



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

BEVERLY EAVES PERDUE
GOVERNOR

CHARLES E. PERUSSE
STATE BUDGET DIRECTOR

August 24, 2010

MEMORANDUM

TO: Department Heads and Chief Fiscal Officers

FROM: Charles E. Perusse *Charles E. Perusse*

SUBJECT: Additional Budget Guidance for FY 2010-11

I am writing to provide you and your office guidance on the implementation of Section 2.3 of Senate Bill 897 (Session Law 2010-31). On August 11, federal legislation was enacted that included a partial restoration of federal Medical Assistance Percentage (FMAP) funds for states through June 2011. The availability of these FMAP funds impact how we are to manage FY 2010-11.

Section 2.3(h) -- Reduction in Retirement System Contributions

This provision established employer contribution rates for the various retirement systems and specified that 1.36% be kept in reserve by the Office of State Budget & Management (OSBM) for employees who are part of the Teachers and State Employees' (TSERS) and the Law Enforcement Officers (LEO) retirement systems. Funds in the reserve were to be transferred to the Retirement System if they are not needed. With passage of the federal legislation, the Office of State Budget and Management (OSBM) is authorizing the release of the special 1.36% reserve. The established employer contribution rates are also restored to 10.51% for TSERS and 15.51% for LEO, effective July 1, 2010.

For General Fund appropriation: OSBM previously instructed agencies, universities, and institutions to submit to OSBM a Type 11 budget revision transferring funds to Budget Code 19047 by August 27.

- If the budget revision was approved in July or August 2010, the agency will have to prepare a reversing BD 606. If the BD 606 was submitted and has not been approved, it will be returned to the agency for deletion.
- Agencies should remit to the Retirement System at the full 10.51% and 15.51% contribution rates retroactive to July 1.
- The 1.36% for July 2010 should be paid as an invoice to the Retirement System to cover the rate retroactive to July 2010. The rate of 10.51% and 15.51% will be established in the Retirement System's ORBIT report for August 2010.

For Non-General Fund sources: These funds were not held in the OSBM reserve, but were held in agency reserve.

- Agencies should remit to the Retirement System at the full 10.51% and 15.51% contribution rates retroactive to July 1.
- The 1.36% for July 2010 should be paid as an invoice to the Retirement System to cover the rate retroactive to July 2010. The rate of 10.51% and 15.51% will be established in the Retirement System's ORBIT report for August 2010.

Section 2.3(i) – One Percent Management Flexibility Reduction

Given the current level of economic uncertainty and knowing North Carolina faces continued budget challenges in FY 2011-12, OSBM is still requiring all agencies to establish an internal 1% management flexibility reduction budget reserve as outlined in the July 21, 2010 statewide memorandum. OSBM will notify each agency of the appropriation amount that needs to be transferred to the internal reserve by Thursday, August 26, 2010. Agencies shall submit a Type 11 budget revision establishing the reserve by Friday, September 24, 2010. The July 21, 2010 requirement to submit an excel spreadsheet summarizing actions taken to fill the reserve is rescinded.

Please contact your OSBM analyst at (919) 807-4700 if you have any questions.

Thank you.