



STATE OF NORTH CAROLINA
OFFICE OF STATE BUDGET AND MANAGEMENT

ROY COOPER
GOVERNOR

CHARLES PERUSSE
STATE BUDGET DIRECTOR

January 8, 2020

MEMORANDUM

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

FROM: Charles Perusse *Charles Perusse*
State Budget Director

SUBJECT: State Budget Manual Updates

The Office of State Budget and Management (OSBM) posted the following revisions to the State Budget Manual effective January 1, 2020 on our website located at <https://www.osbm.nc.gov/library>.

- **3.6.6 Internal Budget Revisions:** Revised to allow agencies and universities to approve budget adjustments of \$5,000 or less to a revenue account as an internal budget revision (Type 14).
- **3.10.13 General Fund Supported Debt Procedures/Guidelines:** Updated the requirements, procedures and deadlines for the General fund-supported debt requisition process which was recently automated through systems enhancements.
- **3.14 Directed Grants:** Updated to conform to changes enacted in [Section 4.8 of SL 2019-250](#). Clarified language that specifies the role and responsibilities of the administering agency and the grantee, including how non-profit grantees must register with OSBM's grant management system. Included new requirements for administering agencies to provide quarterly status reports to the General Assembly's Fiscal Research Division and OSBM. Merged Section 3.14.3 Request for Payment Appropriation Form into Section 3.14.2.
- **5.1.7 Travel Policy on Excess Lodging:** Amended to allow transportation costs to be considered in justifying excess lodging authorizations.
- **5.1.26 Transportation by Personal Vehicle:** Updated the Internal Revenue Service (IRS) business standard mileage rate to 57.5 cents per mile for calendar year 2020.
- **9.3 Municipal Population Estimates - Key Obligations of Municipalities:** Changed the deadline for municipalities to notify OSBM on changes in points of contact. Established new requirements for municipalities when responding to the Annual North Carolina Demographic Survey and reviewing the Provisional Estimates.

- **9.4 Municipal Population Estimates - Procedures and Deadlines for Meeting Obligations:**
Established two additional requirements including verifying Points of Contacts and a new deadline for responding to the annual survey. Revised the date when certified populations estimates will be posted online.

If you have any questions, please contact your OSBM Budget Execution Analyst.

cc: Jennifer T. Pacheco, Office of State Controller

State Budget Manual - Updated Sections (Effective January 1, 2020)

3.6.6 Internal Budget Revisions

Agencies are delegated authority by OSBM to make nonrecurring changes to the authorized budget for:

- Realignments between expenditure account object classes 1XXX to 5XXX within a single fund/purpose
- Adjustments of \$5,000 or less to a revenue account.

Agencies may not circumvent the \$5,000 limitation on adjusting receipt accounts by approving multiple internal revisions for what should be a single transaction. Requirements must be adjusted with receipts so there is no change to net appropriation or fund balance.

All internal adjustments must be made in IBIS through an internal type "14" budget revision. Agencies must explain in the justification of the internal budget revision how the realignment or receipt adjustment complies with [GS 143C-6-4\(b\)\(3\)](#) which provides authority for the budget adjustments.

Agency budgets should not contain over-expended accounts; therefore, revisions must be processed prior to over-expenditure.

For guidance and restrictions on internal budget revisions that realign lapsed salary, see [section 3.6.7](#). For all other internal revisions, the following adjustments are prohibited:

1. Recurring adjustments;
2. Realignments that impose obligations on the State beyond the end of the fiscal biennium;
3. Realignments between funds/purposes;
4. Realignments between different funding sources (e.g., general/highway fund appropriated accounts cannot be realigned with accounts supported through receipts); or
5. Realignments from operating accounts (2XXX to 5XXX) to the personal services (1XXX) object class.
6. Budget adjustments to a revenue account greater than \$5,000;
7. Realignments or budget adjustments to revenue accounts that result in a change to net appropriation or fund balance.

OSBM will monitor each agency's internal budget revisions and may rescind the authority to budget internally if there is not strict adherence to the above restrictions.

Pursuant to [G.S. 143C-6-4\(g\)](#), transfers or changes within the authorized budget of the UNC system may be made as provided in [Article 1 of Chapter 116](#) of the North Carolina General Statutes. Refer to [section 3.5.5](#) for further guidance.

3.10.13 General Fund Supported Debt Procedures/Guidelines

- All funds from the sale of the General Fund-supported debt must be spent or obligated within three years from the date of sale - preferably within two years.
- All funds must be spent within three days after the Trustee deposits the funds with the State Treasurer.
- All vendors must be set up to receive electronic payments (exceptions must be approved by OSC).
- Funds will only be drawn down from the Trustee bi-weekly per the Debt Proceeds Drawdown Schedule
- Funds may only be requisitioned for actual invoiced expenses.
- Any funds not expended and all refunds of expenditures must be immediately returned to the Trustee.
- Funds cannot be used to reimburse other projects or expenses unless written permission is granted from OSBM. The proposed reimbursement expenditures must be included in the Reimbursement Resolution authorized by the Department of State Treasurer.
- The proceeds from General Fund-supported debt are tax-exempt. In order to maintain the tax-exempt status, private uses of facilities funded from General Fund-supported debt are greatly restricted as long as the debt is outstanding. Private use is any direct or indirect use in a trade or business that is carried on by any person or entity other than governmental units, however, use as a member of the general public is not considered private use for this purpose.
- It is the State's policy that proceeds from General Fund-supported debt cannot be used to compensate or support the salaries of in-house facilities staff or other state employees for services related to completing the projects.
- Copies of all invoices must be kept for six years after the debt is repaid. For example, if the General Fund-supported debt has a 20 year amortization, all records of invoices must be kept on file for 26 years.
- Each agency must prepare a budget revision to establish the total authorized budget for the approved projects.
- Agencies will submit a Bond Requisition Allotment in IBIS for each project in order to requisition and allot the outstanding invoiced expenses.
- Agency budget codes have been set up by OSBM, but the individual project codes must be set up by each agency.
- At the beginning of every quarter, agencies must provide OSBM with an updated cash flow model for each project.

The process for the requisition of funds and the payment of invoices is as follows:

- **Between Drawn-down Cycles:** Agencies shall receive invoices from vendors and certify that these invoices are due and payable.

- **Day 1 (Monday):** Agencies must submit their Bond Requisition Allotment request(s) via IBIS by noon to OSBM.
- **Day 2 (Tuesday):** OSBM reviews and approves the Bond Requisition Allotment requests.
- **Day 3 (Wednesday):** DST retrieves the “RK401 – Capital Bond Process Disbursements/Deposits Report” from IBIS and notifies the Trustee of needed funds by submitting the “Form of Requisition”.
- **Day 3 (Wednesday):** The Trustee wires funds to the Department of State Treasurer for deposit in an OSBM budget code.
- **Day 3 (Wednesday):** OSC receives a “Funds Request Worksheet” via automatic systems interface between IBIS and CMCS. A Journal Entry is created for a Day 4 wire transfer to agency budget codes (4XXXX).
- **Day 3 (Wednesday):** OSC receives the approved allotment via automatic systems interface between IBIS and CMCS.
- **Day 3 - Day 4 (Wednesday - Thursday):** Agencies must enter a Transfer/Requisition into CMCS prior to 10:30 AM on Day 4.
- **Day 4 (Thursday):** Agencies will verify the receipt of funds and send electronic payments to vendors for approved invoiced expenses.

3.14 Disbursement of Directed Grants

3.14.1 Directed Grants Definition

Directed Grants are funds appropriated from the General Fund by the General Assembly to supplement the budgets of local governments and nonprofit corporations for regional and statewide programs in the areas of human services, education, cultural activities, fire protection, community development, and economic development. Unless a specific purpose is identified by the General Assembly these funds are not restricted for a particular purpose but are meant to supplement the budgets of grantees while also being subject to state audit and applicable state laws. Funds are either appropriated from the State's General Fund directly to the non-state entity or appropriated to a state agency for transfer to a non-state entity. If the appropriation is a direct appropriation, the funds are budgeted (certified) in the Special Appropriations Reserve in the Office of State Budget and Management. If the appropriation is made to a state agency, funds are budgeted (certified) in that agency’s operating budget code.

3.14.2 Directed Grants Notification to Recipient After the appropriation is made, a letter should be sent by the agency in which funds are budgeted to the recipient organization stating that:

- The General Assembly has appropriated funds to the organization
- The purpose for which the funds are to be expended
- The reporting requirements required by [09 NCAC 03M.401](#)

Directed grants can only be expended for the authorized projects and purposes specified in the appropriating legislation. Included with the letter are two copies of a draft contract agreement that complies with [09 NCAC 03M.0703](#) and a Request for Payment of Appropriation form.

In addition, the following are required for non-profit entities and should be attached to the “Request for Payment of Appropriation” form:

- Conflict of interest policy ([G.S. 143C-6-23\(b\)](#))
- Sworn statement of no overdue tax debts, as defined in [G.S. 105-243.1](#).

3.14.3 Request for Payment of Appropriation Form – DELETED (Merged into 3.14.2)

3.14.4 Directed Grants - Disbursements

Once the administering agency receives the requested information and is successfully reviewed, the appropriate agency supervisor will sign the two original contracts. One original copy of the contract will be kept by the agency and the other original copy will be sent to the grant recipient. Upon receipt of signed contract by the agency head pursuant to [09 NCAC 03M.0700](#), the grant recipient will submit the request for payment. The agency will then disburse the funds to the grant recipient.

In addition, pursuant to [09 NCAC 03M.0401](#) all granting agencies must register non-profit organizations with OSBM's Grants Management System prior to disbursing any State funds. If, during an agency's review of a recipient, the agency needs assistance in procuring additional information from the recipient, the State agency should immediately contact their OSBM budget analyst.

Pursuant to [G.S. 143C-6-21](#) and [Section 4.8 of SL 2019-250](#), the Director of the Budget has discretion to disburse annual directed grants totaling more than \$100,000 on a quarterly or monthly basis. Disbursement of these funds may be done in equal installments or based on a projected cash flow contingent on a plan submitted to the administering agency. Annual directed grants of \$100,000 or less shall be paid in a single payment unless provided otherwise by State or federal law. Disbursement of funds to a non-state entity that meets all applicable requirements shall begin as soon as practicable, but no later than 100 days after appropriation of the funds.

Pursuant to [G.S. 143C-6-23](#) and [09 NCAC 03M.0401](#), a State agency that disburses a special appropriation to a non-profit organization must report each individual award to the Office of State Budget and Management. To comply with this requirement, agencies must enter recipient and award information in OSBM's Grants Management System. Refer to <https://www.osbm.nc.gov/management/grants> for information on accessing this system.

In addition, State agencies administering directed grants shall report on a quarterly basis to OSBM and the Fiscal Research Division (FRD) at Frdsupportteam@ncleg.net on the status of funds disbursed for each directed grant until all funds are fully disbursed. At a minimum, the report to FRD should include the following:

Date of the initial contact

Date the contract was sent to the entity receiving the funds

Date the disbursing agency received the fully executed contract back from the entity

Contract execution date (signed by both parties)

Payment date.

3.14.5 Directed Grants Subject to Matching Requirements

Directed Grants subject to a matching requirement should be disbursed and expended in accordance with G.S. 143C-4-5, non-state match restrictions.

3.14.6 Issuance of Warrants Requirements

Pursuant to G.S. 143B-426.40G, all warrants issued for non-state entities shall be delivered by the appropriate agency to the entity's legally designated recipient by United States mail or its equivalent, including electronic funds transfer.

5.1.7 Excess Lodging

Excess lodging authorization for in-state, out-of-state, and out-of-country travel must be obtained in advance from the department head or his or her designee.

- Excess lodging is allowed for the following reasons:
- Employee is in a high cost area and the current allowance is insufficient to secure lodging.
- Cost of the excess lodging is less than the cost of lower cost lodging plus transportation costs.

Excess lodging authorization is not allowed for reason of convenience or personal preference for the employee. The employee may exceed the part of the ceiling allocated for lodging without approval from department head or his or her designee provided that the total lodging and food reimbursement does not exceed the maximum daily subsistence.

5.1.26 Transportation by Personal Vehicle

It is the intent of the State that state employee travel shall be conducted in the most efficient manner and at the lowest and most reasonable cost to the state. With regard to passenger vehicle travel, whether in- or out-of-state, agency travel policies shall:

- Maximize utilization of state-owned vehicles (agency-owned or agency-assigned vehicles owned by the Department of Administration),
- Make use of State term contracts for short-term rentals (State Term Contract 975B Vehicle Rental Services), and
- Reimburse for use of personal vehicles on a limited basis in situations when the use of state owned vehicles or state term contract rental vehicles are not readily available.

Agencies are encouraged to establish policies that promote efficient travel, such as ride-sharing. When State-owned resources are not available, the agency may procure vehicles through the State's term contracts or reimburse use of personal vehicles. If a state employee chooses to use a personal vehicle, actual mileage is reimbursable. Mileage is measured from the closer of duty station or point of departure to destination (and return). A state employee shall be reimbursed the business standard mileage rate set by the Internal Revenue Service (**57.5 cents per mile effective January 1, 2020**) when using their personal vehicle for state business when the trip does not exceed 100 miles per trip. For business travel trips that

utilize personal vehicles and exceed 100 miles per trip, the employee shall be reimbursed at a rate that would not exceed 33 cents a mile. Parking fees, tolls, and storage fees are reimbursable when the required receipts are obtained. Fines for traffic and parking violations are the responsibility of the state employee. Internal agency exceptions to this policy can be granted by agency heads, or their designees, if an agency has a unique clearly documented business need that is not directly addressed by this OSBM policy. These exceptions are public records and shall be made available upon request by OSBM staff, auditors or interested third parties.

9.3 What are the Key Obligations of Municipalities?

Municipalities are required to meet three key obligations:

1. To notify OSBM of changes in points of contacts (POCs), including name, address, phone number and email changes prior to June 1 of each year,
2. To respond to the Annual North Carolina Demographic information Survey (<https://ncds.osbm.nc.gov> by the stated deadlines, and
3. To review the Provisional Estimates (at <https://ncds.osbm.nc.gov>) by the 4th business day before September 15th.

9.4 What are the Procedures and Deadlines for Meeting Obligations?

- OSBM maintains a list of Points of Contacts for the annual demographic information survey and provisional estimates review. Municipalities and counties may contact state.demographer@osbm.nc.gov to verify their POC or to submit corrections in name, address, phone and e-mail listings.
- At the end of June, OSBM will e-mail POCs a request to respond and instructions on accessing and responding to the annual survey. Responses must be received by the end of the 3rd week in July. The survey can be accessed at: <https://ncds.osbm.nc.gov>.
- If a municipality chooses to conduct a special local census (see [Section 9.6](#), Special Local Censuses, below) in addition to completing the annual survey, the municipality must send OSBM all final census data by August 1st.
- If a municipality chooses to have a special federal census (see [Section 9.5](#), Special Federal Censuses and other Census Corrections, below) conducted in addition to completing the annual survey, OSBM must receive the final census results from the Census Bureau by September 1st.
- An e-mail informing municipalities of their provisional estimates will be sent to each municipality on or before August 27th. Municipalities will have until the close of business on 4th business day before September 15th to contact OSBM about any errors.
- Final estimates will be prepared by and certified on September 15th to enable the Department of Transportation to meet the requirements of [G.S. 136-41.1\(a\)](#). Any municipality whose final estimate is different from their provisional estimate will be sent a follow up letter on or before September 30th.
- Certified, standard and revised population estimates for municipalities will be posted online on or before September 30th at <https://demography.osbm.nc.gov>.