OFFICE OF STATE BUDGET AND MANAGEMENT

Grant Administration – Guidance for State Agencies

NC Office of State Budget and Management

November 2026

Integrity Innovation Curiosity Teamwork Excellence

Overview

- Introductions
- Step-by-Step through the Process
  1. Determine which Directed Grants you have and who to give them to
  2. Contact Grantee, Collect Required Forms, Negotiate Grant Agreement, including Reporting
  3. Disburse Funds
  4. Review Reports and Monitor
  5. Report Out and Close Out
- Resources
- NC Grants System

1. Determine which Directed Grants you have and who to give them to

What is a Directed Grant?

Per S.L. 2026-41, Section 5.2:

- **Directed grant:** Nonrecurring funds, specifically identified as "directed grants," that are allocated by a State agency to a *non-State entity* as directed by an act of the General Assembly

- **Non-state entity:** Any of the following that is not a State agency: an individual, a firm, a partnership, an association, a county, a corporation, or any other organization or group acting as a unit. The term includes a unit of local government and public authority (G.S. 143C1-1(18))

What is not a Directed Grant?

- **Recurring grant funding**

Example: Symphony Challenge Grant

- **Grant programs**

Example: Life Changing Experiences Pilot Program

- **Funding provided to state agencies**

Example: SCIF funding provided to a state agency

- **Directed projects**

Example: Directed project to Town of Angier

	FTE	-		-
287 **NC Symphony** **Fund Code: 1340** Provides additional funds for the NC Symphony.	Requirements	$ 1,000,000R	$	1,000,000R
	Less: Receipts	$ -	$	-
	Net Appropriation	$ 1,000,000	$	1,000,000
	FTE	-		-
121 **Life Changing Experiences Pilot Program** **Fund Code: 1901** Provides funds for DPI to contract with the Children and Parent Resource Group, Inc. for the Life Changing Experiences Program, a 3-dimensional and interactive multimedia education program that focuses on activities that negatively impact teenagers, including alcohol and drugs, dangerous driving, violence, and bullying.	Requirements	$ 500,000NR	$	-
	Less: Receipts	$ -	$	-
	Net Appropriation	$ 500,000	$	-
	FTE	-		-
170 **Big Hungry Dam** Provides funding to the NC Wildlife Resources Commission for the removal of the Big Hungry Dam.	Requirements	$ 7,500,000NR	$	-
	Less: Receipts	$ -	$	-
	Net Change	$ 7,500,000	$	-
	FTE	-		-

SECTION 12.14.(b) Directed Projects. – Of the funds allocated by this section, the following sums shall be granted to the indicated local governments and public entities for stormwater projects:

(1) Four hundred thousand dollars ($400,000) to the Town of Angier.

*Some items that are not considered “directed grants” per S.L. 2026-41, Section 5.2 may still fall under the definition of “grant” per G.S. 143C-6-23 and/or “state financial assistance” per 09 NCAC 03M. These grants would need to comply with requirements detailed in the statute and administrative code but would not be subject to additional requirements of S.L. 2026-41.

OSBM Database of Directed Grants



Source of Funds Legend:

BG=Block Grant, GF=General Fund, HF=Highway Fund, SCIF=State Capital & Infrastructure Fund, SERDRF=State Emergency & Disaster Response Reserve, SF=Special Fund, SFRF=State Fiscal Recovery Fund, ARPA=American Rescue Plan Act

Search:

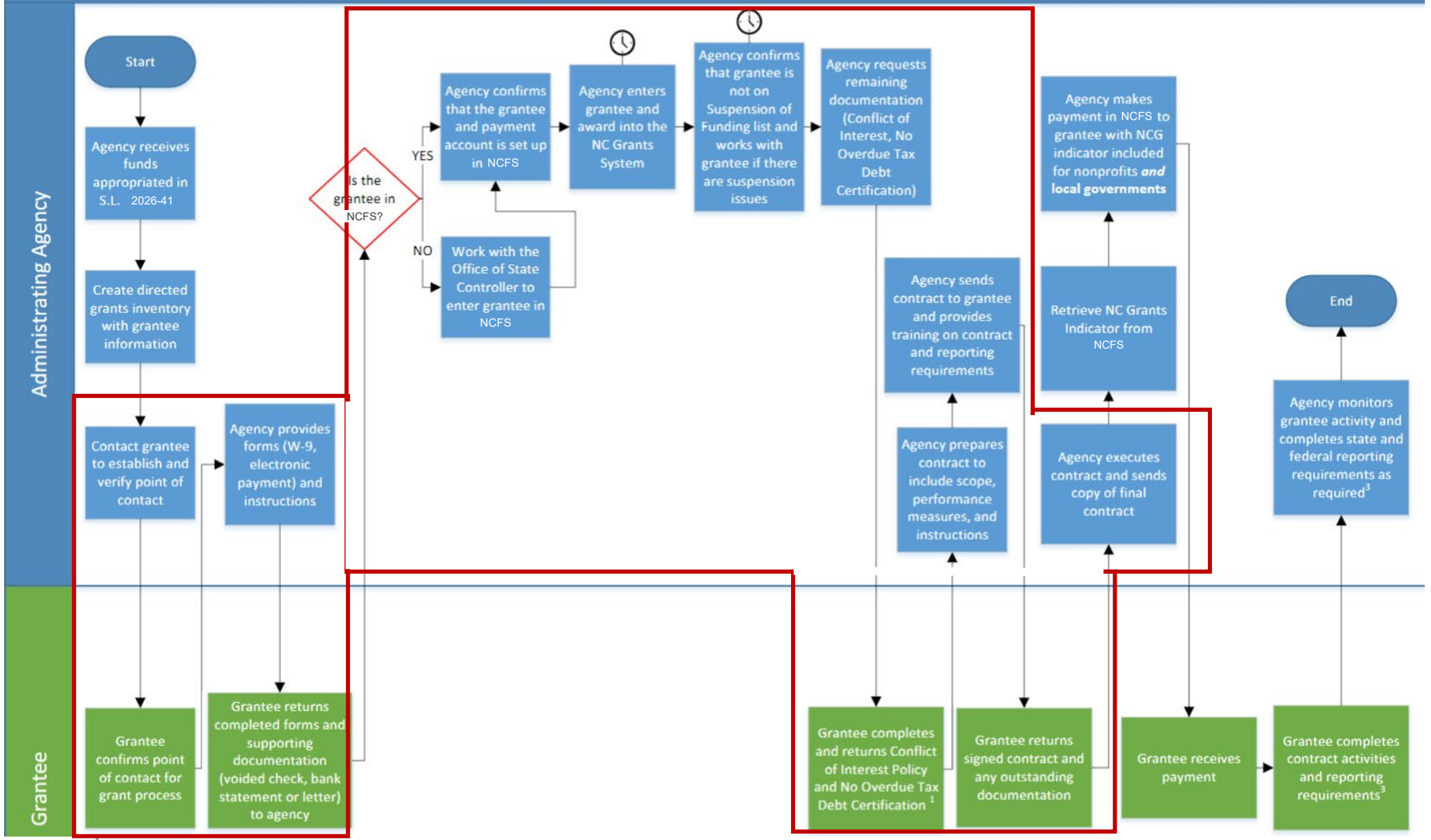
County	Organization Receiving Funding	Administering Agency	Agency Contact	Session Law	Item #	FY2026-27	Source of Funds
Alamance	City of Graham	OSBM	ncgrants@osbm.nc.gov	SL 2026-61, Sec. 7.4.(b)	NA	$350,000	Regional Economic Development Reserve
Alamance	City of Mebane	OSBM	ncgrants@osbm.nc.gov	SL 2026-61, Sec. 7.4.(b)	NA	$700,000	Regional Economic Development Reserve
Alamance	Department of Natural and Cultural Resources (DNCR) - Alamance Battleground	OSBM	ncgrants@osbm.nc.gov	SL 2026-41, Sec 2.2 (h)	F 49, Item 280	$100,000	Regional Economic Development Reserve

Key Questions

- Who is the administering agency?
- What is the source of funds?
  - Each source of funds has distinct rules and requirements
    - General Fund (GF)
    - State Fiscal Recovery Fund (SFRF, from the American Rescue Plan Act)
    - State Capital and Infrastructure Fund (SCIF)
    - State Emergency Response and Disaster Relief Fund (SERDRF)
- Is the grant part of a grant program with specific requirements?

2. Contact Grantee, Collect Required Forms, and Negotiate Grant Agreement, including Reporting

Directed Grants Administration Process



[1] No Overdue Tax Debt Certification must be made under oath, which can be fulfilled through notarization or signature made before a judge.
[2] Grantee and award information must be entered into NC Grants System before a NCG indicator will populate in the NCFS report.
[3] Reporting varies based on funding source and each funding source has different reporting dates and requirements.

Required Forms

1. W-9 (09 NCAC 03M .0202)
2. Electronic Payment / Vendor Verification Form (09 NCAC 03M .0202)
3. Conflict of Interest Statement (G.S. 143C-6-23.(b))
4. No Overdue Tax Debt Certification (G.S. 143C-6-23.(c))
5. Grant Agreement / Contract (09 NCAC 03M .0703)
   - Monitoring and Reporting Documentation (09 NCAC 03M .0401)

Statute and Rules Outline what is Required in Grant Agreements

- Directed Grants are subject to G.S. 143C-6-23, subsections (b) through (k) (Section 5.2.(b) of S.L. 2026-41)
    - *This includes **local governments**, which had been excluded from these requirements before "Directed Grants“*

- Agencies must collect and review Conflict of Interest Policies and No Overdue Tax Debt statements (G.S. 143C-6-23.(b) and (c))

NOTE: Some items not considered “directed grants” may still be considered a “grant” or “grant funds” per G.S. 143C-6-23 and are subject to the requirements of this section

Statute and Rules Outline what is Required in Grant Agreements

- Must comply **with all requirements of 09 NCAC 03M** (G.S. 143C-6-23.(d))
  - See slide 14
  - Includes having reporting requirements in grant agreement (See Slides 13, 22-23)
- Must have the following grant terms (G.S. 143C-6-23.(d1)):
  - Limitation contained in G.S. 143C-6-8 concerning the availability of appropriated funds
  - Relevant provisions of any legislation authorizing or governing the administration of the grant.
  - The terms of G.S. 143C-6-23
- Must have required provisions from Rules (09 NCAC 03M .0703)
  - See slide 13

Required Contract Provisions (09 NCAC 03M .0703)

Per 09 NCAC 03M .0703, the contract shall include:

- **Purpose of the award, services to be provided, objectives, and expected results**
- **Source of funds** (federal or state), including CFDA and percentages of each source where applicable
- Account coding information
- Agreement to **maintain pertinent records for five years** or until all audit exceptions have been resolved, whichever is longer.
- Names of all parties, including EID, address, contact information, and grantee's fiscal year end
- Contract duration, including effective and termination dates
- **Contract amount and payment(s) schedule**
- **Recipient duties**
- **Required reports and reporting deadlines**
- **Provisions for termination by mutual consent** with 60 days written notice to other party, or as otherwise provided by law
- Provision that the awarding of funds is subject to allocation and appropriation of funds to the agency for the purposes set forth in the contract
- Provision requiring **reversion of unexpended funds** to the agency upon termination of the contract
- Provision that requires compliance with the requirements of 09 NCAC 03M, including audit oversight by the Office of the State Auditor
- Clause addressing assignability and subcontracting, including the following:
    1. Grantee or subgrantee is not relieved of any of the duties and responsibilities of the original contract
    2. Subgrantee agrees to abide by the standards contained in 09 NCAC 03M and to provide information needed by the grantee to comply with these standards

What are the Requirements of 09 NCAC 03M?

- Administrative Code outlines the following:
  - 0101 – Purpose
  - 0102 – Definitions
  - 0201 – Allowable Uses of State Financial Assistance (Slide 23)
  - 0202 – Recipient and Subrecipient Responsibilities
  - 0205 – Minimum Reporting Requirements for Recipients and Subrecipients (Slide 22)
  - 0401 – Agency Responsibilities (Slide 23)
  - 0601 – Office of State Budget and Management Responsibilities
  - 0703 – Required Contract Provisions (Slide 13)
  - 0801 – Noncompliance with Rules
  - 0802 – Recovery of State Funds

Special Items to Remember

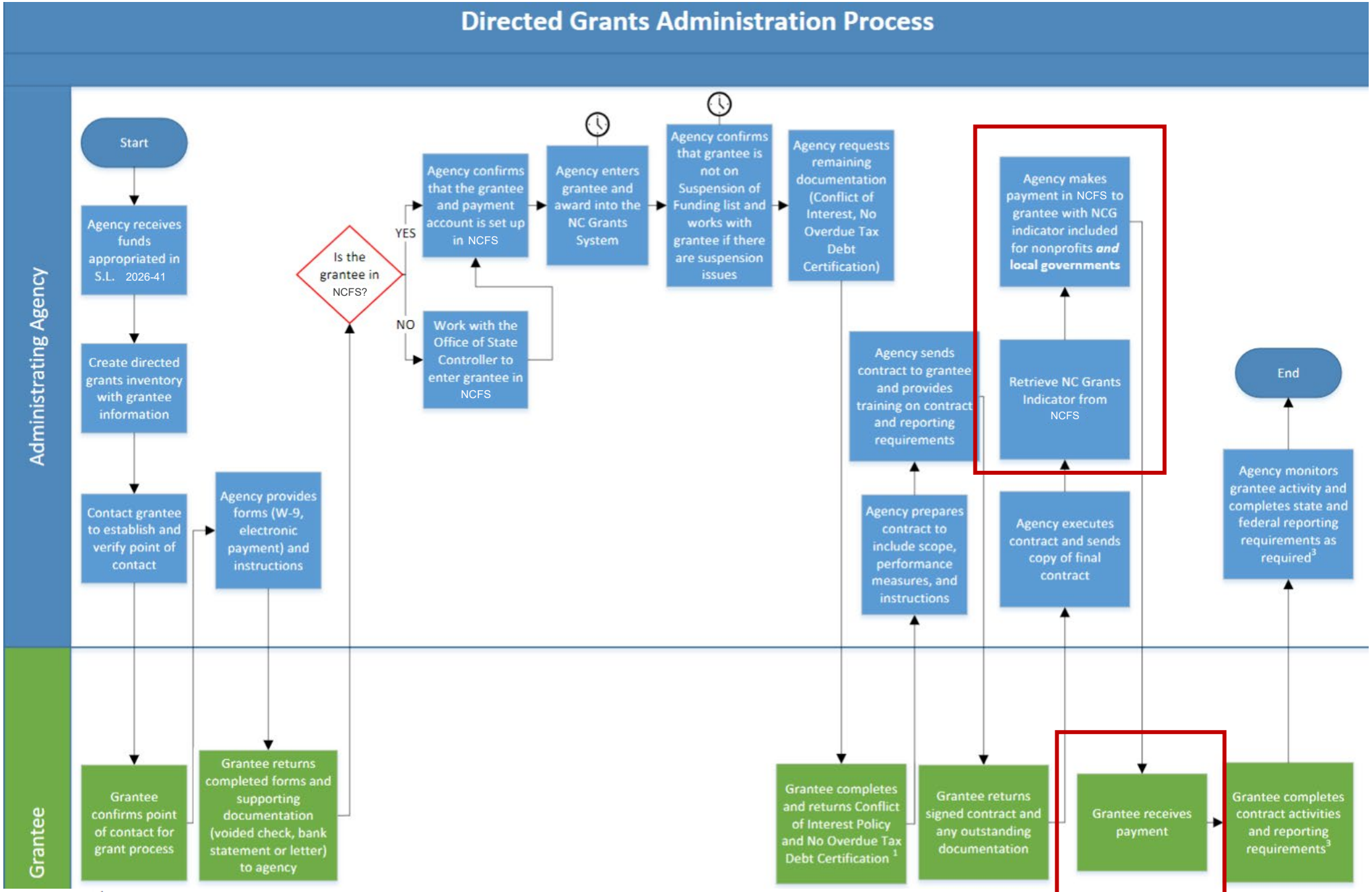
- Directed grants to nonprofit organizations are for nonsectarian, nonreligious purposes only (S.L. 2026-41, Sec. 5.2.(b)(7))

- State funds for any one employee of a nonprofit are capped at $140,000 (S.L. 2026-41, Sec. 5.3)

- Funds shall not revert until June 30, 2029 (S.L. 2026-41, Sec. 5.2)

3. Disburse Funds

Directed Grants Administration Process



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[3] Reporting varies based on funding source and each funding source has different reporting dates and requirements.

Payments

- First payment shall be made when requirements met, but no later than 100 days after appropriating bill became law **(October 15, 2026 for SL 2026-41)**
- Grantees can keep interest earned but must use for same purpose as grant (G.S. 143C-6-23.(j))
- Cost of audit can be charged to grant (09 NCAC 03M.0205)
- Directed grants **shall not revert until June 30, 2029** (for all grants in SL 2026-41 subject to Section 5.2)

Grant amount	Required treatment
$100,000 or less	May be paid as a single lump sum, at the discretion of the Director of the Budget
More than $100,000 through $1,000,000	Monthly or quarterly installments, at the discretion of the Director of the Budget
More than $1,000,000	25% installments, with the initial installment paid upfront and later installments paid only after previously disbursed funds have been expended

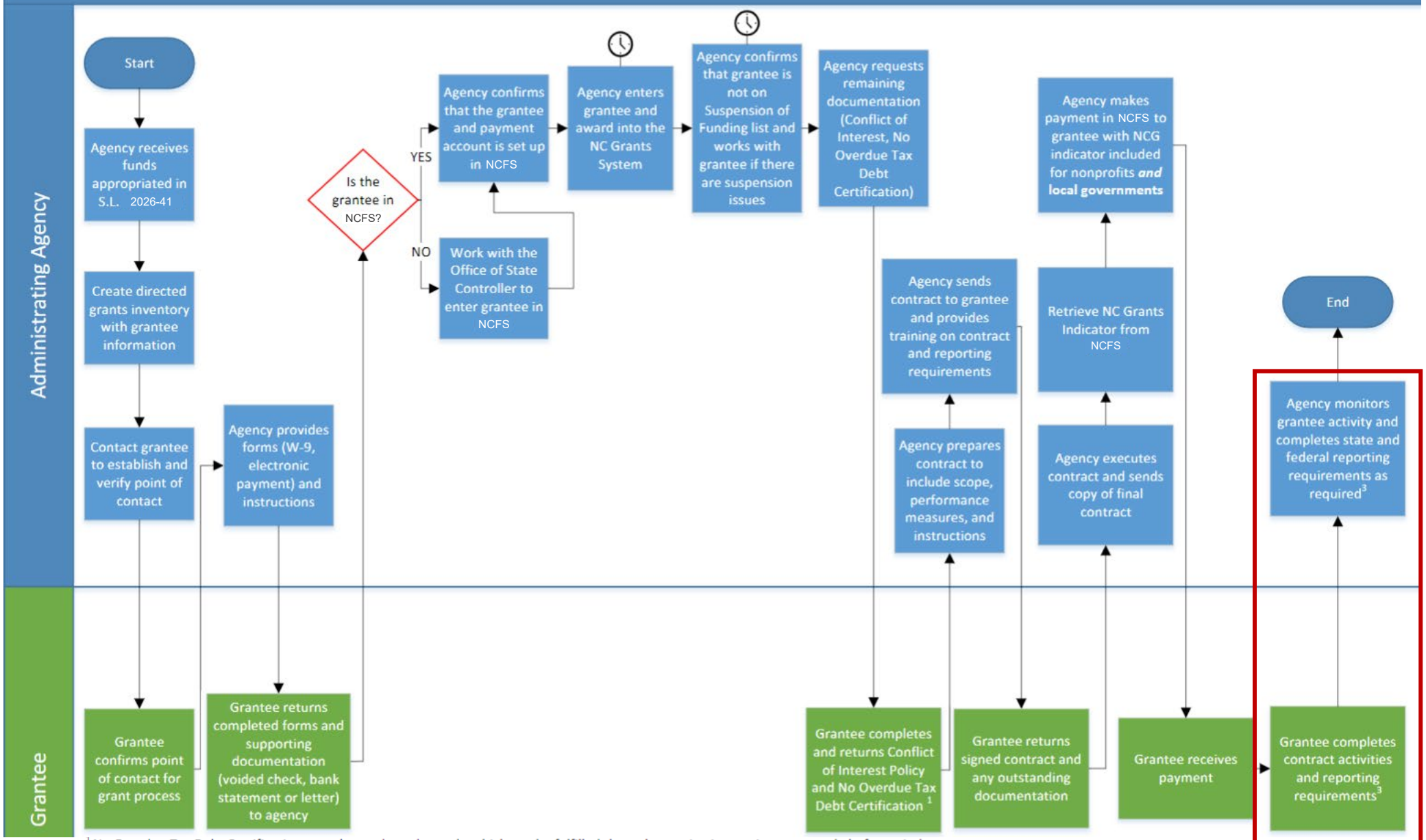
Requirements Before Payments Can Be Issued

- Agency responsibility to check the Suspension of Funding List and, if necessary, have grantee address any outstanding requirements prior to disbursing funds

- Grant and award information must be entered into NC Grants System
  - NCG Indicator must be included for both **nonprofits and local governments** when entering payment into NCFS

4. Review Reports and Monitor

Directed Grants Administration Process



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Recipient Reporting Requirements 09 NCAC 03M

- **Subsection .0205** defines the two state* reporting levels and the minimum reporting requirements for the level of state financial assistance a recipient receives, holds, uses or expends within their fiscal year:
  - Level I – less than $1,000,000 (amount requiring audit listed in federal code 2 CFR 200.501(a))
    - Certification that funds received, or held, was used for the purposes for which it was awarded.
    - Accounting of all funds received, held, used, or expended
  - Level II – equal to or greater than $1,000,000 (amount requiring audit listed in federal code 2 CFR 200.501(a))
    - All reporting requirements for Level I grantees
    - Report on **activities and accomplishments undertaken** by the recipient, including reporting on any **performance measures** established in the contract
    - A single or program-specific **audit** prepared in accordance with Generally Accepted Government Auditing Standards, also known as the Yellow Book
- At a minimum – reports due annually; more frequent reporting may be necessary and helpful
- Audits must be provided no later than nine months after the grantee's fiscal year end

**Depending on the source of funds, there may be additional federal reporting requirements that must be complied with.*

Agency Responsibilities (09 NCAC 03M.0401 & 09 NCAC 3M.201)

09 NCAC 3M.0401

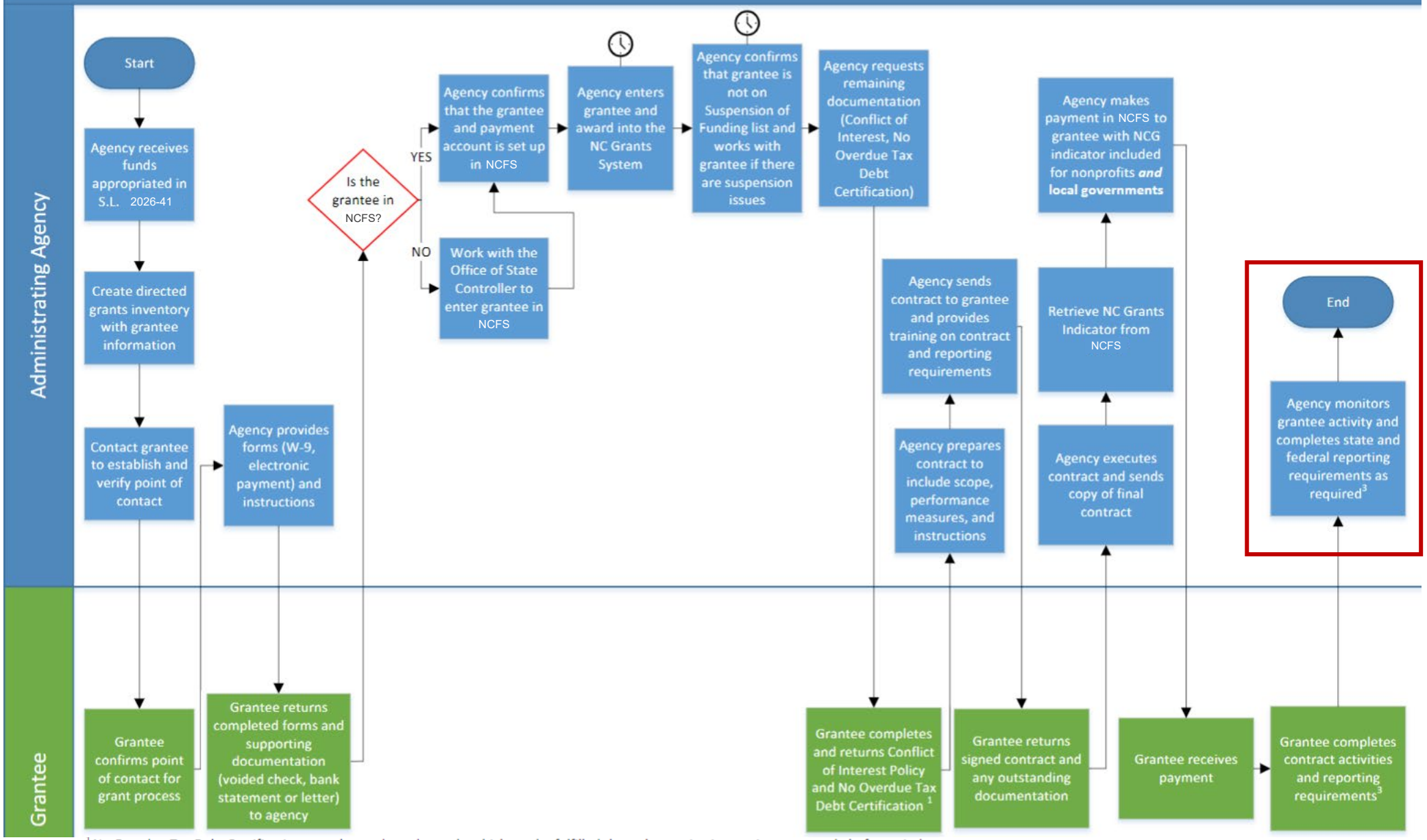
- Notify recipients of the award purpose and reporting requirements, register and report each grant award, execute a contract, and follow state disbursement procedures before disbursing funds.
- Develop a monitoring plan for each financial assistance program and submit these plans to OSBM.
- Perform monitoring to ensure funds are used for authorized purposes; conform to laws, rules, provisions in the contract, including achieving performance goals and reporting requirements; and grantee management implement corrective action for recommendation in audit reports.
- Develop compliance supplements/audit procedures for independent auditors and submit the document to the Local Government Commission at DST

09 NCAC 3M.0201

- Outlines allowable use of funds and following cost principles of 2 CFR 200

5. Report Out and Close Out

Directed Grants Administration Process



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Agency Reporting on Grants

- Quarterly Report to FRD
  - Due January 1, 2027, and quarterly thereafter until all funds are fully disbursed (S.L. 2026-41, Section 5.2)
- By October 1, each agency to submit list of every grantee to State Auditor (G.S. 143C-6-23.(i))

At a minimum, the report to FRD shall include the following:

1. The grant amount,
2. The date of the initial contact,
3. The date the entity completed all requirements, and
4. The date of the initial disbursement and subsequent disbursements.

Unique Situations

- Look to G.S. 143C-6-23 and the Administrative Code
  - Return of Grant Funds and Use of Those Funds (G.S. 143C-6-23.(f1) and (f2) and 09 NCAC 03M .0802)
  - Report on Grant Recipients that Failed to Comply (G.S. 143C-6-23.(h) and 09 NCAC 03M .0205)
  - Grantees and Subgrantees that Cease Operation
    - Report to OSBM and FRD within 30 days (G.S. 143C-6-23.(k))
- Contact OSBM

Resources

Legal and Written Materials

- State Statute
  - G.S. 143C-6-23 State Grant Funds
  - S.L. 2026-41 2026 Current Operations Appropriations Act
    - Section 5.2 Directed Grants
    - Section 5.3 Cap State-funded Portion of Nonprofit Salaries
    - Section 42.15 SCIF Grants
  - Budget Technical Corrections Bills – SL 2026-42, SL 2026-58, and SL 2026-61
    - Be sure to check for corrections to grants you are administering!
- Administrative Code
    - 09 NCAC 03M
- Policy/State Budget Manual
    - Section 3.15 on Disbursement of Directed Grants

Forms and Templates

- OSC has:
  - W-9
  - Substitute W-9
  - Vendor Verification Form
- OSBM willing to share our templates and forms, including:
  - No Overdue Tax Debt Certification
  - Grant Agreement (Contract)
- OSBM also willing to talk about electronic process and systems we are using

OSBM Grants Website

- OSBM Legislative Grants Database - Legislative Grants Database | NC OSBM
  - Includes directed grants AND legislatively designated grants

- Includes:
  - Listing of FY 2026-27 Legislative Grants
  - Link to grants database for FY 2021-22, 2022-23, 2023-24, and 2024-25
  - Option to export data from database
  - Agency contact information
    - ***Please provide us with updates to this as needed***

NC Grants System

Requirement to enter awards into NC Grants System

- Agencies must report each grant program and award with OSBM by entering relevant information into the North Carolina Grants System.

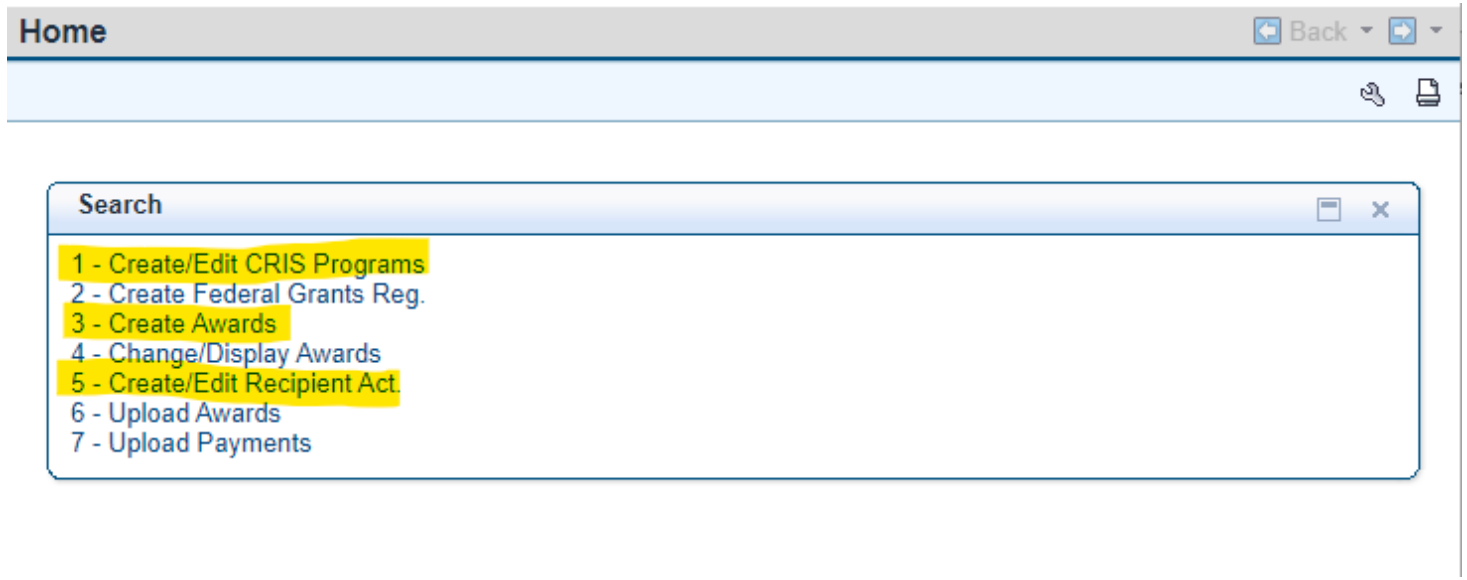
- **Subsection .0802** details requirements related to the Suspension of Funding List (SOFL) and any noncompliance with the rules, suspected misuse of funds, etc.
  - If you have a question about an entity on the SOFL, email OSBM at Grants-OSBM@osbm.nc.gov for additional information about their suspending agency.
  - The grantee will need to contact their suspending agency for further instructions, including resolving outstanding reporting requirements.
  - The suspending agency must then notify OSBM to confirm there are no outstanding unmet requirements, and they recommend the grantee's removal from the SOFL.

NC Grants System

If staff requires access to the system, submit completed grants system access authorization form(s) to Grants-OSBM@osbm.nc.gov

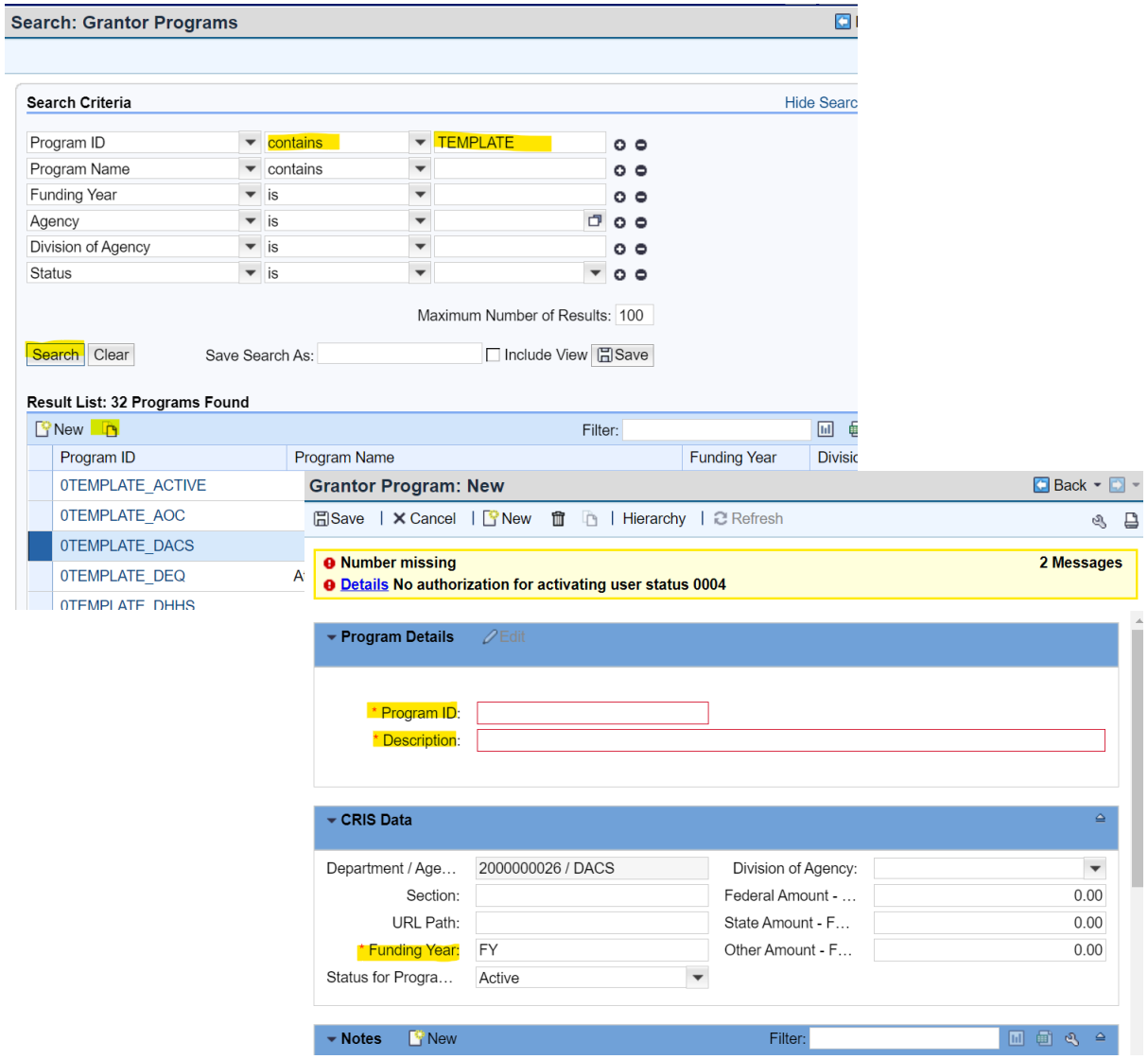
Required components of the NC Grants System:

1. CRIS Program
2. Recipient Account
3. Award



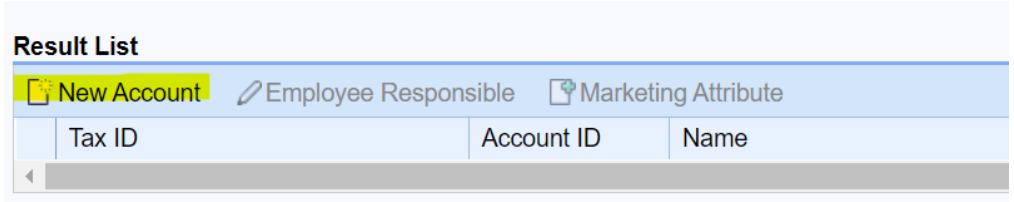
NC Grants System - CRIS Program

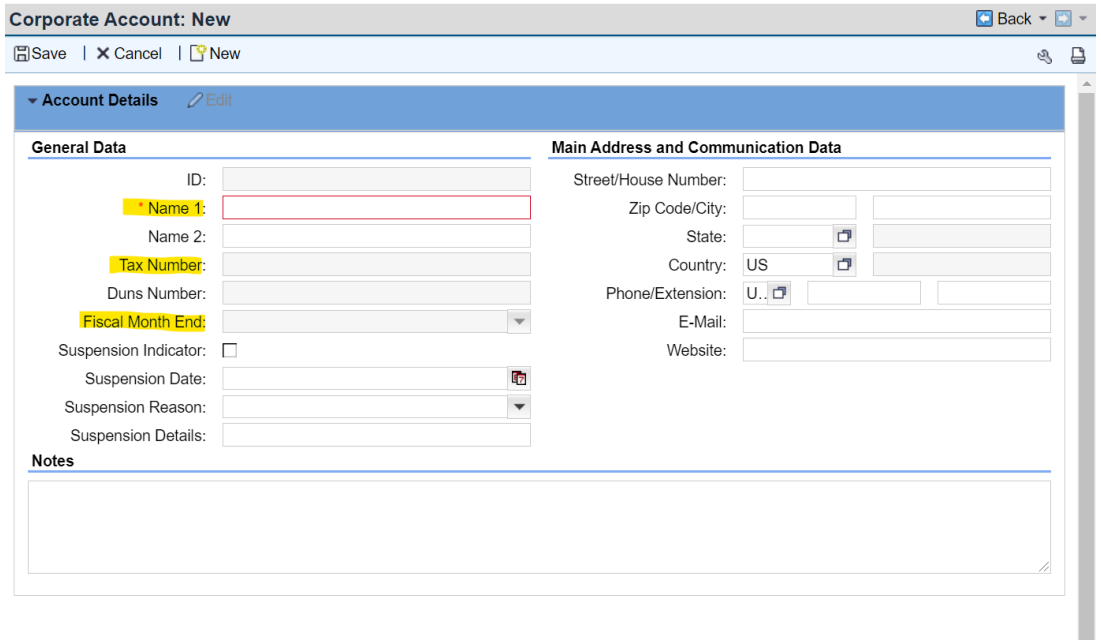
- The CRIS program is meant to act as a broader category under which your awards fall.
- For example, agencies may want to create new CRIS programs based on funding source (GF, SCIF, ARPA, etc.) or they may choose to categorize their awards by service or program type using CRIS programs.
- Each agency has their own CRIS templates in the system, users should create a copy of the template when creating new programs.



NC Grants System – Recipient Account

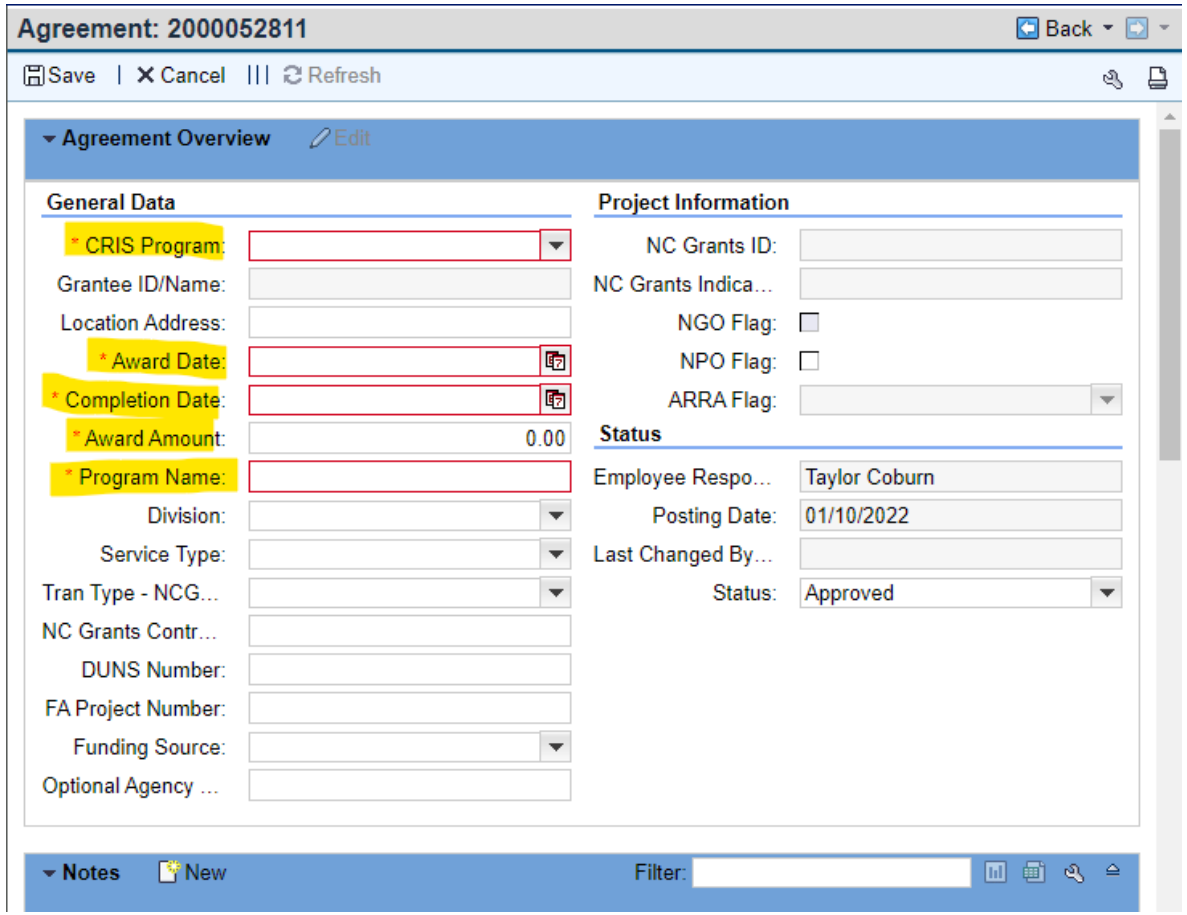
- A recipient account must be created if the grantee has never received an award entered in the grants system.
- Only one recipient account may be created per Tax ID.
  - Additional addresses can be added to the recipient account, if necessary.





NC Grants System - Award

- Once recipient account and CRIS program have been created, enter award information
- Agreement ID (top left) is generated by the system and will be used in NCFS to find relevant NCG Indicator. Grants system and NCAS interface overnight.



Questions

Stay in touch

Website:
www.osbm.nc.gov

Email:
Grants-OSBM@osbm.nc.gov

NC OSBM
OFFICE OF STATE BUDGET AND MANAGEMENT