



**STATE OF NORTH CAROLINA
OFFICE OF STATE BUDGET AND MANAGEMENT**



Employment First State for Individuals with Disabilities

ROY COOPER
GOVERNOR

KRISTIN WALKER
STATE BUDGET DIRECTOR

December 2, 2022

MEMORANDUM

TO: Chairs, Joint Legislative Oversight Committee on Health and Human Services
Chairs, Joint Legislative Education Oversight Committee
Chairs, Joint Legislative Oversight Committee on Justice and Public Safety
Chairs, Joint Legislative Oversight Committee on Information Technology
Chairs, Joint Legislative Oversight Committee on General Government
Chairs, Joint Legislative Oversight Committee on Agriculture and Natural and
Economic Resources

Mark Trogon, Director of Fiscal Research
Fiscal Research Division, NC General Assembly

FROM: Kristin Walker, State Budget Director
Office of State Budget and Management

A handwritten signature in black ink that reads "Kristin Walker".

SUBJECT: 2021-2022 Lapsed Salary Report

Pursuant to G.S. 143C-6-9, the Office of State Budget and Management (OSBM) submits the attached report on the use of lapsed salary funds for FY 2021-22.

If you have any questions, please contact Lanier McRee, Assistant State Budget Officer with OSBM at lanier.mcree@osbm.nc.gov

Cc. Lanier McRee, OSBM



Lapsed Salary Report

DECEMBER 1, 2022

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Summary

In FY 2021-22, 31 state agencies generated a total of \$1,294.9 million in lapsed salary, \$327.7 million from receipts, \$308.6 million from the Highway Fund, and \$658.5 million¹ from net General Fund appropriations. This total represents 24.1% of the total certified budget for all personal services accounts (account code 531XX). The lapsed salary funds equate to approximately 14,412 FTEs. The average June 30, 2022, vacancy rate for these state agencies was 19.8%; in comparison, the average June 30, 2021, vacancy rate was 13.2%.

Not surprisingly, the agencies with the most FTEs generate the most in lapsed salary. The Department of Health and Human Services, the Department of Public Safety, and the Department of Transportation account for \$1,021.7 million, 79% of all lapsed salary funds.

Of the \$1,294.9 million generated, \$720.4 million² was reallocated to other line items; the remaining net appropriations reverted. More than \$349 million (48.5%) of lapsed salary was reallocated to other personnel-related account codes. After reallocations within 531XX accounts, the most common use of lapsed salary funds was for purchased services, followed by intergovernmental transactions, and then property, plant, and equipment.

Almost all state agencies used lapsed salary throughout the fiscal year to cover various personal services and operating expenses. In some cases, these expenses are directly related to a position being vacant. For example, agencies may need to cover overtime expenses or contract positions to perform the work that is not being done due to the vacancy. At other times, agencies use lapsed salary to cover unanticipated one-time expenses.

Scope of Report

[G.S. 143C-6-9](#) directs the Office of State Budget and Management (OSBM) in conjunction with state agencies to report on the use of lapsed salary funds, including the following:

- The total amount of accrued lapsed salary funds by funding source;
- The total number of full-time equivalent positions comprising the lapsed salary funds;
- The total expenditure of lapsed salaries by purpose; and
- The legal authorization to expend lapsed salary funds.

The report is due to the Joint Legislative Oversight Committees on Health and Human Services; Education; Justice and Public Safety; Transportation; Information Technology; General Government; and Agriculture and Natural and Economic Resources; and the Fiscal Research Division.

¹ The net General Fund total includes all lapsed salary generated by the NC General Assembly (NCGA), whose operations are 99% General Fund supported. The NCGA does not use the BEACON system so data on the percentage of lapsed generated from net General Fund versus receipts is unavailable.

² This total excludes \$71.2 million from non-531XX accounts included on Lapsed Salary revisions.

Definitions and Policies Related to Lapsed Salary

Lapsed salary is the dollar amount not expended for salary and associated benefits (social security, retirement, longevity, and medical insurance contributions) during the period in which a position is vacant.

In accordance with the State Budget Act ([G.S. 143C-6-4](#)) and the State Budget Manual, managers of agencies are authorized to use lapsed salary funds to meet non-recurring requirements, subject to guidance and review by OSBM, through the submission of budget revisions. The following policies are followed by agencies and reviewed by OSBM staff:

- The use of lapsed salary funds shall not impose obligations on the state after the end of the fiscal year;
- Lapsed salary can only be moved to accounts with a like funding source (e.g., lapsed salary generated through net appropriations salary accounts cannot be moved to accounts supported through receipts);
- When lapsed salary is used for contractual services, the contract shall not extend beyond the fiscal year;
- Lapsed salary shall not be used to establish new positions (including time-limited positions), or to provide salary increases; and
- The scope of a purpose/program shall not be increased through the use of lapsed salary.

Note on the University of North Carolina System

The University of North Carolina (UNC) is not included in this report as [Chapter 116 of the General Statutes](#) provides broad budget and management flexibility authority for constituent institutions. Campuses are permitted by statute to realign appropriations within a budget code at the discretion of the Chancellor. As a result, campuses do not track lapsed salary actions separately from other types of nonrecurring budget realignments.

Methodology

To produce the information required for this report, OSBM performed the following tasks:

1. To obtain “the total amount of accrued lapsed salary funds by funding source,” OSBM produced two reports:
 - i. The first report to determine “Lapsed Salary Generated” for fiscal year 2021-22 is generated from the North Carolina Accounting System (NCAS). The report calculates the difference between total certified budget and the total actual expenditures as of June 30, 2022, for all personal services accounts (531XX accounts). The amount of lapsed salary reallocated to personal services accounts is then added to this total to provide a final estimate of “Lapsed Salary Generated.”

- ii. The second report is generated from the Integrated HR/Payroll System³ (aka. BEACON) to estimate the “funding source” (Appropriations and Receipts/Other) for all positions. This ratio is based on the funding source of all full-time equivalent positions (FTEs).
2. To obtain the “total number of full-time equivalent positions comprising the lapsed salary funds,” OSBM used a report from the Integrated HR/Payroll System to calculate the total number of positions vacant on June 30, 2021. The ratio of the total number of vacant positions to the total number of budgeted positions was used to calculate the vacancy rate. This number of vacancies and the vacancy rate as of June 30, 2022, serves as a proxy for the number of FTE that generated the lapsed salary and the average vacancy rate throughout the fiscal year.
3. To obtain “the total expenditure of lapsed salaries by purpose,” OSBM used the RK 341 report from IBIS for all budget revisions coded as a “Lapsed Salary.”
Note: Agencies identify revisions as a “Lapsed Salary” revision when the revision decreases a 531XX account and reallocates those funds to other line items. In certain instances, agencies may reduce non-531XX accounts in a “Lapsed Salary” revision. In FY 2021-22, OSBM identified \$71.2 million in non-531XX accounts reallocated on “Lapsed Salary” revisions. OSBM has removed these decreases and corresponding increases from this analysis.

Using the data within the RK 341, OSBM identified and summarized the movement of funds from 531XX accounts to another account code by the following account groups:

532XXX	PURCHASED SERVICES
533XXX	SUPPLIES
534XXX	PROPERTY, PLANT & EQUIPMENT
535XXX	OTHER EXPENSES & ADJUSTMENTS
536XXX	AID & PUBLIC ASSISTANCE
537XXX	RESERVES
538XXX	INTRAGOVERNMENTAL TRANSACTIONS

Table 1 provides the total amount of lapsed salary generated by funding source, as well as the total amount reallocated in FY 2021-22 and the estimate of vacant FTE that generated the lapsed salary. Table 2 provides the use of lapsed salary by the aforementioned account groups.

It should be noted that current IT systems only allow OSBM to determine where lapsed salary is *budgeted*, not necessarily if it was *expended*. For example, an agency might move \$100,000 in lapsed salary to a 532XX account, where \$300,000 is already budgeted. If at the end of the year, the agency reverts \$25,000 from these line items, OSBM cannot determine if the lapsed salary reverted or if the previously budgeted funds reverted.

³ The General Assembly does not use the Integrated HR/Payroll system, so the agency was not included in the funding source or full-time equivalent positions analyses.

Table 1: General Fund & Highway Fund Agency Lapsed Salary Generated, Reallocated, and Estimated FTEs

\$ in thousands

Budget Code	Agency	531xx Personal Services		Amount of Lapsed Salary					FTEs
		Certified	Year-end Actual Expenditures	Generated	Reallocated to 531XX Accounts	Reallocated to non- 531XX Accounts	Est. from Net Appropriation	Est. from Other Sources	Est. Vacancies
11000	General Assembly	\$ 63,202.7	\$ 61,066.8	\$ 2,135.8	\$	\$	\$	\$	
12000	Administrative Office of the Courts	612,768.4	581,176.0	46,221.8	14,629.4	31,748.1	46,163.8	57.9	244
12001	Indigent Defense	66,113.0	62,236.5	4,330.6	454.1	1,035.8	4,292.0	38.7	23
13000	Office of the Governor	6,024.6	5,810.5	214.1	0.0	57.5	180.8	33.3	2
13005	State Budget & Management	8,135.1	7,020.1	1,127.8	12.8	920.3	997.0	130.9	4
13050	Military & Veterans Affairs	6,799.5	5,359.8	1,603.2	163.4	1,353.9	1,603.2	0.0	12
13100	Office of the Lt. Governor	1,121.9	993.1	128.8	0.0	31.3	128.8	0.0	
13200	Secretary of State	14,232.8	13,352.8	1,247.0	367.1	691.6	1,224.4	22.6	14
13300	State Auditor	20,298.4	17,828.0	2,505.5	35.0	2,164.2	1,837.0	668.4	24
13410	State Treasurer	44,373.4	36,035.3	9,018.0	679.8	1,515.9	256.0	8,762.0	62
13510	Public Instruction	136,181.0	122,990.0	17,327.5	4,136.5	4,805.4	10,408.1	6,919.4	176
13600	Justice	80,761.0	74,443.1	73,626.4	67,308.5	3,799.6	45,211.1	28,415.3	114
13700	Agriculture & Consumer Services	141,349.3	131,002.2	14,894.1	4,547.1	5,408.4	11,045.9	3,848.3	196
13800	Labor	34,531.6	31,841.1	9,173.3	6,482.7	1,806.8	5,214.9	3,958.4	56
13900	Insurance	46,371.5	38,206.1	8,449.8	284.4	1,037.3	7,596.2	853.6	79
13902	Industrial Commission	13,859.2	12,387.7	1,700.4	228.9	64.3	645.3	1,055.0	9
14100	Adminsitration	34,358.3	30,563.4	4,231.4	436.5	3,040.8	3,673.3	558.0	51
14111	State Human Resources	7,462.3	6,299.3	1,171.2	8.2	1,345.5	1,155.6	15.6	12
14160	State Controller	21,187.9	18,661.2	2,680.1	153.4	1,859.9	2,582.9	97.2	19
14300	Environmental Quality	101,765.5	88,147.3	15,037.1	1,418.9	3,595.2	7,834.3	7,202.8	192
14350	Wildlife Resources	58,661.7	55,803.8	3,109.7	251.7	53.0	645.5	2,464.2	50
14410	DHHS Central Management	110,632.5	98,359.4	14,625.7	2,352.7	8,423.3	8,659.7	5,965.9	184
14411	DHHS Aging	7,283.6	6,475.0	835.0	26.5	52.8	366.6	468.4	7
14420	DHHS Child Development	26,481.0	24,023.8	2,610.9	153.7	382.1	240.6	2,370.2	42
14430	DHHS Public Health	173,864.6	146,651.3	28,229.5	1,016.2	8,260.8	8,914.6	19,314.9	373
14440	DHHS Social Services	32,325.8	26,223.9	6,390.0	288.0	697.2	2,908.7	3,481.3	62
14445	DHHS Health Benefits	51,240.4	43,405.7	8,019.1	184.4	10,645.0	3,160.7	4,858.4	93
14450	DHHS Blind/Deag/Heard of Hearing	26,463.3	21,618.7	4,898.7	54.1	291.6	800.9	4,097.9	56
14460	DHHS DMH/DD/SAS	840,781.2	738,922.5	165,723.0	63,864.2	60,602.9	68,100.8	97,622.2	2,890
14470	DHHS Health Service Regulation	56,710.7	49,383.0	7,634.6	306.9	3,087.5	3,270.4	4,364.2	81
14480	DHHS Vocational Rehab	72,314.7	58,317.0	15,134.0	1,136.3	2,589.6	3,864.6	11,269.5	212
14550	Public Safety	1,994,598.0	1,703,446.8	449,583.3	158,432.2	168,858.1	362,011.3	87,572.1	6,154
14600	Commerce	16,316.7	15,443.8	1,629.1	756.2	552.5	1,010.0	619.1	21
14660	Information Technology	15,542.0	14,586.4	1,371.2	415.6	1,362.9	1,352.2	18.9	15
14700	Revenue	132,650.4	116,106.1	18,123.2	1,578.9	7,997.0	11,510.7	6,612.5	150
14800	Cultural & Natural Resources	144,016.9	129,590.8	22,181.5	7,755.4	12,858.7	19,268.2	2,913.3	249
16800	Community Colleges	59,430.2	51,711.8	8,686.0	967.5	3,017.8	7,109.0	1,576.9	31
18025	State Board of Elections	6,439.6	6,157.8	321.7	39.9	404.8	321.7	0.0	9
18210	Adminsitratve Hearings	6,148.5	5,296.8	887.7	36.0	116.1	828.1	59.6	9
84210	Transportation	1,035,490.0	725,891.1	318,039.0	8,440.1	14,480.6	308,601.0	9,438.1	2,435

Table 2: General Fund and Highway Fund Reallocations by Account Group

\$ in thousands

Budget Code	Agency	531xx Personal Services	532xx Purchased Services	533xx Supplies	543xx Property, Plant & Equip.	535xx Other Expenses	536xx Aid & Public Assistance	537xx Reserves	538xx Intergov't Transactions	Total Used
12000	Administrative Office of the Courts	\$ 14,629.4	\$ 17,188.1	\$ 238.9	\$ 299.7	\$ 43.6			\$ 13,977.8	\$ 46,377.5
12001	Indigent Defense	454.1	1,034.1	0.2	1.5	0.0				1,489.9
13000	Office of the Governor	0.0	57.5							57.5
13005	State Budget & Management	12.8	920.3	0.0	0.0					933.1
13050	Military & Veterans Affairs	163.4	618.0	40.1	229.1	147.0			319.7	1,517.4
13100	Office of the Lt. Governor	0.0	31.3							31.3
13200	Secretary of State	367.1	626.3	5.7	42.1	17.5				1,058.6
13300	State Auditor	35.0	1,946.7		217.5	0.0				2,199.2
13410	State Treasurer	679.8	1,513.2			2.6				2,195.7
13510	Public Instruction	4,136.5	3,699.4	72.6	1,058.7	(25.3)				8,941.9
13600	Justice	67,308.5	3,308.1		363.5	128.0				71,108.1
13700	Agriculture & Consumer Services	4,547.1	1,932.5	790.4	2,230.6	454.8				9,955.4
13800	Labor	6,482.7	1,527.1	19.2	154.9	105.6			0.0	8,289.6
13900	Insurance	284.4	1,021.6	63.1	11.6	(75.6)	16.6			1,321.7
13902	Industrial Commission	228.9	64.3							293.2
14100	Adminsitration	436.5	2,722.5	12.7	86.6	218.9				3,477.3
14111	State Human Resources	8.2	1,345.1			0.4				1,353.7
14160	State Controller	153.4	100.2						1,759.7	2,013.3
14300	Environmental Quality	1,418.9	1,849.2	369.7	835.2	7.6			533.6	5,014.1
14350	Wildlife Resources	251.7	41.0	0.1	12.0					304.7
14410	DHHS Central Management	2,352.7	7,868.3	18.1	235.7	301.2				10,775.9
14411	DHHS Aging	26.5	52.8							79.3
14420	DHHS Child Development	153.7	382.1							535.8
14430	DHHS Public Health	1,016.2	5,934.0	730.7	486.2	89.8	486.1	12.0	522.0	9,277.0
14440	DHHS Social Services	288.0	697.2							985.3
14445	DHHS Health Benefits	184.4	10,645.0							10,829.3
14450	DHHS Blind/Deaf/Heard of Hearing	54.1	291.6							345.8
14460	DHHS DMH/DD/SAS	63,864.2	27,148.6	2,947.1	3,663.7	2,158.5			24,685.1	124,467.1
14470	DHHS Health Service Regulation	306.9	1,813.5	7.6	596.2	625.5	4.6		40.1	3,394.4
14480	DHHS Vocational Rehab	1,136.3	2,005.3	27.7	556.6					3,725.9
14550	Public Safety	158,432.2	115,629.4	31,982.4	23,662.0	4,274.7	186.3	(6,928.5)	51.8	327,290.2
14600	Commerce	756.2	431.5	20.5	46.9	53.7				1,308.7
14660	Information Technology	415.6	1,361.2	0.7	1.1					1,778.5
14700	Revenue	1,578.9	6,499.5	106.2	797.9	593.4				9,575.8
14800	Cultural & Natural Resources	7,755.4	8,230.3	520.5	3,375.0	608.7			124.3	20,614.1
16800	Community Colleges	967.5	2,999.8	5.8	10.5	1.6				3,985.3
18025	State Board of Elections	39.9	404.8							444.7
18210	Adminsitratve Hearings	36.0	90.0		26.1					152.1
84210	Transportation	8,440.1	10,207.3	153.0	1,208.8	2,330.0		581.4		22,920.7