



Federal and State Budgets – Basic Information for North Carolina Nonprofits

Question	Federal budget	State budget
What is the fiscal year?	<ul style="list-style-type: none"> October 1 – September 30. 	<ul style="list-style-type: none"> July 1 – June 30.
Who decides what is in the budget?	<ul style="list-style-type: none"> Congress in Washington, D.C. 	<ul style="list-style-type: none"> The NC General Assembly in Raleigh.
How many lawmakers vote on the budget?	<ul style="list-style-type: none"> There are 100 U.S. Senators (two from North Carolina) and 435 voting U.S. Representatives (currently 13 from North Carolina, increasing to 14 in 2023). 	<ul style="list-style-type: none"> There are 50 NC Senators and 120 members of the NC House of Representatives.
How frequently do lawmakers vote on the budget?	<ul style="list-style-type: none"> Congress passes a new federal budget each year. 	<ul style="list-style-type: none"> The NC General Assembly passes a two-year budget in every odd-numbered year and then makes adjustments to the second year of the budget in even-numbered years.
What are the major areas of spending?	<ul style="list-style-type: none"> A significant portion of the federal budget is devoted to “mandatory” spending programs, including Social Security, Medicare, Medicaid, and unemployment benefits. These programs are funded by ongoing laws. Other “discretionary” funding must be approved by Congress every year. Discretionary programs include the military, education, healthcare, social safety net programs, housing, and transportation. 	<ul style="list-style-type: none"> The state budget provides funding for state government agencies, public schools, community colleges, the UNC system, health care programs, state prisons, law enforcement, state parks, public services for children and seniors, and roads.
What are the main revenue sources?	<ul style="list-style-type: none"> Federal taxes, including individual income tax, corporate income tax, estate tax, payroll taxes, tariffs, and excise taxes, pay for much of the federal budget. The federal government also takes on debt to pay for a significant portion of federal spending each year. 	<ul style="list-style-type: none"> State taxes, including individual income tax, corporate income tax, franchise tax, and sales and use tax, pay for a significant portion of the state budget. Some state services are also supported by federal funds. Various state agencies also charge fees, such as court filing fees and charitable solicitation licensing fees, to those that use state government services.
What tax provisions in a budget could affect nonprofits?	<ul style="list-style-type: none"> Changes to federal corporate income tax laws can affect the amount of taxes that some nonprofits must pay on unrelated business income. Changes to federal individual income tax, corporate income tax, and estate tax laws can create (or eliminate) or enhance (or diminish) tax incentives for charitable giving. 	<ul style="list-style-type: none"> Changes to federal corporate income tax laws can affect the amount of taxes that some nonprofits must pay on unrelated business income. Changes to state sales tax laws can affect nonprofit sales tax refunds and can affect the types of goods and services on which nonprofits much collect and remit sales tax. Changes to individual and corporate income tax laws can create (or eliminate) or enhance (or diminish) tax incentives for charitable giving.

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		<ul style="list-style-type: none"> State tax law changes that reduce overall state revenue can mean less state investment in grants and contracts with nonprofits that provide public services, while state tax law changes that increase overall revenue can provide opportunities for greater state investment in the work of nonprofits.
Does the budget need to be balanced?	<ul style="list-style-type: none"> The federal government can take on debt (the equivalent of not paying the full amount of your credit card bill), so the federal budget include more spending than revenue. 	<ul style="list-style-type: none"> The NC Constitution requires a balanced state budget.
What is the (basic) process for passing a budget?	<ul style="list-style-type: none"> Under normal congressional rules, the budget needs the approval of a majority of the U.S. House of Representatives and 60 of the 100 U.S. Senators to go to the President. The U.S. House and U.S. Senate also can use a special process called budget reconciliation that only requires a majority vote of each chamber. If the President vetoes the budget, Congress can override the veto by a two-thirds vote of both the U.S. Senate and the U.S. House of Representatives. 	<ul style="list-style-type: none"> A majority of the NC Senate and NC House of Representatives must approve the budget. The Governor has the opportunity to sign the budget into law, veto it, or let it become law without the Governor’s signature. If the Governor vetoes the budget, the NC General Assembly can override the veto (by a 60% vote of both the NC Senate and the NC House of Representatives).
What happens if there is no budget?	<ul style="list-style-type: none"> Parts of the federal government – particularly those funded through “discretionary” spending programs – are shut down if a budget is not enacted by the beginning of each fiscal year. “Mandatory” spending programs continue to operate, even if a budget isn’t enacted. Congress can pass a continuing resolution to provide for a temporary extension of funding at existing levels if a budget has not been enacted by the beginning of a new fiscal year. 	<ul style="list-style-type: none"> The recurring funding from the most-recently approved state budget remains in effect for the new fiscal year. The state government does not shut down if there is no budget, but state appropriations are not adjusted to take into account changes in needs for state services.
How are nonprofits affected if there is no budget?	<ul style="list-style-type: none"> Late contracts and late payments on federal grants. Delays in federal benefits to people served by nonprofits. Potential issues with IRS filings. Need for nonprofits to educate clients about reductions or changes in federal benefits. 	<ul style="list-style-type: none"> No new or additional funding if there is no new budget. If a budget is passed after the start of the fiscal year, nonprofits with new or increased funding may need to provide a full year’s worth of services in less than a year.