2020-21 Governor’s Budget Development Kick-off

OSBM
January 7, 2020
Objectives

1. Update on budget status and context
2. Review short session budget process, guidelines, and timeline
3. Highlight improvements to forms and process
4. Answer questions and share knowledge across agencies
Overview

Key Factors Affecting Short Session Budget Development

- Continued uncertainty regarding biennial budget
- Revenue and budget pressures
- Continued emphasis on data and evidence
- Aligning budget requests with Governor’s priorities and agency strategic plans
- Improvements to the change budget development process
Overview

Budget Context

• Brief economic update
• Standard budget drivers
• Complexities of current budget environment
Advance is a performance management framework created by OSBM that:

• Informs budget decisions by championing the use of data and evidence in state government
• Encourages collaboration by sharing what works
• Seeks to align strategic planning, performance tools, and the budget process

Fostering a culture of statewide organizational excellence
Governor’s Budget Priorities

1. Positioning North Carolina to create new jobs and grow workers’ paychecks
2. Making North Carolina a top ten educated state
3. Promoting healthier, safer, and more resilient communities
4. Ensuring an effective, accountable, well-run state government
Follow these principles when preparing budget requests:

- Assemble a diverse team to craft budget priorities
- Prepare business cases that use data and evidence
- Prioritize with your strategic plan and goals in mind
- Focus on critical needs and high-priority items
- Incorporate feedback from OSBM analysts and decision-makers
- Be judicious with the overall magnitude of requests
- Be flexible!
Change Budget Overview

What is the Change Budget?

• Proposed expansions or reductions that can’t be accommodated through Base Budget process (including receipt-supported items):
  • New programs, expanding or improving existing programs, and fulfilling mandated functions
  • Redirecting funds from inefficient or ineffective programs
  • Inflation, enrollment changes, and related cost adjustments
  • Changes to receipt-supported programs

Job Aid: Change Budget Expansion Request
Job Aid: Change Budget Reduction Proposal

IT Projects

• All IT project requests, including receipt-supported projects, must:
  • Be submitted as part of Change Budget requests (via Worksheet II)
  • Be identified in agency IT plan
  • But are NOT required to be entered into Touchdown

Job Aid: Change Budget – Information Technology
Capital Budget (Worksheet III)

• New buildings, full building renovation, land purchases, and repairs & renovations for the next six years (FY 2019-25)
• Only new or substantially revised requests need to be entered into IBIS. Requests entered in the long session that do not need adjustments do not need to be re-entered.

*Job Aid: Capital – New Capital Project Request*

*Job Aid: Capital - Repairs and Renovations*

**What’s New?**

1. Optional pilot to vet requests prior to WK II entry
2. Addition of WK II-EZ for less complex requests
3. Streamlined forms to facilitate completion and focus on justification
Change Budget Process Feedback

Review of long session budget development process and agency feedback identified opportunities for process improvements:

1. Build in more time for review and refinement of budget requests with OSBM analysts.
2. Provide more clarity on the process and development of recommendations.
3. Implement more streamlined change budget request forms to reduce burden on agencies and highlight critical information.
Change Budget Process

Several improvements will be implemented for the FY 2020-21 budget development process:

1. Adding a Worksheet II-EZ form for less complex requests.
2. Simplifying data entry for all Change Budget request forms.
3. Piloting an optional 2-step process that allows for vetting requests at a high level before proceeding to more detailed submissions.
A “Worksheet II-EZ” form is now available for entering less complex requests. This form:

- Requires less narrative justification
- Is limited to certain types of requests, including:
  - Adjustments to administrative operations
  - Building reserves
  - Inflationary increases
  - Internal service adjustments
  - Increases to software licenses and maintenance contracts
  - Other (in consultation with OSBM analyst)
Data entry on Change Budget request forms (Worksheet IIs) has been simplified to allow for faster completion and focus on critical information. Improvements include:

• Collection of more information using radio buttons and drop-down menus
• Fewer and more focused narrative sections
• Budget detail entered at a summary account level
Agencies have the option of participating in a pilot process that allows for vetting requests at a high level before moving on to more detailed submissions.

- **Step 1:** complete the Agency Budget Change (ABC) Form with summary data by January 31, 2020
- **Step 2:** review requests with OSBM and complete WK IIs and IIIs for selected items by March 13, 2020
- **Agencies opting out of the pilot** will need to complete WK IIs and IIIs by February 7, 2020
# Pilot Process Overview

## Agency Budget Change (ABC) Form Template

<table>
<thead>
<tr>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
<th>G</th>
<th>H</th>
<th>I</th>
<th>J</th>
<th>K</th>
<th>L</th>
<th>M</th>
<th>N</th>
<th>O</th>
<th>P</th>
<th>Q</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of XXXX</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year 1</th>
<th>Requirements</th>
<th>Receipts</th>
<th>Appropriation</th>
<th>FTE</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


Expected benefits of participating in the 2-step pilot:

• Reduction in total number of expansion requests
• Increase in the number of data-driven and evidence-based expansion requests
• More time to focus on making the case for high-value requests and less time spent documenting items that are unlikely to gain traction

Note: Agencies will still have control over which requests are ultimately submitted for consideration!
Developing Your Change Budget

Key Requirements for Change Budget Requests

• Focus on critical needs and services
• Connect to strategic plans and goals
• Make a strong case using data and evidence
• Align with Governor’s priorities

Change Budget Reminders

• Submit via the Worksheet II forms in IBIS
• Due by **Feb. 7 or March 13 based on Pilot participation**
Agency Budget Change (ABC) Form (Optional Pilot) Due: Jan. 31
- Summary of requests
- More time for iterative development with OSBM
- Facilitates development of strong requests

Change Budget (Worksheet II) Due: Feb. 7 or March 13
- Expansion requests
  - Reductions not required
  - No cap, but be judicious
- Tie requests to Strategic Plan
- Due Feb. 7 for non-Pilot agencies, March 13 if participating in Pilot

Capital Budget (Worksheet III) Due: Feb. 7 or March 13
- 6-year capital plan, includes
  - New capital projects
  - Repair & renovation requests
- Only submit WK IIIIs for new or substantially changed projects

Special Provisions – Drafts Due March 20th
• Draft special provisions are due by March 20\textsuperscript{th}, 2020

• When a special provision might be needed:
  • To guide new programs
  • To improve existing program operations
  • To clarify or streamline reporting requirements

• A \textit{summary form} must be submitted with all proposed Special Provisions
  • Forms indicate why a provision is needed and require confirmation of agency general counsel review

• Provisions should use track changes when amending past law or statute and follow guidelines in the \textit{Special Provisions Job Aid}
### 2020-21 Budget Development Key Dates

**Due on or before:**

<table>
<thead>
<tr>
<th>Date</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan. 31</td>
<td>Pilot agencies submit ABC Form summarizing requests</td>
</tr>
<tr>
<td>Feb. 7</td>
<td>Non-pilot agencies submit WK IIs and IIIs</td>
</tr>
<tr>
<td>Feb. &amp; March</td>
<td>Agency heads meet with Budget Director to discuss requests (<strong>ABC Form or WK IIs must be submitted prior to meeting</strong>)</td>
</tr>
<tr>
<td>March 13</td>
<td>Pilot agencies submit WK IIs and IIIs</td>
</tr>
<tr>
<td>Mid-May</td>
<td>Governor’s Recommended 2020-21 Budget Released</td>
</tr>
</tbody>
</table>
1. OSBM incorporated feedback from agencies to streamline forms and create more time in the process for critical feedback.

2. Agencies opting into the pilot will submit ABC Forms with summaries of requests by January 31<sup>st</sup>.

3. Non-pilot agencies will submit WK IIs and IIIs by February 7<sup>th</sup>; pilot agencies will submit WK IIs and IIIs by March 13<sup>th</sup>.

4. All Change Budget requests should align with strategic priorities and feature strong business cases.

5. Budget Development is an interactive process!
   • OSBM analysts will coordinate meetings and agency-specific timelines.

Reminder!
Deadlines are critical for development of budget recommendations and revenue plans.
2020 - 21 Budget Instructions (Short Session)

Budget Development Timeline
For 2020 - 21 Short Session

2020 - 21 Budget Guidance
2020 - 21 Budget Instructions Memo

Job Aids
How to's, Templates, etc.

osbm.nc.gov/2020-21-budget-instructions-short-session
Questions?

OSBM
430 N. Salisbury Street
Raleigh, NC 27603
Phone: (984) 236-0600

Census Day is April 1, 2020!
https://census.nc.gov/