



NORTH CAROLINA
State Board of Education
Department of Public Instruction

Report to the North Carolina General Assembly

2021-2022 Fiscal Year Budget Revision –
Public School Contingency Reserve

S.L. 2022-74 Section 4.5(d)

Date Due: September 1, 2022

STATE BOARD OF EDUCATION

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Report to Joint Legislative Education Oversight Committee

Legislation S.L. 2022-74 Section 4.5

(a) Establishment. – There is established in the General Fund the Public School Contingency Reserve (Reserve) that shall make funds available to the Department of Public Instruction (Department) to use to provide sufficient State net General Fund appropriations and necessary budget authority to close out the 2021-2022 fiscal year. The State Controller shall reserve to the Reserve from funds available in the General Fund the sum of two hundred twenty-seven million dollars (\$227,000,000) in nonrecurring funds for the 2021-2022 fiscal year. Subject to the requirements set forth in subsection (b) of this section and in consultation with the Office of State Budget and Management, the State Controller shall transfer funds to the Department as needed to cover the costs described in this subsection, and the funds are appropriated for this purpose.

(b) Requirement. – The Department shall not be eligible to receive funding under subsection (a) of this section until both of the following requirements are met:

- (1) Except as otherwise provided in this subdivision, the Department shall have fully expended its net General Fund appropriation for the 2021-2022 fiscal year. The requirement set forth in this subdivision does not include funds subject to Section 5.1 of this act or allowed by law to be carried forward and used for at-risk students or programs authorized by the Excellent Public Schools Act, S.L. 2012-142, or the Excellent Public Schools Act of 2021, S.L. 2021-8.
- (2) The Department shall have properly budgeted and expended all receipts collected during the 2021-2022 fiscal year.

(c) Accounting of Federal Funds. – The Department shall also establish a separate fund to hold any federal funds earned in the prior fiscal year but receipted in the next fiscal year. The Department shall begin crediting federal fund receipts to this fund beginning in the 2022-2023 fiscal year. Funds in this fund shall not be expended but shall revert to the General Fund at the end of each fiscal year.

(d) Report. – **On or before September 1, 2022, the Department shall submit a report to the Joint Legislative Education Oversight Committee and the Fiscal Research Division detailing the steps taken to meet the requirements set forth in subsections (b) and (c) of this section and the amount of funds, if any, received under subsection (a) of this section and the purpose for which the funds were used.**

(e) Reversion. – Unexpended funds in the Reserve shall revert at the end of the 2021-2022 fiscal year closeout process. The Reserve established in subsection (a) of this section shall be eliminated upon the earlier of the date the funds in the Reserve are fully expended or the date the funds revert under this subsection.

Report

Meeting the requirements of subsection (b)

The Department expended all State appropriations and requested carryforward funds from the Office of State Budget and Management. \$85,428,761 was approved by OSBM as a preliminary request for carryforward, in compliance with the legislation.

During the fiscal year closeout process, the Department of Public Instruction ensured that all receipts had been realized including lottery funds, civil penalties, sales tax refund. In addition, special funds including the textbook fund, school technology fund were reviewed to ensure that any refunds to State appropriations had been recorded.

On July 25, 2022, the Department requested that OSBM approve an initial estimated need of \$75,475,693 from the Reserve.

On August 12, 2022, the Department closed out the fiscal year 2021-22 and had an estimated need of \$50,386,632 of the Reserve funds. The Reserve funds were used to provide for the impact of the change in accounting for federal receipts (see “Meeting the requirements of subsection (c)), and a portion of the approved carryforward, including At Risk and Excellent Public School Act funds. In addition to the balance of \$18,596,205 of unused Reserve, an additional \$6.5m from the approved preliminary carry forward amount is expected to be reverted.

Meeting the requirements of subsection (c)

The Department requested \$34,633,661 of federal funds in July 2022 to cover public school unit June 2022 federal expenditures. These funds were recorded as receivable as of June 30, 2022.

Summary of Use of the Reserve as of August 12, 2022

Total Authorization	\$227,000,000
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Use

Federal receipts	\$34,633,661
Carryforward PSU allotments	<u>\$15,752,971</u>
Total required	\$50,386,632

Pending Reversion	\$6,492,856
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