

FISCAL RESEARCH DIVISION

A Staff Agency of the North Carolina General Assembly

Budget Basics

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Joint Senate and House Appropriations Committees
on Health and Human Services

February 25, 2025

Outline

- Joint Meetings
- Budget Terms
- Budget Phases



Joint Meetings of HHS Appropriations Committees

Logistics

- Tuesday, Wednesday, Thursday at 8:30am for 2 weeks
- Room 643, Legislative Office Building

Staff

- Fiscal Research Division, Legislative Drafting Division, Legislative Analysis Division
 - Non-partisan central staff serving all 170 members

Online Access

- Joint Meeting documents: <https://www.ncleg.gov/Documents/128/>
- Live audio of Joint Meetings: <https://www.ncleg.gov/Audio>



Budget Terms: Appropriation

Appropriation

- An enactment by the General Assembly authorizing the withdrawal of money from the State treasury.

State Budget Act – G.S. 143C-1-1(d)(1)

- Federal funds, fee receipts, grants, legal settlements, and cash balances all require appropriation before spending.

G.S. 143C-1-1(d)(25), 143C-3-5, & 147-76.1

- “No money shall be drawn from the State treasury but in consequence of appropriations made by law.”

North Carolina Constitution, Article V, Section 7



Budget Terms:

Total Requirements

- The total cost associated with a proposed expenditure of funds regardless of the source of funds.

Departmental Receipts

- Fees, licenses, ***federal funds***, grants, fines, penalties, tuition, and other similar collections or credits generated by State agencies that are applied to the cost of a program.

Net General Fund Appropriation

- An appropriation of the General Fund's general purpose revenue.

$$\begin{aligned} &\text{Total Requirements} - \text{Department Receipts} \\ &= \text{Net General Fund Appropriation} \end{aligned}$$



Budget Terms: Federal Funds

Federal funds are provided to states, local governments, and others to carry out federal programs.

- **Block grants** allow recipients to tailor programs to better suit their needs, avoiding a “one-size-fits-all” approach. Block grants may be used for any activity that fits within overall program goals.
 - Temporary Assistance to Needy Families, Maternal and Child Health Block Grant
- **Categorical grants** may only be used for specific purposes. Some categorical funding can be used to support multiple activities whereas other programs exist for limited purposes.
 - Medicaid, Food and Nutrition Services

Source: FFIS Grants 101: An Introduction to Federal Grants for State and Local Governments
https://ffis.org/wp-content/uploads/2018/01/grants_101_2022.pdf



Budget Terms: Federal Funds (continued)

Many federal programs require state and local governments to contribute resources.

- **Maintenance of Effort (MOE)** specifies the level of financial effort the State must maintain in a certain program area to receive federal funds.
- **Matching** represents the portion of costs that are not borne by the federal government. Matching requirements typically range from 5% to 50% of total costs and vary by program and sometimes within a program.

Source: FFIS Grants 101: An Introduction to Federal Grants for State and Local Governments

https://ffis.org/wp-content/uploads/2018/01/grants_101_2022.pdf



Budget Terms: Accounts

Personal Services

- Services rendered by permanent and temporary employees and related fringe benefits

Purchased Services

- Services provided by external firms, agencies, or divisions within the same organization; includes contracts, IT, and travel costs

Supplies

- Supplies or materials expected to be consumed within the normal course of operating and which are generally recurring in nature



Budget Terms: Accounts (continued)

Property, Plant, and Equipment

- Payments for acquiring property, constructing additions to buildings, and purchasing equipment, furniture, and machinery that is not consumable or expendable and has an expected life of longer than one year

Other Expenses and Adjustments

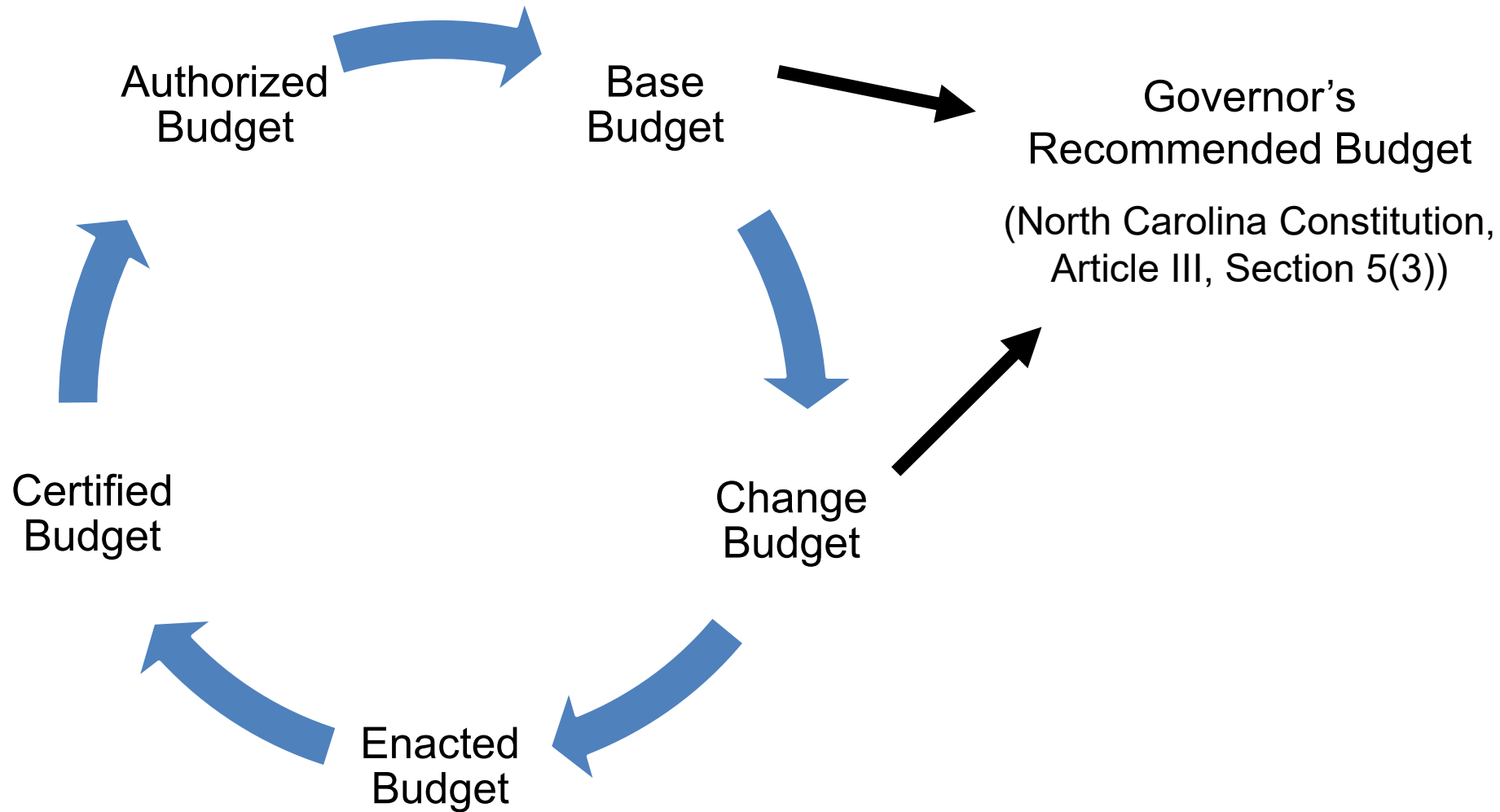
- Miscellaneous operational costs such as legal costs, permit costs, or subscriptions

Aid and Public Assistance

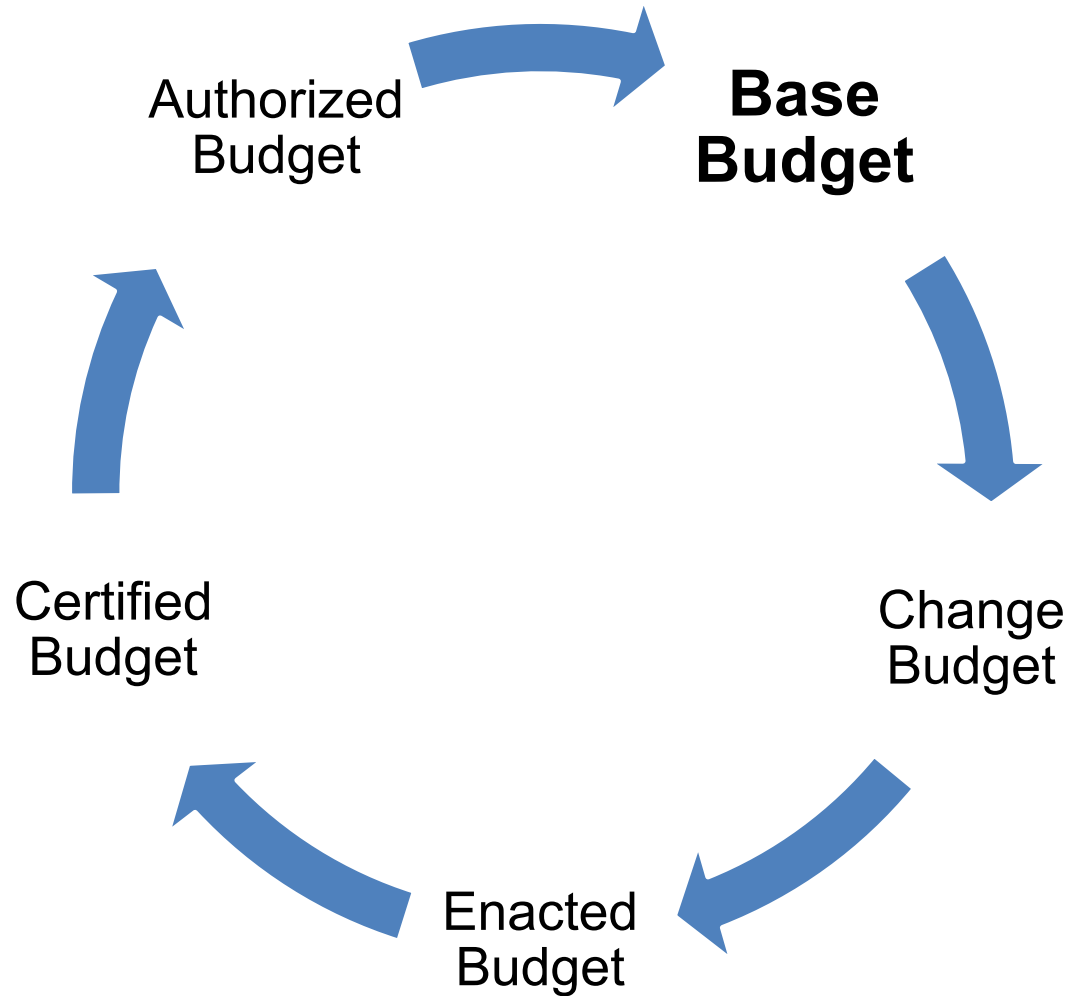
- Funds to direct recipients, providers, or other agencies for designated programs, assistance or special projects



Development, Enactment, and Execution



Phase I: Base Budget



- Defined in G.S. 143C-1-1(d)(1c)
- Provides the baseline for the next biennium for each budget code and purpose or program (budget fund) at the line-item level
- Starting point is the authorized budget for each State agency with certain allowable changes per statute
- Content and format specified in G.S. 143C-3-5(b)(2)

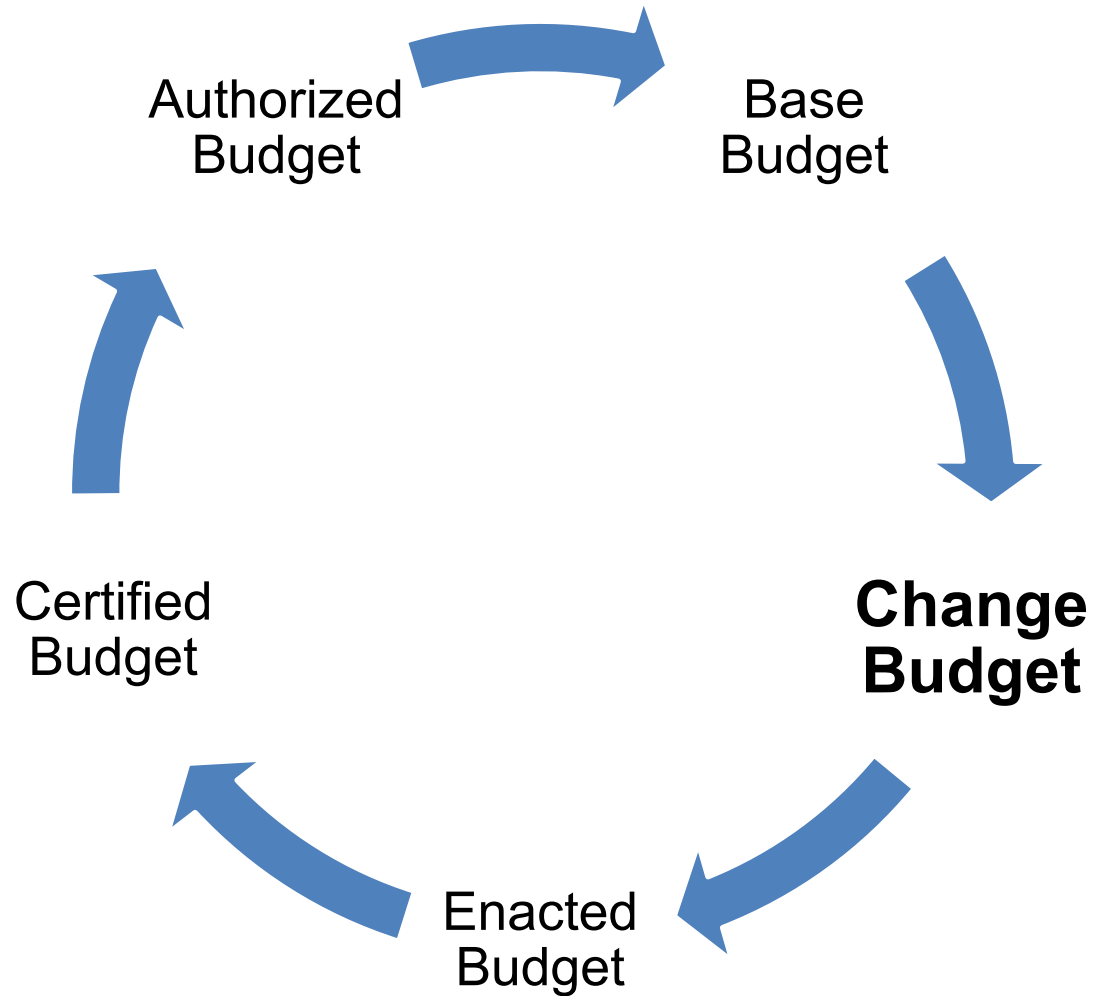
Base Budget Changes

Allowable Increases and Decreases per G.S. 143C-1-1(d)(c1)

- Annualization of programs and positions.
- Adjustments for expansions or reductions made on a nonrecurring basis during the prior fiscal biennium.
- Adjustments for federal payroll tax changes.
- Rate increases in accordance with the terms of existing leases of real property.
- Adjustments to receipt projections, made in accordance with G.S. 143C-3-5(b)(2)c.
- Reconciliation of intragovernmental and intergovernmental transfers.
- Adjustments for statutory appropriations and other adjustments as directed by the General Assembly.



Phase 2: Change Budget (Expansion Budget)



- Also referred to as the Expansion Budget.
- All proposed budget changes not included in Base Budget from General Fund and non-General Fund sources
- This is the budget the General Assembly ratifies

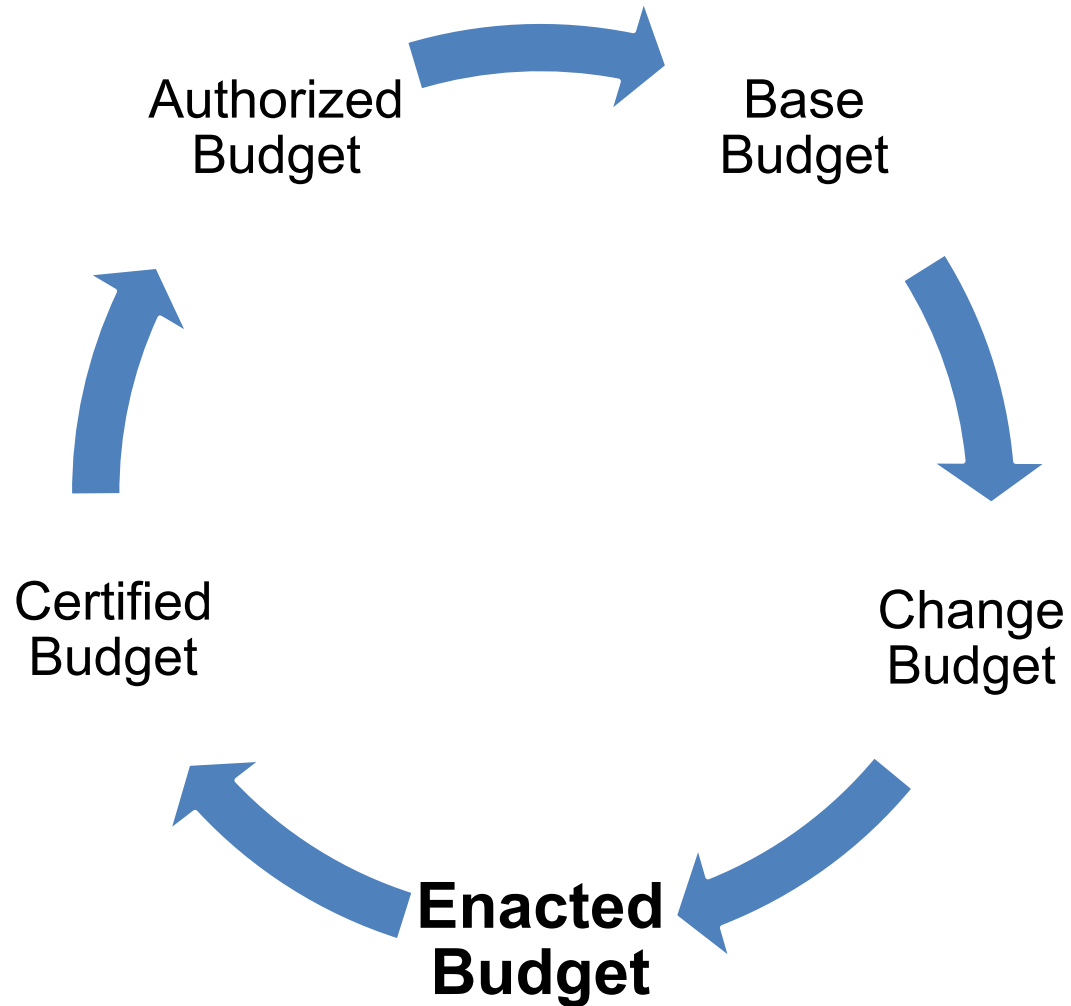
Change Budget Actions

Examples of Actions in the Change Budget:

- Reductions & eliminations
- Expansions & new programs
- Redirections of funds between programs
- Continued program phase-in
- Salaries & benefits changes
- Enrollment growth
- Replacement of lost federal funds
- Inflation & related cost increases
- Building operating reserves
- IT projects
- One-time major equipment proposals



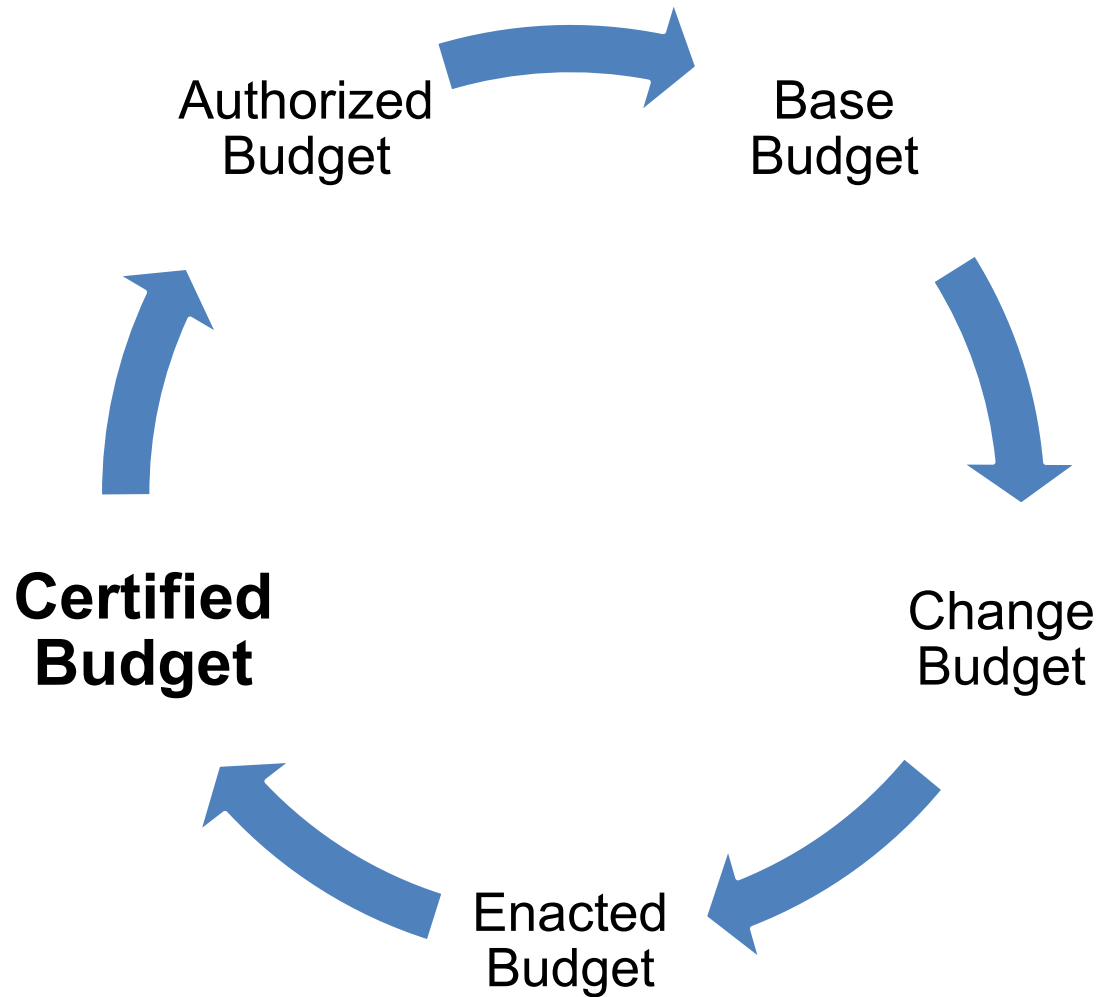
Phase 3: Enacted Budget



Governor's Base Budget + Legislative Changes = **Enacted Budget**



Phase 4: Certified Budget

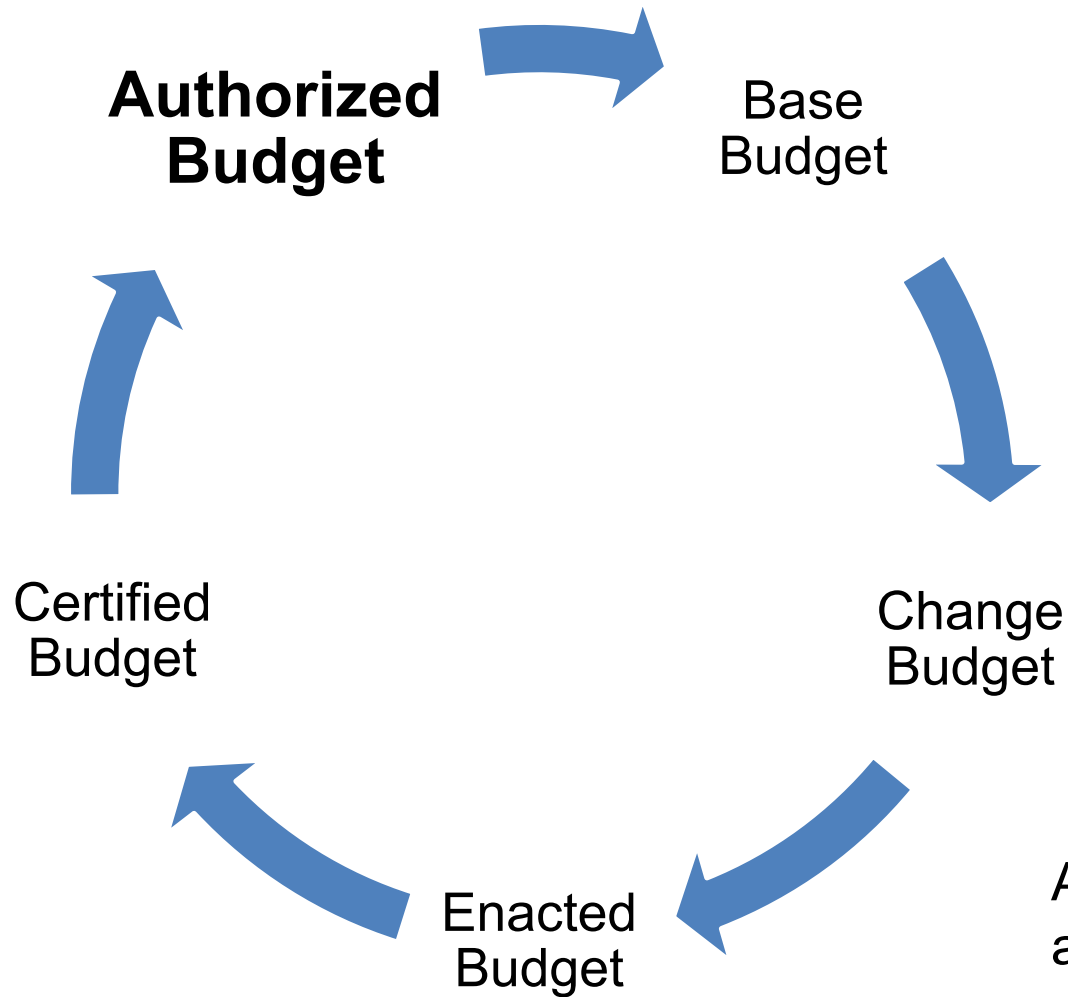


Enacted Budget + Distributions =
Certified Budget

Per G.S. 143C-1-1(d)(7), allowable adjustments to the Enacted Budget include:

1. Distribution of statewide reserves
2. Distribution of reserves appropriated to a specific agency
3. Mandated organizational or budget changes

Phase 5: Authorized Budget



Certified Budget + Allowable Budget Revisions
= **Authorized Budget**

Per G.S. 143C-6-4(b), allowable budget revisions include:

1. Line items within programs/purposes
2. Responses to extraordinary events
3. Responses to unforeseen circumstances
 - a) Overexpenditure is required due to unforeseen events
 - b) Does not expand scope
 - c) Is nonrecurring

Agency spending may not exceed General Fund appropriations when making these revisions



Long Session Budget Contingency

What happens if no new budget is enacted before the beginning of the subsequent fiscal year?

- G.S. 143C-5-4 is triggered.
- S.L. 2016-94, 2016 Appropriations Act, established the State's continuing budget/spending authority (often referred to as the "CR").
- Authorizes and appropriates the funds to allow the State to continue operations at the prior fiscal year's level of recurring appropriations.
- Unless otherwise specified in State law, all nonrecurring spending authority expires.



Questions?

