

## Directed Funding Tips

*Applies to legislatively directed grants*

### All Directed Funding Programs

#### *Applicable Laws & Guidance*

- All federal, state, and local laws apply to the SCIF, NCAIP, GAL and TRDF allocations.
- [Buy American, Maximum Allowable Non-Salary Direct Costs](#). If you have specific questions, refer to the NC Department of Transportation, Division of Aviation (NCDOT-Aviation) Connect website or contact your assigned APM.
- As a federally obligated airport, sponsors are required to follow FAA Policies, Standards and Specifications applicable to the project(s). Otherwise, future maintenance may not be eligible for federal funding.

#### *Scope & Overall Funding*

- Encumbrance is defined as a financial obligation created by a purchase order, contract, salary commitment, unearned or prepaid collections for services provided by the State, or other legally binding agreement. [GS 143C1-1\(d\)\(12\)](#)
- Directed funds cannot be co-mingled with any other funds for accounting purposes. They must be tracked and reported separately from all other funds, including interest earned. If your accounting software is not set up to separate grant funds, deposit directed funds into a new bank account. If your organization has more than one directed funding grant from any source, deposit funds from each source in their own accounts.
- The Division of Aviation is **not** approving scope, fees, or rates. However, all directed fund types are subject to the NCDOT [Maximum Allowable Non-Salary Direct Costs rate schedule](#). Should grantees choose to pay more than the approved rates, their documentation must delineate between eligible expenses and ineligible expenses for a different funding source. NCDOT-Aviation may complete a cursory review of documents if requested.
- Independent Fee Estimates (IFE) are NOT required for non-federally assisted projects as of July 1, 2024.
- If a project utilizes directed funds and federal funds for construction, acceptable delivery methods must align with Federal guidance ([FAA AC 150/5100-14E](#) or current).
- Interest earned from all directed grant funds must be expended on an approved project listed on the approved [AV-109](#). Accounting must be set up to prove interest earned was expended on approved projects. ([GS 143C-6-23\(j\)](#) and [OSBM FAQs](#)).
- Administration fees from banks are eligible expenses.
- Directed grant funds may be used to pay for Builder's Risk Insurance ONLY if it is directly related to the project.
- Every construction project is required to go through FAA Section 163 (even if project is state funded) to determine if NEPA or SEPA applies. Coordination with FAA may take additional time.
- State grants can be used to reimburse for project expenses that were paid during or after the fiscal year in which funds were appropriated.
- If design studies are related to/in preparation for the approved project, the study is an allowable expense. OSBM classifies these as contracted services/administrative activities and specifies the following: "...all [contracted] fund uses must be directly related to the project, and more detail, either in the budget text box or using attachments, would show how those uses connect to the project. These funds are not meant to support administrative activities already being done but could support new administrative tasks as required by the project."
- Directed funding grant projects defined as Level II subrecipients in [09 NCAC 03M.0205](#) (thresholds defined in [2 CFR 200.5010\(a\)](#)) require Yellow Book audits annually for each fiscal year the project is open. Expenses of a Yellow Book audit are eligible expenses. Audit results are due to NCDOA 9 months after the grantees fiscal year end per [09 NCAC 03M .0205](#).
- Per [09 NCAC 03M .0401\(11\)](#), agencies shall not disburse any state financial assistance to an entity that is on the [Suspension of Funding List](#). OSBM maintains the Suspension of Funding List (SOFL) of non-compliant grant recipients. If grantees are unable to provide Quarterly Progress and Expense reports in a timely manner for the life of the project, NCDOT-Aviation will notify OSBM of the non-compliant grant recipient to be added to the SOFL.
- Funds will be dispersed to the account established with NCDOT. There is no need to setup another account with NCDOT.

#### *Federal Forms Required*

- [FAA Form 7460](#) (Notice of Proposed Construction or Alteration) is a required action that must be completed **before** construction can begin on airfield projects. Failure to submit FAA Form 7460 could result in loss of federal and state funding.

#### *AV-107 Quarterly Progress and Expense Reports in Directed Funding Tile in EBS*

- Directed Funding Quarterly Progress and Expense Report (AV-107 Directed Funding Tile in EBS) are due January 10, April 10, July 10, October 10 for the life of the project(s).
- Reporting will be cumulative per project from previous quarters (i.e., continue to add on to the AV-107 so at project end, there is one comprehensive list of all expenditures).
- The AV-107 Expense table in EBS should be cumulative for the life of the project and include appropriate [A-Code designations](#) so that the NCDOT-Aviation will be able to report categories of expenses to Office of State Budget and Management ([OSBM](#)) and the N.C. General Assembly.
- Sales tax is not an eligible expense. It must be shown as removed on the AV-107.

#### *AV-508 and AV-509/510 Forms*

- All directed funding requires a MBE/WBE goal unless combined with federal funds, which will require a DBE goal. [AV-508](#) and [AV-509/510](#) forms will be uploaded with the first quarterly report upon availability. Airports may request goal setting from their assigned APM.

#### *Additional Requirements and Notes*

- While the NCDOT-Aviation does not require that invoices, pay applications, etc. be submitted to the Division, grantees have been notified that grant funds are subject to audit ([09 NCAC 03M.0202](#)). Grantees are responsible for maintaining records for audits for five years after completion of project(s).
-

## Directed Funding Tips

*Applies to legislatively directed grants*

- Photos of construction projects and land and equipment purchases, while not required for equipment, or construction, are very helpful for reporting progress to the N.C. General Assembly and other stakeholders.
- Per the [AV-100](#) Land Checklist, NCDOT Right-of-Way concurrence of contract price must be documented.
- Additional Land Acquisition Guidance can be found on the [Connect](#) site.

### *Allocation Closeout when Project Not Complete*

- If the directed funding allocation was fully expended, but the project is not complete, the following information will be required in lieu of closeout documents to be submitted via Non-Amount Change Request in EBS:
  - a. AV-106 Directed Funding Encumbrance Report
  - b. AV-107 Directed Funding Quarterly Progress and Expense Report.
  - c. [AV-509/AV-510](#): DBE/MBE/WBE/HUB Vendor Forms (signed by Sponsor and Contractor) with most recent minority participation information that has been completed.
  - d. [Allocation Closeout Letter](#) on Sponsor letterhead noting:
    - i. percent of contract completed at end of SFY.
    - ii. expenses listed with state sales tax and other funding contributions are removed from the amount being expensed against this grant.
    - iii. all required environmental documentation for construction was completed and approved.
  - e. Current Progress photos of project(s) to show status.