

## Office of State Budget & Management Updates

Presentation to Joint Legislative Oversight Committee on General Government

November 7, 2017

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## Topics

- Funds to Non-State Entities (Grants)
- Lapsed Salary Report for General Government Agencies
- OSBM Structure and Updates



## Funds to Non-State Entities: Overview

- The State annually disburses \$500-600 million to non-state entities\*
- Direct appropriations in the current fiscal year:
  - 242 direct appropriations
  - Total Value: ~\$44.7 million
    - Average Grant Award: \$185,000
    - Range of \$4,500 to \$5 million
  - 12 different state agencies disbursing funds
- The State Budget Act directs OSBM to:
  - Adopt rules governing the disbursement, oversight, and monitoring of recipients (G.S. 143C-6-23)
    - OSBM adopted rules in 2016 (09 NCAC 03M)
  - Suspend and/or recover funds if used for unauthorized purpose or if entity fails to comply with applicable laws (G.S. 143C-6-22)

\*Source: NCGrants system (includes federal funds passed through the state; does not include local government entities that report to the Local Government Commission)



## Funds to Non-State Entities: OSBM Responsibilities

### OSBM responsibilities:

- Provide guidelines for agency monitoring plans and reporting processes
  - Advise a risk-based approach to best deploy limited monitoring resources
- Maintain Suspension of Funding List
- Take appropriate action upon determination of misuse of funds
- Provide technical assistance to agencies in interpreting rules and statutes and also with using the grant system



## Funds to Non-State Entities: Agency Responsibilities

### Agency responsibilities:

- Execute a contract, with specified provisions, prior to disbursing funds
- Enter award in OSBM's grant system
- Ensure funds are used for purposes for which awarded and adhere to federal cost principles
- Develop and implement a grant monitoring plan
- Establish reporting procedures that meet certain minimums
- Take appropriate action (e.g., suspension, recovery of funds) upon determination of noncompliance, misuse, or fraud



## **Funds to Non-State Entities: Contract/Disbursement Steps**

### **1. Non-State Entity Research & Determination**

- Agency staff review Appropriations Act and inventory all grants
- Through online research and phone calls, primary contacts are developed

### **2. Initiate Scope and Contract Discussions**

- Agencies work with non-state entities to determine their budgets, payment needs, and scope of work

### **3. Draft Contract Preparation**

- Draft contracts are prepared and shared with non-state entities for their review and feedback

### **4. Contract Approval & Payments**

- Final contracts are often presented to recipients' boards for their review and approval
- Once contracts are fully executed, payment requests begin

### **5. Agency Oversight**

- Agency staff must review reports and invoices, provide technical assistance, monitor payments, and conduct site visits as needed



## Funds to Non-State Entities: Disbursement of Funds

- Methods for disbursement:
  - **Single payment:** all funds disbursed at once upfront
    - Permissible for direct appropriations of \$100,000 or less (G.S. 143C-6-21)
    - Prior to 2013 revision, statute *required* a single annual payment
  - **Reimbursement Basis:** funds disbursed only after reporting
  - **Hybrid:** partial upfront payment combined with reporting and incremental payments (e.g., quarterly)
- Reimbursement basis is considered best practice
  - Difficult to recover already disbursed funds in cases of misuse, fraud
  - However, not always practical, particularly for small grants to small entities
  - Very staff intensive for agencies and grantees



## Funds to Non-State Entities: Issues and Challenges

- Administration of direct appropriations
  - Limited information provided on the recipient and intended purpose
  - Some agencies have minimal experience or capacity to administer
  - Risk of waste, fraud, or abuse
- Statutory updates needed
  - Some definitions in statute are vague and do not align with federal terminology used by many agencies
  - Rules provide further clarification, but updates to statute would reduce confusion
  - Reporting requirements do not take into account automated tracking system and do not reflect current practice (e.g., suspension list is now published weekly online)





## Lapsed Salary: Report and Overview

- Report directed in 2017 Appropriations Act
  - Total amount of accrued lapsed salary funds by source
  - Total number of FTEs comprising the lapsed salary funds
  - Total expenditure of lapsed salaries by purpose
  - Legal authorization to expend lapsed salary funds
- Difficulty with acquiring data as requested
- Across 27 state agencies, receipts and net General Fund appropriations:
  - \$320.3 million in budgeted lapsed salary (of \$4.2 billion)
  - \$203.5 million reallocated
  - Equivalent to 7,588 FTE (of 71,752 – 11%)
  - Most lapsed salary funds used for purchased services, other personnel-related costs, and property, plant, and equipment



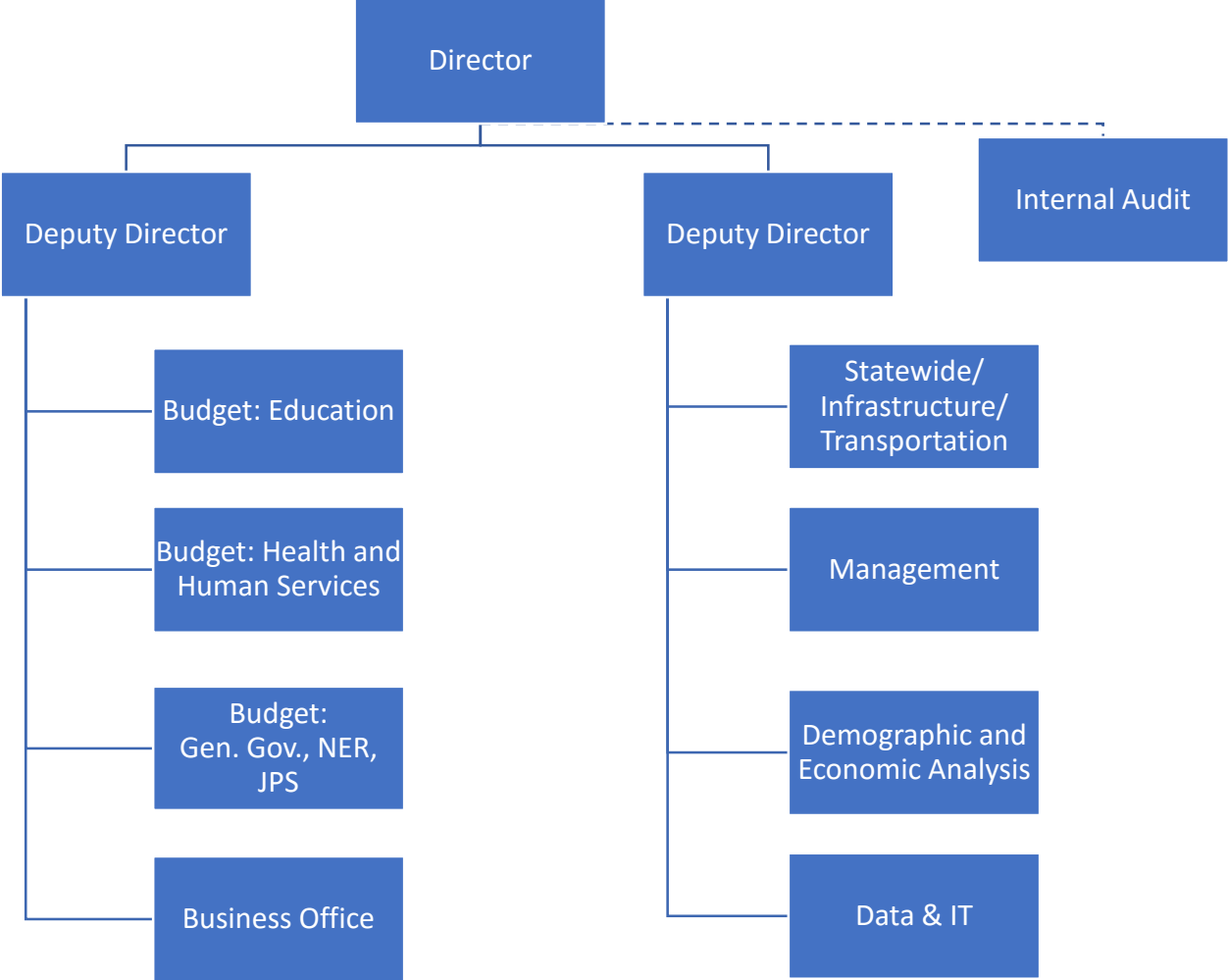
## Lapsed Salary: General Government Agencies

- General Government Agencies similar to rest of state government
  - \$34.4 million in lapsed salary generated (receipts and net appropriations)
  - \$15.4 million reallocated (\$11.1 million of that is net appropriations)
  - Majority of reallocations used for purchased services (85%)

**\* For agency by agency details, please see handout**



# OSBM Organizational Structure





## OSBM Priorities

- Major responsibilities include
  - Budget Development
  - Budget Management and Administration
  - Evaluation and Management Studies
  - Internal Audit and Compliance
- Enhanced focus on
  - Evidence-based Policy
  - Performance Management
  - Pew Results First

*\*\* Reviewing best practices from other states that are leaders in this area*
- Actively working on **Common Sense Government** initiative to reduce red tape and streamline processes
  - Budget Administration
  - Procurement
  - Capital/Asset Management
  - Human Resources



## Questions

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(2018: 4<sup>th</sup> floor of Dobbs Building)

[osbm.nc.gov](http://osbm.nc.gov)

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