



**STATE OF NORTH CAROLINA
OFFICE OF STATE BUDGET AND MANAGEMENT**

ROY COOPER
GOVERNOR

CHARLES PERUSSE
STATE BUDGET DIRECTOR

August 17, 2017

MEMORANDUM

TO: Agency CFO's and Budget Officers

FROM: Charles Perusse *Charles Perusse*

SUBJECT: Common Sense Government, Phase I: Budget Administration Flexibility

Earlier this year, the Office of State Budget and Management (OSBM) launched the Common Sense Government Initiative to evaluate processes and policies that help state government run more efficiently and effectively. As an example, in a typical biennium agencies process more than 44,000 budget revisions; 20,000 of those revisions require OSBM approval and many are done retroactively. OSBM seeks to take a more proactive approach to reduce the number of required revisions – providing agencies with more flexibility while also requiring a different kind of monitoring and review than what has been done in the past.

The initiative will be rolled out to agencies in phases. As part of Phase I, OSBM will be implementing a set of budget administration enhancements effective for FY 2017-18. These enhancements are described in more detail below. Online training tutorials will be made available on the OSBM website in the coming weeks. Additionally, the appropriate sections of the State Budget Manual will be updated and posted online.

Over the next several months, OSBM will continue to collaborate with agency budget personnel to implement additional phases of the initiative. This will include a new quarterly review process to promote data-driven collaboration between OSBM analysts, agency leadership, and program staff. The purpose of this review will be to jointly analyze financial performance and trends, identify program issues, including any needed changes to budget, policies, or other activities requiring timely action, and showcase program successes. This review process should better inform OSBM analysts and agency staff as we work together to think more strategically about using the limited resources agencies have available.

Through the quarterly review process, OSBM will also be working with agencies to utilize available data to inform development of quarterly allotment requests with the goal of implementing a formal allotment planning process in FY 2018-19. In the long term, allotment planning will provide the basis for a statewide cash flow plan, enabling OSBM and agencies to better plan and manage throughout the year. The development of an annual plan will also lead to greater automation of the allotment process in the future.

Phase I: BUDGET ADMINISTRATION ENHANCEMENTS

Lapsed Salary Accounting and Budgeting

Agencies will have expanded authority to move lapsed salary within a fund/purpose using a type 14 budget revision. Currently, agencies may only utilize lapsed salary within the 531XXX through 5321XX accounts using a type 14 revision. Agencies are now authorized to re-align lapsed salary within the 531XXX through 535XXX account classes, in accordance with G.S. 143C-6-9.

Agencies will also be allowed to proactively budget up to 50% of their anticipated lapsed salary for the year instead of being required to wait until it has been generated. Each agency must calculate their anticipated lapsed salary using historical salary expenditure data. Further guidance on how to conduct this analysis will be provided through upcoming training tutorials. All 14 type budget revisions that utilize lapse salaries must contain the appropriate IBIS system check box designations for tracking, oversight and reporting purposes. OSBM analysts will still monitor type 14 budget revision activity to ensure the use of lapse salaries is utilized for non-recurring purposes only and the rate of lapse used does not exceed 50% of available lapse generated.

Time-Savings from Repeat Revisions (Recurring Revisions not included in the 2017-19 base budget)

Recurring revisions included in the 2017-19 base budget (Worksheet 1) will be reflected in the BD307 Original Certification. For those recurring revisions approved with an effective date of July 1, 2016 and not included in the 2017-19 base budget, the revisions will be loaded into IBIS automatically at the start of the 2017-19 biennium. This automation eliminates over 600 budget revisions statewide that previously had to be reviewed and approved by agencies and OSBM.

Revisions approved with an effective date after July 1, 2016 will be copied into agencies' IBIS work queue for 2017-19. Agencies should review all these revisions for annualized amounts and should submit them to their OSBM analyst for approval. In future budget cycles, we hope to fully implement annualizing all repeat revisions – reducing the number of revisions requiring multiple reviews by another 1,200.

Simplifying the Process for Receipt-Supported Positions

The “Request for New Receipt-Supported Position Form” will no longer be required to establish a new receipt-supported position. Any requests and authorizations for new receipt-supported positions not expressly authorized by legislative action will be processed through a Type 11 or 12 budget revision.

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Streamlining Capital Budgeting

General Fund-supported capital projects will now be budgeted across a few broad categories of expenditures, with the intent of greatly reducing the number of revisions and allotments, while providing better oversight and an upfront project budget.

Upon receiving a capital project, each agency and campus will be required to set up a budget into broad account categories of expected expenditures. Examples of broad categories include: planning/design, construction/building, equipment, and reserves/contingency. Agencies and campuses should only allot to these broad categories, in total, when they expect to expend from those accounts. Agencies and campuses will then expend at more detailed account levels under the broad account categories. Under this new method, revisions should only be needed when broad accounts are over expended, when projects close, or when projects require additional funds. Debt-supported projects will use the same budget set up procedures but will continue to allot only as funds are requisitioned. Overall, we expect to see a significant decrease in allotments and revisions because of this change. For example, OSBM has received 210 allotments for one ongoing project, where at most four would be required under these changes. In another example, a simple repair and renovation project utilized ten allotments and eight internal revisions, where at most three allotments and potentially no internal revisions would be required going forward.

We look forward to working together on the Common Sense Government Initiative and welcome your ideas and process improvement suggestions. Please contact your OSBM analyst at (919) 807-4700 if you have any questions or need additional information.