

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

Budget Basics

**Joint House and Senate Appropriations
Committees on Health and Human Services**

February 25, 2021

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, 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 limited purposes. 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



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



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

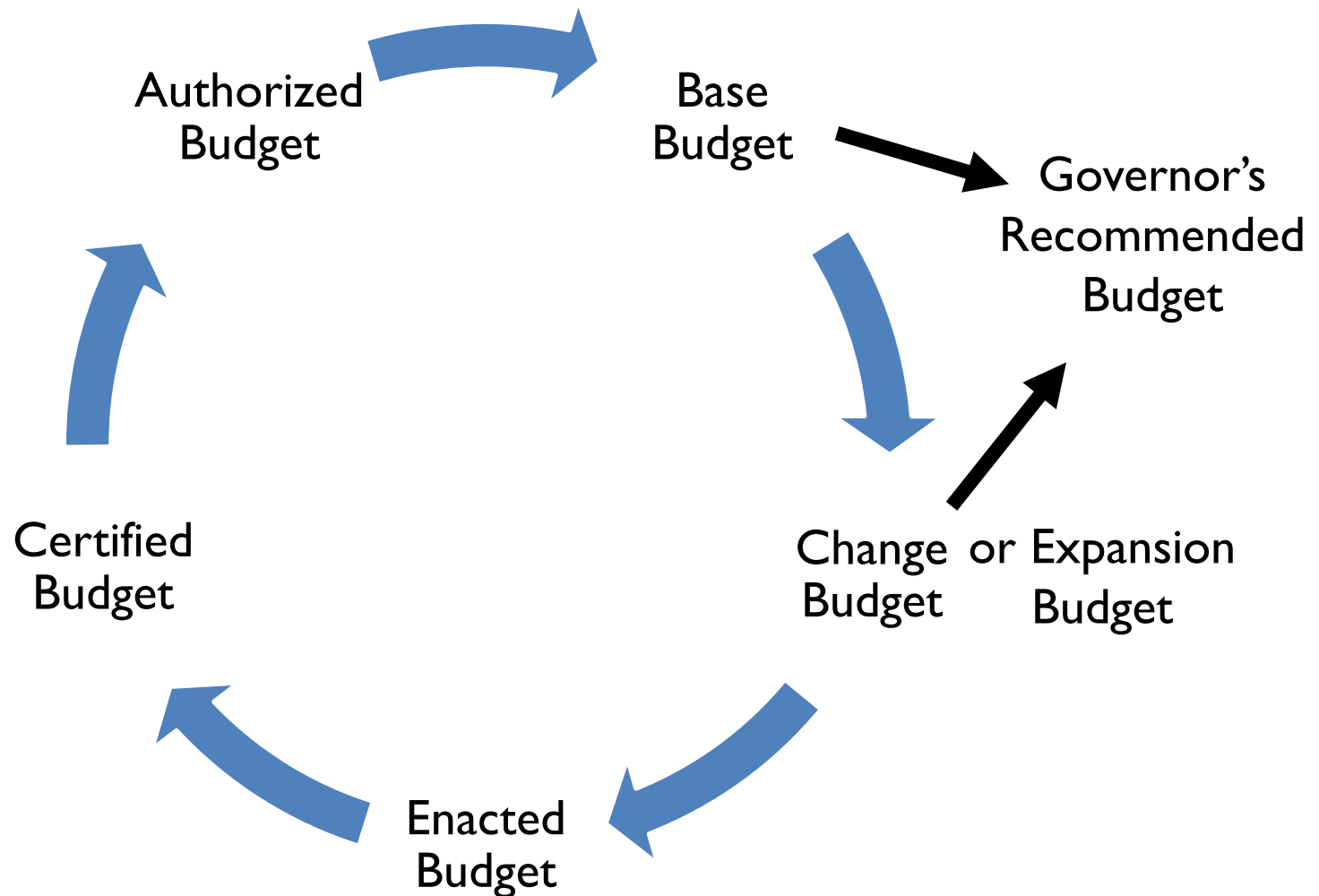
Property, Plant and Equipment: Payments for acquiring property, constructing additions to buildings, and purchasing equipment, furniture, and machinery that is not consumable or expendable and has an expected life of longer than one year

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

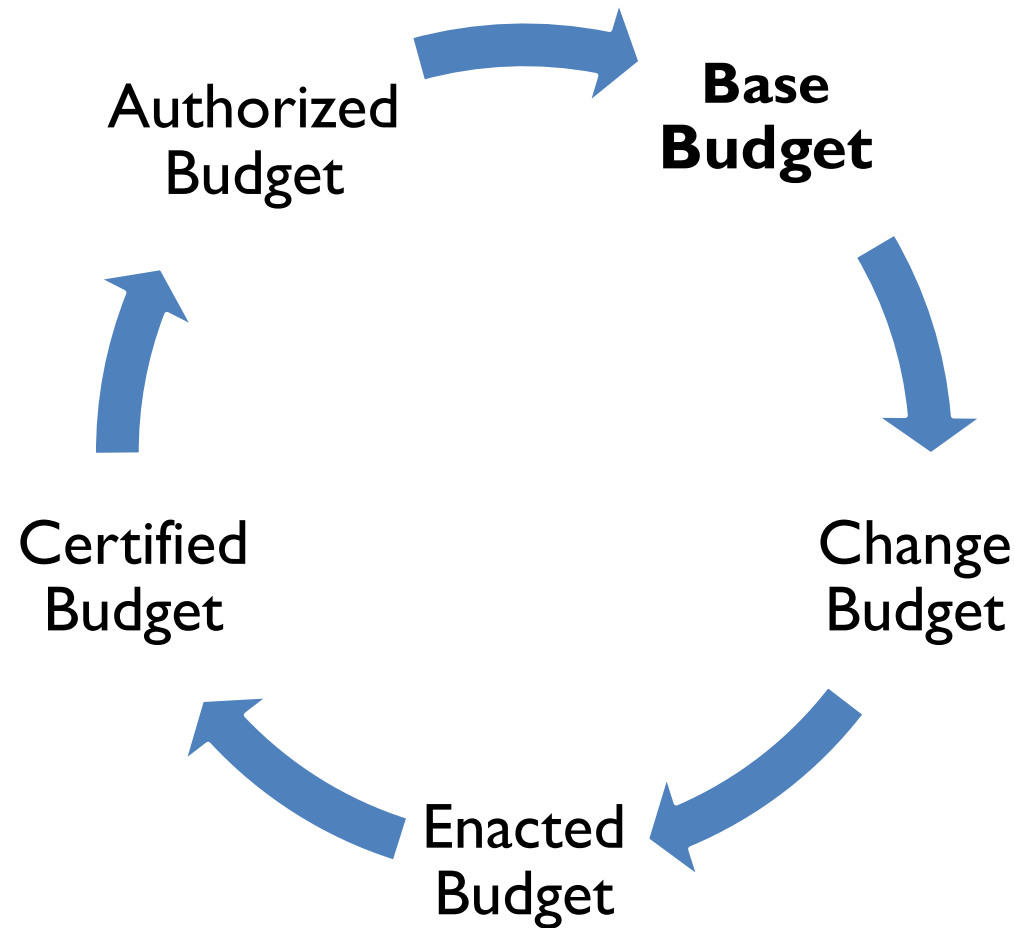
Aid and Public Assistance: Funds to direct recipients, providers or other agencies for designated programs, assistance or special projects



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)



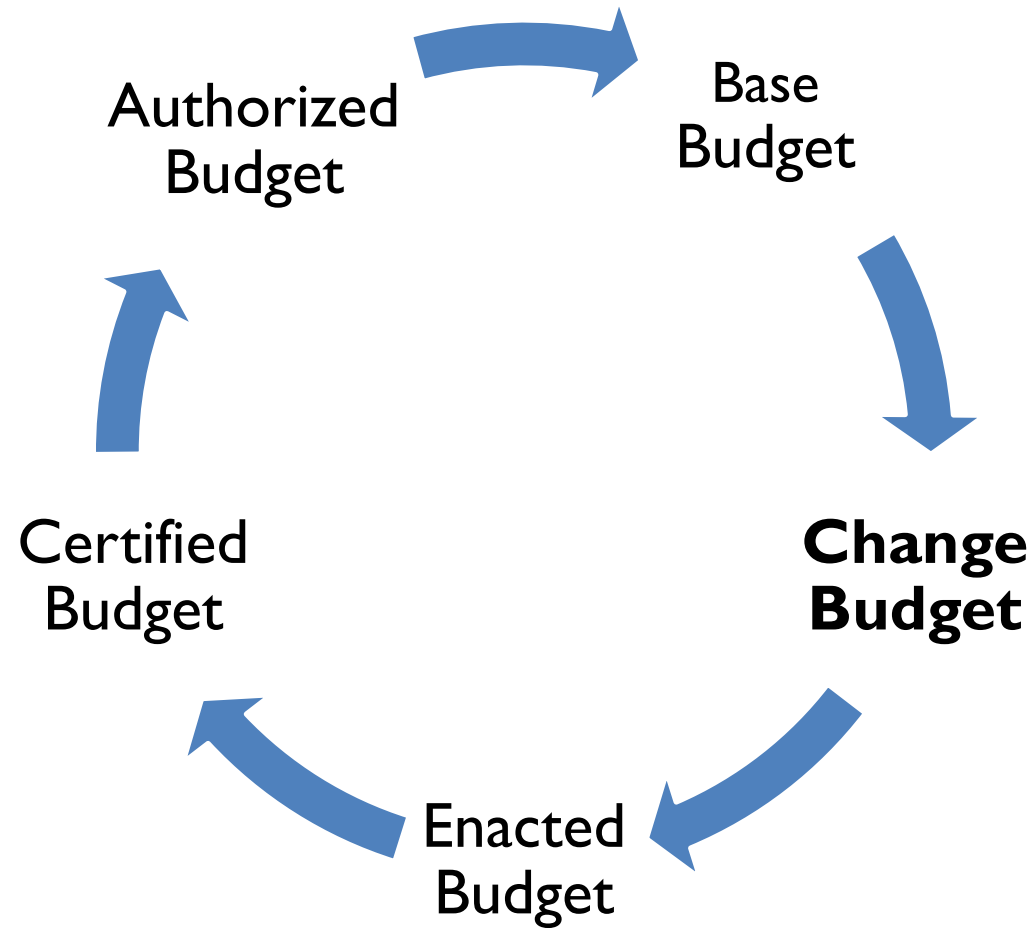
Base Budget Changes

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 is the budget the General Assembly enacts.



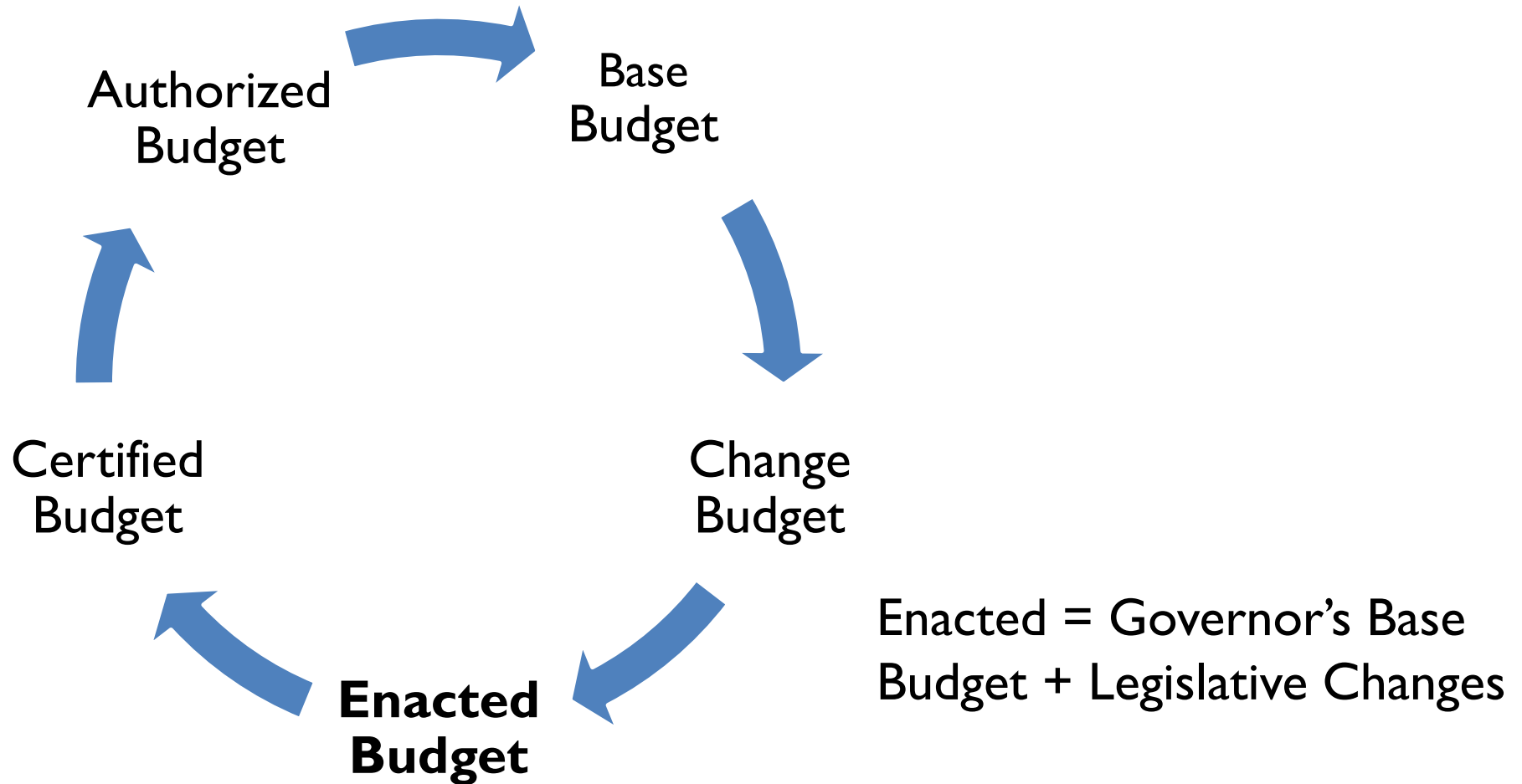
Change Budget

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
- Enrollment growth (Education & HHS)
- Replacement of lost federal funds
- Inflation & related cost increases
- Building operating reserves
- IT projects (IT Plan)



Budget Cycle – Phase 3, Enacted Budget

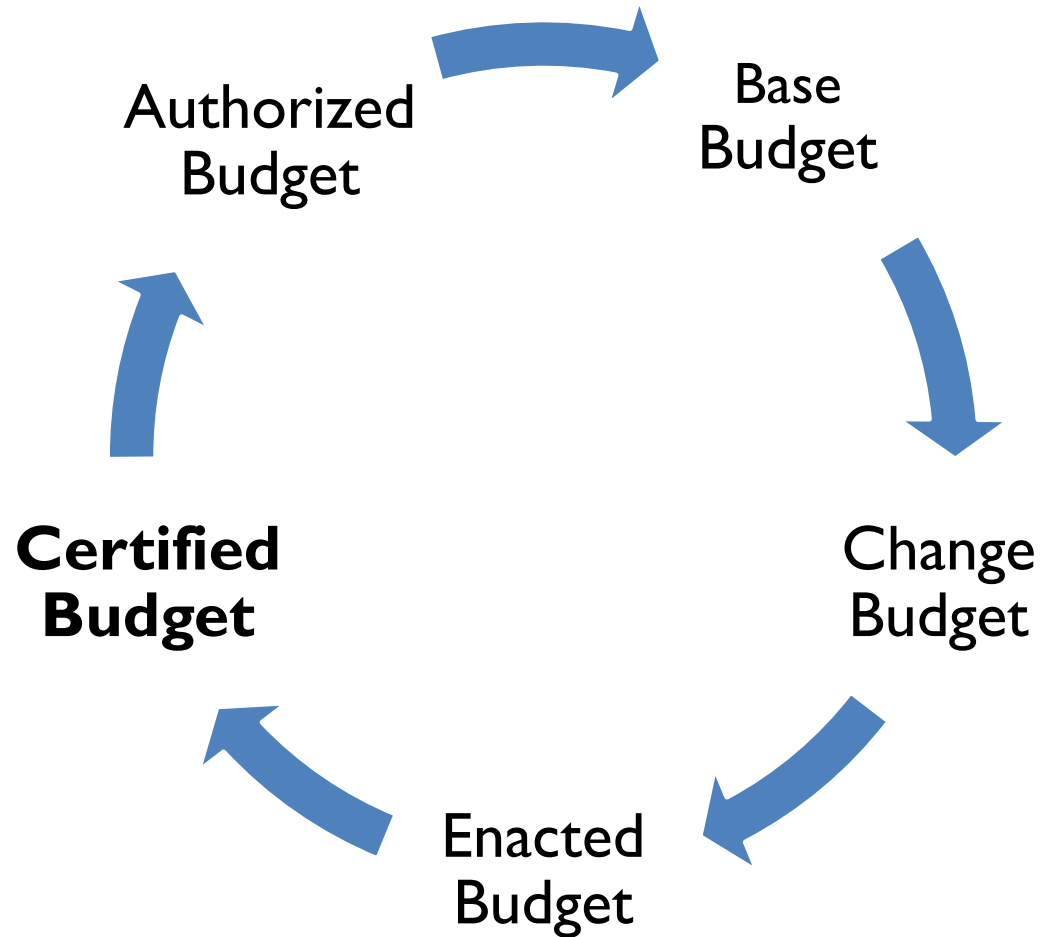


Budget Cycle – Phase 4

Certified = Enacted + distributions

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

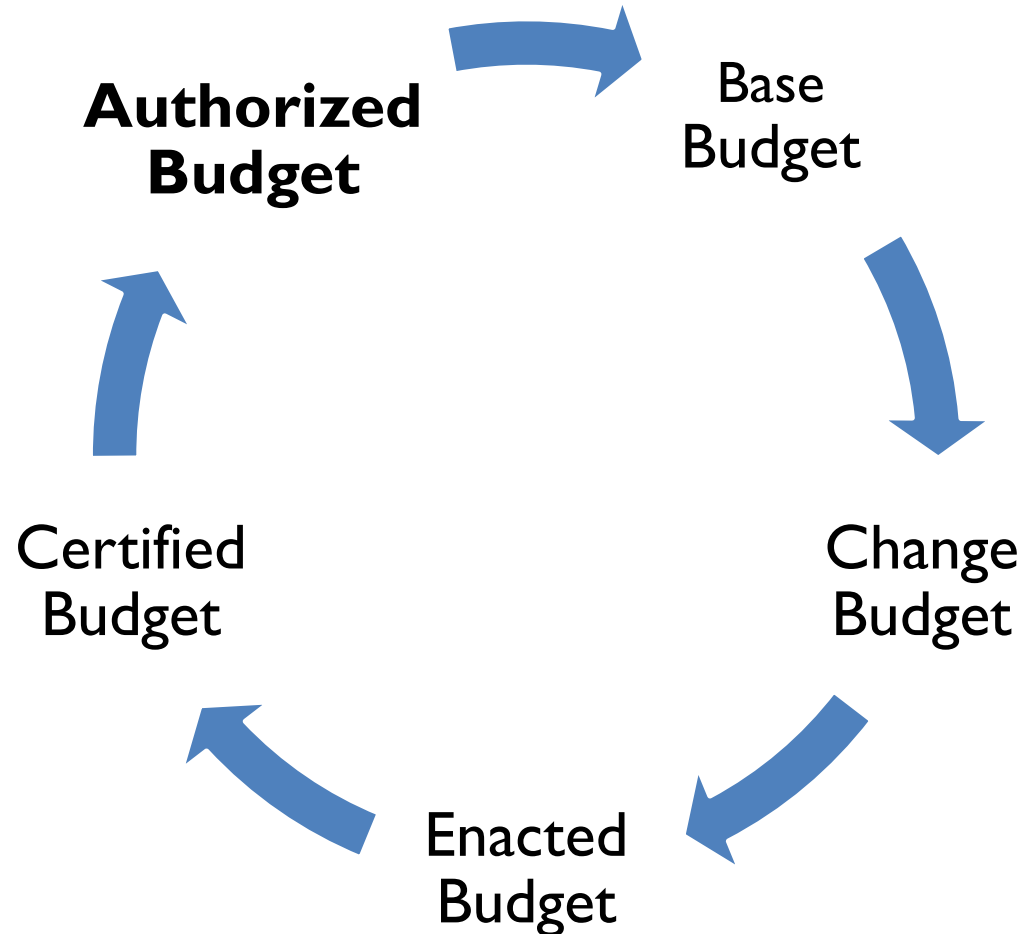
(G.S. 143C-1-1(d)(7))



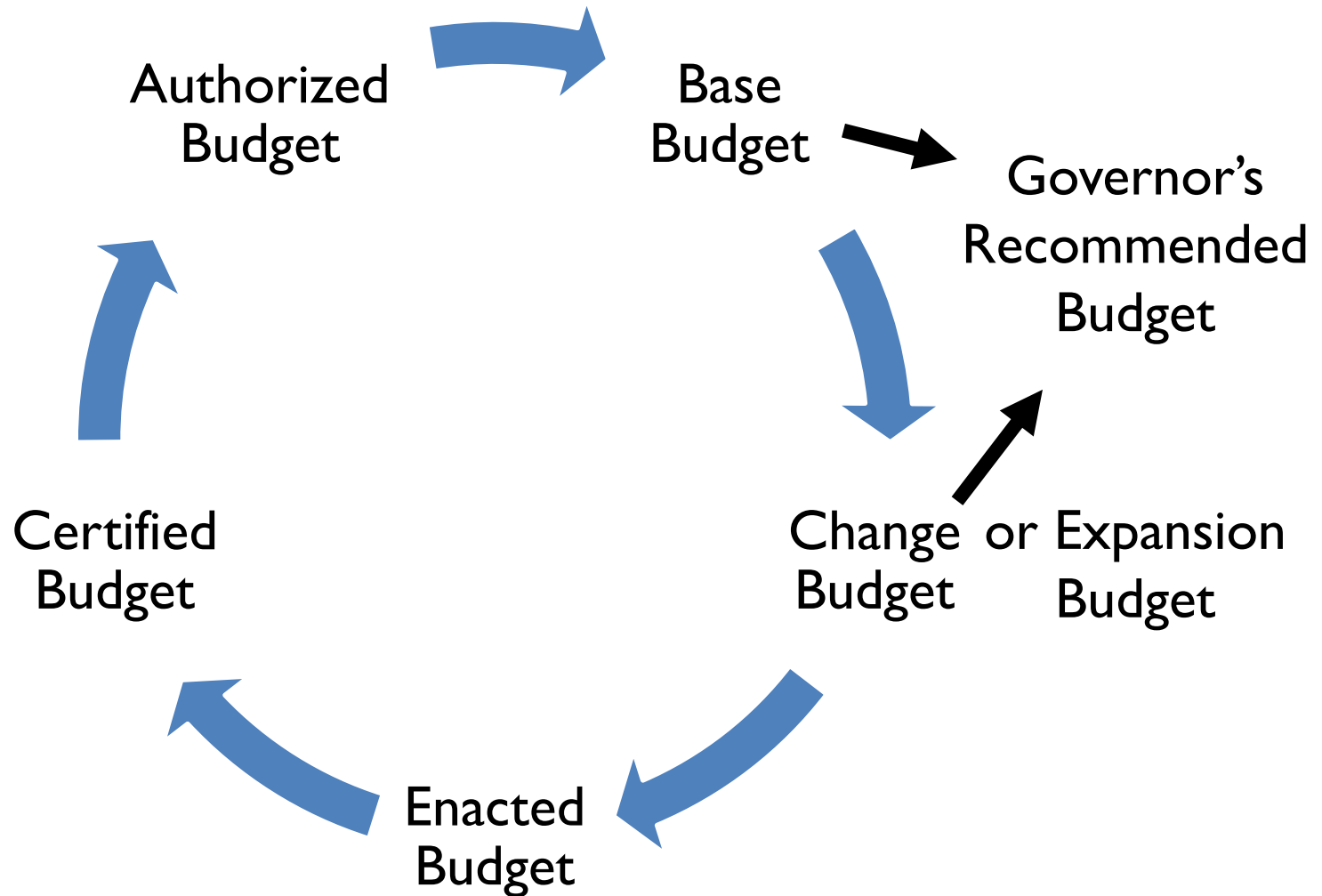
Budget Cycle – Phase 5

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



Committee Guidance

- Joint House and Senate Full Appropriations Chairs have provided the joint area committees with guidance:
 - Review base budgets focusing on changes made to base
 - Review past legislative budget and policy actions
 - Review interim committee reports
 - Review federal changes impacting states
 - Review COVID-19 related impacts
 - Hear Governor's Budget (when appropriate)
 - Evaluate agencies by programs and services they provide



Questions?

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