



PUBLIC SCHOOLS OF NORTH CAROLINA

STATE BOARD OF EDUCATION William C. Harrison, Ed.D., *Chairman and Chief Executive Officer*
DEPARTMENT OF PUBLIC INSTRUCTION June St. Clair Atkinson, Ed.D., *State Superintendent*
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TO Superintendents
Charter School Directors

FROM William C. Harrison

FISCAL YEAR 2008-09 STATE CASH FLOW EMERGENCY

As you are aware, North Carolina's revenue collections have been very disappointing. The slow revenue collections have created a severe cash flow problem for the State of North Carolina. The resulting shortfall has compelled the Governor and the Office of State Budget and Management (OSBM) to institute measures beyond those previously instituted this year to insure that the State ends this fiscal year balanced.

In several conversations with OSBM and due to the graveness of the situation, it is apparent that additional expenditure restrictions are necessary to minimize Local Education Agency State cash disbursements. To that end, the Governor has directed her Office, under Article III, Section 5(3) of the North Carolina Constitution, to implement the following 6 measures (see attached letter from Charles Perusse for more details):

- 1) Allotments will only be approved for mandatory obligations, for example, payroll, utilities, required State Aid, and debt service.
- 2) No purchase orders will be issued for goods or services that will require the expenditure of General Fund appropriations (STATE FUNDS), or other funds, which will revert if unexpended. Purchase orders for goods or services that have been ordered but not received by April 16, 2009, must be cancelled. **Note: Purchase orders for goods, not yet received in THIS FISCAL YEAR (through June 30, 2009), are to be cancelled or eliminated. No new service contracts may be issued if using state funds, if they do not pertain to direct classroom instruction (ex. staff development contracts would not be allowed if being paid from state funds).**
- 3) All travel requiring the expenditure of State appropriations shall be terminated for the remainder of the fiscal year. No out of state travel will be authorized. Any exception to this directive must be approved by OSBM. **Note: No travel requiring the expenditure of STATE funds is allowed, unless it is required and involves direct classroom instruction (please limit to an absolute minimum).**

OFFICE OF THE STATE BOARD OF EDUCATION

William C. Harrison, Ed.D., *Chairman and Chief Executive Officer* | wharrison@dpi.state.nc.us
6302 Mail Service Center, Raleigh, North Carolina 27699-6302 | (919) 807-3430 | Fax (919) 807-3445
AN EQUAL OPPORTUNITY/AFFIRMATIVE ACTION EMPLOYER

- 4) Vacant permanent or temporary positions, except those for which commitments have been made prior to the date of this directive (April 9, 2009), may not be filled. A prior commitment is defined as a verbal or written communication between the hiring agency and the prospective employee detailing salary and start date. ***Note: Classroom teacher and principal vacancies can be filled if absolutely necessary to complete this school year. Any non-classroom related position vacancies that are paid from State funds are frozen as of April 9, 2009. Currently, non-classroom related positions include instructional support positions such as counselors, etc., and custodial, secretarial and maintenance. There can be no transfer of local or federal positions to state funded positions as of April 9, 2009 through June 30, 2009.***
- 5) No promotions, reallocations (position reclassifications), career-banding adjustments, in-range adjustments or other salary adjustments may be made.
- 6) Carry forward will be permitted only under extreme circumstances and if cash is available. You should not plan for any carry forwards except those required by law.

The Department of Public Instruction takes this directive very seriously and will be monitoring the LEA's transactions and cash requests. In addition to monitoring at the DPI level, the independent auditors will be requested to perform audit procedures to ensure compliance with the directive. These procedures will include, but not limited to, reviewing personnel transfers to State funds, retroactive adjustments, purchases, general expense, additional personnel, and contracts.

We are also concerned with the likelihood that our targeted \$159 million reversion requirement will not be reached (based on LEA and charter school spending patterns). We again request that LEAs help us reach our reversion targets by restricting State expenditures. If we do not make our reversion targets, the carryover of State funds will definitely not be allowed.

We are experiencing a revenue shortage greater than the shortage of 2002. We must recognize that without extreme diligence, we will not have the cash available to meet payroll obligations. We must minimize all expenditures that utilize State resources. The Department of Public Instruction is available to provide guidance and assistance to you.

WCH/PWP/tm

c: School Finance Officers
Personnel Administrators
June St. Clair Atkinson