Instructions for Preparation
of the 2013-15
Recommended State Budget

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1. EXECUTIVE SUMMARY

Overview of the 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. Each biennium is referenced by an odd-numbered beginning year and an odd-numbered ending year. For example, the "2013-15 biennium" covers the period from July 1, 2013 through June 30, 2015, and includes fiscal years 2013-14 and 2014-15. Actual biennial budget preparation begins in even-numbered years.

The legislative session convenes for the upcoming biennial budget cycle in January 2013. During this "long" session, the General Assembly will consider the Governor's recommended budget, as well as other changes presented for legislative review. Following legislative review, a two-year budget will be approved by the General Assembly and certified by the OSBM in the summer of 2013.

The operating and capital budgets for the second year of a biennium are adjusted in a "short" legislative session. This process allows the Governor and General Assembly to take into account revenue fluctuations, salary increases, and emergency items. Traditionally, the second year adjustments occur in May and June of even-numbered years.

Upon receipt of budget requests from departments and agencies, OSBM reviews the requests in preparation of the Governor's recommended budget. In accordance with the State Budget Act, the recommended budget for 2013-15 will be finalized and released to the new Governor-elect on December 14, 2012. At that time, the Governor-elect will review and finalize the recommended budget. Then, the new Governor will present the recommended budget to the General Assembly on the date of the State of the State Address early in the legislative session.

Questions related to budget preparation should be referred to the appropriate budget analyst in the Office of State Budget and Management (OSBM).

Major Policies and Requirements for Development of the 2013-15 Budget
Departments and agencies should use the following budget instructions in preparing 2013-15 biennial budget requests for submission to the Governor as Director of the Budget. These instructions provide context and technical requirements to state agencies as they develop their 2013-15 budget requests.

Timeliness and deadlines are critical to budget development. Deadlines have been adjusted from the prior biennium to ensure the Governor has adequate time to review information and finalize a recommended budget for the new Governor-elect as required by the State Budget Act. Agencies need to focus early on budget planning and policy decisions to ensure all deadlines are met.

Given current expectations for modest economic growth in the 2013-15 biennium, agencies are asked to prioritize requests for increases to focus on gaps and unmet needs for criticial services. Agencies are also asked to identify opportunities for efficiencies and savings to enable reallocation of resources to high priority needs. To emphasize this focus, OSBM has adopted new policies for

continuation budget adjustments and established limitations for expansion requests. These policies are intended to keep overall budget growth in line with economic growth, while still allowing for modest increases to maintain adequate support for mission critical services. Agencies should also anticipate the possibility for subsequent requests for budget proposals from the Governor-elect to support the goals and priorities of the new Administration.

For continuation adjustments, inflation factors will not be applied. Adjustments may be requested to increase funding for specific accounts to the level of actual expenditure. In addition, adjustments for enrollment and entitlement programs, operating/building reserves, and annualization are allowable. Agencies may also request other critical needs through an exception process. These changes are discussed in more detail in Section 3 of these instructions.

Expansion requests are limited to 2 percent of the agency's 2012-13 certified appropriation. In addition, agencies are required to submit 2 percent reduction options (based on the 2012-13 certified appropriation). In order to provide sufficient advice and options for the Governor-elect, it is imperative that agencies provide proposals for expansion and reductions in a timely manner. Detailed instructions for submitting expansion and reduction proposals are discussed in Section 6 of these instructions.

Additionally, OSBM is continuing efforts to integrate and utilize strategic planning and program information in the budget development process. For the 2013-15 biennium, all agencies are required to submit select strategic planning and program information in conjunction with their budget requests. This information will be reviewed during the budget development process and presented in conjunction with the Governor's recommended budget. Sections 4 and 5 contain more detailed instructions on these requirements.

Budget Context for 2013-15 Biennium: Key Economic and Demographic Trends

- Economic signs for the FY 2013-15 biennium are encouraging, although the pace of expansion in North Carolina is expected to remain slow.

- North Carolina's economy is showing signs of strengthening. North Carolina has added 123,300 private sector jobs since February 2010. Compared to the previous biennium, North Carolina's total employment is forecast to grow 3.2% over FY 2013-15. Despite this modest growth, North Carolina is not expected to return to pre-recession employment levels until the second half of 2015.

- Inflation is expected to rise moderately during the 2013-15 biennium. The U.S. Consumer Price Index (CPI) is forecast to rise 3.6 percent during the biennium from the prior biennium. The Gross Domestic Product (GDP) implicit price deflator is expected to increase 3.3 percent over the same period.

- Housing demand is strengthening and starts are expected to improve modestly over the biennium. Prices are forecast to stabilize during the FY 2012-13 before slowly increasing throughout FY 2013-15.

- While the economic recovery will likely remain slower than previous business cycles, North Carolina's economy is expected to compare favorably to many other states. North Carolina's strong business climate, consistent migration trends, and economic diversity will help the state outperform most others.

- The General Fund revenue forecast reflects the economic outlook. Growth is expected to remain modest during FY 2012-13 before slowly gaining momentum throughout the FY 2013-15 biennium.

- North Carolina's population is expected to surpass 10 million people by July 1, 2015. Over the FY 2013-15 biennium, the population is expected to grow my more than 210,000 people. This growth is significantly below the rate of the last decade but still totals more than 100,000 people per year. Just over half, 55%, of this growth is expected to be from net migration.

- The fastest growing sub-group during FY 2013-15 is those 65 and older, projected to grow by 7.1%. Within this group, the 65-74 year old population is expected to grow by nearly 9% and the 85 and over population is expected to grow by more than 5%. Just under half of the total growth in North Carolina (approximately 99,000 people) is expected to be in the 65 and over population. The number of children 0-17 is expected to grow by 1.6%, or approximately 37,000.

- Growth in the prison population is expected to remain lower than in the past. According to the North Carolina Sentencing and Policy Advisory Commission's current population projections, prison population in 2013 is expected to be 38,999, rising to 39,091 by 2015, a growth of less than 1%. Prison population growth has slowed significantly from the 2000-2009 period, when annual population increases averaged 3%.

2. WHAT'S DUE

2.1 Timetable for the 2013-15 Budget Preparation Process

July 2012

S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

Agencies reconcile BEACON salaries and position counts to authorized budget for salaries and position counts (and its totals) for June 30, 2012

2013-15 Continuation budget instructions made available by the Office of State Budget and Management on the website at http://www.osbm.state.nc.us/ncosbm/osbm_library/superpubs/instruct_1315.shtm.

OSBM generates RK314 report listing all two-year type 11, 12, and 14 budget revisions. Report posted in X/TND.

PM 739 report, with effective date of June 30, 2012, available in BEACON. Legislative Salary Increase effective July 1 is included.

Agencies enter actual position counts into BPS using Function 7.

August 2012

S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

2012 Legislative Session budgetary actions certified by OSBM, and the Budget Preparation System (BPS) updated. BPS data transferred to NCAS, including 2012-13 budget revisions and 2012 Legislative Session's actions.

August 6, 2012: Preliminary *Worksheet I's* for continuation budgeting are created in BPS and accessed by agencies using X/TND.

August 20, 2012: All actions to reconcile and realign salary reserve are completed.

August 20, 2012: All two-year budget revisions (refer to RK314 report) are properly coded for inclusion or exclusion in Worksheet I. Contact your OSBM budget analyst as new recurring budget revisions need to be added to Worksheet I.

September 2012

S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

Agencies work on Continuation budget (Section 3) and Expansion items.

September 4, 2012: Fund purpose application available.

September 14, 2012: Preliminary Worksheet I schedules and attachments submitted by agencies.

September 14, 2012: ITS proposed rates package submitted to OSBM.

October 2012

S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

Agencies/OSBM analyst negotiate Worksheet I adjustments. Reconciliation of Position Counts and Budgeted Salaries verified by departments, submitted to OSBM.

October 12, 2012: Final Worksheet I adjustments negotiated with OSBM.

October 15-31, 2012: Final Worksheet I adjustments entered in BPS and submitted to OSBM. *(Note: If cost centers are required to crosswalk the budget to the agency's program structure, adjustments must be entered at the cost center level)*.

October 31, 2012: All 2013-15 Continuation (including initial Enrollment and Medicaid estimates) due to OSBM. Agencies required to submit one hard copy of the Worksheet I document. Agencies also required to submit supporting attachments electronically (Section 3).

October 31, 2012: All 2013-15 Expansion and Reduction items (Worksheet IIs) due to OSBM. Information Technology expansion items due to SCIO and OSBM.

October 31, 2012: All Capital Improvement budget items (Worksheet IIIs) due to OSBM.

October 31, 2012: All required Strategic Planning and Program Information due to OSBM.

October 31, 2012: All Fund Purpose statements submitted to OSBM.

November 2012

	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

November 21, 2012: FY 2013-14 Block Grant Plans and FY 2013-15 special provisions due to OSBM.

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December 2012

S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

December 14, 2012: Governor finalizes the 2013-15 budget recommendations for the new Governor-elect.

January 2013

S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

January 30, 2013: General Assembly convenes.

Note: All due dates must be strictly observed to ensure the Governor has adequate time to review information and finalize a recommended budget for the new Governor-elect as required by the State Budget Act.

2.2   Summary of Items to Submit to OSBM

Required Submissions for the 2013-15 Recommended State Budget

Agency Submissions and Due Dates to OSBM	Where to Enter Data	Where to Find Instructions
Continuation (Base) Budget *All items due October 31, 2012*		
Summary of Total Continuation Budget Requests by Department	Excel Spreadsheet	Budget instructions (Section 3)
Worksheet I – Summary by Purpose; Summary by Account; Fund Detail; Position Count; Reconciliation of Requirements, Receipts, and Appropriations; Reconciliation of Position Counts and Budgeted Salaries	Budget Preparation System (BPS)	Budget instructions (Section 3)
Explanation of Increases / Decreases Schedule (Attachment 3-1) – If Applicable	Excel Spreadsheet	Budget instructions (Section 3)
Format for Building Reserve (Attachment 3-2) – If Applicable	Excel Spreadsheet	Budget instructions (Section 3)
Exception Requests (Attachment 3-3)	Excel Spreadsheet	Budget instructions (Section 3)
Equipment Purchase Schedule (Attachment 3-3a) – If Applicable	Excel Spreadsheet	Budget instructions (Section 3)
Motor Vehicle Purchase Schedule (Attachment 3-3b) – If Applicable	Excel Spreadsheet	Budget instructions (Section 3)
Other Vehicle Purchase Schedule (Attachment 3-3c) – If Applicable	Excel Spreadsheet	Budget instructions (Section 3)
Lease Schedule (Attachment 3-3d) – If Applicable	Excel Spreadsheet	Budget instructions (Section 3)
Fund Purpose Statements (web application available September 4)	Web Application	Budget instructions (Section 3)
Strategic Planning *All items due October 31, 2012*		
Agency Mission, Goals, Objectives and Measures; Management Goals and Measure Data (Attachment 4-1)	Excel Spreadsheet	Budget instructions (Section 4)
Program Information *All items due October 31, 2012*		
Strategic Program Area (SPA) and Program Descriptions; SPA Goals, Objectives, and Measures (Attachment 5-1)	Excel Spreadsheet	Budget instructions (Section 5)
Change Budget (Expansion and Reduction) *All items due October 31, 2012*		
Summary List of Expansion Budget Requests (Attachment 6-1)	Excel Spreadsheet	Budget instructions (Section 6)

Worksheet II Expansion Budget Request (Attachment 6-2) – One Form For Each Expansion Request	Excel Spreadsheet	Budget instructions (Section 6)
Business Case Documents for Equipment Lease or Installment Purchases (Attachment 6-3)	Excel Spreadsheet Word Document	Budget instructions (Section 6)
Summary List of Reduction Options (Attachment 6-4)	Excel Spreadsheet	
Worksheet II Reduction Options (Attachment 6-5) – One Form For Each Reduction Request	Excel Spreadsheet	Budget instructions (Section 6)
Information Technology *Due October 31, 2012*		
IT (Information Technology) IT Expansion Request	PPM Tool Web Form	Budget instructions (Section 7)
Capital Improvement Budget *All items due October 31, 2012*		
Worksheet III-C Summary - Prioritized List of all Capital Budget Requests (Attachment 8-1)	Excel Spreadsheet	Budget instructions (Section 8)
Worksheet III-C Capital Budget Request - For General Fund Supported Requests (Attachment 8-2)	Excel Spreadsheet	Budget instructions (Section 8)
Worksheet III-NGF Summary - For non-General Fund Supported Budget Requests (Attachment 8-3)	Excel Spreadsheet	Budget instructions (Section 8)
Worksheet III-R Summary - Prioritized List of all R&R Requests (Attachment 8-4)	Excel Spreadsheet	Budget instructions (Section 8)
Worksheet III-R Repair & Renovations Request - For Every R&R Request (Attachment 8-5)	Excel Spreadsheet	Budget instructions (Section 8)
Worksheet III-R NGF Non-General Fund Summary – For non-General Fund Supported R&R Requests (Attachment 8-6)	Excel Spreadsheet	Budget instructions (Section 8)
Additional Information		
Special Provisions – *Due November 21, 2012*		
Block Grant Plans – *Due November 21, 2012*		
Fees Information – *Separate memorandum to be issued*		

Notes:

1) Requesting a Continuation (Base) Budget is mandatory; therefore, agencies will submit the necessary Continuation (Base) Budget information listed above for all Governmental and Proprietary budget codes.

2) The submission of Strategic Planning is mandatory; therefore, all agencies will submit the elements listed above using the provided template.

3) The submission of Program Information is mandatory; therefore, agencies will submit the elements listed above for all Strategic Program Areas and Programs excluding those designated as non-reportable by OSBM (each agency will be provided a copy of their current program structure).

4) Requesting additional appropriations for Expansion and Capital Budget projects is optional. All forms listed above are required only if the agency makes an Expansion or Capital Budget request.

5) The submission of Budget Reduction Options is mandatory; therefore, agencies will submit the necessary forms listed above for all Reduction items.

6) All forms must be submitted in paper form as prescribed in the Budget Instructions (see each respective section for number of copies and any additional requirements for electronic submissions) by the due dates indicated.

3. CONTINUATION (BASE) BUDGET

The continuation budget provides the funding necessary to continue the existing, authorized level of services for each year of the biennium. Continuation budget requests for 2013-15 are based on the authorized budget for 2012-13, and may be adjusted (increased or decreased from the authorized budget) through the continuation budget Worksheet I process to
- more accurately reflect anticipated levels of expenditures and receipts,
- include allowable adjustments, and
- include other adjustments required in certain programs, such as Medicaid and enrollment growth.

One hard copy of the requested 2013-15 continuation budget is due to OSBM by **October 31, 2012, 2012.** Worksheet I and its multiple parts are submitted. Attachments, when applicable, must also be submitted to OSBM. In addition to the hard copy, all attachments must be submitted electronically in Excel format. The Checklist for 2013-15 Continuation Budget Requests in Appendix 5-1 is provided to help assemble the final request in the correct order for submission to OSBM. OSBM budget analysts are available to assist departments/agencies in the steps to develop Worksheet I.

The **WORKSHEET I package** includes:
- Checklist for 2013-15 Continuation Budget Requests
- **Summary of Total Continuation Budget Requests by Department** [sample] – manually prepared based on final BPS generated Worksheet Is, this worksheet provides a total request for the department.
- A Final **Worksheet I** for each budgeted code, which includes the following parts:
  o Summary by Purpose [sample]
  o Summary by Account [sample]
  o Detail Request [sample]
  o Position Count [sample]
  o Reconciliation of Requirements, Receipts, and Appropriation [sample]
  o Reconciliation of Position Counts and Budgeted Salaries [sample]
- Applicable **Attachments**, as follows:
  o Attachment 3-1 Explanation of Increases and Decreases
  o Attachment 3-2 Building Reserves
  o Attachment 3-3 Exception Request Form (if applicable)
  o Attachment 3-3 a Equipment Purchase Schedule
  o Attachment 3-3 b Motor Vehicle Purchase Schedule
  o Attachment 3-3 c Other Vehicle Purchase Schedule
  o Attachment 3-3 d Lease Schedule

3.1   Worksheet I Overview
Preparing Worksheet I is an iterative process. It begins with an initial Worksheet I document that captures data in the current authorized budget, and is used to begin analyzing the authorized budget for extension or "continuation" for the two years of the biennium under request, in this case 2013-15. Agencies work with OSBM to determine appropriate adjustments to the

authorized budget and to the adjustments columns of Worksheet I, after analysis and deliberation.

Worksheet I (WSI) is the basic form used in preparing 2013-15 continuation budget requests. Worksheet I is generated from the Budget Preparation System (BPS) and has multiple parts:

- *Summary of Total Continuation Requests by Department* - A component of the Worksheet I final submission to OSBM. It is NOT a BPS-generated form, and is prepared manually by the agency when all BPS WSIs are finalized. Provides a grand total of requirements, receipts, appropriations, FTE, and (if applicable) changes in fund balances recommended for all budgeted codes in a department.

- *Summary by Purpose* – Summarizes total requirements and receipts for all funds in a budget code.

- *Summary by Account (Object)* – Summarizes accounts across all funds to show a total of each expenditure and revenue account for a budget code.

- *Detail Request* – Level at which budget is prepared. Each fund appears with all applicable expenditure and revenue accounts. Detail request data is used to create summaries by purpose and account for each fund.

- *Position Count* – Provides detail of all budgeted positions in a fund code; one sort is shown by fund, and a second sort is shown by funding type.

- *Reconciliation of Requirements, Receipts, and Appropriation* – Explains how the authorized budget in BPS is derived, beginning with the BD307 certified budget, and listing each revision coded to BPS included in the continuation budget. Presented at the budget code level.

- *Reconciliation of Position Counts and Budgeted Salaries* - Constructed to serve the same purpose as the previous reconciliation report. Begins with the certified BD307 budgeted position count and budgeted salaries, then itemizes each revision to the budget that impacts position values and/or salaries. Presented for each fund and salary account.

OSBM generates the first Worksheet I for agencies on **August 6, 2012.**   It is populated with prior year actual revenues and expenditures from the June 2012 BD701. It is also populated with certified and authorized budget amounts, which are comprised of the BD307 for 2012-13 plus any budget revisions approved through August 6, 2012 which are not coded "O" to "omit" from BPS. Any revision not coded "O" will be coded "B" by OSBM, indicating the revision has already been included in BPS. Type 11 revisions included in BPS change the certified and authorized budgets. Type 12 and 14 revisions included in BPS impact the authorized budget column only.

In the budget preparation process, the authorized budget is the certified budget (or BD307) plus recurring budget revisions coded "B" by OSBM to be incorporated into BPS.   This is different from the authorized budget in the North Carolina Accounting System (NCAS) BD701 report, which begins with the certified budget but includes all budget revisions approved in the fiscal

period (Many revisions to the authorized budget in NCAS are one-time or nonrecurring in nature and are not coded to BPS to become a part of the biennial continuation budget).

OSBM generates a *Reconciliation of Requirements, Receipts, and Appropriation* report from BPS. This form provides the data to explain the requirements, receipts, and appropriations in the certified and authorized budget columns of Worksheet I, listing changes by 606 reference number. The *Reconciliation* report is provided to each department at the same time Worksheet I is furnished.

3.1a   Accessing Worksheets
A Worksheet I (excluding the manually prepared *Summary of Total Continuation Requests by Department*) is made available to agencies through the X/TND report management software on **August 6, 2012.** Agencies may view and print the initial continuation budget worksheets at their location on August 6, 2012, by accessing BPS and using the print function 16 to print worksheets by budget code. Subsequent versions of Worksheet I that reflect adjustments and entries to BPS throughout the budget development process may be requested through BPS function 16, and viewed or printed using X/TND.

X/TND software can be downloaded from http://sccb.its.state.nc.us/sysware/sysware.htm. Web access to BPS is available at http://www.osbm.state.nc.us/budget_systems.html.

3.1b   Budget Codes for Which Worksheet I is Prepared
An initial set of continuation budget Worksheet I documents is provided for each budget code that is classified as governmental or proprietary by the Office of the State Controller (OSC) under Governmental Accounting Standards Board (GASB), and determined by OSBM to be included in the Governor's Recommended Budget. A list of these budget codes is provided on the OSBM website.

3.1c   Explanation of WSI
Upon receipt, review the initial Worksheet I for accuracy, familiarize yourself with each column, and understand and complete the tasks associated with each. Below is a summary.

Column # & Name	What It Is	What You Do
Column 1 – Account	Reflects the line item account or object number from the NCAS Uniform Chart of Accounts	Ensure the fund and accounts numbers are correct. Contact OSBM if corrections are needed.
Column 2 – Title	The account or object title from BPS files for the expenditure and receipt line items.	Make sure titles are accurate and consistent with NCAS title file. Contact OSBM for corrections.
Column 3 – Actual	Reflects actual 2011-12 expenditures and revenues transferred by OSBM from NCAS to the BPS files.	Compare this information to the actual expenditures reported in the certified NCAS BD701 for June 2011-12. It should be identical.
Column 4 – Certified	Reflects the 2012-13 certified budget (BD307) issued by OSBM (incorporates all General Assembly actions impacting the 2012-13 budget) plus Type 11 budget revisions coded to be included in BPS (actions approved by the General Assembly and recurring in nature, typically the distribution of statewide reserves).	Review all two-year Type 11 606s for FY 2012-13 using the RK314 report (on X/TND in July 2012) or Budget Revision System (BRS) function 12 to determine which 606s should be included or omitted from BPS. Jointly determine with OSBM analyst any 606s to OMIT. All other 606s, unless already coded B, will be copied to BPS by August 20, 2012. NOTE: After Aug. 20th, any 606 to be added to BPS must be negotiated with and included in BPS by the OSBM analyst using BRS Function 27. Similarly, any 606 included in WSI in error must be manually omitted by the OSBM analyst also using Function 27, and will reflect code O when successfully omitted. Type 11 606s included in BPS will revise the budget in column 4 (certified) and column 5 (authorized). NOTE: All carry-forward 606s from 2011-12 should be OMITTED from BPS.

Column # & Name	What It Is	What You Do
Column 5 – Authorized	Reflects the 2012-13 authorized budget, which is comprised of the certified budget (BD307) plus Type 11, 12 and 14 budget revisions that are copied to BPS to become part of the biennial continuation budget unless adjusted in columns 6 & 8 of the Worksheet I.	The same process described above is done to determine the authorized budget. Agencies use the RK314 report or BRS function 12 to review all Type 12 and 14 budget revisions to determine if any of the 606s listed in the RK314 report should be eliminated (omitted) from WSI. Unless coded O for omit or B to indicate a 606 has already been added to BPS, 606s will be copied to BPS. After August 20, 2012 it is a negotiated process between the agency and OSBM analyst for the OSBM analyst to include additional 606s or omit 606s currently included in BPS. The authorized column is impacted by all 606s included in BPS – Type 11, 12 and 14. NOTE: All carry-forward 606s from 2011-12 should be OMITTED from BPS.
Columns 6 & 8	These are the Increase/Decrease columns used to make adjustments from the authorized budget in one or both years of the biennial budget under request. The increases or decreases in these columns are added to or subtracted from the amount in the authorized budget to produce the amount of recommended budget in each year.	Enter increases/decreases in these columns in BPS, using either Function 7 or Function 8. **Note: If cost centers are required to crosswalk the budget to the agency's program structure, adjustments must be entered at the cost center level using Function 8.** See Section 3.2 for detailed instructions.
Columns 7 & 9	These columns represent the budget requested for each year of the 2013-15 biennium. These numbers are calculated by BPS (authorized budget for 2012-13 increased or decreased by the amounts in columns 6 & 8).	

3.2   Worksheet I Instructions

The authorized budget for 2012-13 is the starting point for the recommended 2013-15 continuation budget. Agencies are encouraged to thoroughly analyze and make sure it accurately reflects the base budget, both in total and for each fund.

3.2a   Analyzing and Adjusting the Certified and Authorized Budgets (Columns 4 & 5)

Agencies should examine their 2012-13 authorized budgets for opportunities to generate savings or to redirect budgets from over-funded programs or accounts to those which are under-funded. Depending on the magnitude of such adjustments and the extent to which they impact the scope of a program, OSBM may require these adjustments to be submitted as Worksheet II (WSII) adjustments. Review of the authorized budget during continuation budget development allows agencies to identify and report budget overages and deficits that impact the ability to deliver existing programs and services outlined in the budget.

1. Realignments - Agencies are encouraged to realign non-personnel expenditure account lines 5322xx – 535xxx within an operating fund number to reflect more realistic levels of need for 2012-13. A Type 14 budget revision may be included in Worksheet I. Contact the OSBM analyst regarding any 606 that a department would like to request to include in the Worksheet I. Agencies cannot realign accounts for the sole purpose of gaining advantage in continuation budget adjustments.

2. Receipts Adjustments - The State Budget Act, in G.S. 143C-3-5(b)(2)c, requires estimated receipts in the recommended budget to be adjusted to reflect actual collections from the prior fiscal year, unless the Director of the Budget recommends a change that will result in collections that differ from the prior year, or determines there is a more reasonable basis to accurately project receipts.

3. Inter- and Intra-Departmental Transfers - Agencies must balance inter- and intra-departmental transfers. If one fund or agency includes a transfer, the other fund or agency must also include the matching transfer.

4. Carry-Forward 606s - Budget revisions that authorized a carry-forward from 2011-12 into 2012-13- should not be included in the Worksheet I and must be removed or coded "O" to be omitted.

5. Experimental, Model or Pilot Programs - Programs designated as experimental, model, or pilot must be identified as such either in the continuation budget or as expansion budget requests, as appropriate, until a succeeding General Assembly approves them. Agencies with programs designated as experimental, model, or pilot must furnish a list of these programs with line item detail with continuation budget or expansion budget requests.

6. Salary Reserve Realignment - It is essential that the Salary Control System (SCS) in OSBM reflect correct position and salary information as of **June 30, 2012**. Agencies submit budget revisions (BD606) to OSBM to align salary reserve to accurately reflect the annual salary requirements in each operating fund, and to eliminate any negative amounts that exist. Salary reserve realignments should be submitted by

August 20, 2012. It may be necessary to reduce or abolish positions in some instances to eliminate negative salary reserve amounts. Agencies are allowed to retain positive salary reserve amounts in the continuation budgets. See Section 3.2d for full details on personnel related budgeting.

7. Personnel Related Adjustments - Agencies are required to reconcile annualized salary budgets to fund payroll commitments (filled positions) and minimum funding to maintain appropriate FTE values for vacant positions. Related employer contributions for social security, retirement and health insurance premiums must be reconciled as well. To the extent the annualized budget for salaries and fringe benefits exceeds requirements; these funds may be redistributed to fund Workers Compensation, Overtime, Shift Differential/Premium Pay or other personnel (1XXX) accounts.

   The fringe benefits rates are as follows:

   Social Security: 7.65%
   The total combined rate for Social Security and Medicare is 7.65%. The Social Security (OASDI) portion is 6.20% on earnings up to the applicable maximum taxable amount ($110,100); the Medicare portion (HI) is 1.45% on all earnings. The PM739 Position Schedule can be used to determine the appropriate amount to include in the continuation budget for Social Security.

   Teachers and State Employees Retirement Rate: 14.23%

   State Law Enforcement Officers Retirement Rate: 19.23%

   University Employees Optional Retirement Rate: 12.58%

   Consolidated Judicial Retirement rate: 31.85%

   Legislative Retirement System rate: 5.30%

   Health Benefits amount - $5,192 per year; Medicare-eligible $4,035.

   Retirement and health benefits for permanent state employees who work at least nine months per year and at least 30 hours per week must be included.

8. Reconciliation - Use the Reconciliation forms generated by BPS to ensure that authorized requirements, receipts, and appropriation are correct.

3.2b   Requests for Increases/Decreases in the Continuation Budget (Columns 6 & 8)
Changes in the increase/decrease columns of WSI are added to or subtracted from the
2012-13 authorized budget to produce the amounts in the 2013-14 and 2014-15 budget
columns. Adjustments are prepared as BPS entries by appropriate department personnel
and submitted to OSBM. Increases or decreases requested in Columns 6 and 8 must be
explained on an attached schedule (Attachment 3-1) that indicates the receipt or
expenditure accounts to be adjusted and the reason for the change. Where more than one
change is requested for one particular account, show the components of the change in the
explanation. Complete a separate schedule for each fund that has changes. The total of
the adjustments on the agency prepared schedule must equal the total of the
increase/decrease columns of Worksheet I. **(Note: If cost centers are required to
crosswalk the budget to the agency's program structure, adjustments must be
entered at the cost center level).**

3.2c   Allowable Budget Adjustments
Allowable adjustments are listed below. In cases where a portion of the increase is
supported by receipts, these receipts must be increased to ensure that the account bears
the appropriate share of increased costs. Adjustments may be requested as increases or
decreases to the authorized budget, entered in columns 6 and 8 of Worksheet I, for the
following purposes:

1. **Enrollment or Populations Served** – Increases to reflect changes in the enrollment
   or population currently served by public schools, community colleges, the University
   of North Carolina System, prisons, and entitlement programs are allowed. In other
   programs such increases must be requested in the expansion budget. Decreases to
   reflect reductions in enrollment or populations served in *any* program area must be
   included in the continuation budget. With respect to the Medicaid program, policy
   changes are not allowed in the continuation budget and must be considered in the
   expansion budget process. With respect to the public school and community college
   enrollment, this request may include non-ADM and non-FTE mandatory State Aid
   requirements up to the actual level of expenditure to continue the existing level of
   service.

2. **Receipt-Supported Activities** – Receipts must be adjusted in the increase/decrease
   columns to the extent needed to accurately project receipts in the budget years under
   request. G.S. 143C-3-5(b)(2)c requires that the governor's recommended state
   budget include accurate projections of receipts, budgeted to prior year actual level of
   expenditure unless the governor's budget recommends changes that cause receipts to
   differ from the prior year or determines a more reasonable basis for the projection.

   If an adjustment to general agency receipts provides additional funds, those funds
   may be used only to support allowable continuation budget increases. Otherwise,
   additional general agency receipts are budgeted to reduce state appropriations.

   If an adjustment reflects a decrease in receipts, the budget of the program generating
   the receipts must be reduced. Replacement of reduced or lost receipts must be an

expansion budget request. Changes in expenditure accounts supported by receipts require a corresponding change in the appropriate receipt account.

Programs that are 100% receipt supported should make requests for allowable continuation budget adjustments through the Worksheet I process.

3. **Annualization of Programs and New Facilities** – Increases to annualize support in the 2013-15 biennium for programs and new facilities that were funded for only a portion of 2012-13 are allowed. Attach a detailed listing of the request to annualize programs. Attach a spreadsheet in a format similar to Attachment 3-2, Building Reserve/Annualizations Schedule.

   Positions requested through reserves in the continuation budget follow the same rates established for positions requested through the expansion (or WSII) process

4. **Annualizing Salaries on Worksheet I**
   Positions funded on a recurring basis, but funded for only a portion payable amount in the authorized year, must be annualized for 2013-15.

   OSBM generates Position Schedules (PM739) from the June 30, 2012, BEACON database and makes them available through X/TND. These reports are used for informational purposes only and are not submitted to OSBM with the continuation budget package. The Legislative Salary Increase (LI) effective July 1 is included. These reports do not include new positions authorized by the 2012 Session of the General Assembly or positions included in authorized building operating reserves.

   New positions authorized by the 2012 General Assembly are included in the certified and authorized columns of Worksheet I. If positions are effective after July 1, 2012, they should be annualized in the increase/decrease columns. Positions scheduled to be abolished with an effective date after July 1, 2012 must also be annualized.

   Annualization Example: A new position is authorized by the General Assembly effective October 1, 2012 at an annual salary of $47,679. The budget for 2012-13 includes $35,760 for the position for nine months. The difference between the annual salary of $47,679 and the nine month (portion payable) salary of $35,760 is $11,919. The amount of $11,919 is the allowable increase for Columns 6 and 8 of the Worksheet I. *Note:* The employer match for both Social Security and Retirement would reflect increases to match the salary increase as well as an annualizing of the employer's share of health benefits.

   Agencies are responsible for maintaining accurate and current position salary and position count data. Salaries reflected in BEACON HR System must not exceed the authorized budget plus annualizing of positions. If total salaries in BEACON exceed the authorized budget plus the annualizing of positions, appropriate personnel actions must be taken to adjust BEACON to be within the amounts in columns 7 and 9 of Worksheet I.

*Note***:** Legislative Increases authorized for 2012-13 by the 2012 Session of the General Assembly must be reflected in the authorized budget for 2012-13 for all employees whose salaries are paid from general fund appropriations. This includes contracted state employees, whose salaries are paid for by transfer of general fund appropriations from one agency to another.

5. **Nonrecurring Items** – Nonrecurring or one-time items approved by the General Assembly must be removed from the continuation budget in the increase/decrease columns, including one-time equipment and vehicle purchases included in the 2012-13 authorized budget.   Agencies should contact their OSBM budget analyst with questions about removal of one-time items.

6. **Operating/Building Reserves** – Operating costs to make facilities operational and functional are allowed in the continuation budget for authorized capital projects scheduled for completion during the 2013-15 biennium (see Section 8, Capital Budget). Any new programs, activities, or expansion of existing programs and activities associated with capital projects should be a part of the Expansion Budget Request. The total estimated operating costs for each year must be requested in a reserve account (5371AA). A detailed account breakdown of each reserve must be submitted separately*,* with the estimated completion date of the facility provided by the Office of State Construction, number of positions required, proposed classification of each position, and other operating costs. A sample schedule for this required detail breakdown is shown in Attachment 3-2 [sample].

7. **Facility Based Adjustments** – These are applied to accounts typically associated with owning and operating state facilities, which may be impacted by inflation or other economic conditions: water and sewer, electric and natural gas, and fuel oil. Adjustments may be requested to increase funding for specific accounts to the level of actual expenditures in excess of the higher of the certified or authorized budget. OSBM will review the operating budget of each fund to determine if a budget realignment would provide the requested adjustment in lieu of a requested increase.

8. **Program Adjustments** - These accounts are typically related to the provision of direct services, care and custody of individuals, or classroom instruction: food, drugs and medical supplies, library books and periodicals, K-12 textbooks and instructional supplies, and gasoline. Adjustments may be requested to increase funding for specific accounts to the level of actual expenditures in excess of the higher of the certified or authorized budget. OSBM will review the operating budget of each fund to determine if a budget realignment would provide the requested adjustment in lieu of a requested increase.

9. **Exception Requests for Non-Facility Based Operating Accounts** (Attachment 3-3) These accounts represent the various non-salary administrative operational accounts of agencies, ranging from 53-22XX through 53-59XX. Exception requests for increases in these non-facility based operating accounts should contain documented evidence of extraordinary conditions and cost drivers that prevents agencies from

maintaining current operational levels in the next biennium and are beyond agency control. The basis for calculating the exception request is the need as compared to the higher of the certified or authorized budget. Exception requests should be submitted using an Exception Request Justification form and the appropriate schedule should be attached if the request is for equipment, vehicles, or leases.

- **Replacement of Existing Equipment** (Attachment 3-3a)
    An equipment schedule is required when requested as an exception. Increased funding for items such as office equipment (fax machines, copiers, etc.), furniture, and computers will not be considered in the continuation budget.

- **Vehicle Replacement** (Attachment 3-3b and Attachment 3-3c)

    a) Licensed Motor Vehicles (Attachment 3-3b) – Replacement of departmentally owned licensed motor vehicles may be requested as an exception. This replacement includes cars, vans, trucks, jeeps, ambulances, buses, etc.

    Additions to the fleet are requested in the expansion budget. Purchase and trade-in amounts for replacement vehicles are determined by each department/agency based on the particular type of vehicle and accessories. Refer to the Vehicle Term Contracts on the Division of Purchase and Contract web site as a basis for purchase amounts. The total purchase price of vehicles must be included in the appropriate line item. The estimated sales proceeds for the used vehicle must be budgeted as sale of surplus property receipts.

    Nonrecurring funds approved in the last biennium for replacement of motor vehicles and included in the authorized 2012-13 budget must be removed from the continuation budget.

    b) Other Vehicles (Attachment 3-3c) – Vehicles which are replaced on an irregular basis, such as farm tractors, combines, crawler tractors, drag lines, front-end loaders, back-hoes and lawn mower type equipment, may be requested as an exception. The age, year purchased, mechanical condition, and annual repair/maintenance cost are prime factors in OSBM's consideration of these requests. Requests to replace other vehicles must be for the continuance of the existing programs or services and must not be to expand the capabilities of the facility.

    Nonrecurring funds approved in the last biennium for replacement of other vehicles and included in the authorized 2012-13 budget must be removed from the continuation budget.

- **Building/Office Lease** (Attachment 3-3d – Building/Office Lease Schedule) A building/office lease schedule is required when requested as an exception.

3.2d   Reconciliation of Salaries and Position Counts on Worksheet
The process for budgeting salaries and positions is described below.

May-June 2012
The agency Salary Control Officer is responsible for reconciling BEACON Human Resources System (referred to in short as "HR" or BEACON) salaries and position counts to the authorized budget for salaries and position counts. At any time, the agency can access a BEACON position report called B0149 from the BEACON portal, and this can be used to make sure the Salary Control totals for the June 30, 2012 HR salaries and position counts match the BEACON totals for June 30. In addition, OSBM produces a report each night that shows the BEACON and OSBM totals together; this report on X/TND is called RK656. If an FTE change was made in BEACON but not documented on a BD606, the agency should consult with their OSBM analyst to determine if a BD606 can be approved, or whether the BEACON positions should be changed. After the position counts are equal, the salaries should be compared to make sure the authorized budget is sufficient to support the BEACON position salaries on an annual basis. If the budget is not sufficient, a BD606 or a BEACON adjustment is required otherwise, the positions in BEACON must be reduced to make the salary obligations equal or less than the annual authorized budget.

July 2012
After the June 30, 2012 position counts are finalized, those are entered into BPS with Function 7, to be part of the actual column of Worksheet I. This is required by fund and account for all budgeted codes that have positions.

July-August 2012
After the Legislature approves the Appropriation Bill, the 2012-13 budget is certified by OSBM, and all changes to the budgeted salaries or position counts are identified and documented in BPS and shown on the BD307 report.

Since the General Assembly approved an across-the-board salary increase for 2012-13, a Legislative Increase Transmittal will be provided by BEACON. OSBM will prepare a Position Schedule based on the June 30, 2012 salaries with the Legislative Increase added. This is a backup document for the Worksheet I but it may not match the Worksheet I salaries exactly if new positions or reorganizations are entered into BEACON after the LI is calculated.

Using data from BEACON, OSBM produces a statewide Position Schedule.

August 2012
The RK314 list of BD606 budget revisions for 2012-13 is reviewed through X/TND to mark any one-time adjustments with the code "O". BRS Function 5 is used to change processing codes on an approved BD606 document. Before the initial Worksheet I for

2013-15 is produced by OSBM, OSBM copies into BPS any 606s for 2012-13 that do not have the code "O" or "B". On August 20, 2012, OSBM will copy any remaining 2012-13 606s that do not have the code "O" or "B". After August 20, the agency must notify the OSBM analyst of any 606s that should be copied into the BPS Worksheet I.

September-October 2012
After the 2012-13 budget is certified by OSBM, the Worksheet I and Reconciliation Report for the 2013-15 can be requested with BPS Function 16 and viewed through X/TND. The certified/authorized columns of Worksheet I should include the budgeted salaries and position counts in the BD307 for July 1, 2012 plus the distribution of statewide reserves, reorganizations directed by the General Assembly and other permanent budget revisions authorized by OSBM. The BD307 may cause the position counts to be increased or decreased from the June 30, 2012 totals. The same detail transactions in BPS are sorted by line item to produce the Worksheet I report and sorted by reference number to produce the Reconciliation Report.

If the General Assembly funds positions with an effective date after July 1, 2012, the positions should be annualized by entering the difference in the increase columns.

If there is any movement of positions or salaries between budget codes, the BD606s for both budget codes must be included in the Worksheet I.

3.3   Fund Purpose Statements

As was done for the 2011-13 biennium, OSBM will be producing a document containing summaries of agency continuation budgets by fund, including fund purpose statements.

The fund purpose statements will be collected in OSBM's legacy system. The system will be available for updating fund purpose statements beginning September 4, 2012, at: **http://data.osbm.state.nc.us/fundpurpose**. Once logged in, select the option to edit Fund Purpose Statements to access your agencies information for updating. Click on the icon next to a fund title to display a form for editing the fund purpose statement. Follow the onscreen instructions and links to complete the forms and preview your work.

The legacy tool is not integrated with NCID. If you are not already set up on this system, you will need to register. There will be a brief delay in authorizing your registration. If you need assistance with the legacy system, please contact Paula Jones at (919) 807-4784 or paula.a.jones@osbm.nc.gov.

3.4   Continuation Budget Attachments and Appendices
Attachments
- **Completed Worksheet I (submit 1 hard copy)**
  - WSI - Summary of Total Continuation Budget Requests by Department [sample]
  - WSI - Summary by Purpose [sample]

- o WSI - Summary by Account [sample]
- o WSI - Detail Request [sample]
- o WSI - Position Count [sample]
- o WSI - Reconciliation of Requirements, Receipts, and Appropriation [sample]
- o WSI - Reconciliation of Position Counts and Budgeted Salaries [sample]

- **Supporting Schedules (submit 1 hard copy and 1 electronic copy in Excel format)**
  - o Attachment 3-1 – Explanation of Increases and Decreases [sample]
  - o Attachment 3-2 – Building Reserves/Annualizations Schedule [sample]
  - o Attachment 5-3 – Exception Request Form
  - o Attachment 3-3a – Equipment Purchase Schedule [sample]
  - o Attachment 3-3b – Motor Vehicle Purchase Schedule [sample]
  - o Attachment 3-3c – Other Vehicle Purchase Schedule [sample]
  - o Attachment 3-3d– Lease Schedule (Building/Office Lease) [sample]

Appendices
- Appendix 3-1 – Checklist for 2013-2015 Continuation Budget Request
- Appendix 3-2 – List of Budget Codes – online Excel file
- Appendix 3-3 – WSI Reference Document – sample with explanatory notes (prints on 11x17 paper)

4. STRATEGIC PLANNING

4.1   Strategic Planning Overview

Since January 2009, all agencies subject to Executive Order 3 have been required to have a strategic plan that is updated and submitted annually to OSBM and the Governor's Office. OSBM has published annual guidelines detailing strategic plan requirements. As advised in the September 2011 guidelines, <u>ALL</u> agencies, including those not subject to Executive Order 3, are required to submit certain strategic planning elements to OSBM through the 2013-15 budget development process. A template was included with those guidelines to enable agencies to prepare accordingly. As a result, all agencies should have the information required by this section readily available.

4.2   Strategic Planning Requirements

Agencies should review and update their strategic plans as necessary and submit the Strategic Planning form ([Attachment 4-1](#)) by **October 31, 2012.**   This form is intended to capture the specific elements of the strategic plan that will be published in conjunction with the Governor's Recommended Budget and will ultimately be captured in IBIS. Updated Strategic Planning guidelines are included in [Appendix 4-1](#) to assist agencies in preparing the required information. OSBM's Strategic Management section is also available to work with any agencies requesting additional assistance with strategic planning. Please contact Trevor Minor at (919) 807-4787 with any questions concerning the guidelines or strategic planning in general.

4.3.   Instructions for Completing the Strategic Planning Form ([Attachment 4-1](#))

Information submitted on the Strategic Planning Form must be consistent with information in the agency's current strategic plan. If an agency does not have a current strategic plan, please refer to the Strategic Planning guidelines in [Appendix 4-1](#) for general guidance and best practices on developing the required information. Specific instructions for completing the form are as follows:

4.3a   Agency Information (Tab 1)

Agency Name and Description (Tab 1, Lines 1 and 2) – Enter the agency name and a brief, high level description of the agency's major functions. The description should be concise and suitable for use in publications and presentations for the public. Do not use jargon or acronyms.

Agency Mission (Tab 1, Line 3) – Enter the agency's mission statement as it appears in the agency's current strategic plan. If an agency does not have a current strategic plan, please refer to the Strategic Planning guidelines in [Appendix 4-1](#) for general guidance and best practices on developing mission statements.

Agency Vision (Optional) (Tab 1, Line 4) – Vision statements are optional. If submitting a vision statement, it should be consistent with the agency's current strategic plan.

Link to Full Strategic Plan (Tab 1, Line 5) – Provide the web address for the agency's current strategic plan. This field is optional for agencies not subject to Executive Order 3.

4.3b   Goals, Objectives and Measures (Tabs 2-6)

For each agency, at least one goal is required (but no more than five). Each goal is also required to have at least one supporting objective (but no more than five), and each objective should have at least one measure (but no more than 3). These limits have been established in order to strike a balance between providing sufficient detail to aid decision-makers and inform the public while not overburdening them with too much information. Internally, agencies may establish and track as many goals, objectives and measures as they deem appropriate to effectively manage their agency. For purposes of reporting to OSBM, agencies should prioritize which goals, objectives and measures to submit.

This information should be entered on Tab 2 of the Strategic Planning Form (If reporting more than one goal, please use tabs 3-6 as appropriate). Fields have been provided to accommodate the maximum allowable goals, objectives and measures. ***Please do not add additional rows or delete unused rows as this form will be used to upload data into IBIS at a future date.***

Submitted goals, objectives and measures must be consistent with information in the agency's current strategic plan. If an agency does not have a current strategic plan, please refer to the Strategic Planning guidelines in Appendix 4-1 for general guidance and best practices on developing goals, objectives and measures. Specific instructions for completing the form are as follows:

Goals (Tab 2, Line 1) –Identify at least one, but no more than five goals. For additional goals, please use Tabs 3-6 as appropriate.

Objectives (Tab 2, Line 2) **–** For each goal, identify at least one, but no more than five objectives. The objective should be more specific than the goal, articulating a measurable outcome and timeframe for achieving the result (for example, *Increase childhood immunization rate to 85% by 2015).*

Measures (Tab 2, Lines 3-6) – For each objective, identify at least one, but no more than three measures for assessing progress towards achieving the objective. For each measure, the following is required:

- **Short Title** (Line 3) – Provide a brief title for the measure that is clear and easily understood by the public.
- **Description/Purpose** (Line 4) – Provide a brief description of what the measure is intended to show and why it is important.

- **Explain Trend** (Line 4) – Identify the desired trend for the measure (e.g. disease rate should ideally be decreasing).
- **Data Source** (Line 5) – Explain where the data comes from and how it is collected.
- **Methodology** (line 5) – Explain specifically how the measure is calculated and whether it is cumulative or non-cumulative.
- **Data Limitations** (Line 5) – Identify any limitations about the data, including factors that may be beyond the agency's control.
- **Proposed Targets** (Line 6) – Identify proposed targets for the measure for 2012-13, 2013-14, 2014-15, 2015-16. The targets should identify incremental progress towards the outcome and timeframe articulated in the objective.
- **Actuals** (Line 7) – Enter actual data for 2009-10, 2010-11, and 2011-12. (Note: data is reported based on fiscal year. If available data is based calendar year, please note this in the "Methodology" on Line 4 and enter 2009 data in 2009-12, 2010 data in 2010-11, etc.). If a measure is new and historical data is not available, enter "NA" for any years for which data is not available.

4.3c   Additional Guidance on Completing Measure Fields

For additional guidance on what information is expected for the measure fields requiring narrative explanation, please refer to the following example adapted from the Texas Department of Criminal Justice:

Short Title: Three-year Recidivism Rate
Description/Purpose: Recidivism rate is the percentage of offenders released from the Texas Department of Criminal Justice (TDCJ) Institutional Division (ID) to parole or mandatory supervision who are revoked and/or returned to ID within 36 months of release. This measure is intended to show the likelihood that offenders released from prisons will return to criminal activity. It is important because successful offender rehabilitation and reintegration into society upon release is a primary agency goal.
Explain Trend: The percentage should be decreasing to demonstrate that offender rehabilitation and reintegration programs are having the intended impact.
Data Source: Specialized statistical software (e.g., SPSS) is utilized to obtain a true random sample of 1,200 cases from consolidated data files of TDCJ-Institutional Division releases downloaded on a monthly basis from the mainframe computer system. Each case is then researched to determine whether the releasee was revoked and/or returned to ID within three years of release (the exact dates of the three-year follow-up are determined individually for each case in the sample).
Methodology: Outcome data is coded and entered into a PC database. SPSS is utilized to analyze the data and determine the total number of releasees in the sample revoked and/or returned to ID within three years of release. The total number is then divided by 1,200 to obtain the three-year recidivism rate.
Data Limitations: (1) Many societal and criminal justice factors beyond the agency's control affect the recidivism rate. (2) Prison admissions data is the traditional basis for recidivism rate calculation, but is subject to influence by the backlogging of state prisoners in county jails; the present measure counts releasees revoked to prison by the Board of Pardons and Paroles as recidivists irrespective of readmission.

5. PROGRAM INFORMATION

5.1 Background

OSBM has been working for the last couple of years to implement a program-based budgeting process. Prior to the last biennium, OSBM worked with agencies to develop program inventories and to map those programs to agency budgets. These inventories served as the basis for defining a program structure for each agency that will be used for collecting and reporting program information for the 2013-15 biennium.

OSBM used a standard set of criteria to review all previously submitted crosswalks and made modifications where necessary to ensure programs were defined consistently across agencies. Additionally, all programs within an agency have been grouped into "Strategic Program Areas" that will be used largely to provide the public with a meaningful, higher level view of the budget. In developing this hierarchical program structure, OSBM sought to strike a balance between providing sufficient detail to aid decision-makers while not overburdening them with too much information.

In a separate communication, OSBM will provide agencies with additional information on this revised program structure and will work with agencies to validate and finalize the supporting budget crosswalks. OSBM will be loading the program structure and budget crosswalk information in IBIS in the next few months. During the reconciliation process, agencies may be contacted by OSBM analysts if any outstanding items are identified that need to be corrected in the crosswalk.

For the FY 2013-15 biennium, data collection efforts will be primarily at the Strategic Program Area (SPA) level. For most agencies, this will significantly reduce the amount of information that needs to be reported compared to what was initially planned for FY 2011-13. This information will be published in conjunction with the Governor's Recommended Budget, so please ensure all narrative responses are clear, concise and easily understood.

5.2 Program Information Form Overview ([Attachment 5-1](#))

Each agency will be provided a copy of their final program structure. Based on this structure, agencies are required to submit a Program Information form (Attachment 4-1) for each SPA. Agencies will provide a description of the SPA and of each program within the SPA. Goal, objective and measure data is also required for each SPA. All Program Information Forms should be submitted electronically by **October 31, 2012.**

5.3 Instructions for Submitting Program Information Form ([Attachment 5-1](#))

5.3a Strategic Program Area (SPA) and Program Descriptions (Tab 1)

Strategic Program Area (Tab 1, Line 1) – Enter the name of the SPA for which the form is being completed. The name should be entered exactly as it appears on the program structure.

SPA Description (Tab 1, Line 2) – Enter a description of the SPA. The Description should explain the overarching purpose of the SPA and briefly describe the major programs included in the SPA. Do not simply provide a list of the programs. Explain how those programs work together to address a common problem, interest or need. Descriptions should be concise and suitable for use in publications and presentations for the public. Do not use jargon or acronyms.

Program Name (Tab 1, Line 3) – For each program included in the SPA, enter the program name as it appears on the program structure for your agency.

Program Description (Tab 1, Line 4) – Provide a brief description of the program. The description should explain the purpose of the program; succinctly state the specific problem, interest or need the program addresses; and briefly describe services provided. Descriptions should be concise and suitable for use in publications and presentations for the public. Do not use jargon or acronyms.

Repeat Lines 3-4 for every program included in the SPA.

5.3b   **SPA Goals, Objectives and Measures (Tabs 2-6)**

Goal, objective, and measure data is required for each SPA. At least one goal is required. Each goal is also required to have at least one supporting objective, and each objective should have at least one measure. This information should be entered on Tab 2 of the Program Information Form (If reporting more than one goal, please use tabs 3-6 as appropriate).

It may be useful to refer to the Strategic Planning guidelines in Appendix 4-1 for general guidance and best practices on developing goals, objectives and measures. However, keep in mind that goals and objectives should be more narrowly focused than those contained in the agency's strategic plan and should be specific to the programs contained within the SPA. Specific instructions for completing the form are as follows:

SPA Goals (Tab 2, Line 1) – For each SPA, identify at least one, but no more than five goals. At the SPA level, goals may be cross-cutting (multiple programs within the SPA contribute to the goal) or they may be specific to one program within the SPA. SPA goals should be linked to the goals in the agency's strategic plan, but should be more narrowly focused on the specific programs contained within the SPA. For additional goals, please use Tabs 3-6 as appropriate.

SPA Objectives (Tab 2, Line 2) **–** For each goal, identify at least one, but no more than five, objectives. The objective should be more specific than the goal, articulating a

measurable outcome and timeframe for achieving the result (for example, *Increase childhood immunization rate to 85% by 2015).* Similar to the SPA goal, objectives may be crosscutting or specific to one program within the SPA. Space has been provided for up to three objectives; if reporting additional objectives, copy and insert lines 2-6 as needed.

SPA Measures (Tab 2, Lines 3-6) – For each objective, identify at least one measure for assessing progress towards achieving the objective. For each measure, the following is required (for additional guidance on completing measure fields, please see the example provided in):

- **Short Title** (Line 3) – Provide a brief title for the measure that is clear and easily understood by the public.
- **Description/Purpose** (Line 4) – Provide a brief description of what the measure is intended to show and why it is important.
- **Explain Trend** (Line 4) – Identify the desired trend for the measure (e.g. disease rate should ideally be decreasing).
- **Data Source** (Line 5) – Explain where the data comes from and how it is collected.
- **Methodology** (line 5) – Explain specifically how the measure is calculated and whether it is cumulative or non-cumulative.
- **Data Limitations** (Line 5) – Identify any limitations about the data, including factors that may be beyond the agency's control.
- **Proposed Targets** (Line 6) – Identify proposed targets for the measure for 2012-13, 2013-14, 2014-15, 2015-16. The targets should identify incremental progress towards the outcome and timeframe articulated in the objective.
- **Actuals** (Line 7) – Enter actual data for 2009-10, 2010-11, and 2011-12. (Note: data is reported based on fiscal year. If available data is based calendar year, please note this in the "Methodology" on Line 4 and enter as 2009 data in 2009-12, 2010 data in 2010-11, etc.). If a measure is new and historical data is not available, enter "NA" for any years for which data is not available.

6. CHANGE BUDGET

The change budget consists of all proposals for expansion or reduction from the continuation budget. In support of budget and resource planning for the 2013-15 biennium, agencies are asked to identify requests for critical needs as well as opportunities for savings from efficiencies. It is imperative that agencies provide expansion and reduction submissions in a timely manner in order to provide the information and options necessary for the Governor-elect to develop final budget recommendations. Agencies should also anticipate the possibility for subsequent requests for budget proposals from the new Administration.

In developing expansion requests, highest priority should be given to gaps and unmet needs for mission critical services. The sum total of all General Fund appropriation expansion requests for the 2013-15 biennium shall not exceed 2 percent of that agency's 2012-13 certified appropriation, unless the agency receives prior written approval from the Office of State Budget and Management (OSBM).

In addition, agencies are required to develop 2 percent reduction options (based on the 2012-13 certified appropriation) that would enable reallocation of resources to higher priority needs. Detailed instructions for submitting expansion and reduction proposals are below.

6.1   Expansion Budget Overview

The expansion budget includes the following:
- Additional operating funds above those allowed in the continuation budget, including new and/or pilot programs.
- Departmental proposals to change a statutorily-controlled program by redirecting funds from one program to another.
- One-time major equipment purchases.
- Continued phase-in of new programs initiated in a previous biennium.
- Salary increases.
- Information technology projects.
- Funds to replace lost federal funds.

Limitations on Expansion
The sum total of all General Fund appropriation expansion requests (Worksheet IIs) for the 2013-14 and 2014-15 biennium shall not exceed 2 percent of that agency's 2012-13 certified appropriation, unless the agency receives prior written approval from the Office of State Budget and Management (OSBM). Agencies may submit expansion requests that exceed the 2 percent threshold without prior approval only if the expansion requests are accompanied by funding or program reductions equal to or greater than the expansion requests (and in addition to the requirement for 2 percent reduction options). Any reductions that support an expansion request shall be submitted on a separate Worksheet II Reduction Options form (Attachment 6-4) and include references to the expansion requests they support in the narrative section.

In addition to General Fund appropriation expansion requests, agencies should also submit Worksheet IIs for expansion requests supported from 100% Non-General Fund sources (federal funds or other receipts) or if an expansion item is supported from cash balances in non-reverting funds.

Any expansion request that is related to information technology must conform to the process and requirements found in Section 7.

6.2   Worksheet II Expansion Budget Overview

The *Summary List of Expansion Budget Requests* (Attachment 6-1) and *Worksheet II* (Attachment 6-2) must be used for official expansion requests. The Summary List must be completed and submitted with the Worksheet II to OSBM by **October 31, 2012**. Submit the expansion schedules electronically via e-mail or CD-ROM in Excel format (do not convert to a PDF document), and submit two (2) hard copies on 8 1/2" by 11" paper. Incomplete requests will not be considered by OSBM. (Note: If cost centers are required to crosswalk the budget to the agency's program structure, budget detail must be entered at the cost center level.)

6.3   Worksheet II Expansion Budget Instructions

6.3a   Summary List and Priority of Funding (Attachment 6-1)
On the Summary List of Expansion Requests, summarize each request into one list of short, concise sentences with the total funds requested shown in the columns for 2013-14 and 2014-15. Each item involving receipts must show total requirements, estimated receipts, and appropriation requested. Show the number of positions directly beneath the requested appropriation. Attachment 6-1 is used for the Summary List of Expansion Requests. Attachment 6-2 (Worksheet II) must be submitted for the top ten priority items in the expansion request. Worksheet IIs for other priorities should be available on request.

- Line 1 indicates the name of the **Agency** submitting the request.

- Line 2 indicates the **Priority Number** for the expansion request. The **Title of Request** is a brief description of the expansion item being requested. If priority number is not indicated by the agency, OSBM will assume that items are listed in priority order starting with the first item on the summary list.

- Line 3 indicates the total **Requirements** for the expansion items for fiscal years 2013-14 and 2014-15, respectively.

- Lines 4a, 4b, and 4c indicate **Receipts** for the expansion request.
  - Line 4a indicates **Federal receipts** which support the requirements for the expansion item for fiscal years 2013-14 and 2014-15, respectively.
  - Line 4b indicates **Local receipts**, which support the requirements for the expansion item for fiscal years 2013-14 and 2014-15, respectively.
  - Line 4c indicates **Other receipts**, which support the requirements for the

expansion item for fiscal years 2013-14 and 2014-15, respectively.

- Line 5 indicates **Appropriation** support for the expansion item for fiscal years 2013-14 and 2014-15, respectively.

- Line 6 indicates the total **Number of Positions** (rounded to the third decimal) requested for the expansion item for fiscal years 2013-14 and 2014-15, respectively.

  Note: Repeat the instructions for lines 2 - 6 for each expansion request.

- Line 7 indicates **Total Requirements** for *all* expansion items *requested* for fiscal years 2013-14 and 2014-15, respectively.

- Lines 8a, 8b, and 8c indicate **Total Receipts** for all expansion items requested.
  - Line 8a indicates **Total Federal Receipts**, which support the requirements for the expansion items for fiscal years 2013-14 and 2014-15, respectively.
  - Line 8b indicates **Total Local Receipts**, which support the requirements for the expansion items for fiscal years 2013-14 and 2014-15, respectively.
  - Line 8c indicates **Total Other Receipts** that support the requirements for the expansion items for fiscal years 2013-14 and 2014-15, respectively.

- Line 9 indicates **Total Appropriation** for all expansion items for fiscal years 2013-14 and 2014-15, respectively.

- Line 10 indicates **Total Positions** (rounded to the third decimal) for all expansion items for fiscal years 2013-14 and 2014-15, respectively.

6.3b   Worksheet II Expansion Budget (Attachment 6-2)
Funds for expansion items are requested on the Worksheet II expansion form. A separate Worksheet II must be completed and submitted by the agency for each expansion item.

Instructions for completion of the Worksheet II are:
- Line 1 indicates the **Budget Cycle** for the expansion item. This is set as the 2013-15 biennial budget.

- Line 2 indicates the **Budget Code** number, the **Department** title, and the **Division** or **Institution** for which the expansion request is submitted.

- Line 3 indicates the North Carolina Accounting System (NCAS) operating **Fund Code** and **Fund Title** for which the expansion request is submitted. If an expansion request covers more than one fund, list all funds affected.

- Line 4 indicates the **Title of the Request** for which the Worksheet II is prepared.

- Line 5 indicates the **Specific Type of Request** from the dropdown menu.

- Line 6 provides a brief **Description of the Request** for which the Worksheet II is prepared.

- Line 7 provides a description of the **Problem(s)/Issue(s) Being Addressed** through the expansion request. Identify the issues, why it constitutes a problem, and why it is appropriate at the current time to address the problem.

- Line 8 provides a description of the **Anticipated Outcome/Impact after Implementation of Changes** if the expansion request was granted. Discuss how the expansion request will address the identified problem and the expected result. Use quantified statements as necessary.

- Line 9 provides a description of the **Relationship to Agency goals and agency key indicators.** Discuss how the expansion request relates to the agency's goals and how it will influence key performance indicators. Identifying connections to the agency's strategy as necessary.

- Lines 10, 11, 12, and 13 indicate **Totals** for the expansion request:
    - Line 10 indicates the **Total Requirements** for the expansion budget request as shown on Line 15, page 2, for fiscal years 2013-14 and 2014-15.
    - Line 11 indicates the **Total Receipts** for the expansion budget request as shown on Line 18, page 2, for fiscal years 2013-14 and 2014-15.
    - Line 12 indicates the total **Appropriation** for the expansion budget request as shown on Line 19, page 2, for fiscal years 2013-14 and 2014-15.
    - Line 13 indicates the **Total Positions** (rounded to third decimal) for the expansion request as shown on Line 21, page 3, for fiscal years 2013-14 and 2014-15.

    Note: When Lines 14-21 are completed, the first two data columns of lines 10-13 will populate automatically. Enter the recurring and non-recurring requirements, receipts, and positions for lines 10, 11, and 13.

- Line 14 indicates the detail of the **Requirements** for the expansion request. The Account (Object) Number and Title are the NCAS expenditure **Account (Object) Number** and **Account Title** at the six-digit level of detail. (**Note: If cost centers are required to crosswalk the budget to the agency's program structure, budget detail must be entered at the cost center level.**)

    The amounts shown in the 2013-14 and 2014-15 columns reflect the incremental change in the funding required to implement the request. The projection of the requirements for future fiscal years should include the incremental change in funding required to continue funding for the request. The purpose of this projection is to show where there is increased cost to the state as a result of funding the expansion request. (This would not include projecting future legislative salary increases.)

    Fringe benefits for new positions should be based on the rates shown in Section 3.2a-7.

    Equipment to support new positions should be requested in the year the position is established. Other equipment related to the expansion request should be requested in the appropriate year.

The Actual 2011-12 and Authorized 2012-13 columns must be filled in and should reflect activity directly related to the expansion request. They should not be an aggregate of every possible related activity. For example, if the expansion request is to increase funding for a particular project or program, then show prior year actual activity and current authorized budget for the project or program.

- Line 15 indicates the total **Requirements** of the *existing program* as shown in the continuation budget for 2011-12 Actual, and 2012-13 Authorized. The requirements shown for fiscal years 2013-14 through 2017-18 indicate the total of the incremental change required for implementation of the expansion request.

- Line 16 indicates the total **Full Time Equivalent** (FTE) positions of the *existing program* as shown in the continuation budget for 2011-12 Actual and 2012-13 Authorized. The FTE positions shown for fiscal 2013-14 through 2017-18 indicate the total positions required for implementation of the expansion request. (Detail of the positions included in the expansion request is provided on Page 3, Line 20.)

- Line 17 indicates the detail of the **Receipts** for the expansion request. The Account number and title are the NCAS receipt **Account Number** and **Account Title** of the Account detail. The amounts shown in the 2013-14 and 2014-15 columns reflect the incremental increase in the level of receipts anticipated for implementation of the expansion request. Whenever possible, agencies should also recommend dedicated receipt or revenue sources that are currently unbudgeted to support their expansion request. If specific statutory authority is needed, attach recommended statutory or special provision language, which can provide authority for dedicated receipt and revenue sources. Agencies should survey and review best practices in other states or government organizations that operate similar programs and analyze the feasibility of dedicated revenue sources, instead of general fund appropriations, to support their expansion requests.

- Line 18 indicates the **Receipts** of the *existing program* as shown in the continuation budget for 2011-12 Actual and 2012-13 Authorized. The receipts shown for fiscal years 2013-14 through 2017-18 indicate the total incremental increase in receipts for the expansion request.

- Line 19 indicates the **Appropriation** of the *existing program* as shown in the continuation budget for 2011-12 Actual and 2012-13 Authorized. The appropriation shown for fiscal years 2013-14 through 2017-18 indicates the incremental change in the total appropriation for the expansion request.

- Line 20 indicates the detail of positions requested by **Fund Code, Cost Center, Account Number,** Salary **Grade**, State Personnel **Classification**, **Effective Date**, **Retirement Program, Other Information,** the **FTE** (rounded to third decimal) for fiscal years 2013-14 and 2014-15, the **Annual Salary** of the position, and the **Budgeted Salary** for fiscal years 2013-14 and 2014-15. The effective date shall be July 1 unless there are extenuating circumstances that would necessitate a later effective date (such as positions that would support a facility upon the completion of

a construction project). Prior approval from your OSBM budget analyst is required before requesting positions with an effective date later than July 1.

Requested Salary Levels:
- The requested salary level for each new position that is not in a banded class should reflect the midpoint for the appropriate classification as authorized by the Office of State Personnel, unless otherwise justified in the Narrative. This justification should thoroughly address market conditions, high cost geographic considerations and related factors that prohibit the agency from hiring at the midpoint. (If a position is funded from multiple sources, indicate the source and the percentage of funding from each source in the classification column.)
- The requested salary level for each new position that is in a banded classification should reflect the established market or reference rate for the requested level of the banded class (contributing, journey, or advanced) as authorized by the Office of State Personnel, unless otherwise justified in the Narrative. This justification should thoroughly address market conditions, high cost geographic considerations and related factors that prohibit the agency from hiring at the established market or reference rate for the banded class. (If a position is funded from multiple sources, indicate the source and percentage of funding from each source in the classification column.)

- Line 21 indicates the FTE (rounded to third decimal) **Total Number** and **Budgeted Salary** of the positions for the expansion budget request for fiscal years 2013-14 and 2014-15. This FTE information should agree with the information shown for fiscal years 2013-14 and 2014-15 on Page 2, Line 15.

- Line 22 indicates **Additional Resources** required from another agency to support the request.

- Line 23 indicates the **Name of the Agency** and the additional cost for the agency to support the request.

- Line 24 indicates any impacts on local governments associated with the request.

- Line 25 and 26 indicate whether it is necessary to include a **Special Provision**, a **General Statute** change, or if a new statute is required to implement the request. A draft of the legislation must be attached to the expansion request.

- Line 27 indicates whether there is a **Capital Improvement Project** associated with the expansion request.

- Line 28 indicates the **Capital Improvement Project Title,** which relates to the request.

- Line 29 indicates the Capital Improvement **Budget Code Number,** the **Item Number**, and the **Projected Completion Date** of the project, which relates to the request. The **Budget Code Number** is represented by 4xxxx. The second and third numbers represent the fiscal year of the project, (such as 494xx) and the fourth and fifth numbers represent the department's two-digit identification assigned by OSBM.

Contact the Capital Improvement Section of OSBM if you have questions about the code number (919-807-4700). The **Item Number** should be the same as the Item Number on your Capital Improvement Project request.

- Line 30 indicates the need for additional **Space Requirements** per G.S. 120-36.7(c).

- Line 31 indicates the **Type of Space** (office, storage, other) required for the request. Check the appropriate type.

- Line 32 indicates **Additional Square Footage Required** for the request for fiscal years 2009-10 through 2013-14.

- Line 33 indicates estimated additional annual **Cost of the Space Requirements** for five state fiscal years.

- Lines 34 and 35: Each request that requires additional vehicles from the state motor pool must indicate the number of additional cars required to support the request. If the request requires additional resources from another agency, the details of those requirements should be included in the justification.

- Lines 36 and 37 indicate if this request has an IT component and if so, whether that project has been entered in the Office of Information Technology Services' Project Portfolio Management Tool.

Business Case for Lease Purchases and Installment Purchases
If a submitted expansion request involves a lease or installment purchase of equipment, a business case must be completed and submitted with Worksheet II. The business case assists in evaluating the most beneficial method of acquiring a commodity when considering a lease purchase or installment purchase. OSBM reviews the business cases as part of the expansion budget approval process. The documents required for completion of the business case are included as Attachment 6-3 of the Expansion Budget Attachments. Included are the following:

- General guidelines and instructions
- Template for a business case narrative
- Template for financial analysis
- Template for risk analysis
- Template for recommendations

6.4   Reduction Options Overview

Each state agency shall develop 2 percent reduction options using the attached template (based on the 2012-13 certified appropriation). These reduction options should attempt to minimize the impact on direct services to citizens, as well as the impact on statutorily mandated or "core mission" government services. Specifically, reduction strategies should do the following:

- Eliminate duplicative and underperforming programs.

- Streamline and consolidate programs, offices and services.
- Reduce operating funds due to service efficiencies.
- Reduce layers of management and administration.
- Budget receipts where appropriate to offset appropriation requirements.

To evaluate the reduction options and provide on-going savings, agencies' reduction options must adhere to the following guidelines:

1. Reductions should be recurring.
2. Proposals to eliminate programs, offices, or services should include specific plans for phasing out positions.
3. Reductions to capital improvements projects are not allowed.
4. Negative reserves are not allowed.

Agencies shall work with their OSBM budget analyst when developing their budget reduction options. Detailed instructions for preparing reduction options are provided below. **Agency reduction options are due to OSBM by Wednesday, October 31, 2012.**

6.5 Worksheet II Reduction Options Overview

The Summary List of Budget Reduction Options (Attachment 6-4) and Worksheet II Reduction Option form (Attachment 6-5) must be used for submitting Reduction Options. The completed Summary List must be completed and submitted with the detailed Worksheet II Reduction Option forms to OSBM by **October 31, 2012**.

6.6 Worksheet II Reduction Option Instructions

6.6a Summary List of Budget Reduction Options (Attachment 6-4)
All requests for budget decreases will be categorized on the Summary List of Budget Reduction Options form. The Summary List of Budget Reduction Options will comprise all budget reduction options for a Department/Agency. The completed Summary List must be submitted with the detailed Worksheet II Reduction Option forms to OSBM by October 31, 2012.

On the Summary List of Budget Reduction Options, summarize each request into one list of short, concise sentences with the total funds requested shown in the columns for 2013-14 and 2014-15. Each item involving receipts must show total decreases for requirements, estimated receipts, and appropriation. Show the number of positions directly beneath the requested appropriation decrease.

- Line 1 indicates the name of the **Agency** submitting the request.

- Line 2 indicates the **Title of Reduction Option.** The title is a brief description of the reduction item being proposed.

- Line 3 indicates the total decrease in **Requirements** for the reduction options for fiscal years 2013-14 and 2014-15, respectively.

- Lines 4a, 4b, and 4c indicate **Receipts** for the reduction option.
  - Line 4a indicates **Federal receipts** associated with the reduction item for fiscal years 2013-14 and 2014-15, respectively.
  - Line 4b indicates **Local receipts** associated with the reduction item for fiscal years 2013-14 and 2014-15, respectively.
  - Line 4c indicates **Other receipts** associated with the reduction item for fiscal years 2013-14 and 2014-15, respectively.

- Line 5 indicates the decrease in **Appropriation** for the reduction item for fiscal years 2013-14 and 2014-15, respectively.

- Line 6 indicates the decrease in **Number of Positions** (rounded to the third decimal) for the reduction item for fiscal years 2013-14 and 2014-15, respectively.

  Note: Repeat the instructions for lines 2 - 6 for each reduction option.

- Line 7 indicates the decrease in **Total Requirements** for *all* reduction options for fiscal years 2013-14 and 2014-15, respectively.

- Lines 8a, 8b, and 8c indicate **Total Receipts** for all reduction options.
  - Line 8a indicates **Total Federal Receipts** associated with the reduction item for fiscal years 2013-14 and 2014-15, respectively.
  - Line 8b indicates **Total Local Receipts** associated with the reduction item for fiscal years 2013-14 and 2014-15, respectively.
  - Line 8c indicates **Total Other Receipts** associated with the reduction item for fiscal years 2013-14 and 2014-15, respectively.

- Line 9 indicates the decrease in **Total Appropriation** for all reduction options for fiscal years 2013-14 and 2014-15, respectively.

- Line 10 indicates the decrease in **Total Positions** (rounded to the third decimal) for all reduction options for fiscal years 2013-14 and 2014-15, respectively.

6.6b   Worksheet II Reduction Options ([Attachment 6-5](#))
All submissions for budget reduction options will be made via completion of a Worksheet II Reduction Option form ([Attachment 6-5](#)). A separate Worksheet II must be completed by the agency for each reduction item outlined on the Summary List of Budget Reduction Options.

Instructions for completion of the Worksheet II are:
- Line 1 indicates the **Budget Cycle** for the reduction option. This is set as the 2013-15 biennial budget.

- Line 2 indicates the **Budget Code** number, the **Department** title, and the **Division** or **Institution** for which the reduction option is submitted.

- Line 3 indicates the North Carolina Accounting System (NCAS) operating **Fund Code** and **Fund Title** for which the reduction option is submitted. If an reduction option covers more than one fund, list all funds affected.

- Line 4 indicates the **Title of the Option** for which the Worksheet II is prepared.

- Line 5 indicates the **Specific Type of Option** from the dropdown menu.

- Line 6 provides a brief **Description of the Option** for which the Worksheet II is prepared.

- Line 7 provides a description of the **Necessary Changes in Business Operations or Processes as a Result of the Reduction**. A brief explanation detailing proposed operational changes should be provided.

- Line 8 provides a description of the **Anticipated Outcome/Impact after Implementation of Changes** if the reduction option was implemented. Use quantified statements as necessary.

- Lines 9, 10, 11 and 12 indicate **Totals** for the option:
  - Line 9 indicates the **Total Requirements** for the reduction option as shown on Line 13, page 2, for fiscal years 2013-14 and 2014-15.
  - Line 10 indicates the **Total Receipts** for the reduction option as shown on Line 16, page 2, for fiscal years 2013-14 and 2014-15.
  - Line 11 indicates the total **Appropriation** for the reduction option as shown on Line 17, page 2, for fiscal years 2013-14 and 2014-15.
  - Line 12 indicates the **Total Positions** (rounded to third decimal) for the reduction option as shown on Line 19, page 3, for fiscal years 2013-14 and 2014-15.

  Note: When Lines 13-20 are completed, the first two data columns of lines 9-12 will populate automatically. Enter the recurring and non-recurring requirements, receipts, and positions for lines 9, 10 and 11.

- Line 13 indicates the detail of the **Requirements** for the reduction option. The Account (Object) Number and Title are the NCAS expenditure **Account (Object) Number** and **Account Title** at the six-digit level of detail.

  The amounts shown in the 2013-14 and 2014-15 columns reflect the change in the funding as a result of implementing the reduction option.

  The Actual 2011-12 and Authorized 2012-13 columns must be filled in and should reflect activity directly related to the reduction option. They should not be an aggregate of every possible related activity. For example, if the reduction option is to decrease funding for a particular project or program, then show prior year actual activity and current authorized budget for the project or program.

- Line 14 indicates the total **Requirements** of the *existing program* as shown in the continuation budget for 2011-12 Actual and 2012-13 Authorized. The requirements shown for fiscal years 2013-14 through 2017-18 indicate the funding decrease as a resulting from the implementation of the budget option.

- Line 15 indicates the total **Full Time Equivalent** (FTE) positions of the *existing program* as shown in the continuation budget for 2011-12 Actual and 2012-13 Authorized. The FTE positions shown for fiscal 2013-14 through 2017-18 indicate the total positions reduced as a result of the implementation of the reduction option. (Detail of the positions included in the reduction is provided on Page 3*,* Line 19.)

- Line 16 indicates the detail of the **Receipts** for the reduction option. The Account number and title are the NCAS receipt **Account Number** and **Account Title** of the Account detail. The amounts shown in the 2013-14 and 2014-15 columns reflect the decrease in the level of receipts anticipated for implementation of the reduction option.

- Line 17 indicates the **Receipts** of the *existing program* as shown in the continuation budget for 2011-12 Actual and 2012-13 Authorized. The receipts shown for fiscal years 2013-14 through 2017-18 indicate the total decrease in receipts for the reduction option.

- Line 18 indicates the **Appropriation** of the *existing program* as shown in the continuation budget for 2011-12 Actual and 2012-13 Authorized. The appropriation shown for fiscal years 2013-14 through 2017-18 indicates the decrease in the total appropriation as a result of implementing the reduction option.

- Line 19 indicates the detail of positions requested by **Fund Code, Cost Center, Account Number,** Salary **Grade**, State Personnel **Classification**, **Effective Date**, **Retirement Program, Position Status (indicate vacant or filled via the dropdown menu),** the **FTE** (rounded to third decimal) for fiscal years 2013-14 and 2014-15, the **Annual Salary** of the position, and the **Budgeted Salary** for fiscal years 2013-14 and 2014-15. The effective date shall be July 1 unless there are extenuating circumstances that would necessitate a later effective date.

- Line 20 indicates the FTE (rounded to third decimal) **Total Number** and **Budgeted Salary** of the positions for the reduction option for fiscal years 2013-14 and 2014-15. This FTE information should agree with the information shown for fiscal years 2013-14 and 2014-15 on Page 2, Line 14.

- Line 21 indicates **Additional Resources** required from another agency to support the reduction option.

- Line 22 indicates the **Name of the Agency** and the additional cost for the agency as a result of implementing this reduction option.

- Line 23 indicates any impacts on local governments associated with the reduction option.

- Line 24 and 25 indicate whether it is necessary to include a **Special Provision**, a **General Statute** change, or if a new statute is required to implement the reduction option. A draft of the legislation must be attached to the reduction option.

- Line 26 indicates whether there is a **Capital Improvement Project** associated with the reduction option.

- Line 27 indicates the **Capital Improvement Project Title,** which relates to the option.

- Line 28 indicates the Capital Improvement **Budget Code Number,** the **Item Number**, and the **Projected Completion Date** of the project, which relates to the option. The **Budget Code Number** is represented by 4xxxx. The second and third numbers represent the fiscal year of the project, (such as 494xx) and the fourth and fifth numbers represent the department's two-digit identification assigned by OSBM. Contact the Capital Improvement Section of OSBM if you have questions about the code number (919-807-4700). The **Item Number** should be the same as the Item Number on your Capital Improvement Project request.

- Line 29 indicates the need for additional **Space Requirements** per G.S. 120-36.7(c).

- Line 30 indicates the **Type of Space** (office, storage, other) required for the reduction option. Check the appropriate type.

- Line 31 indicates **Additional Square Footage Required** for the request for fiscal years 2013-14 through 2017-18.

- Line 32 indicates estimated additional annual **Cost of the Space Requirements** for five state fiscal years.

- Lines 33 and 34: Each option that requires additional vehicles from the state motor pool must indicate the number of additional cars required. If the option requires additional resources from another agency, the details of those requirements should be included in the justification.

- Lines 35 and 36 indicate if this reduction option has an IT component and if so, whether that project has been entered in the SCIO's Project Portfolio Management Tool.

6.7   Change Budget Attachments

- Attachment 6-1 – Summary List of Expansion Budget Requests
- Attachment 6-2 – Worksheet II Expansion Budget Request
- Attachment 6-3 – Business Case for Equipment Lease or Installment Purchases
- Attachment 6-4 – Summary List of Reduction Options
- Attachment 6-5 – Worksheet II Reduction Options

7. INFORMATION TECHNOLOGY

7.1   Information Technology Overview

Information technology is defined as electronic data processing goods and services, telecommunications goods and services, security goods and services, microprocessors, software, information processing, office systems, any services related to the foregoing, and consulting or other services for design or redesign of information technology supporting business processes including personnel. (G.S. 147-33.81(2))

Senate Bill 1005 (Appropriations Bill) of the 2001 Session of the General Assembly set forth requirements, paraphrased as follows:
- Any department desiring to request financial aid of $100,000 or greater from the State for the purpose of acquiring or maintaining technology shall submit to the State Chief Information Officer (CIO) a statement of its needs, and furnish the CIO with any additional information required by the CIO.
- The CIO shall review the statements of need and perform additional analyses as necessary.
- The CIO shall make recommendations to the Governor regarding the merits of the above requests.

Senate Bill 991 of the 2003 Session of the General Assembly set forth requirements, paraphrased as follows:
- The CIO shall review all new information technology projects that exceed $500,000 in lifecycle costs for quality assurance and no agency shall proceed with such an information technology project until the CIO approves the proposal.
- The CIO may suspend any such project that does not maintain quality assurance.
- The CIO shall determine the proper degree of review for projects that are less than or equal to $500,000 in lifecycle costs.

7.2   Information Technology Instructions

Submission of information concerning requests for information technology projects is required by both the State CIO and OSBM. All agencies submitting expansion requests for IT projects, or where there is a large IT component, that exceed $100,000 in total requirements, regardless of funding source, for which funds have not been appropriated, shall complete both the IT Project Portfolio Management Tool (PPM) and the OSBM Worksheet II spreadsheet in order for the request to be considered. The PPM tool is located at **https://www.ppm.state.nc.us/UMTNC/** .

Submissions of IT project information in the online project portfolio tool should be completed by **October 31, 2012**, the same due date as the Worksheet II. Attach the Worksheet II information to the submission in the online tool. For further information on how to submit a request in the online tool, see the 2013-15 IT Expansion Budget Request Instructions at http://www.epmo.scio.nc.gov/services/ITExpansionBudgetRequests.aspx.

The Worksheet II spreadsheet is available from the OSBM Website.

Refer to section 3.9 of *The State of North Carolina Budget Manual* for additional details.

8. CAPITAL IMPROVEMENT PLAN AND BUDGET

Capital projects, such as land acquisitions, new construction, rehabilitation of existing facilities, and repairs and renovations, are submitted as part of the six-year Capital Improvement Plan and Capital Improvement Budget. The Worksheet III process is used to develop the 2013-19 Capital Improvement Plan, with the first two years of the plan guiding the 2013-15 Governor's Recommended Capital Improvement Budget. Both the Capital Improvement Plan and the Capital Improvement Budget are submitted to the General Assembly at the beginning of the 2013 session in January. One-time major equipment purchases must be requested in the operating expansion budget (Worksheet II).

The Worksheet III forms are designed to assist OSBM with preparing the six-year Capital Improvement Plan in accordance with G.S. 143C-8-5. **Do not modify the forms.** Contact your OSBM analyst if you have questions or experience technical problems while completing the Worksheet III forms.

Worksheet III forms and all required attachments must be submitted to your OSBM analyst by October 31, 2012.

8.1   Capital Overview
Definitions
Capital Budget Request (C) – any budget request for land acquisitions, new construction, or rehabilitation of existing facilities

Capital Improvement Request (CI) – refers collectively to all types of capital improvement requests including *Capital Budget Requests* and *Repair and Renovation Requests*.

Capital Improvement Plan – the Governor's recommended six-year plan for funding statewide capital improvement projects as required by G.S. 143C-8-5. The first two years of the 2013-19 plan help guide the Governor's recommended Capital Improvement Budget.

Repair and Renovations Request (R&R) – any budget request for roof repairs; structural repairs; repairs to meet federal and State standards; electrical, plumbing, and HVAC repairs; ADA, fire safety, and energy efficiency improvements; renovations to improve existing space; historical renovations; removal of asbestos, lead paint, and other contaminants; and improvements to roads, walks, drives, drainage, and landscaping. Note that major comprehensive renovations to a building are considered rehabilitation and should be requested through the Capital Budget Process, not through the Repair and Renovations Process.

HIGHLIGHTS
- **All capital improvement requests must be submitted on a Worksheet III including requests to be funded completely from non-General Fund sources (NGF). There are two new forms, *Worksheet III-NGF Non General Fund Summary and Worksheet III-R***

NGF Non General Fund Summary, **for the non-General Fund projects to be listed and prioritized by the agency and also the self-liquidating bill.**

- **Provide <u>certified</u> OC-25 Cost Estimates for all projects requested for the 2013-15 biennium; OC-25 Cost Estimates for 2015-19 may be agency generated (not certified by SCO).**

8.1a   Worksheet III

Worksheet III forms are used for requesting capital improvement funds and identifying capital improvement needs for the 2013-15 biennial budget and six-year Capital Improvement Plan including R&R needs . The Worksheet III process is divided into two parts and requires the submission of the following forms:

8.1b   Capital Budget Requests (land acquisitions, new construction, rehabilitation/major renovation projects)

Required Forms:
- *Worksheet III-C Summary* – Lists all Capital Budget Requests supported in whole or part from General Fund appropriations in priority order for the six year planning period (2013-19). DO NOT request all of the department's projects in the first two years. This process is intended to identify a department's needs for the next six fiscal years.
- *Worksheet III-C Capital Budget Request* – Provides project descriptions, justifications, six-year funding schedules, and other CI related information for Capital Budget Requests. This form must be completed for every request (General Fund and non-General Fund) for the 2013-15 biennium. Priorities, Project Titles and funding must match data listed on the *Worksheet III-C Summary and Worksheet III-NGF Summary.*
- *Worksheet III-NGF Non General Fund Summary* – Lists all Capital Budget Requests supported from 100% non-General Fund appropriations in priority order for the six year planning period (2013-19). Do not list any projects in the first two years for which you do not anticipate having the receipts.

8.1c   Repair and Renovation Requests

Required Forms:
- *Worksheet III-R Summary* – Lists all requested R&R projects and costs in priority order for the six year planning period 2013-19. DO NOT request all of the department's R&R projects in the first two years. This process is intended to identify a department's needs for the next six fiscal years.
- *Worksheet III-R Repair & Renovations Request* – Provides project descriptions, justifications, construction schedules, and other CI related information for R&R budget requests. This form must be completed for every request for the 2013-15 biennium. Priorities, Project Titles and funding must match data listed on the *Worksheet III-R Summary and Worksheet III-R NGF Summary.*
- *Worksheet III-R NGF Non-General Fund Summary* – Lists all requested non-General Fund R&R projects supported from 100% receipts in priority order for the six year planning period 2013-19.

8.1d   Additional Submission Requirements
The following forms must accompany the Worksheet III in order for a submission to be considered complete:

- *OC-25 Cost Estimate*
  OC-25 cost estimates are required for every new Capital Budget and R&R project request that is $100,000 or greater in cost. Provide certified OC-25 cost estimates for all projects requested for the 2013-15 biennium; OC-25 cost estimates for 2015-19 may be agency generated (not certified by SCO). Submissions are accepted with OC-25s that have been submitted to State Construction but which are still in the process of being certified. The OC-25 must be certified before **October 31, 2012**. OC-25s certified more than two years ago must be updated by the State Construction Office.

- *Pertinent FCAP Forms for Repair and Renovation Requests.*
  For projects requested in the 2013-15 biennium only.

  G.S. 143C-8-4 requires "each proposed repair and renovation expenditure shall be justified by reference to the Facility Condition Assessment Program (FCAP) operated by the Office of State Construction."

  If the State Construction FCAP team has inspected the facility for which a R&R request is submitted, the FCAP summary spreadsheet or full page form describing the relevant deficiency should be included. To obtain copies of an existing FCAP report, contact State Construction's FCAP unit at 919-807-4135.

- New construction projects must include evidence of an approved site or detailed plan of action for land acquisition.

- *All submissions must be sent to OSBM electronically through email.*
  All forms that make up Worksheet III are in Microsoft Excel format and can be downloaded from OSBM's website at: http://osbm.nc.gov/ . OC-25's can be sent to OSBM as PDF files, which is the same format State Construction uses to email certified OC-25s to state agencies. If you only have a paper copy of the FCAP reports and do not have access to a scanner, OSBM will accept this document in paper format.

- OSBM encourages the use of pictures, master plans, reports, maps, site plans, and other relevant correspondence to support Capital Budget and R&R requests. Please submit these documents electronically *if at all possible*. Otherwise, paper copies may be submitted to OSBM.

8.2   Worksheet III Instructions

8.2a   Guidelines Applicable to All Worksheet III Forms

- In any field that requires a dollar amount to be entered, round up to the nearest $100. Example: $25,100 – NOT $25,034

- Do not apply formatting to any data or enter dollar signs in the Worksheet III forms. The forms have been pre-formatted to automatically enter dollar signs, boldface, and other formatting styles.

- R&R requests and Capital Budget requests are considered two separate processes that need to be prioritized independently. For example, the Worksheet III-R Summary should start with R&R Priority 1 and list other R&R priorities in descending order. The Worksheet III-C Summary should start with Capital Budget Priority 1 and list other capital budget priorities in descending order.

  In addition, General Fund and non-General Fund capital improvement submissions are considered two separate processes that need to be prioritized independently.   Use the following format when prioritizing non-General Fund projects – NGF-1, NGF-2, R NGF-1, R NGF-2…

- For R&R requests, the General Assembly historically has not been supportive of large, institution-wide reserves. However, it may be acceptable to lump numerous minor projects together at the department level (ex. minor roof repair reserve). Contact your OSBM analyst if you have any questions.

- For consistency across all state agencies and universities, save the Worksheet III Microsoft Excel forms using the following naming conventions:

Worksheet III-C Summary Form   **Worksheet III-C Capital Budget Request**
[C-Summary][Department Name].xls   [C-Priority][Institution][Abbreviated Project Title].xls
Example: C-Summary Commerce.xls   Example: C-1 UNCW New Parking Deck.xls
    Example: NGF-1 UNCG Coliseum.xls

Worksheet III-R Summary Form   **Worksheet III-R R&R Request**
[R-Summary][Department Name].xls   [R-Priority][Institution][Abbreviated Project Title].xls
Example: R-Summary Agriculture.xls   Example: R-4 DOA Chiller Replacement.xls
    Example: R NGF-4 DENR Zoo ADA Pathway.xls

Worksheet III-NGF Summary Form   **Worksheet III-R NGF Summary Form**
[NGF-Summary][Dept Name].xls   NGF-Summary][Department Name].xls
Example: NGF-Summary Justice.xls   Example: R NGF-Summary Administration.xls

8.2b   **Worksheet III-C Summary (Green Background)**
This form is used to summarize an institution's Capital Budget requests to include land acquisitions, new construction, and rehabilitation/major renovation projects in priority order. The form includes four pages to allow entry of up to 54 projects. Do not modify the form; use an additional form for 55 or more projects.

- Enter the name of the department in the field at the top of the form. (For the UNC System, Enter Board of Governors).

- Column 1 **(Priority)** - Enter the priority for each project starting with the department's overall top priority for land acquisitions, new construction, and

rehabilitation projects. Do not use the same priority number for more than one project.

- Column 2 **(Project Title)** - Enter a specific project title including the full name of the building when applicable.   **Do not** enter a short project description here. Titles should be identical to the titles submitted on the individual project request forms (*Worksheet III-C Capital Budget Request*).

- **Six-Year CI Needs Schedule - Columns 3-8 for each project**

  - **Line a. - (Requirements)** - Enter the total requirements to complete the requested project in the year that funds are needed. If requesting a large-scale project that can be divided into phases, estimate the cost for each phase and enter the requirements across multiple years. The total requirements for the six-year Capital Needs Improvement Schedule should directly correspond to the OC-25 cost estimate. Round the amount up to the nearest $100 (ex. $25,100 – NOT $25,034).

  - **Line b. - (Receipts/Other)** - Enter the total amount of non-General Fund receipts that will support the requirements shown in the six year needs schedule on Line a. Enter a "0" if requirements will be entirely supported by General Fund appropriations. Round the amount up to the nearest $100.

  - **Line c. - (Appropriation/General Fund)** - This column subtracts the Estimated Non-General Fund (Receipts) from the Total Requirements.

- At the bottom of the form, enter the agency contact information. This should be the staff person that coordinates requests from divisions/campuses and assembles the department's overall submission to OSBM.

8.2c   Worksheet III-C Capital Budget Request
This form is used to provide detailed project information about land acquisition, new construction, and rehabilitation requests supported from General Fund and non-General Fund sources. This form **must be completed for every project** requested for the **2013-15 biennium**; applicable data should be identical to that shown on the Worksheet III-C Summary and Worksheet III-NGF Summary.

- Line 1 **(Priority No.)** - Enter the department priority for the specific Capital Budget Request. This should match the priority shown on the Worksheet III-C Summary List and Worksheet III-NGF Summary List.

- Line 2 **(Department)** - State agencies enter the department name. UNC system enters Board of Governors. **(Division)** - State agencies enter the division name. UNC system enters the specific campus.

- Line 3 **(Project Title)** - Enter the title of the requested project as shown on the Worksheet III-C Summary List. **(Location)** - Enter the county where the requested project is located.

- Line 4 **(Contact, Phone, Email)** - Enter the contact name, phone, and email. This person will be contacted should OSBM have a specific question about the requested project. You may choose to list the division/campus contact here or you may enter the department's contact.

- Line 5a **(Requirements)** - Enter the total requirements to complete the requested project in the year that funds are needed. If requesting a large-scale project that can be divided into phases, estimate the cost for each phase and enter the requirements across multiple years. The total requirements for the six-year Capital Needs Improvement Schedule should directly correspond to the OC-25 cost estimate.

- Line 5b **(Receipts/Other)** - Enter the total amount of non-General Fund receipts that will support the requirements shown in the six year needs schedule on Line 5a. Enter a "0" if requirements will be entirely supported by General Fund appropriations.

- Line 5c **(Appropriation/General Fund)** - This line subtracts Line 5b from Line 5a. For NGF projects, appropriations will be zero.

- Line 6 **(Sources of Receipts)** - Identify the source of any receipts or non-General Fund receipts that are shown on Line 5b.

- Line 7 **(Type of Project)** - Mark an "X" beside **only one** of the project categories. If a capital construction request includes land acquisition and new construction, please mark "New Facility." In this case, provide details and a status report on the land acquisition in Line 8 (Project Description).

  (General Information) - Please answer ALL questions.

- Line 8 **(Project Description)** - Provide a brief **description** of the project to include:
    - an explanation of how the capital request furthers the department's mission
    - extent of work, including square footage by use (Example: The addition adds 10,000 s.f . of office space and 1,500 s.f. of lab space.)
    - number of employees affected by the request (Example: The addition provides space for 10 lab technicians currently housed in crowded conditions.)
    - age and condition of existing facility

- Line 9 **(Agency Selection Criteria) -** Mark an "X" beside criteria used to designate the project as a capital priority. If an "X" is marked in "Other," specify the criterion in the field directly below.

- Line 10 **(Project Justification)** - **This is the most important field on the Worksheet III-C.** OSBM places heavy emphasis on an agency's justification when prioritizing capital projects. Explain the need for the requested project and the expected impacts. This is also the field in which Agency Selection Criteria in Line 9

should be supported and justified. Make sure the following questions are addressed for each Agency Selection Criteria that you checked in Line 9:

Health & Safety Considerations
- Identification of threats to the public and employees;
- Probability of the health and safety threat occurring.

Critical Timing
- On Line 12a, explain how the request impacts the start or completion of another capital project.

Agency Mission & Goals
- Explain how the request is consistent with the agency's mission and goals;
- Identify if the request is on the agency's long range master plan.

Growth/Demand for Governmental Services
- Impact of project on governmental service delivery over the next six years;
- Include any performance measures to document current and projected service levels. (Example: Projected prison population over next six years and current available capacity.)

Program Effectiveness
- Degree to which the request improves program effectiveness or increases program capacity other than "simple" addition of space.

Operational Efficiency
- For requests that realize energy savings through increased efficiency, make sure to quantify cost savings and provide a written description of how these savings will be achieved.

Cost Benefit Analysis
- Describe all other alternatives that were considered and why the specific project request was chosen as the best alternative.

Economic Development
- Describe the project's direct impact on economic development.
- If possible, describe the types of jobs created and estimate the number.
- Explain any potential indirect impacts.

Environmental Hazards
- Identify any environmental hazards that are reduced or removed.
- Describe the severity of the environmental threat and the risk to the public and state employees.

Preservation or Improved Use of Existing Space
- Description of any historic value and preservation activities;
- Explanation of current space deficiencies and the impact of the requested project. OSBM strongly recommends that capital requests to

improve existing space be supported by a spatial analysis performed by the State Property Office.

- Line 11 **(Estimated Schedule of this Project)** - For the estimated project schedule, assume that funds are authorized and available to agencies and universities as of July 1, 2013. Enter the estimated date (Example: 9/1/2013) for each of the four fields.

- Line 12 - If the requested project must be completed before another capital project can move forward, mark "Y." Explain this timing issue in Line 12a. Otherwise, mark "N."

- Line 13 - Describe in detail where the site of new construction will be located.

- Line 14 - If the site is owned by the State of North Carolina, enter "Y." If the site is in the process of being purchased or has not been purchased, enter "N."

- Line 15 - If the proposed site in Line 14 is approved by the State Property Office, enter "Y." If the site is still pending approval or has not been approved, enter "N."

- Line 16 - If the building or facility has been inspected by a FCAP team, enter "Y." If not, enter "N" and proceed to Line 29. If you entered "Y," attach the summary sheet or pertinent pages of the FCAP report. Contact the State Construction FCAP section at 919-804-4135 if you have questions about whether or not an FCAP report exists for the facility.

- Line 17 - If the project request was a deficiency identified in the FCAP team's report, enter "Y." Otherwise, enter "N." If you answered "Y," include the pertinent pages of the FCAP report in your electronic submission to OSBM. Identify the file name that was used to save the associated FCAP report in the second field on Line 27.

- Line 18 **(Required Attachments)** - **DO NOT leave any of these fields blank.** Enter "Y" beside all attachments that are included with the requested project. In the field to the right of "OC-25," enter the name of the file used to save the OC-25.

  If one of the documents is not required, enter "NR." For example, if the project request is for a new construction project in 2013, enter "NR" beside FCAP Report.

- Refer to [Section 8.1d Additional Submission Requirements](#) of the Budget Instructions which outlines in detail the attachments that **must** accompany a Worksheet III-C submission.

8.2d [Worksheet III-R Summary](#) and [Worksheet III R – NGF Summary](#) (Yellow Background)

These forms are used to summarize your department's repair and renovation projects in priority order for projects supported in whole or part by General Fund (GF) appropriations and projects supported with 100% receipts (NGF). Please prioritize GF and NGF requests separately. These forms include four pages to allow entry of up to 54 projects. Do not modify the form; use an additional form for 55 or more projects.

Complete the Worksheet III-R Summary and NGF Summary for R&R projects by following the same instructions for the *Worksheet III-C Summary* form.

8.2e **Worksheet III-R Repair & Renovations Request**
This form is used to provide detailed project information about your repair and renovation requests. This form **must be completed for every project** requested for the **2013-15 biennium**; applicable data should be identical to that shown on the *Worksheet III-R Summary* and *Worksheet III-R NGF Summary* forms.

- Line 1 **(Priority No.)** - Enter the department priority for the specific R&R project. This should match the priority shown on the R&R Summary List Form. Do not use the same priority number for more than one project, except for non-General Fund projects. Use the following format for requests supported with 100% receipts (R NGF-1).

- Line 2 **(Department)** - Enter the department name. **(Division)** - Enter the division name.

- Line 3 **(Project Title)** - Enter the title of the requested project as shown on the R&R Summary List Form. **(Location)** - Enter the county where the requested project is located.

- Line 4 **(Contact, Phone, Email)** - Enter the contact name, phone, and email. This person will be contacted should OSBM have a specific question about the requested project. You may choose to list the division contact here or you may enter the department's contact.

- Line 5 **(Requirements)** - Enter the total requirements to complete the requested project in the year that funds are needed. If you are requesting a *large-scale project* that can be divided into phases, estimate the cost for each phase and enter the requirements across multiple years. The total requirements for the six-year Capital Needs Improvement Schedule should directly correspond to the OC-25 cost estimate.

- Line 6 **(Receipts/Other)** - Enter the total amount of non-General Fund receipts that will support the requirements entered in the six year needs schedule on Line 5. Enter a "0" if requirements will be entirely supported by General Fund appropriations.

- Line 7 **(Appropriation/General Fund)** - This line subtracts Line 6 from Line 5. This line will be zero for NGF projects.

- Line 8 **(Sources of Receipts)** - Identify the source of any receipts or non-General Fund receitps shown on Line 6.

- Line 9 **(Type of Project) -** Mark an "X" in one of the 16 categories that *best* describes the requested project. If the project is an overall renovation to a building then check any of the 16 categories that describe the renovation. If you mark the box for "Other," please describe the category in the space below.

- Line 10 (**Project Description & Justification**) - Enter a description and justification of the project to include:
    - type of project
    - extent of work including square footage
    - need for the project
    - age and condition of facility
    - date of last significant repair or improvement
    - relationship to other projects planned or under construction
    - *for large-scale projects*, include a short description of other alternatives considered and why the requested project is the preferred solution.

- Line 11 - Estimate the percentage of the total project cost that is directly related to energy efficiency improvements and enter here. Enter the expected energy savings per year. Your OSBM analyst may contact you to obtain documentation verifying projected energy efficiency improvements.

- Line 12 - Include an OC-25 Cost Estimate with your submission and check "Y." **Project requests that do not have an OC-25 will not be considered by OSBM.** Provide certified OC-25 cost estimates for all projects requested for the 2013-15 biennium; OC-25 cost estimates for 2015-19 may be agency generated (not certified by SCO). The OC-25s are not required to be certified when you submit the *Worksheet III* to OSBM. The OC-25 will have to be certified by **October 31, 2012.**

- Line 13 - If the building or facility has been inspected by a FCAP team enter "Y." If not, enter "N" and proceed to Line 16. If you enter "Y," attach the summary sheet or pertinent pages of the FCAP report. Contact the State Construction FCAP section at (919) 804-4135 if you have questions about whether or not an FCAP report exists for the facility.

  In the next field on Line 14, enter the date of the FCAP report or the year on the deficiency form (ex. Def. No. 05-G003 would be the year 2005).

- Line 14 - If the project request was a deficiency identified in the FCAP team's report, enter "Y." Otherwise, enter "N." If you answered "Y," include the pertinent pages of the FCAP report in your submission to OSBM.

  In the second field on Line 15, show the total value of deficiencies shown in the FCAP report.

- Line 15 – Enter the age category of the building(s) - 1-10, 11-25, 26-50, or 50+ years. In the second field on Line 16, enter the insured value (CRV) of the building(s)

- Line 16 - If this project has been planned previously, either through previous appropriations or advance planning authorization, enter "Y." If the project has not been planned or only has minimal design work completed, enter "N."

If you answered "Y," enter the year the project was first requested in the second field of Line 16 and provide a brief background of the request's history in Line 10 (Project Description & Justification).

- Line 17 **(Estimated Schedule of this Project)** - For the estimated project schedule, assume that funds will be authorized and available to agencies as of July 1, 2013. Enter date (Example: 9/1/2013) for each of the four fields.

8.3   Capital Improvement Attachments

- Attachment 8-1:   Worksheet III-C Summary
- Attachment 8-2:   Worksheet III-C Capital Budget Request
- Attachment 8-3:   Worksheet III-C NGF Summary
- Attachment 8-4:   Worksheet III-R Summary
- Attachment 8-5:   Worksheet III-R Repair & Renovations Request
- Attachment 8-6:   Worksheet III-R NGF Summary

10. GLOSSARY OF BUDGET TERMS

See the [Budget Manual, State of North Carolina, updated on July 1, 2008](#) on the OSBM website for additional state budget terms.

Annualization
This refers to the process of establishing a full fiscal year budget for items that were funded only for a portion payable amount in the authorized year (Authorized column of the Worksheet I). This typically relates to positions and operating costs for new programs or facilities, but may also be applicable to other appropriations.

Authorized Budget
The authorized budget is composed of the certified budget plus allowable internal budget revisions (type 14 budget revisions) and adjustments that must be approved by OSBM (on type 12 budget revisions) through its statutory authority or acting on behalf of the Governor under the Governor's Constitutional role and authority as Director of the Budget. This is the working budget and is reflected on the Monthly Budget Report (BD701).

Budget Preparation System (BPS)
Budget Preparation System (BPS) is part of an integrated mainframe budget system developed and managed by the Office of State Budget and Management and used to generate, first, the recommended continuation budget and, second, the legislatively certified budget. Instructions for working in BPS, and the related Budget Revision System (BRS), are provided on the OSBM website. It is the primary budget system used to develop the agency line-item continuation budget requests.

Budget Revision (BD 606)
The online form by which agency budgets may be adjusted and positions established from the budget as enacted by the General Assembly (BD307). The State Budget Act has certain restrictions on these budget transactions.

Budget Revision System (BRS)
The Budget Revision System is the online system provided by OSBM and used to maintain all Budget Revision documents (Form BD606) for all state agencies.

Budget Stabilization Reserve (Savings Reserve Account)
This account is a restricted reserve from which funds are appropriated by the General Assembly for unanticipated events and circumstances such as natural disasters, economic downturns, threats to public safety, health, and welfare, and other emergencies. The State Controller shall reserve to the Savings Reserve Account 25% of any unreserved fund balance remaining in the General Fund at the end of each fiscal year, as determined on a cash basis ([G.S. 143C-4-2](#)) or reserve as directed in the current Appropriations Act enacted by the General Assembly.

Capital Budget Request
Any budget request for land acquisitions, new construction, or rehabilitation of existing facilities.

Capital Improvement Budget
The capital improvement budget is for real property acquisitions, new construction, rehabilitation of existing facilities, and repairs and renovations. These types of expenditures are accounted for in the capital budget code of an agency or institution. (G.S. 143C-1-1(d)(5))

Capital Improvement Request
Refers collectively to all types of capital requests including the Capital Budget Requests and Repair and Renovation Requests.

Capital Improvement Plan
The Governor's recommended six-year plan for funding state-wide capital improvement projects as required by G.S. 143C-8-5. The first two years of the plan will become the Governor's recommended Capital Improvement Budget.

Certified Budget
The certified budget is enacted by the General Assembly and includes adjustments made for (i) distributions to State agencies from statewide reserves appropriated by the General Assembly, (ii) distributions of reserves appropriated to a specific agency by the General Assembly, and (iii) organizational or budget changes directed by the General Assembly but left to the Director to carry out. (G.S. 143C-1-1(d)(7))

Continuation Budget
The continuation budget is the part of the state budget necessary to continue the current level of services when adjusted for inflation, mandated rate increases such as social security, annualization of programs, and operation of new facilities.

Debt Service
Debt service consists of payments for interest on and redemption of outstanding bonds for which the full faith and credit of the state are pledged.

Excess Receipts
These are receipts received for services performed, fines received for violation of state regulations, or federal grants and funds received for specific purposes which exceed the amounts anticipated and budgeted by the General Assembly. When such excess receipts occur in the General Fund or Highway Fund budgets and the receipts are not authorized by OSBM to be used by the agency, they revert to the appropriate fund at the end of the fiscal year.

Expansion Budget
The expansion budget is the part of the budget that provides for new programs, expansion of existing programs, and salary and benefit increases.

Federal Funds
These funds are received from federal government agencies for support of programs on the state level. Federal funds are received through block grants, entitlement programs, and specific grants.

General Fund

The general fund is made up of tax revenues (non-transportation) such as sales tax, individual income tax, corporate tax, insurance premium tax, and franchise tax. In addition, the general fund includes non-tax revenues such as income from the Treasurer's investments, fees received from the court system, miscellaneous fees charged for state services, and transfers from the highway fund and the highway trust fund, and Medicaid disproportionate share receipts.

General Fund Budget Codes

These codes are for the budgets of each agency and institution that are supported from state General Fund revenue and from receipts considered to be general rather than specific in nature.

Highway Fund

The tax and nontax revenue collected by the State of North Carolina and deposited with the State Treasurer for appropriation by the General Assembly to support the operations and capital construction needs of the Department of Transportation, including the Division of Motor Vehicles, and the Highway Patrol Division of the Department of Crime Control and Public Safety. Highway Fund tax revenue includes licenses and fees relating to the operation of motor vehicles and the motor fuel tax. Highway Fund nontax revenue includes income from the State Treasurer's investments of Highway Fund dollars.

Highway Fund Budget Codes

These codes are for the budgets of each agency that are supported from state Highway Fund revenue and from receipts considered to be general rather than specific in nature.

Highway Trust Fund

This fund is for the tax revenue on motor fuels, special fuels, and road taxes deposited with the State Treasurer that is earmarked for appropriation for the construction of state-funded roads and bridges.

Inflationary Allowances

One of the allowable adjustments in the continuation budget Worksheet I, this refers to the increases or decreases to the budget to reflect anticipated budgetary needs for certain accounts. The Budget Instructions provide a listing of the specific accounts for which inflationary allowances can be requested and specify the allowable rates of inflation and methodologies to be used for the various calculations.

Lapsed Salaries

Lapsed salary is the dollar amount of salary and associated benefits not expended during the period in which a position is vacant. Lapsed salary funds shall only be used for nonrecurring purposes and line items (G.S. 143C-6-9) and shall not be used for grant-in-aid (6xxx), agency reserves (7xxx), and intra-agency transfers (8xxx).

Legislative Salary Increase (LI Increase)

This is a salary increase given to teachers and state employees by the General Assembly. The increase may be a percentage increase of the base pay, a flat dollar amount per employee, or a

combination of both. These types of increases are reflected in new salary schedules for state employees and for public school personnel.

Longevity Pay
Longevity pay is the salary compensation paid to state employees who have been employed by the state for a certain number of years. The payment is made on the anniversary date when the employee began his or her employment with the state.

Medicaid
This is the assistance program that provides medical care for public assistance recipients, the elderly, and the disabled.

Nonrecurring Appropriation
These are one-time appropriations approved by the General Assembly. All non-recurring appropriations must be removed from the continuation budget in the increase/decrease columns of the Worksheet I.

Nontax Revenue
This is revenue that is not a tax proceed, and that is required by statute to be credited to the General Fund. (G.S. 143C-1-1(d)(19))

Object or Line Item (Account Numbers)
This is an expenditure or receipt in a recommended or enacted budget that is designated in the Budget Code Structure of the North Carolina Accounting System Uniform Chart of Accounts prescribed by the Office of the State Controller. (GS 143C-1-1(d)(20))

Other Receipts
These are the funds received by state agencies and institutions for services performed, such as patient receipts in hospitals, tuition fees in the universities and community colleges, or as fines for violations of state regulations.

PM739
This is the position schedule report that shows all permanent positions with salaries and they are recorded in the Human Resource system (either PMIS or BEACON). Longevity, Social Security, Retirement and hospitalization are also calculated and included in this report.

Purpose or Program (Fund Number)
This is a group of objects or line items for support of a specific activity outlined in a recom-mended or enacted budget that is designated by a nine-digit fund code in accordance with the Budget Code Structure of the North Carolina Accounting System Uniform Chart of Accounts prescribed by the Office of the State Controller. (G.S. 143C-1-1(d)(23))

Repair and Renovations Request (R&R)
Any budget request for roof repairs; structural repairs; repairs to meet federal and State standards; electrical, plumbing, and HVAC repairs; ADA, fire safety, and energy efficiency improvements; renovations to improve existing space; historical renovations; removal of asbestos, lead paint, and other contaminants; and improvements to roads, walks, drives, drainage, and landscaping.

Repair and Renovations Reserve
The Repairs and Renovations Reserve Account is established as a reserve in the General Fund. The State Controller shall reserve to the Repairs and Renovations Reserve Account one-fourth of any unreserved fund balance, as determined on a cash basis, remaining in the General Fund at the end of each fiscal year. (G.S. 143C-4-3(a))

RK314
RK314 is a listing of BD606s which have been approved during the first year of the current biennium, and which have adjustments for the second year of the biennium. The listing shows the processing codes, total dollars and the subject for each BD606.

Salary Reserve
Salary funds remaining on an annual basis when positions are filled at lower levels than budgeted. These funds may be used for salary range revisions and reclassification of positions, subject to approval of the Office of State Personnel and OSBM.

Senate Bill 1005
Language in this ratified bill, the 2001 Appropriations Bill, sets forth requirements for State Chief Information Officer (CIO) review of financial aid requests of $100,000 or greater from the State for the information technology maintenance or acquisition and CIO recommendation to the Governor on the merits of such requests. Subsequent legislation (ratified Senate Bill 991 in 2003) sets forth additional CIO information technology project review and authority for quality assurance.

Special Fund Budget Codes
These codes are for those budgets for each agency that are supported entirely from receipts collected for the specific purposes or services performed by the agency.

State Budget
The total requirements for North Carolina state government agencies and institutions consists of General Fund dollars, Highway Fund dollars, federal funds, and various other receipts and funds. The state budget includes state aid funding for local public school units and local community colleges and institutions. A summary of the state budget can be found on OSBM's website.

State Budget Act
This is the act that governs the budgetary process in North Carolina. It provides the statutory language for development, presentation, authorization, and control of the budget. (G.S. 143C-1-1 through G.S. 143C-10-3)

State Employees Exempt from the Personnel Act (EPA)
These are positions in the state budget funded from various state revenue and receipts that are exempt from the terms and conditions of the State Personnel Act.

State Employees Subject to the Personnel Act (SPA)
These are positions in the state budget funded from various state revenue and receipts that are subject to the terms and conditions of the State Personnel Act.

Tax Revenue
These are the contributions from persons, groups, or businesses within the state for the support of government.

Worksheet I
Worksheet I is a document generated in the Budget Preparation System which, when completed, represents the continuation (or base) budget for a budgetary fund. The continuation budget provides operating funds for each year of the biennium to continue the existing, authorized level of services. Development of the Worksheet I begins with budgetary, position and expenditure data loaded from various mainframe systems. The baseline budget is the Authorized budget, adjusted by budget revisions and increased or decreased for the biennium under request as allowed and specified in the OSBM budget instructions.

Worksheet II
This is the agency request for expansion funding. Expansion requests include additional operating funds above those allowed in the continuation budget; department requests to redirect funds from one statutorily controller program to another; for one-time major equipment purchases; for continued phase-in of new programs; legislatively designated salary increases; and funds to replace lost federal funds.

Worksheet III
Worksheet III is the set of forms used for requesting capital improvement funds and identifying capital improvement needs for the Governor's Recommended Capital Budget and six-year Capital Improvement Plan.

X/TND
X/TND is software licensed by the state for all employees and used to distribute reports for viewing or printing at the employee's personal computer. The software can be downloaded and installed from the ITS website.