

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

# Budgeting Practices, Process, and Policies

February 22, 2017

# Presentation Outline



**Budget Process**

Budget Types

Budget Structure

Questions

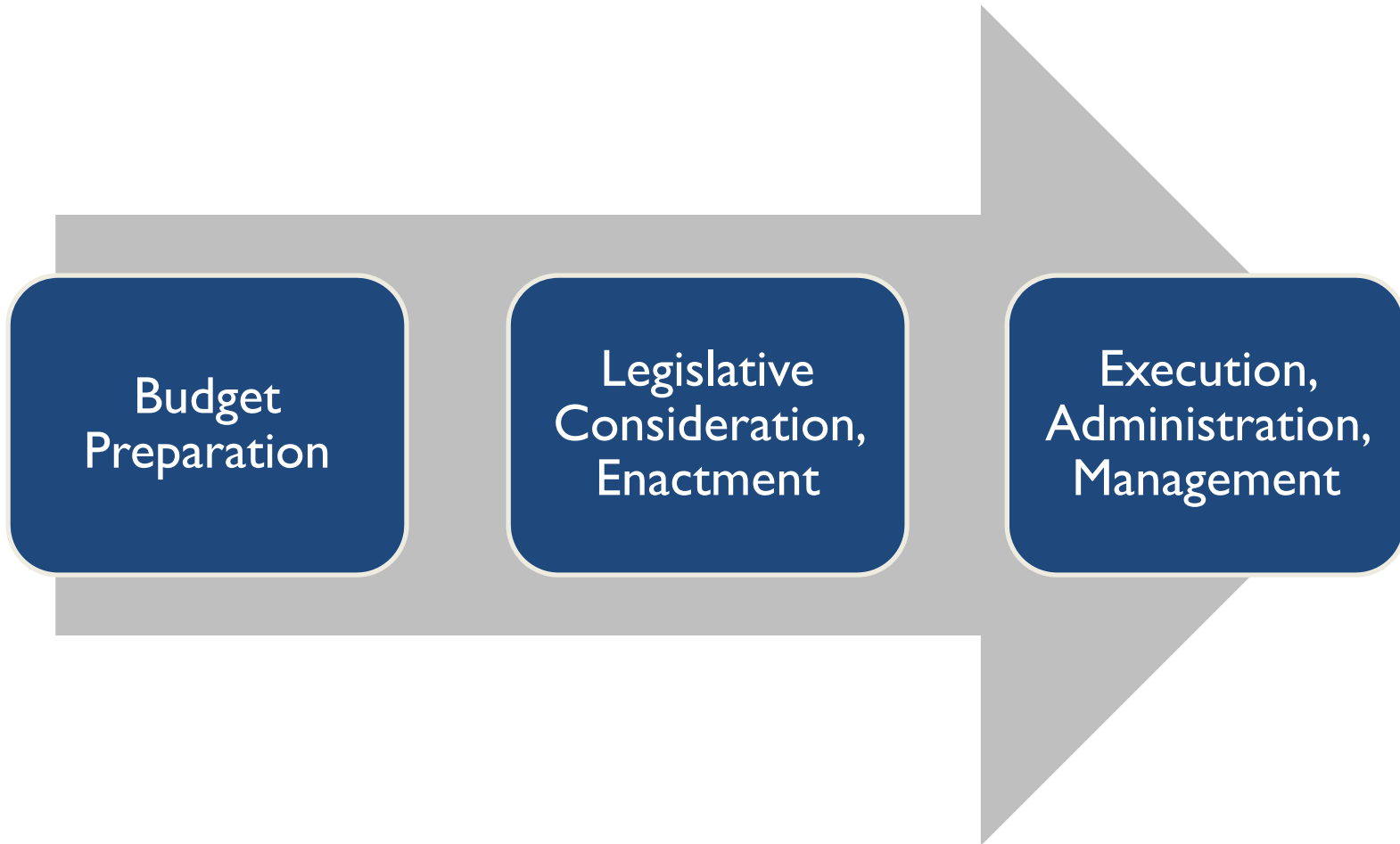


# Budget Process: NC Constitution

- **Article III, Sec 5(3) & Article V, Sec 7**
  - **Preparation:** Governor to prepare and recommend to the General Assembly a comprehensive budget of anticipated revenue and proposed expenditures (Art. III, Sec 5(3))
  - **Balanced Budget:** “total expenditures of the State for the fiscal period covered by the budget shall not exceed the total receipts during that fiscal period...”(Art. III, Sec 5(3))
  - **Administration:** “The budget as enacted by the General Assembly shall be administered by the Governor” (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)



# Budget Process



# Budget Preparation Schedule

**August  
2016**

- OSBM issues budget instructions for agencies

**October  
2016**

- Agencies prepare required worksheets, supporting documents, & department priorities
- Agencies & Governor begin budget discussions

**January  
2017**

- NCGA reconvenes to pass biennial budget
- Governor concludes discussions, finalizes recommendations

**Feb/ March  
2017**

- Governor's Budget finalized, presented to the NCGA

*Feb. to May 2017*

- Appropriations committee meet for briefings, debate, & recommendations

*June 2017*

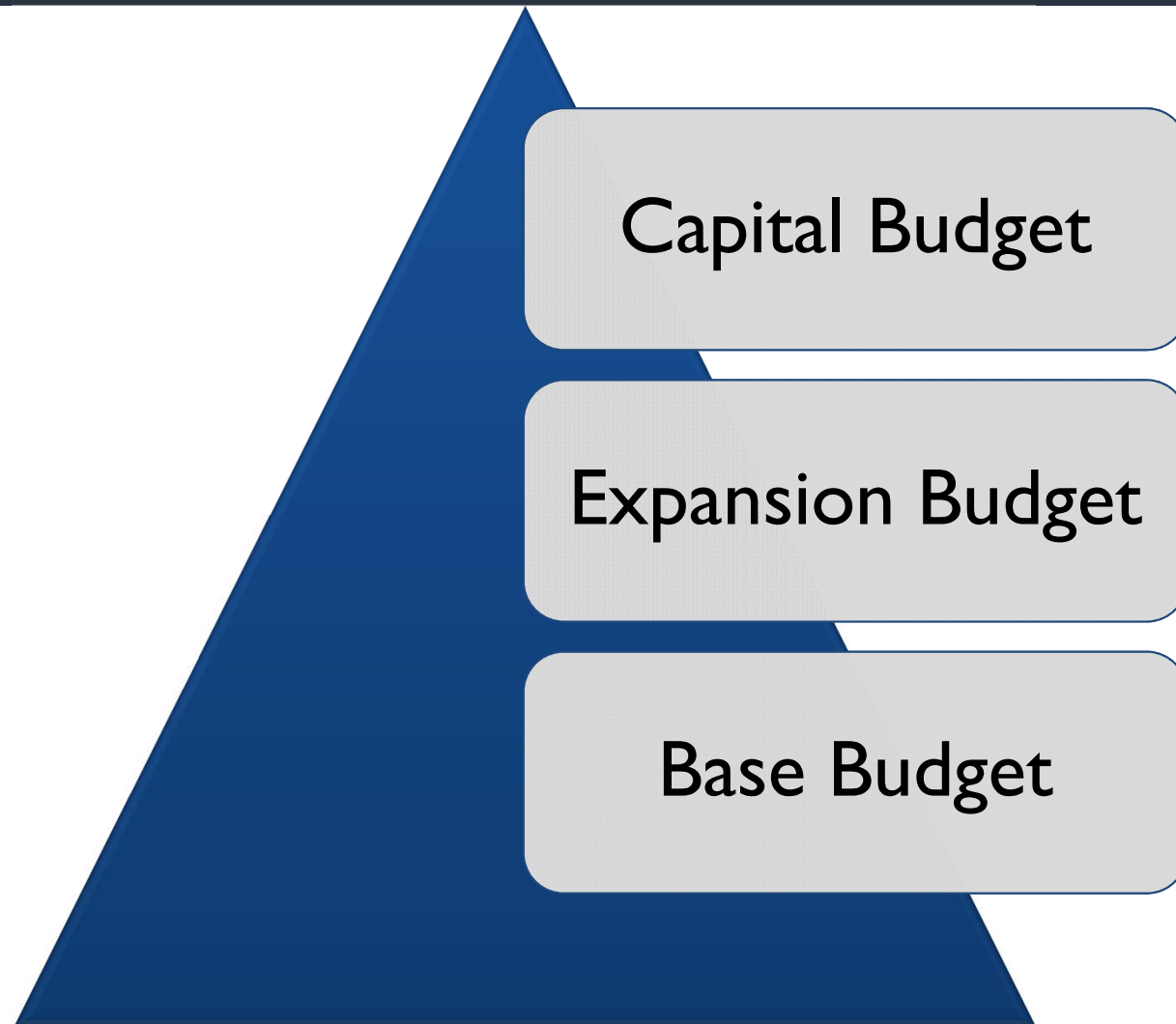
- NCGA enacts a biennial budget

*Budget  
Administration*

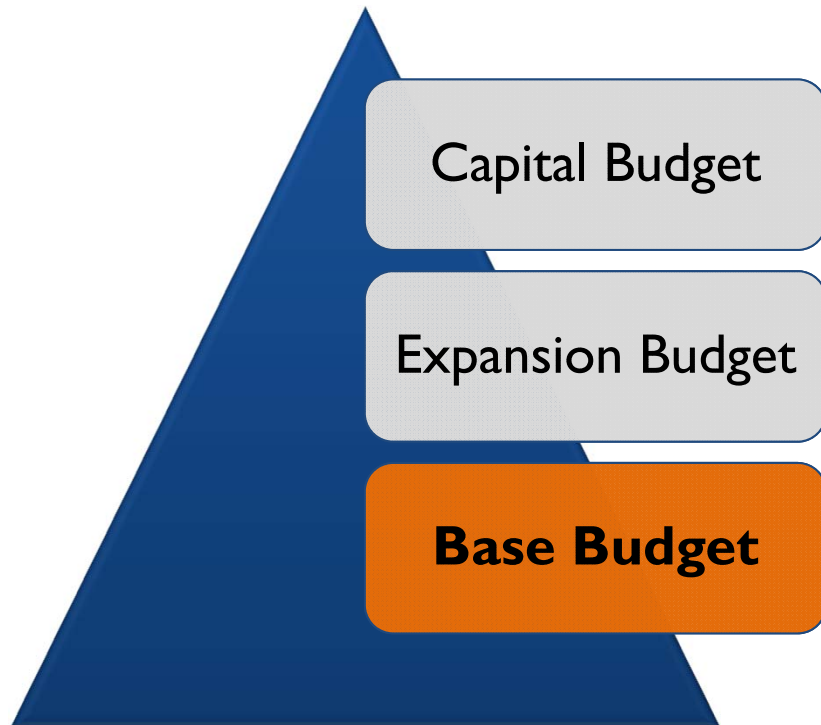
- OSBM certifies the NCGA-enacted budget
- OSBM administers the budget per the State Budget Act (G.S. 143C) and Budget Manual



# Governor's Recommended Budget



# Base Budget

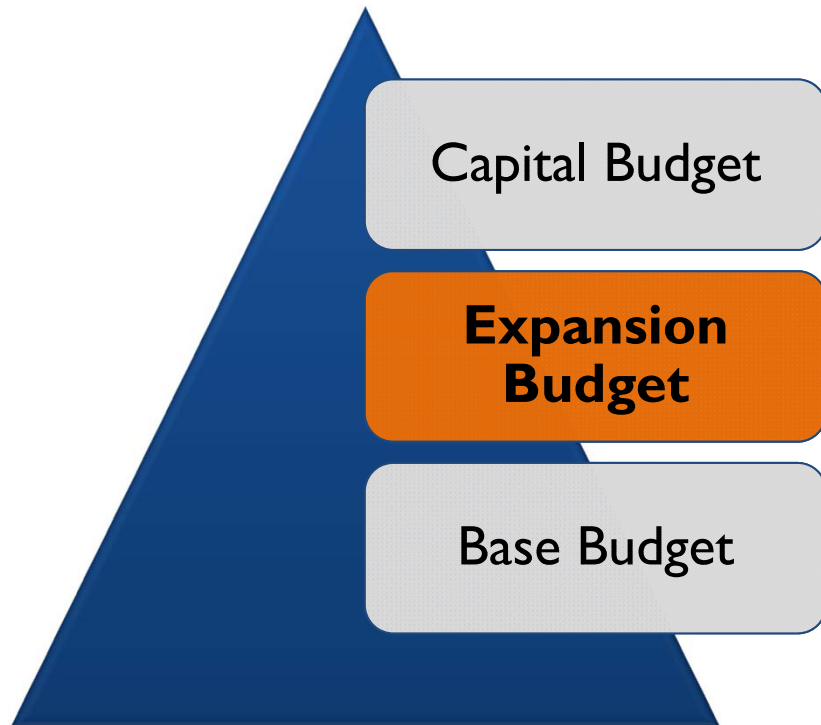


- FY 2016-17 authorized budget + 6 allowable adjustments:

1. Program annualization
2. Nonrecurring item removal
3. Federal payroll tax changes
4. Lease increases
5. Receipt projections changes
6. Reconciliation of transfers



# Expansion Budget

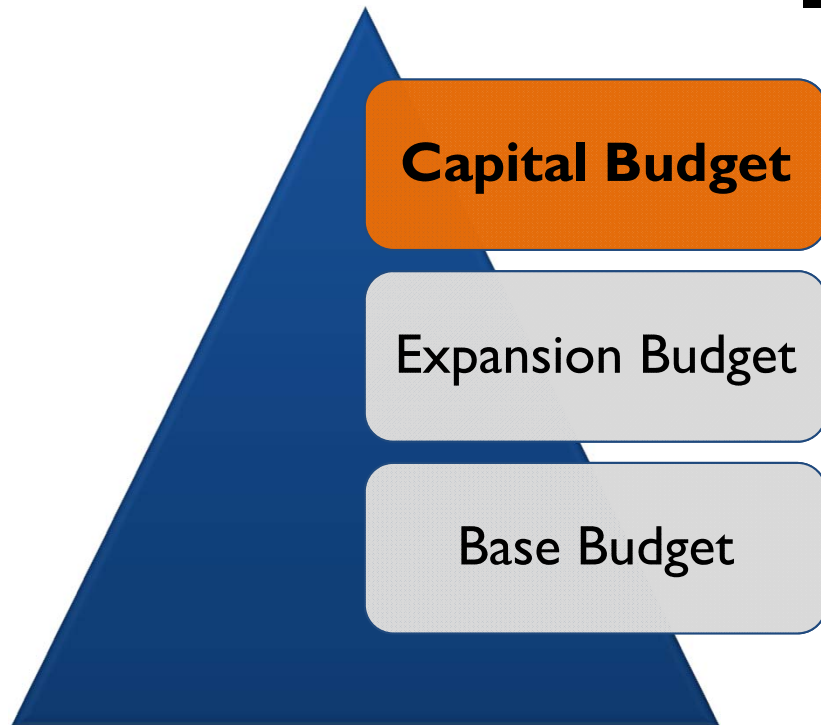


- Recommendations related to:
  - Program changes
  - New initiatives
  - Salaries & benefits
  - Departmental need for equipment, staff, vehicles, etc.
  - Enrollment growth
  - And more...





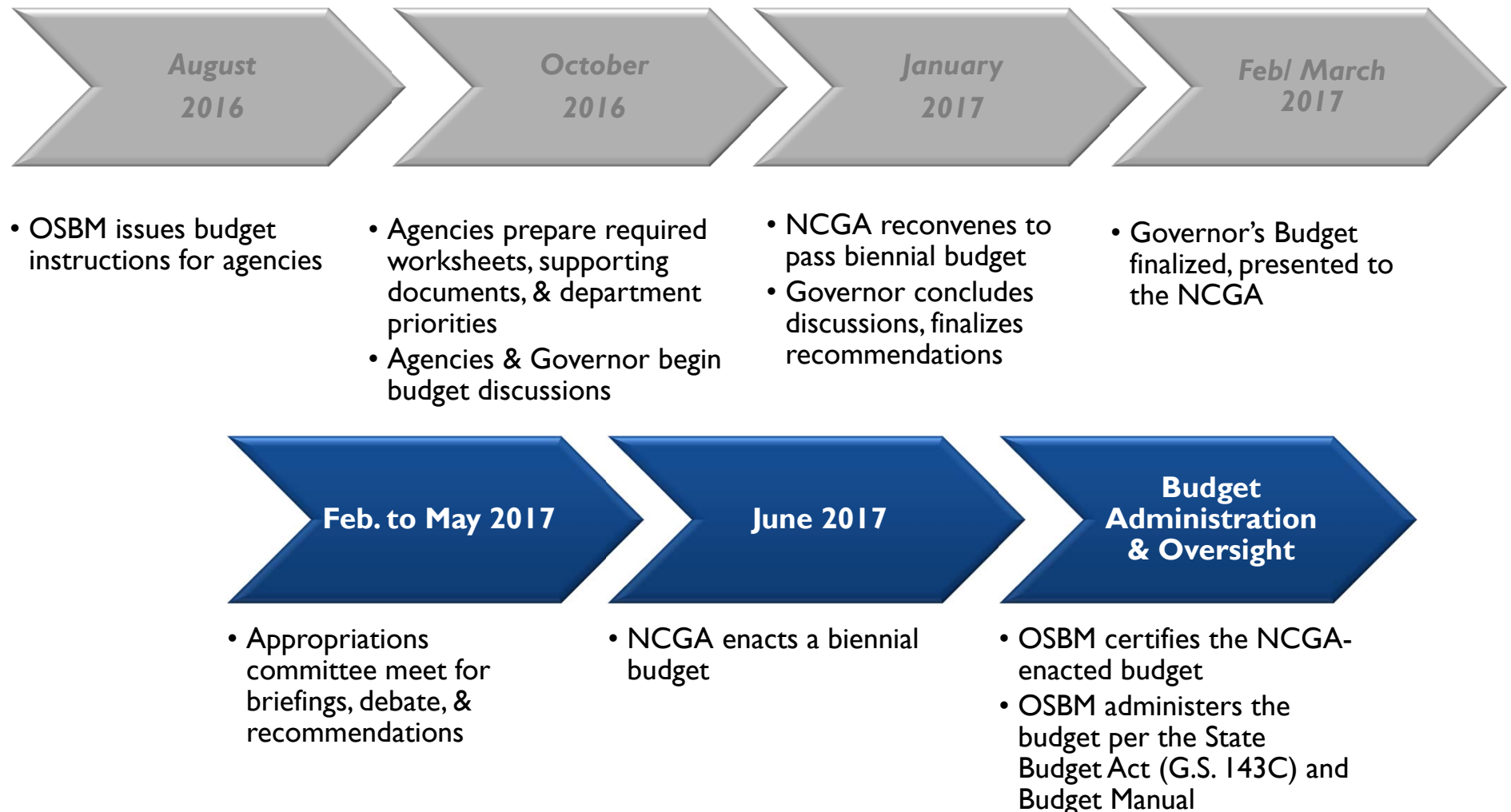
# Capital Budget



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



# Budget Preparation Schedule



# Presentation Outline



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# Budget Types: Certified Budget

- The budget as enacted by the NCGA
- May include the following allowable changes:
  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.



# Budget Types: 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, such as:
  - New grants, changes to existing grants, or federal “carryforward”
  - Moving money between line items within a program
  - Budgeting of an increase in departmental receipts



# Budget Types Example

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

*All of these are shown in the BD701*



# BD 701

RMDSID17  
BD701-03  
170 N. C. WILDLIFE RESOURCES COMMISSION  
14350 WILDLIFE RESOURCES- APPROP  
1101 ADMIN POLICY AND REG

STATE OF NORTH CAROLINA GENERAL LEDGER SYSTEM  
AGENCY MANAGEMENT BUDGET REPORT  
FOR THE PERIOD ENDING JUNE 29, 2016

PAGE: 1  
C-GL-BD701-CERT-REPORT  
RUN DATE: 08/09/2016  
ATBD701

## DETAIL REPORT BY FUND

ACCOUNT	DESCRIPTION	***** B U D G E T E D ***** CERTIFIED	***** A C T U A L ***** AUTHORIZED	CURRENT-MONTH	YEAR-TO-DATE	UNEXPENDED / CERTIFIED	UNREALIZED **** AUTHORIZED	ENCUMBRANCES	RATE
EXPENDITURES-BUDGET AND ACTUAL									
531111	EPA-REG SALARIES-APPRO	.00	.00	.00	124.57-	124.57	124.57	.00	***
531112	EPA-REG SALARIES-RECPT	99,610.00	139,383.00	11,607.75	139,382.37	39,772.37-	.63	.00	1.00
531211	SPA-REG SALARIES-APPRO	221.00	66,086.00	4,987.98	55,010.87	54,789.87-	11,075.13	.00	.83
531212	SPA-REG SALARIES-RECPT	514,376.00	576,151.00	44,892.01	493,413.21	20,962.79	82,737.79	.00	.86
531312	REG(N S) TEMP WAGES-RECP	.00	1,980.00	.00	1,980.00	1,980.00-	.00	.00	1.00
531461	EPA&SPA-LONGVTY PAY-APPR	5,431.00	1,444.00	.00	810.92	4,620.08	633.08	.00	.56
531462	EPA&SPA-LONGVTY PAY-REC	11,194.00	13,567.00	.00	13,566.25	2,372.25-	.75	.00	1.00
531471	BONUS-INCENTIVE PAY-APPR	525.00	525.00	.00	525.00	.00	.00	.00	1.00
531472	BONUS-INCENTIVE PAY-RECP	5,475.00	10,385.00	.00	5,475.00	.00	4,910.00	.00	.53
531511	SOCIAL SEC CONTRIB-APPRO	57.00	4,887.00	363.49	4,157.81	4,100.81-	729.19	.00	.85
531512	SOCIAL SEC CONTRIB-RECPT	50,439.00	57,328.00	4,141.49	47,271.63	3,167.37	10,056.37	.00	.82
531521	REG RETIRE CONTRIB-APPRO	104.00	8,558.00	764.16	8,557.29	8,453.29-	.71	.00	1.00
531522	REG RETIRE CONTRIB-RECPT	96,333.00	114,491.00	8,655.77	98,998.29	2,665.29-	15,492.71	.00	.86
531561	MED INS CONTRIB-APPRO	93.00	5,635.00	370.96	5,452.17	5,359.17-	182.83	.00	.97
531562	MED INS CONTRIB-RECPTS	45,462.00	48,475.00	3,802.16	40,200.07	5,261.93	8,274.93	.00	.83
531576	FLEXIBLE SPENDING SAVING	21.00	458.00	80.13	457.56	436.56-	.44	.00	1.00
531631	WRKER COMP-MED PAYMENTS	347.00	24.00	180.00	23.15	323.85	.85	.00	.96
531632	WRKER COMP-TEMP DIS PAYM	.00	18,548.00	.00	18,547.20	18,547.20-	.80	.00	1.00
531639	OTHER WORKERS COMP COSTS	.00	11.00	.00	10.42	10.42-	.58	.00	.95
531651	COMPENSATION TO BOARD ME	270.00	1,600.00	90.00	1,380.00	1,110.00-	220.00	.00	.86
531XXX	PERSONAL SERVICES	829,958.00	1,069,536.00	79,935.90	935,094.64	105,136.64-	134,441.36	.00	.87
532110	LEGAL SERVICES	120,660.00	127,304.00	10,239.87	127,303.57	6,643.57-	.43	.00	1.00
532170	ADMIN SERVICES	33,760.00	113,437.00	13,498.16	113,436.14	79,676.14-	.86	.00	1.00
532185	WASTE REM/RECY SER AGREE	4.00	.00	.00	.00	4.00	.00	.00	***
532199	MISC CONTRACTUAL SERVICE	2,824.00	52.00	.00	52.00	2,772.00	.00	.00	1.00
532300	REPAIR SERVICE	.00	8,301.00	1,058.38	8,300.13	8,300.13-	.87	.00	1.00
532400	MAINTENANCE AGREEMENTS	3,522.00	11,849.00	.00	11,848.56	8,326.56-	.44	.00	1.00
532500	RENTAL / LEASES	250.00	345.00	.00	345.00	95.00-	.00	.00	1.00



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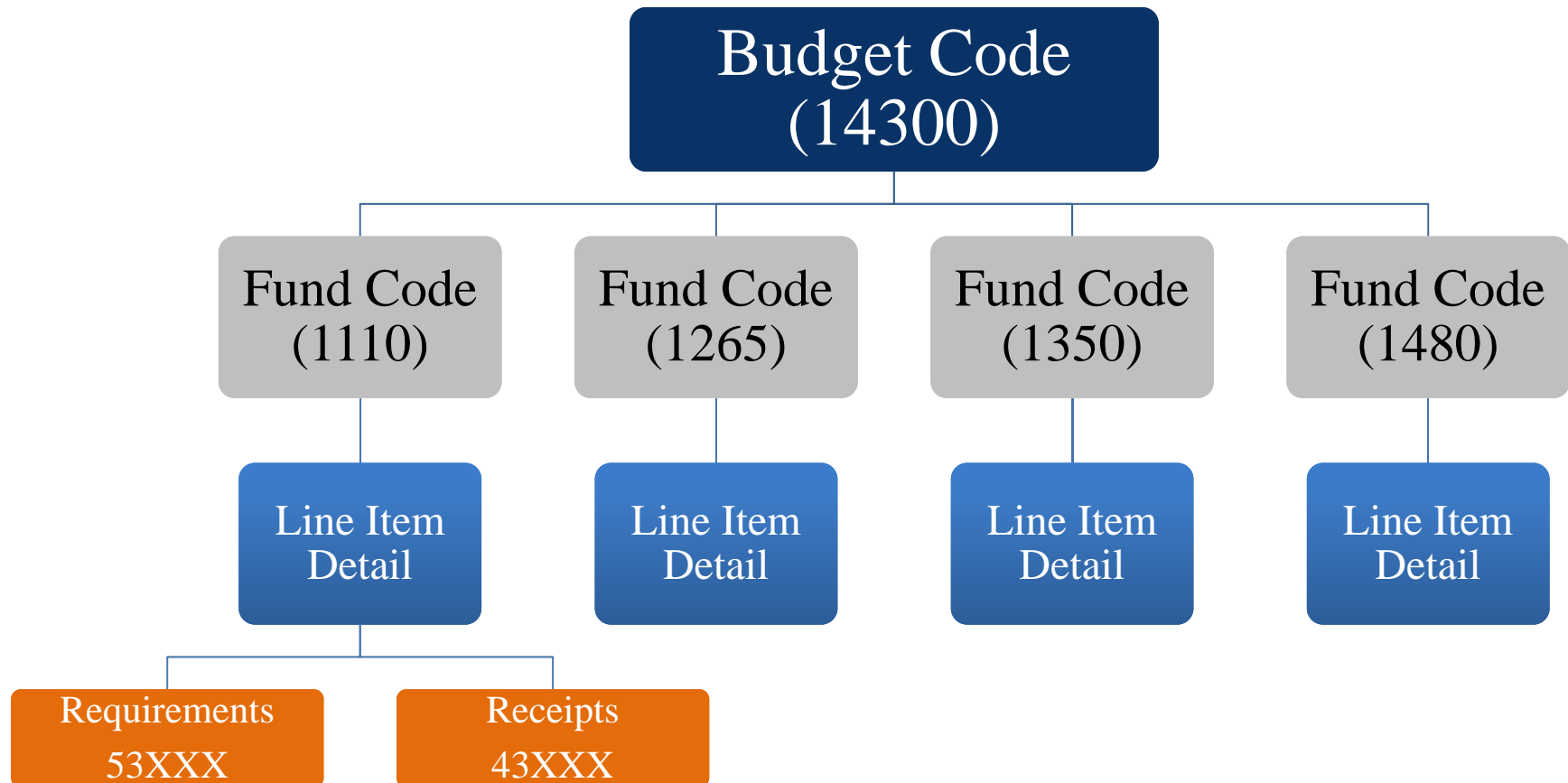
**Budget Structure**

Questions





# Budget Structure




# Budget Structure

Budget Documents are presented by:

## 1. 5-digit Budget Code

3700  
13700 Agriculture and Consumer Services - General Fund  
1020 Markets

A diagram with two blue arrows. One arrow points from the '3700' code to the '13700 Agriculture and Consumer Services - General Fund' line. The other arrow points from the '1020 Markets' line to the '13700 Agriculture and Consumer Services - General Fund' line.

## 2. 4-digit Fund Codes

- Typically organized by (1) divisions, (2) division component, or (3) purpose or program

## 3. Account Codes (aka. line-item detail)



# Budget Codes

- 8 Types of Budget Codes:
  - **1xxxx – General Fund**
  - **2xxxx – Special Funds and trust funds**
  - 3xxxx – Federal Funds
  - 4xxxx – Capital Funds
  - **5xxxx – Enterprise Funds**
  - **6xxxx – Special Funds and Trust Funds**
  - 7xxxx – Internal Service Funds
  - 8xxxx – Highway Funds



# Budget Structure

## **Line-item Detail = Object/Account Codes**

- 6 digits account codes
- First two digits = 53 → Expenditure Accounts
  - expense/requirement of the budget or fund code
- First two digits = 43 → Revenue Accounts
  - revenue/receipt of the budget or fund code



# Budget Structure

## Expenditure Accounts

- 531xxx – personal services
- 532xxx – purchased services
- 533xxx – supplies
- 534xxx – property, plant, & equipment
- 535xxx – other expenses & adjustments
- 536xxx – aid & public assistance
- 537xxx – reserves
- 538xxx – intragovernmental transactions

## Revenue Accounts

- 431xxx – tax revenues
- 432xxx – grants
- 433xxx – investment income
- 434xxx – sales, services, rentals
- 435xxx – fees, licenses, fines
- 436xxx – donations
- 437xxx – miscellaneous
- 438xxx – intragovernmental transactions

### Exceptions:

- Certain transfers 538xxx
- Federal grants 5388xx



# Base Budget – What does it look like?

- Organized by Budget Code by Fund Code by Account
- Begin with Budget Code Fund and Account Summaries
- Includes 7 columns of budget information
  1. Actual expenditures/receipts for FY 2015-16
  2. Certified budget for FY 2016-17
  3. Authorized budget for FY 2016-17
  4. Allowable increase/decreases for FY 2017-18
  5. Base budget for FYs 2017-18
  6. Allowable increase/decreases for FY 2018-19
  7. Base budget for FY 2018-19

# Base Budget

## 100-DEPARTMENT OF AGRICULTURE

### 13700-Agriculture and Consumer Services - General Fund

#### 1020-Markets

#### Requirements

#### PERSONAL SERVICES

Account Code	Account Title	Actual 2015-16	Certified 2016-17	Authorized 2016-17	Incr/Decr 2017-18	Total 2017-18	Incr/Decr 2018-19	Total 2018-19
531211	SPA-REG SALARIES-APPRO	\$3,650,189	\$3,813,112	\$3,814,174	\$0	\$3,814,174	\$0	\$3,814,174
531212	SPA-REG SALARIES-RECPT	\$518,379	\$579,881	\$583,971	\$0	\$583,971	\$0	\$583,971
531311	REG(N S) TEMP WAGES-APPR	\$119,459	\$90,349	\$90,349	\$0	\$90,349	\$0	\$90,349
531312	REG(N S) TEMP WAGES-RECPT	\$132,082	\$75,567	\$75,567	\$0	\$75,567	\$0	\$75,567
531321	CONTR EMPL PER IRS-APPRO	\$39,501	\$34,218	\$34,218	\$0	\$34,218	\$0	\$34,218
531411	OT PAY - APPROPRIATED	\$15,325	\$25,648	\$25,648	\$0	\$25,648	\$0	\$25,648
531412	OT PAY - RECEIPTS	\$611	\$2,560	\$2,560	\$0	\$2,560	\$0	\$2,560
531421	HOLIDAY PAY - APPRO	\$6,464	\$5,057	\$5,057	\$0	\$5,057	\$0	\$5,057
531422	HOLIDAY PAY - RECEIPTS	\$4,326	\$1,825	\$1,825	\$0	\$1,825	\$0	\$1,825
531431	SHIFT PREM PAY - APPRO	\$9,078	\$1,262	\$1,262	\$0	\$1,262	\$0	\$1,262
531432	SHIFT PREM PAY - RECEIPTS	\$9,891	\$7,300	\$7,300	\$0	\$7,300	\$0	\$7,300
531461	EPA&SPA-LONGVTY PAY-APPRO	\$71,358	\$80,484	\$80,484	\$0	\$80,484	\$0	\$80,484
531462	EPA&SPA-LONGVTY PAY-REC	\$10,284	\$1,342	\$1,342	\$0	\$1,342	\$0	\$1,342
531471	BONUS-INCENTIVE PAY-APPRO	\$56,700	\$0	\$0	\$0	\$0	\$0	\$0
531472	BONUS-INCENTIVE PAY-RECPT	\$11,550	\$0	\$0	\$0	\$0	\$0	\$0
531511	SOCIAL SEC CONTRIB-APPRO	\$289,412	\$308,373	\$310,597	\$0	\$310,597	\$0	\$310,597
531512	SOCIAL SEC CONTRIB-RECPTS	\$50,491	\$51,148	\$51,462	\$0	\$51,462	\$0	\$51,462
531521	REG RETIRE CONTRIB-APPRO	\$572,941	\$616,305	\$620,728	\$18,052	\$638,780	\$18,052	\$638,780
531522	REG RETIRE CONTRIB-RECPTS	\$82,996	\$94,748	\$95,374	\$0	\$95,374	\$0	\$95,374
531561	MED INS CONTRIB-APPRO	\$400,381	\$440,718	\$440,718	\$0	\$440,718	\$0	\$440,718
531562	MED INS CONTRIB-RECPTS	\$79,002	\$98,583	\$98,583	\$0	\$98,583	\$0	\$98,583
531572	UNEMP COMP PAYMNTS TO DES	(\$4,669)	\$0	\$0	\$0	\$0	\$0	\$0
531576	FLEXIBLE SPENDING SAVINGS	\$6,568	\$0	\$0	\$0	\$0	\$0	\$0
531625	ST DISABIL-UNDESIG/UNIV	\$0	\$5,687	\$5,687	\$0	\$5,687	\$0	\$5,687
531628	ST DISABILITY PMT-RECEIPT	\$3,278	\$0	\$0	\$0	\$0	\$0	\$0
531631	WRKER COMP-MED PAYMENTS	\$413	\$13,754	\$13,754	\$0	\$13,754	\$0	\$13,754
531632	WRKER COMP-TEMP DIS PAYMNT	\$45,000	\$4,544	\$4,544	\$0	\$4,544	\$0	\$4,544
531641	INMATE LABOR	\$201	\$0	\$0	\$0	\$0	\$0	\$0
531651	COMPENSATION TO BOARD MEM	\$165	\$0	\$0	\$0	\$0	\$0	\$0
531664	NONTAX EMP CELL PH REIMB	\$3,692	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total PERSONAL SERVICES</b>		<b>\$6,185,069</b>	<b>\$6,352,465</b>	<b>\$6,365,204</b>	<b>\$18,052</b>	<b>\$6,383,256</b>	<b>\$18,052</b>	<b>\$6,383,256</b>



# Questions?



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**Questions**



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