



NORTH CAROLINA COMMUNITY COLLEGE SYSTEM
R. Scott Ralls, President

May 9, 2008

IMPORTANT!

MEMORANDUM

TO: Presidents
Chief Financial Officers
Regional NEIT Coordinators
FIT Directors

FROM: Kennon D. Briggs
Vice President
Business and Finance

SUBJECT: The Uses of NEIT & CIT Administrative Allowances

Among the items assigned to the North Carolina Association of Community College Presidents' (NCACCP) Finance Committee for FY 2007-08 was to clarify the permissible uses of the New and Expanding Industry administrative allowance earned for project management. Following several months of work, the NCACCP Finance Committee recommended and the full Association approved the following guidance in April 2008. It was requested by the NCACCP that this information be disseminated to all colleges.

Discussion and Definitions

From time-to-time a question is raised about the use of the administrative performance allowance earned by a community college for New and Expanding Industry (NEIT) projects (NEIT Admin funds). The raising of questions indicates that there remains uncertainty about how the funds may be used, and reluctance on the part of college presidents and chief financial officers to do so. It is the purpose of this Memorandum to clarify the permissible uses of these funds, which a college has rightfully earned as a part of administering a NEIT project.

CC08-110
E-mail

Presidents
Chief Financial Officers
Regional NEIT Coordinators
FIT Directors
Page 2
May 9, 2008

Whenever a question arises about permissible and appropriate uses of funds, the Division of Business & Finance (Division) turns to several sources of information and documentation to provide clarity and guidance. These most often include legislation, General Statutes, the North Carolina Administrative Code, or the Accounting Procedures Manual. Interestingly, none of these documents speaks directly to the earning or use of NEIT Admin funds. General Statute 115D-5.1, however, gives to the State Board the authority to adopt guidelines¹ for the operation of the NEIT program.

When the usual reference sources are silent about permissible and appropriate uses of state funds, the Division applies a “test of reasonableness,” defined as what would be considered reasonable and prudent uses by authorities that would examine an activity after the fact, such as the Office of State Budget & Management (OSBM), Fiscal Research Division, and the Office of the State Auditor.

The 2006 Session of the General Assembly directed the OSBM² to “conduct a study to analyze and evaluate the New and Expanding Industry Training program of the North Carolina Community College System. This study examined the companies served, the number of times each company had been served, the number of jobs created, the length of time the company remained in North Carolina after receiving New and Expanding Industry Training funds, and whether the company maintained employment levels at the same level promised when training was received.” The State Board expanded the scope of the study to include an analysis of the adequacy of the NEIT Admin funds. The study recommended both removing the \$60,000 annual limit for individual projects and increasing the NEIT Admin funds earnings rate from five percent (5%) to a higher percentage.

In utilizing its authority under the statutes, the State Board adopted new NEIT Training Program guidelines effective July 20, 2007. The new guidelines provided for the following:

- NO annual administrative earnings limit for individual NEIT or CIT projects; and,
- A ten percent (10%) NEIT Admin funds earnings rate.

The defined permissible uses of the NEIT Admin funds in the new guidelines included:

- Project Clerical staff;
- Project Administrative personnel; and,
- Project Coordination staff.

¹ G.S. 115D-5.1(b); Recodified by Session Law 2005-276.

² Section 8.7 of Session Law 2006-66

Presidents
Chief Financial Officers
Regional NEIT Coordinators
FIT Directors
Page 3
May 9, 2008

The Board-approved guidelines allow for travel expenses for community college instructors. Applying the “test of reasonableness,” any administrative personnel and project coordination staff with the responsibility and duty of developing and coordinating the training, monitoring project implementation, making certain the training is delivered consistent with the project profile, making site visits, and otherwise doing their job will incur travel expenses. Therefore, travel expenses are certainly reasonable and permissible under the guidelines.

In addition, a business office at any community college incurs costs with printing, mailing, filing, etc., associated with the operations of the college and a NEIT project. A recent study by the Division indicates that since FY 2001-02, supplies (+8.3%), postage (+5.2%), and printing (+4.2%) costs paid from state funds have all increased. Therefore, another reasonable use of the NEIT Admin funds includes business operations costs related to the NEIT program.

Summary

Given the fact that both the New and Expanding Industry Training and the Customized Industry Training (CIT) programs earn administrative performance allowance, this Memorandum supersedes earlier communications and is in effect for both programs.

The summary uses of the NEIT and CIT Admin funds, consistent with both NEIT Training Program Guidelines and the Accounting Procedures Manual, include:

- Project Clerical staff;
- Project Administrative personnel;
- Project Coordination staff;
- Travel; and,
- Administrative business operations costs.

Comment

For many years, community colleges argued that given the fact that no “Budget FTE” could be earned from an NEIT project, there was not a sufficient NEIT Admin funds allowance available to cover proper administration and oversight of a project. Now that the State Board has acted to double the allowance, colleges should avail themselves of these additional funds, and be comfortable about the permissible and appropriate uses thereof. Colleges are strongly encouraged to:

CC08-110
E-mail

Presidents
Chief Financial Officers
Regional NEIT Coordinators
FIT Directors
Page 4
May 9, 2008

1. Make strong efforts to provide appropriate and thorough project management;
2. Provide on-site services to NEIT and CIT project clients; and,
3. More fully use the funds that the State Board has made available as a part of administering NEIT and CIT projects.
4. Submit timely reimbursements to the Division of Business & Finance

If you have any questions, please contact me at 919/807-7068.

/kdb

pc: Dr. Scott Ralls
Mr. Fred Williams
Selected Business and Finance Staff

CC08-110
E-mail