



STATE OF NORTH CAROLINA
OFFICE OF STATE BUDGET AND MANAGEMENT

ROY COOPER
GOVERNOR

CHARLES PERUSSE
STATE BUDGET DIRECTOR

*** Revised ***
January 25, 2018

MEMORANDUM

TO: Department Heads and Chief Fiscal Officers
All State Departments, Institutions and Agencies

FROM: Charles Perusse *Charles Perusse*
State Budget Director

SUBJECT: Budget Instructions for FY 2018-19

The Office of State Budget and Management (OSBM) is beginning the process for the review and preparation of Governor Cooper's supplemental budget recommendations for the 2018 Legislative Short Session. Governor Cooper's budget priorities focus on:

1. Positioning North Carolina to create new jobs and grow middle class paychecks;
2. Making North Carolina a top ten educated state; and
3. Promoting healthier and safer communities.

Total General Fund revenues are tracking \$44 million (-0.4%) below target for the first six months of the fiscal year. Recent tax law changes at the state and federal levels are likely to induce taxpayers to change the timing of income realizations and tax payments, which generates above-normal uncertainty in the forecasts for personal and corporate income taxes. OSBM's preliminary General Fund revenue forecast adopts a cautious approach for April income tax collections, and therefore anticipates neither significant overcollections for the current fiscal year nor an acceleration in revenue growth in FY 2018-19.

The preliminary forecast indicates that additional revenue availability will be limited for FY 2018-19, so agencies are requested to submit expansion requests totaling no more than two percent (2%) of their current recurring General Fund certified budget.

OSBM will evaluate requests based on the strength of the business case and supporting data and evidence provided by the agency. Agencies should focus their efforts on ensuring the narrative components of the Worksheet II clearly and succinctly articulate the problem being addressed, the intended outcome, and the expected impact of the request. Requests for new or expanded programs or services must include evidence and research supporting the program's effect on desired outcomes. Requests for new programs must also include a plan and timeline for evaluating the program, and should include funding for evaluation if necessary.

Attached to this memorandum is additional guidance on the key points that should be addressed in Worksheet II narratives as well as an example demonstrating how to effectively meet these expectations. Some items may not be relevant depending on the nature of the request, and agencies are encouraged to consult with their budget analyst with any questions. OSBM analysts will follow up to request additional information if these questions are not adequately addressed in the initial submission. Failure to provide required information may impact consideration of an agency's request.

Agencies are also encouraged to submit proposals that redirect funding from less effective or overfunded programs to other programs with structural budget deficiencies. Any expansion requests that require legislative or statutory changes must be submitted with your Special Provision package.

Worksheet II: Change Budget Request Form

All expansion requests must be entered and submitted in IBIS using the Worksheet II form. This form will be available in IBIS on January 17, 2018. For instructions on how to use the form, please refer to the [Worksheet II user guide](#) available on the IBIS website. All Worksheet II expansion items are due into OSBM by February 13, 2018.

The State Chief Information Officer is required to review all IT expansion requests and assist OSBM in determining whether the project should be funded. For expansion requests related to the 2018-19 short session, IT projects will not require entry into the Touchdown system. The Department of Information Technology will use agency Worksheet II's provided by OSBM. For additional instructions related to IT requests, please see Section 5 in the previous year's [2017-19 Budget Instructions](#) available on the OSBM website.

Capital Requests

Capital Improvement budget recommendations will be developed based on the 2017-2023 Capital Improvement Plan. OSBM capital analysts will contact their assigned agencies and provide agencies an opportunity to update project information submitted during the Long Session budget process and inquire on any new high priority or emergency capital projects. If new projects are identified, OSBM capital analysts will request a new Worksheet III capital form that will be due on February 13, 2018.

Special Provisions Requests

Agencies shall submit a draft of all proposed legislation or special provisions to OSBM by February 13, 2018.

Please contact your OSBM budget analyst at (919) 807-4700 if you have any questions about the information in this memorandum. Thank you for your cooperation.

Attachments