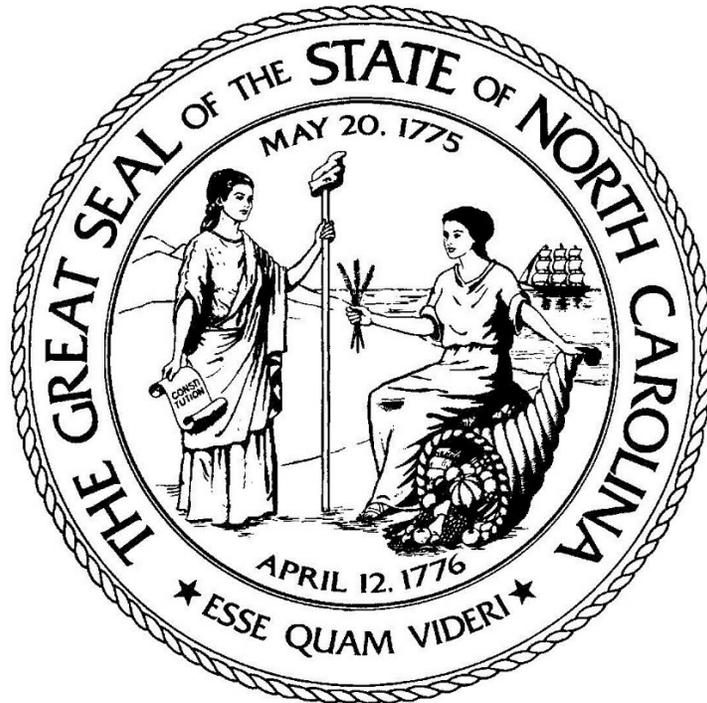


Instructions for Preparation of the 2021-23 Base Budget



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Executive Summary the 2021-23 Governor’s Recommended Budget Process

The State of North Carolina appropriates operating and capital funds on a biennial, or two-year cycle. An approved budget includes annual amounts for each of the two fiscal years that make up the biennium. The General Assembly, convening in January 2021, will consider the Governor’s recommended budget as well as other changes presented for legislative review before passing a two-year budget to be certified by the Office of State Budget and Management (OSBM) in summer 2021. In accordance with the State Budget Act, the Governor’s Recommended Budget for the 2021-23 biennium will be finalized and presented to the General Assembly early in the legislative session.

The process for preparing the 2021-23 Governor’s Recommended Budget is now underway. Agencies will work with OSBM staff to prepare Base Budget and Change Budget requests for the upcoming biennium in a manner consistent with that prescribed in the State Budget Act. Agencies should plan to engage internally and with OSBM and Governor’s policy staff in a collaborative effort to complete the tasks laid out in the accompanying budget instructions and any subsequent guidance from OSBM.

For agencies, the process should include not only budget and financial staff but also program directors, CIOs, and other members of agency senior leadership. OSBM analysts will now be able to offer more technical assistance to agencies in developing the Base Budget and Change Budget recommendations, and the schedule for preparing each component of the Governor’s Recommended Budget has been split up to ensure a Recommended Budget that accurately reflects existing agency operations and critical future needs. OSBM Budget Execution Analysts will work with agencies on preparing the Base Budget, and OSBM Budget Development Analysts will work with agencies on Change Budget requests. The remainder of this document will summarize the instructions for preparation of the 2021-23 Base Budget.

Timeliness and deadlines are critical to budget development. Deadlines are established to ensure that OSBM and the Governor have adequate time to review information and finalize a Recommended Budget as required by the State Budget Act. Agencies need to focus on budget planning and policy decisions early to ensure all deadlines are met. Following are key dates and deliverables in preparation of the 2021-23 Base Budget. A more detailed timeline can be found on the [OSBM website](#).

2021-23 Base Budget Preparation Key Dates/Deadlines (all 2020 calendar year)	
Date	Action
September 28	2021-23 Base Budget Instructions Issued
October 2	Base Budget Instructions Training, 2:00 p.m., via Microsoft Teams
October 2	Draft Base Budget Documents Available for Agency Review. RK 314 Report Available for Agency Review.
October 9	Agencies Notify OSBM of 2020-21 Approved Budget Revisions to Include or Exclude in Base Budget Document (based on RK 314). <i>Agencies must notify OSBM of any subsequent approved budget revisions to include in the Base Budget.</i>
October 23	Agencies Submit Requested Updates to Fund Purpose Statements to OSBM
November 6	Agencies Submit Revisions Adjusting Receipts based on Receipts Analysis to OSBM
November 13	Agencies Submit Revisions Adjusting Salary Reserve/Personnel Expenditures and Intra-Governmental Transfers to OSBM
November 20	Agencies Submit All Worksheet I Entries (with appropriate justification/attachments) and Budget Restructuring Plans to OSBM

December 18	All Approved Budget Revisions Needed in Base Budget Finalized/Approved. All Base Budget (Worksheet I) Entries Finalized/Approved. 2021-23 Base Budget Recommendation Finalized/Complete.
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2021-23 Base Budget Training on October 2, 2020

OSBM will host a 2021-23 Base Budget training for agency staff on Friday, October 2, 2020 at 2:00 p.m. via Microsoft Teams. The training will include a review of the 2021-23 base budget instructions, focused on key changes to the process and timeline, and an opportunity to address your questions. Key staff members who will be involved in the biennial base budget development process for your agency are encouraged to attend. Additional details regarding this training, including an RSVP, will be sent to agency CFOs shortly following the release of these instructions. 2021-23 Base Budget Instructions.

Instructions for Preparing the 2021-23 Base Budget

The following instructions, related job aids, and attachments provide detailed guidelines for preparing the 2021-23 Base Budget with accompanying deadlines for completing key steps. This instruction document provides a summary of the process, but within the following pages you will see hyperlinks that will take you to more detailed instructions (job aids), relevant attachments and reference materials. Also, the [Budget Instructions Section on the OSBM website](#) organizes documents by Base Budget, Change Budget and Capital Budget and has buttons directly to job aids, attachments and reference materials; along with a comprehensive calendar detailing the key dates that items are due to OSBM.

The Base Budget provides the funding necessary to continue the existing, authorized level of services for the 2021-23 biennium. The Base Budget is an agency's opportunity to adjust budgets to better reflect actual expenditures and revenue collections and provide a more accurate spending plan for the biennium. This should promote effective decision making, increase transparency, and reduce the number of budget revisions needed throughout the fiscal year.

Preparing the Base Budget is an interactive process as agencies work closely with OSBM to make appropriate adjustments to the Base Budget. ***The Base Budget process is required for all governmental and proprietary budget codes***, as defined in G.S. 143C-1-3, that OSBM determines to be included in the Governor's Recommended Budget. [Base Budget Development Job Aids and Reference Materials can be found on the OSBM website.](#)

To support OSBM's review of the base budget, agencies may be asked to submit supplemental information on relevant service and activity data, such as data on populations served and at what cost for the funding level in the base budget.

All Base Budget adjustment requests and associated documentation are due to OSBM by the deadlines specified in this memo. Agencies are strongly encouraged to attach backup documents to the Base Budget Entries in IBIS. If necessary, agencies may submit backup attachments to your OSBM Budget Execution Analyst by email.

The Base Budget Document

The process to develop the 2021-23 Base Budget begins by generating the Base Budget Document from the self-service budget development reports within IBIS. An overview of useful Base Budget reports, including a description of the Base Budget Document, is located [here](#). The Base Budget Document uses the FY 2020-21 authorized budget as the starting point for the 2021-23 Base Budget and provides previous fiscal year actuals as well as the FY 2020-21 certified budget.

Once the Base Budget Document has been generated in IBIS, recurring budget revisions approved by OSBM will be pulled in manually to update the Base Budget Document. This ensures that an agency's FY 2020-21 authorized budget in the Base Budget Document is current.

Any increases or decreases that are not allowed through budget revisions but are allowed through the Base Budget development process may be requested through a Base Budget (Worksheet I) entry in IBIS. Any changes approved by OSBM using a Base Budget (Worksheet I) entry in IBIS will reflect in the Increase/Decrease column on the Base Budget Document. The FY 2020-21 authorized budget added together with the Increase/Decrease column becomes the 2021-23 Base Budget. A useful reference document that describes each column in the Base Budget Document is located [here](#).

[IBIS Worksheet I Training Guide](#) includes step-by-step instructions on how to enter a Base Budget entry in IBIS for increase/decrease items and/or restructuring.

The 2021-23 Base Budget can be modified in four ways through the Base Budget preparation process.

1. **Adjustments to the FY 2020-21 Authorized Budget:**

Agencies should examine FY 2020-21 authorized budgets for opportunities to realign budgets from over-funded to under-funded line items and to budget receipts at accurate levels. Agencies should also reconcile budgeted salaries and benefits as well as Salary Control in IBIS as part of this review. OSBM will work with agencies in making adjustments as needed. Realignments within the same fund, adjusting receipts levels, salary, benefit, and Salary Control reconciliations can be accomplished through budget revisions that are pulled into the Base Budget Document.

[Job Aid on Allowable Changes to FY 2020-21 Authorized Budget](#) provides more detailed instructions.

2. **Fund Review and Updates to Fund Purpose Statements:**

Fund Purpose Statements appear in the Base Budget Document for any fund with reflecting actual activity in FY 2019-20. It is imperative that agencies update the Fund Purpose Statements to accurately explain the programs, expenditures, and revenues that are managed within each specific fund. Fund Purpose Statements are a key component of the Base Budget document allowing decision makers and the public to understand how programs are funded.

3. **Allowable Base Budget (Worksheet I) Increases and Decreases:**

Base Budget increases and decreases do not change the authorized budget but are shown separately in the Base Budget Document and may increase or decrease total spending for a purpose or program, as authorized by G.S. 143C-1- 1(d)(1c), including:

- a. Realignments to accurately reflect receipts, expenditures, and fund balances across purposes or programs;
- b. Increases or decreases for programs and positions that were partially funded in the previous fiscal year;
- c. Adjustments for prior year nonrecurring increases or decreases;
- d. Changes for federal payroll tax changes and existing lease rate increases;
- e. Reconciliation of intra-governmental and inter-governmental transfers; and
- f. Adjustments for legislative and statutory requirements.

In most cases, these adjustments should be made in the Base Budget. However, depending on the extent to which a proposed change affects the scope of a program, OSBM may require these adjustments to be submitted as Change Budget adjustments.

[Job Aid on Allowable Increases and Decreases to FY 2020-21 Authorized Budget](#) provides more details on budget adjustments allowed during the Base Budget process.

4. **Budget Restructuring:**

Through a Base Budget entry in IBIS, agencies also have the opportunity to restructure budgets, i.e. to make changes to the budget fund structure. For example, if a program is comprised of multiple funds, agencies can combine those into one fund through the Base Budget process.

Combining funds may increase operational flexibility and reduce the number of budget revisions needed throughout the year. Budget structure changes should not necessarily be the result of, or

require, a reorganization within an agency; restructuring the budget may simply be an opportunity to operate more efficiently. However, if a budget restructuring involves a reorganization, a report must be made to the Joint Legislative Committee on Governmental Operations and Fiscal Research as required by GS 143B-10.

Agencies interested in restructuring their budgets should complete the [Budget Restructuring Attachment](#). Restructuring plans should not be entered into IBIS until an agency has consulted its OSBM analyst and all other Base Budget entries have been approved.