



***2024-25
Governor's Capital
Budget Development
Kickoff***

January 16, 2024



Objectives

1. Explain capital priorities for the Governor's short session budget recommendations
2. Review short session budget process, guidelines, and timeline for capital
3. Answer questions and share knowledge across agencies



1. Overall Focus and Priorities

- Prioritize requests that focus on:
 - Meeting critical needs
 - Enhancing service delivery
 - Generating evidence (e.g. through pilots / evaluation) or enhancing data collection
- Continued emphasis on data and evidence
- Align budget requests with Governor's priorities and agency strategic plans



Governor's Budget Priorities



Position North Carolina to create new jobs, foster economic growth, and develop the workforce for the jobs of today and tomorrow



Strengthen public education, including early childhood education, to ensure students are thriving and educators are respected



Promote healthier, cleaner, and safer communities



Advance equal opportunities and diversity



Ensure an effective, accountable, well-run state government



What does this mean for Capital requests?

- Governor's priorities and / or projects needed to deliver agency strategic plans
- Already lots of projects in planning stage or underway. Inflation a major issue with at least some projects:
 - Some need can be met from \$150M flex funds held at OSBM, which were increased in the Long Session budget;
 - The NCGA \$250M pot was eliminated in the Long Session budget, so no longer available.
 - Identify requests where you have also applied for the OSBM pot – so we can update as decisions are made
- Potential areas where high need (e.g. long-standing refurbishment needs) or which have not received as much funding in recent years



Short Session Budget Development Process

January

IT Request Survey
Training – Jan. 10

Budget Kick-off –
Jan. 11

Capital Training –
Jan. 16

Evidence Trainings –
Jan 23, 25, or 31

February

Operational ABC
Lists, IT Surveys –
Feb. 2

Capital and R&R
ABC Lists– Feb. 9

Leadership
Meetings

Analyst -Agency
Review Meetings

March

WS-IIs, WS-II-EZs.
WS-IIIs, OC-
25s, Provision forms
– March 1

Special Provision
Language – March
27

Leadership
Meetings

April

Governor's Review



Capital Projects and Repairs & Renovations

- **Capital**
 - WS-III-Cs are required for all General Fund and receipt-supported capital projects.
- **R&R**
 - **Agencies should include R&R requests in their ABC Lists, which includes:**
 - A list of one-time R&R projects for FY 2024-25
 - ***No WS-III-Rs required for R&R.***
 - Submit OC-25s for all one-time R&R projects.

Step 1: ABC List



Step 1: ABC List Overview

Aims to streamline the budget development process.

Agencies:

- 1) Summarize all capital and repairs & renovations (R&R) budget requests prior to submitting any Worksheet-III's.
- 2) Work with OSBM in February to
 - 1) Refine requests given constraints, and
 - 2) Support requests with data and evidence
- 3) Incorporate feedback into WS-III's for capital only – not needed for R&R



ABC List Template

Instructions for Budget Request Tabs

1 This form is to submit initial requests for changes to capital budgets.

2 Please enter all capital project requests into the Capital Requests tab and all R&R requests into the R&R Requests tab (if applicable).

3 Include all requests regardless of budget code or division/ program on the appropriate tab. For example, do NOT create new tabs for Capital Requests for each budget code. Include all capital budget requests on the single Change Request tab.

4 A description of the columns captured on each tab is provided below.

Column	Description
Columns to be Completed on All Tabs	
Budget Code	Provide the budget code for the request. Include all budget codes in your BRU (Agency) on one tab.
Division/Program	Provide the Division or Program for the request.
Priority	Indicate the request's priority level among the agency's expansion items. Agencies should rank their requests in priority order, with "1" indicating the highest priority request, with higher numbers indicating decreasing prioritization for the agency.
Request Title	Brief title with enough specificity to identify the request.
Request Description	Provide a short description of the request, including the specific activities, functions, and services provided and a timeline for expenditures and positions (if any). If request is a Legislative Mandate, please list Citation. Two to three sentences should suffice.
Have you requested this item before?	Indicate whether you have previously requested this item, and in which fiscal year.
Capital Requests Columns	These categories are based on the capital improvement needs criteria outlined in G.S. 143C-8-3.

Projects for which funding is required in FY 2024-25 should have an OC-25 and will require detailed costing in the WS-III.

Does this request have a matching OC 25?	An OC-25 form, signed off by the State Construction Office, is required.
Federal or State Mandate	Indicate if this request is due to a federal or state mandate.
Health & Safety	Indicate if this request is to address health and safety considerations.
Needed for Gov't Services	Is this project needed in order to continue existing or provide new government services?
Extend Useful Life	Will this project extend the useful life of the building?
Increase Operational Efficiency	Will this project increase operational efficiency?
Timing - What is the anticipated timeframe for planning and construction?	Please enter the timeframe anticipated for the start and completion of work - for example, enter "2024-26" for a project where planning will begin in 2024 and construction will be completed in 2026.
Operating Costs	Please enter an estimate of operating costs that would be associated with the new capital project.
R & R Requests Columns	These categories are based on the allowable use of funds for the Repair and Renovation Reserve outlined in G.S. 143C-4-3.

Specific R&R budget requests for the FY 2024-25 period should be entered in the R&R Requests ABC List, and an OC-25 and detailed costings are required.



ABC List Meetings

For each request, agencies should be able to answer:

1. What is the capital requirement, and why is it necessary to proceed with it now?

e.g. how urgent are repairs and why? How will a new facility contribute to an agency's goals or improve service delivery? What is the demand for a new park / museum / community college facility / etc.?

2. What other approaches did you consider?

e.g. if a new office building, did you consider leasing instead / what are the pros & cons of state ownership vs leasing?

3. What impact do you expect on operating costs?

What efficiencies do you anticipate? If higher costs, will you require additional state funding, or can they be covered by fees or other income?

Step 2: WS-III Forms



Step 2: Worksheet-III

Final change requests must be submitted in IBIS.

- WS-III-C for capital project requests
 - WS-III-R for R&R projects are NOT required BUT OC-25s are needed for all one-time R&R projects.
- **WS-IIIs are due by March 1, 2024.**
- Note: We plan to bring forward in IBIS WS-IIIs that have not previously been funded, to reduce agency workloads. **Does anyone foresee problems with that?**



Worksheet-III (Capital)

- OSBM will prioritize requests that:
 - Contribute to Governor priorities and / or Agency Strategic Plans, or
 - Are required to meet critical service delivery needs, or
 - Address inflationary pressures.
- Looking for use of evidence and/or data, e.g.
 - Why is a new building / refurbishment / leasing the best option?
 - What difference does hybrid working make to demand for office space? How will agencies manage this?
 - What is the demand for a new facility / museum / park / etc.?
- Inflationary adjustments must be backed by evidence that:
 1. There is no increase in project scope, and
 2. There have been attempts to live within current budget constraints.



Worksheet-III (Capital)

- Agencies should explain why proposed projects are a priority:

Critical criteria

- Mandated by Federal or State law
- Health & safety considerations
- Timing

Strategic criteria

- Advance the Governor's and Agency's strategic goals and objectives
 - Address increased relevant populations and/or services
 - Operational benefits
 - Cost-benefit / finance / economic considerations
 - Environmental or historic preservation
- All requests over \$100,000 must have an OC-25 Cost Estimate certified by the State Construction Office.



Worksheet – III (Capital)

- Please read over the New Capital Projects Job Aid for step-by-step details on the WKIII.
- Job Aid has more information on OC-25s and on filling out Non-General Fund project requests.
- Examples of cash-flowing larger project requests.

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Renovate Headquarters Building	\$10M	\$20M	\$15M	\$5M		



2024-25 Budget Development Key Dates



Due on or before:

2024-25 Budget Preparation Key Dates/Deadlines	
Date	Action
February 2, 2024	Agency Budget Change (ABC) Lists and IT Request Surveys due for all agencies
February 9, 2024	ABC Lists for capital and R&R requests due for all agencies
March 1, 2024	WS-IIs, EZs, and IIIs, OC-25s, and Special Provision Forms due
March 27, 2024	Special Provision language due
April	Governor's Review



Resources

- [FY 2024-25 Budget Instructions](#)
- [Job Aids](#)
 - ABC Template
 - New Capital Requests
 - Repairs and Renovations Requests
 - Evidence and Data
 - Special Provisions
 - Special Provision Submission Form

QUESTIONS?

Stay in touch!

Capital Budget Development

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