



**STATE OF NORTH CAROLINA
OFFICE OF STATE BUDGET AND MANAGEMENT**

PAT MCCRORY
GOVERNOR

LEE HARRISS ROBERTS
STATE BUDGET DIRECTOR

October 28, 2015

Dr. June St. Clair Atkinson
Superintendent
Department of Public Instruction
301 N. Wilmington Street
Raleigh, NC 27601

Dear Superintendent Atkinson:

I have reviewed your letter of October 7, 2015 requesting additional time for the Department of Public Instruction (DPI) to plan for the implementation of a \$2.5 million flexible reduction as directed in Section 8.37 of Session Law 2015-241. Given the October 31 deadline for certification, I concur with your request to certify the flexible reduction in a negative reserve, provided that DPI, in consultation with the Office of State Budget and Management (OSBM), distributes the negative reserve no later than December 31, 2015.

However, the options you propose to implement the flexible reductions through the use of Excellent Public Schools Act funding and indirect costs are inconsistent with the intent of the budget reduction as directed by the General Assembly:

1. Your request to offset your flexible reduction with the Excellent Public Schools Act expansion funding is inconsistent with the enacted budget. It is clear the legislature intended to reduce General Fund support for DPI operations to the level of \$45.3 million, separate and apart from the additional funding provided to implement the Excellent Public Schools Act. It is equally clear that the legislature intended to increase services and support for the Excellent Public Schools Act by \$3.8 million in FY 2015-16 and \$8.5 million in FY 2016-17. This expansion will not be accomplished if existing positions and workload are simply relabeled as support for the Excellent Public Schools Act.
2. Increasing the use of federal indirect cost receipts to offset a reduction in State General Fund support poses a risk to the public education budget. During the budget development process last fiscal year, your office repeatedly expressed concern over the percentage of the public education budget that is funded with federal dollars versus state dollars, and the implications for the State if our education budget were overly dependent on federal receipts. In addition, trends over the last several years in federal education funds do not give us confidence that increased federal receipts will be available for this purpose on a recurring basis.

As you revisit your options for implementing the flexible reduction, I encourage you to review Section 8.37(a) of S.L. 2015-241, which authorizes the Department of Public Instruction to reorganize, if necessary, to implement the budget reductions for the 2015-2017 fiscal biennium. Our office has worked with several agencies on reorganizations over the last few years and I hope you will consider our office a resource for any such effort. We look forward to continuing our discussions regarding this matter.

Sincerely,



Lee Harriss Roberts

cc: Bill Cobey, Chair, State Board of Education
Philip Price, DPI
Chloe Gossage, OSBM
Adam Brueggemann, OSBM