



June 2015

North Carolina's Budget Calendar

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Introduction

In odd-numbered years, North Carolina enacts a two-year budget. The budget passed in the summer of 2015, for example, runs the course of two fiscal years, from July 1, 2015 to June 30, 2017. It is known as the 2015-17 budget.

In even-numbered years, state leaders make adjustments to the two-year budget based on current information about revenues and expenses. This is often called the "continuation budget." If the state receives less revenue than predicted or costs are higher than predicted, legislators and the governor may make tax changes to increase revenue, change the rules governing some state programs in order to lower costs, or direct state agencies to cut their budgets.

The state constitution mandates that North Carolina have a balanced budget. That means state leaders cannot budget total expenses that are greater than anticipated revenues.

1. AGENCIES CREATE THEIR BUDGETS

It's September, and though the fiscal year just started on July 1, state agencies (e.g. Department of Public Instruction, Department of Health and Human Services, the Justice Department, etc.) must begin to build their budgets for the next fiscal year. The governor provides the agencies with an instruction manual that tells them what costs they can consider in determining their budget estimates. For example, they may or may not be allowed to take into account inflation or anticipated growth in the number of people they serve. (The Department of Public Instruction is no longer allowed to factor enrollment growth into its budget because of a provision included in the 2014 state budget.) The agencies also have to explain how they will cut their spending if necessary.

These agencies do the work of state government, so their budgets have a significant effect on the well-being and quality of life of the people of North Carolina. The budget for the Department of Health and Human Services, for example, includes Medicaid and NC Health Choice, as well as agencies that provide services to people with mental illness or developmental disabilities and those who are blind, deaf, or elderly. It also covers child development, early education, and food and nutrition services.

How you can get involved: The public does not have the opportunity to influence agencies' budgets at this point in the process. However, the November elections are coming, which makes this a good time to talk to elected officials. Explain to them how state services benefit your community. Attend campaign events and ask how the candidate would make the vital services provided by these agencies even better.

2. THE GOVERNOR PREPARES HIS OR HER BUDGET PROPOSAL

The governor and the Office of State Budget and Management work with the agencies during the winter to prepare the state budget proposal. It includes a revenue forecast and may include changes to the tax code. The governor may also include provisions that change how state agencies are run. For example, the changes that turned the state Department of Commerce into a public-private partnership were first unveiled as part of Governor McCrory's 2013 budget proposal.

The governor presents his or her budget to the public and the state legislature—usually in March in odd-numbered years and in May in even-numbered years.

How you can get involved: The release of the governor’s budget marks the beginning of the public process. If you have trouble determining how funding or policy changes in the budget will affect the programs you care about, contact the Budget & Tax Center for assistance.

Inform legislators about how the governor’s budget, if enacted, would help or hurt you, your organization, or your community. Meet with the legislators who chair the appropriations subcommittee that will determine the funding for various programs and services during the next step of the budget process. If, based on your conversations with them, you anticipate difficulty in getting the necessary funding and policies to help benefit you, your organization, or your community, now is the time to make your voice heard. For example you may want to launch a communications and lobbying campaign.

3. EACH CHAMBER OF THE LEGISLATURE CREATES ITS BUDGET

The budget process begins in the same chamber for both years of the biennium, and then switches to the other chamber for the subsequent biennium. This biennium, the NC House crafts and unveils its state budget proposal first; in the biennium that begins in 2017, the NC Senate will go first. The chambers will have updated revenue numbers and will work closely with the Fiscal Research Division as they build their proposals.

A handful of leaders in each chamber will make the decisions about the biggest spending items—per-student allotments, teacher pay schedules, and Medicaid, for example. Appropriations subcommittees usually determine funding for the rest of the budget. The chamber’s leadership will give each subcommittee—education, health and human services, justice and public safety, etc.—a spending target for the programs in its section of the budget. (It is possible, albeit uncommon, for the chamber’s leadership to bypass the subcommittee process all together. The Senate did it in 2014.)

The chamber’s leadership will use the subcommittees’ recommendations to craft a budget for all of state government, which will go before all of the chamber’s members for a vote. Once that chamber approves its proposal, the other chamber will go through the same process.

Then selected leaders from each chamber will meet to negotiate in “conference” to iron out differences between the two budget proposals. The governor may be part of that conversation. The final budget agreement then goes before each chamber for another vote.

How you can get involved: Now is the time to ramp up your advocacy efforts. Once each chamber has passed its budget proposal, the opportunities to influence the process will be limited.

Attend subcommittee meetings, and contact the members with your concerns about the issues you care about. Have your constituents meet with legislators to share stories about how various programs and services have benefited their community and the effect potential cuts or increases in funding would have. While you may be communicating with legislators about the importance of a particular needed investment, we encourage you to also make the point that legislators should not take a “rob Peter to pay Paul” approach by taking from another vital area to fund the program you may be supporting. At the

What if revenues fall short?

As the year progresses, the Fiscal Research Division regularly updates revenue estimates based on how much tax money has come in and changes in economic conditions. If projected revenues for the year decrease—or if there is an unexpected jump in expenditures—the governor may order state agencies to make mid-year adjustments to keep the state budget in balance. Such adjustments may include cutting staff, closing offices, and reducing the number of North Carolinians the agencies serve.

Budget and Tax Center we are happy to provide talking points and examples of ways you can advocate for one issue and still support a strong budget for all of our state's vital programs and services.

Let the local media know about your issue and the potential impact of the budget. Submit letters to the editor when the newspaper runs budget-related articles, and add comments to those articles on the paper's website. Consider writing an opinion piece for a blog that is popular among legislators and lobbyists, such as NC Policy Watch's Progressive Pulse blog.

4. THE GOVERNOR DECIDES WHETHER TO SIGN THE BUDGET

The governor can sign the budget, allow the budget to become law without his or her signature, or veto the budget. If the legislature is still in session, he/she has ten days to decide; he/she has 30 days if the legislature has adjourned.

How you can get involved: You can encourage the governor to sign or veto the budget through news conferences, rallies, contacting the governor by phone or email, and sharing action alerts with your network.

5. STATE AGENCIES AND THE OFFICE OF STATE BUDGET AND MANAGEMENT IMPLEMENT THE NEW BUDGET

State agencies may need to create new rules for how they operate based on new laws or provisions included in the budget.

What if they can't agree?

The fiscal year ends on June 30, and the new budget takes effect on July 1. But sometimes the new budget is not ready. This happens when the two chambers of the legislature can't agree on a final budget or the governor vetoes the budget and the legislature can't override that veto.

If this happens at the beginning for the second year of a two-year budget, that budget simply continues. If it happens at the end of a two-year budget, the legislature must pass a short-term spending measure to keep state agencies operating while negotiations continue.