



Instructions for Preparation of the 2025-27 Base Budget

September 2024

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Executive Summary the 2025-27 Governor's Recommended Budget Process

The State of North Carolina appropriates operating and capital funds on a biennial, or two-year, cycle. An approved budget includes annual amounts for each of the two fiscal years that make up the biennium.

The State Budget Act ([GS 143C-3-5\(g\)](#)) requires the incumbent Governor to complete budget recommendations, including the Base Budget and Change Budget, for submission to the Governor-elect by December 15. The General Assembly, convening in January 2025, will consider the Governor-elect's recommended budget, as well as other changes presented for legislative review before passing a two-year budget. Once a budget is enacted, the Office of State Budget and Management (OSBM) will certify the budget.

The process for preparing the 2025-27 Governor's Recommended Budget is now underway. Agencies will work with OSBM staff to prepare Base Budget and Change Budget requests for the upcoming biennium in a manner consistent with that prescribed in the State Budget Act. Agencies should plan to engage internally and with OSBM and Governor's policy staff in a collaborative effort to complete the tasks laid out in the accompanying budget instructions and any subsequent guidance from OSBM.

For agencies, the process should include not only budget and financial staff but also program directors, CIOs, and other members of agency senior leadership. OSBM analysts offer technical assistance to agencies in developing the Base Budget and Change Budget recommendations. OSBM Budget Execution Analysts will work with agencies on preparing the Base Budget, and OSBM Budget Development Analysts will work with agencies on Change Budget requests. The remainder of this document will summarize the instructions for preparation of the 2025-27 Base Budget.

Timeline

Timeliness and deadlines are critical to budget development. Deadlines are established to ensure that OSBM and the Governor have adequate time to review information and finalize a Recommended Budget as required by the State Budget Act. Agencies need to focus on budget planning and policy decisions early to ensure all deadlines are met. The following page outlines key dates and deliverables for preparation of the 2025-27 Base Budget. A more detailed timeline can be found on the [OSBM website](#).

2025-27 Base Budget Preparation Key Dates/Deadlines (all 2024 calendar year)	
<u>Date</u>	<u>Action</u>
September 6	2025-27 Base Budget Instructions Issued
September 12	Agency Base Budget Instructions Training from 10:00 – 11:00 a.m., <i>In-Person only at OSBM (2 Salisbury Street, Raleigh, NC 27601)</i> UNC Base Budget Training from 3:00 – 4:00 p.m.
September 16	Draft Base Budget Documents Available for Agency Review. RK 314 Report Available for Agency Review.
September 20	Agencies Notify OSBM of 2024-25 Approved Budget Revisions to Include or Exclude in Base Budget Document (based on RK 314). <i>Agencies must notify OSBM of any approved budget revisions to include in the Base Budget following this date.</i>
October 1	Agencies Submit Requested Updates to Fund Purpose Statements to OSBM
October 18	Agencies Submit Proposed Pay Plan Estimates to OSBM (Final Estimates due January 1, 2025)
October 22	Agencies Submit Revisions Adjusting Receipts based on Receipts Analysis to OSBM
October 29	Agencies Submit Revisions Adjusting Salary Reserve/Personnel Expenditures to OSBM
October 29	Agencies Submit Revisions Reconciling Intra-Governmental Transfers to OSBM
November 12	Agencies Submit All Worksheet I Entries (with appropriate justification/attachments) and Budget Restructuring Plans to OSBM
November 22	All Approved Budget Revisions Needed in Base Budget Finalized/Approved. All Base Budget (Worksheet I) Entries Finalized/Approved. 2025-27 Base Budget Recommendation Finalized/Complete.

2025-27 Base Budget Training on September 12, 2024

OSBM will host an in-person training for **agency staff** on Thursday, September 12, 2024, at 10:00 am. A separate training will be held for **UNC staff** on Thursday, September 12, 2024, at 3:00 pm. The training will include a review of the 2025-27 base budget instructions, focused on key changes to the process and timeline, and an opportunity to address your questions. Key staff members who will be involved in the biennial base budget development process for your agency are encouraged to attend.

Instructions for Preparing the 2025-27 Base Budget

The following instructions, related job aids, and attachments provide detailed guidelines for preparing the 2025-27 Base Budget with accompanying deadlines for completing key steps. These instructions provide a summary of the process, but more detailed instructions (job aids), relevant attachments and reference materials are available on OSBM's website and linked throughout this document. The [Budget Instructions Section](#) on the OSBM website houses instructions and other relevant documentation for various budget processes along with a comprehensive calendar with key dates.

The Base Budget provides the funding necessary to continue the existing, authorized level of services for the 2025-27 biennium. The Base Budget is an agency's opportunity to adjust budgets to better reflect actual expenditures and revenue collections and provide a more accurate spending plan for the biennium. This should promote effective decision making, increase transparency, and reduce the number of budget revisions needed throughout the fiscal year. This is also an opportunity for agencies to correct miscoded or incomplete items resulting from the transition from NCAS to NCFS.

Preparing the Base Budget is an interactive process as agencies work closely with OSBM to make appropriate adjustments to the Base Budget. ***The Base Budget process is required for all governmental and proprietary budget codes***, as defined in G.S. 143C-1-3, that OSBM determines to be included in the Governor's Recommended Budget. [Base Budget Development Job Aids and Reference Materials can be found on the OSBM website.](#)

To support OSBM's review of the base budget, agencies may be asked to submit supplemental information on relevant service and activity data, such as data on populations served and at what cost for the funding level in the base budget.

All Base Budget adjustment requests and associated documentation are due to OSBM by the deadlines specified in this memo. Agencies are required to attach backup documents to the Base Budget Entries in IBIS. If necessary, agencies may submit backup attachments to your OSBM Budget Execution Analyst by email.

The Base Budget Document

The process to develop the 2025-27 Base Budget begins by generating the Base Budget Document ("Worksheet I" report) from the self-service budget development reports folder within IBIS. An overview of useful Base Budget reports, including a description of the Worksheet I report, is located [here](#). The Worksheet I report uses the recurring FY 2024-25 authorized budget as the starting point for the 2025-27 Base Budget; previous fiscal year actuals and the recurring FY 2024-25 certified budget are also included in the report for additional context.

Once the initial Worksheet I report has been generated in IBIS, recurring budget revisions approved by OSBM during the base budget process will be manually pulled into the Worksheet I report. This ensures that an agency's FY 2024-25 authorized budget in the Worksheet I report is current.

Any adjustments that are not allowed on a normal budget revision but are allowed through the Base Budget development process may be requested through a Base Budget (Worksheet I) entry in IBIS. Any changes approved by OSBM using a Worksheet I entry in IBIS will be reflected in the Increase/Decrease column of the Worksheet I report. The combination of the FY 2024-25 authorized budget and the Increase/Decrease column comprises the 2025-27 Base Budget, reflected in the Total columns for both

years of the biennium. A useful reference document that describes each column in the Worksheet I report is located [here](#).

[IBIS Worksheet I Training Guide](#) includes step-by-step instructions on how to complete a Worksheet I entry in IBIS for any adjustments that are only allowable through base budget authority.

The 2025-27 Base Budget preparation process will allow the following four modifications to an agency's budget:

1. [Adjustments to the FY 2024-25 Authorized Budget](#):

Agencies should examine their FY 2024-25 authorized budget for opportunities to realign budgets to actual expenditures, where allowed, and to budget receipts at accurate levels. Agencies should also reconcile budgeted salaries and benefits, as well as Salary Control in IBIS as part of this review. Realignment within the same budget fund, adjusting receipts levels, salary, and benefits, and Salary Control reconciliations can be accomplished through budget revisions that are pulled into the Worksheet I report.

[Job Aid on Allowable Changes to FY 2024-25 Authorized Budget](#) provides more detailed instructions.

2. [Fund Review and Updates to Fund Purpose Statements](#):

Fund Purpose Statements appear in the Base Budget Document for any budget fund with actual activity in FY 2023-24. It is imperative that agencies update the Fund Purpose Statements to accurately explain the programs, expenditures, and revenues that are managed within each specific budget fund. Fund Purpose Statements are a key component of the Base Budget document, allowing decision makers and the public to understand how programs are funded.

3. [Allowable Base Budget \(Worksheet I\) Increases and Decreases](#):

Base Budget increases and decreases do not change the FY 2024-25 authorized budget but are shown separately in the Worksheet I report and may increase or decrease total spending for a purpose or program in the 2025-27 biennium, as authorized by [GS 143C-1- 1\(d\)\(1c\)](#), including:

- a. "Annualization of programs and positions.
- b. Reductions to adjust for items funded with nonrecurring funds during the prior fiscal biennium.
- c. Increases to adjust for nonrecurring reductions during the prior fiscal biennium.
- d. Adjustments for federal payroll tax changes.
- e. Rate increases in accordance with the terms of existing leases of real property.
- f. Adjustments to receipt projections, made in accordance with G.S. 143C-3-5(b)(2)c.
- g. Reconciliation of intragovernmental and intergovernmental transfers that require no net General Fund increase.
- h. Adjustments for statutory appropriations and other adjustments as directed by the General Assembly.
- i. Reconciliation of salary-related employer contributions, longevity, and special separation allowance under Article 12D of Chapter 143 of the General Statutes."

These adjustments should be made through the Base Budget process. Depending on the scope and nature of a proposed change, OSBM may require certain adjustments to be requested instead as part of the Change Budget process.

[Job Aid on Allowable Increases and Decreases to FY 2024-25 Authorized Budget](#) provides more details on budget adjustments allowed during the Base Budget process.

4. [Budget Restructuring](#):

Through a Base Budget entry in IBIS, agencies have the opportunity to restructure budgets, i.e., to make changes to the budget fund structure. For example, if a program is comprised of multiple budget funds, agencies can combine those into one budget fund through the Base Budget process.

Combining budget funds may increase operational flexibility and reduce the number of budget revisions needed. Budget structure changes should not necessarily be the result of, or require, a reorganization within an agency; restructuring the budget may simply be an opportunity to operate more efficiently. However, if a budget restructuring involves a reorganization, a report must be made to the Joint Legislative Commission on Governmental Operations and Fiscal Research as required by [GS 143B-10](#).

Agencies interested in restructuring their budgets should complete the [Budget Restructuring Attachment](#). Restructuring plans should not be entered into IBIS until an agency has consulted its OSBM analyst and all other Base Budget entries have been approved.