Instructions for Preparation of the 2003-2005 Recommended State Budget

Office of State Budget and Management

116 West Jones Street – Administration Building
20320 Mail Service Center
Raleigh, North Carolina 27699-0320

(919) 733-7061

www.osbm.state.nc.us

July 2002

TABLE OF CONTENTS

Page

1. Introduction 1

2. Highlights Including Changes from Previous Biennium 2

3. Schedule for the 2003-2005 Budget Preparation Process 4

4. Continuation Budget
   - 4.1 Continuation Budget (Worksheet I) 6
   - 4.1a Reconciliation of Requirements, Receipts, and Appropriation 8
   - 4.1b Department Completion of Worksheet I 8
   - 4.1c Changes Allowed in Worksheet I Columns (6) and (8) 11
   - 4.1d Allowable Inflationary Increases 14
   - 4.2 Budgeting Salaries On Worksheet I 15
   - 4.2a Reconciliation of Position Counts and Budgeted Salaries (Attachment 10) 15
   - 4.2b Annualization of Salaries on Worksheet I 16
   - 4.2c Realign Salary Reserve 16
   - 4.2d Fringe Benefits 17
   - 4.3 Continuation Budget Attachments 18

5. Expansion Budget
   - 5.1 Expansion Budget (Worksheet II) 19
   - 5.1a Summary List and Priority of Funding 20
   - 5.1b Expansion Budget (Worksheet II) Instructions 21
   - 5.2 Expansion Budget Attachments 26

6. Information Technology
   - 6.1 Highlights 27
   - 6.2 Process 27
   - 6.3 State CIO Review and Certification 28

7. Capital Budget
   - 7.1 Capital Improvement Budget (Worksheet III) 32
   - 7.1a Six-Year Capital Improvement Needs Schedule 32
   - 7.1b Summary List of Capital Improvement Requests 33
   - 7.1c Worksheet III. Capital Improvement Request 33
   - 7.2 Capital Budget Attachments 40

8. Glossary 41

1. INTRODUCTION

The State of North Carolina appropriates operating and capital funds on a biennial cycle. The approved budget has annual amounts for each of the two years in the biennium, with the appropriation for the first year of the biennium effective July 1 of each odd-numbered year. Biennial budget preparation begins in even-numbered years. The operating and capital budgets for the second year of a biennium are adjusted in a "short" legislative session, which is traditionally in May-June of even-numbered years, as required for revenue collection fluctuations and items such as salary increases and emergency items.

The following budget instructions are to be used in the preparation of 2003-2005 biennial budget requests from departments and agencies for submission to the Governor as Director of the Budget.

Changes in the instructions from the previous biennium are highlighted in Section 2 of this document. A glossary for budget terms is included in Section 8.

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

Upon submission of budget requests from departments and agencies, the Office of State Budget and Management (OSBM) will review the requests in preparation of the Governor's recommended budget. The Governor will present the recommended budget to the General Assembly on the date of his State of the State Address early in the legislative session.

The legislative session will convene in January 2003 for the upcoming biennial budget cycle. During this session, the General Assembly will consider the Governor's recommended budget as well as other changes presented for legislative review. Following legislative review, a two-year budget will be approved by the General Assembly and certified by the OSBM in the summer of 2003.

2. HIGHLIGHTS INCLUDING CHANGES FROM PREVIOUS BIENNIUM

This section provides a brief description of the changes in the instructions from the previous biennium.

- Statutory provisions pertaining to performance budgeting were repealed by the 2001 General Assembly. This includes:

  G.S. 143-10.3 Strategic planning process
  G.S. 143-10.4 Departmental operations plans
  G.S. 143-10.5 Development of performance measures for major programs
  G.S. 143-10.6 Responsibilities of other state agencies

  Additional information will be sent to departments and agencies at a later date concerning the collection of statistical data, mission statements, etc. for inclusion in the Governor's Recommended Budget Document.

- A revision (shown below) was also made in the statute that concerns information technology funding requests:

  G.S. 143-6(b2). Agency requests for funding to acquire or maintain funding information technology as defined by G.S. 147-33-81(2)

- Agencies will access all preliminary copies of Worksheet I information through their desktops, which is made possible by software called X/TND and through the Budget Preparation System (BPS). Because of this direct access, agencies will not be mailed copies of Worksheet I information. You may contact your OSBM analyst for copies if any problems arise from using the software or go to the ITS website: http://www.state.nc.us/sysware/.

- Agencies will negotiate Worksheet I and continuation budget changes from August through October with their OSBM budget analysts. Final Worksheet I and continuation budget changes shall be completed by October 31, 2002. Agencies are required to submit 2 copies of the Worksheet I and attachment forms presented in the instructions as required in the past biennium.

- Inflationary rates approved by OSBM may be applied to the following items in the continuation budget: water and sewer, electricity, natural gas, food, drugs, medical supplies, gasoline and fuel oil. Clothing, Telephone Service, Water and Sewer, Textbooks and Educational Supplies (K-12 schools), and Motor Vehicles will be considered on a case-by-case basis, provided the agency can sufficiently document the increase. The *Schedule of Approved OSBM Inflation Factors* will be mailed to Departments following the end of the 2002 Legislative Session.

- A *Reconciliation of Authorized Position Counts and Budgeted Salaries* will be generated by OSBM from the BPS database. OSBM will also generate a *Position Schedule* (PM 739) with an effective date of June 30, 2002 for agencies to access through X/TND. This schedule will not be a part of the submitted continuation budget package but is available for informational purposes. Salaries for the continuation budget will be based on the 2002-2003 authorized salary amount plus any necessary annualizations.

- The Survey of Fees Report is part of the budget preparation process, but information for this report for the fiscal year ended June 30, 2001 has already been compiled by members of the OSBM Management and Productivity Staff and instructions concerning the collection of information for the fiscal year ended June 30, 2002 will be forthcoming.

- Expansion budget requests for information technology projects will be reviewed and considered through a separate process. For further information on IT expansion requests, please contact the Office of Information Technology Services.

- The budget attachment forms presented in these instructions except for those generated by BPS are available as Word and Excel files. The files can be downloaded over the Internet via the World Wide Web at www.osbm.state.nc.us.

3. SCHEDULE FOR THE 2003-2005 BUDGET PREPARATION PROCESS

July 15, 2002	Detailed 2003-2005 budget instructions made available on the Office of State Budget and Management (OSBM) web site for departments to access.
July 31, 2002	All actions to reconcile and realign salary reserve must be completed by the end of July 2002.
August 2002	2002 Legislative Session budgetary actions certified by OSBM and the Budget Preparation System (BPS) updated. 2002-2003 budget revisions plus other changes submitted by departments are entered into BPS. BPS transferred to the North Carolina Accounting System, including 2002-2003 budget revisions and 2002 Legislative Session's actions.
September 15, 2002	Preliminary *Worksheet I* for continuation budget created in BPS will be accessed by agencies using X/TND. Because of this direct access, agencies will not be mailed copies of preliminary *Worksheet I. Reconciliation of Position Counts and Budgeted Salaries* generated from BPS by OSBM will also be available to agencies for their review. Agencies will have direct access to this report using X/TND and therefore it will not be distributed by OSBM. (See Sample Attachment 10)
October 2002	Agencies and OSBM analyst negotiate Worksheet I adjustments through the end of October. Reconciliation of Position Counts and Budgeted Salaries verified by departments and submitted to OSBM.
October 31, 2002	2003-2005 expansion and capital requests due from departments to OSBM

December 2002	Governor finalizes the 2003-2005 budget recommendations.
January 2003	General Assembly convenes.

4. CONTINUATION BUDGET

The continuation budget provides operating funds for each year of the biennium to continue the existing, authorized level of services. Continuation budgets are based on the authorized budget for 2002-2003 and may be adjusted (increased or decreased from the authorized budget) through the continuation budget Worksheet I process to reflect (1) actual levels of expenditures, (2) approved increases, as well as (3) other increases in services required in certain programs.

4.1 Continuation Budget (Worksheet I)

The basic form for preparing the 2003-2005 continuation budget is the Worksheet I which will be computer generated from the Budget Preparation System (BPS). Through the X/TND report management software, agencies may view and print the initial set of continuation budget worksheets at their location on September 15, 2002. If a hard copy set of the initial worksheets is required, the agency should contact their OSBM analyst. The initial set of continuation budget worksheets is provided for each budget code that has been determined by OSBM to be a budgeted code, and includes:

Summary by Purpose (Attachment 2)
Summary by Account (Object) (Attachment 3)
Detail Request - Worksheet I (Attachment 4)
Position Count (Attachment 5)
Reconciliation of Requirements, Receipts, and Appropriation (Attachment 6)
Reconciliation of Position Counts and Budgeted Salaries (Attachment 10)

Samples of the worksheets with attachments are included at the end of this section.

Subsequent versions of the worksheets that reflect adjustments to BPS can be requested through BPS function 16 and viewed or printed using X/TND.

Two copies of the requested 2003-2005 continuation budget are due to OSBM by October 31, 2002. Submission of the continuation budget should consist of the following reports in the order that they are listed:

Summary of Total Continuation Budget Requests by Department (Attachment 1)
Summary by Purpose (Attachment 2)
Summary by Account (Object) (Attachment 3)
Detail Request - Worksheet I (Attachment 4)
Position Count (Attachment 5)
Reconciliation of Requirements, Receipts, and Appropriation (Attachment 6)
Equipment Purchase Schedule (Attachment 7) (If necessary)
Motor Vehicle Purchase Schedule (Attachment 8) (If necessary)
Other Vehicle Purchase Schedule (Attachment 9) (If necessary)
Reconciliation of Position Counts and Budgeted Salaries (Attachment 10)
Format for Building Reserve (Attachment 11) (If necessary)

Inflationary Factors (Will be made available to departments after the close of the 2002 legislative session.)
Also provide a brief narrative and calculations of program specific increases/decreases requested in 2003-2005 *such as the sample shown in Section 4.2b*

OSBM budget analysts will be available to assist departments/agencies in the steps to develop the Worksheet I from the initial stage to the agency continuation budget request.

There is a separate Worksheet I for each budgeted code that will be included in the Governor's Recommended Budget. Components of the Worksheet I Detail Request (Attachment 4) are listed below:

- Column 1 (**Account**) reflects the line item *account number*.

- Column 2 **(Title)** *account title* for expenditure and/or receipt items.

- Column 3 (**Actual**) reflects the 2001-2002 *actual* expenditures as of June 30, 2002 and is transferred by OSBM to BPS from the North Carolina Accounting System (NCAS) files in the Office of the State Controller.

- Column 4 (**Certified**) reflects the 2002-2003 *certified* budget, which includes actions of both the 2001 and the 2002 sessions of the General Assembly plus budget revisions which change the certified column (type 11 budget revisions of a continuing nature authorized by action of the General Assembly).

- Column 5 (**Authorized**) reflects the 2002-2003 *authorized* budget, which is comprised of the certified budget plus appropriate type 11, 12, and 14 revisions. The authorized budget becomes the continuation budget for the next two years of the biennium unless adjusted in Columns 6 and 8, respectively.
  See Section 4.1b instructions on budget revisions to include in Column 5.

- Column 6 and Column 8 (**Incr/Decr**) reflect the *increase/decrease* adjustments to the authorized year allowed for the 2003-2004 and 2004-2005 continuation budgets respectively.
  See Section 4.1b instructions on the Increase/Decrease columns.

- Column 7 and Column 9 (**Total**) are the *proposed* 2003-2005 biennial budget. These columns represent the total of the 2002-2003 authorized budget (Column 5) plus/minus the adjustments in Columns 6 and 8, respectively.

Procedures

4.1a Reconciliation of Requirements, Receipts, and Appropriation

OSBM will generate from BPS a *Reconciliation of Requirements, Receipts, and Appropriation* report (see Sample Attachment 6). This form provides the data to reconcile requirements, receipts, and appropriation in Column 4 (certified column) and Column 5 (authorized column) of Worksheet I.

The Reconciliation will be furnished to each department at the same time the Worksheet I is furnished.

4.1b Department Completion of Worksheet I

Adjustments to the *Worksheet I* (Attachment 4) are prepared as follows by appropriate department personnel and submitted to OSBM as the proposed continuation budget.

Column 1 (**Account**)

- Review to ensure that proper operating funds (centers) and account numbers are presented. Contact your OSBM budget analyst for any necessary corrections.

Column 2 **(Titles)**

- Review to ensure correct account titles are presented.

Column 3 (**Actual**)

- Review and verify that the transfer of actual expenditures and receipts was processed properly. This review can be accomplished by comparing the Worksheet I actual column to the BD701 for fiscal year ending June 2002.

Column 4 (**Certified**)

- Reconcile using the Reconciliation form (Attachment 6) to ensure that the certified requirements, receipts, and appropriation are correct.
- In July 2002 OSBM will make available through X/TND (on report RK314) a listing of all second year type 11 budget revisions. (Agencies may also review this list using function 12 in the Budget Revision System.) This list should be reviewed by agency personnel and the OSBM budget analyst to determine which budget revisions should be included in the Worksheet I. Appropriate second year (2002-2003) type 11 budget revisions are included in Column 4 and Column 5.
- At the conclusion of the review process, the agency should type an "O" for "OMIT" in the appropriate code field of each budget revision on the Budget Revision System that should *not* become a part of the agency's continuation budget. All other type 11 budget revisions will automatically be added to the Worksheet I certified column. This process should be completed by the end of July 2002.

Column 5 (**Authorized**)

- Reconcile using the Reconciliation form (Attachment 6) to ensure that authorized requirements, receipts, and appropriation are correct.
- Agencies are encouraged to realign non-personnel expenditure *account* lines 5322XX - 535XXX within an operating fund number to reflect more realistic levels of need for 2002-2003 with type 14 budget revisions that may be included in Worksheet I.
- In July, 2002 OSBM will make available through X/TND (on report 314) a listing of all second year type 12 and 14 budget revisions. (Agencies may also review this list using function 12 in the Budget Revision System.) This list should be reviewed by agency personnel and the OSBM budget analyst to determine which budget revisions should be included in the Worksheet I. Appropriate second year 2002-2003 budget revisions are included in Column 5.
- At the conclusion of the review process, the agency should type an "O" for "OMIT" in the code field of the appropriate budget revision on the Budget Revision System which should *not* become a part of the agency's continuation budget. All other type 12 and 14 budget revisions will automatically be added to the Worksheet I authorized budget column. This process should be completed by the end of July.
- Budget revisions which authorized a *carry-forward* from 2001-2002 to cover deferred obligations should not to be included in the Worksheet I and should be removed.
- Type 11 budget revisions included in Column 4 also affect Column 5. Type 12 and 14 budget revisions included in Worksheet I affect only Column 5.
- Agencies must balance inter- and intra-departmental transfers.
- Programs designated as "experimental, model, or pilot" must be shown either as separate items in the continuation budget or as expansion budget requests until a succeeding General Assembly approves them. The definition includes "any new program funded in whole or in part through a special appropriations bill." Agencies with programs designated as experimental, model, or pilot must furnish a list with line item detail of these programs with continuation budget or expansion budget requests.

Columns 6 and 8 (**Increase/Decrease** from Column 5)

- In Column 6, enter allowable increases and decreases over the authorized (or "base") year which, when added to or subtracted from the authorized 2002-2003 amount, accurately reflect requirements for the 2003-2004 continuation budget.
- In Column 8, enter allowable increases and decreases over the authorized (or "base") year which, when added to or subtracted from the authorized 2002-2003 amount, accurately reflect requirements for the 2004-2005 continuation budget.

Explanation of Increases/Decreases for the Continuation Budget

- Increases or decreases requested in Columns 6 and 8 must be explained on an attached schedule that indicates the receipt or expenditure account to be adjusted and the reason for the change. Where more than one change is requested for one particular account, show the components of the change in the explanation. A standard OSBM form is not provided. The following provides a suggested format. The total of the adjustments on the agency prepared schedule should equal the total of the increase/decrease columns of the Worksheet I.

Fund 1120 – Administrative Services

Account	2003-2004		2004-2005	
Requirements				
531461	**EPA & SPA – Longevity** Increase for longevity based on 2001-2002 actual expenditure	$600	**EPA & SPA – Longevity** Increase for longevity based on 2001-2002 actual expenditure	$600
531511	**Social Security** Increase to reflect social security on scheduled salaries at 7.65%	$659	**Social Security** Increase to reflect social security on scheduled salaries at 7.65%	$705
531521	**Retirement** Increase to reflect retirement on scheduled salaries at 5.00%	$1,977	**Retirement** Increase to reflect retirement on scheduled salaries at 5.00%	$2,042
534522	**Equipment – Computers** Decrease for non-recurring appropriation by the 2002 Session of the General Assembly	($57,000)	**Equipment – Computers** Decrease for non-recurring appropriation by the 2002 Session of the General Assembly	($57,000)
534541	**Motor Vehicles** Increase of to agree to motor vehicle replacement schedule	$25,800		—
Total Requirements		($27,964)		($53,653)
Estimated Receipts				
434320	**Sale of Surplus Property** Increase to agree with proceeds from sale of vehicle.			
Total Estimated Receipts		$1,500		—
Appropriation		**($29,464)**		**($53,653)**

4.1c Changes Allowed in Worksheet I Columns (6) and (8):

(1) **Enrollment or Populations Served** - Increases to reflect changes in the enrollment or population currently served by public schools, prisons, and entitlement programs are allowed. In other programs such increases must be requested in the expansion budget. Decreases to reflect reductions in enrollment or populations served in *any* program area should be included in the continuation budget. With respect to the Medicaid program, policy changes are not allowed in the continuation budget and must be considered in the expansion budget process.

(2) **Receipt-Supported Activities** - Cost increases for activities partially or fully supported from receipts must be limited to reasonable increases in receipts and calculated such that these activities bear the appropriate share of the increased cost.

If an adjustment to general agency receipts provides additional funds, those funds may be used only to support allowable continuation budget increases. Otherwise, these additional receipts are to reduce state appropriations. *All general agency receipts should be increased to anticipated levels in 2003-2005 and appropriations reduced when appropriate.*

Note: Changes in expenditure account supported by receipts require a corresponding change in the appropriate receipt account.

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

Note: Increases in receipts to continue the current level of services are allowed in the continuation budget for programs which are 100% receipt-supported. These adjustments should be made in the authorized year with a type 11 or 12 budget revision.

(3) **Clothing, Telephone Service, Textbooks and Educational Supplies (K-12 schools, including schools in the Department of Health and Human Services and Department of Juvenile Justice & Delinquency Prevention and the N.C. School of Science and Mathematics)** - Increases in continuation requirements are allowed for these items, on a case-by-case basis, provided the agency can sufficiently document the increase. Prior years' actual expenditures and adjustments to 2002-2003 budgets made in the 2001 and 2002 legislative sessions should be taken into account in developing continuation requirements. In cases where a portion of the increase is supported by receipts, these receipts should be increased to ensure that the account bears the appropriate share of increased costs.

(4) **Personnel-Related Items** - Funds required for longevity pay should be based on the amounts included in the June 30, 2002 PM739 *Position Schedule*. Funds for premium pay, workers' compensation, unemployment compensation, and overtime should be based on the authorized budget. Additional funds may be considered for increases on an individual basis.

(5) **Annualization** - Increases to annualize support in the 2003-2005 biennium for programs and new facilities which were funded for only a portion of 2002-2003 are allowed. Positions that continue and were funded for only a portion payable amount in the authorized year should be annualized for 2003-2005. Attach a detailed listing of the request to annualize programs. Attach a spreadsheet similar to Attachment 11 to annualize building reserves.

(6) **Nonrecurring** - Nonrecurring or one-time items approved by the General Assembly should be *removed from the continuation budget in the increase/decrease columns*, including one-time equipment purchases included in the 2002-2003 Authorized Budget. Agencies should contact their OSBM budget analyst if there are any questions about removal of one-time items.

(7) **Operating Reserves** - Operating costs to make facilities operational and functional are allowed for authorized capital projects scheduled for completion during the 2003-2005 biennium (see Section 7, Capital Budget) in the continuation budget. Any new programs, activities, or expansion of existing programs and activities associated with capital projects should be a part of the Expansion Budget Request. The total estimated operating costs for each year must be requested in a reserve account (5371AA). A detailed account breakdown of each reserve must be submitted separately**,** with the estimated completion date of the facility provided by the Office of State Construction, number of positions required, proposed classification of each position, and other operating costs. A sample schedule for this required detail breakdown is Attachment 11.

(8) **Replacement of Existing Equipment -** (Attachment 7)

An equipment schedule will be required only when the request is greater than the amount of the authorized budget. Increased funding for items such as office equipment (fax machines, copiers, etc.), and furniture, and computers will not be considered in the continuation budget.

(9) **Vehicle Replacement** (Attachment 8)

(a) Licensed Motor Vehicles - Replacement of departmentally owned motor vehicles that are licensed will be allowed in the continuation budget. This replacement includes cars, vans, trucks, jeeps, ambulances, buses, etc.

Additions to the fleet will be 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. 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. Motor vehicles other than those used by law enforcement officers will be scheduled for replacement at the time they are expected to have 110,000 miles. Requested replacement of vehicles with less than 110,000 miles must have sufficient written justification. Motor vehicles used by law enforcement officers should be scheduled for replacements as follows: Highway Patrol - 70,000; Division of Motor Vehicle - 70,000, and All Other law enforcement - 80,000 miles. Funds that were approved in the last biennium for replacement motor vehicles and included in the authorized (2002-2003) year should be removed from the continuation budget if no new motor vehicles are requested in the continuation budget. Replacement schedules should be submitted only when there is an increase over the recurring authorized budget (see number 8).

(b) Other Vehicles (Attachment 9) - Other 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 replaced in the continuation budget. The age, year purchased, mechanical condition, and annual repair/maintenance cost will be prime factors in OSBM's consideration of these requests for inclusion in the continuation budget. Requests to replace equipment must be for the continuance of the existing programs or services and must not be to expand the capabilities of the facility. Replacement schedules for *other vehicles* should be submitted only when there is an increase over the recurring authorized budget (see number 8).

(10) **Statutorily Established Salary Increases -** Salary increases required by General Statute for specified position classifications, such as magistrates, clerks of court, and the Highway Patrol will be included in the requested continuation budget.

(11) **Building/Office Lease** – A building/office lease schedule will be required only when the request is greater than the amount of the authorized budget. Requests for increases in funding related to building/office lease expenses will be allowed as documented on Attachment 12 – *Building/Office Lease Schedule*.

4.1d Allowable Inflationary Increases

Agencies/departments use allowable inflationary increase rates to accurately project budgetary needs created by inflation for the current biennium and for planning for future biennia. The rates may be used to develop increases and/or decreases in those items subject to the inflationary factors. The increases and/or decreases computed for the continuation budget are then placed in Worksheet I in Columns 6 and 8. The procedures listed below outline the steps involved in using inflationary factors. Inflation factors cannot be applied to line items that have been realigned.

Procedures

The Inflation Factors applies to the *2002-2003* authorized budget present the allowable inflationary increases which may be used by agencies in preparation of the 2003-2005 biennium continuation budget and as may be necessary in preparation of expansion budget requests. For expansion requests, allowable inflationary increases are provided through the state fiscal year 2007-2008 in order to estimate the five-year fiscal impact as required under G.S. 143-3.5. These rates may be used to develop the increases or decreases applicable to the respective items in an agency's budget. In a situation where the rates are clearly not appropriate and a higher rate can be documented, the higher rate may be submitted for consideration by OSBM.

The *Schedule of Approved OSBM Inflation Factors* that should be used for computational purposes. Columns 1 through 6 reflect the compounding of the allowable rates. These are the factors that should be applied to the 2002-2003 authorized budget for the 2003-2005 biennium.

(1) **Food, Drugs, Medical Supplies, Water and Sewer, Electricity, and Natural Gas**: Columns 1 through 6 for these items reflects the compounding of the allowable rate increases. In using these rates to determine the allowable increases, use the following formula:

(2002-2003 authorized budget X Compounded Rate) = Allowable Change

Stated another way, the formula would be: the amount in Column 5 of Worksheet I, multiplied by the compounded factor in the *Schedule of Approved OSBM Inflation Factors*, equals the allowable change.

Example: To determine the amount of increase allowed for food for 2003-2005 when the authorized budget for food for 2002-2003 was $500,000:

2003-2004 over 2002-2003	2004-2005 over 2002-2003
$500,000 X .054 = $27,000	$500,000 X .083 = $41,500

The amount of $27,000 would then be entered in Column 6 for a 2003-2004 increase and $41,500 would be entered in Column 8 for a 2004-2005 increase in the continuation budget in Worksheet I.

(2) **Gasoline and Fuel Oil**: To determine the allowable increase for these items, the projected rate per gallon in the *Schedule of Approved OSBM Inflation Factors* is multiplied by the estimated consumption in gallons based on the 2002-2003 authorized budget.

Stated as a formula, the gasoline increase would be computed as follows:

2002-2003 Estimated Gallons X Projected Cost Per Gallon) – Authorized Budget = Change Amount

[Documentation should be provided to your OSBM budget analyst to support your calculations.]

4.2 Budgeting Salaries On Worksheet I

The salary-related amounts reflected in Columns 7 and 9 of the Worksheet I will be based on the authorized budget for 2002-2003 plus any necessary annualization of positions.

4.2a Reconciliation of Position Counts and Budgeted Salaries (Attachment 10)

OSBM will generate from BPS a *Reconciliation of Position Counts and Budgeted Salaries* report (BI 232) (See Attachment 10) that begins with the 2002-2003 certified budget and adds or deletes all approved budget revisions and posted entries that affect personnel transactions and budgeted salary amounts. A copy of this report will be available to agencies through X/TND by September 15, 2002. Agencies should review this report for accuracy and contact their OSBM analyst if corrections are necessary. As a required document in the agency's submitted continuation budget package, Attachment 10 must agree with the recommended salaries and position counts in Worksheet I.

Note: The RK329 report on current authorized positions and salaries can be requested at any time with BRS print function 16, and may be used by both agencies and OSBM to monitor the accuracy of entries made via the budget revision (BD 606) process. This is the same database that acts as the source for the *Reconciliation of Position Counts and Budget Salaries* and can assist agencies and OSBM analysts in preliminary verification of this data.

4.2b Annualization of Salaries on Worksheet I

OSBM will also generate *Position Schedules* (PM739) from the June 30, 2002 PMIS database and make them available through X/TND. These reports are to be used for informational purposes only and are not to be submitted to OSBM with the continuation budget package. These reports show the effective date for positions effective after July 1, 2002 and also show time-limited positions and their scheduled termination dates to assist in identifying positions which should be annualized. This would include, for instance, new positions authorized by the 2002 Session of the General Assembly or positions included in authorized building operating reserves. Positions which are scheduled to be abolished with an effective date after July 1, 2002 should also be annualized.

Annualization Example: A new position is authorized by the General Assembly effective October 1, 2002 at an annual salary of $47,679. The budget for 2002-2003 includes $35,760 for the position for nine months. The difference between the annual salary of $47,679 and the nine month (portion payable) salary of $35,760 is $11,919. The amount of $11,919 is the allowable increase for Columns 6 and 8 of the Worksheet I. *Note*: The employer match for both Social Security and Retirement would reflect increases to match the salary increase as well as an annualization of the employer's share of health benefits.

Agencies continue to be responsible for maintaining accurate and current PMIS data. Salaries reflected in PMIS should not exceed the authorized budget plus annualization of positions. If total salaries in PMIS exceed the authorized budget plus annualization of positions, appropriate personnel actions should be taken to adjust PMIS to be within the amounts in columns 7 and 9 of the Worksheet I.

Note: Legislative Increases (LI) authorized for 2002-2003 by the 2002 Session of the General Assembly will not be reflected in the authorized budget for 2002-2003 to allow for a more timely distribution of the Worksheet I to agencies. Any new (LI) approved for 2002-2003 will be continued for 2003-2005 by OSBM in a statewide reserve.

4.2c Realign Salary Reserve

It is essential that the Salary Control System (SCS) in OSBM reflect correct position and salary information by June 30, 2002. By the end of July 2002 agencies are to submit budget revisions (BD 606) 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. It may be necessary to reduce or abolish positions in some instances to eliminate negative salary reserve amounts. Agencies will be allowed to retain positive salary reserve amounts in the continuation budgets. Any salary reserve will be reflected in the authorized salary amount plus annualization that will be the basis for the recommended amounts in column 7 and 9 of the Worksheet I.

4.2d Fringe Benefits

Fringe benefit amounts for Social Security and retirement will be based on the funds requested in the appropriate salary line items on Worksheet I for 2003-2004 and 2004-2005 respectively. The amounts for health benefits will be based on the authorized position counts for each year.

The fringe benefits rates are as follows:

Social Security 7.65% on a salary base of $84,900 (1.45% Medicare unlimited). The *Position Schedule* PM739 can be used to determine the appropriate amount to include in the continuation budget for Social Security.

Teachers and State Employees Retirement rate 3.03%
State Law Enforcement Officers Retirement rate 8.03%
University Employees Optional Retirement rate 9.71%
Health Benefits amount - $2,933 per year; Medicare-eligible $2,233

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.

Note: The Social Security rates are the current estimates and could be changed by the U. S. Congress.

4.3 Continuation Budget Attachments

Attachment 1	Summary of Total Continuation Budget Requests by Department
Attachment 2	Sample Summary by Purpose
Attachment 3	Sample Summary by Account (Object)
Attachment 4	Sample Detail Request
Attachment 5	Sample Position Count
Attachment 6	Sample 2002-2003 Reconciliation of Requirements, Receipts, and Appropriation
Attachment 7	Equipment Purchase Schedule
Attachment 7a	Sample Equipment Purchase Schedule
Attachment 8	Licensed Motor Vehicle Purchase Schedule
Attachment 8a	Sample Licensed Motor Vehicle Purchase Schedule
Attachment 9	Other Vehicle Purchase Schedule
Attachment 9a	Sample Other Vehicle Purchase Schedule
Attachment 10	Sample Reconciliation of Position Counts and Budgeted Salaries
Attachment 11	Sample Format for Building Reserve
Attachment 12	Building/Office Lease Schedule

Note: The Schedule of Approved OSBM Inflation Factors will be mailed to departments after the end of the 2002 Legislative Session.

5. EXPANSION BUDGET

The expansion budget is the agency's request for (1) additional operating funds above those allowed in the continuation budget, including new and/or pilot programs, (2) departmental proposals to change a statutorily-controlled program by redirecting funds from one program to another, (3) one-time major equipment purchases, (4) continued phase-in of new programs initiated in a previous biennium, (5) legislatively-designated salary increases, and (6) funds to replace lost federal funds. Any expansion request that is related to information technology will have to conform to the process and requirements found in Section 7.

Limitations on the Amount of Expansion Funding Requested by State Agencies

The sum total of all general fund appropriation expansion requests (Worksheet II's) for the 2003-2004 and 2004-2005 biennium shall not exceed 10 percent of that agency's 2002-2003 certified budget. Agencies may submit expansion requests that exceed this 10 percent threshold if those specific requests are supported by non-general fund, unbudgeted, dedicated receipt sources. Alternatively, an agency may submit expansion requests that exceed this 10 percent threshold if those requests are accompanied by a commensurate and equal funding or program reduction and that program or funding reduction is equal to or greater then the expansion request. These commensurate reduction issues shall be described on a separate Worksheet II and include narrative section references to the commensurate expansion requests they support. Specific issues related to mandated enrollment increases or entitlement programs should be discussed with your OSBM analyst.

5.1 Expansion Budget (Worksheet II)

The *Summary List of Expansion Budget Requests* (Attachment 1) and *Worksheet II* (Attachment 2) must be used for official expansion requests. The Summary List must be completed and submitted with the Worksheet II to OSBM by October 31, 2002. Submit electronically (e-mail document, CD-ROM) and submit two (2) hard copies of the above-referenced schedules on 8 1/2" by 11" green paper.

Procedures

5.1a Summary List and Priority of Funding

On the Summary List of Expansion Requests**,** summarize each request into one list of short, concise sentences with the total funds requested shown in the columns for 2003-2004 and 2004-2005. Each item involving receipts must show total requirements, estimated receipts, and appropriation requested. Show the number of positions directly beneath the requested appropriation. Attachment 1 will be used for the Summary List of Expansion Requests. Attachment 2 (Worksheet II) must be submitted for the top ten priority items in the expansion request. Worksheet IIs for other priorities should be available on request.

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

- Line 2 indicates the **Priority Number** for the expansion request. The **Program Description** is the brief narrative for which the request is made.

- Line 3 indicates the total **Requirements** for the expansion item for fiscal year 2003-2004 and 2004-2005**,** respectively.

- Lines 4a, 4b, and 4c indicate **Receipts** for the expansion request.
  - *Line 4a* indicates **Federal receipts** which supports the requirements for the expansion item for fiscal years 2003-2004 and 2004-2005**,** respectively.
  - *Line 4b* indicates **Local receipts**, which support the requirements for the expansion item for fiscal years 2003-2004 and 2004-2005**,** respectively.
  - *Line 4c* indicates **Other receipts**, which support the requirements for the expansion item for fiscal year 2003-2004 and 2004-2005**,** respectively.

- Line 5 indicates **Appropriation** support for the expansion item for fiscal year 2003-2004 and 2004-2005**,** respectively.

- Line 6 indicates the total **Number of Positions** (rounded to the second decimal) requested for the expansion item for fiscal year 2003-2004 and 2004-2005**,** 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 year 2003-2004 and 2004-2005**,** 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 2003-2004 and 2004-2005**,** respectively.
  - *Line 8b* indicates **Total Local Receipts**, which support the requirements for the expansion items for fiscal years 2003-2004 and 2004-2005**,** respectively.
  - *Line 8c* indicates **Total Other Receipts** that support the requirements for the expansion items for fiscal years 2003-2004 and 2004-2005**,** respectively.

- Line 9 indicates **Total Appropriation** for all expansion items for fiscal years 2003-2004 and 2004-2005**,** respectively.

- Line 10 indicates **Total Positions** (rounded to the second decimal) for all expansion items for fiscal years 2003-2004 and 2004-2005**,** respectively.

5.1b Expansion Budget (Worksheet II) Instructions

The form on which funds for expansion items will be requested is the Worksheet II. A separate Worksheet II may be completed and submitted by the agency for each of the expansion priority items.

Expansion items must be assigned a priority number by the requesting agency. The priority number is listed on each Worksheet II, and all Worksheet IIs must be assembled in priority order when submitted on October 31, 2002.

Instructions for completion of the Worksheet II are:

- Line 1 indicates the **Priority Number** of the request and the **Total Number** of expansion items submitted (Priority No.___ of ___). Repeat this process at the top of each page of the Worksheet II.

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

- Line 3 indicates the North Carolina Accounting System (NCAS) operating **Fund Number** and **Fund Title** for which the expansion request is submitted.

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

- Line 5a, 6a, and 7a indicate whether it is necessary to include a **Special Provision**, a **General Statute** change, or if a new statute is required to implement the request. *A draft of the legislation must be attached to the expansion request***.**

- Lines Lines 5b, 6b, 7b, and 8b indicate **Totals** for the expansion request:
    - Line 5b indicates the **Total Requirements** for the expansion budget request as shown on Line 15, page 3, for fiscal years 2003-2004 and 2004-2005.
    - Line 6b indicates the **Total Receipts** for the expansion budget request as shown on Line 18, page 3, for fiscal years 2003-2004 and 2004-2005.
    - Line 7b indicates the total **Appropriation** for the expansion budget request as shown on Line 19, page 3, for fiscal years 2003-2004 and 2004-2005.
    - Line 8b indicates the **Total Positions** (rounded to second decimal) for the expansion request as shown on Line 16, page 3, for fiscal years 2003-2004 and 2004-2005.

- Line 9 includes the **Narrative**, which is a description of the purpose of the expansion request, the problem being addressed and the impact on current program objectives, the changes in operations necessary to accomplish the objective, and the anticipated outcome/impact after implementation of the changes. If the request is to expand operations included in the continuation budget, the narrative should state the continuation budget objectives and the *change* that will be affected by the additional funding. If the request is for a new program, the narrative should identify the objectives, operations/outputs to accomplish the objectives and the anticipated outcomes/impacts after implementation of the new program. Also describe the assumptions and methodology for making future budget projections. Explain how the projections were made, including formulas and underlying assumptions. If the assumptions are based on published research, cite the source. The electronic version of this form can be expanded to allow extra space, if needed. In addition to financial and personnel information, agencies should include quantifiable statistical information that supports their request for expansion funding. This information may include workload, caseload, unit cost, results, outcome or other related performance information that illustrates the need or demand for expansion funding.

- Line 10 indicates **Additional Resources** required from another agency to support the request.

- Line 11 indicates the **Name of the Agency** and the additional cost for the agency to support the request.

- Line 12 indicates the detail of the **Requirements** for the expansion request. The Account (Object) Number and Title are the NCAS expenditure **Account (Object) Number** and **Account Title** at the following detail.

  - 1XXX Salaries and Benefits - detail level,
  - 2XXX-5XXX Other Expenses - consolidate as one number,
  - 6XXX State-aid - detail level,
  - 7XXX Reserves - detail level,
  - 8XXX Transfers - detail level,
  - All receipts

  The amounts shown in the 2003-04 and 2004-05 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 the funding required to continue funding for the request.

  Fringe benefits for new positions should be based on the rates shown in section 5.2d.

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

- Line 13 indicates the total **Requirements** of the *existing program* as shown in the continuation budget for 2001-2002 Actual, and 2002-2003 Authorized. The requirements shown for fiscal years through 2007-2008 indicate the total of the incremental change required for implementation of the expansion request.

- Line 14 indicates the total **Full Time Equivalent** (FTE) positions of the *existing program* as shown in the continuation budget for 2001-2002 Actual and 2002-2003 Authorized. The FTE positions shown for fiscal 2003-2005 through 2007-2008 indicate the total of the positions required for implementation of the expansion request. (Detail of the positions included in the expansion request will be provided on Page 4, Line 23.)

- Line 15 indicates the detail of the **Receipts** for the expansion request. The Account number and title are the NCAS receipt **Account Number** and **Account Title** of the Account detail. The amounts shown in the 2003-2004 and 2004-2005 columns reflect the incremental increase in the level of receipts anticipated for implementation of the expansion request. Whenever possible, agencies should also recommend dedicated receipt or revenue sources, that are currently unbudgeted, to support their expansion request. If specific statutory authority is needed, attach recommended statutory or special provision language, which can provide authority for dedicated receipt and revenue sources. Agencies should survey and review best practices in other states or government organizations that operate similar programs and analyze the feasibility of dedicated revenue sources, instead of general fund appropriations, to support their expansion requests.

- Line 16 indicates the **Receipts** of the *existing program* as shown in the continuation budget for 2001-2002 Actual and 2002-2003 Authorized. The receipts shown for fiscal years 2003-2004 through 2007-2008 indicates the total incremental increase in receipts for the expansion request.

- Line 17 indicates the **Appropriation** of the *existing program* as shown in the continuation budget for 2001-2002 Actual and 2002-2003 Authorized. The appropriation shown for fiscal years 2003-2004 through 2007-2008 indicates the incremental change in the total appropriation for the expansion request.

- Line 18 indicates the **Cash Balance** funding of the *existing program* as shown in the continuation budget for 2001-2002 Actual and 2002-2003 Authorized. The Cash Balance funding shown for fiscal years 2003-2004 through 2007-2008 indicates the total cash balance requirements for the expansion request.

- Line 19 indicates the detail of positions requested by Salary **Grade**, State Personnel **Classification**, **Effective Date**, the **FTE** (rounded to 2nd decimal) for fiscal years 2003-2004 and 2004-2005, the **Annual Salary** of the position, and the **Budgeted Salary** for fiscal years 2003-2004 and 2004-2005. The requested salary level for each new position should reflect the minimum special entry level for the appropriate classification as authorized by the Office of State Personnel, unless otherwise justified in the Narrative. This justification should thoroughly address market conditions, high cost geographic considerations and related factors that prohibit the agency from hiring at the minimum or special entry level. (If a position is funded from multiple sources, indicate the source and the percentage of funding from each source in the classification column.)

- Line 20 indicates the FTE (rounded to 2nd decimal) **Total Number** and **Budgeted Salary** of the positions for the expansion budget request for fiscal years 2003-2004 and 2004-2005. This FTE information should agree with the information shown on Line 13, Page 3.

- Line 21 indicates whether there is a **Capital Improvement Project** associated with the expansion request.

- Line 22 indicates the **Capital Improvement Project Title**, which relates to the request.

- Line 23 indicates the Capital Improvement **Budget Code Number,** the **Item Number**, and the **Projected Completion Date** of the project, which relates to the request. The **Budget Code Number** is represented by 49xxx. The second and third numbers represent the fiscal year of the project, (such as 494xx) and the fourth and fifth numbers represent the department's two-digit identification assigned by OSBM. Contact the Capital Improvement Section of OSBM if you have questions about the code number (919/733-7061). The **Item Number** should be the same as the Item Number on your Capital Improvement Project request.

- Line 24 indicates **Space Requirements** per G.S. 120-36.7(c) indicating whether those requirements can be satisfied using existing state-owned facilities.

- Line 25 indicates the **Type of Space** required for the request. Check the appropriate type.

- Line 26 indicates **Additional Square Footage Required** for the request for five state fiscal years.

- Line 27 indicates estimated additional annual **Cost of the Space Requirements** for five state fiscal years.

- Lines 28, 29 each request, which 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 narrative.

5.2. Expansion Budget Attachments

Attachment 1 Summary List of Expansion Requests

Attachment 2 Worksheet II Expansion Budget Request

6. INFORMATION TECHNOLOGY

6.1 Highlights

Ratified Senate Bill 1005 (Appropriations Bill) of the 2001 Session of the General Assembly sets forth requirements paraphrased as follows:

- Any department desiring to request financial aid of $100,000 or greater from the State for the purpose of acquiring or maintaining technology shall submit to the State Chief Information Officer (CIO) a statement of its needs and furnish the CIO with any additional information required by the CIO.

- The CIO shall review the statements of need and perform additional analyses as necessary.

- The CIO shall make recommendations to the Governor regarding the merits of the above requests.

- The above requests shall be accompanied by a certification from the CIO deeming them to be consistent with the policies, procedures and standards (as well as the powers, duties and responsibilities) of the IRMC and the CIO.

6.2 Process

Attachment C should be used by all Agencies submitting expansion requests for Information Technology projects. The office of Information Technology Services will issue additional instructions to State agencies submitting such requests and will include instructions on completing attachment C. Completed and ITS approved attachment C's should then be attached to each Information Technology expansion request Worksheet II.

6.3 State CIO Review and Certification

Information Technology Requests of $100,000 or Greater
Information Technology Investment Request Submission Sheet

Department/Agency Contact Information

Department / Agency:	
Investment Request Title/Name:	
Contact Name:	
Contact Phone Number:	
Contact E-Mail:	

Tracking and Cross Reference Data *(specific format and descriptions will be resolved when coordinating detailed instructions with OSBM)*

Department/Agency Tracking Number (Optional)	
Budget Code	
Cross - Reference Worksheet Number	
ITS Tracking Number	

Due Diligence Certifications by Department/Agency CIO and CFO

	Check Box Signifying the Department/Agency CIO Approves Request and Certifies Compliance with the Statewide Technical Architecture

_____Date of Certification _____Name of CIO

	Check Box Signifying the Department/Agency CFO Approves Request, Certifies no Other sources of Funds for this Proposed Investment, and Attests that Request is Submitted in Accordance with Department/Agency Policies and Procedures

_____Date of Certification _____Name of CFO

1. Brief Description of the Proposed Information Technology Investment to Which this Expansion Budget Request Applies:

Provide a high level description of the purpose, use and results/benefits of the proposed technology investment, including its contributions to the mission and roles of the department/agency and/or its business/program goals and objectives.

2. Brief Description of the Items Being Purchased for the Proposed Information Technology Investment:

Summarize the hardware, software, and/or outside contracted services that are being purchased to implement this proposed information technology investment. Include items that are not being funded by this expansion budget request, but are necessary to explain how this funding request will support the complete investment.

3. Amount Requested in Expansion Budget Funding:

Give the expansion budget request by year of the biennium and total for the two years. If expansion budget funds are to be combined with other sources (e.g., federal, private, continuation budgets, etc.) to pay for the investment, give the source of funds and funding amounts from each source by year of the biennium and total for the two years. If the investment requires more than two years for implementation (such as a major application development effort), give the amounts and sources of funds for future years by year, with the sum for the total budget to implement the investment.

4. Brief Description of how the Proposed Information Technology Investment fits in with the Department's/Agency's Present or Future Technical Architecture and/or Technical Infrastructure:

Summarize how it is compliant with the department's/agency's technical architecture and/or works with the present technical assets. If applicable, summarize how the proposed information technology investment assists in the transformation to a new technical architecture or infrastructure for the department/agency.

5. **Brief Explanation of how the Proposed Information Technology Investment Takes Advantage of the State's Shared Technical Infrastructure and the State's Common Technical Services:**

Describe how the proposed information technology investment follows the enterprise approach. Areas to consider include:

- *Common Payment Services:*
  - *Credit Card*
  - *ACH*
  - *EDI*
- *Authentication and Authorization*
- *NC Portal - NC@Your Service*
- *Statewide WAN*
- *NC Information Highway*
- *Service Broker*
- *Asset Management*
  - *Seat Management*
  - *Asset Repository*
- *MAPS*
- *E-Procurement*
- *Security Services*
- *NC Mail*
- *Other*

6. **Brief Explanation of how the Proposed Information Technology Investment will add to the State's Shared Technical Infrastructure and/or the State's Common Technical Services:**

Describe how the proposed information technology investment supports the enterprise approach by providing items that may be useful to other departments/agencies. Areas to consider include the providing of reusable business and/or technology models, methodologies, and/or components; adding new services for the service broker; contributing experiences or knowledge with new business processes or technologies; working with ITS to develop new or enhanced infrastructure and/or services, etc.

ITS Review and CIO Certification for OSBM

This proposed information technology investment meets each of the following criteria:

- Technically sound - complies with the Statewide Technical Architecture
- Financially justified - is a useful employment of funds for technology and funding request is adequate for accomplishing the purpose of the investment
- Not duplicated among departments/agencies
- Supports the enterprise approach - makes use of and/or adds to the State's common shared technical services and shared technical infrastructure
- Compatible with other statewide and department/agency technology initiatives
- Other - as appropriate for individual proposed information technology investments

Check Box for CIO Certification

	Certified
	Not Certified

CIO Review and Certification Comments:

7. CAPITAL BUDGET

Capital improvement budget requests are for renovations, major repairs and maintenance to existing facilities, walks and road improvements, new construction, land purchases, Americans With Disabilities Act (ADA) Improvements, life safety code compliance, asbestos removal, and heating/air-conditioning requirements. Any renovations or repairs in excess of $300,000 and all new construction will be requested through the capital improvement budget. One-time major equipment purchases will be requested in the operating expansion budget (Worksheet II). The form for requesting capital improvement funds is the *Worksheet III.*

7.1 Capital Improvement Budget (Worksheet III)

The *Six-Year Capital Improvement Needs Schedule* (Attachment 1), the S*ummary List of Capital Improvement Requests* (Attachment 2), and the *Worksheet III* (Attachment 3) must be used for official capital improvement requests for 2003-2005. Also, no request will be considered without a certified Office of State Construction form OC-25 (Sample Attachment 4) indicating the project cost as estimated by that office. A copy of the OC-25 for each project can be obtained by contacting the Office of State Construction (Telephone 733-7962). In addition, evidence of an approved site, or a detailed plan of action for the acquisition of an approved site must be included. Submit five copies of the completed forms to the Office of State Budget and Management (OSBM) on light blue 8 1/2 x 11-inch paper by October 31, 2002.

Procedures

7.1a Six-Year Capital Improvement Needs Schedule

Departments will submit a Six-year Capital Improvements Needs Schedule. This schedule is an estimate of a Department's anticipated capital needs for each year of the six-year planning period, 2003-2009. Capital needs should be shown in two parts.

The first part, Attachment 1-R, should include proposals and requirements for repairs and renovations necessary to maintain the existing use of existing facilities. Each proposed repair and renovation expenditure should be justified by reference to the reports issued by the Facilities Condition Assessment Program (F-CAP) operated by the Office of State Construction in the Department of Administration. Each project described on Attachment 1-R should be justified by reference to the needs evaluation criteria for repair and renovation capital projects as described below in Section 8.1c-3a.

The second part, Attachment 1-N, of the capital improvement needs schedule should include proposals and requirements for land acquisition and projects involving either construction of new facilities or rehabilitation of existing facilities to accommodate uses for which the existing facilities were not originally designed. Each project included in this part should be justified by reference to the needs evaluation criteria for new capital projects as described below in Section 8.1c-3b.

7.1b Summary List of Capital Improvement Requests

List in priority order on the Summary List of Capital Improvement Requests (Attachment 2) the title and the 2003-2004 and 2004-2005 requested amount for capital improvement requests submitted by the department. For items involving receipts, show total requirements, estimated receipts, and requested appropriation. The requirements summarized on Attachment 2 should balance back to the requirements described on the attachment 1's.

7.1c Worksheet III. Capital Improvement Request

At the top of Worksheet III (Attachment 3), indicate the department, division/program level, title of the project, and the priority with reference to the capital improvement request only. Each repair and renovation request and new construction requests should be submitted on a separate Worksheet III.

1. Description

For the 2003-2005 requests, describe in detail the nature of the project (renovation, repair, new construction, major maintenance, boiler replacement, land purchase, etc.), the location within the state (including county), and the activities or functions for which the proposed project will be utilized. If a major utility, maintenance, renovation or repair project is involved, give the age of the facility, the date of the last significant improvement, and the date and results of any maintenance inspection or repairs conducted.

In the case of proposed buildings or major renovations, indicate the approximate amount of space and number of rooms needed for each activity listed above (i.e., classrooms -- 4,000 sq. ft., 10 rooms; offices -- 6,000 sq. ft., 40 rooms; dining area -- 600 sq. ft., 1 room; day rooms -- 5,000 sq. ft., 20 rooms; etc.). Also indicate the approximate areas that will be devoted to each activity or function for the request. For utility projects, indicate the extent of the purchase or development to date and elaborate on future needs for continued project funding. Describe any unusual construction requirements that might affect the cost of the facility (e.g., subterranean rock or extremely complex laboratories). State also how the facility will be air-conditioned and the fuel source for heating purposes. In the case of proposed buildings, no request will be considered without either an approved site or a detailed plan of action for the acquisition of an approved site. For a proposed new facility, indicate the proposed location and whether it has been reviewed and approved by the Office of State Property. If this project has

been requested previously, indicate when and state the agency priority given at that time. If construction or renovation of a facility involves the reallocation of space, advise as to the future use of the current facility and/or space currently being utilized. Also, indicate if there has been a review made by the Office of State Property, Department of Administration, relative to this space reallocation.

For major renovation projects, indicate if the capital improvement will result in the use of space currently not being used or if it will provide for the reallocation of currently utilized space. The justification must detail the total space reallocation plan affecting all programs involved with the renovation. Also, the cost must include estimates to remove asbestos if the presence of the substance is known to be in the facility and is expected to be disturbed during renovation.

Asbestos removal projects will be addressed in two ways: as emergency projects which create a harmful working environment for employees and as projects which must be funded due to unforeseen circumstances (i.e., renovation projects where no asbestos was anticipated). Priorities for asbestos removal funding will be developed by OSBM, the Office of State Construction, and the Department of Health and Human Services, Division of Health Services. Agency requests for asbestos removal funding must be submitted consistent with instructions in this document.

In the description, explain any relationship of the project to other planned or existing facilities and to any forthcoming expansion budget requests of the agency or institution. Also cite any recent administrative or legislative actions related to the project requested. In addition, indicate if the project bears any relationship to or requires coordination with similar facilities currently under consideration by another state agency. If the project is incorporated into the other department or institution's master plan, indicate that in the request.

2. Project Selection Criteria

On Attachment 3, Item 3, give the standards and criteria used to document the need for the project as well as to determine its size and scope. Include in this description a detailed discussion of how funding for this project may impact on the receipt of federal, local, or private matching funds. Additional sheets should be attached, as needed.

a. Following is a list of criteria that should be used to evaluate requirements for repairs and renovations necessary to maintain the existing use of existing facilities (Part I of the Six-year Capital Improvements Needs Schedule):

Preservation/Repair of Existing Facilities

- Does the project involve roof repairs and replacements?
- Does the project involve structural repairs?
- Does the project involve improvements to electrical, plumbing, heating, ventilating, and air-conditioning systems?
- Has the project been inspected by the Department of Administration's Facilities Condition Assessment Program (F-CAP)?

Health and Safety Considerations/Standards

- Does the project meet fire and life safety code requirements?
- Is the project needed for mandatory compliance with the Americans With Disabilities Act (ADA)?
- Does the project involve repairs to meet federal, state, or other standards?
- Does the project involve fire protection/property protection/non-mandatory ADA requirements?
- Does the project involve improvements to remove asbestos, lead paint, or other contaminants, including leaking underground storage tanks?

Operational Efficiencies/Better Use of Space

- Does the project involve energy efficiency improvements/other operating budget savings?
- Does the project involve renovations to improve the use of existing space?
- Does the project involve historical restoration?
- Does the project involve improvements to roads, walks, drives, and parking lots?
- Does the project involve drainage improvements?
- Does the project involve landscape and other improvements?
- Will the project result in estimated energy savings?
- Will the project result in estimated operating costs savings?

Other Considerations

- What is the department's priority for the project?
- If the project is delayed or denied, what will be the effect on the services, activities, or efficiency of the agency?

Funding Considerations

- Are the project requirements needed to match or supplement non-state funds?
- Has the project been previously presented to the General Assembly for approval?
- Are additional funds needed to complete the project?
- Does the department or division have other funds available to it for repair projects, such as receipts, trust funds, or line item appropriations?
- Will additional funds be needed for the next phase of the project?
- What is the estimated time it will take to complete the project?

b. Following is a list of criteria that should be used to evaluate requirements for capital projects that are proposals for land acquisition and projects involving either the construction of new facilities or rehabilitation of existing facilities to accommodate uses for which the existing facilities were not originally designed.

Health and Safety Considerations/Standards

- To what extent does the project eliminate, prevent, or reduce a life safety or occupational hazard?
- What safety hazards to clients and employees currently exist?
- What code violations currently exist?

Operational Efficiencies/Better Use of Space

- What level of additional ongoing operating costs will be required to operate the project once completed? Additional ongoing operating costs include added salaries and benefits, supplies and materials, fixed charges and expenses, and other types of ongoing costs.

- What is the source of funds for future operating expenses?

- To what extent does the project contribute to savings in the state's operating budget or capital budget?

Other Considerations

- To what extent is the project necessary for the program to continue to provide services at the existing level?

- To what extent is the project necessary for the program to improve access to citizens and/or to improve existing services?

- To what extent is the project necessary for the program to improve the quality of existing services?

- To what extent is the project necessary for the program to meet the overall goals and objectives of the program?

- To what extent is the project necessary for the program to meet legislatively-mandated goals, objectives, and/or other requirements?

- To what extent is the project necessary for the program to meet goals and objectives of the Governor?

- To what extent is the project necessary for the program to meet goals and objectives of the Department Head?

- To what extent is the project related to other high priority projects in the department?

- If the request is delayed or denied, what will be the effect on the services, activities, or efficiency of the agency?

- To what extent does the project enhance economic development in the locality, the region, and the state?

- To what extent does the project have support from users of the services provided?

- To what extent does the project have broad and/or community support?

Funding Considerations

- Has the project been previously designed or planned? If so, when, from what source of funds and by what authority?
  1. Date previous design or plan was completed
  2. Cost of the design or plan and source of funds
  3. By what authority?

- Is the project currently under construction?

- Has the General Assembly previously made General Fund appropriations to the project, either for planning or construction? If so, when, and how much?

- Has the General Assembly previously authorized the use of non-state funds for the project, either for planning or construction? Has any of the funds been removed due to disaster relief efforts? If so, when, how much, and from what source?

- If funds have previously been made available to the project, why are additional funds being requested?

- Are there funds, other than from the General Fund, available to support the project, either for construction and for operations? If so, provide source and amount.

3. Schedule of Construction

Give, in chronological order, the proposed schedule of construction for the project. Include the approximate date for engaging the architect, the beginning construction date, the date of construction completion, and the date for occupation or utilization of the facility. Attach a copy of the schedule to Worksheet III.

A certified Office of State Construction form OC-25 must be attached to the Worksheet III. This estimate is the method for determining the cost of the proposed project, excluding land purchase, and no request will be considered without the certified OC-25. Departments should coordinate this effort with the Office of State Construction.

4. Operating Costs

Estimate the additional operating costs, or savings, associated with the project, including program and maintenance staff, utilities, and future building maintenance, and the source of funds to operate the facility for the first five years of operation.

5. Receipts

Provide additional information, as requested, concerning receipts, if any, used to support the requested project.

6. Additional Information

Provide the requested information concerning the cost estimates, the location, and F-CAP reports.

7.2 Capital Budget Attachments

Attachment 1-R	Six-Year Capital Improvement Needs Schedule Repairs
Attachment 1-N	Six-Year Capital Improvement Needs Schedule New
Attachment 2	Summary List of Capital Budget Requests
Attachment 3	Worksheet III Capital Improvement Request
Attachment 4	Sample OC-25

8. GLOSSARY

Account (Object) Number (budget object)**:** An accounting unit in the North Carolina Accounting System (NCAS) composed of a six or nine digit number, currently used for budget control for line items of expenditure or receipt.

Authorized Budget: The authorized budget is composed of the certified budget plus revisions as allowed by the Office of State Budget and Management.

Capital Improvement Budget: The part of the state budget which provides for construction of new facilities, repairs and renovations to existing facilities, land purchases, and improvements to infrastructure.

Certified Budget: The budget that is prepared by the Office of State Budget and Management based on the recommended budget plus adjustments (increases or decreases) approved by the General Assembly.

Continuation Budget: The part of the state budget necessary to continue the current level of services of existing programs.

Expansion Budget: The part of the budget which provides for new programs, expansion of existing programs, and salary and benefit increases, for teachers and state employees.

Fund/Center Number (first four positions of the NCAS Center field): (budget fund) An accounting unit currently used for budget control

Incr/Dec Over Authorized: Two columns appearing on the Worksheet I (one for 2001-2002 and one for 2002-2003) where agency enters adjustments to the current year budget to arrive at an agency requested budget for submission to the OSBM.

Mission Statement: The policy purpose of the organization. Mission statements are translated into goals and objectives.

Recommended Continuation Budget: The Governor's Recommended Budget, as developed by the OSBM analyst and appropriate agency personnel.

Reconciliation Report: This report shows the previous BD307 and changes made to arrive at next Recommended Budget.

Salary Reserve: The difference between annual authorized budget and position salaries as recorded on PMIS (Personnel Management Information System).

Worksheet I: This report is used by agencies to present their continuation budget request. (See Section 4)

Worksheet II: This report is used by agencies to present their expansion budget request. (See Section 5)

X/TND: Software maintained by Information Technology Services which stores reports on disk and makes them available for viewing or printing from a Windows environment.

BD307: The document that presents the line-item details of the budget certified by the General Assembly.

BD606: The form used to request a change to the budget as it was certified by the General Assembly.