

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.

The budget is organized by program within each agency. 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 2017-19 biennium is limited to 90 percent of an agency's present general fund appropriation. Adjustments will be made for continuation of the 2015-17 second year salary increase. Adjustments will also be made for one-time expenditures, such as major capital improvements and phased-in programs. Each agency will be notified regarding its base budget limit.

General fund budget needs beyond the 90 percent amount can be prioritized and requested in the Optional Request. All requests for new FTE, regardless of funding source, must be prioritized and requested in the Optional Request.

There are no limitations to requesting special funds or federal funds unless it is for a new FTE or an agency is notified otherwise. However, agencies are encouraged to analyze all programs regardless of funding source to find simpler, more cost effective ways to operate.

Fiscal Environment

At the beginning of the 2015-17 biennium, North Dakota's economy, along with state revenues, began to slow considerably. Both the energy and agriculture industries have been buffeted by global markets. Revenues began to fall below forecast starting in August 2015. This resulted in an updated revenue forecast being completed in January 2016. This forecast projected state general fund revenues decreasing \$1.074 billion.

To bring the budget back into balance, available dollars in the general fund beginning balance, a transfer from the Budget Stabilization Fund and cutbacks of 4.05 percent to all general fund agencies was required. Given this fiscal stress, preparing the budget for the 2017-19 biennium will be challenging. All programs and expenditures will need to be analyzed and prioritized.

Agencies should not substitute federal funds or special funds for general fund moneys without considering the long-term availability of these funds. Agencies should also consider eliminating grants that are not core to the agency or state functions, consolidating or eliminating programs

and services, and scrutinizing all FTE, along with travel, dues and professional development expenses.

During the last several biennia, the state has seen incredible growth. That growth has now leveled off and returned to a more normal level and the state's budget will need to be adjusted accordingly.

Using the IBARS Manual

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

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

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

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

Reports of various budget data can be viewed or printed through IBARS. Each available report is described in Chapter 10.

Chapter 11 provides the glossary.

The IBARS 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 2017-19 budget request. Wherever possible, the IBARS 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, 2016, 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, 2016. 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 IBARS or how to prepare the budget.

The building and infrastructure inventory was updated in April 2016 and can be used to calculate extraordinary repair requests.

After the budget is submitted, a budget review meeting may be 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 August 2016, the first revenue forecast for the upcoming biennium is completed. In November 2016, the forecast is updated to reflect current economic data and other factors. At that time, spending recommendations are finalized to correspond with anticipated revenue.

The Governor presents the executive budget to the Legislative Assembly 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 on the following page.

Budget Process Timeline

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Prepare budget instructions and issue to agencies												
Visit agencies												
Update Bldg & Infrastructure inventories due from agencies												
Complete initial revenue forecast												
Extensions for budget request due from agencies												
Budget requests due from agencies												
Budget review meetings held with agencies												
Analyze budgets												
Complete final revenue forecast												
Finalize recommendations												
Present executive budget to legislature												
Prepare appropriation bills												
Legislature conducts hearings, acts on appropriation bills. Bills approved by legislature and signed by governor												
Prepare legislative appropriation summary												
Update budget instructions, publications and computerized budget system												
Conduct special studies												
Attend interim legislative committee meetings												