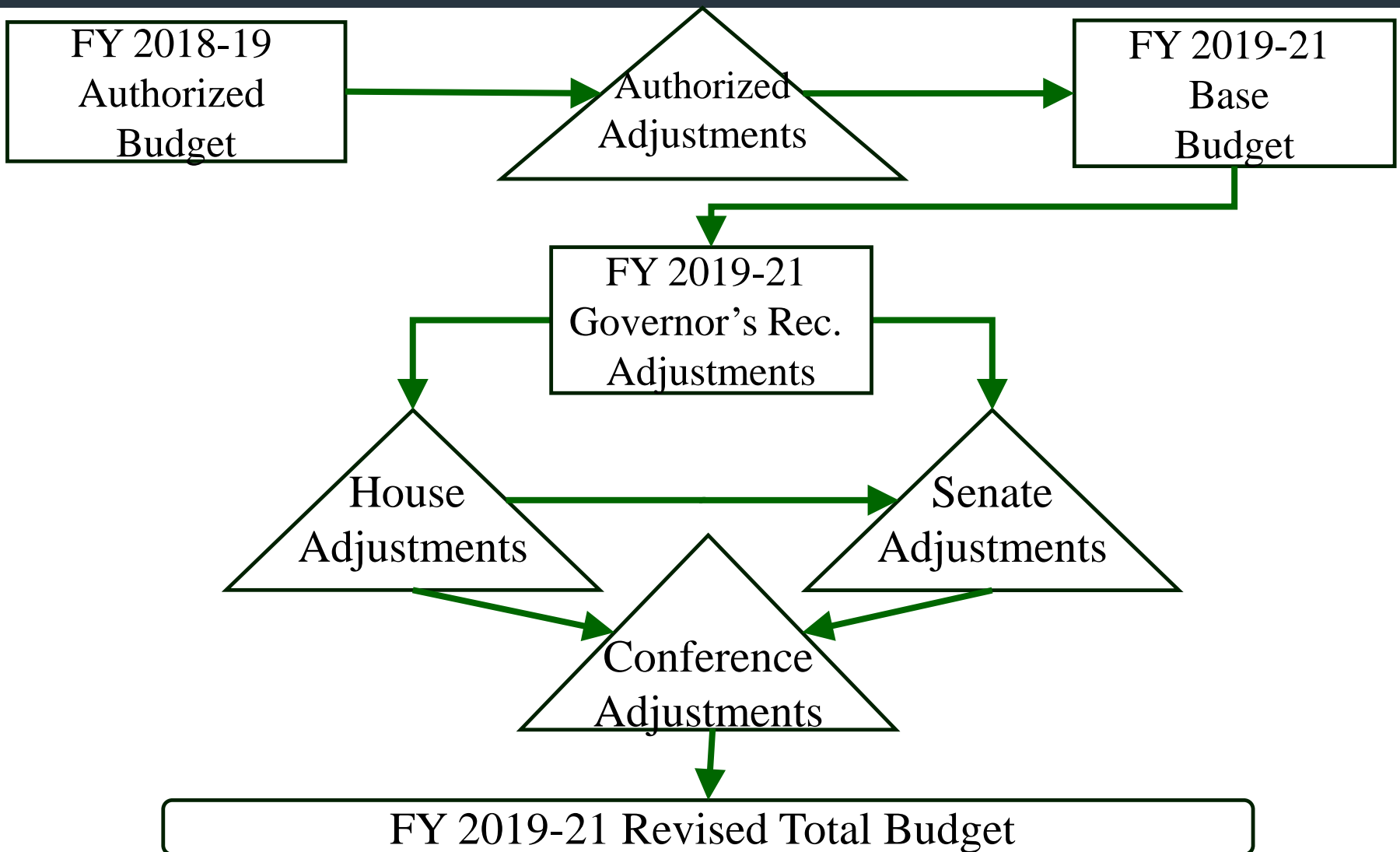
Budget Process - Overview



Budget Process - Schedule



Budget Process – Long Session



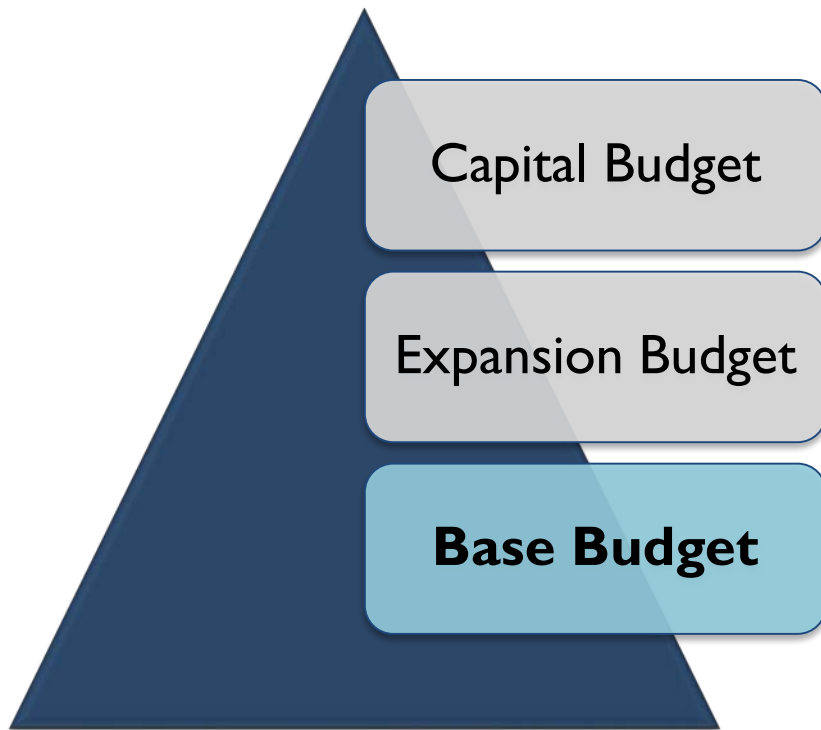
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Budget Terms - Base Budget

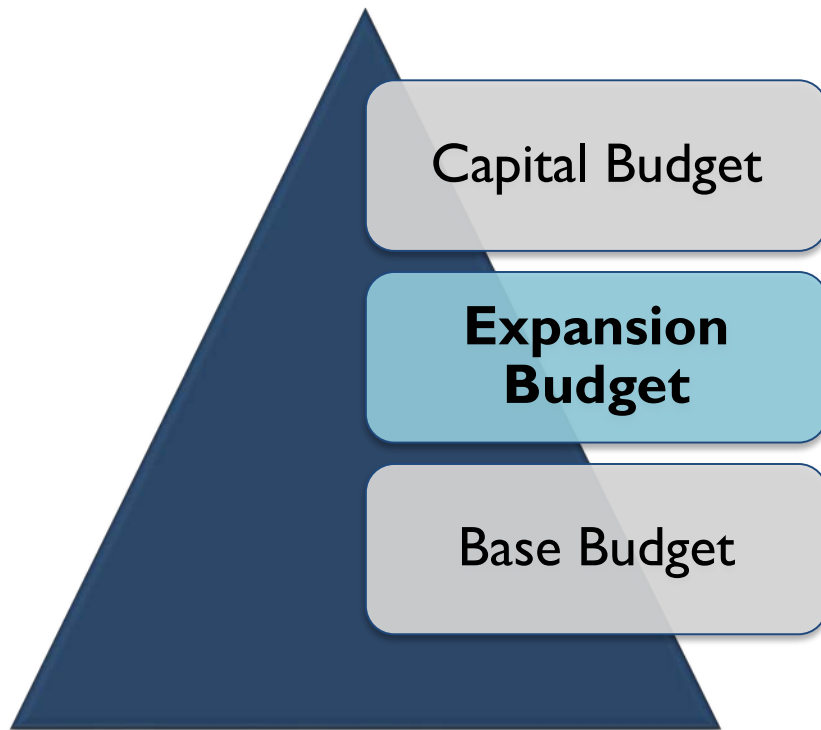
The part of the Governor's Recommended Budget that provides the baseline for the next biennium. Starting point is current year authorized budget plus allowable adjustments:



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



Budget Terms - Expansion Budget



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

Budget Terms - Appropriations

Appropriations

- An enactment by the General Assembly authorizing the withdrawal of money from the State Treasury. “
State Budget Act – G.S. 143C-1-1(d)(1)
- “No money shall be drawn from the State treasury but in consequence of appropriations made by law.”
NC Constitution, Art. V, Sec. 7



Budget Terms – Certified Budget

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

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 - 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



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Budget Organization – Bill Contents

- Appropriations by Agency/Department – Section 2.1
- Statement of General Fund Availability (G.S. 143C-5-3)
 - Beginning Unreserved Fund Balance
 - Tax and Non-Tax Revenues
- Special Provisions
- Recommended Base Budget (incorporated)
- Committee Report (incorporated)

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2017**

**SESSION LAW 2018-5
SENATE BILL 99**

**AN ACT TO MODIFY THE CURRENT OPERATIONS APPROPRIATIONS ACT OF 2017
AND TO MAKE OTHER CHANGES IN THE BUDGET OPERATIONS OF THE STATE.**



Budget Organization - Base Budget

080-Department of Public Instruction
 13510-Public Instruction - General Fund
 1000-DPI - Executive and Administrative Functions
 Requirements

PERSONAL SERVICES

| Account Code | Account Title | Actual 2017-18 | Certified 2018-19 | Authorized 2018-19 | Incr/Decr 2019-20 | Total 2019-20 | Incr/Decr 2020-21 | Total 2020-21 |
|--------------|---------------------------|----------------|-------------------|--------------------|-------------------|---------------|-------------------|---------------|
| 531141 | SEC/COUNCIL OF ST SAL-APP | \$127,561 | \$130,112 | \$130,112 | \$0 | \$130,112 | \$0 | \$130,112 |
| 531211 | SPA-REG SALARIES-APPRO | \$2,177,867 | \$2,867,273 | \$3,003,272 | \$0 | \$3,003,272 | \$0 | \$3,003,272 |
| 531212 | SPA-REG SALARIES-RECPT | \$687,111 | \$783,753 | \$901,770 | \$0 | \$901,770 | \$0 | \$901,770 |
| 531213 | SPA-REG SALARIES-UNDESIG | \$644 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 531221 | SPA TIME LIMITED SAL-APP | \$0 | \$11,073 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 531222 | SPA TIME LIMITEDSAL-REC | \$163,394 | \$104,045 | \$76,215 | \$0 | \$76,215 | \$0 | \$76,215 |
| 531311 | REG(N S) TEMP WAGES-APPR | \$0 | \$3,550 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 531312 | REG(N S) TEMP WAGES-RECPT | \$0 | \$41,137 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 531461 | EPA&SPA-LONGVTY PAY-APPRO | \$28,891 | \$49,888 | \$50,257 | \$0 | \$50,257 | \$0 | \$50,257 |
| 531462 | EPA&SPA-LONGVTY PAY-REC | \$11,691 | \$10,549 | \$9,134 | \$0 | \$9,134 | \$0 | \$9,134 |
| 531511 | SOCIAL SEC CONTRIB-APPRO | \$173,096 | \$231,740 | \$237,072 | \$0 | \$237,072 | \$0 | \$237,072 |
| 531512 | SOCIAL SEC CONTRIB-RECPTS | \$64,050 | \$95,082 | \$97,664 | \$0 | \$97,664 | \$0 | \$97,664 |
| 531521 | REG RETIRE CONTRIB-APPRO | \$398,890 | \$536,537 | \$550,322 | \$0 | \$550,322 | \$0 | \$550,322 |
| 531522 | REG RETIRE CONTRIB-RECPTS | \$143,066 | \$161,119 | \$182,869 | \$0 | \$182,869 | \$0 | \$182,869 |
| 531561 | MED INS CONTRIB-APPRO | \$156,362 | \$272,476 | \$272,476 | \$0 | \$272,476 | \$0 | \$272,476 |
| 531562 | MED INS CONTRIB-RECPTS | \$69,694 | \$83,686 | \$90,247 | \$0 | \$90,247 | \$0 | \$90,247 |
| 531572 | UNEMP COMP PAYMNTS TO DES | \$0 | \$1,123 | \$1,123 | \$0 | \$1,123 | \$0 | \$1,123 |
| 531576 | FLEXIBLE SPENDING SAVINGS | \$5,057 | \$4,099 | \$4,005 | \$0 | \$4,005 | \$0 | \$4,005 |
| 531621 | SEVER SLRY CONTINUE-APPRO | \$44,668 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 531631 | WRKER COMP-MED PAYMENTS | \$0 | \$20,582 | \$20,582 | \$0 | \$20,582 | \$0 | \$20,582 |
| 531651 | COMPENSATION TO BOARD MEM | \$0 | \$8,500 | \$8,500 | \$0 | \$8,500 | \$0 | \$8,500 |
| 531661 | TAX EMP EXP REIMB-APPROP | \$0 | \$4,320 | \$4,320 | \$0 | \$4,320 | \$0 | \$4,320 |
| 531662 | TAX EMP EXP REIMB-RECEIPT | \$0 | \$440 | \$440 | \$0 | \$440 | \$0 | \$440 |
| 531664 | NONTAX EMP CELL PH REIMB | \$1,230 | \$160 | \$218 | \$0 | \$218 | \$0 | \$218 |

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Budget Organization - Special Provisions

- Dictate or guide how funds are to be spent
- Can affect both budgetary items & substantive issues
- May include Finance related items such as fees and taxes.

PROHIBIT TRANSFER OF TEXTBOOKS AND DIGITAL RESOURCES FUNDS

SECTION 7.13.(a) G.S. 115C-105.25(b) is amended by adding a new subdivision to read:

"(12) Funds allotted for textbooks and digital resources may only be used for the purchase of textbooks and digital resources. These funds shall not be transferred out of the allotment for any other purpose."

SECTION 7.13.(b) G.S. 115C-105.25(c)(4) is repealed.

SECTION 7.13.(c) This section becomes effective July 1, 2018.



Budget Organization - Committee Report

- Committee Report used to construe legislative action and intent, and has force of law (G.S. 143C-5-5)
- Contains the specific changes to a Department's budget, including FTE changes
- Incorporated by special provision

21 School Safety Programs
Fund Code: 1830

Provides funds to expand the School Resource Officer grant program for elementary and middle schools, to expand the anonymous tip line to all schools statewide, and to create new grants to support students in crisis, school safety training, safety equipment, and school mental health personnel. Further guidance on the grant programs is provided by this Act. Funding includes \$10 million nonrecurring transferred from the Dorothea Dix Hospital Property Fund (24460-2296). The revised total requirements for the programs is \$35 million in FY 2018-19.

| | | | |
|-------------------|----|----------------------|---|
| Requirements | \$ | 5,000,000 R | |
| | | 23,000,000 NR | |
| Less: Receipts | \$ | <u>10,000,000 NR</u> | |
| Net Appropriation | \$ | 18,000,000 | |
| FTE | | | - |



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Fiscal Research Division

- Provide confidential research to members upon request
- Provide presentations on financial matters
- Provide formal analysis in two manners:
 - Fiscal Memos
 - 5-year projection of revenues and costs
 - Primarily for draft bills and PCS (proposed committee substitutes)
 - Remain confidential to the requestor
 - Fiscal Notes
 - 5-year projection of revenues and costs
 - For introduced bills
 - Published alongside the bill



Questions?

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