

June 25, 2003

## MEMORANDUM

**TO:** LEA Superintendents  
LEA Finance Officers

**FROM:** Philip Price

**SUBJECT:** Alternative 12 month Installment Plans

General Statute 115C-302.1(b), requires the Local Education Agency (LEA) to offer any individual teacher, who is not employed in a year-round school, a payment plan in 12 monthly installments, if the teacher so requests. LEAs are not authorized to establish installment pay programs for employees that prematurely transfer state resources to locally based bank accounts unless such bank accounts are under the direct control of the employee and the cash balance in the account earns interest for the employee only. If a LEA chooses to offer its 10 month employees an alternative to the installment method, the LEA must ensure the following requirements are met:

- All money must be kept in an interest bearing account under the direct control of the employee.
- All interest earned must be allocated to the individual employees in the plan. The LEA may NOT receive any interest from these funds
- By July 15, 2003, (or by January 31 for all fiscal years after FY 2003-04), the LEA must submit to the Associate State Superintendent for Financial and Business Services in the Department of Public Instruction (DPI) for approval, a written plan stating:
  1. The method by which the money will be deducted from the employees' pay
  2. Where the deducted money will be deposited and held
  3. The terms of interest distribution
  4. The method by which the deducted money and interest will be paid to the employees (including payments to an employee for early departure from the plan)
  5. An estimate of the amount that will be deposited into the account each month and which 2 months the money will be distributed to the employees.
- Alternative Installment Program plans that meet these criteria to DPI's satisfaction will be approved for implementation in the next fiscal year starting July 1st.

PP:jb

OFBS #03-021

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