



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

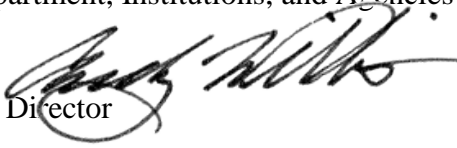
BEVERLY EAVES PERDUE  
GOVERNOR

ANDY WILLIS  
STATE BUDGET DIRECTOR

July 12, 2011

**MEMORANDUM**

TO: Department Heads and Chief Financial Officers  
All State Department, Institutions, and Agencies

FROM: Andy Willis  
State Budget Director 

SUBJECT: Severance Procedures

**Severance Approval**

OSBM must approve severance salary continuation along with the Office of State Personnel (OSP). In order to ensure the process works efficiently please make sure a full explanation of the requested action is contained in the forms submitted to OSP (PD-105, Employee Action Request Form, or BEST Shared Services Separation Form depending on your agency). Specially:

1. Please confirm if the position (s) is being abolished.
2. Please confirm that no existing state agency vacancies, for which the employee is qualified, are within the 35 miles radius of the current job as stated in OSP policy. This policy is found in Section 11: Separation: Reduction in Force Guidelines of the State Personnel Manual.
3. If the position is not funded, all or in part, from the General Fund or Highway Fund, please confirm that funds are available and budgeted from the *same source* of funds, as the positions are funded, to pay the severance. Please identify the source of funds.
4. Please confirm that the employees are not eligible for Discontinued Service Retirement, and please state the reason why not.

**Severance Reserve**

Pursuant to House Bill 200 (Session Law 2011-145), Section 29.21, a severance expenditure reserve budget code will be established in OSBM. It will be allocated to agencies for the purpose of funding severance-related obligations to State employees who are separated from service due to reduction-in-force actions. The severance expenditure reserve must only be used for positions that are funded by the General Fund or Highway Fund. In cases where a position is partially funded by General Funds or Highway Funds, funds may only be used to the extent the proportion of the salaries are paid from the General Fund or Highway Fund. For example, if a reduction-in-force position is funded with 50% General Fund and 50% from a federal grant, and the severance payout obligation is \$8,000, a total of \$4,000 could come from the severance expenditure reserve and \$4,000 would come from the federal grant funds.

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The severance expenditure reserve must be expended in its entirety before agencies are allowed to use their own resources (i.e. lapsed salaries) to fund severance-related obligations. However, it will be some time before the severance expenditure reserve is allocated to you. Since most severance payments must be implemented quickly you will need to use your own funds and be reimbursed when the severance expenditure reserve is allocated. Please remember that there is no guarantee that the severance expenditure reserve will be able to cover all your General Fund and Highway Fund severance related obligations. OSBM will be sending out a memo with more specific guidance regarding severance expenditure reserve requirements.

If you have any questions, please contact your OSBM Analyst at 919-807-4700.

cc: Linda Coleman, State Personnel Director