

Instructions for Preparation of the 2007-2009 Recommended State Budget



Office of State Budget and Management

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Instructions: www.osbm.state.nc.us/osbm/inst0709.html

Budget Systems: www.osbm.state.nc.us/budget_systems.html

August 2006

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1. INTRODUCTION

The State of North Carolina appropriates operating and capital funds on a biennial cycle. Once a budget is approved, it includes annual amounts for each of the two fiscal years that make up the biennium. Each biennium is referenced by an odd-numbered beginning year and an odd-numbered ending year. For example, the "2007-09 biennium" covers the period from July 1, 2007, through June 30, 2009, and includes fiscal years 2007-08 and 2008-09. The actual 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. This process allows the Governor and General Assembly to take into account revenue fluctuations, salary increases, and emergency items. Traditionally, the second year adjustments occur in May and June of even-numbered years.

The following budget instructions are to be used by departments and agencies in preparing 2007-2009 biennial budget requests for submission to the Governor as Director of the Budget.

Section 2 highlights important information in preparing your agency's biennial budget as well as new items incorporated in this budget cycle. A glossary of budget terminology is included in Section 9.

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

Upon receipt of budget requests from departments and agencies, 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 convenes in January 2007 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 2007.

OSBM uses on-line systems for preparing the Governor's budget. Go to http://www.osbm.state.nc.us/budget_systems.html.

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2. HIGHLIGHTS AND WHAT'S NEW

2.1 Vision for Results–Based Budgeting in North Carolina State Government

Commitment to emphasizing results as an integral part of budgeting is a key strategy being introduced by the Office of State Budget and Management (OSBM) to encourage efficient and effective management of state resources.

The goals of OSBM for implementing results–based budgeting are the following:

- **Improve the public's and decision makers' understanding of agency missions, goals, activities, impacts, and funding** by integrating fiscal information, results indicators, and descriptions of government services and by improving the analytical content, graphics, and readability of budget documents.
- **Improve the clarity, consistency, and analysis of budget requests** by collecting standardized supporting documentation, including measurable indicators.
- **Relate expansion budget requests directly to the governor's agenda and to departmental goals**, as appropriate.
- **Enable analysis of effectiveness** in order to improve funding, planning, and management decisions.

Results–based budgeting should be communicated plainly, so that the average citizen can understand an agency's services and how well it operates. OSBM intends to build on the foundation of information already being gathered from agencies and to work with agencies to add meaningful results–based elements over time. This phased-in approach affords an opportunity to evaluate the usefulness of each additional component for facilitating analysis, making budget decisions, managing agency processes, and informing the public.

Progress toward the Vision of Results–Based Budgeting in the 2006-07 Budget Adjustments

For the 2006-07 recommended budget adjustments publication, the executive summary was combined with the main budget document, section tabs were included, and a more analytical summary of major recommended adjustments was developed, including improved graphics and tables. In the development process, agencies were asked to provide an indication of the level of relationship of each expansion budget request to the governor's agenda and to provide numerical indicators to support the request, including projections of the indicator into future years.

What to Expect for the 2007-09 Biennial Budget

For the 2007-09 biennial budget, the information listed below will be incorporated into (or updated for) the budgeting process to support ongoing development of results-based budgeting:

- *Update* Department mission statements
- *New* Department goals
- *Update* Fund descriptions
- *New* List of government services supported by each fund (or by budget code if an agency chooses) included in the governor's recommended budget
- *New* Actual number of employees and expenditures for each service listed within each fund (or budget code if an agency chooses) for fiscal year 2005-06
- *New* At least one performance indicator (measure) per fund (or at least three per budget code if an agency chooses) for fiscal years 2003-04, 2004-05, and 2005-06
- *Same* No changes in the continuation budget information on Worksheet I
- *Modified* Additional analytical information for expansion requests on Worksheet II and more guidance on writing justifications and establishing priorities
- *Modified* Additional information for capital improvement requests on Worksheet III

This strategy is a cost-effective and practical, yet very valuable, beginning toward full implementation of results-based budgeting. It lays the foundation for developing additional measures of service results. In addition, it provides information for analyzing fund-service relationships with the goal of recommending budget realignment where needed.

What to Expect for the Future

Over the next few years, OSBM plans to do the following:

- Continue analytical enhancements, both in the budget request and presentation processes.
- Develop a web site to connect existing departmental plans and provide guidance in best practices for strategic planning. This site will supplement other research and analysis required for budgeting and management.
- Develop state-level societal indicators.
- Work with agencies to incorporate meaningful measures for continuation and expansion budget presentations.

- Include additional results-based budgeting elements agreed upon through cooperation with state agencies.
- Improve information systems and production processes for preparing and executing the budget.
- Develop and pursue enactment of legislation to realign agency budgets where needed to integrate budget structure with services.

2.2 Budget Preparation Process

This section provides a brief description of important information in the preparation of the 2007-2009 biennial budget.

- Agencies will access all preliminary copies of Worksheet I information on August 14, 2006, through their desktops using the X/TND software and the Budget Preparation System (BPS). Because of this direct access, agencies will not be mailed hard copies of their Worksheet I. To download the software, visit the ITS Web site at <http://www.state.nc.us/sysware/>. You may contact your OSBM analyst for copies if problems arise from using X/TND.
- 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 are due by October 31, 2006. As in the past biennium, agencies are required to submit two hard copies of the Worksheet I and attachment forms presented in the instructions. Agencies are also required to submit supporting attachments for continuation and expansion electronically.
- 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, library books and periodicals, subsistence, gasoline and fuel oil. Increases for clothing, telephone service, textbooks and educational supplies (K-12 schools) will be considered on a case-by-case basis, provided the agency can sufficiently document the increase.
- There is one new expansion budget attachment. Use expansion budget attachment 6-3 to prepare a business case for equipment lease or installment purchases, and submit it with Worksheet II. The business case will assist in evaluating the most beneficial method of acquiring a commodity when an agency is considering a lease purchase or installment purchase.
- 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, 2006, for agencies to access through X/TND. The Legislative Salary Increase effective July 1 is included. 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 2006-2007 authorized salary amount plus any necessary annualizations.

- The sum of an agency's appropriation expansion requests may not exceed 5% of the agency's 2006-2007 authorized appropriation budget, unless the agency receives prior written approval from OSBM. Account detail for each expansion request must be at the four-digit level.
- The Capital Improvement Request, Worksheet III, has been redesigned to provide more information to OSBM. Capital requests are due to OSBM by September 29, 2006.
- The Survey of Fees Report is part of the budget preparation process. Instructions about the collection of information for the fiscal year ending June 30, 2006, will be forthcoming.
- The budget attachment forms presented in these instructions, except for those generated by BPS, are available as Excel files. The files can be downloaded over the Internet at <http://www.osbm.state.nc.us/osbm/index.html>.
- Web input for the results-based budgeting elements may begin on September 5. Go to <http://data.osbm.state.nc.us/rbb.html>.
- The final budget package submitted to your OSBM analyst will be made up of electronic data submissions, email attachments, and hard copies of the results-based budgeting data elements, continuation budget schedules and attachments, expansion attachments, and the appropriate IT attachments. Please refer to each section to determine the details about required elements. Capital items will be submitted as a separate package to the Capital Section of OSBM. The instructions for capital improvement requests cite the specifics. Agencies may use the table in Section 3.2, as a quick reference for due dates and the corresponding elements for each section.

3. WHAT'S DUE

3.1 Timetable for the 2007-2009 Budget Preparation Process

August 7, 2006 Detailed 2007-2009 budget instructions made available by the Office of State Budget and Management (OSBM). Instructions will be placed on our Web site for departments to access, at <http://www.osbm.state.nc.us/osbm/inst0709.html>.

August 14, 2006 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 hard 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 also have direct access to this report using X/TND and, therefore, it will not be distributed by OSBM.

End of August 2006 All actions to reconcile and realign salary reserve must be completed.

2006 Legislative Session budgetary actions certified by OSBM and the Budget Preparation System (BPS) updated.

2006-2007 budget revisions plus allowable budget adjustments are submitted by departments into BPS.

BPS transferred to the North Carolina Accounting System, including 2006-2007 budget revisions and 2006 Legislative Session's actions.

During September 2006 Agencies will work on (Results-Based Budget Data Mission, Goals, Fund Purpose Statements, Service Statements and Measures). Refer to Section 4 for more information. Agencies will also be working on Continuation budget (Section 5) and Expansion items (Section 6).

September 29, 2006 All Capital Improvement budget items are due into OSBM. Refer to Section 8 for required items.

During October 2006 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, 2006 2007-2009 All Continuation items and Results-Based Budget Data are due into OSBM. Refer to Sections 4 and 5 for more information.

November 15, 2006 2007-2009 Expansion items (*Worksheet II's*) are due to OSBM. Refer to Section 6 for more information.

Information Technology expansion items are due to ITS and OSBM. Refer to Section 7 for more information.

December 2006 Governor finalizes the 2007-2009 budget recommendations.

January 2007 General Assembly convenes.

3.2 Summary of Items to Submit to OSBM

Required Submissions for the 2007-09 Recommended State Budget

Agency Submissions and Due Dates to OSBM	Where to Enter Data	Where to Find Instructions
Results-Based Budget Data (RBB) - All items due October 31, 2006		
Mission and Goals	Web Form	On web application and budget instructions
Fund Purpose Statement	Web Form	On web application and budget instructions
Service Statements and Analysis	Web Form	On web application and budget instructions
Measures	Web Form	On web application and budget instructions
Continuation (Base) Budget – All items due October 31, 2006		
Checklist for 2007-09 Continuation Budget Requests (Attachment A)	Word Document	OSBM budget instructions
Summary of Total Continuation Budget Requests by Dept. (Attachment 1)	Excel Spreadsheet	OSBM budget instructions
Summary by Purpose (Attachment 2)	Budget Preparation System (BPS)	OSBM budget instructions
Summary by Account (Attachment 3)	Budget Preparation System (BPS)	OSBM budget instructions
Detail Request – Worksheet I (Attachment 4)	Budget Preparation System (BPS)	OSBM budget instructions
Position Count (Attachment 5)	Budget Preparation System (BPS)	OSBM budget instructions
Reconciliation of Requirements, Receipts and Appropriations (Attachment 6)	Budget Preparation System (BPS)	OSBM budget instructions
Reconciliation of Position Counts and Budgeted Salaries (Attachment 7)	Budget Preparation System (BPS)	OSBM budget instructions
Explanation of Increases / Decreases Schedule (Attachment 8) – If Applicable	Excel Spreadsheet	OSBM budget instructions
Equipment Purchase Schedule (Attachment 9) – If Applicable	Excel Spreadsheet	OSBM budget instructions
Motor Vehicle Purchase Schedule (Attachment 10) – If Applicable	Excel Spreadsheet	OSBM budget instructions
Other Vehicle Purchase Schedule (Attachment 11) – If Applicable	Excel Spreadsheet	OSBM budget instructions
Format for Building Reserve (Attachment 12) – If Applicable	Excel Spreadsheet	OSBM budget instructions
Lease Schedule (Attachment 13) – If Applicable	Excel Spreadsheet	OSBM budget instructions
Inflationary Schedule (Attachment 14) – If Applicable	Excel Spreadsheet	OSBM budget instructions
Gasoline Schedule (Attachment 15) – If Applicable	Excel Spreadsheet	OSBM budget instructions

Textbook Supply Schedule (Attachment 16) – If Necessary	Excel Spreadsheet	OSBM budget instructions
Expansion Budget - All items due November 15, 2006		
Summary List of Expansion Budget Requests (Attachment 1)	Excel Spreadsheet	OSBM budget instructions
Worksheet II Expansion Budget Request (Attachment 2) – One Form For Each Expansion Request	Excel Spreadsheet	OSBM budget instructions
Business Case Documents for Equipment Lease or Installment Purchases (Attachment 3)	Excel Spreadsheet	OSBM budget instructions
Information Technology – Due November 15, 2006		
IT (Information Technology) IT Expansion Request	PPM Tool Web Form	OSBM budget instructions
Capital Improvement Budget – All items due September 29, 2006		
Worksheet III-C Summary (Prioritized List of all Capital Budget Requests)	Excel Worksheet	In OSBM budget instructions
Worksheet III-C Capital Budget Request (For Every Capital Budget Request)	Excel Worksheet	In OSBM budget instructions
Worksheet III-R Summary (Prioritized List of all R&R Requests)	Excel Worksheet	In OSBM budget instructions
Worksheet III-R Repair & Renovations Request (For Every R&R Request)	Excel Worksheet	In OSBM budget instructions
OC-25 (For Each Capital Budget and R&R Request \$100,000 and Greater)	PDF File or Word Document	In OSBM budget instructions
FCAP Report (Pertinent Pages for R&R Requests in the 2007-2009 Biennium)	PDF File or Word Document	In OSBM budget instructions
Fees Information	Web Form	Forthcoming - November

Notes:

- 1) **Requesting a Continuation (Base) Budget and providing Results Based Budget information are mandatory; therefore, agencies will submit the necessary Continuation (Base) Budget and Results Based Budget documents listed above for all budgeted budget codes. Contact your OSBM analyst with questions regarding budgeted codes.**
- 2) **Requesting additional appropriations for Expansion and Capital Budget projects is optional. All forms listed above are required only if the agency makes an Expansion or Capital Budget request.**
- 3) **All forms (with the exception of Capital) must be submitted in paper form as prescribed in the Budget Instructions (see each respective section for number of copies and any additional requirements for electronic submissions) by the due dates indicated.**
- 4) **All Forms for the Capital Improvement Budget must be submitted electronically via CD-ROM or email.**
- 5) **RBB reports from the web application are to be sent to your OS analyst when all the RBB data are complete.**

4. RESULTS-BASED BUDGETING ELEMENTS

4.1 Instructions for Submitting Results-Based Budgeting Elements

Agencies are to use OSBM's Web-based forms, located at <http://data.osbm.state.nc.us/rbb.html> to prepare the results-based budgeting data elements listed below for the 2007-09 biennial budget process. When complete, submit paper copies of all agency reports (as instructed on the Web) to your OSBM budget analyst by the indicated deadline.

Results-Based Elements	Date Due
Mission statement for departments and other major agencies	October 31, 2006
Goals for each department/agency with a mission statement	October 31, 2006
Fund purpose statement for each budgeted fund	October 31, 2006
Service statements for each budgeted fund (optionally, for budget codes instead of for funds)	October 31, 2006
<ul style="list-style-type: none">• Service statements are not required for a fund (or budget code) that is strictly for accounting purposes and which has no funded positions; such as fund types 19XX. OSBM budget analysts will notify each agency if the agency has funds or budget codes that do not require service statements. However, the fund purpose statement for these accounting funds should be very specific about how the money is spent, including reference to any fund code(s) to which it is transferred.	
Service analysis allocating funding amounts and FTEs for each service statement	October 31, 2006
Performance measures for three fiscal years (2003-04, 2004-05, and 2005-06) to accompany the set of service statements	October 31, 2006
<ul style="list-style-type: none">• Submit at least one but no more than three measures for each fund that has service statements. Submit at least three but no more than six measures for each budget code that has service statements. (If more than the recommended number of measures is required, consult with the appropriate OSBM budget analyst.)• Performance measures may be submitted for the accounting-only and other non-staffed funds or budget codes.• Include only measures that have data for at least one of the three years.	

The following pages provide best practices for developing statements of missions, goals, fund purpose, and services; for allocating funds and positions across services; and for developing performance measures. Also included in the best practices section are more specific explanations of the instructions for submitting the results-based components. Use these guidelines, in consultation with your OSBM budget analyst, to ensure good, consistent data.

4.2 Results-Based Budgeting Best Practices Attachments

Attachment 1	A Mission Statement
Attachment 2	Goal Statements
Attachment 3	Fund Purpose Statements
Attachment 4	Service Statements
Attachment 5	Service Analysis
Attachment 6	Performance Measures

A Mission Statement

An agency's ultimate aim
What everyone is working to accomplish

Due date October 31, 2006

A mission statement describes an organization's basic purpose (its fundamental reason for being) and specifies its major functional role and values.

It describes why the agency exists, what the agency does, for whom it is done, and how it is done.

A good mission statement is clearly understandable to the public and answers the questions:

1. Who are we as an organization and whom do we serve?
2. What are the basic purposes for which we exist, and what basic problems are we established to address?
3. What makes our purpose unique?
4. How is our mission in harmony with our enabling statute(s)? How do we want to carry out our activities?

A mission statement succinctly captures the essence of the organization. It includes the agency's **purpose**, **business**, and **values**.

Tips for writing a mission statement

Cooperatively generated. A mission statement usually benefits from input by staff at all levels of the agency. Invite staff to brainstorm ideas for the first draft or current statement. Turn to seasoned editors for refinement. Submit the final draft to others for review before considering it finished.

Well written and inclusive. Use simple, clear, concise, and direct language. Do not write more than one paragraph; usually two to four sentences are sufficient.

The purpose component of the mission statement typically includes a verb that tells the main intended outcome of the agency's actions. Describe the outcome, not the method, for that action. For example, use "improve the quality of life for disabled individuals" instead of "provide disability assistance."

The business statement part of the mission addresses the primary method through which the purpose is fulfilled.

Values or principles of the organization should be evident in the statement of mission.

Communicates purpose and direction internally and externally. The mission statement is intended to guide all organizational decisions, policies, and activities. It should be broad enough to provide agency-wide strategic direction, yet specific enough to convey the reason for the agency's existence to anyone unfamiliar with the agency's work. Any agency employee should be able to identify their specific working relationship to this defined mission.

Mission statements are to be entered for each designated department or agency on the Web forms provided by OSBM at <http://data.osbm.state.nc.us/rbb.html>.

Check spelling and grammar; avoid abbreviations and acronyms.

Definitions

Purpose. Why the organization exists and what it seeks to accomplish—its primary reason for being. (Often, enabling statutes or constitutional provisions provide help in distilling these reasons.)

Business. An organization's main method or activity for fulfilling its purpose (e.g., statewide budgeting, collecting taxes, directing and operating the state's court system, preserving valuable historical records and artifacts, etc.).

Values. Principles or beliefs that guide an organization in pursuing its purpose.

Vision. A description of the ideal future state of the organization. While the mission statement summarizes the what, how, and why, a vision statement presents an image of attained success (e.g., The state will have a clean and safe environment.) OSBM is **not** asking agencies to submit a vision statement.

Examples

The mission of the Office of the State Auditor is to improve the performance and the accountability of state government for the benefit of the citizens of North Carolina through the independent examination of the state's financial affairs and program services.

The mission of the Department of Cultural Resources is to enrich the cultural, educational, and economic well-being of citizens and visitors to North Carolina through the preservation, development, presentation, promotion, and dissemination of artistic, historical, and information resources.

The mission of the State Board of Elections is to promote among the citizens of North Carolina confidence in the integrity of the free election process through the consistent administration and equal application of all elections and campaign finance laws, rules, and regulations.

Goal Statements

Steps to achieving a mission Desired end results

Due date **October 31, 2006**

Goals are broad statements of what an agency wants to achieve over a long period of time. They explain to outsiders what the agency is working toward. To agency insiders, they serve as a point of reference in managing the operations of the agency.

Goals explain what the agency wants to do, how it will do it, for whom, and with what result.

Goals cascade down from and support the enabling legislation, mandates, and mission, but they do not repeat the mission.

A goal statement includes an **action** and an expected **result** (or outcome) that must be realized in order for the agency to achieve its mission. It also describes the **method** to be used to reach the goal and the **clients**, target population, or other entities to be affected.

A good goal statement follows directly from the agency mission and answers these questions:

- What** are you doing or going to do?
- Who** will be affected?
- What **method** or approach will you use?
- What **results** or outcome do you expect?

Tips for writing a goal statement

Action oriented. Begin each goal statement with an action verb.

Results based. State the desired specific outcome by which you can tell the goal has been achieved.

Method based. State the method or approach used to achieve the desired outcome.

Client based. State who is served or affected and how many (if appropriate).

Do not include your agency’s short-term priorities (which are to be addressed in budget requests); instead, concentrate on the long-term goals. Check spelling and grammar; avoid abbreviations and acronyms. Limit the maximum number of goals for your agency to 12. Three to six goals are usually sufficient.

To help construct each goal statement, fill in the following table, and then turn your responses into a goal statement.

Action taken	Approach or method used	Service recipient(s)	Result or outcome

Submit your agency goals on the Web forms provided by OSBM at <http://data.osbm.state.nc.us/rbb.html>.

Characteristics of good goals

Attainable. The outcome listed is realistic but challenging; it strikes a balance between the ideal and the achievable.

Specific. A goal lists major results expected.

Incremental. A goal is based on past goals.

Unambiguous. A goal is clearly defined and understood by all stakeholders.

Definitions

Goals. Goals explain how an agency will meet its mission. Each goal states the action to be taken, the result expected from the action, who or what is served by the action, and what method or approach is used.

Actions. A verb or verb phrase that describes what is to be done to achieve a particular result.

Results. The outcome or change that results from the action taken. The result should not be listed as a product, but as a change—a difference from the status quo that is brought about by the action taken for the benefit of a particular entity.

Clients. The target population or entity primarily affected by the action taken. If appropriate, list the number of clients.

Methods. The approach to accomplishing a goal, the manner in which action is taken.

Examples

Ensure clean air to enable better visibility and health for all North Carolinians through regulation, enforcement, and coordination with other states.

Promote the understanding of the history and material culture of North Carolina for the educational benefit of the state's people and visitors through collections and historical interpretation.

Improve the quality of life for individuals with physical and mental disabilities through treatment and rehabilitation.

Fund Purpose Statements

A “mission statement” for a fund

Due date October 31, 2006

A fund purpose statement describes the purpose of the programs, services, activities, or functions funded. It presents an overview of how the funded services/activities work.

The fund purpose statement should answer, in summary form, the following questions:

1. **Who** is being served or helped by the services covered in the fund? (Also, how many, if appropriate)
2. **What** is the major work that is done?
3. **Why** is the work done? What **result** or change is expected?
4. **How** is the program carried out—what major activities are done to accomplish the work?

A fund purpose statement is also **justification for the expenditure** of the funds.

A fund purpose statement may sound like a mission statement if the funds are directed to one particular organizational entity to support most or all of its work.

There is close correspondence between the wording of the fund purpose statement and the service statements. However, they should not be worded exactly the same way. The fund purpose statement is primarily a “reason for being” or justification for the funding, while the service statements list the business processes that carry out that reason for being.

Fund purpose statements are to be entered for each budgeted fund on the Web forms provided by OSBM at <http://data.osbm.state.nc.us/rbb.html>.

Tips for writing a fund purpose statement

Reflect the mission statement. Read the mission statement for the parent agency and use language that explains how the funded activities tie directly to that mission.

Be concise. Limit the length of the fund purpose statement to two brief paragraphs, at most. In most instances, historical background may be omitted.

Refer to related funds, if appropriate. In cases of several funds that encompass one organization or program, it is helpful to begin the fund purpose statement by saying, “This fund is one of three (xxxx, yyyy, zzzz) for the Division of The purpose of this fund is....”

Examples

This fund is used for developing a pilot program to help North Carolina citizens at risk of losing their homes due to a job loss. The program will include counseling and interim loans to help citizens maintain their homes during this transition.

The UNC Center for Public Television provides televised programming throughout the state for instructional, educational, entertainment, information dissemination, and cultural enrichment. This program includes the administrative and managerial, engineering and broadcasting, programming and production, and developmental operations. The objective of this program is to offer quality television broadcasting for instructional, educational, and entertainment purposes to the citizens of the state.

The purpose of this fund is to provide a general and uniform system of free public schools throughout the state that provides equal opportunities for all students in accordance with the provisions of the State Constitution. The fund provides for the instructional program required by the standard course of study and a wide range of other programs, including exceptional children, vocational education, counseling, early identification and intervention, alternative schools, instructional technology, transportation, maintenance, and staff development.

The purpose of this fund is to provide scholarships, fellowships, traineeships, trainee stipends, grants, grants-in-aid, prizes, and awards to students enrolled in degree or certificate programs at the institution. This activity also includes awards to students in both Pell Grants program and the Supplemental Educational Opportunity Grants (SEOG) program.

Service Statements

Business processes supported by funds Comprehensive list of generic activities

Due date **October 31, 2006**

Definition of services

The term “services” may be thought of as an agency’s lines of business, business processes, set of activities, or generic work processes. OSBM is asking each agency to list the services supported by all budgeted funds, or, alternatively, by budget code. A service may be listed under two or more funds if multiple funds support it.

Service statements, or business statements, outline the activities performed in pursuit of the fund purpose (purposes of multiple funds if written at the budget code level). Specifically, a service statement answers the question, “What activity are we doing to accomplish our purpose?”

Types of services

Service statements are to be comprehensive for the entire fund or entire budget code. The list of services includes both *direct services to citizens* as well as *administrative and other support functions*. The latter category includes activities that provide the critical policy, programmatic, and managerial foundation to support state government functions, as well as activities in the background that enable the government to operate effectively.

Level for writing services

The level of detail for presenting the list of services is up to the agency. Enumerating too many specific services may be confusing and create difficulty in assigning FTEs and fund dollars, a requirement for each service. Rolling up individual services to very high generic levels may result in the loss of informational value. Three to ten service statements per fund are usually sufficient. The maximum number to submit to OSBM is 20.

Exceptions and rules

Service statements are not required for a fund (or budget code) that is strictly for accounting purposes and which has no funded positions, such as fund types 19XX. However, the fund purpose statement for these accounting funds should be very specific about how the money is spent, including reference to any fund code(s) to which it is transferred.

Service statements should be written for all other funds (or budget codes), including those with no FTEs. It may be that nonstate providers render

the services listed for these types. The activities of state staff who administer these special funds should be accounted for under the fund (or budget code) where the staff members are located.

OSBM analysts will notify each agency if the agency has funds or budget codes that do not require service statements.

If there is a residual category that you do not consider a “service,” list it any way and apportion the funds and FTEs.

Resources

In developing service statements, use the resources available within your agency and the instructions and best practices from OSBM. Your department’s previously submitted set of detailed activity statements will be available for viewing. In general, these are more detailed than the service statements requested for budget preparation. However, they may be helpful to you in constructing your service statements.

If a service is funded by several funds, repeat the service statement under each appropriate fund.

Service statements are to be entered for each fund or budget code on the Web forms provided by OSBM at <http://data.osbm.state.nc.us/rbb.html>. The service statements will appear in the budget publication in the order you indicate.

Constructing a service statement

Service statements are written at the fund or budget code level, describe and emphasize the action the agency undertakes, and specify the end result. They *may* also address the approach or method the agency uses and estimate the number of clients served. (Service statements are not the same as a list of programs or products.)

To help write a service statement, fill in the table below. Then turn your responses into a service statement.

Action taken	Approach or method used	Service recipient(s)	Result or outcome

Writing service statements is similar to writing goals. A comparison of the differences in the two follows.

<u>Statement</u>	<u>Level</u>	<u>Scope</u>	<u>Emphasis</u>
Goal	Department or Agency	Broad	End result
Service	Fund or budget code	Narrow	Action taken

Manage and distribute digital geographic information about North Carolina maintained by state and local government agencies through NC OneMap to ensure an integrated, free source of local GIS data.

To prevent future accidents, deliver hunter education courses to individuals who seek a hunting license.

Provide women the opportunity to learn skills that enhance and encourage participation in hunting, angling, and other outdoor activities through the Becoming an Outdoors-Woman program.

Report public school information and statistics biennially to the governor in order to recommend improvements in education and changes in school law.

Provide a comprehensive system of human resource management within the state personnel system to support and enhance the employee working environment for the department.

Provide teacher support programs, such as uniform performance standards/training, beginning teacher support, and mentor training, to improve employee skills and knowledge in K-12 public schools.

Develop and administer a system that calculates and distributes K-12 state and federal funding for local school systems, charter schools, and other education programs to ensure that formulas are developed according to law.

Process and audit the department's vendor invoices, travel reimbursements, and child nutrition claims prior to payment, and collect and deposit funds to ensure accuracy of claims and timely payment.

Provide professional development and technical assistance to public elementary schools, particularly low-performing schools, to improve student performance in grades K-5.

Tips for writing a service statement

Action oriented. Begin each service statement with an action verb.

Results based. State the desired specific outcome that lets you know the result has been achieved.

Method based. If appropriate, state the method or approach used to achieve the desired outcome.

Client based. State who is served or affected and how many, if appropriate.

Check spelling and grammar; avoid abbreviations and acronyms.

Examples of service statements

Provide high quality undergraduate and graduate degree programs for students in all disciplines through accreditation, continuous curriculum review, and assessment of student outcomes to ensure students obtain a degree.

Prepare the governor's budget through review of agencies' budget requests and help formulate and present the governor's budget recommendations to the General Assembly.

Inspect state-owned buildings over 3000 square feet as well as infrastructure items on a three-year rotating basis to ensure that facilities are properly maintained.

Respond to all accidents and emergencies in which radioactive materials are involved and coordinate responses with the Division of Emergency Management in order to minimize public exposure.

Recognize business, industry, and government agencies for superior environmental performance through DENR's Environmental Stewardship Initiative to promote environmental excellence and develop models and mentors for the regulated community.

Serve as knowledgeable points-of-contact for questions or problems in using computing and information technology, and render support with the highest level of customer satisfaction.

Service Analysis

Cost of each service in dollars and staff

Due date October 31, 2006

Understanding service analysis

Service analysis is the key element in the introduction of results-based budgeting for 2007-09. It is a first step in developing relationships between funds, services, and organizational structure.

Service analysis for 2007-09 is an agency's study of the relationships between each of its budgeted *funds* and the *services* (activities or business processes) associated with each fund. The relationships are defined in terms of funding dollars and full-time equivalent positions. The services may be written at the higher level of the budget code rather than the fund code if an agency chooses; in such case, the relationship will be between services and funding amount and positions for the budget code.

The service analysis yields estimates of how much of the referenced fund or budget code and how many of the total employees supported by the fund or budget code are used to provide each service listed.

Service statements are developed prior to or during the analysis (see best practices for service statements). A service may appear with multiple funds if multiple funds support it.

Most likely, the service analysis will require coordination among an agency's program managers.

Allocating dollars and full-time equivalents (FTEs) across services

For each service statement listed for a fund or budget code, estimate the portion of the fund or budget code and the number of FTEs that support the service. Some agencies will find RCC fund information helpful in making the allocation.

Enter the service statements and the allocation of requirements and FTEs for each into the Web form provided by OSBM at <http://data.osbm.state.nc.us/rbb.html>.

The final list of services, the funding portion for each, and the FTEs for each will be published in the biennial budget document. This information will show stakeholders the relative expense of providing each service listed, at least from the referenced fund(s) or budget code.

Performance Measures

Quantitative impact of services

Due date October 31, 2006

Agencies are to include at least one performance measure for each of their budgeted funds (at least three if measures are developed at the budget code level) for the 2007-09 budget preparation process. Data for these measures are for fiscal years 2003-04, 2004-05, and 2005-06.

Agencies should list at least one and no more than three measures for a fund OR at least three and no more than six for a budget code. If you need to list more, check with your OSBM budget analyst.

Performance measure(s) should be included for each fund or budget code that has service statements (see best practices for Services Statements).

The data are to be submitted through a Web form located at <http://data.osbm.state.nc.us/rbb.html>.

Understanding the types of performance measures

Performance measures offer an opportunity to see the impact of services provided. Also, they can provide an evaluative tool for program managers and public-policy makers to help improve program services and service delivery. Performance indicators are also useful in the budget process, as they can help measure the impact of budget adjustments.

There is no standard terminology for classifying performance measures. OSBM is using the following four categories: input measures, output measures, process (including efficiency) measures, and outcome measures. Each has its uses, and all should be used in program management.

State government resources support activities that produce goods and services intended to affect societal results, whether directly or indirectly. State resources include personnel and funding in support of activities conducted by the state itself, local and federal agencies, quasi-public agencies, private persons and companies, or nonprofit agencies with contracts with the state. Performance measures indicate:

- Quantity and quality of resources (*input measures*)
- How well goods and services are delivered (*process measures*)

- Quantity and quality of goods and services (*output measures*)
- Societal effect of goods and services (*outcome measures*)

Examples of the categories of performance measures appear below. Additional examples (in a table at the end) explain why the measure falls into a particular category. These examples should help agencies determine whether they have developed outcome measures.

Examples of performance measures by type

Input

- Number of full-time equivalent positions
- Number of courtrooms
- Student-teacher ratio at the University of North Carolina
- Number of food inspectors at the Division of Public Health
- Number of training programs funded by the Department of Labor

Process

- Percentage of tax refunds mailed within 30 days
- Percentage of wage information transferred to other states within five days
- Business days needed to stop payment on a state check
- Investigations completed within 180 days of filing

Output

- Number of consumers receiving interpreter services for the deaf annually
- Number of persons receiving information from the NC Developmental Disabilities Council
- Number of discrimination case investigations
- Number of Supreme Court cases disposed annually

Outcome (results based)

- Employment rate for 13 weeks following training program
- Annual return on short-term investments
- Teenage birth rate
- Percentage of psychiatric hospital patients indicating satisfaction with hospital services
- Percentage of tested training school residents who passed the GED
- Percentage of welfare recipients who are employed three months after receiving job training
- Elder abuse recidivism rate

Developing performance measures

It is desirable to display in the budget document at least one outcome measure for each fund (or at least three for a budget code). Outcome measures monitor results, not activity. Outcome indicators measure the "value added" by a service activity.

If it is impossible to develop an outcome measure for a particular fund (such as an administrative fund), then an output or process measure will be allowed.

Some agencies may prefer to develop performance measures linked to the budget code instead of the individual funds. It is acceptable to develop measures for budget codes and fund codes as appropriate.

Follow these steps to develop performance measures:

1. Review service statements for the appropriate fund(s) or budget code. Remember you have the option of developing measures for each individual fund or for the entire budget code (same as the optional approach for listing services). However, if you list services for a fund, then include measures with the fund; if you list services at the budget code level, then develop measures for the budget code.
2. Select performance measure(s) consistent with the desired **results** for these services.
3. Determine the source of data for each indicator.
4. Enter a description of the measure.
5. Enter data for the measure.
6. State the format for the measure (e.g., whole number, percent, decimal with 3 decimal places).
7. Determine the order in which you wish the measures to be published.
8. Enter all information in the Web form for the fund or budget code. If a measure applies to more than one fund or budget code, repeat it under the other fund (or budget code).
9. Click the completion box when you have finished with all measures data for a particular fund or budget code.
10. Submit all measures data to OSBM by October 31, 2006, using the Web forms provided by OSBM at <http://data.osbm.state.nc.us/rbb.html>.

Criteria for good performance indicators

Good performance measures are

- **Clear.** The measures should be readily understood by the public. They should be as simple as possible and avoid or explain terms that only experienced state personnel would understand.
- **Cost effective.** The data associated with performance measures should be worth collecting as a management tool for the agency, if for no other purpose.
- **Relevant and significant.** The performance measures should be logically related to the expected results listed for the service statements under the fund(s) in question and should be central to accomplishment of those results.
- **Consistent.** An agency's measures should be consistent over time so that the data presented are easy to compare from year to year.
- **Practical.** Performance measures should be managerially useful to the agency.
- **Verifiable.** Data for performance indicators should be accurate, on file, and auditable.
- **Honest.** Performance measure data should be reported from year to year even if the data show a disappointing trend or reveal mediocre to poor performance.
- **Linked to funding.** Performance measures should be linked to a budgeted fund, or, alternatively, to a budget code. Outcomes may differ with funding levels.
- **Results based.** Agencies should emphasize outcome measures whenever feasible. If desirable, include other types of measures. The focus is on ends more than means, even though means are important too.

Using composite measures

Because stakeholders will examine the measure accompanying each budgeted fund, it is vital that the measure convey meaningful information about how well the **results** listed in the service statements are being achieved. Often the best way to convey a lot of information in one measure is through the use of a composite measure, or performance index.

A performance index is a mathematical composite of several measures that, in combination, provide an overall guide to performance that is easier to grasp than the list of individual measures. For example, the single-number indicator of customer satisfaction may be calculated as a "satisfaction index" as follows:

$$\frac{[(\text{total number sales}) * (\text{customers indicating satisfaction of "good" or better on 10\% follow-up survey}) / (\text{surveys returned}) - (\text{customers returning merchandise})] / (\text{total number sales transactions})}$$

If the company had 10,000 sales, surveyed 100 customers, of which 50 replied and 40 rated good or better, and 100 instances of customers returning merchandise, then the value of the index would be $[10,000 * (40/50) - 100] / 10,000$ or 0.79. A perfect score, in this scenario, would be $[10,000 * (50/50) - 0] / 10,000$, or 1.00. Comparing a number like 0.79, .055, .090, etc., from year to year provides information that is easier to digest than trying to grasp values for all the following:

- Number of sales
- Number of surveys
- Number of surveys returned
- Number of returned surveys rating good or better
- Number of customers returning merchandise

A weighted index is a composite measure with each component measure weighted differently to reflect reality. Careful analysis and rationale are considered in determining the appropriate weights. The concept of weighting is reflected in the example above, where the survey results are weighted up to the total number of sales.

Note: These materials were adapted from measure development instructions issued by the State of Rhode Island.

	Measure Type			
Example	Input	Process	Output	Outcome
Percentage of invoice vouchers processed within 30 business days	No—not a measure of the elements or components of the process, such as the percentage of staff trained on the invoice system	Yes—measures the quality (the timeliness) of the process itself	No—does not measure the quantity or quality of a direct good or service. It may measure how well payment was made for a good or service but does not indicate the quality of a good or service itself.	No—does not measure a societal result
Percentage of biennial audits required by law that are completed	No—does not measure the elements or components that make the audits possible, such as auditor training	No—does not measure <i>how well</i> the audits were conducted as much as <i>how many</i> were conducted	Yes—measures a good or a service, namely audit reports	No—does not measure a societal result. Conceivably, a significant audit finding could contribute to a societal result, such as taxpayer savings, for example, but the audit report would be a means to that end, not the end itself.
Percentage of unemployment insurance claims paid promptly	No—does not measure elements of the process, such as a well-trained clerical staff and well-designed computer systems	Yes—measures the quality (the timeliness) of the process itself	No—does not measure how many claim payments were made but how promptly the payments were made	No—does not measure a societal result
Attorney caseload at the Office of the Public Defender	Yes—measures the quality of an element contributing to the process of legal defense of indigents. It assumes that smaller caseloads allow for more defense preparation time.	No—does not measure a quality of a process at the Public Defender's Office, such as timeliness	No—does not measure the quantity or quality of a good or service provided by the agency	No—does not measure a societal result, such as the number of innocent persons proven innocent with the use of DNA evidence
Percentage of summons disposed	No—does not measure the elements that contribute to the summons process	No—does not measure how quickly or how well the summons were prepared	Yes—measures a good or a service, namely a summons	No—does not measure a societal result

	Measure Type			
Example	Input	Process	Output	Outcome
Number of food borne illnesses due to salmonella per 100,000 population	No—measures a result rather than the program elements that contribute to that result	No—does not measure the quality of the process leading to the results but the results themselves	No—does not measure goods and services produced by the Division of Public Health, such as food inspections	Yes
Percentage of sheriffs completing formal training in court security	Yes	No—does not measure the quality of the sheriffs' court security procedures	No—does not measure what the sheriffs do as much as how they have been trained to do it	No—does not measure the court security as an outcome, such as the number of prisoner escapes or prisoner suicides
Percentage of eighth graders testing proficient in math skills	No—does not measure the elements contributing to the educational result, such as teacher training and parental support	No—does not measure the quality of the educational techniques used to affect the educational outcome	No—does not measure goods and services produced by the school and financed in part by state aid, such as total annual hours spent on math skills	Yes—involves the effects of state aid on education and the educational programs at local schools. (Proficiency in math skills may also result from a variety of social and cultural values from sources outside the school system, such as the family.)
Number of prison escapes annually	No—is not a measure of the elements of the prison system contributing to deterring escapes, such as prison guards and electronic prison security systems	No—is not a measure of the quality of prison security procedures designed to reduce escapes	No—does not measure the goods and services produced by the Department of Corrections, such as the number of inmates served	Yes—is tied to agency program efforts to deter escapes and does measure the results of those efforts

	Measure Type			
Example	Input	Process	Output	Outcome
Medication error incidents per 100 hospital beds	No—does not measure the resources contributing to error reduction, such as the number of staff trained in how to avoid medication errors	No—is a process measure of sorts because it measures the accuracy of medication distribution, but it is a measure of a direct impact on patients and, therefore, qualifies as an outcome measure	No—does not measure goods and services, such as the number of medications distributed	Yes—it measures a result tied to state hospital efforts to reduce errors

5. 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 2006-2007 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.

5.1 Worksheet I Overview

The basic form used in preparing the 2007-2009 continuation budget is the Worksheet I. Worksheet I's are computer generated from the Budget Preparation System (BPS), and will be made available to agencies through the X/TND report management software. Web access to BPS is available at http://www.osbm.state.nc.us/budget_systems.html. Agencies may view and print the initial set of continuation budget worksheets at their location on August 14, 2006. If an agency would like OSBM to supply a hard copy of their initial worksheets, the agency should contact their OSBM analyst. The initial set of continuation budget worksheets are 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 7)*

Note: Summary of Total Continuation Budget Requests by Department (Attachment 1) is not generated by the Budget Preparation System. This attachment is completed manually at the end of the continuation process using information from the Department's final Worksheet I.

Samples of the worksheets and their attachments are included at the end of this section. Subsequent versions of the worksheets that reflect adjustments to BPS may be requested through BPS function 16 and viewed or printed using X/TND.

Two hard copies of the requested 2007-2009 continuation budget are due to OSBM by October 31, 2006. The following attachments, when applicable, must also be submitted to OSBM electronically in an Excel format:

- Explanation of Increases and Decreases (Attachment 8),
- Equipment Purchase Schedule (Attachment 9),
- Motor Vehicle Purchase Schedule (Attachment 10),
- Other Vehicle Purchase Schedule (Attachment 11),
- Building Reserves (Attachment 12),
- Lease Schedule (Attachment 13),
- Inflationary Schedule (Attachment 14),
- Gasoline Schedule (Attachment 15)
- Textbook and Supply Schedule (Attachment 16).

Upon assembly of your continuation package, please refer to the Checklist for 2007-2009 Continuation Budget Requests (Attachment A). The checklist will provide the order of the required reports that make up your complete continuation budget package for submission to OSBM.

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

There is a separate Worksheet I for each budgeted code that will be included in the Governor's Recommended Budget. For the 2007-2009 biennium, OSBM has identified a small number of special budget codes (non-General Fund) that will change status from unbudgeted codes to budgeted codes. These codes will be marked in our system as budgeted and will automatically produce a Worksheet I. If your Department has one of these codes, you will have to take the extra step of setting up a budget for the code by submitting a Type 11 budget revision (606) for inclusion into the Worksheet I. This budget will become the base budget from which any changes for the next biennium will be based. Please work with your OSBM analyst if you have questions concerning any budget codes that have changed status for the 2007-2009 biennium.

Explanation (or components) of the Worksheet I Detail Request (Attachment 4) are listed below:

- Column 1 (**Account**) reflects the line item *account number*.
- Column 2 (**Title**) is the *account title* for the expenditure and/or receipt item.
- Column 3 (**Actual**) reflects the 2005-2006 *actual* expenditures as of June 30, 2006, 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 2006-2007 *certified* budget, which includes actions of both the 2005 and the 2006 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 2006-2007 *authorized* budget, which is comprised of the certified budget plus appropriate Type 11, 12, and 14 budget revisions. The authorized budget becomes the continuation budget (base budget) for the next two years of the biennium unless adjusted in Columns 6 and 8 of the Worksheet I, respectively.
See Section 5.2a for instructions on budget revisions to include in Column 5.
- Column 6 and Column 8 (**Incr/Decr**) reflect the *increase/decrease* adjustments allowed to the authorized budget for the 2007-2008 and 2008-2009 continuation budgets respectively.
See Section 5.2b for instructions on the Increase/Decrease columns.
- Column 7 and Column 9 (**Total**) are the requested 2007-2009 continuation biennial budget. These columns represent the total of the 2006-2007 authorized budget (Column 5) plus/minus the adjustments in Columns 6 and 8, respectively.

5.2 Detailed Instructions

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.

5.2a Worksheet I Review and Reconciliation

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 fund (center) and account numbers are presented. Contact your OSBM budget analyst for any necessary corrections.

Column 2 (**Titles**)

- Review to ensure BPS account titles are consistent with the account titles listed in the North Carolina Accounting System (NCAS).

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 2006.

Column 4 (**Certified**)

- In July 2006 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 (2006-2007) Type 11 budget revisions are included in Column 4 and Column 5.
- At the conclusion of the review process, the agency must type an "O" for "OMIT" in the appropriate code field of each budget revision (606) on the Budget Revision System that *should not* become a part of the agency's continuation budget. These are generally 606's that were intended to be one-time in nature. All other type 11 budget revisions will automatically be added to the Worksheet I certified column. This process must be completed by August 11, 2006.
- Use the *Reconciliation* form (Attachment 6) to ensure that the certified requirements, receipts, and appropriation are correct. Initial Worksheet I's should be available by August 14, 2006.

Column 5 (**Authorized**)

- In July 2006, OSBM will make available through X/TND (on report RK314) 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 2006-2007 budget revisions are included in Column 5. Note that Type 11 budget revisions included in column 4 also affect Column 5. Type 12 and 14 budget revisions included in Worksheet I only affect Column 5.
- At the conclusion of the review process, the agency must type an "O" for "OMIT" in the code field of the appropriate budget revision on the Budget Revision System that *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 must be completed by August 11, 2006.
- Budget revisions that authorized a *carry-forward* from 2005-2006 to cover deferred obligations should not be included in the Worksheet I and must be removed or coded "O" to be omitted.

- Use the *Reconciliation* form (Attachment 6) to ensure that authorized requirements, receipts, and appropriation are correct. Initial Worksheet I's should be available by August 14, 2006.
- 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 2006-2007 with Type 14 budget revisions that may be included in Worksheet I. Any 606 that a department would like to include in the Worksheet I must contact their OSBM analyst.
- Agencies must balance inter- and intra-departmental transfers. If one agency includes a transfer, the other agency must also include the matching transfer.
- 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 2006-2007 amount, accurately reflect requirements for the 2007-2008 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 2006-2007 amount, accurately reflect requirements for the 2008-2009 continuation budget.

Explanation of Increases/Decreases Schedule for the Continuation Budget (Attachment 8)

- Increases or decreases requested in Columns 6 and 8 must be explained on an attached schedule (Attachment 8) that indicates the receipt or expenditure accounts 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. Complete a separate schedule for each fund that has changes. The total of the adjustments on the agency prepared schedule must equal the total of the increase/decrease columns of the Worksheet I.

5.2b Allowable Adjustments [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, community colleges, the University of North Carolina System, 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 must 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 2007-2009 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 requirements and receipts to continue the current level of services are allowed in the continuation budget for programs which are 100% receipt-supported. These adjustments must 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 2006-2007 budgets made in the 2005 and 2006 legislative sessions must be taken into account in developing continuation requirements. In cases where a portion of the increase is supported by receipts, these receipts must be increased to ensure that the account bears the appropriate share of increased costs.

- (4) **Personnel-Related Items** - Funds required for longevity pay must be based on the amounts included in the June 30, 2006, PM739 *Position Schedule*. For UNC campuses, if the PM739 does not include all personnel, detailed documentation must be submitted to support the longevity request. Funds for premium pay, workers' compensation, unemployment compensation, and overtime must be based on the authorized budget. Increases in these accounts may be considered on an individual basis.
- (5) **Annualization** - Increases to annualize support in the 2007-2009 biennium for programs and new facilities that were funded for only a portion of 2006-2007 are allowed. Positions that continue and were funded for only a portion payable amount in the authorized year must be annualized for 2007-2009. Attach a detailed listing of the request to annualize programs. Attach a spreadsheet in a format similar to Attachment 12, Sample Format for Building Reserve/Annualizations Schedule.
- (6) **Operating Reserves** - Operating costs to make facilities operational and functional are allowed for authorized capital projects scheduled for completion during the 2007-2009 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 shown in Attachment 12.
- (7) **Nonrecurring** - Nonrecurring or one-time items approved by the General Assembly must be *removed from the continuation budget in the increase/decrease columns*, including one-time equipment and vehicle purchases included in the 2006-2007 authorized budget. For UNC campuses, one-time accreditation expenses included in the 2006-2007 authorized budget must be deducted from accreditation expenses requested for 2007-2009 and detailed documentation must be submitted to support the request. Agencies should contact their OSBM budget analyst with questions about removal of one-time items.
- (8) **Replacement of Existing Equipment** (Attachment 9)
- 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.), furniture, and computers will not be considered in the continuation budget. The Sample Equipment Purchase Schedule is Attachment 9(a).

(9) **Vehicle Replacement** (Attachments 10 and 11)

- (a) Licensed Motor Vehicles (Attachment 10) - 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. Refer to the Vehicle Term Contracts on the Division of Purchase and Contracts web site as a basis for your purchase amounts. 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 (Motor Fleet Management must follow N.C.G.S. 143-341(8)i). Requested replacement of vehicles with less than 110,000 miles must have sufficient written justification. Motor vehicles used by law enforcement officers must be scheduled for replacements as follows: Highway Patrol - 70,000; Division of Motor Vehicles - 70,000, and all other law enforcement - 80,000 miles.

Nonrecurring funds that were approved in the last biennium for replacement of motor vehicles and included in the authorized 2006-2007 year must be removed from the continuation budget. Replacement schedules should be submitted only when there is an increase over the recurring authorized budget.

- (b) Other Vehicles (Attachment 11) - 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 *other vehicles* must be for the continuance of the existing programs or services and must not be to expand the capabilities of the facility.

Nonrecurring funds that were approved in the last biennium for replacement of *other vehicles* and included in the authorized 2006-2007 year must be removed from the continuation budget. Replacement schedules should be submitted only when there is an increase over the recurring authorized budget.

- (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 13 – *Building/Office Lease Schedule*.
- (12) **Business Case for Lease Purchases and Installment Purchases** – To assist in standardizing the evaluation of purchasing methods, executive branch agencies will prepare a business case to evaluate the most beneficial method of acquiring a commodity when considering a lease purchase or installment purchase. The business case includes guidelines, instructions, and templates to ensure conformity for all agencies. The business case will accompany all budget *expansion* requests involving a new lease purchases and installment purchases. OSBM will review these business cases as part of the approval process for the budget expansion. Business cases for lease purchases and installment purchases that are already in existence and are apart of the *continuation* budget will be reviewed and maintained with the agency.

See the **Expansion Budget** instructions **Attachment 3** for instructions for submitting current and proposed debt service requirements by lease purchase and installment purchase agreements.

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. Agencies may not decrease the authorized through realignments, for line items on which inflationary adjustments are allowed.

Procedures

Attachment 17 shows the allowable inflation factors that may be used by agencies in preparation of the 2007-2009 continuation budget, and may be used as appropriate in preparation of expansion budget requests. Inflation factors must be applied to the 2005-2006 actual expenditures.

For expansion requests, allowable inflationary increases are provided through the state fiscal year 2011-2012 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* must be used for computational purposes. Columns 1 through 5 on Attachment 17 reflect the compounding of the allowable rates. These are the factors that must be applied to the 2005-2006 actual expenditures for the 2007-2009 biennium.

(1) Food, Drugs, Medical Supplies, Library Books and Journals, Water and Sewer, Electricity, Natural Gas, and Subsistence (Attachment 14)

Columns 1 through 5 on Attachment 17 reflect the compounding of the allowable rate increases. In using these rates to determine the allowable increases, use the following formula:

$$(2005-2006 \text{ Actual} \times \text{Compounded Rate}) - (2006-2007 \text{ Authorized Budget}) = (\text{Allowable Change})$$

Stated another way, the allowable change is calculated as: the amount in Column 3 of Worksheet I, multiplied by the compounded factor in the *Schedule of Approved OSBM Inflation Factors*, minus the amount in Column 5 of Worksheet I.

Example: To determine the amount of increase allowed for food for 2007-2009 when the actual expenditures for food for 2005-2006 were \$500,000 and the authorized budget for 2006-2007 is \$505,000:

2007-2008 over 2006-2007	2008-2009 over 2006-2007
\$500,000 X 1.046 = \$523,000	\$500,000 X 1.064 = \$532,000
\$523,000 - \$505,000 = \$18,000	\$532,000 - \$505,000 = \$27,000

The amount of \$18,000 would then be entered in Column 6 for a 2007-2008 increase and \$27,000 would be entered in Column 8 for a 2008-2009 increase in the continuation budget in Worksheet I.

Requests for increases in funding related to food, drugs, medical supplies, utilities, and subsistence will be allowed as documented on Attachment 14.

- (2) **Gasoline and Fuel Oil:** (Attachment 15) 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 actual consumption in gallons in the 2005-2006 actual year, minus the 2006-2007 authorized budget.

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

2005-2006 Actual Gallons X Projected Cost Per Gallon) – (2006-2007 Authorized Budget) =
(Change Amount)

Requests for increases in funding related to gasoline and fuel oil will be allowed as documented on Attachment 15.

5.2c 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 2006-2007 plus any necessary annualization of positions.

5.2d Reconciliation of Position Counts and Budgeted Salaries (Attachment 7)

OSBM will generate from BPS a *Reconciliation of Position Counts and Budgeted Salaries* report (BI232) (See Attachment 7) that begins with the 2006-2007 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 August 14, 2006. 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 7 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.

5.2e Annualization of Salaries on Worksheet I

OSBM will also generate *Position Schedules* (PM739) from the June 30, 2006, 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. The Legislative Salary Increase effective July 1 is included. These reports show time-limited positions and their scheduled termination dates to assist in identifying positions which must be annualized. These reports will not include new positions authorized by the 2006 Session of the General Assembly or positions included in authorized building operating reserves.

New positions authorized by the 2006 General Assembly will be included in the certified and authorized columns of Worksheet I. If positions are effective after July 1, 2006, they should be annualized in the increase/decrease columns. Positions that are scheduled to be abolished with an effective date after July 1, 2006 must also be annualized.

Annualization Example: A new position is authorized by the General Assembly effective October 1, 2006 at an annual salary of \$47,679. The budget for 2006-2007 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 must 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 must 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 2006-2007 by the 2006 Session of the General Assembly will be reflected in the authorized budget for 2006-2007.

5.2f Realign Salary Reserve

It is essential that the Salary Control System (SCS) in OSBM reflect correct position and salary information by June 30, 2006. 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. Salary reserve realignments should be completed by August 11, 2006. 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.

5.2g 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 2007-2008 and 2008-2009 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 \$94,200 (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 7.14%

State Law Enforcement Officers Retirement rate 12.14%

University Employees Optional Retirement rate 11.16%

Consolidated Judicial Retirement rate – 16.39%

Legislative Retirement System rate – 3.8%

Health Benefits amount - \$3,854 per year; Medicare-eligible \$2,934.
(For budget projection purposes, these are the Comprehensive Major Medical Plan (CMMP) rates.)

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.

For UNC campuses detailed documentation must be submitted to support the retirement request.

Note: The Social Security withholding threshold is the current amount.

5.3 Continuation Budget Attachments

Attachment A	Checklist for 2007-2009 Continuation Budget Requests
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 2006-2007 Reconciliation of Requirements, Receipts, and Appropriation
Attachment 7	Sample Reconciliation of Position Counts and Budgeted Salaries
Attachment 8	Explanation of Increases and Decreases Schedule
Attachment 8a	Sample Explanation of Increases and Decreases Schedule
Attachment 9	Equipment Purchase Schedule
Attachment 9a	Sample Equipment Purchase Schedule
Attachment 10	Licensed Motor Vehicle Purchase Schedule
Attachment 10a	Sample Licensed Motor Vehicle Purchase Schedule
Attachment 11	Other Vehicle Purchase Schedule
Attachment 11a	Sample Other Vehicle Purchase Schedule
Attachment 12	Sample Format for Building Reserve
Attachment 13	Building/Office Lease Schedule
Attachment 13a	Sample Building/Office Lease Schedule
Attachment 14	Food, Drugs, Medical Supplies, Utilities, and Subsistence Schedule
Attachment 14a	Sample Food, Drugs, Medical Supplies, Utilities, Subsistence Schedule, Library Books, and Periodicals
Attachment 15	Gasoline and Fuel Oil Schedule
Attachment 15a	Sample Gasoline and Fuel Oil Schedule
Attachment 16	K-12 Textbook/Supplies Schedule
Attachment 16a	Sample K-12 Textbook/Supplies Schedule
Attachment 17	Approved OSBM Inflation Factors

Checklist for 2007-2009 Continuation Budget Requests

Submit 2 complete packages of the following:

Attachment A	Completed Checklist for 2007-2009 Continuation Request	_____
Attachment 1	Summary of Total Continuation Budget Requests by Department	_____
Attachment 2	Summary by Purpose	_____
Attachment 3	Summary by Account	_____
Attachment 4	Detail Request - Worksheet I	_____
Attachment 5	Position Count	_____
Attachment 6	Reconciliation of Requirements, Receipts, and Appropriation	_____
Attachment 7	Reconciliation of Position Counts and Budgeted Salaries	_____
Attachment 8	Explanation of Increases and Decreases (also electronically submit 1 copy in an Excel format)	_____
Attachment 9	Equipment Purchase Schedule (also electronically submit 1 copy in an Excel format)	_____
Attachment 10	Motor Vehicle Purchase Schedule (also electronically submit 1 copy in an Excel format)	_____
Attachment 11	Other Vehicle Purchase Schedule (also electronically submit 1 copy in an Excel format)	_____
Attachment 12	Building Reserves/Annualizations Schedule (also submit 1 Excel copy)	_____
Attachment 13	Lease Schedule (also electronically submit 1 copy in an Excel format)	_____
Attachment 14	Food, Drugs, Medical Supplies, Utilities, Subsistence Inflationary, Library Books, and Periodicals Schedule (also electronically submit 1 copy in an Excel format)	_____
Attachment 15	Gasoline and Fuel Oil Inflationary Schedule (also electronically submit 1 copy in an Excel format)	_____
Attachment 16	K-12 Textbooks and Supplies Schedule (also electronically submit 1 copy in an Excel format)	_____
Other	Report of all results-based data generated from web data entry	_____
	Other Supporting Documentation (please list below)	

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**SUMMARY OF TOTAL CONTINUATION REQUESTS BY DEPARTMENT
2007-2009 BIENNIUM**

**Section 5
Attachment 1
(Due 10/31/06)**

<u>Department</u>								<u>Budget Code</u>
<u>Division or Institution</u>								
					<u>2007 -08</u>		<u>2008-09</u>	
DESCRIPTION	2005-06 ACTUAL	2006-07 CERTIFIED	2006-07 AUTHORIZED	INCR/DECR OVER		INCR/DECR OVER		
(1)	(2)	(3)	(4)	(5)	AUTHORIZED	TOTAL	AUTHORIZED	TOTAL
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
TOTAL REQUIREMENTS								
TOTAL ESTIMATED RECEIPTS								
*CHANGE IN CASH BALANCE								
*BEGINNING CASH BALANCE								
*ENDING CASH BALANCE								
NET APPROPRIATIONS								
NUMBER OF POSITIONS								

*Cash balance reflected for Special Funds codes only.

Prepare one summary Attachment 1 for each budget code and a grand total summary Attachment 1 combining all budget codes at your agency.

Submit 2 copies on 8 1/2 x 11-inch paper.

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**SUMMARY BY PURPOSE
BUDGET PREPARATION WORKSHEET I**
(Note: This form is provided by BPS)

**3XXX DEPARTMENT OF ABC INSTITUTION
13XXX ABC INSTITUTION**

DESCRIPTION		2005-06 ACTUAL	2006-07 CERTIFIED	2006-07 AUTHORIZED	2007-08		2008-09	
					INCR/DECR OVER AUTHORIZED	TOTAL	INCR/DECR OVER AUTHORIZED	TOTAL
FUND (1)	TITLE (2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
REQUIREMENTS:								
1110	GENERAL ADMINISTRATION	\$11,284,000	\$11,318,537	\$11,358,951	\$62,000	\$11,420,951	\$55,000	\$11,413,951
1120	FISCAL MANAGEMENT	18,576,000	18,493,934	18,466,511	120,484	18,586,995	106,605	18,573,116
1220	PUBLICATIONS	4,630,000	4,636,538	4,642,458	36,682	4,679,140	32,451	4,674,909
1230	WASTE REDUCTION	2,530,400	2,631,221	2,640,500	35,060	2,675,560	31,015	2,671,515
1330	BUILDING MAINTENANCE	3,520,000	3,438,270	3,440,380	18,824	3,459,204	16,643	3,457,023
TOTAL REQUIREMENTS		\$40,540,400	\$40,518,500	\$40,548,800	\$273,050	\$40,821,850	\$241,714	\$40,790,514
ESTIMATED RECEIPTS:								
1110	GENERAL ADMINISTRATION	\$675,400	\$28,800	\$28,800	\$1,100	\$29,900	\$700	\$29,500
1120	FISCAL MANAGEMENT	1,111,000	50,020	47,300	1,800	49,100	1,130	48,430
1220	PUBLICATIONS	242,500	11,960	9,260	400	9,660	222	9,482
1230	WASTE REDUCTION	161,500	7,580	5,060	200	5,260	120	5,180
1330	BUILDING MAINTENANCE	235,000	9,440	7,040	300	7,340	170	7,210
TOTAL ESTIMATED RECEIPTS		\$2,425,400	\$107,800	\$97,460	\$3,800	\$101,260	\$2,342	\$99,802
NET APPROPRIATION		\$38,115,000	\$40,410,700	\$40,451,340	\$269,250	\$40,720,590	\$239,372	\$40,690,712

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**SUMMARY BY ACCOUNT
BUDGET PREPARATION WORKSHEET I**
(NOTE: This form is provided by BPS)

3XXX DEPARTMENT OF ABC INSTITUTION
13XXX ABC INSTITUTION

DESCRIPTION		2005-06 ACTUAL	2006-07 CERTIFIED	2006-07 AUTHORIZED	2007-08		2008-09	
					INCR/DECR AUTHORIZED	TOTAL	INCR/DECR AUTHORIZED	TOTAL
ACCOUNT	TITLE							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
REQUIREMENTS:								
531211	SPA REGULAR SALARIES	\$34,459,000	\$34,550,000	\$34,575,000	\$0	\$34,575,000	\$0	\$34,575,000
531311	TEMPORARY WAGES	125,000	125,800	126,200	5,600	131,800	5,600	131,800
531461	LONGEVITY	575,000	550,500	550,500	24,400	574,900	24,400	574,900
532210	ELECTRICAL SERVICES	815,500	822,800	822,800	35,900	858,700	43,000	865,800
532512	RENT/LEASE - BLDINGS/OFFICE	1,450,000	1,406,000	1,416,000	42,750	1,458,750	46,314	1,462,314
533410	FOOD SUPPLIES	28,700	32,800	32,800	4,700	37,500	8,000	40,800
533900	OTHER MATERIAL & SUPPLIES	2,250,000	2,238,600	2,232,000	62,000	2,294,000	58,900	2,290,900
534521	OFFICE EQUIPMENT	431,000	388,000	388,000	86,500	474,500	43,000	431,000
534541	AUTOS, TRUCKS & BUSES	406,200	404,000	405,500	11,200	416,700	12,500	418,000
TOTAL REQUIREMENTS		\$40,540,400	\$40,518,500	\$40,548,800	\$273,050	\$40,821,850	\$241,714	\$40,790,514
ESTIMATED RECEIPTS:								
434140	MAINTENANCE & REPAIR SERV.	\$63,500	\$65,800	\$64,580	\$1,200	\$65,780	\$1,300	\$67,080
438980	TRANSFERS FROM PRIOR YEAR	2,361,900	42,000	32,880	2,600	35,480	1,042	32,722
TOTAL ESTIMATED RECEIPTS		\$2,425,400	\$107,800	\$97,460	\$3,800	\$101,260	\$2,342	\$99,802
NET APPROPRIATION		\$38,115,000	\$40,410,700	\$40,451,340	\$269,250	\$40,720,590	\$239,372	\$40,690,712

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**DETAIL REQUEST
BUDGET PREPARATION - PRELIMINARY WORKSHEET I
(NOTE: This form is provided by BPS)**

**3XXX ABC INSTIUTION
13XXX ABC INSTITUTION
1110 GENERAL ADMINISTRATION P/PB 2100**

DESCRIPTION		2005-06 ACTUAL	2006-07 CERTIFIED	2006-07 AUTHORIZED	2007-08		2008-09	
					INCR/DECR OVER AUTHORIZED	TOTAL	INCR/DECR OVER AUTHORIZED	TOTAL
ACCOUNT (1)	TITLE (2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Note:					Sum of Col. 5+Col.6		Sum of Col. 5+ Col.8	
REQUIREMENTS:								
531211	SPA REGULAR SALARIES	\$10,137,000	\$10,200,000	\$10,230,000	0	\$10,230,000	0	\$10,230,000
531461	LONGEVITY	188,000	180,000	180,000	8,000	188,000	8,000	188,000
TOTAL PERSONAL SERVICES		10,325,000	10,380,000	10,410,000	8,000	10,418,000	8,000	10,418,000
532210	ELECTRICAL SERVICE	227,000	229,058	229,058	10,000	239,058	12,000	241,058
532512	RENT/LEASE-BLDINGS/OFFICES	159,000	161,159	163,591	0	163,591	0	163,591
TOTAL PURCHASED SERVICES		386,000	390,217	392,649	10,000	402,649	12,000	404,649
533110	GENERAL OFFICE SUPPLIES	30,000	30,600	31,600	2,000	33,600	3,000	34,600
533410	FOOD SUPPLIES	407,000	394,720	399,702	12,000	411,702	13,000	412,702
533900	OTHER MATERIAL & SUPPLIES	8,000	7,000	7,000	1,000	8,000	2,000	9,000
TOTAL SUPPLIES		445,000	432,320	438,302	15,000	453,302	18,000	456,302
534521	OFFICE EQUIPMENT	8,000	8,000	10,000	5,000	15,000	5,000	15,000
534541	AUTOS, TRUCKS, & BUSES	120,000	108,000	108,000	24,000	132,000	12,000	120,000
TOTAL PROPERTY, PLANT AND EQUIP.		128,000	116,000	118,000	29,000	147,000	17,000	135,000
TOTAL REQUIREMENTS		\$11,284,000	\$11,318,537	\$11,358,951	\$62,000	\$11,420,951	\$55,000	\$11,413,951
ESTIMATED RECEIPTS:								
434310	SALE OF PUBLICATIONS	\$400	\$300	\$300	\$100	\$400	\$200	\$500
434320	SALE OF SURPLUS PROPERTY	5,000	4,500	4,500	1,000	5,500	500	5,000
435500	FINES, PENALTIES & ASSESS. FEES	23,000	24,000	24,000	0	24,000	0	24,000
438980	TRANSFERS FROM PRIOR YEAR	647,000	0	0	0	0	0	0
TOTAL ESTIMATED RECEIPTS		\$28,400	\$28,800	\$28,800	\$1,100	\$29,900	\$700	\$29,500
NET APPROPRIATION		\$11,255,600	\$11,289,737	\$11,330,151	\$60,900	\$11,391,051	\$54,300	\$11,384,451

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**POSITION COUNT
SUMMARY BY PURPOSE
BUDGET PREPARATION WORKSHEET I**
(Note: This form is provided by BPS)

3XXX DEPARTMENT OF ABC INSTITUTION
13XXX ABC INSTITUTION

DESCRIPTION		2005-06 ACTUAL	2006-07 CERTIFIED	2006-07 AUTHORIZED	2007-08		2008-09	
					INCR/DECR OVER AUTHORIZED	TOTAL	INCR/DECR OVER AUTHORIZED	TOTAL
FUND (1)	TITLE (2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1110	GENERAL ADMINISTRATION	11.00	11.00	11.00	1.00	12.00	1.00	12.00
1120	FISCAL MANAGEMENT	4.00	3.00	3.00		3.00		3.00
1220	PUBLICATIONS	13.00	13.00	13.00		13.00		13.00
1230	WASTE REDUCTION	11.00	11.00	11.00		11.00		11.00
1330	BUILDING MAINTENANCE	4.00	4.00	4.00		4.00		4.00
TOTAL		43.00	42.00	42.00	1.00	43.00	1.00	43.00

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2005-2006 004 RECONCILIATION OF REQUIREMENTS, RECEIPTS, AND APPROPRIATION
(Generated by BPS)

Section 5
Sample Attachment 6
(Due 10/31/06)
Code: 13XXX

Department/Division: ABC Institution

Description	Certified 2006-07			Authorized 2006-07		
	Requirements	Receipts	Appropriation	Requirements	Receipts	Appropriation
Certified Budget	\$11,000,000	\$1,000,000	\$10,000,000	\$11,000,000	\$1,000,000	\$10,000,000
July 2006 Revised Certified Budget (Changes)	10,000	2,000	8,000	10,000	2,000	8,000
Budget Revisions:						
11 0002 SPA Salary Legislative Increase	24,764	0	24,764	24,764	0	24,764
11 0003 Hospitalization Increase	10,000	0	10,000	10,000	0	10,000
12 0001 Transfer Receipt-Supported Positions				14,859	14,859	0
12 0002 Establish New Position From Receipts	0	0	0	14,499	14,499	0
14 0001 Change Position Classification	0	0	0	0	0	0
14 0002 Salary Reserve Transfer	0	0	0	0	0	0
Total Revisions	34,764	0	34,764	64,122	29,358	34,764
Adjustments:				0		
Total Adjustments				0	0	0
Budget Code Total	\$11,044,764	\$1,002,000	\$10,042,764	\$11,074,122	\$1,031,358	\$10,042,764

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**SAMPLE RECONCILIATION OF POSITION COUNTS AND BUDGETED SALARIES
(Generated by BPS)**

Section 5
Sample Attachment 7
(Due 10/31/06)

Department/Division: ABC Institution
Budget Code: 13035
Fund/Account: 1110-53 1211 Administration SPA Regular Salaries - Appropriated

Description	Authorized Salaries					Authorized Position Count				
	2006-07	Incr/Decr	2007-08 Total	Incr/Decr	2008-09 Total	2006-07	Incr/Decr	2007-08 Total	Incr/Decr	2008-09 Total
Certified Budget	150,450		150,450		150,450	5.50		5.50		5.50
Budget Revision:										
11 0003 New accounting positions	88,000		88,000		88,000	2.00		2.00		2.00
12 0010 Transfer Clerk from Other Institution	15,000		15,000		15,000	1.00		1.00		1.00
12 0023 Transfer salary reserve	20,000		20,000		20,000					
Total Revised	273,450	0	273,450	0	273,450	8.50	0.00	8.50	0.00	8.50
Requested Changes:										
97 0001 Abolish Mail Clerk		-14,000	-14,000	-14,000	-14,000		-1.00	-1.00	-1.00	-1.00
Total for fund/account	273,450	-14,000	259,450	-14,000	259,450	8.50	-1.00	7.50	-1.00	7.50

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EXPLANATION OF INCREASES AND DECREASES SCHEDULE
 (For continuation requests only)

Section 5
 Attachment 8
 (Due 10/31/06)

Department _____

Division or Institution _____

Budget Code _____

Fund _____

ACCOUNT	2007-08			2008-09		
	TITLE	EXPLANATION	AMOUNT	TITLE	EXPLANATION	AMOUNT
<u>Requirements</u>						
Total Requirements			\$0			\$0
<u>Receipts</u>						
Total Receipts			\$0			
Appropriation			\$0			\$0

Submit 2 copies on 8 1/2 x 11-inch paper.

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SAMPLE EXPLANATION OF INCREASES AND DECREASES SCHEDULE
(For continuation requests only)

Section 5
Sample Attachment 8(a)
(Due 10/31/06)

Department ABC Institution Division or Institution _____ Budget Code 13XXX
Fund 1100 - Administrative Services

ACCOUNT	2007-08			2008-09		
	TITLE	EXPLANATION	AMOUNT	TITLE	EXPLANATION	AMOUNT
Requirements						
531461	EPA & SPA Longevity	Increase for longevity based on June 30, 2006 PM739 Position Schedule.	\$600	EPA & SPA Longevity	Increase for longevity based on June 30, 2006 PM739 Position Schedule.	\$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 7.14%.	\$1,977	Retirement	Increase to reflect retirement on scheduled salaries at 7.14%.	\$2,042
534522	Equipment - Computers	Decrease for nonrecurring appropriation by the 2006 Session of the General Assembly.	(\$57,000)	Equipment - Computers	Decrease for nonrecurring appropriation by the 2006 Session of the General Assembly.	(\$57,000)
534541	Motor Vehicles	Increase to agree to motor vehicle replacement schedule.	\$25,800			
Total Requirements			(\$27,964)			(\$53,653)
Receipts						
434320	Sale of Surplus Property	Increase to agree with proceeds from sale of vehicle.	\$1,500			
Total Receipts			\$1,500			
Appropriation			(\$29,464)			(\$53,653)

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**EQUIPMENT PURCHASE SCHEDULE
PURCHASE OR INSTALLMENT PAYMENTS
(For continuation requests only)**

**Section 5
Attachment 9
(Due 10/31/06)**

Department _____ Division or Institution _____ Budget Code _____

FUND	ACCOUNT*	PRIORITY	EQUIPMENT DESCRIPTION	JUSTIFICATION	2007-08			2008-09		
					QUANTITY NUMBER	COST PER UNIT	TOTAL COST	QUANTITY NUMBER	COST PER UNIT	TOTAL COST
							\$0			\$0
					Total by Fund/Account		\$0	Total by Fund/Account		\$0
					Less: 2006-07 authorized equipment budget			Less: 2006-07 authorized equipment budget		
					Net Amount to Worksheet I (Columns 6 & 8)		\$0	Net Amount to Worksheet I (Columns 6 & 8)		\$0

**Prepare a separate schedule for each Fund/Account.*

(R) = Replacement (I) = Installment

Submit 2 copies on 8 1/2 x 11-inch paper.

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**SAMPLE EQUIPMENT PURCHASE SCHEDULE
PURCHASE OR INSTALLMENT PAYMENTS
(For continuation requests only)**

**Section 5
Sample Attachment 9(a)
(Due 10/31/06)**

Department _____ Division or Institution _____ Budget Code _____

FUND	ACCOUNT*	PRIORITY	EQUIPMENT DESCRIPTION	JUSTIFICATION	2007-08			2008-09		
					QUANTITY NUMBER	COST PER UNIT	TOTAL COST	QUANTITY NUMBER	COST PER UNIT	TOTAL COST
1101	53 4525	1	<i>Hobart verticle cutter/mixer</i>	existing equipment not operational and cannot be repaired	1	\$7,650	\$7,650			
		2	microwave	existing equipment not operational and cannot be repaired	2	\$175	\$350			
		3	dishwashing machine	existing equipment has been repaired multiple times and requires replacement	1	\$175	\$175			
		1	Jamison walk-in cooler	existing equipment has been repaired multple times and will require replacement in next 12 months				1	\$4,000	\$4,000
					Total by Fund/Account			Total by Fund/Account		
							\$8,175			\$4,000
					Less: 2006-07 authorized equipment budget			Less: 2006-07 authorized equipment budget		
							(\$2,243)			(\$2,243)
					Net Amount to Worksheet I (Columns 6 & 8)			Net Amount to Worksheet I (Columns 6 & 8)		
							\$5,932			\$1,757

*Prepare a separate schedule for each Fund/Account.

(R) = Replacement (I) = Installment

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LICENSED MOTOR VEHICLE PURCHASE SCHEDULE
 (For continuation requests only)

Section 5
 Attachment 10
 (Due 10/31/06)

Department _____

Division or Institution _____

Budget Code 13XXX

FUND	ACCOUNT	PRIORITY	DESCRIPTION (MAKE, MODEL, YEAR AND VIN)	DATE PURCHASED (MONTH AND YEAR)	ESTIMATED MILEAGE AS OF 6-30-07	TYPE OF USE*	JUSTIFICATION (IF APPLICABLE)	2007-08		2008-09	
								TOTAL COST	TRADE-IN VALUE** (IF APPLIC.)	TOTAL COST	TRADE-IN VALUE** (IF APPLIC.)
			Total Request by Fund/Account					\$0	\$0	\$0	\$0
			Less: FY 2006-07 Authorized Licensed Motor Vehicle Budget (Column 5)								
			Net Amount to Add (Subtract) to Worksheet 1 (Columns 6 & 8)					\$0	\$0	\$0	\$0
			(Requirements to Motor Vehicle Account (Object) and Trade-in to Sale of Surplus Property Receipt Account (Object))								

*Type of use will either be State Highway Patrol (SHP), Division of Motor Vehicles (DMV), other Law Enforcement (OLE) or other (OTH).

**Trade-in value will be shown as estimated receipts - "Sale of Surplus Property."

Submit 2 copies on 8 1/2 x 11-inch paper.

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SAMPLE LICENSED MOTOR VEHICLE PURCHASE SCHEDULE
(For continuation requests only)

Section 5
Sample Attachment 10(a)
(Due 10/31/06)

Department ABC Institution Division or Institution _____ Budget Code 13XXX

FUND	ACCOUNT	PRIORITY	DESCRIPTION (MAKE, MODEL, YEAR AND VIN)	DATE PURCHASED (MONTH AND YEAR)	ESTIMATED MILEAGE AS OF 6-30-07	TYPE OF USE*	JUSTIFICATION (IF APPLICABLE)	2007-08		2008-09	
								TOTAL COST	TRADE-IN VALUE** (IF APPLIC.)	TOTAL COST	TRADE-IN VALUE** (IF APPLIC.)
1100	534541	1	Dodge Van - 1993 VJ186523R23588126	Feb. 1993	125,000	OTH		\$12,750	\$1,500		
1100	534541	2	Chevy Suburban - 1996 SRE12J0FP11597613	Jan. 1996	88,000	OLE				\$28,250	\$2,000
1100	534541	3	Dodge Truck 1/2 Ton 4WD - 1995 KJ258956F46785233	May 1995	113,500	OTH		\$14,000	\$1,000		
Total Request by Fund/Account								\$26,750	\$2,500	\$28,250	\$2,000
Less: FY 2006-07 Authorized Licensed Motor Vehicle Budget (Column 5)								(\$26,000)	(\$300)	(\$26,000)	(\$300)
Net Amount to Add (Subtract) to Worksheet I (Columns 6 & 8)								\$750	\$2,200	\$2,250	\$1,700
(Requirements to Motor Vehicle Account (Object) and Trade-in to Sale of Surplus Property Receipt Account (Object))											

*Type of use will either be State Highway Patrol (SHP), Division of Motor Vehicles (DMV), other Law Enforcement (OLE) or other (OTH).

**Trade-in value will be shown as estimated receipts - "Sale of Surplus Property."

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OTHER VEHICLE PURCHASE SCHEDULE
(For continuation requests only)

Section 5
Attachment 11
(Due 10/31/06)

Department ABC Institution

Division or Institution _____

Budget Code 13XXX

FUND	ACCOUNT	PRIORITY	DESCRIPTION (MAKE, TYPE YEAR AND MODEL)	DATE PURCHASED (MONTH AND YEAR)	NUMBER REQUESTED	JUSTIFICATION/CONDITION* (IF APPLICABLE)	2007-08		2008-09	
							TOTAL COST	TRADE-IN VALUE** (IF APPLIC.)	TOTAL COST	TRADE-IN VALUE** (IF APPLIC.)
			Total Request by Fund/Account				\$0	\$0	\$0	\$0
			Less: FY 2006-07 Authorized Licensed Motor Vehicle Budget (Column 5)							
			Net Amount to Add (Subtract) to Worksheet I (Columns 6 & 8)				\$0	\$0	\$0	\$0
			(Requirements to Motor Vehicle Account (Object) and Trade-in to Sale of Surplus Property Receipt Account (Object))							

*Provide information from maintenance records, frequency of repairs, and other pertinent information such as mileage or hours of operation to assist in determining condition.

**Trade-in value will be shown as estimated receipts - "Sale of Surplus Property."

Submit 2 copies on 8 1/2 x 11-inch paper.

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SAMPLE OTHER VEHICLE PURCHASE SCHEDULE
 (For continuation requests only)

Section 5
Sample Attachment 11(a)
 (Due 10/31/06)

Department ABC Institution

Division or Institution _____

Budget Code 13XXX

FUND	ACCOUNT	PRIORITY	DESCRIPTION (MAKE, TYPE YEAR AND MODEL)	DATE PURCHASED (MONTH AND YEAR)	NUMBER REQUESTED	JUSTIFICATION/CONDITION* (IF APPLICABLE)	2007-08		2008-09	
							TOTAL COST	TRADE-IN VALUE** (IF APPLIC.)	TOTAL COST	TRADE-IN VALUE** (IF APPLIC.)
1230	534541	1	Ford Tractor - 1987 Model 740	Mar. 1997 (New)	1	Nonrepairable, declared unsafe for use by safety officer due to metal fatigue.	\$68,000	\$500		
1230	534541	2	Hough Payloader - 1979 Model H-30-B	Apr. 1979 (New)	1	Poor, replacement parts not available, electrical system not repairable. *Additional maintenance information attached.			\$55,000	\$1,500
			Total Request by Fund/Account				\$68,000	\$500	\$55,000	\$1,500
			Less: FY 2006-07 Authorized Licensed Motor Vehicle Budget (Column 5)				(\$15,000)	(\$250)	(\$10,000)	(\$500)
			Net Amount to Add (Subtract) to Worksheet I (Columns 6 & 8)				\$53,000	\$250	\$45,000	\$1,000
			(Requirements to Motor Vehicle Account (Object) and Trade-in to Sale of Surplus Property Receipt Account (Object))							

*Provide information from maintenance records, frequency of repairs, and other pertinent information such as mileage or hours of operation to assist in determining condition.

**Trade-in value will be shown as estimated receipts - "Sale of Surplus Property."

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SAMPLE FORMAT FOR BUILDING RESERVE/ Annualizations Schedule

NOTE: Specific format and line items should be agreed upon with your OSBM analyst

ABC Department

2007-09 Operating Reserves

Continuation Budget

XYZ Division

1711 General Institutional Support

(**XYZ Division - Budget Code 14XXX**)

Reserve for Operation of New Building (specify)

C.I. Code: 40181-4001

Estimated Completion Date: January 1, 2008

(As provided by State Construction)

<u>Fund-</u>	<u>Account</u>	<u>Description</u>	<u>Prorata Cost</u>	<u>Annual Cost</u>
			<u>2007-08</u>	<u>2008-09</u>
1711-531211	SPA Regular Salaries	Salary Rate		
	6.0 Housekeeper	\$17,692	\$53,076	\$106,152
	.5 Housekeeper Supervisor	19,806	4,952	9,903
	.5 Maintenance Mechanic I	24,980	6,245	12,490
	.5 Grounds Worker	18,418	<u>4,605</u>	<u>9,209</u>
	Total Regular Salaries		68,877	137,754
1711-531511	Social Security		5,269	10,538
1711-531521	State Retirement		4,918	9,836
1711-531561	Medical Insurance		14,453	28,905
1711-532210	Electrical		50,000	100,000
1711-532310	Repairs - Buildings		4,000	8,000
1711-532430	Maintenance Contracts			5,000
1711-532811	Telephone			
	Telephone Installation		1,500	
	Telephone Equipment Rental		<u>3,000</u>	<u>6,000</u>
	Total Telephone		4,500	6,000
1711-533210	Janitorial Supplies			
	Initial Supplies		3,000	
	Regular Supplies		<u>5,000</u>	<u>10,000</u>
	Total Janitorial Supplies		8,000	10,000
1711-533240	Carpentry and Hardward Supplies		1,000	2,000
1711-534539	Other Equipment		2,000	
1711-535890	Other Administrative Expense		8,000	
	Total - Reserve for Operation of New Bldg.		<u><u>\$171,016</u></u>	<u><u>\$318,033</u></u>

Use salary rates in effect June 30, 2006.

Example assumes that employees are paid monthly.

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LEASE SCHEDULE
Building/Office Leases Schedule
 (For continuation requests only)

Department _____

Division or Institution _____

Budget Code _____

FUND	ACCT.	LESSOR	LOCATION	Net	Cost Per	Annual	Term of Lease	Effective Annual Rent*	2007-2008	2008-2009
				Sq. Ft.	Sq. Ft.	Rent			Amount	Amount
						\$0			\$0	\$0
						\$0			\$0	\$0
						\$0			\$0	\$0
Total Lease Cost									\$0	\$0
Authorized Budget for Requirements									\$0	\$0
Authorized Budget for Receipts									\$0	\$0
Increase (Decrease) Amount									\$0	\$0

* - Effective Annual Rent includes costs such as utilities, housekeeping, etc. if charged in addition to the cost per square foot.

Prepare a separate schedule for each Center/Account.
 Submit 2 copies on 8 1/2 x 11-inch paper.

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LEASE SCHEDULE
Building/Office Leases Schedule
 (For continuation requests only)

Department ABC Institution

Division or Institution Facilities Management

Budget Code 13XXX

FUND	ACCT.	LESSOR	LOCATION	Net	Cost Per	Annual	Term of	Effective	2007-2008	2008-2009
				Sq. Ft.	Sq. Ft.	Rent	Lease	Annual Rent*	Amount	Amount
1120	2512	Myers Rental	Charlotte, NC	908	\$14.00	\$12,712	7/1/2001 to 12/31/2005	\$13,620	\$6,810	\$0
1120	2512	Myers Rental	Charlotte, NC	908	\$16.00	\$14,528	1/1/2006 to 12/31/2010	\$15,438	\$7,719	\$15,436
1120	2512	City of Fayetteville	Fayetteville, NC	1200	\$12.50	\$15,000	7/1/2006 to 6/30/2015	\$15,000	\$0	\$15,000
Total Lease Cost									\$14,529	\$30,436
Authorized Budget for Building/Office Lease Requirements									\$13,620	\$13,620
Authorized Budget for Receipts									\$500	\$500
Increase (Decrease) Amount									\$1,409	\$17,316

* - Effective Annual Rent might include costs negotiated in the lease such as utilities, housekeeping, etc. if charged in addition to the cost per square foot.

Prepare a separate schedule for each Fund.

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INFLATIONARY INCREASE FOR FOOD, DRUGS, MEDICAL SUPPLIES, WATER AND SEWER, ELECTRICITY, NATURAL GAS, SUBSISTENCE, LIBRARY BOOKS, & PERIODICALS

(For continuation requests only)

Section 5
 Sample Attachment 14 (a)
 (Due 10/31/06)

Department ABC Institution Division or Institution _____ Budget Code 13XXX

FUND*	ACCOUNT	2005-2006 ACTUAL EXPENDITURE	2006-2007 AUTHORIZED BUDGET	2007-2008 INFLATION FACTOR	2007-2008 CALCULATED TOTAL	2007-2008 INCREASE (DECREASE)	2008-2009 INFLATION FACTOR	2008-2009 CALCULATED TOTAL	2008-2009 INCREASE (DECREASE)
1230	532210	\$2,931,490	\$2,465,236	1.051	\$3,080,996	\$615,760	1.077	\$3,157,215	\$691,979
1230	532220	\$1,776,319	\$1,479,142	1.061	\$1,884,674	\$405,532	1.093	\$1,941,517	\$462,375
1230	532230	\$609,984	\$4,930	1.061	\$647,193	\$642,263	1.093	\$666,713	\$661,782
1230	532721	\$20,174	\$20,755	1.046	\$21,102	\$347	1.046	\$21,102	\$347
1230	532724	\$7,082	\$6,940	1.046	\$7,408	\$468	1.046	\$7,408	\$468

*Prepare a separate schedule for each Fund.

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INFLATIONARY INCREASE FOR GASOLINE AND FUEL OIL
 (For continuation requests only)

Section 5
 Sample Attachment 15(a)
 (Due 10/31/06)

Department		ABC Institution		Division or Institution			Budget Code 13XXX		
FUND*	ACCOUNT	2005-2006 ACTUAL GALLONS	2006-2007 AUTHORIZED BUDGET	2007-2008 ESTIMATED \$ PER GALLON	2007-2008 CALCULATED TOTAL	2007-2008 INCREASE (DECREASE)	2008-2009 ESTIMATED \$ PER GALLON	2008-2009 CALCULATED TOTAL	2008-2009 INCREASE (DECREASE)
1230	533310	24,205	\$21,378	1.21	\$29,288	\$7,910	1.27	\$30,740	\$9,362
1230	533320	508	\$458	1.10	\$559	\$101	1.16	\$589	\$131

*Prepare a separate schedule for each Fund.

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INCREASE FOR K-12 TEXTBOOKS AND SUPPLIES
 (For continuation requests only)

Section 5
 Sample Attachment 16(a)
 (Due 10/31/06)

Department ABC Institution Division or Institution _____ Budget Code 13XXX

FUND*	ACCOUNT	2005-2006 ACTUAL EXPENDITURE	2006-2007 AUTHORIZED BUDGET	2007-2008 INFLATION FACTOR	2007-2008 CALCULATED TOTAL	2007-2008 INCREASE (DECREASE)	2008-2009 INFLATION FACTOR	2008-2009 CALCULATED TOTAL	2008-2009 INCREASE (DECREASE)
1230	534620	\$133,627	\$136,256	1.103	\$147,391	\$11,135	1.158	\$154,740	\$18,484

*Prepare a separate schedule for each Fund.

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**OFFICE OF STATE BUDGET AND MANAGEMENT
INFLATIONARY FACTORS BASED UPON 2005-06 ACTUAL EXPENDITURES**

<u>Item</u>	<u>Account Number</u>	<u>(1)</u> <u>2007-08</u>	<u>(2)</u> <u>2008-09</u>	<u>(3)</u> <u>2009-10</u>	<u>(4)</u> <u>2010-11</u>	<u>(5)</u> <u>2011-12</u>
<u>General</u>						
Food	533410xxx	1.046	1.064	1.081	1.101	1.123
Drugs	533610xxx	1.083	1.118	1.156	1.196	1.239
Medical Supplies	533630-90xxx	1.048	1.070	1.094	1.119	1.145
<u>Water and Sewer</u>	532230	1.076	1.112	1.148	1.185	1.225
<u>Electricity</u>	532210	1.040	1.059	1.078	1.104	1.132
<u>Natural Gas/Propane</u>	532220	1.112	1.112	1.112	1.112	1.112
<u>Subsistence</u>	53272x	1.058	1.058			
<u>Gasoline and Fuel Oil (\$ per Gallon Exclusive of Taxes)</u>						
Gasoline, Regular Grade	533310	1.75	1.75	1.75	1.75	1.75
Diesel/#2 Fuel Oil	533320	1.83	1.83	1.83	1.83	1.83
Residual Fuel Oil	532241	1.00	1.00	1.00	1.00	1.00

<u>Item</u>		<u>(1)</u> <u>2007-08</u>	<u>(2)</u> <u>2008-09</u>	<u>(3)</u> <u>2009-10</u>	<u>(4)</u> <u>2010-11</u>	<u>(5)</u> <u>2011-12</u>
Textbooks	534620 or 5365XX	1.024	1.037	1.049	1.062	1.074
Educational Supplies, Materials, Equipment	533720	1.097	1.149	1.203	1.260	1.319
Library Books and Periodicals		1.115	1.177	1.243	1.313	1.386

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6. EXPANSION BUDGET

The expansion budget is the agency's request for the following:

- (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.
- (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 2007-2008 and 2008-2009 biennium shall not exceed 5 percent of that agency's 2006-2007 authorized budget, unless the agency receives prior written approval from the Office of State Budget and Management. Agencies may submit expansion requests that exceed the 5 percent threshold without prior approval, only if the expansion requests are accompanied by funding or program reductions equal to or greater than the expansion requests. Any reductions that support an expansion request shall be submitted on a separate Worksheet II and include references to the expansion requests they support in the narrative section. Any specific issue related to mandated enrollment increases or entitlement programs should be discussed with your OSBM analyst.

6.1 Worksheet II Overview

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 November 15, 2006. Submit the expansion schedules electronically via e-mail or CD-ROM in Excel format (please do not convert to a PDF document), and submit two (2) hard copies on 8 1/2" by 11" paper.

Procedures

6.1a Summary List and Priority of Funding (Attachment 1)

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 2007-2008 and 2008-2009. 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 **Title of Request** is a brief description of the expansion item being requested.
- Line 3 indicates the total **Requirements** for the expansion item for fiscal year 2007-2008 and 2008-2009, 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 2007-2008 and 2008-2009, respectively.
 - *Line 4b* indicates **Local receipts**, which support the requirements for the expansion item for fiscal years 2007-2008 and 2008-2009, respectively.
 - *Line 4c* indicates **Other receipts**, which support the requirements for the expansion item for fiscal year 2007-2008 and 2008-2009, respectively.
- Line 5 indicates **Appropriation** support for the expansion item for fiscal year 2007-2008 and 2008-2009, respectively.
- Line 6 indicates the total **Number of Positions** (rounded to the third decimal) requested for the expansion item for fiscal year 2007-2008 and 2008-2009, 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 2007-2008 and 2008-2009, 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 2007-2008 and 2008-2009, respectively.
 - *Line 8b* indicates **Total Local Receipts**, which support the requirements for the expansion items for fiscal years 2007-2008 and 2008-2009, respectively.
 - *Line 8c* indicates **Total Other Receipts** that support the requirements for the expansion items for fiscal years 2007-2008 and 2008-2009, respectively.
- Line 9 indicates **Total Appropriation** for all expansion items for fiscal years 2007-2008 and 2008-2009, respectively.
- Line 10 indicates **Total Positions** (rounded to the third decimal) for all expansion items for fiscal years 2007-2008 and 2008-2009, respectively.

6.1b Worksheet II Instructions

The form on which funds for expansion items are requested is the Worksheet II. A separate Worksheet II must 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 November 15, 2006.

Business Case for Lease Purchases and Installment Purchases

If an expansion request is submitted that involves a lease or installment purchase of equipment, a business case must be completed and submitted with the Worksheet II. The business case will assist in evaluating the most beneficial method of acquiring a commodity when considering a lease purchase or installment purchase. The Office of State Budget and Management will review the business cases as part of the expansion budget approval process. The documents required for completion of the business case are included as **Attachment 6-3** of the Expansion Budget Attachments. Included are the following:

- General guidelines and instructions
- Template for a business case narrative
- Template for financial analysis
- Template for risk analysis
- Template for recommendations

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 5 provides a brief **Description of the Request** for which the Worksheet II is prepared. A more detailed description of the request will be provided on Line 18, **Justification**.
- Lines 6, 7, 8, and 9 indicate **Totals** for the expansion request:
 - Line 6 indicates the **Total Requirements** for the expansion budget request as shown on Line 11, page 2, for fiscal years 2007-2008 and 2008-2009.
 - Line 7 indicates the **Total Receipts** for the expansion budget request as shown on Line 14, page 2, for fiscal years 2007-2008 and 2008-2009.
 - Line 8 indicates the total **Appropriation** for the expansion budget request as shown on Line 15, page 2, for fiscal years 2007-2008 and 2008-2009.
 - Line 9 indicates the **Total Positions** (rounded to third decimal) for the expansion request as shown on Line 12, page 2, for fiscal years 2007-2008 and 2008-2009.

Note: When Lines 10-17 have been completed, the first two data columns of lines 6-9 will be populated automatically. Enter the recurring and non-recurring requirements, receipts, and positions for lines 6, 7, and 9.

- Line 10 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 – 4 digits detail level,
 - 2XXX-5XXX Other Expenses - 4 digit detail level, list all individual accounts within proposed budget,
 - 6XXX State-aid – 4 digit detail level,
 - 7XXX Reserves – 4 digit detail level,
 - 8XXX Transfers – 4 digit detail level
 - All receipts

The amounts shown in the 2007-08 and 2008-09 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. The purpose of this projection is to show where there is increased cost to the state as a result of funding the expansion request. (This would not include projecting future legislative salary increases.)

Fringe benefits for new positions should be based on the rates shown in section 4.2d.

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.

The amounts shown in the Actual 2005-06 and Authorized 2006-07 columns should be what are most appropriate to explain the expansion request. For example, if the expansion request is to increase funding for a particular project, program or activity, then show prior year actual activity and current authorized budget for the project, program or activity.

- Line 11 indicates the total **Requirements** of the *existing program* as shown in the continuation budget for 2005-2006 Actual, and 2006-2007 Authorized. The requirements shown for fiscal years 2007-08 through 2011-2012 indicate the total of the incremental change required for implementation of the expansion request.
- Line 12 indicates the total **Full Time Equivalent** (FTE) positions of the *existing program* as shown in the continuation budget for 2005-2006 Actual and 2006-2007 Authorized. The FTE positions shown for fiscal 2007-2008 through 2011-2012 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 3, Line 16.)
- Line 13 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 2007-2008 and 2008-2009 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 14 indicates the **Receipts** of the *existing program* as shown in the continuation budget for 2005-2006 Actual and 2006-2007 Authorized. The receipts shown for fiscal years 2007-2008 through 2011-2012 indicates the total incremental increase in receipts for the expansion request.
- Line 15 indicates the **Appropriation** of the *existing program* as shown in the continuation budget for 2005-2006 Actual and 2006-2007 Authorized. The appropriation shown for fiscal years 2007-2008 through 2011-2012 indicates the incremental change in the total appropriation for the expansion request.
- Line 16 indicates the detail of positions requested by Salary **Grade**, State Personnel **Classification**, **Effective Date**, the **FTE** (rounded to third decimal) for fiscal years 2007-2008 and 2008-2009, the **Annual Salary** of the position, and the **Budgeted Salary** for fiscal years 2007-2008 and 2008-2009. The requested salary level for each new position should reflect the minimum or 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 17 indicates the FTE (rounded to third decimal) **Total Number** and **Budgeted Salary** of the positions for the expansion budget request for fiscal years 2007-2008 and 2008-2009. This FTE information should agree with the information shown for fiscal years 2007-2008 and 2008-2009 on Page 2, Line 12.
- Line 18a indicates the **Justification**, which includes a description of the purpose of the expansion request, the problem being addressed, the changes in business processes necessary to accomplish the implementation, and the anticipated outcome/impact after implementation of the changes. If the request is to expand services included in the continuation budget, the narrative should state the *change* that will be effected by the additional funding. If the request is for a new program, the narrative should identify the purpose of the new program and describe the results it hopes to achieve. Finally, the justification should describe the relationship of the expansion request to the goals of the department.
- Line 18b indicates the **Explanatory/Justifying Measures** of the expansion request. This is a table for any performance measures that justify the items in the above justification. Measures and anticipated outcomes should be specific and focus on how changing business processes, staffing, etc. will improve service. This may include efficiency information (e.g., resources will reduce backlog), and effectiveness information (e.g., resources will reduce customer complaints). The electronic version of this form can be expanded to allow extra space, if needed.

- Line 18c indicates the **Relevance** of the expansion request to the **Governor's Agenda**. Quantitatively estimate the impact the expansion request will have in the future on the areas highlighted in the Governor's agenda. Specific measures are suggested but others may be added that tie to an item in the agenda. If historic information is available for the measure it should also be added in 18b.
- Line 19 indicates **Additional Resources** required from another agency to support the request.
- Line 20 indicates the **Name of the Agency** and the additional cost for the agency to support the request.
- Line 21, 22, and 23 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.*
- Line 24 indicates whether there is a **Capital Improvement Project** associated with the expansion request.
- Line 25 indicates the **Capital Improvement Project Title**, which relates to the request.
- Line 26 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 4xxxx. 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 (919/807-4700). The **Item Number** should be the same as the Item Number on your Capital Improvement Project request.
- Line 27 indicates **Space Requirements** per G.S. 120-36.7(c) indicating whether those requirements can be satisfied using existing state-owned facilities.
- Line 28 indicates the **Type of Space** required for the request. Check the appropriate type.
- Line 29 indicates **Additional Square Footage Required** for the request for five state fiscal years.
- Line 30 indicates estimated additional annual **Cost of the Space Requirements** for five state fiscal years.
- Lines 31 and 32: 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.

6.2 Expansion Budget Attachments

Attachment 6-1: Summary List of Expansion Budget Requests

Attachment 6-2: Worksheet II Expansion Budget Request

Attachment 6-3: Attachment for Business Case for Acquisitions-Example

SUMMARY LIST OF EXPANSION REQUESTS

1 **Agency:** _____

Priority Number	Title of Request	Requested 2007-08	Requested 2008-09
2			
3	Requirements		
	Receipts		
4a		Federal	
4b		Local	
4c		Other	
5	Appropriation		
6	No. of Positions		

(Insert and copy additional lines as needed for each expansion item.)

7	Total Requirements		
	Total Receipts		
8a		Federal	
8b		Local	
8c		Other	
9	Total Appropriation		
10	Total No. of Positions		

Submit 2 copies on 8 1/2 x 11-inch and an electronic copy (Excel, Non- PDF file via e-mail or CD-ROM) to your OSBM budget analyst .

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Worksheet II Expansion Budget Request

Complete appropriate yellow boxes throughout.

1 Priority No. of **2007-2009**

2 Budget Code: Department: Division/Institution:

3 Fund Code: Fund Title:

4 Title of Request:

5 Description of Request:

	2007-08	2008-09	2007-08 Recurring	2007-08 Nonrecurr	2008-09 Recurring	2008-09 Nonrecurr
6 Total Requirements	\$ -	\$ -				
7 Total Receipts	-	-				
8 Appropriation	-	-	0	0	0	0
9 Total Positions	-	-				

18a **Justification**

Purpose of Expansion request:

Problem/issue being addressed:

Necessary changes in operation:

Anticipated outcome/impact after implementation of changes:

Relation to Agency Goals:

18b Explanatory/justifying measures

Describe and provide values for quantitative measures that help justify this request. Two measures showing results with and without the increase may be helpful. Explain the methods of future projections in the previous section under "Anticipated outcome/impact after implementation of changes."

Measure description	Actual						
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12

18c Relevance to Governor's Agenda

For each item on the Governor's Agenda quantitatively estimate the anticipated impact of the request on the agenda item. Use listed measures if possible or include additional measures where appropriate. If using a measure with historical data report the historical data in the 18b above.

1. Enhancing North Carolina's aggressive strategy for job creation and ignite long-term economic growth across the State.
 - a. By investing in smart, targeted, performance-based economic development and job creation strategies:
 - i. How many jobs would this generate for the state?
 - ii. What is the total estimated corporate investment of funds in North Carolina this request will result in?
 - iii. [Additional Measure]
 - b. Improve our infrastructure (schools, emergency services, roads, etc.)
 - i. [Additional Measure]
 - c. Enhance our business climate and overall competitiveness
 - i. [Additional Measure]
2. Continuing our investments in education from pre-K through the university to build a skilled workforce prepared to compete in the global economy.
 - a. Raise teacher pay above the national average by 2008, while also raising the starting salary. How much does this request increase teacher benefits per year in dollars?
 - b. Expand teacher recruitment, retention and training opportunities.
 - i. [Additional Measure]
 - c. Improve test scores for North Carolina public school children.
 - i. [Additional Measure]
 - d. Reform high schools to improve graduation rates and better prepare students for the workforce and college.
 - i. [Additional Measure]
 - e. Increase access to higher education opportunities at the community college and university systems. By how much does this request:
 - i. Increase total financial aid for in-state enrollment in the community college or university systems (in dollars)?
 - ii. Increase in-state enrollment in the community college or university systems?
 - iii. [Additional Measure]
3. Improve health care.
 - a. Controlling rising health care costs through promotion of wellness and preventive health care.
 - i. By how many does this request increases the number of users of wellness and preventive health care?
 - ii. How much money does this request save in rising health care costs?

iii. [Additional Measure]

b. Provide quality health and child care services to those who can least afford it.

i. By how many does this request increase the number of covered individuals?

ii. [Additional Measure]

4. Making government more efficient.

a. How much money does this request save the public or internal state operations?

b. How many person-hours per year does this request save the public or internal state operations?

5. Upgrade State infrastructure and meet new public demand.

a. How many person-hours would the public or the state avoid through this request?

a. How much money would the public or the state avoid spending through this request?

6. Increasing the safety of our communities by identifying and reducing our vulnerabilities, improving our preparedness efforts and training those responding on the front lines.

i. [Additional Measure]

Other

19 Does this request require additional resources from another agency ? Yes No

20 Name the agency and the funds required: Funds Requested:

21 Are statutory changes or special provisions required to implement expansion?

22 YES NO

23 If YES, attach a copy of the draft legislation.

Relationship to capital improvement projects

24 Does this expansion request relate to a capital improvement project? YES NO

25 If YES, give title of C.I. Project:

26 C.I. Budget Code: Item Number: Projected completion date:

Space Requirements (G.S. 120-36.7 C)

27 Does this request require additional space? YES NO

If yes, complete the following:

28 Type of Space:

Office	Storage	Other

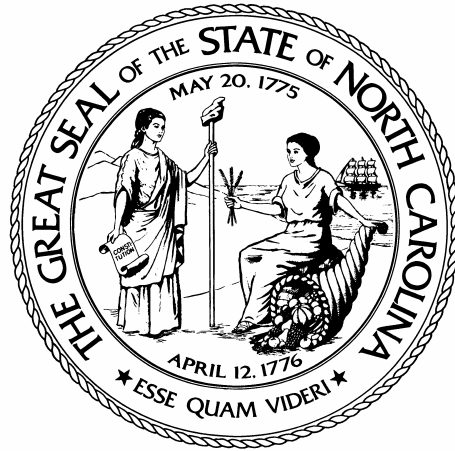
	2007-08	2008-09	2009-10	2010-11	2011-12
29 Additional Square Footage Required					
30 Estimated Cost of Space Requirements					

Motor Pool Requirements

31 Does this request require additional vehicles from the state motor pool? YES NO

32 If YES, how many?

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**Criteria for Evaluating the Business Case for Acquisitions
&
Guidance on Lease Purchase and Installment Purchase
Analysis**

February 2006

Overview

To fulfill the directive of Section 6.17 of Session Law 2005-276 to standardized criteria by which to evaluate acquisitions using lease purchases or installment purchases, the executive branch agencies should utilize a business case approach to evaluate such acquisitions.

Before entering into any purchase or lease agreement, the economic soundness of the various buying options versus leasing should be analyzed. Based on the results of the Business Case, agency management can justify and select the best acquisition method for the situation.

What is a Business Case?

A business case is a document used to justify the commitment of resources to a project. For this purpose, the business case is being prepared in order to document purpose, agency needs, evaluate alternatives, assess the overall costs and benefits, justify and obtain approval to proceed and/or to secure funding for lease purchase or installment purchase acquisitions.

How to Prepare a Business Case?

Business Case Framework

For the purpose of evaluating acquisitions using either lease purchases or installment purchases, the business case framework will include the following elements:

- Narrative
- Financial Analysis
- Risk Analysis
- Recommendation

Narrative

The Narrative includes a description of the acquisition. It includes the Why, What, When, Who, and How” of the acquisition. Elements to incorporate in the narrative in determining the best acquisition method include:

- Describe acquisition
 - new or replacement,
 - construction project, service or equipment
- Explain how the acquisition will benefit the agency
- Describe any Federal, Legislative, or local mandate driving or impacting the acquisition
- Illustrate work processes that can be improved
- Determine how long the acquisition will be used, useful life and possibility of obsolesces
- Identify streamlined work processes and improved work task
- Outline potential cost savings to the agency
- Identify of funding source and availability
- Explain any related staffing changes
- Describe problem or opportunity that the acquisition will address, i.e. inability to meet current demands, increased operating costs, change in legislation
- Identify risk factors, i.e. cost risks, performance risks
- Describe alternatives considered

This information should be entered on the Narrative form. See Attachment 1 for the Narrative template.

Financial Analysis

The two most important criteria used to evaluate the business case for acquisitions are benefit-cost analysis and cost-effectiveness analysis. Both benefit-cost analysis and cost-effectiveness analysis are economic techniques that provide a systematic framework for evaluating public policy choices, including purchase decisions. Before performing any type of comparative cost analysis of purchase options, the decision to acquire an asset must be made. In making this decision, a benefit-cost analysis should be conducted and demonstrate that the anticipated benefits resulting from an acquisition justify the expected costs.

Benefit-Cost Analysis (BCA) – Benefit-cost analysis is a quantitative method of assessing the desirability of government projects or policies when it is important to take a long view of future effects and a broad view of possible side-effects. A distinctive feature of BCA is that both benefits and costs are expressed in dollars, which allows evaluation of different alternatives with a variety of attributes using a common measure.

A good analysis does not follow a strict formula. Different purchase decisions will likely require different emphases in the analysis, depending on the nature and complexity of the purchase and the sensitivity of the benefit and cost estimates to key assumptions. That said, below are some general considerations that should be taken into account when performing a BCA. These considerations are followed by Attachments 2-Cost of Ownership, 3-Benefits, and 4-Summary of Costs and Benefits, which provide a template designed to help agencies begin a benefit-cost analysis.

General Considerations

1. **Scope of Analysis** – The analysis should focus on all benefits and costs associated with the acquisition, including indirect benefits and costs. The time frame for analysis should cover a period long enough to encompass all the important benefits and costs likely to result from the acquisition. Attachments 2-Cost of Ownership, 3-Benefits, and 4-Summary of Costs and Benefits assume that 5 years is the appropriate time period for analysis. To the extent the appropriate time differs, these tables should be adjusted accordingly.
2. **Baseline** – The impacts identified should be measured against a baseline. This baseline should be the best assessment of the way the world would look absent the acquisition. In many cases, the world absent the acquisition will resemble the present. For example, if an agency is evaluating the purchase of a new computer to replace an older model, the costs and benefits associated with the newer computer should be compared to the levels achieved with the base case, or older model.
3. **Alternatives** – The BCA should identify reasonable alternatives deserving careful consideration and evaluate the impacts of each. It is often useful to go beyond simply comparing an agency’s preferred option to the baseline. When there is a “continuum” of alternatives to address a particular problem, an agency should examine a preferred option, a more expensive or stringent option, and a less expensive or stringent option. For the purpose of evaluating multiple alternatives, Attachments 2-Cost of Ownership, 3-Benefits, and 4-Summary of Costs and Benefits can be completed for each alternative. The narrative section of the business case also provides an opportunity to describe alternatives considered. Alternatives should be analyzed for every major acquisition.
4. **Benefit and Cost Estimates** – How is this acquisition expected to change the current state? What benefits or cost impacts are associated with these changes? What are the monetary values of these impacts? If the impacts cannot be monetized, an agency should try to quantify through the use of informative physical units. To organize these impacts, an agency should:
 - include separate schedules of the monetized benefits and costs;
 - identify the benefits and costs that can be quantified, but not monetized; and
 - describe the benefits and costs that cannot be quantified.

See Attachments 2-Cost of Ownership, 3-Benefits, and 4-Summary of Costs and Benefits for a template on how to begin organizing cost and benefit impacts.

5. **Transparency and Reproducibility** – A good analysis should be transparent and clearly set out the basic assumptions, methods, and data used. In Attachments 2-Cost of Ownership, 3-Benefits, and 4-Summary of Costs and Benefits, this information should be provided in the “description” column. Given the uncertainty of various estimates, it may also be useful to provide a sensitivity analysis to reveal whether, and to what extent, the results of the analysis are sensitive to possible changes in key assumptions.
6. **Time Value of Money** – Benefits and costs do not always take place in the same time period. When they do not, an agency should not simply add up all of the expected benefits or costs without accounting for when the impacts occur. Benefits or costs that occur sooner are generally more valuable. Given this preference, a discount factor should be used to adjust future benefits and costs. The summary table in Attachment 4-Summary of Costs and Benefits uses a 4.7% discount rate to adjust future benefits and costs.

Cost-Effectiveness Analysis – Only after the decision to make an acquisition has been made is there a need to analyze the decision whether to purchase, lease-purchase, or lease. Comparing different options (e.g., purchase, lease-purchase, or lease) that achieve the same primary outcome (e.g., acquire an asset) is cost-effectiveness analysis. After comparing the present value cost of various options, agencies should generally pursue the most cost-effective solution.

To help illustrate how to begin to compare various purchase options, OSBM has prepared a purchase example in Attachment 5-Purchase Options Example followed by a similar blank template in Attachment 6-Purchase Options Template. In this purchase scenario, which is also described at the top of Attachment 5-Purchase Options Example, an agency has determined that it needs a new copy machine (e.g., the benefits of purchasing a copy machine justify the costs). The agency believes there is a 36-month useful life cycle for the machine, so the equipment will need to be replaced at that time. The major acquisition alternatives are: purchase, lease-purchase, and leasing.

The agency has the following information about each option:

Item	Cost
Copy Machine	\$5,000
Expected Residual Value	\$575
Discount Rate	4.7%
Semi-Annual Lease-Purchase Payment	\$920
Semi-Annual Lease Payment	\$860
Ancillary Costs	\$0

The lease company is prepared to lease the copy machine to the agency for three years with semi-annual payments. At the end of the lease, the agency would be required to return the copy machine.

If the agency purchased the copy machine through either a lease-purchase or outright cash purchase, it would expect to be able to sell the copy machine at the end of the three-year term for \$575.

As illustrated in Attachment 5-Purchase Options Example, the first step in the analysis is to identify the total purchase costs. For an outright cash purchase, the total purchase costs will be the purchase price. Since that purchase typically happens at the beginning of ownership, this cost would be identified in year one and would not need to be discounted since it’s already “present value.” Lease-purchase, installment purchase, and leases involve specified payments at given periods. In this example, the agency can lease-purchase the asset for semi-annual payments of \$920 or lease the asset for \$860 semi-annually. These annual costs are reflected in each of the three years of the asset’s useful life.

Next, the agency should add any ancillary costs, such as repair and maintenance expenses. However, these costs can be excluded if they are estimated to be the same for each purchase alternative. In this particular example, ancillary costs were assumed to be zero.

The last step of the analysis is to account for the residual value of the asset and appropriately discount overall impacts. Since leasing does not involve ownership, the residual value is not accounted for under that option. This example assumes that the agency would take advantage of the purchase option under the lease-purchase terms. Therefore, the residual value of the asset (\$575) is accounted for at the end of year three under both the purchase and lease-purchase options.

Finally, the present value of the residual value is then subtracted from the present value stream of purchase and ancillary costs to arrive at total present value cost. In this example, the purchase option was the most cost-effective option, followed by lease-purchase and lease.

Risk Analysis – Projects over \$500,000

Completing the risk analysis assessment section is only required for acquisitions over \$500,000. The purpose for the Risk Assessment Section is to provide the reader with an understanding of the risks that are related to the acquisition and how these risks may vary by the viable alternatives. This section includes a risk mitigation strategy for each risk. Refer to Attachment 7 for an example of how the project risks can be documented.

A risk is a factor or event that may jeopardize the acquisition from achieving the anticipated benefits or increase the cost of the acquisition. The risk assessment should tie into the assumptions and parameters used in the Benefit-Cost Analysis section. In particular it should be used to gage the strength of the recommendation through the sensitivity analysis referred to in section 5 of General Considerations. An acquisition may look like a good decision until it becomes apparent that the benefit it was to provide has a significant risk of never arriving.

Start by identifying all risks that may relate to the acquisition. Many acquisitions have unique risks but some examples of risks are:

- Lack of Senior Management Support
- Schedule inflexibility
- Length of implementation
- Funding not completely secured
- Multiple vendors or business partners
- Unstable business requirements
- Large number of users
- Causes significant change to multiple business processes
- Legislative changes
- Insufficient training
- Inadequate communication
- Conflicting priorities
- Inability to free-up critical business resources

For each risk, identify the probability of the risk occurring and the impact it may have on each alternative, using the following guidelines.

Probability of Risk:

- High indicates that the event is high likely to occur
- Medium indicates that the event is likely to occur
- Low indicates that the event is not likely to occur

Impact of Risk:

- High indicates that the event has a significant impact to the acquisition / project
- Medium indicates that the event will impact the acquisition/project
- Low indicates that the impact is relatively minor to the acquisition/project
- None indicates that the risk will not impact the acquisition/project

Once the above has been laid out, mitigation strategies should be developed to offset the risks that you have identified.

After these analyses are completed, it is time to choose the best option and present recommendations.

Recommendations

Conclude the Business Case with recommendations including what the financial impact will be to the agency. This step is done after the narrative and financial spreadsheets have been completed and analyzed. Based on the results of the analysis, the recommendation will be made as to what method of acquisition to use:

- purchase,
- lease,
- lease purchase, or
- installment purchase

Include other alternatives considered, if applicable and why option selected is best. This information is entered on the Recommendations form which is shown in Attachment 8.

Narrative

Department or Agency:
Contact Person: Telephone: e-mail address:
Acquisition Description :
Date:
Narrative:

Cost of Ownership

Cost Categories	Description	Year 1	Year 2	Year 3	Year 4	Year 5	Total Cost
Purchase Price		\$0	\$0	\$0	\$0	\$0	\$0
Repair & Maintenance		\$0	\$0	\$0	\$0	\$0	\$0
Special Equipment or Supplies (Not included in Purchase Price)		\$0	\$0	\$0	\$0	\$0	\$0
Delivery, Transportation, or Installation		\$0	\$0	\$0	\$0	\$0	\$0
Training or Technical Support		\$0	\$0	\$0	\$0	\$0	\$0
Insurance		\$0	\$0	\$0	\$0	\$0	\$0
Other (please list)		\$0	\$0	\$0	\$0	\$0	\$0
Total Cost of Ownership		\$0	\$0	\$0	\$0	\$0	\$0

Benefits

Quantifiable Benefits	Description	Year 1	Year 2	Year 3	Year 4	Year 5	Total Cost
Cost Reduction		\$0	\$0	\$0	\$0	\$0	\$0
Increased Productivity		\$0	\$0	\$0	\$0	\$0	\$0
Improved Quality of Service		\$0	\$0	\$0	\$0	\$0	\$0
Improved Health or Safety		\$0	\$0	\$0	\$0	\$0	\$0
Reduced Maintenance or Operations		\$0	\$0	\$0	\$0	\$0	\$0
Other (please list)		\$0	\$0	\$0	\$0	\$0	\$0
Total Benefits		\$0	\$0	\$0	\$0	\$0	\$0
Quantifiable But Not Monetized Benefits	Description						
Non-Quantifiable Benefits	Description						

Summary of Costs and Benefits

Discount Rate = 4.7%

	Year 1	Year 2	Year 3	Year 4	Year 5
Costs of Asset	\$0	\$0	\$0	\$0	\$0
Benefits of Asset	\$0	\$0	\$0	\$0	\$0
Net Benefits	\$0	\$0	\$0	\$0	\$0
Net Present Value	\$0	\$0	\$0	\$0	\$0
Total Net Present Value	\$0				

Purchase Option Example

Lease and Installment Purchase Analysis Example

An agency has decided to purchase a new copy machine. The agency uses a 36-month life cycle for copy machines. Therefore, the equipment will need to be replaced at that time. In considering whether to purchase, lease-purchase, or lease the equipment, the agency has the following information:

Item	Cost
Copy Machine	\$5,000
Expected Residual Value	\$575
Discount Rate	4.7%
Semi-Annual Lease-Purchase Payment	\$920
Semi-Annual Lease Payment	\$860
Ancillary Costs	\$0

Discount Rate = **4.7%** **To determine current discount rate select link below:**
[DISCOUNT RATES FOR LEASE PURCHASE ANALYSIS
http://www.whitehouse.gov/omb/circulars/a094/a94_appx-c.html](http://www.whitehouse.gov/omb/circulars/a094/a94_appx-c.html)

PURCHASE

	Year 1	Year 2	Year 3	Year 4	Year 5	Present Value
Purchase Price or Annual Payment	\$5,000	X				\$5,000
Ancillary Costs*	\$0	\$0	\$0	\$0	\$0	\$0
						\$5,000
Residual Value	\$0	\$0	\$575	\$0	\$0	\$501
			Present Value Total Cost =			\$4,499

LEASE PURCHASE OR INSTALLMENT PURCHASE

	Year 1	Year 2	Year 3	Year 4	Year 5	Present Value
Purchase Price or Annual Payment	\$1,840	\$1,840	\$1,840	\$0	\$0	\$5,039
Ancillary Costs*	\$0	\$0	\$0	\$0	\$0	\$0
						\$5,039
Residual Value	\$0	\$0	\$575	\$0	\$0	\$501
			Present Value Total Cost =			\$4,538

LEASE

	Year 1	Year 2	Year 3	Year 4	Year 5	Present Value
Purchase Price or Annual Payment	\$1,720	\$1,720	\$1,720	\$0	\$0	\$4,710
Ancillary Costs*	\$0	\$0	\$0	\$0	\$0	\$0
						\$4,710
Residual Value	\$0	\$0	\$0	\$0	\$0	\$0
			Present Value Total Cost =			\$4,710

*If the terms of the lease or purchase include ancillary services or costs that differ by purchase option, the costs should be included. Examples of ancillary services include: construction, installation, site, design, management, repair and improvement, and operation and maintenance costs.

Purchase Option Template

Analysis Template for Lease and Installment Purchase Decisions

Discount Rate = 4.7% **To determine current discount rate: select link below:**
[DISCOUNT RATES FOR LEASE PURCHASE ANALYSIS](http://www.whitehouse.gov/omb/circulars/a094/a94_appx-c.html)
http://www.whitehouse.gov/omb/circulars/a094/a94_appx-c.html

PURCHASE

	Year 1	Year 2	Year 3	Year 4	Year 5	Present Value
Purchase Price or Annual Payment	\$0	X	X	X	X	\$0
Ancillary Costs*	\$0	\$0	\$0	\$0	\$0	\$0
						\$0
Residual Value	\$0	\$0	\$0	\$0	\$0	\$0
						Present Value Total Cost = \$0

LEASE PURCHASE OR INSTALLMENT PURCHASE

	Year 1	Year 2	Year 3	Year 4	Year 5	Present Value
Purchase Price or Annual Payment	\$0	\$0	\$0	\$0	\$0	\$0
Ancillary Costs*	\$0	\$0	\$0	\$0	\$0	\$0
						\$0
Residual Value	\$0	\$0	\$0	\$0	\$0	\$0
						Present Value Total Cost = \$0

LEASE

	Year 1	Year 2	Year 3	Year 4	Year 5	Present Value
Purchase Price or Annual Payment	\$0	\$0	\$0	\$0	\$0	\$0
Ancillary Costs*	\$0	\$0	\$0	\$0	\$0	\$0
						\$0
Residual Value	\$0	\$0	\$0	\$0	\$0	\$0
						Present Value Total Cost = \$0

*If the terms of the lease or purchase include ancillary services or costs that differ by purchase option, the costs should be included. Examples of ancillary services include: construction, installation, site, design, management, repair and improvement, and operation and maintenance costs.

Risk Assessment - (Required for projects over \$500,000)

Example of how Risks can be Documented

Risk Associated with doing the Project / Acquisition

Risk Assessment	Viable		Viable		Viable	
	Probability	Impact	Probability	Impact	Probability	Impact
Risk 1 – a description of risk 1	High	Medium	Low	Low	Medium	Low
<i>Risk 1 General Mitigation Strategy</i>	<i>Specific Strategy</i>		<i>Specific Strategy</i>		<i>Specific Strategy</i>	
...						
Risk 2 – a description of risk 2	Low	Medium	Medium	Low	Medium	Medium
<i>Risk 2 General Mitigation Strategy</i>	<i>Specific Strategy</i>		<i>Specific Strategy</i>		<i>Specific Strategy</i>	
...						

Risk of Not Proceeding with (Status Quo)

Risk Assessment	Status Quo	
	Probability	Impact
Risk 1 – a description of risk 1	High	Medium
<i>Risk 1 General Mitigation Strategy</i>	<i>Specific Strategy</i>	
...		
Risk 2 – a description of risk 2	Low	Medium
<i>Risk 2 General Mitigation Strategy</i>	<i>Specific Strategy</i>	
...		

Checklist for Risk Assessment

- .. Have all general risks been identified?
- .. Have all risks specific to each alternative been identified?
- .. For each risk has the specifics of each alternative been taken into consideration when evaluating the probability and impact?
- .. Has a risk mitigation strategy been identified for unacceptable levels of risk?
- .. Have the risks related to Status Quo been identified?

Recommendations

Department of Agency:
Contact Person: Telephone: e-mail address:
Acquisition Description:
Date:
Recommendations:

7. INFORMATION TECHNOLOGY

7.1 Highlights

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.

Senate Bill 991 of the 2003 Session of the General Assembly sets forth requirements paraphrased as follows:

- The CIO shall review all new information technology projects that exceed \$500,000 in lifecycle costs for quality assurance and no agency shall proceed with such an information technology project until the CIO approves the proposal.
- The CIO may suspend any such project that does not maintain quality assurance.
- The CIO shall determine the proper degree of review for projects that are less than or equal to \$500,000 in lifecycle costs.

Information technology is defined as electronic data processing goods and services, telecommunications goods and services, security goods and services, microprocessors, software, information processing, office systems, any services related to the foregoing, and consulting or other services for design or redesign of information technology supporting business processes including personnel.

7.2 Process

The IT project portfolio tool located at <https://www.ppm.state.nc.us/UMTNC/> will be used in addition to the Worksheet II by all Agencies submitting expansion requests that contain more than \$100,000 of Information Technology. This information is mandatory for the required review of IT expansion requests by the State Chief Information Officer and OSBM. Submissions in the online tool shall be completed by the same due dates as the Worksheet II. The Worksheet II information should be attached to the submission in the online tool. For further information on how to submit a request in the online tool please see the 2007-09 IT Expansion Budget Request Instructions at <http://www.scio.state.nc.us/PortfolioManagementInitiative/AgencyITPlansBudgetRequestsRoadmaps.asp>.

For assistance contact an OSBM analyst.

8. CAPITAL IMPROVEMENT PLAN & BUDGET

Capital projects such as land acquisitions, new construction, rehabilitation of existing facilities, and repairs and renovations are requested as part of the six-year Capital Improvement Plan and Capital Improvement Budget. The *Worksheet III* process will be used to develop the 2007-2013 Capital Improvement Plan with the first two years of the plan serving as the 2007-2009 Governor's Recommended Capital Improvement Budget. Both the Capital Improvement Plan and the Capital Improvement Budget will be submitted to the General Assembly at the beginning of the 2007 session in January. One-time major equipment purchases must be requested in the operating expansion budget (Worksheet II).

The *Worksheet III* forms have been redesigned to assist OSBM with preparing the six-year Capital Improvement Plan in accordance with G.S. 143, Article 1B. **Do not use Worksheet III forms from previous years and do not modify the new forms.** Please contact your OSBM analyst if you have questions or experience technical problems while completing the new *Worksheet III* forms. **Worksheet III forms and all required attachments must be submitted to your OSBM analyst by September 29, 2006.**

8.1 General Information

Definitions

- *Capital Budget Request* – any budget request for land acquisitions, new construction, or rehabilitation of existing facilities
- *Capital Improvement Request* – refers collectively to all types of capital improvement requests including *Capital Budget Requests* and *Repair and Renovation Requests*.
- *Capital Improvement Plan* – the Governor's recommended six-year plan for funding state-wide capital improvement projects as required by G.S. 143, Article 1B. The first two years of the 2007-2013 plan will become the Governor's recommended Capital Improvement Budget.
- *Repair and Renovations Request (R&R)* – any budget request for roof repairs; structural repairs; repairs to meet federal and State standards; electrical, plumbing, and HVAC repairs; ADA, fire safety, and energy efficiency improvements; renovations to improve existing space; historical renovations; removal of asbestos, lead paint, and other contaminants; and improvements to roads, walks, drives, drainage, and landscaping. **Please note that comprehensive renovations to a building are considered a rehabilitation and should be requested through the Capital Budget Process, not through the Repair and Renovations Process.**

Accessing Forms Online

Worksheet III-C Summary	www.osbm.state.nc.us/osbm/forms.html
Worksheet III-C Capital Budget Request	www.osbm.state.nc.us/osbm/forms.html
Worksheet III-R Summary	www.osbm.state.nc.us/osbm/forms.html
Worksheet III-R Repair & Renovations Request	www.osbm.state.nc.us/osbm/forms.html
OC-25 Cost Estimate	www.nc-sco.com/Forms/OC-25 and www.nc-sco.com/Forms/Worksheets

For online access:
<http://www.osbm.state.nc.us/instructions/>

For assistance contact an OSBM analyst.

8.2 Worksheet III

Worksheet III are the forms used for requesting capital improvement funds and identifying capital improvement needs for the 2007-2009 biennial budget and six-year Capital Improvement Plan. The *Worksheet III* process is divided into two parts and requires the submission of the following forms:

Part A: Capital Budget Requests (land acquisitions, new construction, rehabilitation projects)

Required Forms:

- 1) *Worksheet III-C Summary* – Lists all Capital Budget Requests and costs in priority order for the six year planning period (2007-2013). DO NOT request all of the department's projects in the first two years. This process is intended to identify a department's needs for the next six fiscal years.
- 2) *Worksheet III-C Capital Budget Request* – Provides project descriptions, justifications, six-year funding schedules, and operating budget impacts for Capital Budget Requests. This form must be completed for every request listed on the *Worksheet III-C Summary*.

Part B: Repair and Renovation Requests

Required Forms:

- 3) *Worksheet III-R Summary* – Lists all requested R&R projects and costs in priority order for the six year planning period (2007-2013). DO NOT request all of the department's R&R projects in the first two years. This process is intended to identify a department's needs for the next six fiscal years.
- 4) *Worksheet III-R Repair & Renovations Request* - Provides project descriptions, justifications, construction schedules, and operating budget impacts for R&R budget requests. This form must be completed for every request listed on the *Worksheet III-R Summary*.

8.3 Additional Submission Requirements

The following forms must accompany the *Worksheet III* in order for a submission to be considered complete:

- *OC-25 Cost Estimate*
OC-25 cost estimates are required for every new Capital Budget and R&R project request that is \$100,000 or greater in cost. Submissions will be accepted with OC-25s that have been submitted to State Construction but are still in the process of being certified. The OC-25 must be certified before October 31, 2006. OC-25s that were certified more than two years ago must be updated by the State Construction Office.
- *Pertinent FCAP Forms for Repair and Renovation Requests. (For projects requested in the 2007-2009 biennium only)*
- G.S. 143-34.44(b) requires "each proposed repair and renovation expenditure shall be justified by reference to the Facility Condition Assessment Program (FCAP) operated by the Office of State Construction."
- If the State Construction FCAP team has inspected the facility for which a R&R request is submitted, the FCAP summary spreadsheet or full page form describing the relevant deficiency should be included. If you need to obtain copies of an existing FCAP report, please contact State Construction's FCAP unit at (919) 807-4135.

For online access:
<http://www.osbm.state.nc.us/instructions/>

For assistance contact an OSBM analyst.

- *New construction projects must include evidence of an approved site or detailed plan of action for land acquisition.*
- *All submissions must be sent to OSBM electronically through email or on CD-ROM.*
All four forms that make up *Worksheet III* are in Microsoft Excel format and can be downloaded from OSBM's website at: <http://www.osbm.state.nc.us/osbm/forms.html>. OC-25's can be sent to OSBM as .pdf files which is the same format State Construction uses to email certified OC-25s to state agencies. If you only have a paper copy of the FCAP reports and do not have access to a scanner, OSBM will accept this document in paper format.
- *OSBM strongly encourages the use of pictures, master plans, reports, maps, site plans, and other relevant correspondence to support Capital Budget and R&R requests.* Please submit these documents electronically **if at all possible**. Otherwise, paper copies may be submitted to OSBM.

Procedures

8.4 General Guidelines Applicable to All *Worksheet III* Forms

- In any field that requires a dollar amount to be entered, please round up to the nearest \$100. Example: \$25,100 – NOT \$25,034
- Please do not apply formatting to any data or enter dollar signs in the *Worksheet III* forms. The forms have been pre-formatted to automatically enter dollar signs, boldface, and other formatting styles.
- R&R requests and Capital Budget requests are considered two separate processes that need to be prioritized independently. For example, the *Worksheet III-R Summary* should start with R&R Priority 1 and list other R&R priorities in descending order. *The Worksheet III-C Summary* should start with Capital Budget Priority 1 and list other capital budget priorities in descending order.
- For the purpose of completing the R&R portion of *Worksheet III*, please assume that your department will not receive any funding from the 2006 Repair and Renovations Reserve. The final approved list of projects funded from the 2006 R&R Reserve will not be available before agencies must send *Worksheet III* to OSBM. If a requested R&R project receives funding from the 2006 R&R Reserve, OSBM will remove the request from the *Worksheet III-R* process. If a requested R&R project receives partial funding from the 2006 R&R Reserve, OSBM will consider the outstanding funding request as part of the *Worksheet III-R process*.
- For R&R requests, the General Assembly historically has not been supportive of large, institution-wide reserves. However, it may be acceptable for the larger state agencies to lump numerous minor projects together at the department level (ex. minor roof repair reserve). Please contact your OSBM analyst if you have any questions.

For assistance contact an OSBM analyst.

- For consistency across all state agencies and universities, please save the *Worksheet III* Microsoft Excel forms using the following naming conventions:

Worksheet III-C Summary Form
[C-Summary][Department Name].xls
Example: C-Summary Commerce.xls

Worksheet III-C Capital Budget Request
[C-Priority][Institution][Abbreviated Project Title].xls
Example: C-1 UNCW New Parking Deck.xls

Worksheet III-R Summary Form
[R-Summary][Department Name].xls
Example: R-Summary Agriculture.xls

Worksheet III-R R&R Request
[R-Priority][Institution][Abbreviated Project Title].xls
Example: R-4 DENR Zoo ADA Pathway.xls

8.5a Worksheet III-C Summary (Green Background)

This form is used to summarize your institution's Capital Budget requests to include land acquisitions, new construction, and rehabilitation projects in priority order.

- Enter the name of the department in the field at the top of the form. (For the UNC System, Enter Board of Governors).
- Column 1 (**Priority**) Enter the priority for each project starting with the department's overall top priority for land acquisitions, new construction, and rehabilitation projects.
- Column 2 (**Division/Institution**) State agencies enter the appropriate division for each request here. UNC Board of Governors enter the name of the campus for each requested project.
- Column 3 (**Project Title**) Enter a specific project title including the full name of the building when applicable. **Do not** enter a short project description here. Titles should be identical to the titles submitted on the individual project request forms (*Worksheet III-C Capital Budget Request*).
- Column 4 (**Total Requirements**) Enter Total Requirements (General Fund and Non-General Fund monies) requested to complete the project. The Total Requirements should directly correspond to the OC-25 cost estimate. Please round the amount up to the nearest \$100 (ex. \$25,100 – NOT \$25,034).
- Column 5 (**Estimated Non-General Fund**) Enter the total amount of Non-General Fund monies that will be used to complete the project. Please round the amount up to the nearest \$100.
- Column 6 (**Estimated Appropriation**) This column subtracts the Estimated Non-General Fund column from the Total Requirements column.
- At the bottom of the form, enter the agency contact information. This should be the staff person that coordinates requests from divisions/campuses and assembles the department's overall submission to OSBM.

For assistance contact an OSBM analyst.

8.5b Worksheet III-C Capital Budget Request

This form is used to provide detailed project information about land acquisition, new construction, and rehabilitation requests. This form **must be completed for every project** shown on the *Worksheet III-C Summary*.

- Line 1 (**Priority No.**) Enter the department priority for the specific Capital Budget Request. This should match the priority shown on the *Worksheet III-C Summary List*. (**Date**) Enter the date that the submission is forwarded to OSBM.
- Line 2 (**Department**) State agencies enter the department name. UNC system enters Board of Governors. (**Division**) State agencies enter the division name. UNC system enters the specific campus.
- Line 3 (**Project Title**) Enter the title of the requested project as shown on the *Worksheet III-C Summary List*. (**Location**) Enter the county where the requested project is located.
- Line 4 (**Contact, Phone, Email**) Enter the contact name, phone, and email. This person will be contacted should OSBM have a specific question about the requested project. You may choose to list the division/campus contact here or you may enter the department's contact.
- Line 5a (**Requirements**) Enter the total requirements to complete the requested project in the year that funds are needed. If you are requesting a *large-scale project* that can be divided into phases, please estimate the cost for each phase and enter the requirements across multiple years. The total requirements for the six-year Capital Needs Improvement Schedule should directly correspond to the OC-25 cost estimate.
- Line 5b (**Receipts/Other**) Enter the total amount of non-General Fund monies that will support the requirements shown in the six year needs schedule on Line 5a. Enter a "0" if requirements will be entirely supported by General Fund appropriations.
- Line 5c (**Appropriation/General Fund**) This line subtracts Line 5b from Line 5a.
- Line 6 (**Sources of Receipts**) Identify the source of any receipts or non-General Fund monies that are shown on Line 5b.
- Line 7 (**Type of Project**) Mark an "X" beside **only one** of the project categories. If a capital construction request includes land acquisition and new construction, please mark "New Facility." In this case, please provide details and a status report on the land acquisition in Line 8 (Project Description).
(**General Information**) Please answer ALL questions.

For assistance contact an OSBM analyst.

- **Line 8 (Project Description)** Please provide a brief **description** of the project to include:
 - an explanation of how the capital request furthers the department's mission
 - extent of work including square footage by use (Example: The addition will add 10,000 s.f. of office space and 1,500 s.f. of lab space.)
 - number of employees affected by the request (Example: The addition will provide space for 10 lab technicians currently housed in crowded conditions.)
 - age and condition of existing facility

- **Line 9 (Agency Selection Criteria)** Mark an "X" beside criteria that were used for designating the project as a capital priority. If an "X" is marked in "Other," please specify the criterion in the field directly below.

- **Line 10 (Project Justification)** **This is the most important field on the Worksheet III-C. OSBM will place heavy emphasis on an agency's justification when prioritizing capital projects. Please explain the need for the requested project and the expected impacts. This is also the field in which Agency Selection Criteria in Line 9 should be supported and justified. Please make sure the following questions are addressed for each Agency Selection Criteria that you checked in Line 9:**

Health & Safety Considerations

- Identification of threats to the public and employees;
- Probability of the health and safety threat occurring.

Critical Timing

- On Line 12a, explain how the request impacts the start or completion of another capital project.

Agency Mission & Goals

- Explain how the request is consistent with the agency's mission and goals;
- Identify if the request is on the agency's long range master plan.

Growth/Demand for Governmental Services

- Impact of project on governmental service delivery over the next six years;
- Include any performance measures to document current and projected service levels. (Example: Projected prison population over next six years and current available capacity.)

Program Effectiveness

- Degree to which the request improves program effectiveness or increases program capacity other than "simple" addition of space.

Operational Efficiency

- Complete the Operational Costs and Savings Table (Lines 13-21) on the Worksheet III-C Budget Request Form. (You may provide additional narrative details on operating efficiencies in Line 10).
- For requests that realize energy savings through increased efficiency, make sure to quantify cost savings in Line 17 and provide a written description of how these savings will be achieved in Line 10.

For assistance contact an OSBM analyst.

Cost Benefit Analysis

- Describe all other alternatives that were considered and why the specific project request was chosen as the best alternative.

Economic Development

- Describe the project's direct impact on economic development;
- If possible, describe the types of jobs created and estimate the number;
- Explain any potential indirect impacts.

Environmental Hazards

- Identify any environmental hazards that are reduced or removed.
- Describe the severity of the environmental threat and the risk to the public and state employees.

Preservation or Improved Use of Existing Space

- Description of any historic value and preservation activities;
- Explanation of current space deficiencies and the impact of the requested project. OSBM strongly recommends that capital requests to improve existing space be supported by a spatial analysis performed by the State Property Office.

- Line 11 (**Estimated Schedule of this Project**) For the estimated project schedule, assume that funds will be authorized and available to agencies and universities as of July 1, 2007. Please enter the estimated date (Example: 5/1/2008) for each of the four fields.
- Line 12 If the requested project must be completed before another capital project can move forward, please mark "Y." Please explain this timing issue in Line 12a. Otherwise mark "N."

Operational Costs & Savings Table

This table is intended to capture net **operating costs and savings** as a direct result of the requested project. For example, if a requested new building will cost \$30,000 more in energy costs to operate than the existing building, please identify the \$30,000 as an operating cost increase. Please input a minus for savings. For example, if a requested project will reduce maintenance costs by \$1,000 per year, enter "-1,000."

- Line 13 (**Fiscal Year**) In the first column, enter the fiscal year that the agency will realize any type of savings or increased costs from the requested project (Example 2008-09). Enter the subsequent fiscal years in the next four columns.
- Line 14 (**Positions**) Enter the increase or decrease in FTEs as a direct result of the requested project carried over five years of operations. Example: If the project results in the elimination of one FTE in the second year of operation, enter "-1.0" under columns two through five.
- Line 15 (**Personnel**) Enter the increase or decrease in personnel costs that are a direct result of the requested project carried over five years of operations. The changes in cost should correspond to the position increases or reductions reported in Line 14.

For assistance contact an OSBM analyst.

- Line 16 (**Maintenance**) Enter the increase or decrease in maintenance costs that are a direct result of the requested project carried over five years of operations. Example: For a re-roofing project, if the leaking roof has averaged \$1,000 in repairs every year to patch leaks, enter “-1,000” under columns one through five. Your OSBM analyst may contact you to obtain documentation verifying projected maintenance cost savings.
- Line 17 (**Energy/Other Operating**) Enter the increase or decrease in energy expenses or other operating costs not captured in this table. If you claim operating savings from improved energy efficiency, your OSBM analyst will contact you to obtain documentation showing that such energy savings are likely to be generated from the requested project.
- Line 18 (**Equipment/Furnishings**) Enter the amount of **operating** funds required to equip and furnish the requested project that are *in addition to construction costs and not requested as part of this capital request*.
- Line 19 (**Total Requirements or Savings**) This line adds Lines 15-18.
- Line 20 (**Receipts**) If the requested project results in an increased cost to the State, please enter the amount of Non-General Fund monies that will be used to support the increased operating costs. Enter a “0” if the increased operating costs will be supported entirely by the General Fund or the project results in a cost savings.
- Line 21 (**Appropriations**) This line subtracts Line 19 from Line 20.
- Line 22a – If you report any additional operational costs that will be funded by receipts generated from increasing rates, please enter “Y.” If you enter “Y” and statutory changes are required to increase those fees, enter “Y” in the next field.
- Line 22b – (**Source of Receipts**) Please identify all sources of receipts that will be used to offset increased operating costs reported in the Operational Costs & Savings Table. (**Proposed Rate Change**) If you answered “Y” to a rate increase in Line 22a, state the current fee and the proposed fee increase here.
- Line 23 Describe in detail where the site of new construction will be located.
- Line 24 If the site is owned by the State of North Carolina, enter “Y.” If the site is in the process of being purchased or has not been purchased, enter “N.”
- Line 25 If the proposed site in Line 24 is approved by the State Property Office, enter “Y.” If the site is still pending approval or has not been approved, enter “N.”

NOTE: Only Capital Budget projects requested in the 2007-2009 biennium must complete Line 26-27 of the Worksheet III-C Capital Budget Request Form.

- Line 26 If the building or facility has been inspected by a FCAP team enter “Y.” If not, enter “N” and proceed to Line 28. If you entered “Y,” attach the summary sheet or pertinent pages of the FCAP report. Please contact the State Construction FCAP section at (919) 804-4135 if you have questions about whether or not an FCAP report exists for the facility.

For online access:
<http://www.osbm.state.nc.us/instructions/>

For assistance contact an OSBM analyst.

- Line 27 If the project request was a deficiency identified in the FCAP team's report, enter "Y." Otherwise, enter "N." If you answered "Y," please include the pertinent pages of the FCAP report in your electronic submission to OSBM. Please identify the file name that was used to save the associated FCAP report in the second field on Line 27.
- Line 28 (**Required Attachments**) **DO NOT leave any of these fields blank.** Enter "Y" beside all attachments that are included with the requested project. In the field to the right of "OC-25," please enter the name of the file used to save the OC-25.

If one of the documents is not required, enter "NR." For example, if the project request is for a new construction project in 2010, enter "NR" beside FCAP Report.

Refer to section 8.3 *Additional Submission Requirements* of the Budget Instructions which outlines in detail the attachments that **must** accompany a Worksheet III-C submission.

8.5c Worksheet III-R Summary (Yellow Background)

This form is used to summarize your department's repair and renovation projects in priority order.

Please complete the *Worksheet III-R Summary* for R&R projects by following the same instructions for the *Worksheet III-C Summary* form.

8.5d Worksheet III-R Repair & Renovations Request

This form is used to provide detailed project information about your repair and renovation requests. This form must be completed for every project request shown on the *Worksheet III-R Summary* form.

- Line 1 (**Priority No.**) Enter the department priority for the specific R&R project. This should match the priority shown on the R&R Summary List Form. (**Date**) Enter the date that the submission is forwarded to OSBM.
- Line 2 (**Department**) Enter the department name.
- Line 3 (**Project Title**) Enter the title of the requested project as shown on the R&R Summary List Form. (**Location**) Enter the county where the requested project is located.
- Line 4 (**Contact, Phone, Email**) Enter the contact name, phone, and email. This person will be contacted should OSBM have a specific question about the requested project. You may choose to list the division contact here or you may enter the department's contact.
- Line 5 (**Requirements**) Enter the total requirements to complete the requested project in the year that funds are needed. If you are requesting a *large-scale project* that can be divided into phases, please estimate the cost for each phase and enter the requirements across multiple years. The total requirements for the six-year Capital Needs Improvement Schedule should directly correspond to the OC-25 cost estimate.
- Line 6 (**Receipts/Other**) Enter the total amount of non-General Fund monies that will support the requirements entered in the six year needs schedule on Line 5. Enter a "0" if requirements will be entirely supported by General Fund appropriations.

For assistance contact an OSBM analyst.

- Line 7 (**Appropriation/General Fund**) This line subtracts Line 6 from Line 5.
- Line 8 (**Sources of Receipts**) Identify the source of any receipts or non-General Fund monies that are shown on Line 6.
- Line 9 (**Type of Project**) Mark an “X” in each of the 16 categories that describe the requested project. If you mark the box for “Other,” please describe the category in the space below.
- Line 10 Estimate the percentage of the total project cost that is directly related to energy efficiency improvements and enter here. Your OSBM analyst may contact you to obtain documentation verifying projected energy efficiency improvements.
- Line 11 If the General Assembly has mandated the project in legislation, enter “Y.” Otherwise, enter “N.” If you answer “Y,” please cite the legislation or other evidence of legislative mandate in Line 12 (Project Description & Justification).
- Line 12 (**Project Description & Justification**) Enter a description and justification of the project to include:
 - type of project
 - extent of work including square footage
 - need for the project
 - age and condition of facility
 - date of last significant repair or improvement
 - relationship to other projects planned or under construction
 - *for large-scale projects*, include a short description of other alternatives considered and why the requested project is the preferred solution.
- Line 13 Include an OC-25 Cost Estimate with your submission and check “Y.” **Project requests that do not have an OC-25 will not be considered by OSBM.** The OC-25s are not required to be certified when you submit the *Worksheet III* to OSBM. The OC-25 will have to be certified by October 31, 2006.

In the next field on Line 13, Please identify the file name that was used to save the associated OC-25 cost estimate.

NOTE: Only R&R projects requested in the 2007-2009 biennium must complete the rest of the *Worksheet III-R Repair and Renovations Request Form*. If the R&R project is requested in FY 2009-10 or later, please STOP HERE.

For assistance contact an OSBM analyst.

- Line 14 If the building or facility has been inspected by a FCAP team enter “Y.” If not, enter “N” and proceed to Line 16. If you enter “Y,” please attach the summary sheet or pertinent pages of the FCAP report. Please contact the State Construction FCAP section at (919) 804-4135 if you have questions about whether or not an FCAP report exists for the facility.

In the next field on Line 14, enter the date of the FCAP report or the year on the deficiency form (ex. Def. No. 05-G003 would be the year 2005).

- Line 15 If the project request was a deficiency identified in the FCAP team’s report, enter “Y.” Otherwise, enter “N.” If you answered “Y,” include the pertinent pages of the FCAP report in your submission to OSBM.

In the second field on Line 15, please identify the file name that was used to save the associated FCAP report.

- Line 16 If this project has been planned previously either through previous appropriations or advance planning authorization, please enter “Y.” If the project has not been planned or only has minimal design work completed, please enter “N.”

If you answered “Y,” please enter the year the project was first requested in the second field and Line 16 and provide a brief background of the request’s history in Line 12 (Project Description & Justification).

- Line 17 (**Estimated Schedule of this Project**) For the estimated project schedule, assume that funds will be authorized and available to agencies as of July 1, 2007. Please enter date (Example: 5/1/2008) for each of the four fields.
- Line 18 (**Impact on Operating Budget**) If the project impacts the operating budget, enter “Y.” If you enter “Y,” please complete Lines 19-27. Otherwise, enter “N” and STOP HERE.
- Line 19 (**Fiscal Year**) In the first column, enter the first fiscal year that the agency will realize any type of additional operating costs or savings from the requested project (Example: 2008-09). Enter the subsequent fiscal years in the next four columns. Enter a negative if you have savings.
- Line 20 (**Positions**) Enter the increase or decrease in FTEs as a direct result of the requested project carried over five years of operations. Example: If the project results in the elimination of one FTE in the second year of operation, enter -1.0 under columns two through five.
- Line 21 (**Personnel**) Enter the increase or decrease in personnel costs that are a direct result of the requested project carried over five years of operations. The changes in cost should correspond to the position increases or reductions reported in Line 20.

For assistance contact an OSBM analyst.

- Line 22 (**Maintenance**) Enter the increase or decrease in maintenance costs that are a direct result of the requested project carried over five years of operations. Example: For a re-roofing project, if the leaking roof has averaged \$1,000 in repairs every year to patch leaks, enter “-1,000” under columns one through five. Your OSBM analyst may contact you to obtain documentation verifying projected maintenance cost savings.
- Line 23 (**Energy/Other Operating**) Enter the increase or decrease in energy expenses or other operating costs not captured in this table. If you claim operating savings from improved energy efficiency, your OSBM analyst will contact you to obtain documentation showing that such energy savings are likely to be generated from the requested project.
- Line 24 (**Equipment/Furnishings**) Enter the amount of operating funds required to equip and furnish the requested project that are *in addition to construction costs and not requested as part of this capital request*.
- Line 25 (**Total Requirements or Savings**) This line adds Lines 21-24.
- Line 26 (**Receipts**) If the requested project results in an increased cost to the State, please enter the amount of non-General Fund monies that will be used to support the increased operating costs. Enter a “0” if the increased operating costs will be supported entirely by the General Fund.
- Line 27 (**Appropriations**) This line subtracts Line 26 from Line 25.

Worksheet III-C Capital Budget Requests

2007-13 Capital Improvement Plan

1 Priority No. Date:

2 Department: Division/Institution:

3 Project Title: Location (County):

4 Contact: Phone: Email:

5 Six-Year Capital Improvement Needs Schedule:

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	Total
5a Requirements:	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	\$ -
5b Receipts:	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	\$ -
5c Appropriations:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

6 Source(s) of Receipts:

7 **Type of Project:** (Mark "X" choosing only one)

- New Facility
- Addition to Existing Facility
- Major Renovation/Rehab
- Renovate for New Use of Facility
- Land Acquisition
- Other (describe below)

General information: (Mark "Y or N")

- Will this project replace an existing facility? (Y/N)
- Will this project replace leased space with state-owned facilities? (Y/N)
- Was the allocation mandated by the General Assembly? (Y/N)
- Has advance planning been done for this project? (Y/N)
- Has there been a prior partial appropriation for this project? (Y/N)
- Prior appropriation in FY Amount:
- Has funding for this project been requested previously? (Y/N)
- Year first requested:

8 Project Description (include short description of type, nature and extent of work required):

9 Agency Selection Criteria (Mark "X" beside the important criteria used for designating this project as a capital priority. Describe in "Project Justification")

- | | |
|--|---|
| <input type="checkbox"/> Health & Safety Considerations | <input type="checkbox"/> Cost Benefit Analysis |
| <input type="checkbox"/> Critical Timing Issue | <input type="checkbox"/> Economic Development |
| <input type="checkbox"/> Agency Mission & Goals | <input type="checkbox"/> Environmental Hazards |
| <input type="checkbox"/> Growth/Demand for Governmental Services | <input type="checkbox"/> Preservation or Improved Use of Existing Facility |
| <input type="checkbox"/> Program Effectiveness | <input type="checkbox"/> Other (Please Specify Criterion): <input type="text"/> |
| <input type="checkbox"/> Operational Efficiency | |

Worksheet III-C Capital Budget Request (cont.)

10 Project Justification (summarize the need for the project and the expected impact. Describe and justify each of the Agency Selection Criteria in line 9 above.):

Note: Read Instructions Carefully Before Completing This Section

11 Estimated Project Schedule: Begin Design Date Project Completion
 Begin Construction Occupancy

12 Does completion of this project impact the start or completion of another capital project? (Y/N) If yes, please explain.

12a

Operational Costs & Savings (submit net operating impact of capital project):

		First Year of Operation	Second Year of Operation	Third Year of Operation	Fourth Year of Operation	Fifth Year of Operation	Total
13	Fiscal Year						
14	Positions (increase or reduction in FTE)						0
15	Personnel (Additional cost or savings)						\$ -
16	Maintenance (Additional Costs or savings)						\$ -
17	Energy/Other Operating (Additional Costs or savings)						\$ -
18	Equipment./Furnishings (not Incl. in Const. Request)						\$ -
19	Total Requirements (or savings)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
20	Receipts						\$ -
21	Appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

22a If operational increases will be supported by receipts, will fees have to be increased? (Y/N): If Y, are statutory changes required?:

22b Source of receipts: Proposed rate change:

23 If new construction, where is the proposed location?

24 Is the proposed site currently owned by the State of North Carolina? (Y/N)

25 Has this proposed site been approved by the Office of State Property?(Y/N)

26 Has this facility been inspected by the State Construction Office's F-CAP team? (Y/N):

FCAP File Name:

27 Was the requested project included in their review? (Y/N):

28 Required Attachments (Mark "Y" or "N" or "NR")

OC-25 Cost Estimate

Land Acquisition Plan (new construction projects only)

FCAP Report (Only projects requested in the 07-09 biennium) ₄₀

Other Supporting Documents (Site plans, master plans, etc.)

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Worksheet III-R Repair and Renovation Request

2007-13 Capital Improvement Plan

1 Priority No. (Priority for Repair & Renovation projects) Date:

2 Department: Division/Institution:

3 Project Title: Location (County):

4 Contact: Phone: Email:

Six-Year Capital Improvement Needs Schedule:

	2007-08	2008-09	2009-10	2010-2011	2011-12	2012-13	Total
5 Requirements							\$ -
6 Receipts/other							\$ -
7 Appropriation/General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

8 Source(s) of Receipts:

9 Type of Project: (Mark "X" for all that apply)

<input type="checkbox"/> Roof Repair/Replacement	<input type="checkbox"/> HVAC	<input type="checkbox"/> Renovations to Improve Use of Existing Space
<input type="checkbox"/> Structural Repairs	<input type="checkbox"/> Americans with Disabilities Act	<input type="checkbox"/> Historical Restoration
<input type="checkbox"/> Federal/State Mandate	<input type="checkbox"/> Fire Safety	<input type="checkbox"/> Improvements to Roads, Walks, Drives and Utilities
<input type="checkbox"/> Electrical	<input type="checkbox"/> Energy Efficiency	<input type="checkbox"/> Drainage and Landscape Improvements
<input type="checkbox"/> Plumbing	<input type="checkbox"/> Asbestos, Hazardous Materials, UST	<input type="checkbox"/> Other (describe below)
<input type="text"/>		

10 Percentage of total expenditure related to energy efficiency improvements: %

11 Was the allocation mandated by the General Assembly? (Y/N):

12 Project Description & Justification (include short description of type, nature and extent of work required, the need for the project, and the expected impact):

Worksheet III-R Repair & Renovation Request (cont.)

13 Is an approved OC-25 Cost Estimate attached? (Y/N): OC-25 file attached:
 Note: Projects valued at \$100,000 or greater require an approved Form OC-25 prior to allocation.

14 Has this facility been inspected by the State Construction Office's FCAP Team? (Y/N): date of FCAP report:
 15 Was the requested project included in their review? (Y/N): FCAP report file attached:
 Note: If yes, please attach a separate sheet with a summary statement or pertinent pages from the F-CAP team's report.)

16 Has this project been previously planned? (Y/N): Year first requested:

17 **Estimated schedule of this project:**
 Begin design date: Completion:
 Begin Construction: Occupancy:

Impact on Operating Budget

18 Does the requested project impact the operating budget? (Y/N): If yes, describe below

		First Year of Operation	Second Year of Operation	Third Year of Operation	Fourth Year of Operation	Fifth Year of Operation	Total
19	Fiscal Year						
20	Positions (Increase or Reduction in FTE)						
21	Personnel (Annual Cost or Savings)						\$ -
22	Maintenance (Annual Cost or Savings)						\$ -
23	Energy/Other Operating (Annual Cost/Savings)						\$ -
24	Equip./Furnishings (Not Incl. in Construction)						\$ -
25	Total Requirements or Savings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
26	Receipts						\$ -
27	Appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

(Please identify, on an annualized basis, any additional costs or savings (reductions) that will result from the completion of this project). Do not include construction costs.

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9. Glossary of Budget Terms

(See the Budget Manual, State of North Carolina, updated June 28, 2005, on the OSBM website for additional state budget terms.)

State Budget

The total requirements for North Carolina state government departments and institutions consists of approximately 54% General Fund dollars, 5% Highway Fund dollars, 32% federal funds, and 9% various other receipts and funds. The state budget includes state aid funding for local public school units and local community colleges and institutions.

General Fund

The tax and nontax revenue collected by the State of North Carolina and deposited with the State Treasurer for appropriation by the General Assembly to support the operations and capital construction needs of state departments and institutions. General Fund tax revenue includes sales and use tax, individual income tax, corporate income tax, and franchise tax. General Fund nontax revenue includes court fees and income from the State Treasurer's investment of excess General Fund dollars belonging to the state.

Highway Fund

The tax and nontax revenue collected by the State of North Carolina and deposited with the State Treasurer for appropriation by the General Assembly to support the operations and capital construction needs of the Department of Transportation, including the Division of Motor Vehicles, and the Highway Patrol Division of the Department of Crime Control and Public Safety. Highway Fund tax revenue includes licenses and fees relating to the operation of motor vehicles and the motor fuel tax. Highway Fund nontax revenue includes income from the State Treasurer's investments of Highway Fund dollars.

Highway Trust Fund

The tax revenue on motor fuels, special fuels, and road taxes deposited with the State Treasurer which is earmarked for appropriation for the construction of state-funded roads and bridges.

Federal Funds

The funds received from federal government agencies for support of programs on the state level. Federal funds are received through block grants, entitlement programs, and specific grants.

Other Receipts

The funds received by state departments and institutions for services performed, such as patient receipts in hospitals, tuition fees in the universities and community colleges, or as fines for violations of state regulations. These funds comprise approximately 9% of the total state budget.

Salary Reserve

Salary funds remaining on an annual basis when positions are filled at lower levels than budgeted are considered salary reserve. These funds may be used for salary range revisions and reclassifications of positions, subject to approval of the Office of State Personnel and OSBM.

Lapsed Salaries

These are nonrecurring salary funds not spent during the fiscal year. The transfer and use of lapsed salaries are restricted by state law. These funds may not be used to establish new positions or for other recurring obligations.

Legislative Salary Increase

This is a salary increase given to teachers and state employees by the General Assembly. The increase may be a percentage increase of the base pay, a flat dollar amount per employee, or a combination of both. These types of increase are reflected in new salary schedules for state employees and for public school personnel.

Longevity Pay

Longevity pay is the salary compensation paid to state employees who have been employed by the state for a certain number of years. The payment is made on the anniversary date when the employee began his or her employment with the state. The amount of payment for nonteaching public school personnel, community college personnel, and state employees subject to the State Personnel Act begins with year ten at 1.5% of the annual salary, then increases to 2.25% beginning with year fifteen, to 3.25% with year twenty, and to 4.5% beginning with year twenty five. The longevity schedule for employees of the Judicial System is the same as that provided for state employees except for judges, district attorneys, public defenders, and elected clerks of courts. Longevity pay for these positions begins with year five at 4.8% of the annual salary and increases to 9.6% with year ten, to 14.4% with year fifteen and to 19.2% with year twenty. For assistant district attorneys and public defenders, the longevity schedule caps at 14.4% with fifteen years of service. Longevity pay for teachers begins with year ten at 1% of base pay, then increases to 1.5% with year fifteen, to 2% with year twenty and to 2.5% beginning with year twenty-five.

Certified Budget

The budget as enacted by the General Assembly.

Authorized Budget

The budget as enacted by the General Assembly with changes approved by OSBM.

Continuation Budget

The part of the state budget necessary to continue the current level of services when adjusted for inflation, mandated rate increases such as Social Security, annualization of programs, and operation of new facilities.

Expansion Budget

The part of the budget which provides for new programs, expansion of existing programs, and salary and benefit increases.

Capital Improvement Budget

The part of the state budget which provides for new construction, rehabilitation of existing facilities, land acquisitions, and repairs and renovations.

BD 606 (Budget Transaction)

The process by which funds may be transferred, receipts budgeted, and positions established, all with approval of OSBM. The Executive Budget Act has certain restrictions on these budget transactions; however, the Director of the budget may declare a deviation from the restrictions and then report the transaction to the Legislative Commission on Government Operations.

Excess Receipts

These are receipts received for services performed, fines received for violation of state regulations, or federal grants and funds received for specific purposes which exceed the amounts anticipated and budgeted by the General Assembly. When such excess receipts occur in the General Fund or Highway Fund budgets and the receipts are not authorized by OSBM to be used by the agency, they revert to the appropriate fund at the end of the fiscal year.

General Fund Budget Codes

Those budgets for each department and institution which are supported from state General Fund revenue and from receipts considered to be general rather than specific in nature.

Highway Fund Budget Codes

Those budgets for each department which are supported from state Highway Fund revenue and from receipts considered to be general rather than specific in nature.

Special Fund Budget Codes

Those budgets for each department which are supported entirely from receipts collected for the specific purposes or services performed by the department.

Fund (Program) Codes

Programs (also called purposes) in each department's budget which have a separate budget of their own.

Object (or Account) Line-Items

The individual objects of expenditure in each fund (program) in a departmental operating budget such as salaries, supplies, equipment, and travel. This is referred to as an account number in the new Chart of Accounts.

Executive Budget Act

The Act which governs the budgetary process in North Carolina. It provides the statutory language for development, presentation, authorization, and control of the budget. (G.S. 143-1 through G. S. 143-34.7)

Repair and Renovations Reserve

This account is a restricted reserve from which funds are authorized by the General Assembly for the repair and renovation of state buildings and related infrastructure that are General Fund supported. The General Statutes require that 3% of the replacement value of all state buildings supported from the General Fund shall be placed in the R&R reserve at the end of each fiscal year.

OTHER TERMS USED IN BUDGET INSTRUCTIONS**Inflationary Allowances**

One of the allowable adjustments in the continuation budget Worksheet I, this refers to the increases or decreases to the budget to reflect anticipated budgetary needs for certain accounts. The Budget Instructions provide a listing of the specific accounts for which inflationary allowances can be requested and specify the allowable rates of inflation and methodologies to be used for the various calculations.

SB 1005

Language in this ratified bill, the 2001 Appropriations Bill, sets forth requirements for State Chief Information Officer (CIO) review of financial aid requests of \$100,000 or greater from the State for the information technology maintenance or acquisition and CIO recommendation to the Governor on the merits of such requests. Subsequent legislation (ratified SB 991 in 2003) sets forth additional CIO information technology project review and authority for quality assurance.

Non-recurring Appropriation

These are one-time appropriations approved by the General Assembly. All non-recurring appropriations must be removed from the continuation budget in the increase/decrease columns of the Worksheet I.

Annualization

This refers to the process of establishing a full fiscal year budget for items that were funded only for a portion payable amount in the authorized year (Authorized column of the Worksheet I). This typically relates to positions and operating costs for new programs or facilities, but may also be applicable to other appropriations.

Worksheet I

Worksheet I is a document generated in the Budget Preparation System which, when completed, represents the continuation (or base) budget for a budgetary fund. The continuation budget provides operating funds for each year of the biennium to continue the existing, authorized level of services. Development of the Worksheet I begins with budgetary, position and expenditure data loaded from various mainframe systems. The baseline budget is the Authorized budget, adjusted by budget revisions and increased or decreased for the biennium under request as allowed and specified in the OSBM budget instructions.

Worksheet II

This is the agency request for expansion funding. Expansion requests include additional operating funds above those allowed in the continuation budget; department requests to redirect funds from one statutorially controller program to another; for one-time major equipment purchases; for continued phase-in of new programs; legislatively designated salary increases; and funds to replace lost federal funds.

Results Based Budgeting

For North Carolina, results based budgeting means a commitment to emphasizing results as an integral part of state budgeting in order to encourage efficient and effective management of state resources. The goals of implementing results based budgeting are to:

- Improve decision makers' understanding of agency missions, goals, activities, impacts, and funding by integrating fiscal information, results indicators, and descriptions of government services and by improving analytical content, graphics, and readability of budget documents.
- Improve the clarity, consistency, and analysis of budget requests by collecting standardized supporting documentation, including measurable indicators.
- Relate expansion budget requests to the governor's agenda and departmental goals, as appropriate.
- Enable analysis of effectiveness to improve funding, planning and management decisions.

See section 4 of this document.

Budget Preparation System

Budget Preparation System (BPS) is part of an integrated mainframe budget system developed and managed by the Office of State Budget and Management and used to generate, first, the recommended continuation budget and, second, the legislatively certified budget. Instructions for working in BPS, and the related Budget Revision System (BRS), are provided on the OSBM website. It is the primary budget system used to develop the agency line-item continuation budget requests.

Worksheet III

Worksheet III is the set of forms used for requesting capital improvement funds and identifying capital improvement needs for the Governor's Recommended Capital Budget and six-year Capital Improvement Plan.

Capital Budget Request

Any budget request for land acquisitions, new construction, or rehabilitation of existing facilities.

Capital Improvement Request

Refers collectively to all types of capital requests including the Capital Budget Requests and Repair and Renovation Requests.

Capital Improvement Plan

The Governor's recommended six-year plan for funding state-wide capital improvement projects as required by G.S. 143, Article 1B. The first two years of the plan will become the Governor's recommended Capital Improvement Budget.

Repair and Renovations Request (R&R)

Any budget request for roof repairs; structural repairs; repairs to meet federal and State standards; electrical, plumbing, and HVAC repairs; ADA, fire safety, and energy efficiency improvements; renovations to improve existing space; historical renovations; removal of asbestos, lead paint, and other contaminants; and improvements to roads, walks, drives, drainage, and landscaping.