

**Background Information for  
Joint Legislative Commission on Governmental Operations October 29, 2013 Meeting**

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**Rural Economic Development Center (REDC)**

**1987:** REDC was established based on the recommendation of the Commission on Jobs and Economic Growth and received its first appropriation of \$2 million in Fiscal Year 1987-88. The appropriation to REDC has varied over the past 10 years, ranging from \$23.3 million to \$143.8 million:

2004-05 Actual	2005-06 Actual	2006-07 Actual	2007-08* Actual	2008-09* Actual	2009-10 Actual	2010-11 Actual	2011-12 Actual	2012-13 Actual	2013-14 Actual
23,766,587	24,777,607	24,552,607	143,802,607	71,034,219	23,289,284	26,794,011	25,376,729	23,619,194	0

\* Additional funds were appropriated specifically for critical needs water and wastewater in FY 2007-08 (\$100 M nonrecurring) and FY 2008-09 (\$50 M nonrecurring).

**2013, July:** State audit report is released evaluating REDC's grant monitoring practices and management of State-charged administrative expenses. Subsequently, the Governor "froze" REDC grants and the Office of State Budget and Management began supervising/ approving payment of State-funded REDC expenses and grants (authority provided under Article 6 of the State Budget Act, G.S. 143C).

**2013, September:** REDC Board voted to voluntarily transfer all remaining State funds to Commerce. Of the approximately \$109 million being returned to the State, Commerce's newly established Rural Economic Development Division (S.L. 2013-360, Sec. 15.10) will receive \$85 million (\$81 million in existing, obligated grants and \$4 million for administration). Fiscal Research understands that the remaining \$24 million will revert to the General Fund.

**Related Policy Questions for Consideration:**

- 1) The use of unobligated Rural Center funds is unaccounted for in the budget deviation document. Does something in writing need to be submitted for the unobligated funds?
- 2) Under what authority is the executive branch acting to spend funds appropriated to another entity?
- 3) When State-funded nonprofits dissolve, what should happen to those funds? To whom should they be returned? For what purposes? For what purposes should interest earned on State funds be used? What happens if a nonprofit that will continue to exist returns and/or rejects funds appropriated by the State?