

Chapter One: Introduction

Among the policy functions of state government, none is more important than the budget process. The budget is a plan of operation describing how the state will use its financial resources to meet the needs of the public. The plan includes an estimate of proposed expenditures and the means of financing the disbursements.

The state's budget, as recommended by the Governor and approved by the Legislature, originates with the individual budget requests of state agencies. Agency budget requests provide the information needed to prioritize programs and allocate financial resources accordingly.

Programs are the focus of the budget format. The effectiveness of programs and efficiency of operations should be a consideration during the preparation of the agency budget request.

Budget Base

The general fund budget request for the 2009-11 biennium is limited to 100 percent of an agency's present general fund appropriation. Adjustments will be made for one-time expenditures, such as major capital improvements and phased-in programs, when calculating the 100 percent limit. Each agency will be notified of its actual dollar limit.

While the budget limit is 100 percent of the base budget, we still encourage agencies to examine what they do and how they do it. Agencies are challenged to think about what they no longer need to do; or what they can do in a simpler, more cost-effective way.

General fund budget needs beyond the 100 percent amount can be prioritized and requested in the Optional Request.

There are no limitations to requesting special funds or federal funds unless an agency is notified otherwise. However, agencies are encouraged to analyze all programs regardless of funding source.

Fiscal Environment

The February 2008 revenue report shows 2007-09 actual revenues exceeding projections. Through the end of February 2008, actual collections exceeded the forecast by 13.1 percent or \$93.6 million. *Moody's Economy.com*, the state's economic forecasting consultant, has indicated that North Dakota can expect continued growth in the state's economy; however, the state is not immune to the effects of a national recession.

Although economic signs are positive in North Dakota, expected budget demands are great. All programs and expenditures will be analyzed and prioritized.

Agencies should not substitute federal funds or special funds for general funds without considering the long-term availability of these funds. Over the years, programs have been started or enhanced with federal dollars only to have federal funds decrease or be eliminated. Caution is advised in substituting other funds for general funds.

While an official forecast is not yet complete, preliminary estimates indicate that the initiated measure to reduce personal income tax and corporate income tax could reduce general fund revenues by \$375-400 million. If oil prices remain strong, the proposed constitutional measure to make the Permanent Oil Tax Trust Fund a constitutional fund could limit available resources by an additional \$300-400 million in the 2009 – 2011 biennium.

Using the BARS Manual

This first chapter contains general introductory information including the fiscal environment, the budget base, using the BARS Manual, and starting the budget process.

Chapter 2 describes various general procedures for submitting an agency budget using BARS.

All BARS screens are discussed individually in Chapters 3 through 9 of the BARS Manual. Chapter 4 contains instructions for completing all screens used in budgeting salaries, wages, and fringe benefits. The remaining chapters contain instructions for all other screens.

For each BARS screen, the screen name is presented first. Next the “Navigation Path” is indicated for each screen. This tells the user which menu options to select to access the screen. The general purpose of the screen is presented under the heading “Purpose.” Finally, the section titled “Using the Screen” contains instructions regarding information to be included on a screen. This section may also tell the user where to budget certain anticipated expenditures.

Chapter 10 describes how to build an agency IT (Information Technology) plan and budget.

Reports of various budget data can be viewed or printed through BARS. Each available report is described in Chapter 11.

Chapter 12 provides the glossary.

The BARS Manual includes links to various resources such as the Revenue and Expenditure Account Codes, Building and Infrastructure formulas, Legislatively Authorized FTE, and various agency billing rates to be used in building the 2009-11 budget request. Wherever possible, the BARS Manual uses the same terminology as the PeopleSoft payroll and financial systems.

Budget Process Timeline

The statutory deadline for all budgets to be submitted is July 15, 2008, including the optional request. If an extension is needed, the request for an extension must be made in writing to the assigned budget analyst by July 1, 2008. Agencies are encouraged to submit the budget as early as possible to allow adequate time for analysis.

Throughout the budget process, analysts will be available to answer questions on using BARS or how to prepare the budget.

The building and infrastructure inventory should be updated by April 11, 2008.

After the budget is submitted, a budget review meeting is held for each agency, if requested. The meeting will include a representative from the Office of the Governor, the Office of Management and Budget director, OMB Fiscal Management director, the budget analyst, and a Legislative Council representative. After the meeting, analysis of the request is completed and recommendations are prepared to reflect the executive budget policy.

In July 2008, the first revenue forecast for the upcoming biennium is completed. In November 2008, the forecast is updated to reflect current economic data and other factors, such as the passage or defeat of proposed initiated measures and constitutional amendments. At that time, spending recommendations are finalized to correspond with anticipated revenue.

The Governor presents the executive budget to the Legislature at the organizational session in December. Appropriation bills supporting the executive recommendation are then prepared and submitted.

The budget process and key dates are graphically displayed in the [Budget Process Timeline](#) in the Appendix.