



**STATE OF NORTH CAROLINA
OFFICE OF STATE BUDGET AND MANAGEMENT**

MICHAEL F. EASLEY
GOVERNOR

DAVID T. MCCOY
STATE BUDGET DIRECTOR

June 29, 2007

MEMORANDUM

TO: Chief Financial Officers

FROM: David T. McCoy *David McCoy*

SUBJECT: New Process for Budgeting Appropriated Information Technology Projects

Section 143C-1-2 (b)(iii) of the State Budget Act addresses reversions of appropriations for information technology projects. The Act, which becomes effective July 1, 2007, states:

(b) Unless otherwise provided by law, at the end of the fiscal year the unexpended, unencumbered balance of an appropriation reverts to the fund from which the appropriation was made; except that (iii) an appropriation for the implementation of information technology (IT) projects shall not revert until the project is implemented or abandoned.

Effective July 1, 2007, each department is required to set up a 2XXXX budget code as a budgeted code. Each IT project shall be budgeted in a separate fund code within the 2XXXX budget code. An IT project is defined as a project submitted to the Project Portfolio Management (PPM) tool.

The following guidelines shall be used when creating the 2XXXX budgets:

For new IT projects

- Funds appropriated in the 2007 Appropriations Act for new IT projects shall be certified to an agency's general fund code, and then transferred by an 11 type revision to the established 2XXXX budget code after certification. New IT projects funded 100% from federal grants are not required to be transferred, but may be expended from the existing budget code where those funds are budgeted.
- If the 2007 Appropriations Act appropriates positions for new IT projects, these positions will be certified in the agency's general fund code and will be transferred by an 11 type revision to the established 2XXXX budget code after certification. If the new IT project requires the creation of new positions and the positions are not included in the 2007 Appropriations Act, these positions shall be established directly in the 2XXXX budget code, once OSBM has approved their creation.
- Once appropriated funds and positions for new IT projects are transferred to the established 2XXXX budget code, funds must be expended from the 2XXXX budget code and shall not be transferred to other budget codes.

For existing IT projects

- Recurring funding in the continuation budget for existing IT projects shall be certified in the general fund and then transferred by an 11 type revision to the 2XXXX budget code after certification.
- If nonrecurring funding in 2006-07 is approved to be carried forward into the 2007-08 fiscal year, these funds shall be budgeted first in the agency's general fund budget code and then transferred by an 11 type revision to the 2XXXX budget code.
- Funds appropriated for IT projects in existence before July 1, 2007 and transferred to the 2XXXX budget code may be transferred from the 2XXXX budget code back into an agency's general fund budget code by an 11 type revision, provided both the source and destination of the funds transfer can be clearly identified. The budget for transfer to the general fund should reflect the anticipated level of expenditure in the general fund for the current state fiscal year. The actual transfer of cash should accurately reflect actual funds expended, with unexpended funds remaining in the 2XXXX budget code. **Only funds for projects existing prior to July 1, 2007, may be transferred back into an agency's general fund budget code.**
- Existing IT projects funded 100% from federal grant sources are not required to be transferred to the 2XXXX budget code.

Administration of 2XXXX budget codes for IT projects

- Once all 11 type revisions are approved to transfer funds for IT projects to the 2XXXX budget codes, a Cash Management Control System (CMCS) cash transfer shall be made from the agency's general fund budget code to the 2XXXX budget code.
- Budgets established in the 2XXXX code are created as 11 type budget revisions. Adjustments to these budgets will be prepared as 11 type or 12 type revisions using the same criteria as for all other budget codes.
- All recurring and nonrecurring funding transferred to the established 2XXXX budget codes for IT projects shall remain available in the 2XXXX budget code until they are expended or the project is completed or abandoned.
- The project will be considered to have been completed based on the agency's project as managed in the Project Portfolio Management Tool, as determined by the Office of Information Technology Services and in consultation with the Office of State Budget and Management.
- Funds budgeted in the 2XXXX budget codes remaining unexpended after the project has been completed shall not be transferred or spent for any purpose unless approved by the Office of State Budget and Management or the NC General Assembly.

If you have any questions regarding the above direction, please contact your OSBM budget analyst or contact Jim Dolan at 807-4775.

dmc:eg:bc

cc: J.Dolan
OSBM Staff