



STATE OF NORTH CAROLINA
OFFICE OF STATE BUDGET AND MANAGEMENT

ROY COOPER
GOVERNOR

CHARLES PERUSSE
STATE BUDGET DIRECTOR

December 19, 2019

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 2020-21

The Office of State Budget and Management (OSBM) begins the process for the review and preparation of Governor Cooper's supplemental budget recommendations for the 2020 Legislative Short Session. Governor Cooper's budget priorities continue to focus on:

1. Positioning North Carolina to create new jobs and grow workers' paychecks;
2. Making North Carolina a top ten educated state;
3. Promoting healthier, safer, and more resilient communities; and
4. Ensuring an effective, accountable, well-run state government.

Governor Cooper requests that agencies focus budget proposals on the common elements of these priorities and the mission and strategic plan of each agency. The result will be a budget proposal for FY 2020-21 that effectively uses resources to deliver programs and services that meet the needs of North Carolinians and empower people and businesses to realize their full potential.

All agencies should engage internally and with OSBM and Governor's policy staff in a collaborative effort to develop budget requests. For agencies, the process includes budget and financial staff, as well as program directors, CIOs, policy staff, and other members of agency senior leadership.

OSBM will contact agencies to schedule meetings with leadership to discuss budget proposals and requests. In addition to these agency-specific meetings, OSBM is hosting a FY 2020-21 budget development kick-off event on **January 7, 2020 from 2 pm to 3 pm, in Room 240 of the Albemarle Building (325 N. Salisbury Street, Raleigh, 27603)**. Additional details are available on the Upcoming Events page of OSBM's website available at (<https://www.osbm.nc.gov/news/events/2020/01/07/fy-2020-21-governors-recommended-budget-kick/fy-2020-21-governors-recommended>).

FY 2020-21 Process Changes

OSBM has made two significant changes to the budget development process to encourage evidence-based requests that focus on strategic priorities. 1) We are introducing an optional pilot that will begin with agencies submitting a high-level list of budget requests. OSBM and pilot agencies will then have an iterative process to further develop those ideas to make them data-driven and evidence-based. 2) We have created new, streamlined change budget request forms (Worksheet IIs), including an “EZ” form for simple, routine requests.

Optional Pilot Program: Agency Budget Change (ABC) List

Agencies who opt-in to the pilot program will first submit an Agency Budget Change (ABC) List, which is a new tool to provide a summary list of potential change budget requests. Agencies will then work with OSBM to determine which requests are viable given budgetary and other constraints, develop the business case for requests using data and evidence wherever possible, and further refine and adjust requests based on feedback from decision makers. Agencies will then submit these requests as detailed Worksheet IIs and IIIs taking that guidance into account.

Any agency may choose to participate in the pilot. Pilot agencies will have additional time before submitting Worksheet IIs and IIIs to develop their proposals and enhance their business cases. Non-pilot agencies will have an earlier deadline for Worksheet II and III submission in order to allow OSBM time to evaluate those requests.

Regardless of pilot participation, all expansion requests must be entered and submitted in IBIS using the Worksheet II and III forms. Instructions on how to complete these forms, along with the ABC List template and other resources, are available on OSBM’s website. <https://www.osbm.nc.gov/budget/state-agency-resources/2020-21-budget-instructions-job-aids>

Worksheet II and Worksheet II-EZ

All agencies will benefit from a more streamlined Worksheet II and a new Worksheet II-EZ. Changes to the Worksheet II include reduced narrative requirements and streamlined data entry, such as entering budget information at the account group level.

The Worksheet II-EZ is a shortened form that may be used for less complex requests such as lease increases and internal service adjustments, and reduces justification requirements for these types of budget requests.

The timeline for the FY 2020-21 budget development process includes:

Type	Task	Deadline
All Agencies	Short Session Budget Kick-off Event	January 7, 2020
Non-Pilot Agencies	Submit Worksheet IIs and IIIs in IBIS	February 7, 2020
Pilot Agencies	Submit ABC List with OSBM budget analysts	January 31, 2020
Pilot Agencies	Submit Worksheet IIs and IIIs in IBIS	March 13, 2020
All Agencies	Submit Special Provision drafts	March 20, 2020

We look forward to seeing you on January 7th. In the meantime, please continue to work with your OSBM analysts to address any questions you may have.