

NORTH CAROLINA STATE BOARD OF EDUCATION

Policy Manual

Item	Description
Policy Title	Supervision and Administration of State and Federal Education Funds to Support North Carolina’s General and Uniform System of Free Public Schools
Policy Category	SBE/SPI Governance Rules and Internal Operations (GOVR)
Policy ID	GOVR-00#
Policy Date	
Previous Policy Dates	
Legal Reference	Article IX, sec. 5 of the Constitution of North Carolina; N.C. Gen. Stat. §§ 115C-12 (1), (5); 115C-21; 115C-408 to -417; 115C-426(d); 115C-436(b); Ch. 143C.

1. The State Board of Education enacts this Rule to define the mechanics of the relationship between the State Board and the State Superintendent of Public Instruction, as well as how their respective departments will operate internally, with respect to the allocation, budgeting, supervision, and administration of state and federal funds provided for North Carolina’s general and uniform system of free public schools.
2. Sound financial planning and deliberate allocation of available resources are necessary to support legislated priorities and the State Board’s vision, mission, goals, and strategic plan.
3. At least annually, the Superintendent of Public Instruction shall present for the State Board’s review and approval a proposed budget for the Office of the Superintendent, the Department of Public Instruction, the North Carolina State Public School Fund, and any other state or federal funds allocated for the benefit of the State’s public school system. After consultation with the Superintendent and the Chair of the Business Operations Committee, the State Board Chair shall determine the meeting(s) where the Superintendent shall present proposed budget recommendations. The State Board shall adopt a proposed budget at least annually. The State Board may approve, reject, or modify the budget the Superintendent proposes. The Superintendent’s proposed budget recommendations shall:

- a. Conform to the requirements of N.C. Gen. Stat. 143C-3-5 and include applicable components outlined in that statute;
 - b. Reflect and support the State Board's priorities, as articulated in the State Board's vision, mission, goals, and strategic plan, and sets forth recommended expenditure requirements, funding sources, and performance information for each program and for each proposed capital improvement;
 - c. Be organized and provided in a summary format understandable to the State Board and approved in advance by the Chair of the Business Operations Committee;
 - d. Adequately describe revenues, expenditures, and allocations, in a manner consistent with or derived from the Authorized Monthly Budget Report (BD701), including financial information related the current year's budget, the year-to-date actual budget, variances (positive and negative), and the previous year's budget.
 - e. Show the amount spent in each division for the most recently completed fiscal year, the amount budgeted for each division for the current fiscal year, and the amount recommended for the next fiscal year for the Department's budget, as well as such information for specific programs as identified by the State Board Chair and Business Operations Committee Chair after consultation with the Department;
 - f. Include brief explanations of proposed increases and/or reductions of funds to be allocated to programs.
 - g. Disclose and outline budget planning assumptions;
 - h. Conform with state and federal law and State Board of Education Rules and policies;
 - i. Identify and account for all sums reverted from the previous fiscal year; and
 - j. Identify and account for all "carry forward" funds.
4. The Superintendent's and the Department's financial planning for any fiscal year shall include multiyear planning.
 5. Fiscal operations shall be managed in a responsible manner, according to generally accepted accounting principles (GAAP). The Superintendent shall ensure that the Department of Public Instruction implements and maintains sound fiscal practices and controls. The Department of Public Instruction must maintain financial records in such a manner that, ideally, no significant findings appear in the annual financial audit reports, special reports, and/or other electronic data submitted to or produced by the North Carolina State Auditor.

6. The Superintendent shall promptly notify the State Board Chair and the Chair of the Business Operations Committee in the event of any communications issued by the North Carolina State Auditor, the North Carolina Office of State Budget and Management, the North Carolina Office of the State Controller, law enforcement, and/or other state and federal authorities concerning actual or purported: (i) misuse of funds; (ii) financial mismanagement; (iii) violation of the law; or (iv) material concern regarding the administration of state or federal dollars in support of the State's uniform system of free public schools.
7. In any instance where an internal or external financial audit report identifies findings concerning the Department, the Superintendent shall make satisfactory progress in resolving the findings, as determined by the State Board, within a three-month period commencing with the date of receipt of a published financial audit report, any other audit report, or other letter.
8. The Superintendent shall notify the State Board Chair and the Chair of the Business Operations Committee regarding reported weaknesses in the Department's internal control structure, deficiencies in the accounting records, and noncompliance with rules and regulations. In a timely manner the Superintendent shall propose to the Board Chair and the Chair of the Business Operations Committee appropriate solutions to remedy or ameliorate reported weaknesses. After consultation with the Board Chair and the Chair of the Business Operations Committee, the Superintendent shall timely implement the proposed solution(s).
9. The Superintendent or Department staff members shall provide timely, complete reports concerning budgetary and/or fiscal matters to State Board Members who request them.
10. The State Board of Education has a constitutional power and duty to supervise and administer educational funds provided for the free public school system. The Superintendent shall provide the State Board monthly updates on budgetary and other fiscal matters in a summary format understandable to the State Board and approved by the Business Operations Committee. Such monthly reports shall include at least the following information:
 - a. Expenditures and receipts by divisions and programs in the Department;
 - b. The movement or reassignment of Department positions across funding sources;
 - c. Expenditures on temporary employees, including the number of temporary employees by program or division;
 - d. Information about expenditures from reserve accounts, including amounts expended and their purpose;
 - e. Data concerning indirect costs, including revenue received; amounts budgeted and expended; and whether such funds are recurring and nonrecurring;

- f. Any other budget or fiscal realignment that impacts State Board Rules, policies , or its strategic plan.
11. In the event the General Assembly allocates funds to the State Superintendent or the Office of the State Superintendent, the Superintendent shall provide a monthly accounting of those funds in a manner and format consistent with the budget reporting outlined herein.
 12. Prior to the expenditure of funds generated through lapsed salaries, the Superintendent shall submit to the State Board a report that identifies by division the positions that generated lapsed salary; the amount of lapsed salary available; the amount of lapsed salary planned to be expended; and the purpose(s) for the planned expenditure(s).
 13. Prior to submitting any proposed budget adjustment to the State Director of the Budget for approval pursuant to Chapter 143C of the North Carolina General Statutes, the Superintendent or his/her designee shall first present the proposed budget adjustment to the State Board in an open meeting and obtain the Board's approval. Proposed budget adjustments subject to this Rule include:
 - a. proposed budget adjustments that would impact more than **[\$50,000]**;
 - b. recurring or related budget adjustments that, cumulatively, impact more than **[\$50,000]** allocated to a fund code; or
 - c. proposed budget adjustments that, cumulatively or alone, would impact more than 10% of monies in a fund to which less than **\$500,000** has been allocated.
 14. During meetings of the Business Operations Committee, Department Staff shall provide summary updates regarding material communications with and requests from or to the Office of State Budget and Management, the State Auditor, the Office of the State Controller, and the General Assembly's Fiscal Research Division. Upon request from a State Board Member, the Department shall provide a written report from the Department about such matters.