

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



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



Budget Context

- Brief economic update
- Standard budget drivers
- Complexities of current budget environment



Advance Framework



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



Positioning North Carolina to create new jobs and grow workers' paychecks



Making North Carolina a top ten educated state



Promoting healthier, safer, and more resilient communities



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](#)



Change Budget Overview

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.



Change Budget Process

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)



Change Budget Process

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



Pilot Process Overview

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

| | A | B | C | D | E | F | G | H | I | J | K | L | M | N | O | P | Q |
|----|-------------|----------------------|----------|---------------|-----------------------------|---|---|--------------------------------------|------------------------|--|-------------|-------------|----------|--------------|----------|---------------|------|
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| 2 | | | | | | | | | | | | | | | | | |
| 3 | | | | | | | | | | | | | | | | | |
| 4 | | | | | | | | | | | | | | Year 1 | | | |
| 5 | Budget Code | Division/ Program | Priority | Request Title | What is being requested? | Why is this needed? If request is a Legislative Mandate, please list Citation. | Was this request included in HB 966? | Is a Special Provision needed? | Governor's Priority | Was this request included the Governor's 2019-21 Recommended Budget? | Agency Goal | IT Project? | R or NR? | Requirements | Receipts | Appropriation | FTE |
| 6 | | | | | | | | | | | | | | | | \$ | - |
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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!



Key Requirements for Change Budget Requests

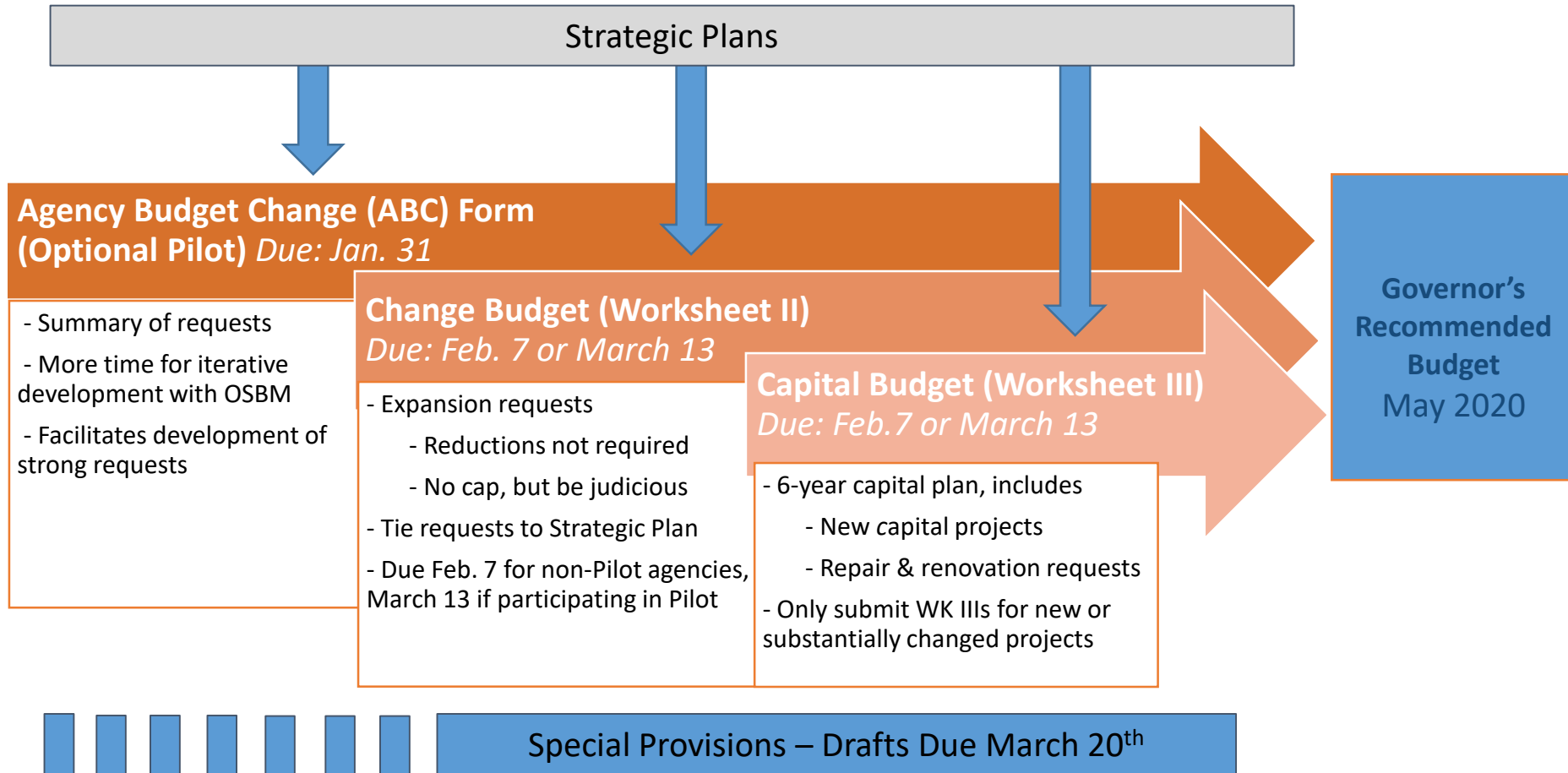
- Focus on critical needs and services
- Connect to strategic plans and goals
- Make a strong case using data and evidence
- Align with Governor's priorities

Change Budget Reminders

- Submit via the Worksheet II forms in IBIS
- Due by **Feb. 7** or **March 13** based on Pilot participation



Change Budget Development Process





Special Provisions

- Draft special provisions are due by March 20th, 2020
- When a special provision might be needed:
 - To guide new programs
 - To improve existing program operations
 - To clarify or streamline reporting requirements
- A [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 [Special Provisions Job Aid](#)



2020-21 Budget Development Key Dates



Due on or before:

- Jan. 31** Pilot agencies submit ABC Form summarizing requests
- Feb. 7** Non-pilot agencies submit WK IIs and IIIs
- Feb. & March** Agency heads meet with Budget Director to discuss requests (**ABC Form or WKIIs must be submitted prior to meeting**)
- March 13** Pilot agencies submit WK IIs and IIIs
- Mid-May** Governor's Recommended 2020-21 Budget Released



Budget Development: Key Takeaways

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 31st.
3. Non-pilot agencies will submit WK IIs and IIIs by February 7th; pilot agencies will submit WK IIs and IIIs by March 13th.
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.



Budget Instructions Website



2020 - 21 Budget Instructions (Short Session)



Budget Development Timeline

For 2020 - 21 Short Session



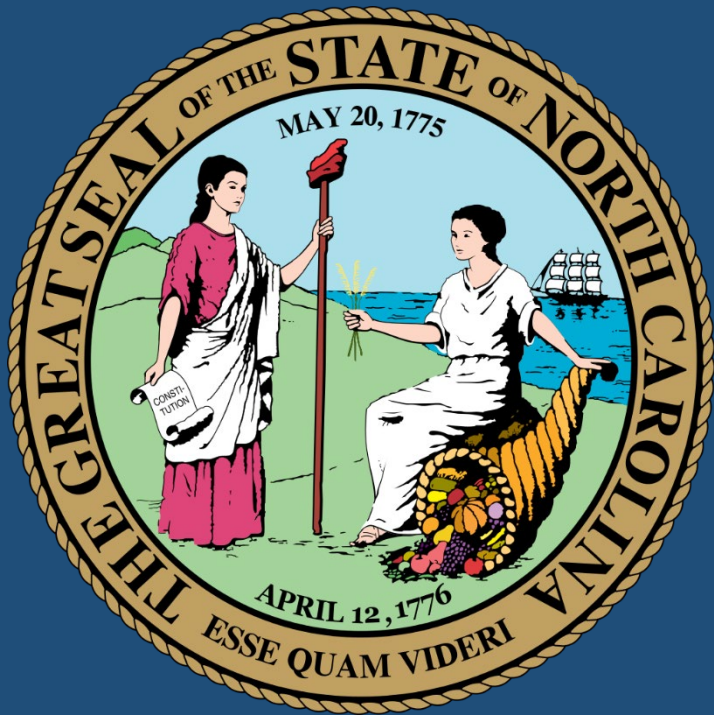
2020 - 21 Budget Guidance

2020 - 21 Budget Instructions Memo



Job Aids

How to's, Templates, etc.



Questions?

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<https://census.nc.gov/>