STATE OF NORTH CAROLINA
OFFICE OF STATE BUDGET AND MANAGEMENT

JOSH STEIN
GOVERNOR

KRISTIN WALKER
STATE BUDGET DIRECTOR

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TO: Department Heads and Chief Financial Officers
All State Departments, Institutions, and Agencies

FROM: Kristin Walker

SUBJECT: Improving Grants Budgeting Accuracy and Transparency with New, Uniform Requirements

With input from state agency partners, OSBM has developed new grants budgeting requirements for all agencies, excluding the University of North Carolina system and the Department of Transportation. These grants budgeting requirements apply to both federal grants and other grants.

These new requirements are necessary for the following reasons:

- **Increasing Accuracy and Transparency:** Standardized grants budgeting practices will allow state agencies to consistently and accurately budget, monitor, and report grant funds. Greater consistency will improve transparency by making grant information easier to review and track on a statewide level.
- **Implementing NCFS Best Practices:** Since the implementation of NCFS in 2023, best practices have evolved statewide on how to best utilize the NCFS charts of accounts for budgeting grants. NCFS also developed new reports to improve grants tracking statewide.
- **Reducing Agency Time Spent on Reporting:** Standardizing the budgeting of grant funds, especially federal, will enable state agencies and OSBM to utilize existing functionality in NCFS for reporting, reducing agency reliance on external tracking documents. Centralized reporting will save agencies time in responding to federal funds surveys and ad hoc grant reporting.
- **Responding to Federal Grant Changes:** There have been significant changes in federal grant processes and procedures. These changes require state agencies to have a heightened focus on how the state budgets and tracks federal grants.
- **Ensuring Effective Training:** Standardized processes around budgeting and tracking grants will allow for more effective, statewide training.

OSBM has developed a Grants Budgeting and Tracking job aid outlining these grants budgeting requirements. OSBM is offering a grants guidance training for state agencies on **Friday, November 20, 2026, 10:00 am – 11:00 am, on MS Teams**.

Mailing address:
20320 Mail Service Center
Raleigh, NC 27699-0320

www.osbm.nc.gov
984-236-0600 ** FAX: 984-236-0630
An EEO/AA Employer

Office location:
2 South Salisbury Street
Raleigh, NC 27601

All new grants should begin following the guidance, effective immediately. For existing grants, state agencies can choose to implement this guidance now so that changes are reflected in their FY 2027-29 base budget. All grants must comply with this new guidance by September 30, 2027.

Please reach out to your Budget Execution Analyst if you have any questions.