

Instructions for Preparation of the 2017-19 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 “2017-19 biennium” covers the period from July 1, 2017 through June 30, 2019, and includes fiscal years 2017-18 and 2018-19. Actual biennial budget preparation begins in even-numbered years.

The legislative session convenes for the upcoming biennial budget cycle in January 2017. 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 Office of State Budget and Management (OSBM) in the summer of 2017.

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 2017-19 will be finalized and presented to the General Assembly 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.

Major Policies and Requirements for Development of the 2017-19 Budget

These budget instructions provide context and technical requirements for departments and agencies as they prepare their 2017-19 biennial budget requests. Each department and agency request will be submitted to the Governor as Director of the Budget.

Timeliness and deadlines are critical to budget development. Deadlines are established to ensure the Governor has adequate time to review information and finalize a recommended budget as required by the State Budget Act. Agencies need to focus on budget planning and policy decisions early to ensure all deadlines are met.

Budget submission shall include an executive summary from the agency head to the Governor as Director of the Budget laying out the agency’s budget recommendations and priorities for the biennium. At a minimum, this shall include a letter submitted with the budget package to the Governor describing:

1. The mission of the agency, “the goals embodied” in the budget request of the agency, and “important features of the activities anticipated in the budget”
2. A statement that “sets forth the reasons for changes from the previous biennium or fiscal year, as appropriate, in terms of programs, program goals, appropriation levels, and

revenue yields.” I.E. Major budget requests being proposed and how they relate to the most pressing concerns of the agency.

Given current expectations for modest economic growth in the 2017-19 biennium, agencies should prioritize requests to focus on gaps and unmet needs for critical services. Agencies should also identify opportunities for efficiencies and savings to enable reallocation of resources to high priority needs. Change requests should go to priority areas with a clear link to the agency’s strategic plan. To emphasize this focus, OSBM has adopted policies for base 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.

[SB 744, Session Law 2014-100](#), repealed the previous definition of *Continuation Budget* and replaced it with a new definition for *Base Budget*. The base budget provides the baseline for each agency’s budget going into the next biennium before further budget recommendations are made on the expansion or reduction of the agency’s budget. The new definition limits the items that can be considered by the Governor in preparing the baseline. Some items previously considered - such as inflation increases, enrollment growth, operating building reserves, facility adjustments, and other program changes - cannot be considered under the new definition. [Section 3](#) provides instructions on preparing the baseline budget by departments and agencies for the 2017-19 biennium.

General fund appropriation expansion requests shall not exceed two percent (2%) of your agency’s 2016-17 BD 307 certified appropriation, adjusted for non-recurring expansion and reductions. In addition, agencies are required to submit two percent (2%) recurring reduction options based on their 2016-17 BD 307 certified appropriation, adjusted for non-recurring expansion and reductions. When expansion requests are combined with reduction options, the change to the General Fund must be budget neutral or result in a net savings.

Expansions and reductions should reflect the agency’s priorities, meaning it would be better to eliminate a low-priority program and increase spending on high-priority programs than to spread reductions and expansions across the board. If an agency’s reduction recommendation involves a program that is statutorily required, the agency must submit a draft of the statutory changes required to eliminate or change the program to generate the savings.

In order to provide sufficient advice and options for the Governor, 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 4](#) of these instructions.

OSBM is continuing efforts to integrate and utilize strategic planning information in the budget development process. For the 2017-19 biennium, all agencies are required to submit select strategic planning information in conjunction with their budget requests. This information will be used to review spending requests during the budget development process in conjunction with the Governor’s recommended budget. [Section 7](#) contains instructions on these requirements.

Budget Context for 2017-19 Biennium: Key Economic and Demographic Trends

- North Carolina's strong business climate, consistent migration trends, and economic diversity are expected to help North Carolina's economy expand more strongly than neighboring states and the U.S. North Carolina's real GDP is projected to grow 5.3% over the biennium, 0.4% above forecast U.S. growth and the median forecasted growth of neighboring states (both 4.9%).
- Since employment levels in North Carolina hit a low point in February 2010, the state's economy has gained nearly half a million net new jobs. As of June 2016, total nonfarm employment in North Carolina exceeded the pre-recession peak by 153,800 jobs (3.7%). North Carolina's total employment is forecast to grow by 97,000 jobs (2.2%) during the 2017-19 biennium.
- The rate of price inflation is expected to rise modestly during the 2017-19 biennium, due primarily to rebounding food and energy prices. The U.S. Consumer Price Index (CPI) is forecast to rise 4.8% during the 2017-19 biennium, compared to 3.4% during the 2015-17 biennium. The Gross Domestic Product (GDP) implicit price deflator is estimated to increase approximately 4.2% over the 2017-19 biennium.
- New home construction is expected to increase steadily through 2019, but will likely remain below levels experienced during the housing boom of the late 1990s through the mid-2000s. Prices for existing homes are forecast to continue rising faster than inflation during the 2017-19 biennium, but at a slower pace than during the 2015-17 biennium. Prices for new homes are expected to decline in the 2017-19 biennium.
- The General Fund revenue forecast reflects the economic outlook and enacted changes to state revenue laws. Growth is projected to remain modest during the FY 2017-19 biennium, reflecting the slower economic growth rates associated with a mature economic expansion.
- North Carolina's population is expected to reach nearly 10.5 million people by July 1, 2019. Over the FY 2017-19 biennium, the population is expected to grow by 208,000 people (2.0%). This growth is significantly below the rate of the last decade but still totals more than 100,000 people per year. Approximately 73% of this growth is expected to be from net migration.
- The fastest growing age group during the 2017-19 biennium will be those 65 and older, which is projected to grow by 110,000 (6.8%) and will account for more than half of the state's total population growth. The state's population of minors (ages 0-17) is expected to decline slightly during the 2017-19 biennium.
- 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 2017 is expected to be 37,304, increasing only slightly by 2019 to 37,367. Prison population change has slowed significantly from the 2000-2009 period, when annual population increases averaged 3%.

2. WHAT'S DUE

2.1 Timetable for the 2017-19 Budget Preparation Process

August 2016						
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, 2016.

Agencies should generate a RK314 report in IBIS listing all two-year type 11, 12, and 14 budget revisions (see [Section 3](#)). Use a June 30, 2016 BEACON B0149-Summary Positions by fund report and add in Legislative Increase amounts from BEACON B0063-Legislative Increase Summary report to arrive at July 1, 2016 starting salary amounts for Worksheet I.

August 26, 2016: 2017-19 biennial budget instructions available on the OSBM website.

August 31, 2016: All actions to reconcile and realign salary reserve are completed.

End of August 2016: Legislative Session budgetary actions certified by OSBM through IBIS are updated. IBIS data is transferred to NCAS, including 2016-17 budget revisions and 2016 Legislative Session's actions.

September 2016						
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	

September – October 2016: Meetings set with OSBM and Agency leadership to discuss budget requirements.

September 6, 2016: Automated IBIS process puts all approved recurring revisions into the base budget. All budget revisions marked as recurring will have the Year 2 dollars put into the initial Worksheet I. OSBM analysts can remove or add revisions after the initial automated copy of budget revisions.

September 23, 2016: Worksheet III forms available in IBIS.

DUE September 30, 2016:

Receipt analysis template completed and submitted.

Receipts Adjustments worksheets to OSBM.

Reconciliation of Intra-Governmental Transfers/Transactions to OSBM.

September – October 14, 2014: Agencies/OSBM analysts negotiate Worksheet I adjustments; Reconciliation of Position Counts; Budgeted Salaries are verified by departments.

October 2016

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					

DUE October 14, 2016:

All Fund Purpose statements reviewed, edits made by the agency (see [Section 3](#)).

Final Worksheet I adjustments negotiated with OSBM.

Annualizations of Programs, Operating Costs, Positions.

Building/Office Lease Schedules.

Statutory Adjustments.

October 17-31, 2016: Final Worksheet I adjustments entered into IBIS and submitted to OSBM.

DUE October 31, 2016:

All 2017-19 Base Budget Worksheet I's - one hard copy of the Worksheet I document, supporting schedules, and any other relevant information. Agencies are also required to attach supporting schedules to the relevant IBIS work forms (see [Section 3](#)).

All Change Budget items (Worksheet IIs) (see [Section 4](#)).

Information Technology expansion requests to SCIO and OSBM (see [Section 5](#)).

All Capital Improvement budget items (Worksheet IIIs) (see [Section 6](#)).

Strategic Planning Information (see [Section 7](#)).

All 2017-18 Block Grant Plans and 2017-19 special provisions.

Nov/Dec 2016

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	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

November 2016 – December 2016:

OSBM work with agencies to develop the Governor's draft budget recommendations for the 2017-19 biennium.

January 2017

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 11, 2017: General Assembly convenes.

January 31, 2017: Selected agencies provide latest enrollment growth cost data (public schools, community colleges, the University of North Carolina System, prisons, and Health and Human Services entitlement programs.)

February 2017

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				

Governor and OSBM finalize the 2017-19 budget recommendations.

March 2017

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	

March 2017: Governor presents budget recommendations to the Legislature.

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

2.2 Summary of Items to Submit to OSBM

Required Submissions for the 2017-19 Recommended State Budget

Agency Submissions and Due Dates to OSBM	Where to Enter Data	Where to Find Instructions
Strategic Planning and Program Information <i>All items due October 31, 2016</i>		
Strategic Planning Forms	IBIS	Budget instructions (Section 7)
Agency Mission, Goals, Objectives and Measures	IBIS	Budget instructions (Section 7)
Base Budget <i>Items due September 30, 2016</i>		
Intra-Governmental Transfer (Attachment 3-3) if applicable		Budget instructions (Section 3)
Items due October 14, 2016		
Format for Annualization Schedule (Attachment 3-1) – If Applicable	Excel Spreadsheet	
Lease Schedule (Attachment 3-2) – If Applicable	Excel Spreadsheet	Budget instructions (Section 3)
Fund Purpose Statements	IBIS	Budget instructions (Section 3)
Items due October 31, 2016		
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	IBIS	Budget instructions (Section 3)
Summary of Total Base Budget Requests by Department	IBIS	Budget instructions (Section 3)
Change Budget (Expansion and Reduction) <i>All items due October 31, 2016</i>		
Summary List of Expansion Budget Requests (Attachment 4-2)	Excel Spreadsheet	Budget instructions (Section 4)
Worksheet II Expansion Requests – One Form for Each Request in Priority order	IBIS	
Format for Building Reserve (Attachment 4-4) – If Applicable	Excel Spreadsheet	Budget instructions (Section 4)
Equipment Purchase Schedule (Attachment 4-5a) – If Applicable	Excel Spreadsheet	Budget instructions (Section 4)
Motor Vehicle Purchase Schedule (Attachment 4-5b) – If Applicable	Excel Spreadsheet	Budget instructions (Section 4)
Other Vehicle Purchase Schedule (Attachment 4-5c) – If Applicable	Excel Spreadsheet	Budget instructions (Section 4)
Summary List of Reduction Options (Attachment 4-6)	Excel Spreadsheet	

Worksheet II Reduction Options– One Form for Each Reduction Request in Priority order	IBIS	Budget instructions (Section 4)
Information Technology <i>Due October 31, 2016</i>		
IT (Information Technology) IT Expansion Request	Touchdown System	Budget instructions (Section 5)
Capital Improvement Budget <i>All items due October 31, 2014</i>		
Worksheet III-C Summary - Prioritized List of all Capital Budget Requests (Attachment 6-1)	IBIS	Budget instructions (Section 6)
Worksheet III-C Capital Budget Request - For General Fund Supported Requests	IBIS	Budget instructions (Section 6)
Worksheet III-NGF Summary - For Non-General Fund Supported Budget Requests	IBIS	Budget instructions (Section 6)
Worksheet III-R Summary - Prioritized List of all R&R Requests	IBIS	Budget instructions (Section 6)
Worksheet III-R Repair & Renovations Request - For Every R&R Request	IBIS	Budget instructions (Section 6)
Worksheet III-R NGF Non-General Fund Summary – For Non-General Fund Supported R&R Requests	IBIS	Budget instructions (Section 6)
Additional Information		
Special Provisions – <i>Due October 31, 2016</i>		
Block Grant Plans – <i>Due October 31, 2016</i>		
Fees Information – <i>Separate memorandum to be issued</i>		

Notes:

- 1) **Requesting a Base Budget is mandatory; therefore, agencies will submit the necessary Base Budget information listed above for all Governmental and Proprietary budget codes.**
- 2) **All Strategic Planning Information is mandatory.**
- 3) **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.**
- 4) **The submission of Budget Reduction Options is mandatory; therefore, agencies will submit the necessary forms listed above for all Reduction items.**
- 5) **All forms must be submitted in paper form as prescribed in the Budget Instructions by the due dates indicated.**

3. BASE BUDGET

The base budget provides the funding necessary to continue the existing, authorized level of services for each year of the biennium. Base budget requests for the 2017-19 biennium are comprised of the authorized budget from 2016-17 and approved adjustments through the Worksheet I process. Increases or decreases made to the authorized budget during the Worksheet I process aim to:

- Annualize programs and positions that were partially funded in the previous fiscal year.
- Remove items funded with nonrecurring funds during the prior fiscal biennium.
- Increase items for nonrecurring reductions during the prior fiscal biennium.
- Adjustments for federal payroll tax changes.
- Rate increases in accordance with the terms of existing leases of real property.
- More accurately reflect anticipated levels of expenditures and receipts.
- Reconciliation of intra-governmental and inter-governmental transfers.
- Other statutory adjustments.

One hard copy of the requested 2017-19 base budget (Worksheet I and supporting documentation) is due to OSBM by **October 31, 2016**. In addition to the hard copy, any backup attachments must be submitted electronically by attaching the appropriate document to the appropriate IBIS Worksheet I form. The Checklist for 2017-19 Base Budget Requests, located at the link below, 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 2017-19 Base Budget Requests](#)
- A Final **Worksheet I** for each budgeted code, which includes the following parts generated by IBIS:
 - Recommended Base Budget – Summary Report (IBIS)
 - Recommended Base Budget – Summary by Purpose (IBIS)
 - Recommended Base Budget – Summary by Account (IBIS)
 - Recommended Base Budget – Fund Detail by Account (IBIS)
 - Reconciliation of Requirements, Receipts, Appropriation, and FTE (Worksheet I Attachment)
 - RK 333B Reconciliation Transfers/Receipts (Worksheet I Attachment)
- Applicable excel **Attachments**, as follows:
 - [Attachment 3-1, Annualization Schedule](#)
 - [Attachment 3-2 Lease Schedule](#)
 - [Attachment 3-3 Transfers to State Management Agencies](#)
 - Receipt Analysis (in format provided by the OSBM analyst)
 - Base Budget service and activity data (as requested)

3.1 Worksheet I Overview

Preparing Worksheet I is an interactive process. It begins with an initial Worksheet I document that captures data in the current authorized budget. The authorized budget is analyzed to form a “baseline” for the two years of the biennium under request, in this case 2017-19. 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 departments/agencies 2017-19 base budget requests. Worksheet I is generated from the Integrated Budget Information System (IBIS) and has multiple parts:

- *Summary Report*: Is the total base budget requests by budget code for a Department. This report provides a grand total of requirements, receipts, appropriations, FTE, increases/decreases, and (if applicable) changes in fund balances for non-general fund codes.
- *Summary by Purpose* – Summarizes total requirements, receipts, and FTE for all funds in a budget code.
- *Summary by Account* – Summarizes accounts across all funds to show a total of each expenditure, revenue, and FTE account for a budget code.
- *Fund Detail by Account* – 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. It also includes position counts by account
- *Reconciliation of Requirements, Receipts, Appropriation, and FTE (Worksheet I Attachment)* – Explains how the authorized budget in IBIS is derived, beginning with the BD307 certified budget, and listing each revision coded to IBIS included in the base budget. For Requirements, Receipts, and Appropriations the information is presented at the budget code level. For information about budgeted position counts and budgeted salaries, information is presented at the fund and salary account level.
- *RK 333B Reconciliation Transfers/Receipts (Worksheet I Attachment)* - Agencies must balance inter- and intra-departmental transfers. The RK 333B report lists only the transfer-out requirement accounts and transfer-in receipt accounts and is run for the entire state. The account titles should tell which agencies receive or transfer-out funds.

After an agency has completed the 2016-17 certification process, the agency will be able to generate an initial Worksheet I in IBIS at any time. The Worksheet I is populated with prior year (ending June 2016) actual revenues and expenditures from the [North Carolina State Accounting System \(NCAS\)](#). The actuals should match the BD701 NCAS accounting report. It is also populated with certified and authorized budget amounts, which are comprised of the BD307 for 2016-17, plus any recurring budget revisions approved through **September 6, 2016**. Agencies should run an RK314 report in the self-service IBIS report folder. This report will list all budget revisions for a budget code for the current biennium. It will show two important

attributes: the recurring flag from the budget revision and the IS_IN_BASE_BUDGET flag. (In the legacy system we used code “B”). OSBM will do the one automated procedure on September 2, 2016 to put every budget revision in the base budget if it has the recurring attribute. After that point OSBM analysts, working with their agencies, will be responsible for deciding which budget revisions go into the base budget (same as in legacy system). IBIS has a new function called Authorized/Certified which will make it easy for analysts to add budget revisions in or to take them out (this corresponds to the legacy function 28). Any budget revisions that are marked as non-recurring but should actually be included in the base budget will have to be included by the OSBM analyst. Budget revisions marked as Type 11’s in IBIS change the certified and authorized budgets. Type 12 and 14 budget revisions only impact the authorized budget column.

In the budget preparation process, the authorized budget is the certified budget (or BD307) plus recurring budget revisions flagged with IS_IN_BASE_BUDGET. This is different from the authorized budget in the BD701 accounting report from NCAS, 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 included in the biennial base budget).

Once OSBM has certified the 2016-17 short session budget and performs the automated procedure of copying over actuals and recurring budget revisions, agencies and departments should generate an initial Worksheet I before making any adjustments. Save a copy of this Worksheet I to your computer to act as a starting reference before you begin making further adjustments. Your initial Worksheet I will have:

Summary - Initial Worksheet I:

1. Actual column from NCAS-June 29, 2016
2. Certified column will be year 2 of the Original BD307 for 2016-17 plus all approved type 11 budget revisions for 2016-17 which are marked as "recurring".
3. Authorized column will be year 2 of the Original BD307 for 2016-17 plus all approved type 11, 12 or 14 budget revisions for 2016-17 which are marked as "recurring".

An agency generates a *Reconciliation of Requirements, Receipts, and Appropriation (Worksheet I Attachment)* report from IBIS. This report provides the data explaining the requirements, receipts, and appropriations in the certified and authorized budget columns of Worksheet I, listing changes by budget revision reference number.

3.1a Accessing Reports

Agencies can use the self-service capabilities in IBIS to request individual reports at any time. To access specific reports, please go to the ‘Report’ folder on the main page and follow the steps listed below:

- Public Folders > Self Service Reports > Budget Development Reports >
1. Worksheet I
 2. Reconciliation Report (Worksheet I Attachment)
 3. RK333B - Reconciliation Transfers/Receipts Report
 4. BI09 - Detail Transactions for Worksheet I Report

5. Publication Reports > Fund Purpose Statement Report

Public Folders > Self Service Reports > Budget Execution Reports >

6. Salary Control Summary - Salary Reserve Amounts for 2015-17 Year 1
7. RK329 - Salary Report
8. RK314 - Budget Report Revision List by Category>

3.1b Budget Codes for Which Worksheet I's are Prepared

Worksheet I's are required for budget codes 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 \(RK221\)](#) can be found on the OSBM website.

3.1c Explanation of WSI

To aid in the review your agency's initial Worksheet I for accuracy, to familiarize yourself with each column, and to understand and complete the tasks associated with each, please review the summary of Worksheet I components starting on the next page.

Worksheet I Item Name	What It Is	What You Do
Account Code	Reflects the line item account or object number from the NCAS Uniform Chart of Accounts	Ensure the fund and account numbers are correct. Contact OSBM if corrections are needed.
Account Title	The account or object title from IBIS for the expenditure and receipt line items. The titles are updated nightly in IBIS from correctly entering information in NCAS.	Make sure titles are accurate and consistent with the NCAS title file. If the titles differ, please contact OSBM.
Actuals (Expenditures)	Reflects actual 2015-16 expenditures and revenues transferred by OSBM from NCAS to IBIS.	Compare this information to the actual expenditures reported in the certified NCAS BD701 for June 2015-16. It should be within a few dollars due to rounding of cents.
Certified (Budget)	Reflects the 2016-17 certified budget (BD307) issued by OSBM (incorporates all General Assembly actions impacting the 2016-17 budget) plus Type 11 budget revisions coded as recurring in IBIS (actions approved by the General Assembly and recurring in nature, typically the distribution of statewide reserves).	Review all two-year Type 11 budget revisions for 2016-17 using the RK314 report in IBIS. This report will help agencies and OSBM analysts to determine which budget revisions should be included or omitted from Worksheet I. In mid-August, IBIS will set all recurring budget revisions to be flagged as IN_BASE_BUDGET. NOTE: After this initial copy of budget revisions into the base budget, any budget revision to be included in the base budget must be negotiated with the appropriate OSBM analyst. Similarly, any budget revision included in WSI in error must be manually omitted by the OSBM analyst. Type 11 budget revisions included in IBIS will revise the certified budget column and the authorized column.

Worksheet I Item Name	What It Is	What You Do
Authorized (Budget)	Reflects the 2016-17 authorized budget, which is comprised of the certified budget (BD307) plus Type 11, 12 and 14 budget revisions. The amounts listed in the authorized budget will become the 2017-19 base budget for that line item if there are no allowable adjustments approved in the 'Incr/Decr' column.	The same process described above is done to determine the authorized budget. Agencies will use the RK314 report from IBIS. In mid-August, IBIS will set all recurring budget revisions to be flagged as IN_BASE_BUDGET. NOTE: After this initial setting of budget revisions into the base budget, any budget revision to be included in the base budget must be negotiated with the appropriate OSBM analyst. Similarly, any budget revision included in WSI in error must be manually omitted by the OSBM analyst. Agencies should review all Type 12 and 14 budget revisions to determine if any of the budget revisions listed in the RK314 report should be eliminated (omitted) from WSI. The authorized column is impacted by all budget revisions – Type 11, 12 and 14. NOTE: All carry-forward 606s should be OMITTED from the base budget.
Incr/Decr 2017-18 & 2018-19	These are the Increase/Decrease columns used to make adjustments from the authorized budget in one or both years of the biennial budget that is 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 allowable increases/decreases in these columns by using the Worksheet I form in IBIS. See the Worksheet I user guide for assistance in completing the form (IBIS website).
Total 2017-18 & 2018-19	These columns represent the budget requested for each year of the 2017-19 biennium. They are made up of the Authorized Budget column and the Increase/Decrease amounts from the corresponding year.	

3.2 Worksheet I Instructions

The authorized budget for 2016-17 is the starting point for the recommended 2017-19 base 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

Agencies should examine their 2016-17 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 base 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 to reflect more realistic levels of need for 2017-19. A Type 14 budget revision may be included in Worksheet I. Contact the OSBM analyst regarding any budget revision that a department would like to request to include in the Worksheet I. Agencies cannot realign accounts for the sole purpose of gaining an advantage in base 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. Your OSBM analyst will provide a receipt analysis template that is required to be completed and submitted by the agency **by September 30, 2016** to ensure compliance with this statutory requirement. A sample receipt analysis is available as Appendix 3-4. Your OSBM analyst will notify you of the specific variance amounts that must be explained.
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. Use IBIS report RK333B as an aid to reconcile these transfers. If an increase or decrease in Worksheet I is needed, see [Section 3.2c](#) #2.
4. Carry-Forward Budget Revisions - Budget revisions that authorized a carry-forward from 2015-16 into 2016-17 should not be included in the Worksheet I.
5. Experimental, Model or Pilot Programs - Programs designated as experimental, model, or pilot must be identified as such either in the base 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 in base budget or expansion budget requests.
6. Salary Reserve Realignment - It is essential that the Salary Control function in IBIS reflect correct position and salary information as of **June 30, 2016**. If required, agencies should submit budget revisions 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 early in the base budget process. 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 base budgets. See [Section 3.2d](#) for full details on personnel related budgeting.

7. Personnel Related Adjustments (Including Federal payroll tax 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 only.

Agencies can generate a BEACON B0149-Positions by Funding Source report as of June 30, 2016. They will also need to add in the appropriate July 1st Legislative Increase by running a BEACON B0063-Legislative Increase Summary report to arrive at July 1, 2017 starting salary amounts for Worksheet I. Once agencies have their starting point for salaries, they can apply the rates listed below for each fund and then compare the calculated amount to what is in the authorized Worksheet I budget for each appropriate line item (social security, health, or retirement).

The fringe benefits rates are as follows:

Federal Insurance Contributions Act (FICA): 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 (\$118,500); the Medicare portion (HI) is 1.45% on all earnings.

Teachers and State Employees Retirement Rate: 16.12%

State Law Enforcement Officers Retirement Rate: 21.12%

Optional Retirement Rate: 12.82%

Consolidated Judicial Retirement rate: 35.06%

Legislative Retirement System rate: 23.82%

Health Benefits - maximum employer contributions - \$5,471 per year; Medicare-eligible \$4,251.

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 reports generated by IBIS to review which budget revisions changed the total appropriation and make sure it is appropriate to be included in the Base Budget. Make sure all permanent allocations from statewide reserves are included in the Base Budget. If appropriation was transferred between budget codes, make sure both budget revisions are included or both excluded. The totals for the budget code in the Reconciliation Report will match the total certified/authorized columns in the Worksheet I report.

3.2b Requests for Increases/Decreases in the Base Budget

Changes in the increase/decrease columns of WSI are added to or subtracted from the 2016-17 authorized budget to produce the amounts in the 2017-18 and 2018-19 budget columns. The appropriate department personnel will enter adjustments using the Worksheet I form in IBIS. **Departments and agencies should do one form for each unique adjustment category with a thorough explanation of the adjustment on the form (Example: Adjustment to rate increase associated with real property, etc.).** Once completed, they are submitted to OSBM for review. If more than one change is requested for a particular account, show the components of the change in the explanation section of the WSI IBIS form.

3.2c Allowable Base 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 in the Worksheet I for the following purposes:

1. **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 agency’s receipt analysis (see [Section 3.2a #2.](#)) demonstrates a need to increase or decrease requirements and receipts and a budget revision cannot be used to reflect the appropriate level of receipts, a Worksheet I adjustment may be submitted for consideration by OSBM. An example would be the removal of the requirements and receipts of a grant that is set to expire during the biennium. Another example is a 100% receipt-supported program with documented overrealized receipts available and necessary to be budgeted to continue the existing scope of the program, that have been/will be approved by OSBM to be budgeted on a nonrecurring basis, but are unable to be budgeted on a recurring basis due to [G.S. 143C-6-4.\(b\)\(3\)](#). If an adjustment reflects a decrease in receipts, the budget of the program generating the receipts must be reduced. Agencies should consult their OSBM analyst for the necessary documentation and format to submit the request. These requests are due to OSBM by **September 30, 2016**.

2. **Reconciliation of Intra-Governmental Transfers/Transactions** – Increases or decreases associated with intra-governmental transfers/transactions within state

management agencies (such as DIT, OSA, DOJ, and the Governor's Office) may be requested up to the level of 2015-16 actual expenditure via [Attachment 3-3](#). These requests are due to OSBM by **September 30, 2016**. NOTE: Agency actual expenditures associated with transfers to DIT for subscription fee charges must be excluded from the calculation.

3. **Annualization of Programs and Operating Costs of New Facilities** – Increases to annualize the budget for programs and operating costs of new facilities that were funded with less than annual budget in 2016-17 are allowed. Attach a detailed listing of the annualization request to the IBIS Worksheet I form when entering the requested increases. These requests are due to OSBM by **October 14, 2016**. An example template can be found at this link: [Attachment 3-1, Annualization Schedule](#).
4. **Annualization of Positions**
Positions budgeted on a recurring basis, but funded for only a portion payable amount in 2016-17, must be annualized for 2017-19.

New positions authorized during the 2016-17 fiscal year by the General Assembly are included in the certified and authorized columns of Worksheet I. If positions are effective **after** July 1, 2016, they should be annualized in the increase/decrease columns. Positions scheduled to be abolished with an effective date **after** July 1, 2016 must also be annualized.

Annualization Example: A new position is authorized by the General Assembly effective October 1, 2016 at an annual salary of \$47,679. The budget for 2016-17 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 on the agency's 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 (In short the accompanying fringe benefits should also be annualized).

Agencies are responsible for maintaining current and accurate position salary and position count data. Salaries reflected in the BEACON HR System must not exceed the authorized budget plus any required 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 listed in the Total 2017-18 and 2018-19 columns on Worksheet I.

Adjustments to budgeted levels of Health Benefits, Social Security, Retirement, and longevity associated with the annual budgeted salary of positions are allowable annualization requests. The B0064 – Estimated Longevity Eligibility Report can be run in the BOBJ module in BEACON to provide supporting documentation for the longevity annualization request. Agencies should run this report for FY 2016-17 data and select July 2016 from the prompts. Agencies should consult their OSBM analyst for the necessary documentation and format to submit the annualization request.

These requests are due to OSBM by **October 14, 2016**.

Note 1: The above references a view at the budget code level. If an individual fund has a higher BEACON salary than authorized budget but the authorized budget at the budget code level is equal to or greater than the amount reflected in BEACON, then please see instructions in [Section 3.2a\(6\)](#).

Note 2: Any legislative Increases authorized for 2016-17 Short Session of the General Assembly must be reflected in the Worksheet I authorized budget 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** – All Nonrecurring or one-time items approved by the General Assembly must be removed from the base budget in the increase/decrease columns, including one-time equipment and vehicle purchases included in the 2016-17 authorized budget. The IBIS system will automatically create Worksheet I adjustment forms to reverse any non-recurring entry made during the 2016-17 short session certification process (from [Session Law 2016-94, House Bill 1030](#)). The forms should be submitted to your OSBM analyst like any other adjustment entry form created by the agency. If the General Assembly budgeted any non-recurring items for 2016-17 during the long session budget process ([Session Law 2015-241, House Bill 97](#)), the system **will not** create an automated form. Agencies will have to identify and create a Worksheet I adjustment form for any non-recurring items that were added for 2016-17 during the long session certification process. If agencies have any questions on the removal of one-time items, please contact your OSBM analyst.

6. **Building/Office Lease**

If agency's have existing leases with automatic rate increases, adjustments are allowed in accordance with the terms of real property the leases. Please complete the support documentation, [Attachment 3-2](#), and make sure it is included as an attachment on the IBIS Worksheet I form.

[Attachment 3-2 – Building/Office Lease Schedule](#) is required when requested as an exception. These requests are due to OSBM by **October 14, 2016**.

7. **Other Statutory Adjustments (Requires Statute Reference)**

In a limited number of circumstances, the General Assembly has directed, through statute or Session Law, that certain adjustments be included in the base budget development process. If an agency has authority by statute or Session Law to include items in the base budget, the statute reference must be included in the justification field of the Worksheet I form. An example is G.S. 121-6(c) for the Department of Natural and Cultural Resources. Another example is Section 11.4(c) of [Session Law 2016-94](#). Where there is no specific legal authority to include items in the base budget, the statutory changes must be included in the Change Budget process, [Section 4](#). These requests are due to OSBM by **October 14, 2016**.

3.2d Reconciliation of Salaries and Position Counts on Worksheet

The process for budgeting salaries and positions is described below.

May-June 2016

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, 2016 HR salaries and position counts match the BEACON totals for June 30. If an FTE change was made in BEACON but not documented on a budget revision, the agency should consult with their OSBM analyst to determine if a budget revision 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 budget revision or a BEACON adjustment is required. Otherwise, the positions in BEACON must be reduced to make the salary obligations equal to or less than the annual authorized budget.

July-August 2016

Actual FTE Counts: OSBM will automatically load actual FTE counts for all agencies who utilize BEACON. If the actual FTE counts are not loaded onto your Worksheet I or if they are incorrect, agencies can add or adjust the counts using the Worksheet I Actual Form. FTE counts should match the agency’s June 30, 2016 finalized numbers for all budgeted codes that have assigned personnel. Agencies can use the June 30, 2016 BEACON B0149 report to check their actual FTE counts against what has been loaded into IBIS.

OSBM will work with agencies to certify the 2016-17 budget in IBIS ([Session Law 2016-94/House Bill 1030](#)). These adjustments will appear on the BD307 report.

August-September 1, 2016

Agencies should run a RK314, list of budget revisions, for 2016-17 in IBIS. This report will help agencies and OSBM analysts determine which budget revisions should be included or omitted from Worksheet I. All recurring budget revisions, unless already flagged as IS_IN_BASE_BUDGET, are copied to IBIS on **September 6, 2016**. After the initial copy of recurring budget revisions into Worksheet I, agencies will have to contact their OSBM analyst to add or remove budget revisions from Worksheet I.

September-October 2016

After the 2016-17 short session budget is certified by OSBM, the Worksheet I and Reconciliation Reports generated in IBIS for the 2017-19 biennium will have the following attributes: The certified/authorized columns of Worksheet I should include the budgeted salaries and position counts in the BD307 for July 1, 2016 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, 2016 totals.

If the General Assembly funded positions with an effective date after July 1, 2016, the positions should be annualized by entering the required adjustments in the increase columns (See instructions in [Section 3.2c](#)).

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

3.3 Fund Purpose Statements and Activity & Service Data

IBIS has a function called Fund Purpose Maintenance (FPM). The fund purpose statements from the previous biennium have been loaded into the IBIS FPM module. For any new funds created through IBIS since July 1, 2015, the system populated the FPM module from the fund descriptions required on the *IBIS Fund Request* forms. Agencies should review and edit their fund purpose statements **from September 6, 2016 through October 14, 2016**. After October 14th, only OSBM will have access to edit the fund purpose statements used for publication. Agencies can run the *IBIS Fund Purpose Statements report*, for a listing of all funds along with their titles and descriptions. Any necessary edits to these statements can be made by going to the FPM module and pulling up the specific fund you wish to edit. Fund Purpose Statements should be written in clear language with limited (or spelled out) acronyms.

The Fund Purpose Maintenance form is available in the IBIS portal. Click on “Admin” in the main left-hand navigation and select “Fund Purpose Maintenance”. The corresponding report can be found in IBIS under *Self Service Reports / Budget Development Reports/Fund Purpose Statements*.

In addition, to support OSBM’s review of the base budget, agencies may be asked to submit supplemental information on relevant service and activity data, such as data on who is being served and at what cost for the funding level in the base budget. Agencies are required to provide all requested information in support of the budget development process.

3.4 Base Budget Attachments and Appendices

Attachments

- **Completed Worksheet I (submit 1 hard copy)**
 - WSI – Recommended Base Budget - Summary Report (IBIS)
 - WSI – Recommended Base Budget - Summary by Purpose (IBIS)
 - WSI – Recommended Base Budget - Summary by Account (IBIS)
 - WSI – Recommended Base Budget - Fund Detail by Account (IBIS)
 - WSI - Reconciliation of Requirements, Receipts, and Appropriation (Generate in IBIS Reports)
 - WSI - Reconciliation of Position Counts and Budgeted Salaries

- **Supporting Schedules (submit 1 hard copy and 1 electronic copy in Excel format)**
 - [Attachment 3-1 – Annualizations Schedule](#)
 - [Attachment 3-2 – Lease Schedule \(Building/Office Lease\)](#)
 - [Attachment 3-3 – Transfers to State Management Agencies](#)
 - Receipt Analysis (in format provided by the OSBM analyst)
 - Base Budget service and activity data (as requested by OSBM analyst)

- **Online Resources**
 - [Appendix 3-1 – Checklist for 2017-19 Base 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)

OSBM *Worksheet I* User Guide on the training tab of the [IBIS website](#).

4. CHANGE BUDGET

The change budget consists of all proposals for expansion or reduction from the base budget. In support of budget and resource planning for the 2017-19 biennium, agencies are asked to first identify and propose realignments to the base budget. For needs that cannot be addressed through realignment, agencies are asked to identify and submit requests for critical needs, as well as identifying opportunities for new programs or expanding existing programs. Agencies are also asked to identify and submit requests for savings from efficiencies. It is imperative that agencies provide expansion and reduction submissions with complete justifications and supporting data in a timely manner in order to provide the information and options necessary for the Governor to develop final budget recommendations.

In realigning the base and developing expansion requests, highest priority should be given to gaps and unmet needs for mission critical services. The sum total of all agency General Fund appropriation expansion requests shall not exceed 2 percent of that agency's 2016-17 certified appropriation, adjusted for non-recurring expansion and reductions. Expansion requests are further limited as described in [Section 4.2](#). Agencies should have prior written approval from the Office of State Budget and Management if they exceed these limits or the 2 percent cap. When expansion requests are combined with reduction options, the change to the General Fund must be budget neutral or result in a net savings.

In an effort to better understand agency needs and align them with Governor McCrory's key priorities, OSBM will be conducting executive meetings with all agencies during **late September and early October**. Agencies should be prepared to discuss a ranking of agency top budget priorities, changes to investments in those priorities, and associated goals, success measures, estimated costs, and proposals to pay for the identified priorities. In addition, please be prepared to discuss top structural budget needs and identified efficiencies to improve your agency.

4.1 Base Budget Realignment Policy

In developing change budget requests, agencies should start at the base budget for each budget code. Through the Base Budget Realignment Worksheet, agencies have the opportunity to propose realignments to priorities within the base that would result in a net zero change to the agency's base. Agencies proposing realignments shall submit the Base Budget Realignment Worksheet (See [Attachment 4-1](#)). A separate worksheet should be submitted for each proposed realignment, and each worksheet should reflect a self-contained, budget neutral, redirection of funds for a specific purpose. If approved, proposed realignments will be presented as a single change item in the Governor's Budget, and if enacted will be uploaded during the budget certification process.

In preparing a proposed realignment of the base budget, agencies may:

- Finance structural gaps or unmet needs within the existing base budget, including realigning budget across programs within a budget code.
- Build in revisions that are routinely repeated but cannot be built into the Worksheet I.

- Re-prioritize existing programs not allowable under G.S. 143B-10.
- Fund statutorily required salary increases.

In realigning the base budget, agencies are prohibited from the following (but will have the opportunity to accomplish these tasks in the expansion/reduction requests):

- Increase or decrease total operating funds or increase positions above those allowed in the base budget.
- Eliminate programs or establish new and/or pilot programs.
- Make adjustments that would require changes to general statute or session law.
- Increase or decrease funding for growth of enrollment or populations served in public schools, community colleges, the University of North Carolina System, prisons, and North Carolina's Medicaid and Health Choice programs, State and County Special Assistance, and Foster Care and Adoption Assistance program.
- Increase funding for continued phase-in of new programs initiated in a previous biennium.

Any base budget realignment request must be accompanied by a narrative summary and justification for the major changes included in the realignment.

4.2 Expansion Budget Policy

The expansion budget includes the following:

- Growth of enrollment or population served in public schools, community colleges, the University of North Carolina system, prisons, and North Carolina's Medicaid and Health Choice programs, State and County Special Assistance program, and Foster Care and Adoption Assistance program.
- Additional operating funds above those allowed in the base 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.
- Information technology projects.
- Funds to replace lost federal funds.
- Statutorily required salary increases

The sum total of all General Fund appropriation expansion requests (Worksheet IIs) for the 2017-18 and 2018-19 biennium shall not exceed 2 percent of that agency's 2016-17 certified appropriation, adjusted for non-recurring expansion and reductions. Agencies are strongly encouraged to prioritize requests and ensure the volume and magnitude of requests are reasonable given overall resource availability. In developing expansion requests, an agency must identify and report any structural budget issues, and the highest priority should be given to gaps and unmet needs for mission critical services.

The limitations outlined above do not apply to 100% federal or other receipt-supported expansions or expansion for growth in enrollment or populations served in:

- Public Schools
- Community Colleges
- The University of North Carolina System
- Prisons
- North Carolina Medicaid and Health Choice Programs
- North Carolina State and County Special Assistance Program
- North Carolina Foster Care and Adoption Assistance Program

Budgeting for enrollment growth in these programs will be considered outside of the 2 percent cap.

Agencies should have prior written approval from the Office of State Budget and Management if they exceed the 2 percent cap.

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 5](#).

The Worksheet II is designed to collect the information necessary to articulate the business case for the proposed expansion. It is imperative that agencies complete all components of the form and provide supporting data to present a compelling justification for the request. Particular focus should be given to explaining the problem that will be addressed, the expected benefits, and the relationship of the proposal to the agency's strategic plan. When citing data, please attach supporting documentation that identifies the data source and methodology for collection and analysis.

For expansion items that exceed total requirements of \$5 million in any given fiscal year, agencies must provide a cost benefit analysis along with the Worksheet II for the expansion item. Please see [Appendix 4-1](#) for general guidance on cost-benefit analysis as well as [Attachment 4-3](#) for the Cost Benefit Analysis Worksheet Template.

Budget data does not need to be entered at the full 6-digit account detail for operating accounts (532XXX - 535XXX), and may be summarized at the 4-digit level (e.g. 5321XX).

Detailed instructions for preparing expansion requests are provided in [Section 4.4b](#). **Agency expansion requests are due to OSBM by October 31, 2016.**

4.3 Reduction Option Policy

Each state agency shall develop 2 percent reduction options based on the 2016-17 certified general fund appropriation, adjusted for non-recurring expansion and reductions. These reduction options should attempt to minimize the impact on direct services to citizens, as well as the impact on “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.

Agencies are encouraged to eliminate low priority programs rather than spreading reductions across the board. When options impact programs or services with a statutory basis, draft legislation must be provided with the reduction option.

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.
5. Proposals should include an analysis of the expected impact of the reduction and options for mitigating impacts.

Decreases to reflect reductions in enrollment or populations in public schools, community colleges, the University of North Carolina System, prisons, and North Carolina’s Medicaid and Health Choice programs, State and County Special Assistance, or Foster Care and Adoption Assistance program must be included in the reduction change budget, but are ineligible to count towards toward the agency’s 2 percent reduction.

Agencies shall work with their OSBM budget analyst when developing their budget reduction options. Detailed instructions for preparing reduction options are provided in [Section 4.4c](#). **Agency reduction options are due to OSBM by October 31, 2016.**

4.4 Detailed Worksheet Instructions

4.4a Base Budget Realignment Worksheet Instructions ([Attachment 4-1](#))

Use the Base Budget Realignment Worksheet to enter all proposed realignments to the base. A separate worksheet should be submitted for each proposed realignment, and each worksheet should reflect a self-contained, budget neutral, redirection of funds for a specific purpose. This

process should not be used for items that can be incorporated into the base under current law when developing the Worksheet I. The worksheet is based on the budget certification bulk upload template and can be uploaded during the certification process if the proposal is approved in the enacted budget. ***Do not make any modifications to the worksheet or the upload functionality will be compromised.***

- Use the **Requirements tab** for all changes to Requirements and the **Receipts tab** for all changes to Receipts. For each row, enter the **Fund Code**, **Cost Center** (optional), and **Account Number**. Enter increase/decrease amounts in the **Year 1 Amount** and **Year 2 Amount** columns. All fields are required except for Cost Center.
- **Year 1** and **Year 2** amounts are currency fields and must contain whole numbers. It is not necessary to enter commas or dollar signs, as the spreadsheet will automatically add commas and remove dollar signs. Negative numbers may be entered using either the '-' sign or parentheses, but the spreadsheet will convert to the '-' sign. Year 1 and Year 2 amounts will automatically total on row 2 of the spreadsheet.
- If the proposed realignment affects positions, use the **Positions tab** to reflect these changes. For each row, enter the **Fund Code**, **Cost Center** (optional), and **Account Number**, **Position Number**, **Classification**, **Annual Salary**, and **Effective Date**. Enter the FTE increases/decreases in the **Year 1 FTE** and **Year 2 FTE** columns. Annual Salary, Year 1 and Year 2 amounts will automatically total on row 2 of the spreadsheet.
- Each tab is **limited to 2000 rows** of data, so multiple worksheets will need to be submitted if it is necessary to exceed 2000 rows.
- As a separate attachment, please provide a narrative summary and justification for the major changes included in the realignment.

4.4b Expansion Budget Instructions

The [Summary List of Expansion Budget Requests](#) and the IBIS Worksheet II form must be used for official expansion requests. All expansion documents should be submitted to OSBM by **October 31, 2016**. Agencies should submit the excel *Summary List of Expansion Budget Requests* electronically via e-mail, and submit the IBIS Worksheet II Expansion forms through the IBIS system. Also submit one hard copy of the summary list along with one hard copy of each complete IBIS Worksheet II form on 8 1/2" by 11" paper on the same date. Incomplete requests will not be considered by OSBM.

1. Summary List of Expansion Budget Requests ([Attachment 4-2](#))

On the Summary List of Expansion Requests, summarize each request in priority order into one list of short, concise sentences with the total funds requested shown in the columns for 2017-18 and 2018-19. Each item involving receipts must show total requirements, estimated receipts, and appropriation requested. Show the number of

positions directly beneath the requested appropriation. If an item is on the summary list, there should be a detailed IBIS Worksheet II form that corresponds to that item.

- 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 2017-18 and 2018-19, 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 2017-18 and 2018-19, respectively.
 - Line 4b indicates **Local receipts**, which support the requirements for the expansion item for fiscal years 2017-18 and 2018-19, respectively.
 - Line 4c indicates **Other receipts**, which support the requirements for the expansion item for fiscal years 2017-18 and 2018-19, respectively.
- Line 5 indicates **Appropriation** support for the expansion item for fiscal years 2017-18 and 2018-19, respectively.
- Line 6 indicates the total **Number of Positions** (rounded to the third decimal) requested for the expansion item for fiscal years 2017-18 and 2018-19, 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 2017-18 and 2018-19, 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 2017-18 and 2018-19, respectively.
 - Line 8b indicates **Total Local Receipts**, which support the requirements for the expansion items for fiscal years 2017-18 and 2018-19, respectively.
 - Line 8c indicates **Total Other Receipts** that support the requirements for the expansion items for fiscal years 2017-18 and 2018-19, respectively.
- Line 9 indicates **Total Appropriation** for all expansion items for fiscal years 2017-18 and 2018-19, respectively.

- Line 10 indicates **Total Positions** (rounded to the third decimal) for all expansion items for fiscal years 2017-18 and 2018-19, respectively.

2. Worksheet II Expansion Budget

Funds for expansion items are requested in IBIS on the Worksheet II expansion form. A separate Worksheet II must be completed and submitted by the agency for each expansion item.

For instructions on how to use the form, please refer to the [Worksheet II User Guide](#) available on the IBIS website.

Guidance on completion of the Worksheet II

On the Basic information Tab:

- **Priority** indicates the requests ranking among the agency's expansion items.
- **Recurrence** indicates whether the item is Nonrecurring or Recurring. Nonrecurring should be selected for those items occurring only in the first year of the biennium.
- **Worksheet Type** indicates whether the request is an increase or a decrease. For expansion items, "Increase" should be selected as the option in the Create Request menu.
- **Request Type** requires an agency to categorize the request as one of the options available in the drop-down menu.
- The **Title** of the Request for which the Worksheet II is prepared should include enough specificity to identify the request.
- A brief **Description of the Item** should provide a narrative explanation of the request being made.
- The **Problem/Issue Being Addressed** by the proposed expansion. Identify the problem/issue that will be addressed by the proposed investment, including supporting data. Explain why addressing the problem/issue is a priority, and why it is appropriate at the current time.
- The **Anticipated Outcome/Impact after Implementation of Changes** if the expansion request was granted. Discuss how the expansion request will address the identified problem/issue and the expected benefit. When possible, use quantified statements and timelines for achieving benefits. Attach supporting data and methodology for analysis. If the expansion item exceeds \$5 million in total requirements in any fiscal year, attach the Cost Benefit Analysis Worksheet ([Attachment 4-3](#)) to your Worksheet II. Please see [Appendix 4-1](#) for general

guidance on cost-benefit analysis. The Cost Benefit Analysis Worksheet is not required for expansion for growth in enrollment or populations served for programs listed in Section 4.1. For more complex analyses or longer timeframes, you may modify or deviate from the Worksheet as long as the same basic information requirements are met.

- The **Relationship to Agency mission, goals and agency key indicators:** Clearly identify which goals and objectives from the agency's strategic plan to which the expansion request is related. Discuss how the expansion request will advance the goals and objectives of the agency or the Administration and how it will influence key performance measures. See [Section 7](#) for additional information on strategic plans.

On the Positions Tab:

- The Positions Tab 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 2017-18 and 2018-19, the **Annual Salary** of the position, and the **Budgeted Salary** for fiscal years 2017-18 and 2018-19. 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). Agencies should seek prior approval from your OSBM budget analyst before using 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 Human Resources](#), 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 Human Resources, 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.)
- The FTE shall be rounded to the third decimal.

On the Budget Detail Tab:

- The Budget Detail tab indicates the total requirements, receipts, and appropriation for the expansion request.
- The requirements menu indicates the detail of the **Requirements** for the expansion request. The Account Number and Title are the NCAS expenditure **Account Number** and **Account Title** at the six-digit level of detail. Accounts are also available at the 4-digit level of detail and may be used for all operating accounts (532XXX-535XXX).

The amounts shown in the 2017-18 and 2018-19 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 2015-16 and Authorized 2016-17 columns will be pre-populated with information from IBIS and should directly reflect activity related to the expansion request. Since the system will pull all activity related to the fund/accounts keyed into the form, there may be situations where the actuals and authorized numbers reflect an aggregate of multiple activities beyond the specific expansion request. Consult with your OSBM analyst on any changes that may be required.

- The receipts menu indicates the detail of the **Receipts** for the expansion request. The Account number and title are the NCAS receipt **Account Number** and **Account Title**. The amounts shown in the 2015-16 and 2016-17 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 requests. If specific statutory authority is needed, attach recommended statutory or special provision language to the Worksheet II form, 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.

Note: An agency can complete as many lines as necessary for requirements and receipts. These lines will be compiled in the table of summary totals below.

The Budget Overview tab provides a summary of all requirements, receipts and appropriations entered in the Budget Detail tab.

On the Other Tab:

- **Additional Resources** required from another agency to support the request. Answering “Yes” will require you to specify the name of the agency and the additional cost to it.
- **Impact on Local Government(s).** Answering “Yes” will require an additional explanation.
- **Statutory Changes.** You must 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 IBIS Worksheet II expansion request.
- **Capital Improvement Project.** If there is a capital improvement project associated with the expansion request, you will be prompted for further information regarding the project. 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.
- **Additional Space Requirements** per [G.S. 120-36.7\(c\)](#): Answering “Yes” will require additional information regarding: 1) the type of space (office, storage, other) required for the request; 2) the Additional Square Footage Required for the request for fiscal years 2015-16 through 2019-20; and 3) the additional annual Cost of the space requirements for those same years.
- **Motor Pool Requirements:** Each request that requires additional vehicles from the state motor pool must indicate the number 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.
- **IT Component Requirements:** Indicate if this request has an IT component and if so, whether that project has been entered in the Department of Information Technology’ Enterprise Project Management Office’s [Touchdown System](#).

Attachments/References

Please attach any documents that support your expansion request to the IBIS Worksheet II form. For any data cited in your request, attach supporting documentation identifying data sources and methodologies for collecting and analyzing the data.

Business Case for Lease Purchases and Installment Purchases

An agency should contact their OSBM analyst with any questions about analyzing a lease purchase or installment purchase.

3. Types of Expansion Items for Consideration

- **Enrollment or Populations Served (Not Subject to 2% Limitation)** – Increases to reflect changes in the enrollment or population currently served in public schools, community colleges, the University of North Carolina System, prisons, and North Carolina’s Medicaid and Health Choice programs, State and County Special Assistance, or the Foster Care and Adoption Assistance program should be submitted as an expansion item. *Budgeting for enrollment growth in these programs will be considered outside of the 2 percent cap and do not require a cost-benefit analysis.* 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.

For the 2017-19 biennium, agencies will submit two separate worksheet II’s for enrollment growth. The first worksheet II will be based on enrollment data supporting the FY 2017-18 enrollment adjustments. The 2017-18 adjusting entry will be entered for both years of the biennium. The second worksheet II will estimate the 2018-19 enrollment growth above the 2017-18 level based on agency projections for the second year of the biennium. The Governor will use the 2018-19 projections for consideration of a statewide reserve to handle anticipated growth in the second year of the biennium.

While agencies will have to do an early projection in crafting their expansion requests, most continue to update those projections in the following months after submission. In order to have the most current information before finalizing the budget, **agencies will provide OSBM with their updated enrollment cost data by January 31, 2017.**

Special Note for the Department of Public Instruction

The State Board of Education and the Department of Public Instruction shall issue planning allotments to LEAs after enrollment data has received final approval from OSBM.

- **Operating/Building Reserves** – Operating costs to make facilities operational and functional for authorized capital projects scheduled for completion during the 2015-17 biennium (see [Section 6, Capital Budget](#)). Any new programs, activities, or expansion of existing programs and activities associated with capital projects should be included on a separate 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 attached to the corresponding Worksheet II IBIS form. The attachment should include 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 4-4 \[sample\]](#).

Positions requested through reserves follow the same rates that are listed in [Section 3.2a](#) of the instructions.

- **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, natural gas, and fuel oil. Adjustments may be requested to increase funding for specific accounts to the level of actual 2016 expenditures in excess of the higher of the certified or authorized budget.
- **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 2016 expenditures in excess of the higher of the certified or authorized budget.
- **Non-Facility Based Operating Accounts**
These accounts represent the various non-salary administrative operational accounts of agencies, ranging from 53-22XX through 53-59XX. Requests can be made for increases in these non-facility based operating accounts and 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 request is the need as compared to the higher of the certified or authorized budget. There should be a thorough explanation of the agency's request along with the appropriate schedule attached if the request is for equipment, vehicles, or leases. The agency should also attach any other relevant information about the request to the IBIS expansion form when it is submitted to OSBM.
- **Replacement of Existing Equipment** ([Attachment 4-5a](#))
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 base budget.
- **Vehicle Replacement** ([Attachment 4-5b](#) and [Attachment 4-5c](#))
 - a) **Licensed Motor Vehicles** ([Attachment 4-5b](#)) – 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 2016-17 budget must be removed from the base budget.

- b) Other Vehicles ([Attachment 4-5c](#)) – 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 expansion item. 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 2016-17 budget must be removed from the base budget.

- **Statutorily Required Salary Increases, Information Technology, Replace Federal Funds, Continue Phase-in of New Programs, Redirect Statutorily-Controlled Funds Between Programs, all other requests:**

Any request for additional General Fund appropriation or use of Departmental receipts to support new activity requires the completion of a Worksheet II for consideration. New Information Technology projects should follow the instructions listed in [Section 5](#) of this document.

4.4c Reduction Options Instructions

The Summary List of Budget Reduction Options ([Attachment 4-6](#)) and IBIS Worksheet II Reduction Option forms must be used for submitting Reduction Options. Agencies should submit the excel *Summary List of Budget Reduction Options* electronically via e-mail, and submit the IBIS Worksheet II Reduction Option forms through the IBIS system. Also submit one hard copy of the summary list along with one hard copy of each IBIS Worksheet II reduction form on 8 1/2" by 11" paper. Incomplete requests will not be considered by OSBM. All documents should be submitted to OSBM by **October 31, 2016**.

1. Summary List of Budget Reduction Options ([Attachment 4-6](#))

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, 2016.

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 2017-18 and 2018-19. 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 2017-18 and 2018-19, 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 2017-18 and 2018-19, respectively.
 - Line 4b indicates **Local receipts** associated with the reduction item for fiscal years 2017-18 and 2018-19, respectively.
 - Line 4c indicates **Other receipts** associated with the reduction item for fiscal years 2017-18 and 2018-19, respectively.
- Line 5 indicates the decrease in **Appropriation** for the reduction item for fiscal years 2017-18 and 2018-19, respectively.
- Line 6 indicates the decrease in **Number of Positions** (rounded to the third decimal) for the reduction item for fiscal years 2017-18 and 2018-19, 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 2017-18 and 2018-19, 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 2017-18 and 2018-19, respectively.
 - Line 8b indicates **Total Local Receipts** associated with the reduction item for fiscal years 2017-18 and 2018-19, respectively.
 - Line 8c indicates **Total Other Receipts** associated with the reduction item for fiscal years 2017-18 and 2018-19, respectively.
- Line 9 indicates the decrease in **Total Appropriation** for all reduction options for fiscal years 2017-18 and 2018-19, respectively.

- Line 10 indicates the decrease in **Total Positions** (rounded to the third decimal) for all reduction options for fiscal years 2017-18 and 2018-19, respectively.

2. Worksheet II Reduction Options

A separate Worksheet II must be completed by the agency for each reduction item outlined on the Summary List of Budget Reduction Options. All reduction options must be entered and submitted in the Integrated Budget Information System (IBIS) using the Worksheet II Reduction Option form. For instructions on how to use the form, please refer to the [Worksheet II User Guide](#) available on the [IBIS website](#).

Guidance on completion of the Worksheet II Reduction Option Form

On the Basic Information Tab:

- **Priority** indicates the requests ranking among the agency's expansion items.
- **Recurrence** indicates whether the item is Nonrecurring or Recurring. Nonrecurring should be selected for those items occurring only in the first year of the biennium.
- **Worksheet Type** indicates whether the request is an increase or a decrease. For reductions, you should have selected Decrease as the option in the Create Request menu.
- **Request Type** requires an agency to categorize the request as one of the options available in the drop-down menu.
- The **Title** of the Request for which the Worksheet II is prepared should include enough specificity to identify the request.
- A brief **Description of the Item** for which the Worksheet II is prepared should provide a narrative explanation of the request being made.
- **Necessary Changes in Business Operations or Processes as a Result of this Reduction.** This box should explain the anticipated impact of the reduction on agency programs and operations. This explanation should include the time required to implement changes related to the reduction, including the elimination of any positions. Use quantified statements as necessary.
- The **Anticipated Outcome/Impact after Implementation of Changes** if the submitted reduction is made. Provide an analysis of the expected impact of the reduction, citing data if available, and explain why the impact is acceptable or how it can be mitigated. Attach supporting data and methodology for analysis.

On the Positions Tab:

- The Positions Tab indicates the detail of positions proposed for elimination by **Fund Code, Cost Center, Account Number, Salary Grade, State Human Resources Classification, Effective Date, Retirement Program, Other Information**, the **FTE** (rounded to third decimal) for fiscal years 2017-18 and 2018-19, the **Annual Salary** of the position, and the **Budgeted Salary** for fiscal years 2017-18 and 2018-19. The effective date shall be July 1 unless there are extenuating circumstances that would necessitate a later effective date. Prior approval from your OSBM budget analyst is required before eliminating positions with an effective date later than July 1.

Annual Salary:

- The annual salary entered for each position proposed for elimination shall reflect the position's current budgeted salary from state appropriation. Reducing the position by less than this amount requires prior approval by your OSBM budget analyst.
- The FTE shall be rounded to the third decimal.

On the Budget Detail Tab:

- The Budget Detail tab indicates the total requirements, receipts, and appropriation for the reduction option.
- The requirements menu indicates the detail of the **Requirements** for the reduction option. The Account Number and Title are the NCAS expenditure **Account Number** and **Account Title** at the six-digit level of detail. Accounts are also available at the 4-digit level of detail and may be used for all operating accounts (532XXX-535XXX).

The amounts shown in the 2017-18 and 2018-19 columns reflect the change in the funding required to implement the reduction. The projection of the requirements for future fiscal years should include the annualized amount of the reduction.

Fringe benefits for eliminated positions should be based on the current 2016-17 benefit rates, see [Section 3.2a-7](#).

The Actual 2015-16 and Authorized 2016-17 columns will be pre-populated with information from IBIS and should directly reflect activity related to the reduction request. Since the system will pull all activity related to the fund/accounts keyed into the form, there may be situations where the actuals and authorized numbers reflect an aggregate of multiple activities beyond the specific reduction request. Consult with your OSBM analyst on any changes that may be required.

- The receipts menu indicates the detail of the **Receipts** for the reduction option (if any). The Account number and title are the NCAS receipt **Account Number** and **Account Title**. The amounts shown in the 2017-18 and 2018-19 columns reflect the change in the level of receipts anticipated for implementation of the reduction option. If specific statutory authority is needed to request additional fees, attach recommended statutory or special provision language.

Note: An agency can complete as many lines as necessary for requirements and receipts. These lines will be compiled in the table of summary totals below.

The Budget Overview tab provides a summary of all requirements, receipts and appropriations entered in the Budget Detail tab.

On the Other Tab:

- **Additional Resources** required from another agency to support the reduction option. Answering “Yes” will require you to specify the name of the agency and the additional cost to it.
- **Impact on Local Government(s).** Answering “Yes” will require an additional explanation.
- **Statutory Changes.** You must 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 IBIS Worksheet II reduction form.
- **Capital Improvement Project.** If the reduction affects an ongoing capital improvement project, you will be prompted for further information regarding the project. Contact the Capital Improvement Section at 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.
- **Space Requirements** per [G.S. 120-36.7\(c\)](#). Answering “Yes” will require additional information regarding: 1) the type of space (office, storage, other) effected by the reduction option; 2) the Square Footage effected for fiscal years 2017-18 through 2021-22; and 3) the annual Cost of the space for those same years.
- **Motor Pool Requirements:** 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.
- **IT Component Requirements:** Indicate if this request has an IT component and if so, whether that project has been entered in the Department of Information Technology Enterprise Project Management Office’s Touchdown System.

Attachments/References

Please attach any documents that explain your reduction option.

4.5 Change Budget Online Resources

- [Attachment 4-1 – Base Budget Realignment Worksheet](#)
- [Attachment 4-2 – Summary List of Expansion Budget Requests](#)
- [Attachment 4-3 – Cost Benefit Analysis Worksheet](#)

- [Attachment 4-6 – Summary List of Reduction Options](#)

- **Supporting Schedules (submit 1 hard copy and 1 electronic copy in Excel format)**
 - [Attachment 4-4 – Building Reserves Schedule](#)
 - [Attachment 4-5a – Equipment Purchase Schedule](#)
 - [Attachment 4-5b – Motor Vehicle Purchase Schedule](#)
 - [Attachment 4-5c – Other Vehicle Purchase Schedule](#)

5. INFORMATION TECHNOLOGY

5.1 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. 143B-1320\(a\)\(11\)](#).

[G.S. 143C-3-3](#) sets forth requirements as follows:

Information Technology Request. – In addition to any other information requested by the State Chief Information Officer (State CIO), any State agency requesting significant State resources, as defined by the State CIO, for the purpose of acquiring, operating, or maintaining information technology shall accompany that request with all of the following:

1. A statement of its needs for information technology and related resources, including expected improvements to programmatic or business operations, together with a review and evaluation of that statement prepared by the State Chief Information Officer.
2. A statement setting forth the requirements for State resources, together with an evaluation of those requirements by the State Chief Information Officer that takes into consideration the State's current technology, the opportunities for technology sharing, the requirements of Article 15 of Chapter 143B of the General Statutes, and any other factors relevant to the analysis, and in cases of an acquisition, an explanation of the method by which the acquisition is to be financed.
3. A statement by the State Chief Information Officer that sets forth viable alternatives, if any, for meeting the agency needs in an economical and efficient manner. A statement setting forth the requirements for State resources, together with an evaluation of those requirements, including expected improvements to programmatic or business operations by the Secretary that takes into consideration the State's current technology, the opportunities for technology sharing, the requirements of the General Statutes, and any other factors relevant to the analysis.
4. In the case of an acquisition, an explanation of the method by which the acquisition is to be financed.

This subsection shall not apply to requests submitted by the General Assembly or the Administrative Office of the Courts.

5.2 Information Technology Instructions

For information technology requests, there are submission requirements for both the State CIO and OSBM. These include IT projects or projects where there is an IT component, regardless of funding source. In accordance with [Section 3.9.1 of the North Carolina Budget Manual](#), all IT projects that exceed \$500,000 in total requirements, and for which state funds have not been appropriated, must be submitted as an expansion request. This includes projects funded with federal grants or awards or other types of receipts. In order for the request to be considered, agencies should submit information in both the Enterprise Project Management Office's Touchdown System and a Worksheet II expansion form in the Integrated Budget Information System (IBIS). **If the IT project is not entered in both systems, the request will not be considered by OSBM.** Submissions of IT project information in the Touchdown system should

be completed by **October 31, 2016**, the same due date as the Worksheet II in IBIS. A completed EPMO Form [0300-0310-015-C](#) should be attached in the Documents section of the project's Touchdown site along with the corresponding pdf. copy of the final IBIS Worksheet II document(s).

Unless an exception is granted by OSBM, the entire project cost for the initiative should be requested within the biennium along with any recurring operations and maintenance (O&M) costs. Agencies should identify the source(s) of funds for each phase of the project. If the project is not or cannot be fully funded during the biennium, it should be scaled or phased so that each funded phase delivers its predetermined requirements and associated benefits. O&M costs and the source of funds should also be identified for each funded phase. The estimated cost of funding subsequent project phases, to include O&M, should be explained. Funds designated for project costs should be transferred to agency's appropriate 2XXXX IT project budget code after certification in accordance with section 3.9 of [The State of North Carolina Budget Manual](#).

In addition, [G.S. 143B-1340](#) requires that all agency information technology project requirements be documented in biennial information technology plans. A copy of the agency's information technology plan for the upcoming biennium should be forwarded to your agency's respective OSBM budget analyst by October 31, 2016. Indicate all projects that need an expansion request to initiate or continue in the accompanying email or attachment.

If your agency has IT projects that are moving from development to the production and operational phase in FY 2017-19 and require additional funding, requests for system O&M should be submitted as part of the Change Budget Worksheet II expansion request for Non-Facility Based Operating Accounts (See [Section 4](#) for more information).

Refer to section 3.9 of [The State of North Carolina Budget Manual](#) for additional details on Information Technology Budget Policies and Procedures.

6. 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 2017-23 Capital Improvement Plan, with the first two years of the plan guiding the 2017-19 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 2017 session in January. One-time major equipment purchases must be requested in the operating expansion budget, see [Section 4](#).

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](#) and will be available through IBIS **September 16, 2016**. Contact your OSBM analyst if you have questions or experience technical problems while completing the Worksheet III forms. You can also access the OSBM Worksheet III user guide on the [IBIS website](#).

Worksheet III forms and all required attachments must be submitted to your OSBM analyst by October 31, 2016.

6.1 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 2017-23 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 or installation of new systems; 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, landscaping, and building demolition. 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 in the Integrated Budget Information System (IBIS) using the IBIS Worksheet III form. This also includes requests to be funded completely from non-General Fund sources (NGF).
- Provide certified OC-25 Cost Estimates for all projects requested for the 2017-19 biennium; OC-25 Cost Estimates for 2019-23 may be agency generated (not certified by SCO).

6.1a Worksheet III

Worksheet III forms are used for requesting capital improvement funds and identifying capital improvement needs for the 2017-19 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:

6.1b Capital Budget Requests (land acquisitions, new construction, rehabilitation/major renovation projects)

Required Forms:

- [Worksheet III-C Summary \(IBIS\)](#) – Lists all Capital Budget Requests supported in whole or part from General Fund appropriations in priority order for the six year planning period (2017-23). 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 \(IBIS\)](#) – 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 2017-2023 biennium. Priorities, Project Titles and funding must match data listed on the *Worksheet III-C Summary and Worksheet III-NGF Summary*.
- [Worksheet III-C NGF Non General Fund Summary \(IBIS\)](#) – Lists all Capital Budget Requests supported from 100% non-General Fund appropriations in priority order for the six-year planning period (2017-23). Do not list any projects in the first two years for which you do not anticipate having the receipts.

6.1c Repair and Renovation Requests

Required Forms:

- [Worksheet III-R Summary \(IBIS\)](#) – Lists all requested R&R projects and costs in priority order for the six-year planning period 2017-23. 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 \(IBIS\)](#) – 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 2017-19 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 \(IBIS\)](#) – Lists all requested non-General Fund R&R projects supported from 100% receipts in priority order for the six year planning period 2017-23.

6.1d 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 2017-19 biennium; OC-25 cost estimates for 2017-21 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, 2016**. 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 2017-19 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. If possible, include the FCAP for the total facility in addition to the specific project being requested. 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.
- Capital Projects (real property acquisition, new construction, and rehabilitation), pursuant to G.S. 143C-8-6(f) are required to include an estimate of operating impact (additional cost savings or increases) for the first five years of operation, regardless if the building will not be in operation during the six-year study period. The request is to include the specific funding source(s) for all resulting operating requests. For projects estimated to result in no cost impact, the request must include five years of historical data showing operating expenditures specific to that building.

Repair and Renovation projects are not subject to reporting operating cost impacts. However, information should be included showing operating cost impacts of proposed projects; for example, reduced utility costs, increased space for state employees, etc. and note the fund source for which savings will be realized.

- ***All submissions must be sent to OSBM electronically. Worksheet IIIs must be submitted through OSBM’s Integrated Budget Information System (IBIS).***

All Summary Worksheet IIIs are reports generated in IBIS using the information submitted on the Worksheet IIIs. 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. Attach PDF files with Worksheet III submissions via IBIS. 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.

6.2 Worksheet III Instructions

6.2a 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.

- 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.

6.2b [Worksheet III-C Summary](#)

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 is prepared in IBIS using the information provided on the Worksheet IIIs. The IBIS system generates the report after the worksheets are submitted and includes three sections of information:

- Column 1 (**Priority**) - Lists the priority for each project starting with the department's overall top priority for land acquisitions, new construction, and rehabilitation projects. The same priority number will not be used for more than one project.

- Column 2 (**Project Title**) - Lists specific project title including the full name of the building when applicable. Titles will be identical to the titles submitted on the individual project request forms ([Worksheet III-C Capital Budget Request](#)).
- Column 3-8 (**Six Year CI Needs Schedule**) – Lists the projects requirements, receipts, and total appropriation.
 - **Line a. - (Requirements)** - Lists 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, requirements are listed across multiple years. The total requirements for the six-year Capital Needs Improvement Schedule should directly correspond to the OC-25 cost estimate.
 - **Line b. - (Receipts/Other)** - Lists the total amount of non-General Fund receipts that will support the requirements shown in the six year needs schedule on Line a. A “0” is entered if requirements will be entirely supported by General Fund appropriations.
 - **Line c. - (Appropriation/General Fund)** - This column subtracts the Estimated Non-General Fund (Receipts) from the Total Requirements.

6.2c [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 **2017-19 biennium**; applicable data should be identical to that shown on the [Worksheet III-C Summary](#) and [Worksheet III-C NGF Summary](#). An IBIS user guide for Worksheet III is available using OBSM’s website: <http://osbm.nc.gov/>

- (**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.
- (**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.
- (**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.
- (**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.

- **(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.
- **(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.
- **(Appropriation/General Fund)** - This line subtracts Receipts from Requirements. For NGF projects, appropriations will be zero.
- **(Sources of Receipts)** - Identify the source of any receipts or non-General Fund receipts that are shown on Line 5b.
- **(Type of Project)** - Select **only one** of the project categories. If a capital construction request includes land acquisition and new construction, please select “New Facility.” In this case, provide details and a status report on the land acquisition (Project Description).

(General Information) - Please answer ALL questions.

- **(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)** – Select the criteria used to designate the project as a capital priority. If “Other” is selected, 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 should be supported and justified. Make sure the following questions are addressed for each Agency Selection Criteria:

Health & Safety Considerations

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

Critical Timing

- 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.
- For new construction, provide information on the lack of availability of existing State-owned space for the function
- For new construction, provide an analysis reflecting a comparison of entering into an operating lease for space versus than new construction. Provide a response if private leased space is not available for the function.

Economic Development

- Describe the project's direct impact on economic development.
- If possible, describe the types of jobs created and estimate the number created.
- 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.

- **(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, 2017. Enter the estimated date (Example: 9/1/2017) for each of the four fields.
- If the requested project must be completed before another capital project can move forward, mark “Y.” Explain this timing issue. Otherwise, mark “N.”
 - Describe in detail where the site of new construction will be located.
 - 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.”
 - 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.”
 - 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.
 - 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.
 - **(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 2017, enter “NR” beside FCAP Report.

- Refer to [Section 6.1d Additional Submission Requirements](#) of the Budget Instructions which outlines in detail the attachments that **must** accompany a Worksheet III-C submission.

6.2d [Worksheet III-R Summary](#) and [Worksheet III R – NGF Summary](#)

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 are reports generated in IBIS using the information provided on the Worksheet III submissions.

Information on the Worksheet III-R Summary and NGF Summary for R&R projects is the same as the [Worksheet III-C Summary](#) report.

6.2e [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 **2017-19 biennium**; applicable data should be identical to that shown on the [Worksheet III-R Summary](#) and [Worksheet III-R NGF Summary](#) forms.

- **(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).
- **(Department)** - Enter the department name. **(Division)** - Enter the division name.
- **(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.
- **(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.
- **(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.
- **(Receipts/Other)** - Enter the total amount of non-General Fund receipts that will support the requirements entered in the six year needs schedule. Enter a "0" if requirements will be entirely supported by General Fund appropriations.
- **(Appropriation/General Fund)** - This line subtracts Receipts from Requirements. This line will be zero for NGF projects.
- **(Sources of Receipts)** - Identify the source of any receipts or non-General Fund receipts shown.
- **(Type of Project)** - Select 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.
- **(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.
- 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.
 - 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 2015-17 biennium; OC-25 cost estimates for 2017-21 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, 2016.**
 - 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, enter the date of the FCAP report or the year on the deficiency form (ex. Def. No. 05-G003 would be the year 2005).

- 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.

- 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)
- 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).

- **(Estimated Schedule of this Project)** - For the estimated project schedule, assume that funds will be authorized and available to agencies as of July 1, 2017. Enter date (Example: 7/1/2017) for each of the four fields.

7. Strategic Planning

7.1 Strategic Planning Requirements

Per the [August 2, 2016, joint memo](#) from the State Budget Director and the State Chief Information Officer, agency strategic plans and information technology plans must be submitted by **October 31, 2016**. All agencies are required to submit strategic plans as part of the FY17-19 biennium budget development process. IT plans are only required for Cabinet and Council of State agencies.

Budget expansion requests must clearly support goals in the Agency's strategic plan, and IT projects must be included in the IT plan in order to be considered for inclusion in the Governor's recommended budget.

For detailed instructions and requirements, please refer to the [Strategic Planning Guidance](#) document that accompanied the August 2 memo.

8. GLOSSARY OF BUDGET TERMS

See the [Budget Manual, State of North Carolina, updated on January 1, 2016](#) on the OSBM website for additional state budget terms.

Annualization

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 certified budget plus allowable internal budget revisions (type 14 budget revisions) and adjustments that must be approved by OSBM (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).

Base Budget

The part of the recommended State budget that provides the baseline for the next biennium. The base budget for each State agency shall be the authorized budget for that agency with adjustments only for the following:

- a. Annualization of programs and positions.
- b. Reductions to adjust for items funded with nonrecurring funds during the prior fiscal biennium.
- c. Increases to adjust for nonrecurring reductions during the prior fiscal biennium.
- d. Adjustments for federal payroll tax changes.
- e. Rate increases in accordance with the terms of existing leases of real property.
- f. Adjustments to receipt projections, made in accordance with [G.S. 143C-3-5\(b\)\(2\)c](#).
- g. Reconciliation of intra-governmental and inter-governmental transfers.

Budget Revision

The online Integrated Budget Information System (IBIS) 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 Stabilization Reserve (Savings Reserve Account)

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 budget 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

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 budget enacted by the General Assembly, including 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\(d\)\(7\)](#))

Change Budget (Expansions/Reductions)

Any change request that cannot be included in the Base Budget. This is the part of the budget that provides for new programs, expansion or reduction of existing programs, the elimination of programs, and salary and benefit increases.

Debt Service

Payments for interest on, and redemption of, outstanding bonds for which the full faith and credit of the state are pledged.

Excess Receipts

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.

Federal Funds

Funds 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

Monies from tax revenues (non-transportation) such as sales tax, individual income tax, corporate tax, insurance premium tax, and franchise tax, and non-tax revenues such as income from the Treasurer's investments, fees received from the court system, and miscellaneous fees charged for state services. The General Fund includes transfers from the Highway Fund and the Highway Trust Fund, and Medicaid disproportionate share receipts.

General Fund Budget Codes

Codes 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](#) and support for the [Division of Motor Vehicles](#). The Highway Fund also transfers funding to the General Fund to support the [Highway Patrol Division](#) of the [Department of 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

Codes 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

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.

Information Technology

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. 143B-1320\(a\)\(11\)](#).

Integrated Budget Information System (IBIS)

The North Carolina Integrated Budget System (NC IBIS) is a centralized, web-based solution for North Carolina state government budgeting and performance management. IBIS replaces the state's mainframe and Oracle systems and provides a new system for state agencies and OSBM to perform budget planning, development and execution activities.

Lapsed Salaries

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)

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

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

An assistance program that provides medical care for public assistance recipients, the elderly, and the disabled.

Nonrecurring Appropriation

One-time appropriations approved by the General Assembly. All non-recurring appropriations must be removed from the base budget in the increase/decrease columns of the Worksheet I.

Nontax Revenue

Revenue that is not a tax proceed, and that is required by statute to be credited to the General Fund per [G.S. 143C-1-1\(d\)\(19\)](#) . Examples: Insurance License Fees, Disproportionate Share, Administrative Office of the Court Fees, Investment Income.

Object or Line Item (Account Numbers)

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](#) per [GS 143C-1-1\(d\)\(20\)](#) .

Other Receipts

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.

Purpose or Program (Fund Number)

A group of objects or line items for support of a specific activity outlined in a recommended 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](#) per [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 Report

A report listing budget revisions which have been approved during the first year of the current biennium, and which have adjustments for the second year of the biennium. The report shows the processing codes, total dollars and the subject for each budget revision.

Salary Reserve

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 Human Resources and OSBM.

Senate Bill 1005 – Session Law 2001-424

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 information technology maintenance or acquisition, and CIO recommendation to the Governor on the merits of such requests. Subsequent legislation ([Senate Bill 991](#) in 2003) sets forth additional CIO information technology project review and authority for quality assurance.

Special Fund Budget Codes

Codes 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

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)

Positions in the state budget funded from various state revenues and receipts that are exempt from the terms and conditions of the State Human Resources Act.

State Employees Subject to the Personnel Act (SPA)

Positions in the state budget funded from various state revenue and receipts that are subject to the terms and conditions of the State Human Resources Act.

Tax Revenue

Monies collected by the State of North Carolina as the result of taxes imposed on persons, groups, or businesses within the state for the support of government.

[Touchdown System](#)

The State of North Carolina's project management system. The system is Microsoft Project based and it maintains detailed project information using Project Detail Pages and a corresponding SharePoint Site. All information technology projects must be entered in the Touchdown System for tracking oversight and approval. Project approval and oversight is under the purview of the Department of Information Technology's Enterprise Project Management Office.

Worksheet I

A document generated in the Integrated Budget Information System (IBIS) which, when completed, represents the base budget for a budgetary fund. The base 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 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

An agency request for changes to funding. Change requests include additional operating funds above those allowed in the base budget; department requests to redirect funds from one statutorily controlled 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. Change requests may also include reductions in operation funds for programs that are no longer needed, to align the current operating budget with projected revenue shortfalls,

Worksheet III

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.