



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

# **Budget Basics**

**February 27, 2019**

# Budget Terms: Appropriation

An enactment by the General Assembly authorizing the withdrawal of money from the State treasury.

*State Budget Act – Chapter 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, Section 7*



# Budget Terms

## Total Requirements

The total cost associated with a proposed expenditure of funds regardless of the source of funds

## Departmental Receipts

Fees, licenses, **federal funds**, grants, fines, penalties, tuition, and other similar collections or credits generated by State agencies that are applied to the cost of a program

## Net General Fund Appropriation

An appropriation of the General Fund's general purpose revenue

$$\begin{aligned} &\text{Total Requirements} - \text{Department Receipts} \\ &= \text{Net General Fund Appropriation} \end{aligned}$$



# Federal Funds

Federal funds are provided to states, local governments, and others to carry out federal programs. Examples include Medicaid, highways, and education assistance

**Block grants** allow recipients to tailor programs to better suit their needs, and avoiding a “one-size-fits-all” approach. Block grants may be used for any activity that fits within overall program goals. Examples: Temporary Assistance to Needy Families (TANF), Maternal and Child Health Block Grant (MCH)

**Categorical funding** may only be used for specific purposes. Some categorical funding can be used to support multiple activities whereas other programs exist for a limited purpose only. Examples: Medicaid, Children’s Health Insurance Program (Health Choice in NC)

Source: FFIS Grants 101: An Introduction to Federal Grants for State and Local Governments

[https://www.ffis.org/sites/default/files/public/2018/grants\\_101\\_0.pdf](https://www.ffis.org/sites/default/files/public/2018/grants_101_0.pdf)



# Federal Funds

Many federal programs require state and local governments to contribute resources.

**Maintenance of Effort:** Specifies the level of financial effort the State must maintain in a certain program area to receive federal funds.

**Matching:** Represents the portion of costs that are not borne by the federal government. Matching requirements typically range from 5% to 50% of total costs and vary by program and sometimes within a program.

Source: FFIS Grants 101: An Introduction to Federal Grants for State and Local Governments  
[https://www.ffis.org/sites/default/files/public/2018/grants\\_101\\_0.pdf](https://www.ffis.org/sites/default/files/public/2018/grants_101_0.pdf)



# Budget Terms: Accounts

**Personal Services:** Services rendered by permanent and temporary employees and related fringe benefits

**Purchased Services:** Services provided by external firms, agencies, or divisions within the same organization; includes contracts, IT and travel costs

**Supplies:** Supplies or materials expected to be consumed within the normal course of operating and which are generally recurring in nature



# Budget Terms: Accounts

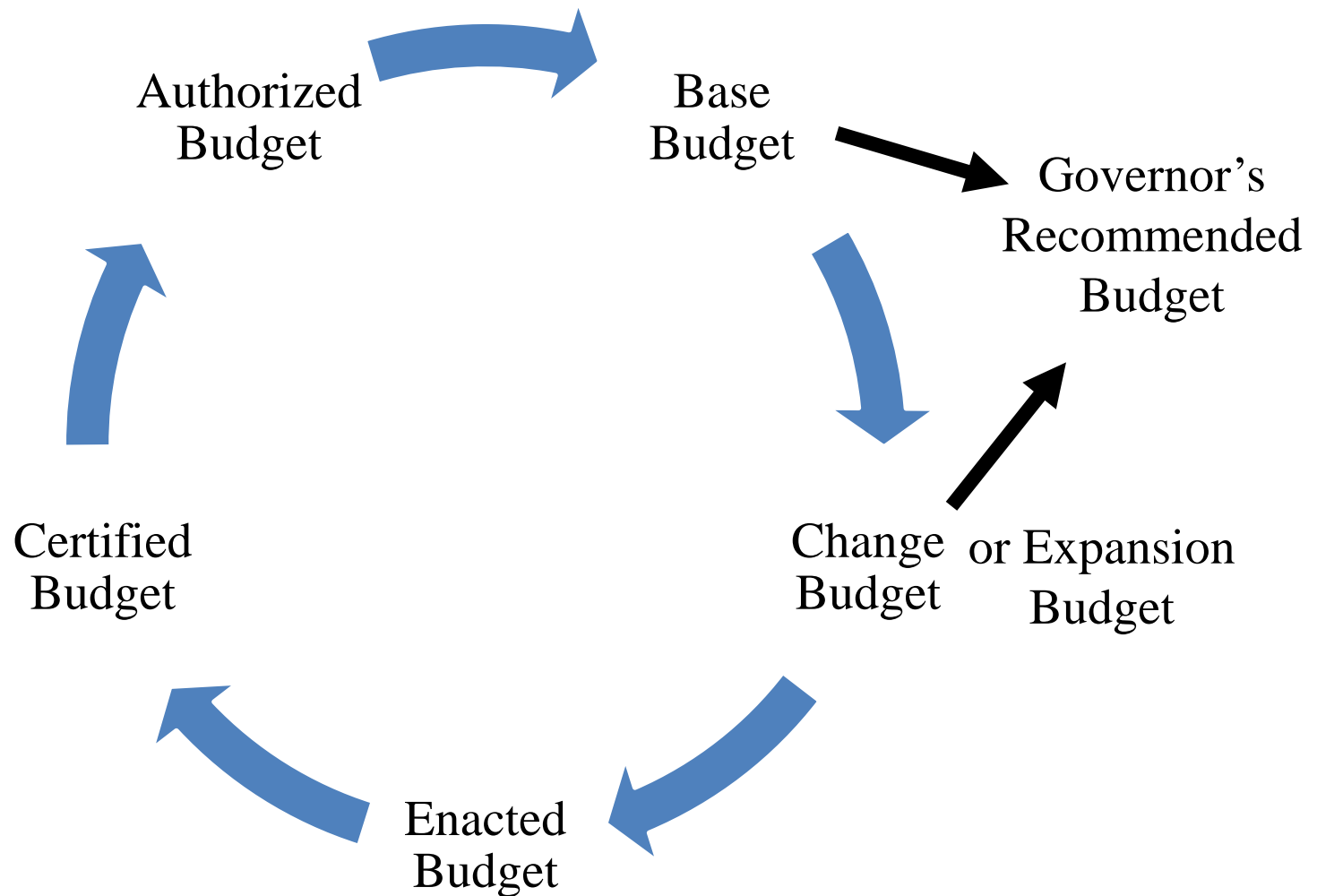
**Property, Plant and Equipment:** Payments for acquiring property, constructing additions to buildings, and purchasing equipment, furniture, and machinery that is not consumable or expendable and has an expected life of longer than one year

**Other Expenses and Adjustments:** Miscellaneous operational costs such as legal or permit costs, pension payments, or subscriptions

**Aid and Public Assistance:** Funds to direct recipients, providers or other agencies for designated programs, assistance or special projects

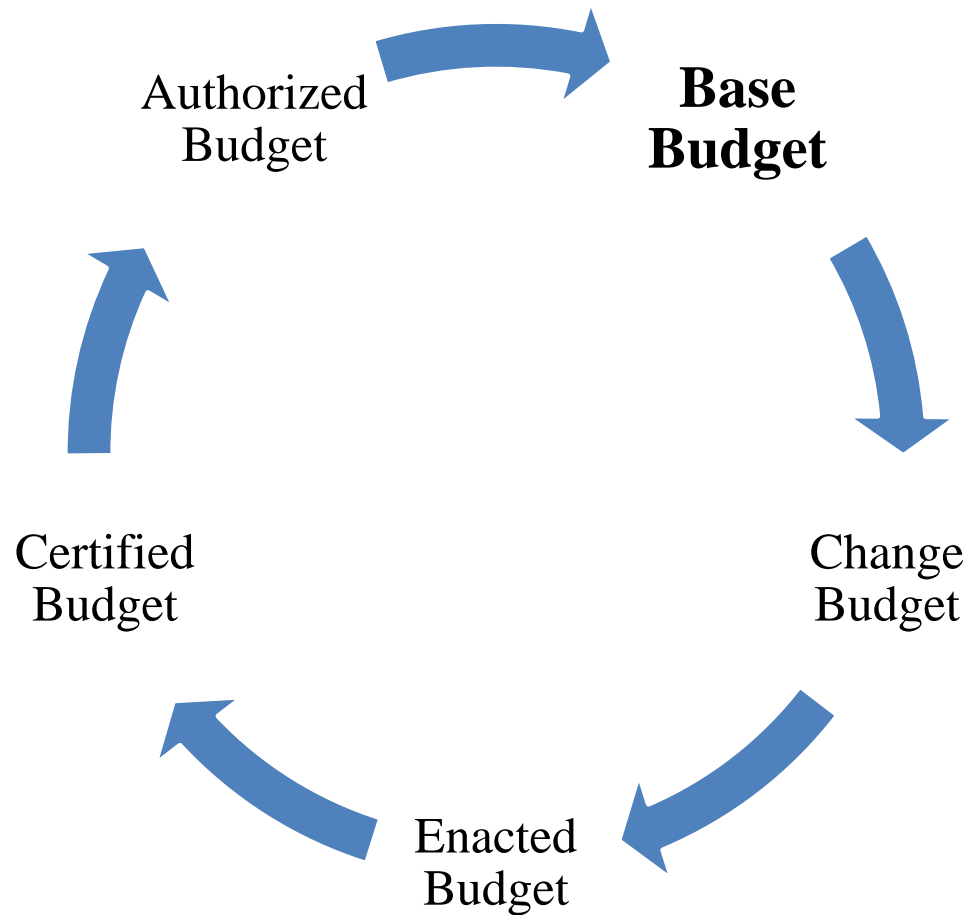


# Development, Enactment, and Execution





# Budget Cycle – Phase I, Base Budget



- Defined in statute - G.S. 143C-1-1(d)(1c)
- Provides the baseline for the next biennium for each budget code and purpose or program (fund code) at the line-item level.
- Starting point is the authorized budget for each State agency with certain allowable changes per statute.
- Content and format specified in statute - G.S. 143C-3-5(b)(2)



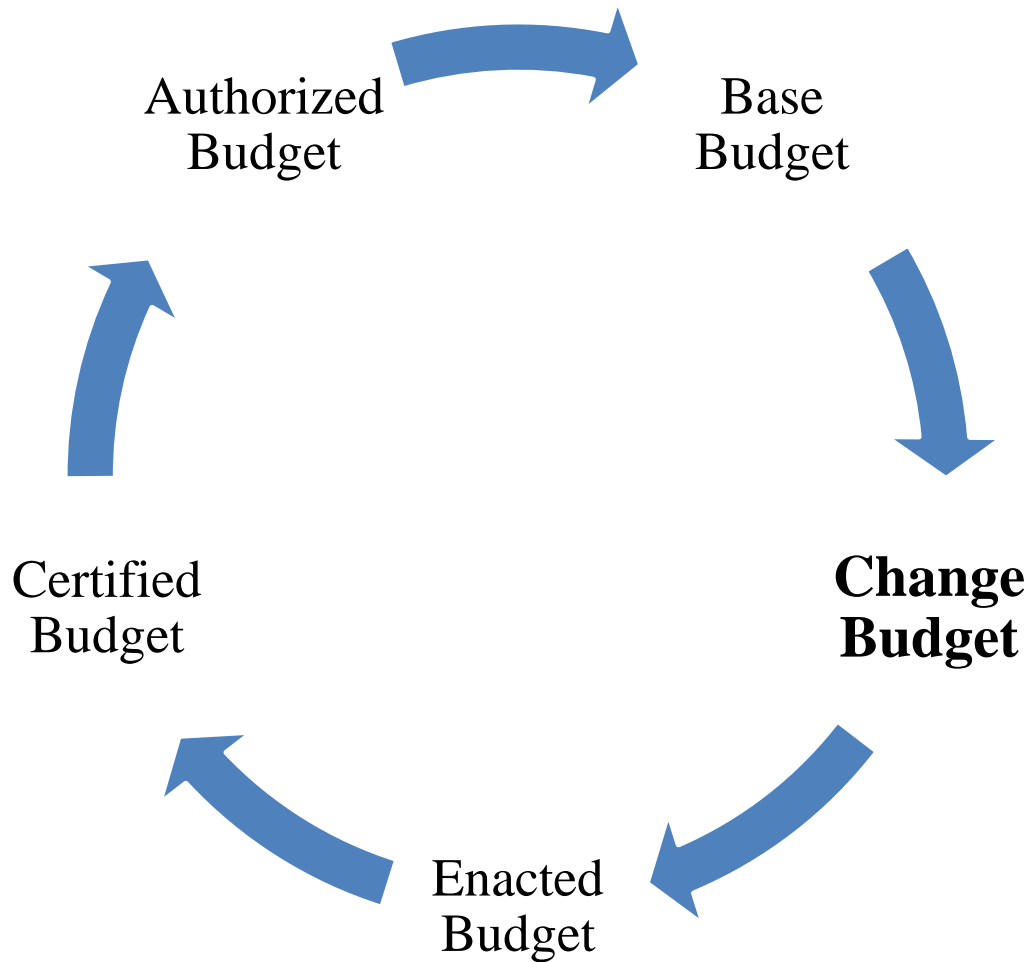
# Base Budget Changes

## **Increase and decreases per G.S. 143C-1-1(d)(c1)**

- Annualization of programs and positions.
- Reductions or increases to adjust for items funded with nonrecurring funds during the prior fiscal biennium.
- Adjustments for federal payroll tax changes.
- Rate increases in accordance with the terms of existing leases of real property.
- Adjustments to receipt projections, made in accordance with G.S. 143C-3-5(b)(2)c.
- Reconciliation of intragovernmental and intergovernmental transfers.
- Adjustments for statutory appropriations and other adjustments as directed by the General Assembly.



# Budget Cycle – Phase 2, Change Budget



All proposed budget changes not included in Base Budget for General Fund and non-GF sources. This the budget the General Assembly enacts.



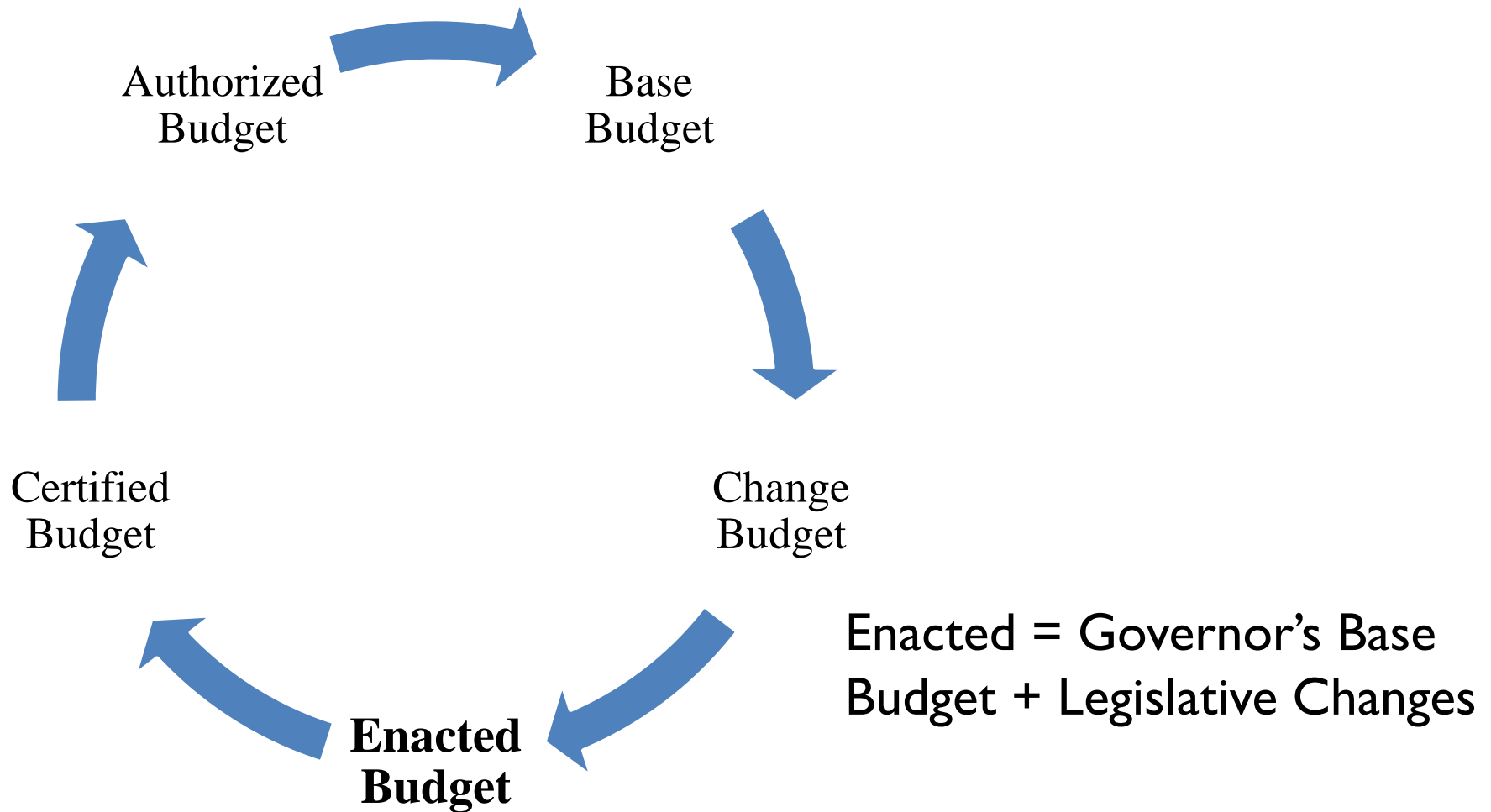
# Change Budget

## Examples of Actions in the Change Budget:

- Reductions & eliminations
- Expansions & new programs
  - Redirect funds between programs
  - Continued program phase-in
- Salaries & benefits changes
- One-time major equipment proposals
- Replacement of lost federal funds
- Enrollment growth (Edu. & HHS)
- Inflation & related cost increases
- Building operating reserves
- IT projects (IT Plan)



# Budget Cycle – Phase 3, Enacted Budget

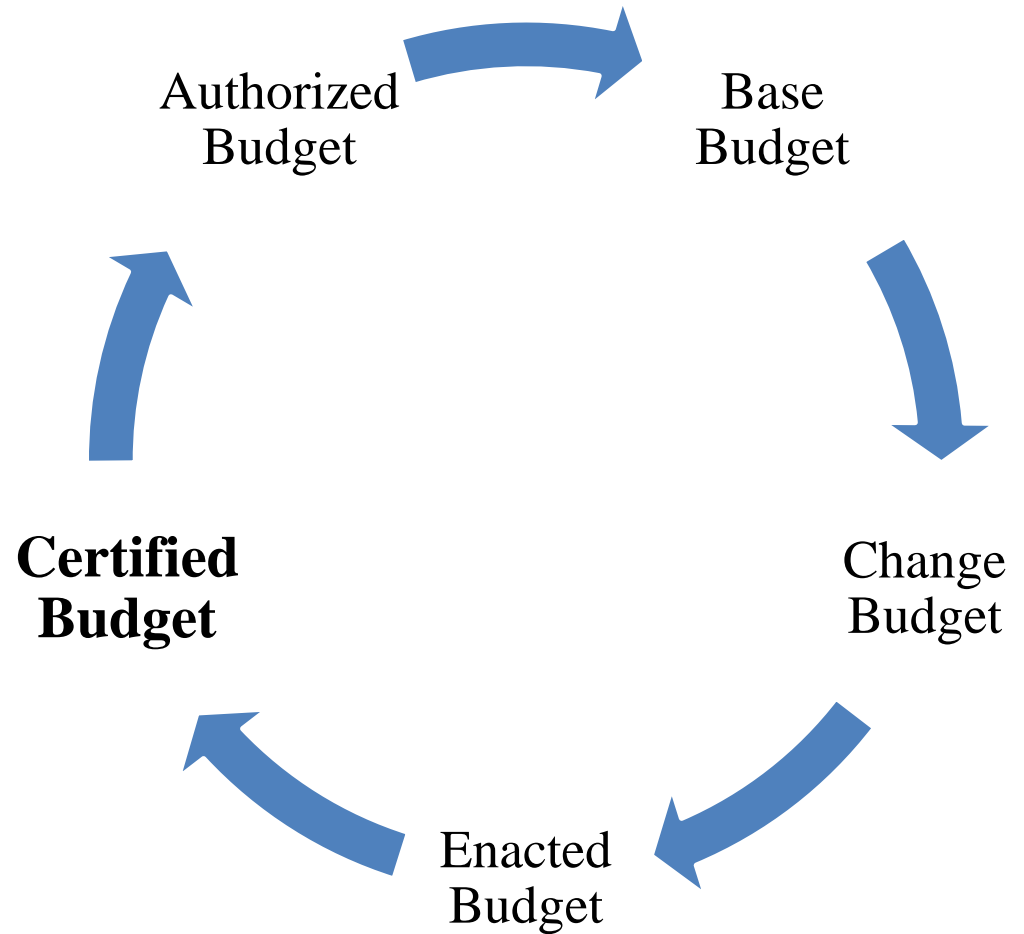


# Budget Cycle – Phase 4

**Certified** = Enacted + distributions

1. Statewide reserves,
2. Reserves appropriated to a specific agency, and
3. Mandated organizational or budget changes.

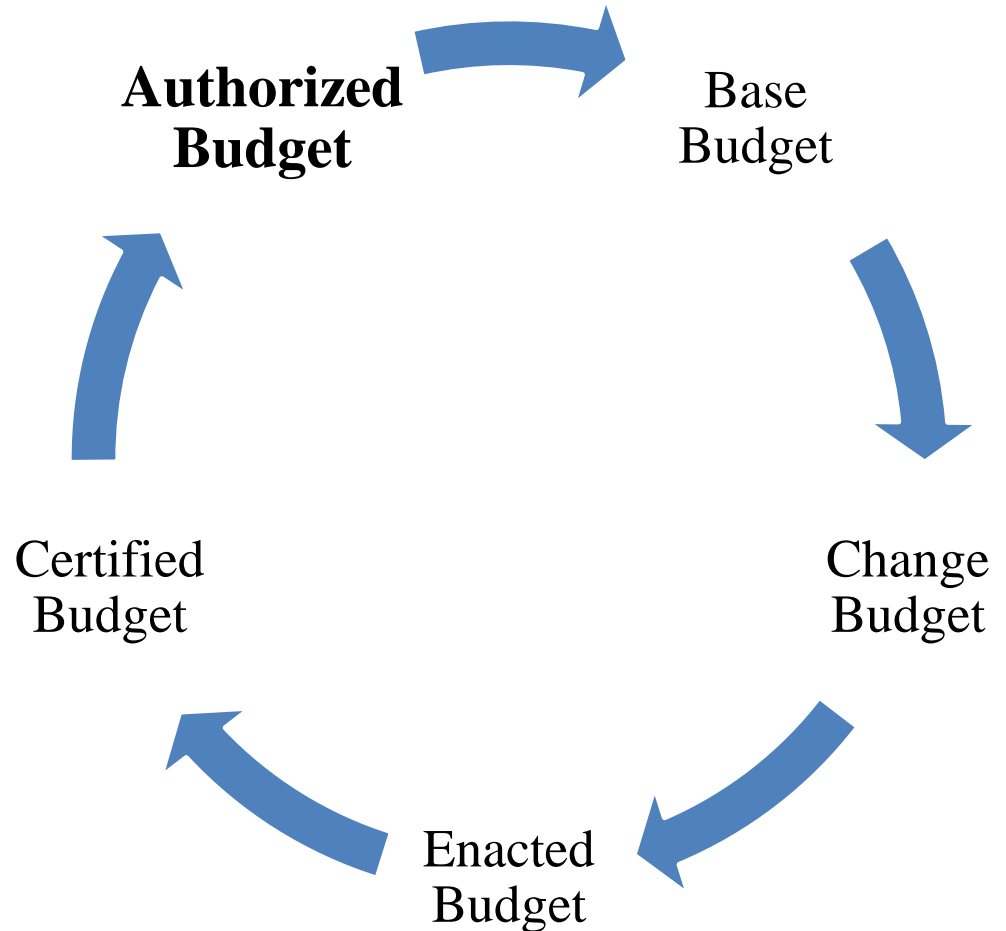
(G.S. 143C-1-1(d)(7))



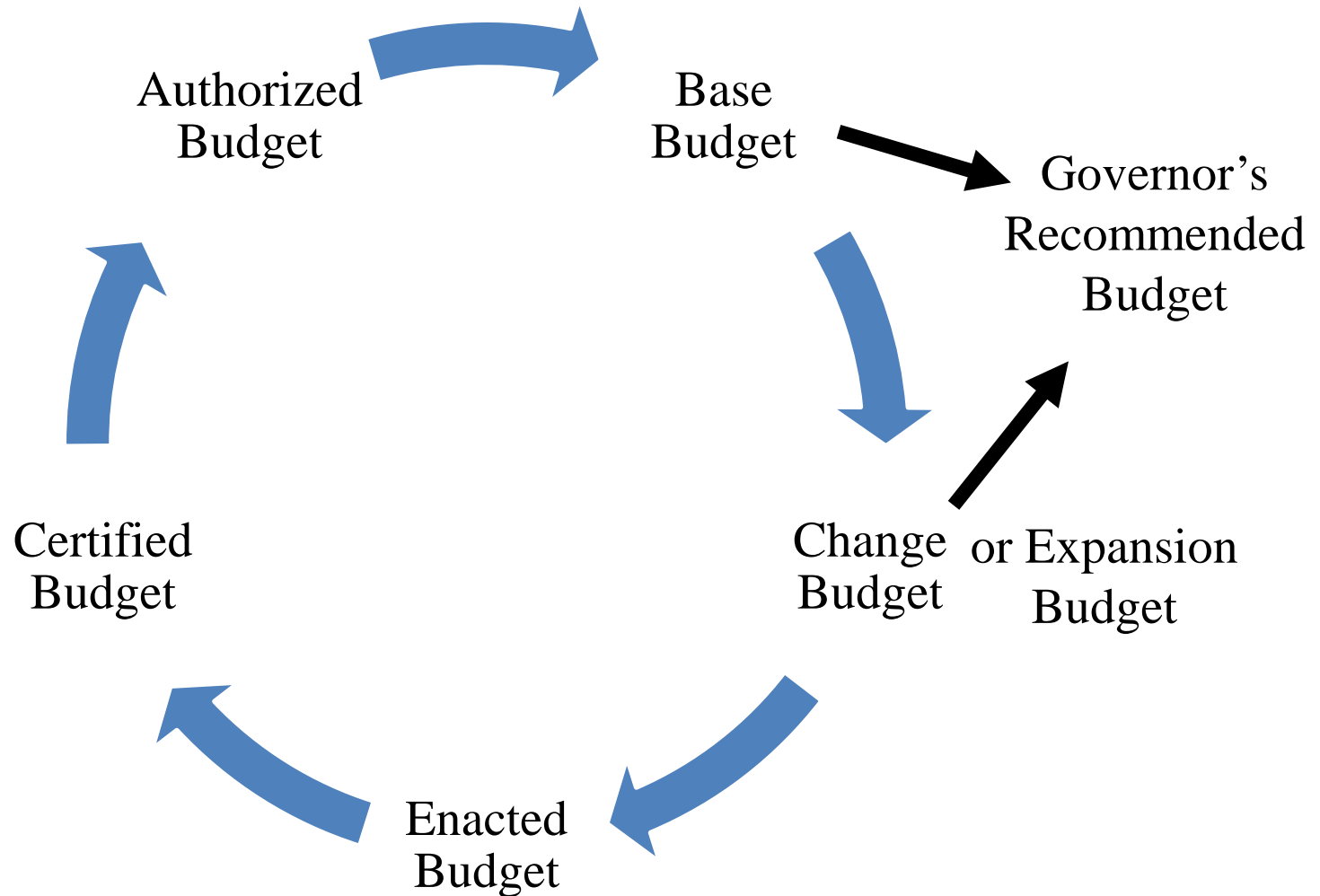
# Budget Cycle – Phase 5

**Authorized** = Certified + budget revisions allowed per G.S. 143C-6-4

1. Line items within programs/purposes (fund codes)
2. Responses to extraordinary events
3. Responses to unforeseen circumstances
  1. Overexpenditure is required due to unforeseen events
  2. Does not expand scope
  3. Is nonrecurring



# Back to the Beginning





# Budget Basics

## Questions?

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