

October 5, 1999

**IMPORTANT
DEADLINES!**

MEMORANDUM

TO: Presidents
Business Officers
Trustees' Association

FROM: Kennon D. Briggs
Vice President for Business
and Finance

SUBJECT: Hurricane Floyd Expenditure Requirements

As I e-mailed to you on October 4, 1999, this written communication should provide detail about the effects of the September 29, 1999, MEMO from Marvin Dorman, Office of State Budget and Management (OSBM). A copy of the MEMO from the OSBM is attached for reference in this document. Please familiarize yourself with the MEMO before reading this clarification.

First, it is important to reaffirm that we have sought and continue to seek clarification about what is specifically impacted by the freeze, and the extent of the reversion. Again, we have ongoing dialogue with officials in the OSBM, and among ourselves and the leadership of the Presidents' and Trustees' Association. It is important that everyone knows and understands exactly where we are in our fiscal management of the requirement from the Governor to revert funds.

CC99-265
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Items Covered in the MEMO

1. **Freeze of Capital Funds**

As is noted, ALL unencumbered capital funds are frozen. We have been able, however, to determine what funds are at this point excluded from the freeze. At this point, the following is a list of items that **are not** subject to the freeze:

- Unexpended 1993 or 1995 Bond Funds
- 1999 Appropriations for Renovation and Repair (\$250,000/college grant-in-aid)
- Equipment (regular or Equipment Reserve) or Library Books

As noted in the MEMO, “no funds qualifying under this directive may be released unless authorized by this office.” We are trying to obtain release of as many capital dollars as possible. It may be necessary, however, for you to communicate with bill sponsors to alert them of the freeze of unencumbered capital funds. “Unencumbered” is defined by the OSBM as “not under contract.” If you have completed the design, but not awarded or signed a construction contract, then the OSBM interprets this a unencumbered. If you are in the design process, you will be allowed to retain 65 percent of the designer’s total fee, plus other costs associated with the design (e.g., topographical maps, soil tests, etc.). In addition, any remaining unencumbered balances from appropriations made in 1998 and 1997 are subject to the freeze. We have attached a list of appropriations by year and by college of those that are affected.

2. **Freeze of Non-recurring Appropriations from the 1999 Session**

There were seven special non-recurring appropriations made by the 1999 Session of the General Assembly to eight community colleges. They include:

Central Piedmont	\$200,000 for Regional Information Technology Training or Adult High School
Catawba Valley	\$350,000 for the Hosiery Technology Center
Fayetteville Tech	\$450,000 for a regional botanical lab
South Piedmont	\$300,000 for start-up/creation of a new multi-county college
Stanly	\$300,000 for lost FTEs due to start-up of a new community college
Central Carolina	\$750,000 for creation of a regional emergency training facility
Richmond	\$318,000 for Scotland County satellite
A-B Tech	\$200,000 for advance planning for a Small Business Center facility

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The colleges receiving these funds must be able to document and evidence obligations made against the funds, if called upon to produce, in order to have them exempted from the freeze. We believe these funds can be exempted upon appeal, but ONLY if there are legitimate encumbrances.

An initial contract has been made with a business office person at each affected institution. We will advise if additional information is needed, but please be prepared to provide documentation at a moment's notice.

3. **Reversion from Current Operating Budget**

Having conferred with the leadership of the Presidents' Association and members of the Division of Business and Finance, it is our judgement that colleges should revert to the System Office one-half of one percent from your current operating budget. **A sheet is attached indicating the amount each college must revert.** The current one-half percent reversion is only half of the one percent reversion which the Governor, through the OSBM, has directed that the NCCCS revert. As we advised at the beginning of fiscal year 1999-2000, you should be holding the one-half percent of your budget now. **We now advise you to hold an additional one-half percent of your budget, beyond that which you must now revert to the System Office.**

A. Process for Reverting One-Half Percent

In order to revert one-half percent at present, college Business Offices must submit Form DCC 2-4, listing by purpose the total amount of **State Current Operating Budget** being reverted. Object descriptions for each purpose must also be included; e.g., salary, fringe, and other costs. Justification for Revision should be stated as (1/2% of 1% reversion as directed by Governor). If there are questions about this procedure, please contact Annette Dishner at 733-7051, Extension 223. **These reversions are due in the Division of Business and Finance no later than October 29, 1999.**

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B. Funds Not Eligible for Reversion

The following funds **are not** eligible to be included as a part of meeting the budget reversion requirement:

Federal Funds
Basic Skills Funds
New and Expanding Industry Funds
Equipment (regular or Reserve) or Book Funds
Worker Training Trust Funds

C. Funds Eligible for Reversion

The following funds **are** eligible to be included as a part of meeting the budget reversion requirement:

-State Aid Allocations (except as noted in B. above)
-The state portion of Categorical Funds

NOTE: The funds which may be forced to revert in either #1, "Freeze of Capital Funds," or #2, "Freeze of Non-Recurring Appropriations from the 1999 Session" may not be used to count toward the one-half percent reversion requirement. The reason for this, as explained, is that capital and non-recurring appropriations are included in the total calculation of state funds needed, and thus may not be used to offset the reversion requirement.

4. Warning to Departments and Institutions

This item in the MEMO is interpreted to mean that the OSBM will be looking for additional funds this fiscal year to meet the state's share of hurricane clean-up costs. We will, of course, keep you posted of any additional requirements.

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Summary

As you will note from the attached correspondence, this is not something required either by the State Board or by the President. It is a necessary response to a directive by the Governor under invocation of emergency powers. This also represents our response, as directed. For now, the one-half percent reversion, along with other reversions, may be sufficient to meet the requirement. We must caution you, however, that an additional one-half percent reversion may be required. It is also important to note that the drop in student enrollments because of the hurricane and change in financial circumstance could negatively affect our receipt budget for many people. We will monitor the receipt situation and advise you accordingly.

We appreciate your response to this emerging financial management problem, and will do everything within our power both to keep you informed and to keep the financial damage to a minimum. If there are questions that you have that are not properly addressed, please call me, Larry Morgan, or Phil Albano.

Attachments

pc: Members, State Board of Community Colleges
President H. Martin Lancaster
Dr. Steve Scott
Senior Staff, NCCCS