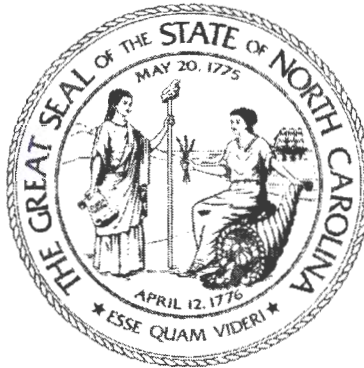


2017

**JOINT
APPROPRIATIONS –
GENERAL
GOVERNMENT**

MINUTES



JOINT APPROPRIATIONS ON GENERAL GOVERNMENT

**2017-2018 Session
Book 1 (House Section)**

**Co-Chairman Sen. John M. Alexander, Jr.
Co-Chairman Sen. Tamara Barringer
Co-Chairman Sen. Jeff Tarte
Co-Chairman Rep. George G. Cleveland
Co-Chairman Rep. Dennis Riddell**

**Pamela Ahlin, Committee Assistant
Polly Riddell, Committee Assistant**



HOUSE APPROPRIATIONS, GENERAL GOVERNMENT
2017-2018 SESSION

MEMBER	ASSISTANT	PHONE	OFFICE	SEAT
CLEVELAND, George Chair	Pamela Ahlin, Clerk	715-6707	417A	8
RIDDELL, Dennis Chair	Polly Riddell, Clerk	733-5905	533	99
ADCOCK, Gale	Suzanne Smith	733-5602	1211	119
AGER, John	Meredith Graf	733-5746	1315	103
BRODY, Mark	Neva Helms	715-3029	2219	62
CLAMPITT, Mike	Edward Stiles	715-3005	1420	113
FLOYD, Elmer	Dorothy McLean	715-5959	1325	83
FORD, Carl	Olivia Clapp	733-5881	608	64
PIERCE, Garland	Janice Fenner	733-5803	1204	34
PITTMAN, Larry	Tammy Pittman	715-2009	1010	61
Fiscal Research Staff: Lisa Hollowell Cara Bridges Chris Hearley 423 LOB 733-4910				



HOUSE COMMITTEE ON APPROPRIATIONS GENERAL GOVERNMENT
2017-2018 SESSION

Clerks: PAMELA AHLIN, POLLY RIDDELL



REP. GEORGE CLEVELAND, CHAIR



REP. DENNIS RIDDELL, CHAIR



REP. GALE ADCOCK
MEMBER



REP. JOHN AGER
MEMBER



REP. MARK BRODY
MEMBER



REP. MIKE CLAMPITT
MEMBER



REP. ELMER FLOYD
MEMBER



REP. CARL FORD
MEMBER



REP. GARLAND PIERCE
Member



REP. LARRY PITTMAN
MEMBER



Appropriations on General Government and Information Technology Contact Sheet

SENATOR	PHONE #	LEGISLATIVE ASSISTANT
Sen. John Alexander	919-733-5850	Perry Wester
Sen. Tamara Barringer	919-733-5653	Gloria Whitehead
Sen. Jeff Tarte	919-715-3050	Jan Copeland
Sen. Chuck Edwards	919-733-5745	Danielle Plourd
Sen. Terry Van Duyn	919-715-3001	Irma Avent-Hurst
Sen. Mike Woodard	919-733-4809	Carol Resar

STAFF

Lisa – 919-539-0236 and 919-301-1217

Cara – 336-269-1161 and 919-301-1204

Chris – 518-577-5427 and 919-301-1409



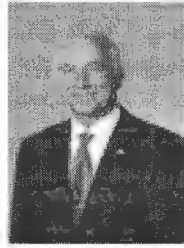
NORTH CAROLINA GENERAL ASSEMBLY

**Appropriations on General Government and Information Technology
2017-2018 SESSION**



Senator Jeff Tarte

Co - Chair



Senator John Alexander

Co - Chair



Senator Tamara Barringer

Co - Chair



Senator Edwards



Senator Terry Van Duyn



Senator Mike Woodard



ATTENDANCE

**HOUSE COMMITTEE ON APPROPRIATIONS, GENERAL
GOVERNMENT**

2017-1018

[illegible]



ATTENDANCE

Committee:

General Government

[illegible]





Appropriations Committee on General Government

Glossary of Budgeting Terms

General Government Agencies and Common Abbreviations:

Department of Administration (DOA)

Department of Insurance (DOI)

Department of Military and Veterans Affairs (DMVA)

Department of Revenue (DOR)

- CAF: Collections Assistance Fee
- ITAS: Integrated Tax Administration System
- TIMS: Tax Information Management System

Department of State Treasurer (DST)

- Fire Rescue National Guard Pensions & LDD (Line of Duty Death) Benefits

Ethics Commission

- SEI: Statements of Economic Interest

General Assembly (NCGA or GA)

Housing Finance Agency (HFA)

- CLHF: Community Living Housing Fund
- HOME: Home Investment Partnerships Program
- HTF: Housing Trust Fund
- WHLP: Workforce Housing Loan Program

Office of Administrative Hearings (OAH)

- ALJ: Administrative Law Judge

Office of the Governor

- Office of the Governor Special Fund

Office of the Lieutenant Governor (Lt. Gov.)

Office of the State Auditor (OSA)

Office of State Budget and Management (OSBM)

- OSBM Special: Office of State Budget and Management Special Appropriations Fund

Office of the State Controller (OSC)

- NCAS: North Carolina Accounting System
- FICA: Federal Insurance Contribution Act
- BEACON: Building Enterprise Access for NC's Core Operation Needs
- CAFR: Comprehensive Annual Financial Report

Office of State Human Resources (OSHR)

- PMS/LMS: Performance Management and Learning Management Systems

Appropriations Committee on General Government

Glossary of Budgeting Terms

- RTR: Reorganization through Reduction
- Temp Solutions: Temporary Solutions program

Secretary of State (SOS)

State Board of Elections (SBOE or SBE)

- SEIMS: State Elections and Information Management System

Common Budget Terms:

Appropriation: An action by the General Assembly authorizing withdrawal of funds from the State treasury pursuant to Article V, Sec. 7 of the North Carolina Constitution. An enactment by the General Assembly that authorizes, specifies, or otherwise provides that funds may be used for a particular purpose is not an appropriation.

Authorized Budget: The working budget composed of the certified budget plus allowable budget revisions and adjustments authorized in G.S. 143C-6-4.

Availability: A reference to the total amount of money available, including unreserved fund balance and all receipts and revenue anticipated in a fiscal year.

Availability Statement: A list of revenue anticipated to offset the expenditures or appropriations included in the budget bill. G.S.143C-5-3 requires the legislature to include a list or statement in the annual appropriations act for the General Fund, Highway Fund, and Highway Trust Fund.

Base Budget: The part of the State budget that provides the baseline for the next biennium. The authorized budget is used as the starting point and adjusted for federal payroll taxes, annualization of programs and positions, adjustments for recurring and nonrecurring items during a prior fiscal biennium, adjustments for receipt projections, and reconciliation of inter- and intra-governmental transfers. Section 6.4 of S.L. 2014-100 amended the State Budget Act, repealing G.S. 143C-1-1(d)(7a), the definition of Continuation Budget and added G.S. 143C-1-1(d)(1c) establishing the Base Budget.

Biennium: The two fiscal years beginning on July 1 of each odd-numbered year and ending on June 30 of the next odd-numbered year.

Bill Figures: Specific appropriations, found at the beginning of the annual appropriations act, for State agencies and other items of statewide significance such as pension and employee compensation adjustments. In the first year of a biennium (a two-year budget) these amounts represent only that portion of each agency's total appropriation derived from general purpose revenue (such as sales and income taxes). In the second year of a biennium these numbers represent changes to the originally enacted appropriations made in the first year of the biennium. Agency receipts and other sources of funding are appropriated by reference to the Governor's Recommended Budget.

Appropriations Committee on General Government

Glossary of Budgeting Terms

Budget Technical Corrections: A bill introduced (following enactment of the main budget bill) to address technical issues or errors in the enacted budget. Other non-technical items may be included in the bill.

Capital Improvements: Nonrecurring appropriations for new construction, rehabilitation or repairs of existing facilities, and real property acquisition.

Carryforward: Funds appropriated but unspent in a fiscal year that are brought forward for expenditure in the following year.

Certificates of Participation (COPs): Tax-exempt bonds issued by government entities usually secured with the pledge of appropriation. COPs enable governmental entities to finance capital projects such as prisons, office buildings, and land. Backed by a pledge of appropriation, this type of special indebtedness does not pledge the faith and credit of the State and does not require voter approval.

Certified Budget: The budget as enacted by the General Assembly, including adjustments made for (i) distributions to State agencies from statewide reserves appropriated by the General Assembly, (ii) distributions of reserves appropriated to a specific agency by the General Assembly, and (iii) organizational or budget changes mandated by the General Assembly.

Committee Report (Money Report): A compilation of all legislative adjustments made to the Governor's Recommended Base Budget. The Committee Report lists each adjustment and provides a brief description along with guidance on specific items or explicit legislative intent. This report is used to construe the intent of the appropriations act (G.S. 143C-5-5).

Consensus Revenue Forecast: A statement of anticipated taxes, fees, and other money the State General Fund is expected to receive during a fiscal year, independently developed by the Fiscal Research Division and the Office of State Budget and Management. The consensus forecast may be used by the Governor and the General Assembly when formulating their respective budgets.

Contingency and Emergency Fund: A special fund which the Director of the Budget may expend for emergencies or other unanticipated needs with approval by the Council of State and as authorized by G.S. 143C-4-4.

Continuation Review: A legislatively mandated budget review which (1) requires specified programs whose funding was made nonrecurring to provide written reports and (2) authorizes the Appropriations Committees of the Senate and the House of Representatives to review those reports to determine whether to restore funding for those programs.

Continuing Resolution (CR): A short-term appropriations bill that keeps State government funded and operating when the legislature fails to enact a new biennial budget prior to June 30th. The need for and composition of a CR varies but most often extends the State's spending authority at specified levels and for a specified period of time.

Current Operations: The costs associated with the daily activity of programs supported by the State, such as salaries, utilities, and travel; excludes capital improvements and repairs and renovation costs.

Appropriations Committee on General Government

Glossary of Budgeting Terms

Debt Service Fund: A budgeting and account entity used to administer the accumulation of funds and the payment of general long-term debt principal and interest.

(Departmental) Receipts: Fees, licenses, federal funds, grants, fines, penalties, tuition, and other similar collections or credits generated by State agencies in the course of performing their governmental functions that are applied to the cost of a program administered by the State. Departmental receipts may include funds transferred into a fiscal year from a prior fiscal year.

Enacted Budget: The budget as enacted by the General Assembly in the annual Current Operations Appropriations Act in accordance with Article 5 of Chapter 143C. The enacted budget usually includes items funded through various reserves but not yet distributed to State agencies. Examples include the funding needed to bring a new building online during the fiscal year and funds anticipated for economic incentive projects.

Encumbrance: 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.

Entitlement: A government program that provides individuals, state and local governments, with personal financial benefits or services to which an indefinite number of potential beneficiaries have a legal right (enforceable in court, if necessary) whenever they meet eligibility conditions that are specified by the standing law that authorizes the program. The best known example of an entitlement program at the state level is Medicaid.

Enterprise Fund: A fund used to account for any activity for which a fee is charged to non-state entities for goods or services and for which that fee is the principal source of revenue. Examples include the N.C. State Lottery Fund and the N.C. State Fair.

Exempt from the Human Resources Act (EHRA): A designation (previously referred to as EPA) for government positions not subject to Chapter 126, the State Human Resources Act and the policies, procedures and rules adopted by the State Human Resources Commission.

Expansion Budget: The part of the State budget which provides for new programs, growth of existing programs, and increases in salaries and benefits.

Fiscal Note: A formal fiscal estimate, including a brief statement of costs and revenue impact, for the first five fiscal years the legislation would be in effect. GS 143C-2-3 requires a State agency proposing a bill that affects the State budget to prepare a fiscal analysis for the bill and submit the analysis to the Fiscal Research Division upon introduction of the bill.

Fiscal Memorandum (Memo): Provides the same fiscal analysis as a Fiscal Note, except a Fiscal Memo is confidential to the requestor. Analyses on draft bills and committee substitutes that have not been formally introduced are considered Fiscal Memos. After the bill has been made public or filed, the Memo may be converted to a Fiscal Note. Everything related to a Fiscal Memo is confidential and staff may not discuss any aspect of the Memo, or even acknowledge its existence, unless authorized by the requesting legislative member.

Appropriations Committee on General Government

Glossary of Budgeting Terms

Full Time Equivalent (FTE): A unit used to quantify staffing. One FTE (1.0) is a full year, 40-hour-per-week position.

Fund: A fiscal and accounting entity with a self-balancing set of accounts recording cash and other resources, together with all related liabilities and residual equities or balances, and changes therein, for the purpose of carrying on stated programs, activities, and objectives of State government.

General Fund Operating Budget: The sum of all appropriations from the General Fund for a fiscal year, except appropriations for (i) capital improvements, including repairs and renovations, and (ii) one-time expenditures due to natural disasters or other emergencies.

General Fund: The fund to which revenues are deposited that are not designated for special purposes and are therefore available to support the general operations of State government.

General Obligation Bond: Bonds used for funding permanent public capital improvements such as buildings and roads. The repayment of these bonds is made from the levy of taxes, and voter approval is required per the NC Constitution.

General Purpose Revenue: Revenue derived primarily from taxes and various fees not required by law to be deposited into a specific fund other than the General Fund and are not designated for special purposes.

Highway Fund: The special revenue fund to which revenue designated for transportation-related operations, maintenance, and improvements is deposited.

Highway Trust Fund: A special revenue fund established in 1989 for the completion of certain specified highway construction projects. The Highway Trust Fund is used to fund projects selected through the Strategic Transportation Investments Act (S.L. 2013-183), N.C. Turnpike Authority projects, administrative costs and transportation debt.

Internal Service Fund: A fund which accounts for any activity that provides goods or services to other funds, departments, or agencies of the State and its component units, or to other governments on a cost-reimbursement basis.

Justification Review: A review of selected programs and initiatives conducted by the Fiscal Research Division. These reviews are part of a pilot zero base budgeting exercise that was first authorized in S.L. 2005-276, Section 6.34.

Lapsed Salaries: Surplus funds resulting from the salary and associated benefits not expended for temporarily vacant positions. GS 143C-6-9 prohibits the use of lapsed salaries for recurring purposes.

Management Flexibility Reserve: A method by which a legislatively mandated budget reduction is imposed without detailing the specific lines of expenditure to be decreased. This method is also known as a negative reserve.

Appropriations Committee on General Government

Glossary of Budgeting Terms

Negative Reserve: A budget reduction imposed without detailing the specific lines of expenditure to be decreased. (See also management flexibility reserve.)

Net General Fund Appropriation: An appropriation of the General Fund's general purpose revenue. Total requirements – departmental receipts = net General Fund appropriation. (See also total requirements and departmental receipts.)

Nonrecurring: A term applied to revenue or expenditures that are for one-year only.

Nontax Revenue: Revenue that is not a tax proceed or a departmental receipt and that is required by law to be credited to a specific fund.

Receipts: See Departmental Receipts

Repairs and Renovation Reserve: A reserve in the General Fund to provide for the repair and renovation of State facilities and related infrastructures that are supported from the General Fund. (G.S. 143C-4-3)

Requirements: See Total Requirements

Reversion: The unexpended, unencumbered balance of an appropriation at fiscal year end that reverts, as required by law, to the fund from which the appropriation was made.

Salary Reserve: Funds that accumulate when a position is downgraded or filled at a salary amount less than the amount at which it was budgeted. Salary reserve can be used to increase the salary of other positions due to promotion and/or reclassification or filling a position at a salary higher than that at which the position was vacated.

Savings Reserve Account: A component of the unappropriated General Fund balance that is maintained as a reserve to address unanticipated events and circumstances such as natural disasters, economic downturns, threats to public safety, health, and welfare, and other emergencies. (GS 143C-4-2)

Self-Liquidating Debt: Debt obligations whose principal and interest are payable primarily from the earnings of enterprises for the construction or improvement of which they were originally issued.

Special Provisions: Language contained in the annual appropriations bill that sets forth legislative expectations and directives that govern the expenditure of funds and other requirements. Special provisions have the force of law and typically pertain directly to the budget and may be substantive, amending existing laws or creating new laws.

State Agency: A unit of the executive, legislative, or judicial branch of State government, including departments, institutions, divisions, commissions, boards, councils, and constituent campuses of The University of North Carolina. The term does not include a unit of local government or a public authority.

State Funds: Any moneys, including federal funds, deposited in the State treasury, except monies deposited in a trust fund or agency fund as described in G.S. 143C-1-3.

Appropriations Committee on General Government

Glossary of Budgeting Terms

Special Revenue Fund: A fund used to account for revenue designated by law for a specific purpose; revenue deposited must remain in the fund until expended for that purpose.

Statutory Appropriation: An appropriation that authorizes the withdrawal of funds from the State treasury during fiscal years extending beyond the current fiscal biennium, without further act of the General Assembly.

Subject to the Human Resources Act (EHRA): A designation (previously referred to as SPA) for government positions that are subject to Chapter 126, the State Human Resources Act and the policies, rules and procedures adopted by the State Human Resources Commission.

Tax Expenditures: Revenue that the State foregoes through the provisions of State law that allows (1) deductions, exclusions or exemptions from the taxpayers' taxable income, (2) deferral of tax liability, or (3) preferential tax rates.

General Fund Availability: The sum of the beginning General Fund unreserved fund balance, various general purpose taxes such as sales and income tax, and nontax revenue including judicial fees and interest income.

Total Source of Funds: All funding sources including the General Fund's general purpose revenue and agency revenue, special fund revenue (such as gasoline taxes or sale of fishing licenses); and enterprise fund revenue as certified by the Office of State Budget and Management.

(Total) Requirements: The total cost associated with a proposed expenditure of funds regardless of source of funds. Total requirements – departmental receipts = net General Fund appropriation. (See also departmental receipts and net General Fund appropriation.)

Unreserved Fund Balance: The available cash balance in a fund effective June 30 after excluding documented encumbrances, unearned revenue, federal grants, statutory requirements, and other legal obligations. Beginning unreserved fund balance equals ending unreserved fund balance from the prior fiscal year.

Veto: An act by the Governor to reject an entire legislative measure. Article II, Section 22 of the NC Constitution provides the Governor with authority to reject or veto a bill, including the budget, enacted by the General Assembly.



**Senate Committee on Appropriations on General Government and Information
Technology**

**Tuesday, February 21, 2017 at 8:30 AM
Room 425 of the Legislative Office Building**

MINUTES

The Senate Committee on Appropriations on General Government and Information Technology met at 8:30 AM on February 21, 2017 in Room 425 of the Legislative Office Building. 5 Senators were present and 8 House Members were present.

Senator Jeff Tarte, Chair, presided.

Senator Tarte opened the meeting @ 8:31 a.m. Chairman Tarte introduced the pages and the Sgt. of Arms. Goals for the committee were suggested and staff introduced themselves. Senator Tarte challenged the committee to always ask the question “if you had a dollar, how would you spend it?”

The chairs and staff introduced themselves.

Lisa Hollowell, from the fiscal research division, gave an overview of the budget process and schedule and reviewed the government agencies that will be presenting to committee.

Cara Bridges, from the fiscal research division, gave an overview of the glossary of useful terms in understanding budget terminology and state agencies.

Questions asked by members:

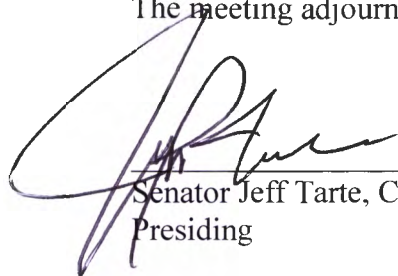
1. (Tarte) who do agencies submit requests to?
2. (Pittman) does the Governor have input to requests made for appropriations?
3. (Alexander) what happens to extra “left over” funds?
4. (Brody) House Bill 36 savings reserve special fund? (Lisa H to check)
5. (Brody) do we require agencies to designate lapse salaries?
6. (Tarte) what are the 2 most common requests (staffing, computer projects)?
7. (Barringer) if agencies are planning a change to the structure, make sure to determine if there is a need
8. (Edwards) try and adhere to standards of supervisor to employee ratios
9. (Ford) important oversight on systems replacement – no wasted money
10. (Clampit) results driven projects and accountability for IT purchases
11. (Pittman) make sure to utilize Dale Folwell
12. (Barringer) liquidated damages clause – need motivation to finish job, not dis-incentive to drag out projects
13. (Tarte) solid contracts

Chairman Tarte closed the meeting by thanking staff and challenging the committee to avoid policy in budged and avoid unfunded mandates. He asked members to keep alert for committee



notices and possible time changes. Then he introduced the two House pages who arrived late for the meeting.

The meeting adjourned at 9:42 a.m.

A handwritten signature in blue ink, appearing to read "Jeff Tarte", written over a horizontal line.

Senator Jeff Tarte, Chair
Presiding

A handwritten signature in black ink, appearing to read "Jan Copeland", written over a horizontal line.

Jan Copeland, Committee Clerk

for the

Principal Clerk _____
Reading Clerk _____

Corrected #2: Meeting in Room 425 LOB

SENATE
NOTICE OF JOINT COMMITTEE MEETING
AND
BILL SPONSOR NOTICE

The **Senate Committee on Appropriations on General Government and Information Technology** will meet at the following time:

DAY	DATE	TIME	ROOM
Tuesday	February 21, 2017	8:30 AM	425 LOB

Senator Jeffery P. Tarte will chair this joint budget discussion

Senator John M. Alexander, Jr., Co-Chair
Senator Tamara Barringer, Co-Chair
Senator Jeff Tarte, Co-Chair



Principal Clerk _____
Reading Clerk _____

SENATE
NOTICE OF JOINT COMMITTEE MEETING
AND
BILL SPONSOR NOTICE

The **Senate Committee on Appropriations on General Government and Information Technology** will meet at the following time:

DAY	DATE	TIME	ROOM
Tuesday	February 21, 2017	8:30 AM	425 LOB

Senator Jeffery P. Tarte will chair this joint budget discussion

Senator John M. Alexander, Jr., Co-Chair
Senator Tamara Barringer, Co-Chair
Senator Jeff Tarte, Co-Chair



Joint Appropriations Committee on General Government
February 21, 2017; 8:30 AM
LOB 425
Agenda

Chairs:

Sen. Jeff Tarte, Presiding
Rep. George Cleveland
Sen. Tamara Barringer
Rep. Dennis Riddell
Sen. John Alexander

Chairs' Opening Comments and Committee Discussion

Overview of Budget Process & Schedule and
General Government Agencies

Lisa Hollowell, FRD

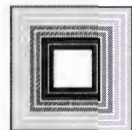
Useful Terms

Cara Bridges, FRD



Budgeting & **General Government Overview**

Joint Appropriations Subcommittee on
General Government
February 21, 2017



FISCAL RESEARCH DIVISION
A Staff Agency of the North Carolina General Assembly

February 21, 2017

Outline

- Fiscal Research Division
- Fiscal Notes/Fiscal Memos
- Confidentiality
- Budget Terms
- End Product – Budget Documents
- General Government Overview
- Next Steps
 - Agency Overviews & Base Budget Review
 - Schedule



Fiscal Research Division

- Nonpartisan, professional staff serving all 170 members
- 32 analysts divided into 9 teams
- Primary responsibilities during Session:
 - **Staff Appropriations subcommittees**
 - **Respond to member requests**
 - **Write fiscal notes, fiscal memos, and incarceration notes**



Fiscal Research Division

Fiscal Notes

- Five-year analysis of all estimated fiscal effects of a bill on expenditures or revenue of the State.
- Prepared upon request of bill sponsor or other member.
- Request and information about note remain confidential until note becomes public.

Fiscal Memo

- Same analysis as a Fiscal Note
- Usually prepared for draft bills or Proposed Committee Substitute (PCS)
- Remains confidential after completion

Incarceration Note

- *Required for proposed changes that may impact incarceration rates in State facilities.*



Fiscal Research Division

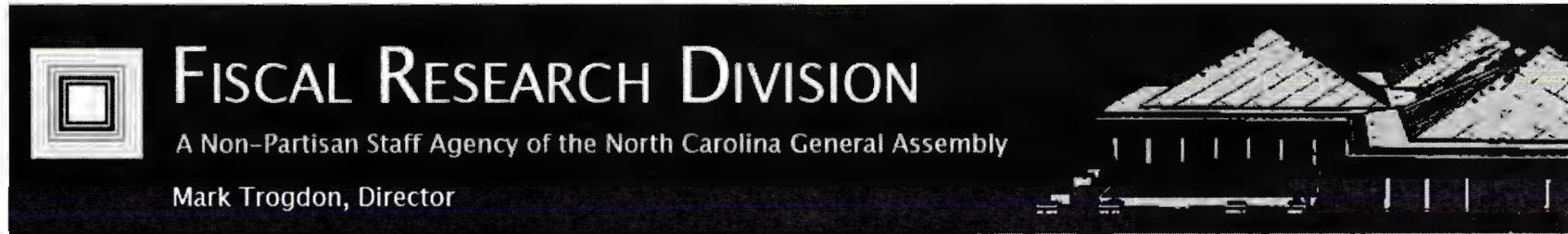
Fiscal note requests should be e- mailed to:

@Fiscal Note Requests

Include:

- **Requestor's name**
- **Bill number (or draft number for a memo or PCS)**
- **Short title**

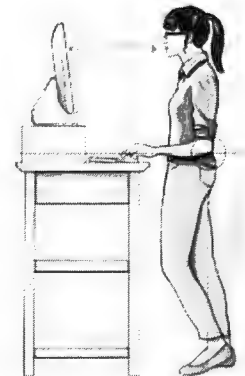
Fiscal Research Division



FRD website:

<http://www.ncleg.net/FiscalResearch/>

- Annotated Committee Reports
- Fiscal Briefs
- Revenue Forecasts
- Staff listing



Confidentiality

- **ALL requests made to fiscal staff are confidential**
- **Requests to agencies by fiscal staff are NOT confidential unless directly related to a fiscal note**



Budget Process

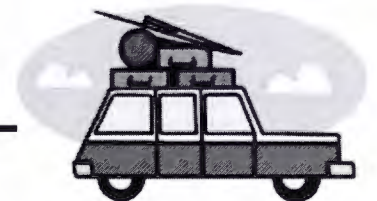
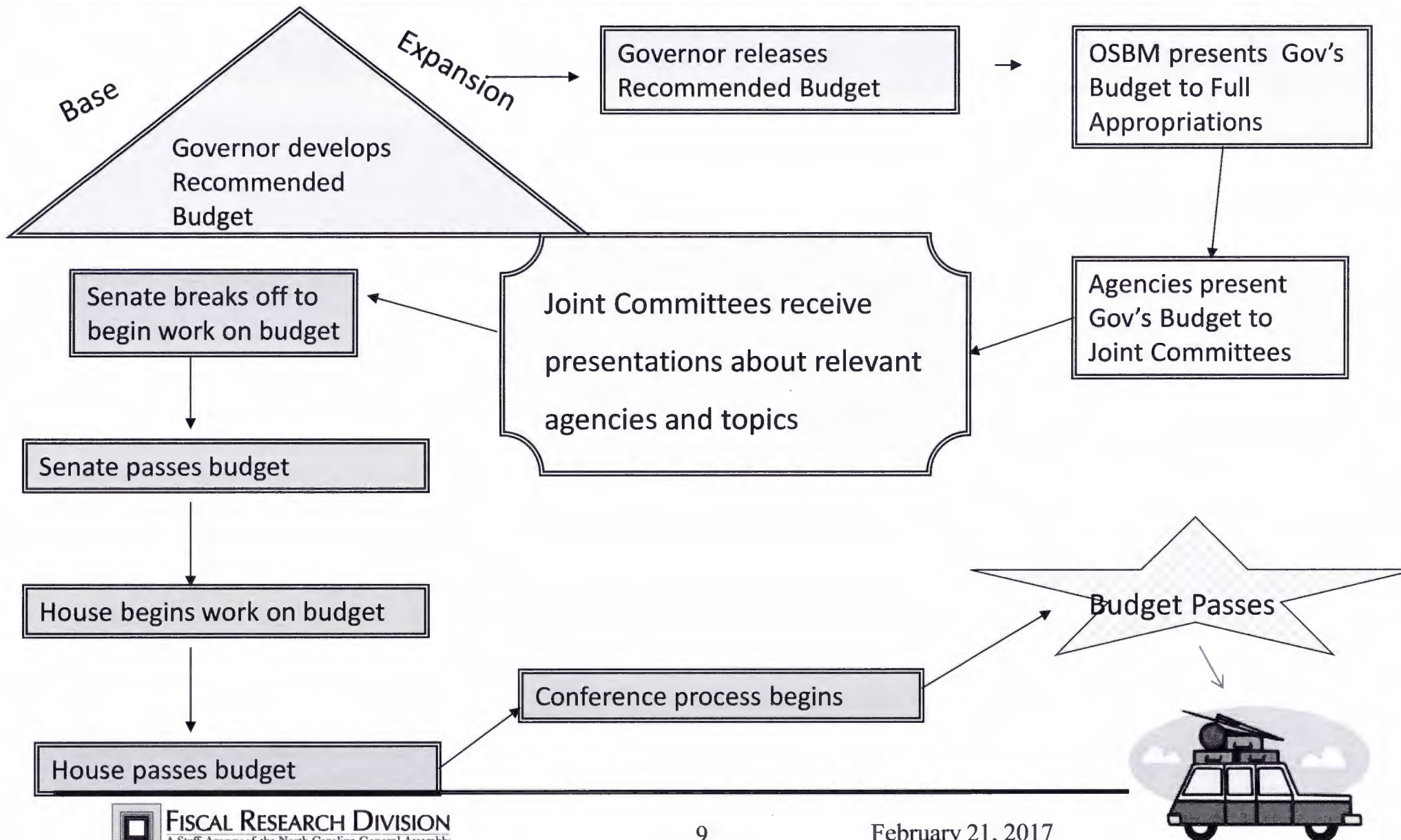
Preparation by Agencies

Legislative Consideration & Enactment

Execution, Administration & Management



The Budget Process



Budgeting Terms – Appropriation, Requirements, and Receipts

An enactment by the General Assembly authorizing the withdrawal of money from the State treasury.

State Budget Act – Chapter 143C-1-1(d)(1)

“No money shall be drawn from the State treasury but in consequence of appropriations made by law.”

NC Constitution, Art. V, Section 7

Total Requirements – The entire agency’s budget for a fiscal year (July – June).

Total Receipts – Total of sources of funds available for operations of the agency.



Budget Terms: Base Budget

- The part of the Governor's Recommended Budget that provides the baseline for the next biennium. Starting point is authorized budget plus allowable adjustments.
- *What's allowed:*
 - Annualization of partial funded programs, personnel, etc.
 - Adjustments to non-recurring items
 - Adjustments to federal payroll taxes
 - Increases in lease agreements
 - Adjustments for receipts projections
 - Reconciliation of transfers



Preparation

Office of State Budget and Management (OSBM) is responsible for preparing the Governor's Budget that is recommended to the General Assembly.

For FY 2017-19 long session, budget work began last year:

August – OSBM issues instructions to agencies

October – Agencies prepare required worksheets, supporting documentation & determine departmental priorities

November – January – OSBM negotiates with agencies, finalize recommendations and meet with Governor

Feb/March – Governor's Budget will be final and prepared for printing

Feb/March – Appropriations subcommittees meet for briefings, deliberations, and make recommendations

June – GA will enact a biennial budget

**Approx.
11
Month
Process**



Budgeting Terms: Budget Types

Certified Budget: The budget as enacted by the General Assembly, plus any funds appropriated to reserves to be allocated to agencies.

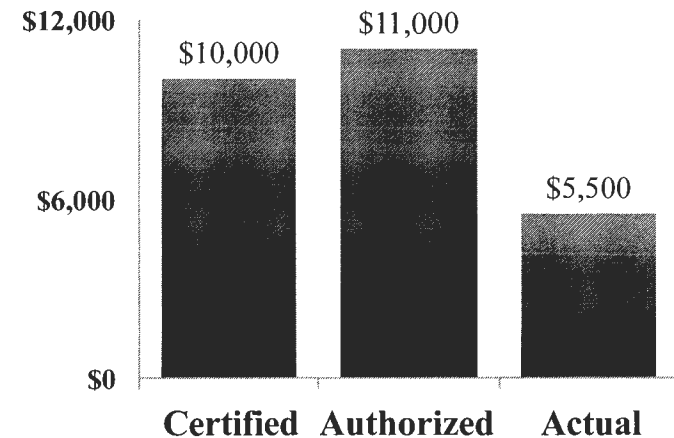
Ex.: The 2017 Budget appropriates \$10,000 for Agency Y to buy 10 computers.

Certified budget = \$10,000.

Authorized Budget: The certified budget updated to reflect line-item reallocations approved by the Office of State Budget and Management (OSBM).

Ex.: Agency Y needs 11 computers. They want to take some money from the furniture budget to pay for it.

Authorized budget = \$11,000.



Actual Budget: The budget as it was implemented.

Ex.: The Division of State Purchase and Contract got the State a great deal on computers. The final cost for Agency Y's 11 computers is \$5,500.

Actual budget = \$5,500.



Budgeting Terms: Funds

General Fund: The main source of operating funds for the State. Comprised of the beginning credit balance, State tax revenue, and State non-tax revenue.

Special Fund: Fund to which revenues are deposited that are designated for a specific purpose and remain in the account until expended for that purpose.

Example: 2-type budget codes or 6-types

Enterprise Fund: Fund for any activity for which a fee is charged to external users for goods or services.

*Example: Department of Information Technology
Certain Department of Administration services*



Budgeting Terms: Accounts



Personal Services: Services rendered by permanent and temporary employees and related fringe benefits.

Purchased Services: Services provided by external firms, agencies, or divisions within the same organization. Includes contracts, IT and travel costs.

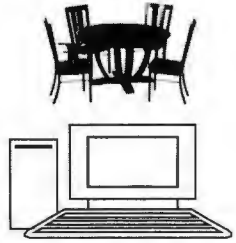
I don't
work here,
I'm a
consultant



Supplies: Supplies or materials expected to be consumed within the normal course of operating and which are generally recurring in nature.



Budgeting Terms: Accounts



Property, Plant and Equipment: Payments for acquiring property, constructing additions to buildings, and purchasing equipment, furniture, and machinery that is not consumable or expendable and has an expected life of longer than one year.



Other Expenses and Adjustments: Miscellaneous operational costs such as legal or permit costs, pension payments, or subscriptions.



Aid and Public Assistance: Funds to direct recipients, providers or other agencies for designated programs, assistance or special projects.



Budgeting Terms: Lapsed Salaries

Surplus funds resulting from the salary and associated benefits not expended for temporarily vacant positions.
For example:

Accounting Tech position = \$40,000/year

Position vacant for 6 months = \$20,000 (lapsed salary for that position)

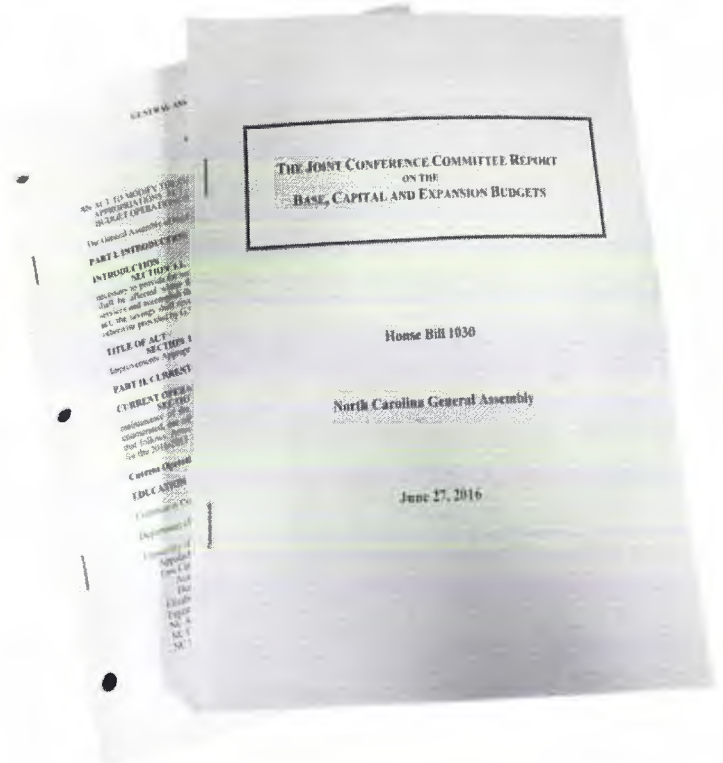
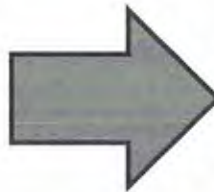
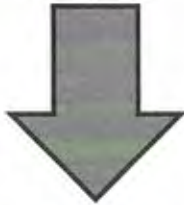
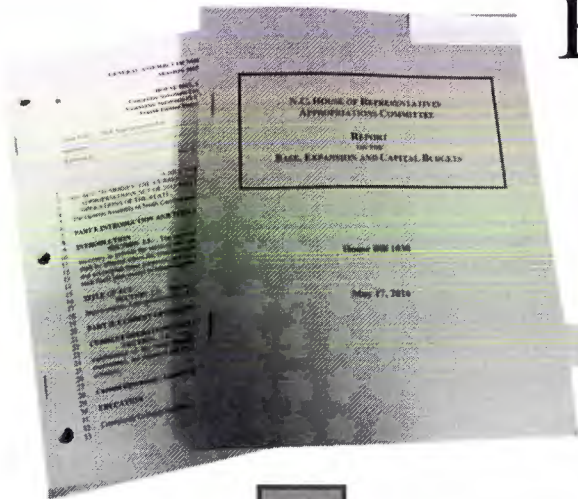


143C-6-9. Use of lapsed salary savings.

Lapsed salary savings may be expended only for nonrecurring purposes or line items.

End Product – Budget Documents

Committee
Reports
Budget Bills



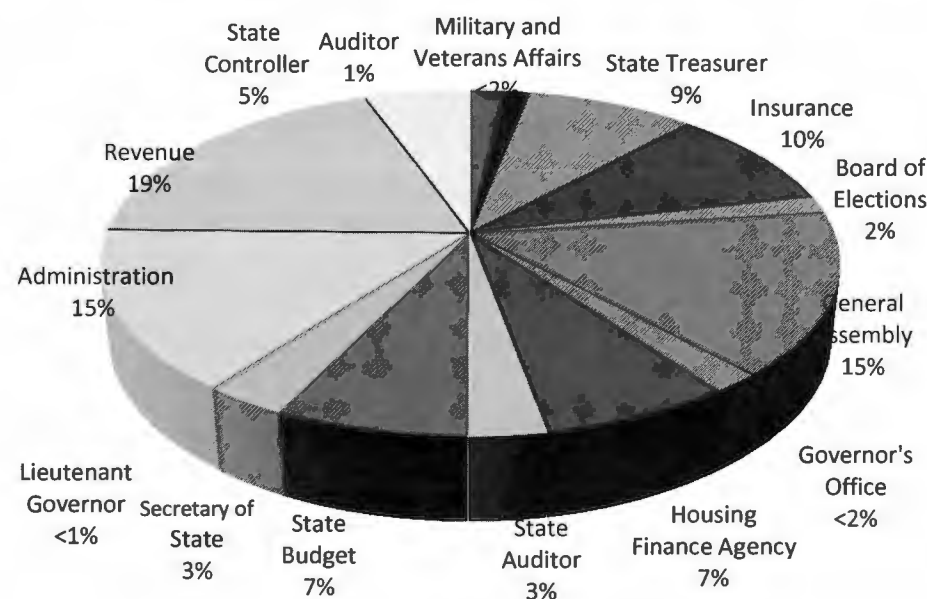
Who is Gen Gov?

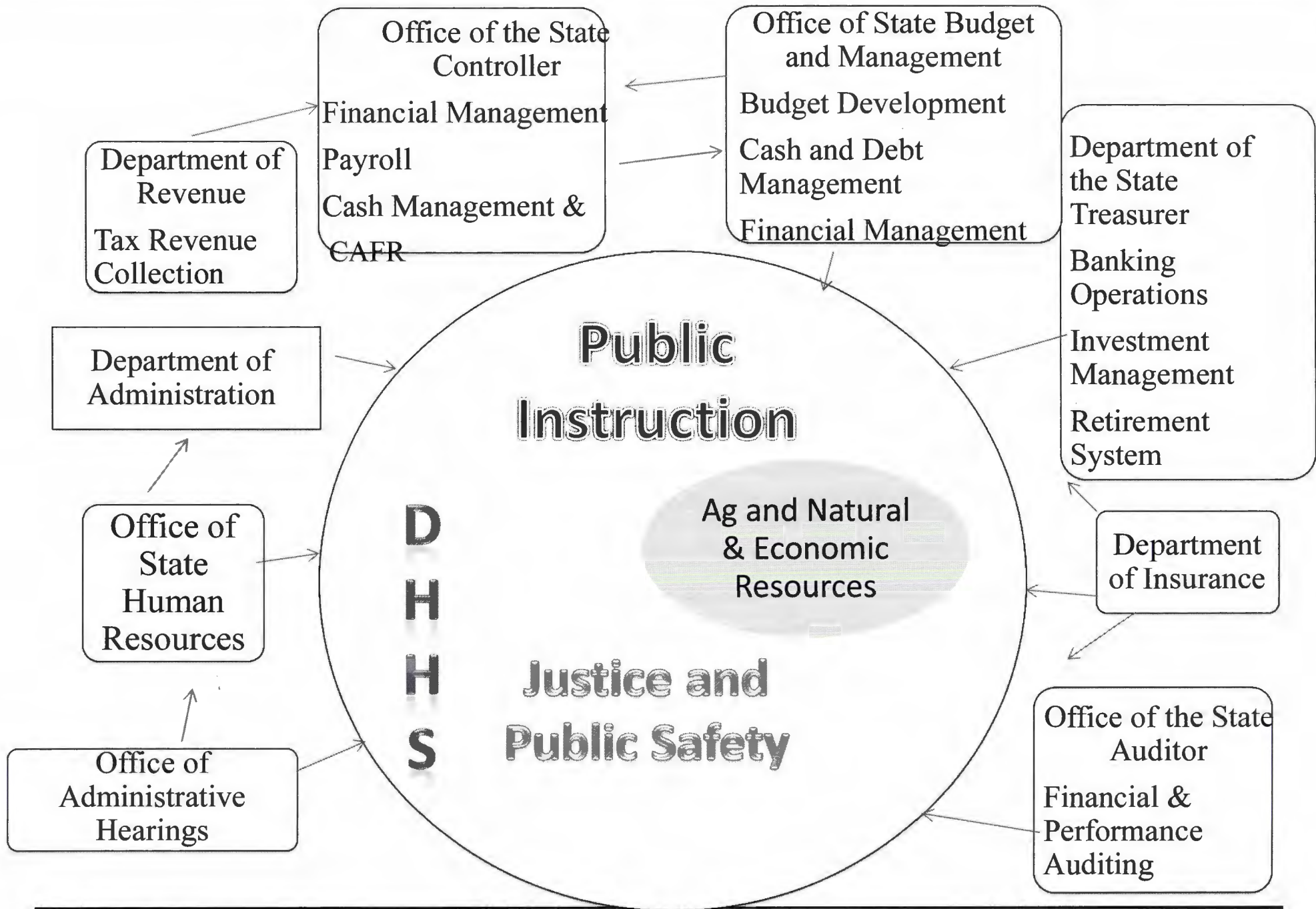
These agencies fall under the Gen Gov purview:

Administration
Auditor
General Assembly
Governor's Office
Housing Finance
Agency
Insurance
Lt. Governor
Military and Veterans
Affairs
Administrative Hearings

Revenue
Secretary of State
State Board of Elections
State Budget and
Management
State Controller
Treasurer

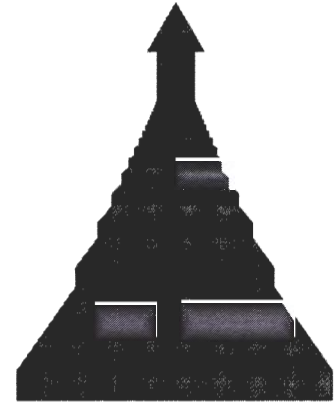
*Total Agency Requirements total
over \$600M and State
Appropriations total \$427M.*





Next Steps

- Committee Meetings - Tuesday, Wednesday, & Thursdays @ 8:30
- Staff and Agency Presentations
 - Staff Overviews (including review of base budget)
 - Agency/Department Presentations to include:
 - How does the agency measure effectiveness and what are the outcomes?
 - How does the agency measure efficiency? Do you have metrics that you use to monitor agency performance? If so, please provide.
 - Are you planning any changes to the current structure of your organization? Will this impact your agency's budget?
 - What are your overall goals for your department/agency over the next biennium? What are your budget requests/needs for the biennium?
 - Other internal efforts
- Full Chairs' Guidance



Joint Base Budget Review and Educational Meetings

- Review the Base Budget.
 - Provide members with fundamental budget and program information they need to make informed decisions;
 - Provide members with information on agency operations.
 - Review budget documents that include key spending areas, receipts, grants and other sources of funding.
 - Focus on any problematic expenditure trends.
- Develop a Committee strategy designed to focus discussion and presentations on achieving budget priorities.
 - Use the long session to focus on broad budget policy initiatives.
 - During the short session, make necessary adjustments and determine where agencies are in achieving required outcomes.
- Determine which programs and initiatives work.
 - Realign funds from obsolete or ineffective programs to invest in proven programs and practices with positive outcomes.
 - Use reliable program evaluations and reports: study committee reports, program evaluation reports, audits, and agency reports submitted to Governmental Operations, oversight committees, Full Appropriations or Fiscal Research.
 - When applicable, consider adding new evaluation requirements that will provide information members can use to determine the funding level of new or existing program or initiatives.

Other Joint Committee Guidance

- Conduct Joint Base Budget reviews and educational meetings beginning Tuesday, February 21.
- Maintain transparency by holding open meetings and posting documents to Committee websites.
- Consult with other Committees on items that cross Committee areas.
- Refer statewide items to the Full Chairs.
 - Salary-related items, debt service, capital and other statewide issues
- Plan to meet with the Full Chairs on the committee's progress reviewing agency base budgets and assessing State programs and other Committee guidance.
- Use the Joint Calendar to plan and complete your Joint work by the established deadlines.



Joint Appropriations Committee on General Government website is linked off either the House or Senate subcommittee websites.

Agendas

All committee handouts

Follow-up information

Meeting audio

Mandated Agency Reports



<http://www.ncleg.net/gascripts/DocumentSites/browseDocSite.asp?nID=91>

2017 Session

Senate and House Appropriations Committees Joint Calendar

February 2017

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
			1	2	3	4
5	6	7	8	9	10	11
12	13	14 Consensus Revenue & Budget Outlook Briefing	15	16	17	18
19	20 Subcommittees Joint Meetings Begin	21	22	23	24 >	25
26	27 Subcommittees Joint Meetings	28 →				



Senate and House Appropriations Committees Joint Calendar

March 2017

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
			1 Subcommittees Joint Meetings	2	3 >	4
5	6 Subcommittees Joint Meetings	7	8	9	10 >	11
12	13 Subcommittees Joint Meetings	14	15	16	17 >	18
19	20 Subcommittees Joint Meetings	21	22	23	24 >	25
26	27 Subcommittees Joint Meetings	28	29	30	31 >	



2017 Session

Senate and House Appropriations Committees Joint Calendar

April 2017

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
						1
2	3 Subcommittees Joint Meetings	4	5	6	7	8
9	10 Subcommittees Joint Meetings	11	12 Break	13 Break	14 HOLIDAY – GOOD FRIDAY	15
16	17 Break	18 Break	19 Senate Only	20	21	22
23	24 Senate	25	26	27 Bill Crossover Deadline	28	29
30						



Senate and House Appropriations Committees Joint Calendar

May 2017

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
	1 Senate	2	3	4	5 (Revised Revenue Forecast ???)	6
7	8 Senate	9	10	11 Senate Budget Passes	12	13
14	15 House Only	16	17	18	19	20
21	22 House	23	24	25	26	27
28	29 MEMORIAL DAY	30 House	31			



2017 Session

Senate and House Appropriations Committees Joint Calendar

June 2017

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
				1	2 House Budget Passes	3
4	5	6 Conference Begins	7	8	9	10
11	12 Conference	13	14	15	16	17
18	19 Conference	20	21	22	23 Conference Report Passes	24
25	26	27	28	29	30	



Contact Information

Fiscal Research Division
(919) 733-4910





House Pages
Assignments
Tuesday, February 21, 2017
Session: 12:00 PM

Committee	Room	Time	Staff	Member
Approp. On General Government and Information Technology	425	8:30 AM	Ashley Swallows	Rep. Mark Brody
			Grey Thompson	Rep. Grier Martin



only one page today (from Speaker's district)

Senate Pages Attending

COMMITTEE: ^{Joint Gen'l Govt} Approps: & I.T. ROOM: 425208
DATE: 2-21 TIME: 8:30am

PLEASE PRINT LEGIBLY!!!!!!!!!!!!!!.....or else!!!!

Page Name	Hometown	Sponsoring Senator
1. Shanyla Davis	Kings Mtn	Hise
2.		
3.		
4.		
5.		
6.		
7.		
8.		

Pages: Present this form to either the Committee Clerk at the meeting or to the Sgt-at-Arms.



VISITOR REGISTRATION SHEET

Joint Appropriations on General Gov. & IT
(Committee Name)

02-21-2017
Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

<u>NAME</u>	<u>FIRM OR AGENCY</u>
Susanna Davis	OSHR
Madeline Hurley	Ward and Smith, P.A.
Rhaegan Jackson	Focus Carolina
Christy Green	DOA
Alyssa Hunt	SOS
Dick Carlson	Law Off of RHR PLLC
Ed Jurlington	BP
Starnes	OST
J. Miller	MWC
Alex Miller	AMGA
LAURA PURYEAR	MWCLLC
Tracy Kimbrell	Parker Poe
Will Penn-Hill	NEHFA





**Joint Committee on Appropriations, General Government
Wednesday, February 22, 2017 at 8:30 AM
Room 425 of the Legislative Office Building**

MINUTES

The Joint Committee on Appropriations, General Government met at 8:30 AM on February 22, 2017 in Room 425 of the Legislative Office Building. Representatives Ager, Brody, Clampitt, Cleveland, Floyd, Ford, Pittman, and Riddell attended. Rep. Adcock had an excused absence. Senators Barringer, Tarte, Edwards, and Van Duyn were in attendance. Staff Members Lisa Hollowell, Cara Bridges, and Chris Hearley were in attendance. Attached to the Minutes are the Staff for the Sergeant at Arms (Attachment #1), the Pages for the meeting (Attachment #2), and the attendance sheets for agency representatives and the public visitors (Attachment #3).

Representative George G. Cleveland, Chair, presided.

Brent Lucas from the Program Evaluation Division presented the topic "Spans of Control in NC State Government Departments. His handouts are labelled Attachment #4 and Attachment #5.

After his presentation, there was discussion.

Sen. Edwards asked why the survey was repeated every 5 years, instead of 2.

Mr. Lucas answered that it would be exhaustive and very difficult to re-do every 2 years.

DHHS has been the only agency to meet the standards, because Aldona Vos wanted to modernize her department. It can be done.

Rep. Brody questioned the span of 1:8. Are we paying for too many supervisors? Do we need more? Mr. Lucas responded that it was based upon the classification of the employee.

Rep. Floyd referred to slide 24 and questioned the variances in salary for executive officials.

Rep. Cleveland stated that the legislature has wanted to bring the salaries to market level.

Mr. Lucas said that spans of 1:2 or 1:3 would be the result of rewarding people by making them supervisor, which would pay more. He said that OSHR should make available an alternate reward. Greater skills could be recognized as technical leadership, and receive a larger salary.

Rep. Riddell referred to page 3 of the report and asked how NC compares to private sector companies. Mr. Lucas stated that there are five layers at Kodak. Rep. Riddell asked if there were a standard methodology to evaluate the layers. Mr. Lucas replied that the Beacon system was used, but that ideally there would be a standard chart methodology. There are agencies with no chart, but that could be corrected with new legislation.



Sen. Tarte wanted to discuss stated supervision versus actual supervision. He wanted a clarification of what supervision was: a time sheet, annual review, or project. Mr. Lucas said that a time sheet and an appraisal could do the job. Sen. Tarte asked if organizational structures versus matrix structures could account for the indirect relationship. He wanted to know if promotion for the purpose of higher salary was used appropriately. Mr. Lucas also commented that there was a dearth of data, making it difficult to do the report. Mr. Lucas used Beacon data where possible. OSHR should document circumstances whereby someone is made a supervisor, however, that expectation is neither expected nor monitored.

Sen. Edwards said we need a clear report on the appraisal system and we should do it in the appropriations process since the number of state employees we have is about 325,000. We should challenge agencies to justify layers of hierarchy. We have had 20 years of technology to improve efficiency so we should need fewer layers.


Rep. Floyd said that organizations should provide a chart and narrow it down to 7 layers.

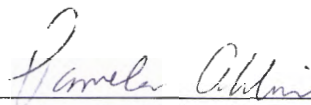
Sen. Barringer said that we are operating on a 40 year old model. Employees should be compensated appropriately but not on how many timesheets are signed.

Rep. Brody said that we should offer compensation based on the efficiency of people, not on what the agency does. If we appropriate less, the agency will make people or the agency itself more efficient.

Rep. Cleveland stated that the overall concept is to make the system more efficient. OSHR and OSBM need to be in dialogue over the issue of layers.

The meeting adjourned at 9:20 AM.


Representative George G. Cleveland, Presiding Chair


Pamela Ahlin, Committee Clerk



Corrected #1: Room Change to 425 LOB

**NORTH CAROLINA HOUSE OF REPRESENTATIVES
JOINT COMMITTEE MEETING NOTICE
AND
BILL SPONSOR NOTIFICATION
2017-2018 SESSION**

You are hereby notified that the **House Committee on Appropriations, General Government** will meet **JOINTLY** as follows:

DAY & DATE: Wednesday, February 22, 2017

TIME: 8:30 AM

LOCATION: 423 LOB

COMMENTS: Rep. George G. Cleveland will chair this Joint Budget discussion.

Respectfully,

Representative George G. Cleveland, Co-Chair
Representative Dennis Riddell, Co-Chair

I hereby certify this notice was filed by the committee assistant at the following offices at 11:56 AM on Monday, February 20, 2017.

____ Principal Clerk
____ Reading Clerk – House Chamber

Pamela Ahlin (Committee Assistant)



Joint Appropriations Committee on General Government
February 22, 2017; 8:30 AM
LOB 425
Agenda

Chairs:

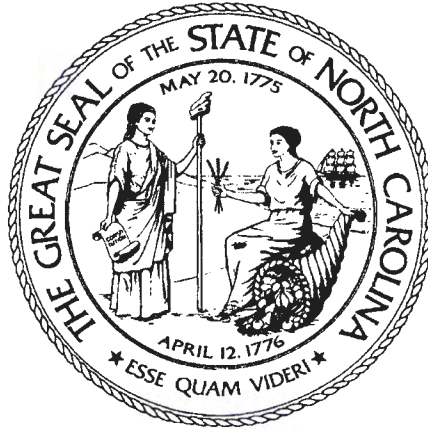
Rep. George Cleveland, presiding
Sen. Tamara Barringer
Rep. Dennis Riddell
Sen. John Alexander
Sen. Jeff Tarte

Chair's Opening Comments

Spans of Control in NC State Government Departments
Brent Lucas, Program Evaluation Division, NCGA

Committee Discussion





**Appropriations on General
Government and IT
February 22, 2017
8:30 AM**

House Sergeant-at-Arms

**Warren Hawkins
Doug Harris
Malachi McCullough**

Senate Sergeant-at-Arms

**Charles Marsalis
Hal Roach**



**House Pages
Assignments
Wednesday, February 22, 2017
Session: 12:00 PM**

Committee	Room	Time	Staff	Comments	Member
Appropriations on Health and Human Services	643	8:30 AM	Sarah Bowles		Rep. Speaker Tim Moore
			Lucas Franklin		Rep. Speaker Tim Moore
Appropriations on Justice and Public Safety	415	8:30 AM	Ryan Glendy		Rep. Edward Hanes
			Pierce Robinson		Rep. Speaker Tim Moore
Appropriations, Education	Other	8:30 AM	Diamond McCray		Rep. Speaker Tim Moore
			Madison Swallows		Rep. Mark Brody
Appropriations, General Government	425	8:30 AM	Kurtis Johnson		Rep. Speaker Tim Moore
			Lindsay Woodard		Rep. Speaker Tim Moore
Appropriations, Transportation	1027/1128	8:30 AM	Ashley Swallows		Rep. Mark Brody
			Anissa Wilson		Rep. Rodney Moore



Senate Pages Attending

COMMITTEE: Approps: Gen'l Gov't & I.T. ROOM: 425
DATE: 2-22 TIME: 8:30am

PLEASE PRINT LEGIBLY!!!!!!!!!!!!!!....or else!!!!

	Page Name	Hometown	Sponsoring Senator
1.	Aaron Brown	Charlotte	Walden
2.			
3.			
4.			
5.			
6.			
7.			
8.			

Pages: Present this form to either the Committee Clerk at the meeting or to the Sgt-at-Arms.



7



VISITOR REGISTRATION SHEET

Joint Appropriations General GovernmentFebruary 22, 2017

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Stan Williams

NCS

George Robinson

DOI

Myron Cook

DOI

Wile Danny Hien

NHFA



VISITOR REGISTRATION SHEET

APPROPRIATIONS COMMITTEE ON GENERAL GOV'T

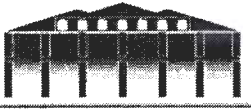
FEBRUARY 22, 2017

Date _____

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

[illegible]





Most Departments' Spans of Control and Number of Organizational Layers Do Not Meet Recommended Levels

A presentation to the Joint General Government
Appropriations Committee

February 22, 2017

Brent Lucas, Program Evaluator

PROGRAM EVALUATION DIVISION

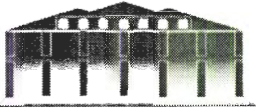
NORTH CAROLINA GENERAL ASSEMBLY

Our Charge

- Directive: Examine the efficiency and effectiveness of spans of control and organizational layers in state government executive offices
- Evaluated 21 principal departments designated by statute as of June 2016
- Report reviewed by
 - Office of State Budget and Management (OSBM)
 - Office of State Human Resources (OSHR)

Report p. 2 PROGRAM EVALUATION DIVISION NORTH CAROLINA GENERAL ASSEMBLY

2



Two Concepts of Organizational Design

- Span of Control
 - Refers to how many employees a supervisor oversees
- Organizational Layers
 - Refers to the number of levels in an organization's hierarchy

Overview: Findings

- **Finding 1:** Only 1 of 21 departments meets the recommended minimum supervisor-to-employee ratio (on average)
- **Finding 2:** 10 of 21 departments have more than the recommended maximum number of organizational layers
- **Finding 3:** Executive offices of the 21 departments consist of 237 positions, which vary in number of subordinates, layers, and salaries
- **Finding 4:** State departments have broad discretion to determine their organizational structures and receive limited guidance

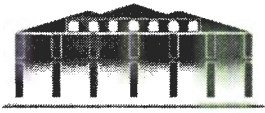


Overview: Recommendations

The General Assembly should

- **Recommendation 1:** Direct OSHR to take steps to monitor departments' spans and layers
- **Recommendation 2:** Direct OSBM to report periodically on each department's spans and layers

Background



Concept 1: Span of Control

- Span of control refers to the number of employees a supervisor oversees
 - Expressed as a ratio (e.g., 1:5)
- Ideally, a supervisor has a span that provides the level of supervision employees need to perform their work efficiently and effectively
- Potential consequences of low spans are supervisors having too much time to micromanage and failing to adequately delegate responsibility

Report pg. 3-6 PROGRAM EVALUATION DIVISION NORTH CAROLINA GENERAL ASSEMBLY 7

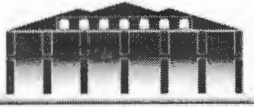
Concept 2: Organizational Layers

- Layers refer to the number of levels within an organization's hierarchy
 - From the highest level (department head) to the lowest level (front-line employees)
- Ideally, the number of layers allows free, efficient, and effective communication throughout the organization
- Potential consequences of high numbers of layers are a lack of accountability and slower communication and processes

Report pg. 5

PROGRAM EVALUATION DIVISION NORTH CAROLINA GENERAL ASSEMBLY

8



Interaction of Spans and Layers

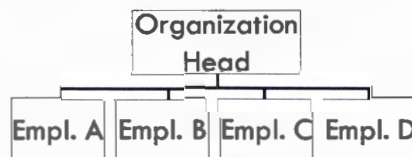
- Supervisors having low spans of control can lead to a higher number of organizational layers

Scenario 1:

5 Total Positions

Organization Head Span=1:4

Total Layers=2



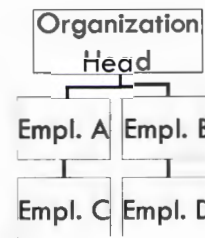
Report pg. 5

Scenario 2:

5 Total Positions

Organization Head Span=1:2

Total Layers=3



PROGRAM EVALUATION DIVISION



NORTH CAROLINA GENERAL ASSEMBLY

9

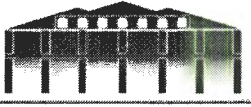
Findings

PROGRAM EVALUATION DIVISION



NORTH CAROLINA GENERAL ASSEMBLY

10



Finding 1

Of 21 state government departments, all but one have lower supervisor-to-employee ratios, on average, than the recommended statewide minimum ratio of 1:8

Report p. 7

PROGRAM EVALUATION DIVISION  NORTH CAROLINA GENERAL ASSEMBLY

11

Recommended Span of Control

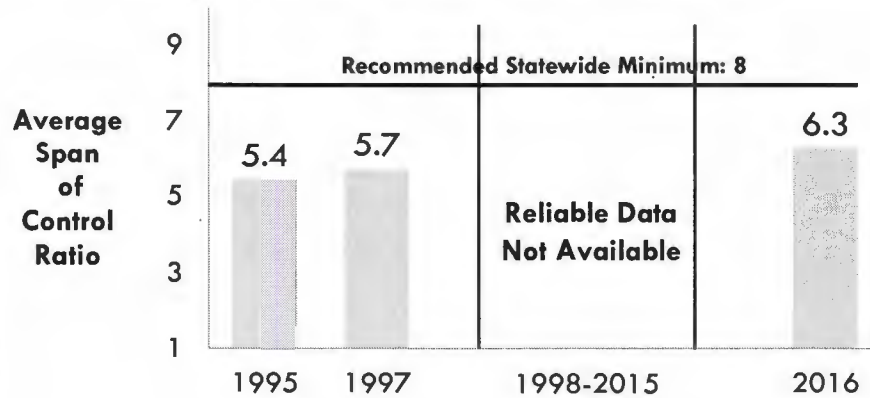
- OSBM's 1996 recommended span of 1:8 was developed using a state-specific data-driven approach
- Other states have standards for spans, but they do not appear to be data-driven
 - Texas requires 1:11
 - Iowa requires 1:15, which 15% of departments met in 2015
 - Oregon requires 1:11, which 66% of departments met in 2016

Report pp. 7-8 PROGRAM EVALUATION DIVISION  NORTH CAROLINA GENERAL ASSEMBLY

12

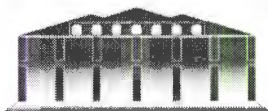


Supervisors Oversee 6.3 Positions, Slightly More Than in the 1990s



Only One Department Meets the Recommended Span of Control Ratio of 1:8

- Only DHHS meets the recommended statewide span ratio (1:8)
- Six agencies meet or exceed the statewide average span ratio (1:6.3)
 - DIT, DOA, DOJ, DPI, DNCR, and DHHS
- Small departments (1,000 or fewer positions) average lower spans (1:4.9) than
 - Medium departments (1,001 to 1,999): 1:6.2
 - Large departments (2,000 or more): 1:6.2



A Third of All Supervisors Oversee Three or Fewer Positions

Statewide Percentage of Department Supervisors Overseeing			
1	2	3	3 or Fewer Positions
11%	11%	11%	33%

- Within departments, between 19% (DIT) and 54% (DMVA) of supervisors oversee three or fewer positions

Report pp. 11-12

PROGRAM EVALUATION DIVISION



NORTH CAROLINA GENERAL ASSEMBLY

15

Finding 2

**Of 21 state government departments, 10
exceed the recommended maximum of
seven organizational layers**

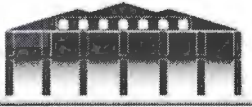
Report p. 12

PROGRAM EVALUATION DIVISION



NORTH CAROLINA GENERAL ASSEMBLY

16



Recommended Number of Layers

- Organizational layers describe the distance from the top to the bottom of an organization
- OSBM's 1996 report recommended no more than 7 layers for state departments

Report p. 13

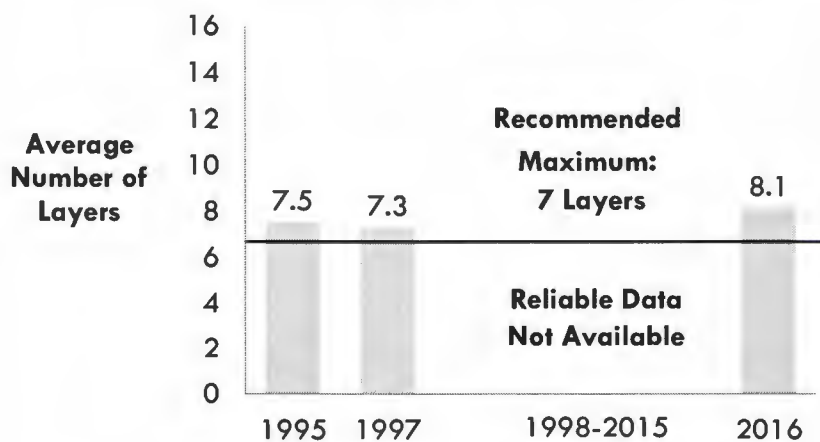
PROGRAM EVALUATION DIVISION



NORTH CAROLINA GENERAL ASSEMBLY

17

Average Number of Layers in Departments Has Increased Since the 1990s



Report p. 13

PROGRAM EVALUATION DIVISION



NORTH CAROLINA GENERAL ASSEMBLY

18



Joint General Government Appropriations Committee
February 22, 2017

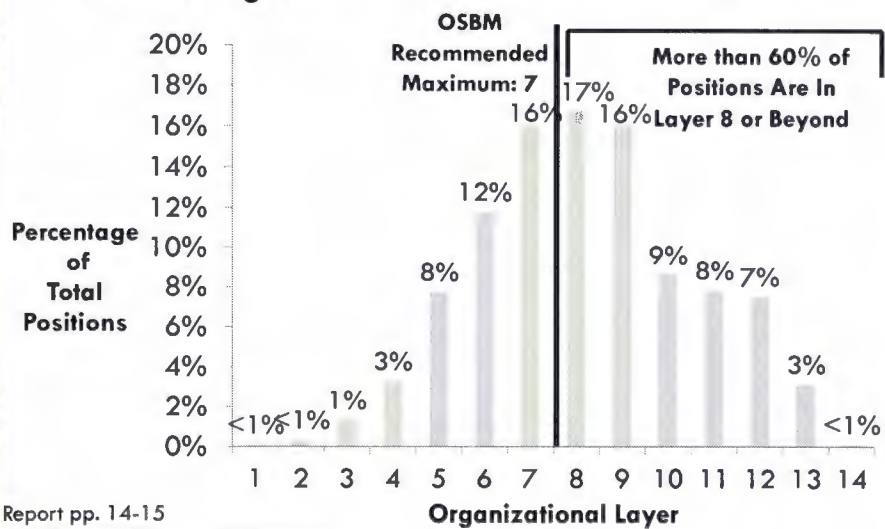
Ten Departments Exceed Recommended
Maximum of Seven Layers

Department Size and Number of Positions	Does Not Exceed Recommended Seven Layers (n = 11)	Exceeds Recommended Seven Layers (n = 10)
Small (1,000 or fewer)	<ul style="list-style-type: none"> • Lt Gov • Gov • DMVA • OSA • CCS • SOS • DOL • DST • DIT • DOA 	<ul style="list-style-type: none"> • DOI • DOJ
Medium (1,001 to 1,999)	<ul style="list-style-type: none"> • DPI 	<ul style="list-style-type: none"> • DEQ • DOR
Large (2,000 or more)		<ul style="list-style-type: none"> • DOC • DACS • DNCR • DOT • DHHS • DPS

Report p. 14 PROGRAM EVALUATION DIVISION NORTH CAROLINA GENERAL ASSEMBLY

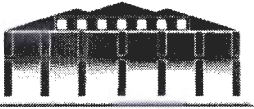
19

Most State Employees Are in Layer 8 or Beyond,
Exceeding the Maximum Recommendation



PROGRAM EVALUATION DIVISION NORTH CAROLINA GENERAL ASSEMBLY

20



Finding 3

Executive offices of state government departments vary in terms of their spans of control, number of layers, and salaries

Report p. 15

PROGRAM EVALUATION DIVISION

NORTH CAROLINA GENERAL ASSEMBLY

21

Executive Offices Consist of 237 Positions Across the 21 Departments

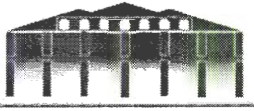
- Represent .003% of all state positions
- Number and placement of executive office members varies across departments
 - Range from administrative assistants to agency heads
 - Range from a count of 2 (Lt Gov) to 30 (DOL)
 - Can be found in the first to fifth layers of departments
- 84% are supervisors and spend 24% of their time on supervisory responsibilities

Report pp. 16-18

PROGRAM EVALUATION DIVISION

NORTH CAROLINA GENERAL ASSEMBLY

22



Executive Office Members Have Lower Spans of Control than Statewide Average

Personnel Category	Average Span of Control	Percentage of Supervisors	
		Meeting Statewide Recommended Span Ratio (1:8 or more)	With Narrow Spans of Control (1:3 or fewer)
Executive Office Members	1:5.6	33%	27%
All State Positions	1:6.3	30%	33%

Report p. 17 PROGRAM EVALUATION DIVISION NORTH CAROLINA GENERAL ASSEMBLY

23

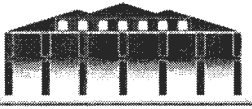
Executive Office Members' Salaries Total \$26.3 Million and Average \$111,000

- Average executive office member salaries in departments range from approximately \$71,000 (DMVA) to \$147,000 (DIT)
- Total salary expenditures range from \$245,676 (Lt. Gov) to \$2.8 Million (DHHS)

Report pp. 19-20

PROGRAM EVALUATION DIVISION NORTH CAROLINA GENERAL ASSEMBLY

24



State's Compensation System May Discourage Maximizing Spans and Minimizing Layers

- Theory: a popular way departments reward state employees is to make them supervisors
- PED found some support for this theory
 - Executive office supervisors earn \$45,000 more than non-supervisors
 - For each additional position an executive office supervisor oversees, his/her salary increases by nearly \$3,000
 - For every layer an executive office employee moves up, his/her salary increases by \$18,000

Report pp. 20-21

PROGRAM EVALUATION DIVISION

NORTH CAROLINA GENERAL ASSEMBLY

25

Finding 4

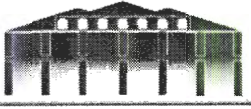
**State departments have broad discretion to
determine their organizational structures
and receive limited guidance**

Report p. 21

PROGRAM EVALUATION DIVISION

NORTH CAROLINA GENERAL ASSEMBLY

26



State Law Provides Departments Broad Discretion in Determining Their Structures

- State Constitution provides the Governor with broad authority
- Executive Organization Act of 1973
 - Grants discretion to department heads to establish organizational units or take personnel actions for efficiency
 - Provides the nomenclature for five organizational layers, from the department head to a unit supervisor
- Human Resources Act specifies how many positions can be exempt
- Various statutes require certain positions in departments

Report pp. 21-23

PROGRAM EVALUATION DIVISION

NORTH CAROLINA GENERAL ASSEMBLY

27

OSBM and OSHR Provide Ad Hoc Guidance On These Topics to Departments

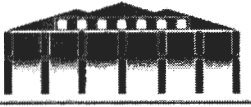
- Conduct activities relating to spans and layers but do not provide systematic guidance for departments
- Neither OSBM nor OSHR require departments to
 - update and publish organization charts online
 - submit BEACON supervisory relationship changes in a timely manner
 - monitor and report on spans and layers

Report pp. 23-25

PROGRAM EVALUATION DIVISION

NORTH CAROLINA GENERAL ASSEMBLY

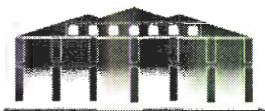
28



Recommendations

Recommendation 1

The General Assembly should direct OSHR to take steps to proactively monitor state department spans of control and organizational layers



Recommendation 1

- The General Assembly should direct OSHR to
 - Develop standards promoting a consistent nomenclature for executive office positions
 - Develop standards for departments to submit BEACON changes in a timely manner
 - Develop a formalized organization chart format and require departments to regularly publish charts online
 - Establish formal policies and procedures for current activities to incorporate spans and layers

Report pp. 26-27

PROGRAM EVALUATION DIVISION



NORTH CAROLINA GENERAL ASSEMBLY

31

Recommendation 2

The General Assembly should direct OSBM to report every five years on each state department's span of control and organizational layers.

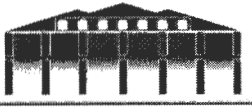
Report p. 28

PROGRAM EVALUATION DIVISION



NORTH CAROLINA GENERAL ASSEMBLY

32



Summary: Findings

- Only 1 department (DHHS) meets the recommended statewide span of control ratio for supervisors (1:8)
- 10 departments exceed the recommended number of organizational layers (7 layers)
- Departments' executive office members include 237 positions with varying spans, layers, and salaries
- Departments have broad discretion to structure themselves, and OSBM and OSHR provide limited guidance on spans and layers

PROGRAM EVALUATION DIVISION

NORTH CAROLINA GENERAL ASSEMBLY

33

Summary: Recommendations

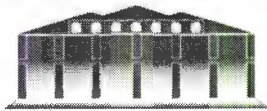
The General Assembly should

1. Direct OSHR to proactively monitor the spans and layers of departments
2. Require OSBM to report every five years on spans and layers

PROGRAM EVALUATION DIVISION

NORTH CAROLINA GENERAL ASSEMBLY

34



Summary: Responses and Other Recent Actions

- Joint response from OSBM and OSHR, which reported general agreement with the report's findings, but did not think legislation is necessary
- The Joint Legislative Program Evaluation Oversight Committee instructed staff to draft legislation based on the report's recommendations, but the Committee has not met to review this draft

Report available online at
www.ncleg.net/PED/Reports/reports.html



Exhibit 7: Only One Department Meets the Recommended Statewide Span of Control Ratio of 1:8

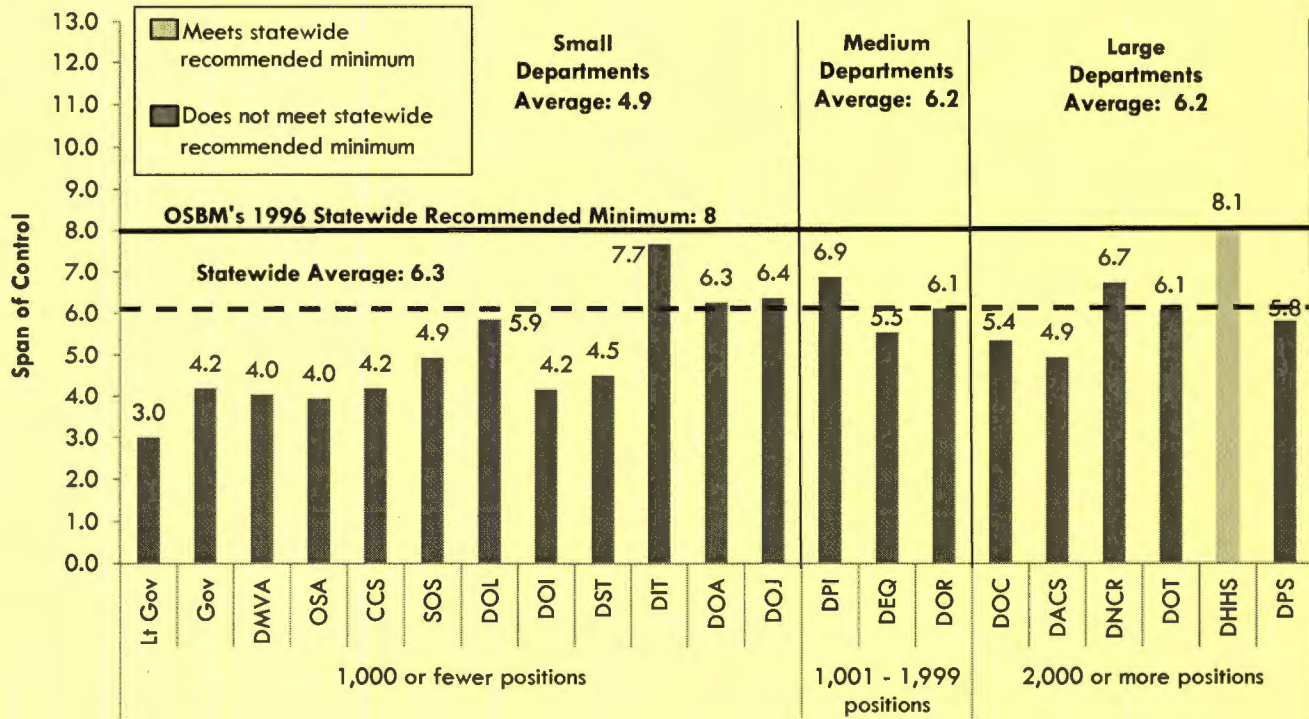


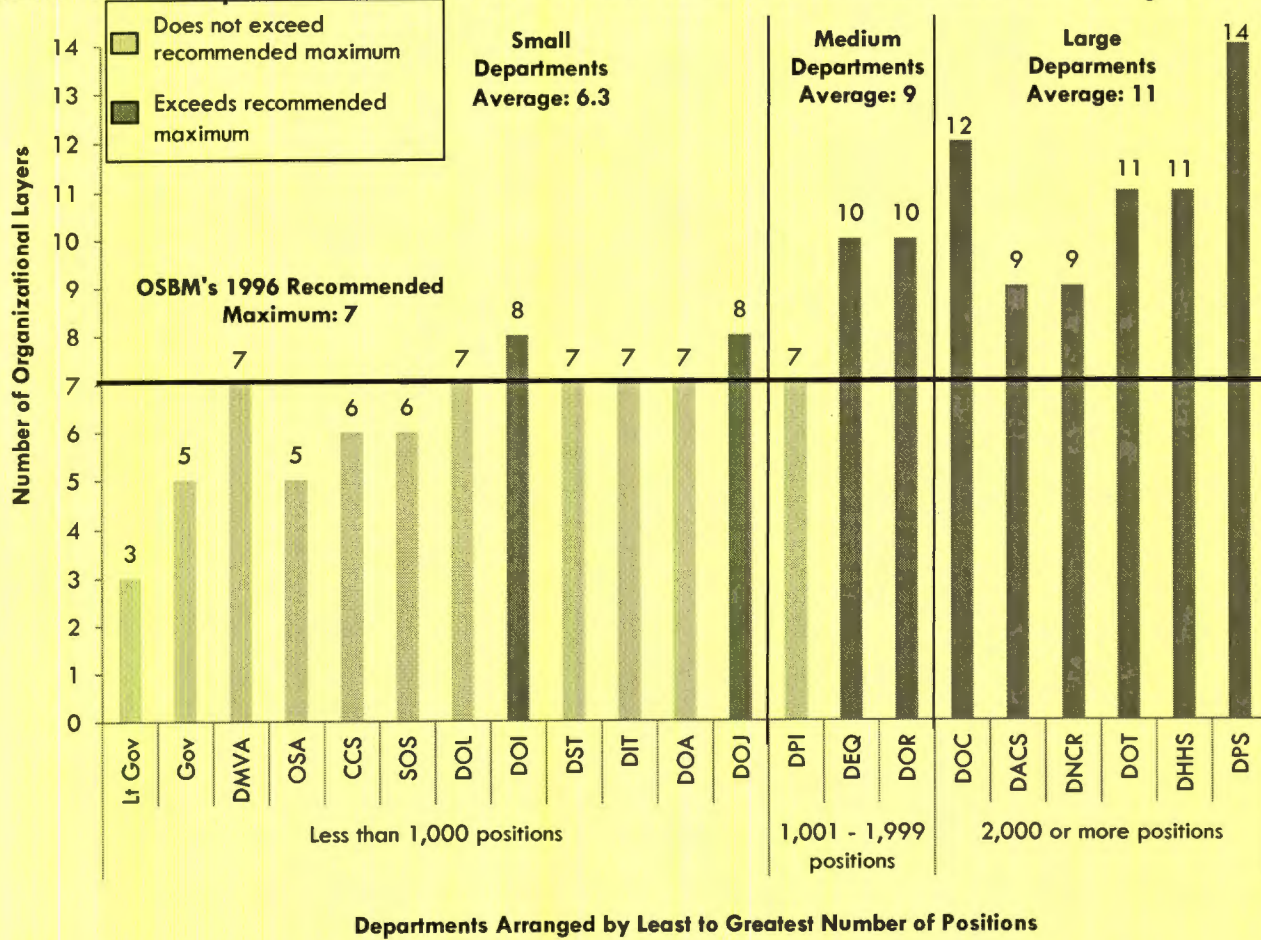
Exhibit 8

A Third of All Supervisors Oversee Three or Fewer Positions

Department Size Classification	Department	Percentage of Department Supervisors with Spans of Control of			
		1:1	1:2	1:3	Total
Large departments (2,000 or more positions)	DACS	19%	17%	15%	51%
	DNCR	20%	16%	10%	46%
	DOC	18%	14%	11%	43%
	DPS	12%	11%	10%	33%
	DOT	7%	10%	14%	30%
	DHHS	9%	9%	8%	26%
Medium departments (1,001 to 1,999 positions)	DOR	7%	11%	15%	32%
	DEQ	10%	11%	9%	29%
	DPI	13%	7%	8%	28%
Small departments (1,000 or fewer positions)	DMVA	15%	15%	23%	54%
	Lt Gov	50%	0%	0%	50%
	OSA	17%	12%	19%	48%
	DOI	15%	19%	14%	48%
	DST	11%	16%	18%	46%
	CCS	17%	11%	17%	45%
	Gov	6%	25%	13%	44%
	SOS	20%	10%	13%	43%
	DOA	13%	15%	11%	38%
	DOJ	11%	11%	6%	28%
	DOL	3%	11%	9%	23%
	DIT	6%	8%	5%	19%
Total across state departments		11%	11%	11%	33%

Source: Program Evaluation Division based on June, 2016 BEACON data.

Exhibit 10: Ten Departments Have More than the Recommended Maximum Seven Layers



**Most Departments' Spans of Control and Number
of Organizational Layers Do Not Meet
Recommended Levels**



**Final Report to the Joint Legislative
Program Evaluation Oversight Committee**

Report Number 2016-12

December 12, 2016



.

.



.

.





NORTH CAROLINA GENERAL ASSEMBLY

Legislative Services Office

Paul Coble, Legislative Services Officer

Program Evaluation Division
300 N. Salisbury Street, Suite 100
Raleigh, NC 27603-5925
Tel. 919-301-1404 Fax 919-301-1406

John W. Turcotte
Director

December 12, 2016

Senator Fletcher L. Hartsell, Jr., Co-Chair, Joint Legislative Program Evaluation Oversight Committee
Representative Craig Horn, Co-Chair, Joint Legislative Program Evaluation Oversight Committee

North Carolina General Assembly
Legislative Building
16 West Jones Street
Raleigh, NC 27601

Honorable Co-Chairs:

The Joint Legislative Program Evaluation Oversight Committee's 2015–17 Work Plan directed the Program Evaluation Division to study the spans of control and organizational layers of state department executive offices.

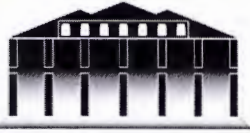
I am pleased to report that the Office of State Human Resources and the Office of State Budget and Management cooperated with us fully and were at all times courteous to our evaluators during the evaluation.

Sincerely,

A handwritten signature in black ink, appearing to read "J. W. Turcotte".

John W. Turcotte
Director





PROGRAM EVALUATION DIVISION

NORTH CAROLINA GENERAL ASSEMBLY

December 2016

Report No. 2016-12

Most Departments' Spans of Control and Number of Organizational Layers Do Not Meet Recommended Levels

Summary

The Joint Legislative Program Evaluation Oversight Committee directed the Program Evaluation Division to examine the efficiency and effectiveness of spans of control and organizational layers in state government executive offices. Spans of control refer to the number of positions a supervisor oversees; organizational layers refer to the number of levels in an organization. To justify the added costs of management positions, each manager should oversee a sufficient number of subordinates. In the 1990s, the Office of State Budget and Management (OSBM) recommended an overall statewide minimum span of control ratio of 1:8 and a maximum of seven organizational layers. This evaluation is the first study of state department spans of control and organizational layers in nearly 20 years.

At present, the average span of control ratio across the 21 departments examined is 1:6.3, and only one state department meets the statewide recommended ratio of 1:8. On average, supervisors are overseeing slightly more positions compared to the 1990s; however, 33% of all supervisors have narrow spans of control, defined as overseeing three or fewer positions.

The average number of organizational layers is 8.1, and ten departments have more than the recommended seven layers. This average represents an increase since the 1990s.

The executive offices of the 21 state departments consist of 237 positions, which are in the first five layers of departments and on average supervise approximately six positions. Departments vary in how they assign positions to their executive offices. Thirty-nine percent of executive office supervisors have narrow spans of control. The average salary of executive office members is \$111,000. Salaries are higher for executive office members who are supervisors and increase as the number of subordinates increases.

OSBM and the Office of State Human Resources (OSHR) provide limited guidance on how to most efficiently and effectively structure departments. Currently, OSBM and OSHR provide ad hoc guidance on spans of control and organizational layers at the request of state departments. There is no independent oversight of spans and layers.

Based on these findings, the General Assembly should (1) direct OSHR to monitor spans of control and organizational layers on an ongoing basis and (2) direct OSBM to conduct studies of these topics every five years. The General Assembly could use these studies as the basis for requiring departments to justify deviations from statewide benchmarks.

Purpose and Scope

The 2015–2017 Program Evaluation Division Work Plan directed the Division to study the spans of control and organizational layers of state department executive offices. This study addresses three research questions:

1. What factors guide how state department executive offices are structured?
2. What is the composition of organizational layers in executive offices, and what is each manager's span of control?
3. How does the structure and span of control of each department's executive office compare with other departments and with best practices?

The Program Evaluation Division collected data from several sources:

- a survey of state employees identified as members of departments' executive offices;
- interviews with and queries of the Office of State Human Resources (OSHR) and Office of State Budget and Management (OSBM);
- review of academic and practitioner literature on spans of control and organizational layers;
- review of four OSBM reports from 1996 to 1998 on spans of control and organizational layers;
- review of other states that have passed legislation related to span of control; and
- review of statewide data including salaries and supervisory relationships from BEACON as of June 2, 2016.¹

The Program Evaluation Division included 21 state departments defined and designated as principal administrative departments by the North Carolina State Constitution and General Statutes. Exhibit 1 provides descriptive information about each of the 21 departments, including the acronym by which they will be referred to hereafter in this report and their designation as either a

- Council of State department, with an elected department head (n = 10 departments),
- Cabinet department, with a department head appointed by the Governor (n = 10 departments), or
- Other department, with a department head appointed by another entity (n = 1 department).

¹ BEACON (Building Enterprise Access for North Carolina's Core Operation Needs) is the State's human resources and payroll infrastructure system. The data accessed for this study did not include Temporary Solutions staff, which some departments rely heavily upon, because these staff are not always assigned to their respective departments in BEACON. Data from the Department of Revenue was accessed on June 16, 2016 because of pending organizational changes. Shortly after the Program Evaluation Division obtained BEACON data from the Office of the State Controller, the Office of the State Auditor (OSA) notified the Division of a significant organizational restructuring not yet reflected in BEACON; although OSA is included in this report, findings related to this office are based on a prior organizational structure.

Exhibit 1: State Law Designates 21 Departments as Principal Departments

Department (arranged from largest to smallest)	Acronym	Department Type	Total Number of Positions	Total Salary Expenditures (in millions)
Public Safety	DPS	Cabinet	26,042	\$912.7
Health and Human Services	DHHS	Cabinet	18,055	696.1
Transportation	DOT	Cabinet	13,723	489.4
Natural and Cultural Resources	DNCR	Cabinet	3,221	67.4
Agriculture and Consumer Services	DACS	Council	2,656	81.7
Commerce	DOC	Cabinet	2,583	88.0
Revenue	DOR	Cabinet	1,919	67.5
Environmental Quality	DEQ	Cabinet	1,694	81.4
Public Instruction	DPI	Council	1,176	60.9
Justice	DOJ	Council	847	47.9
Administration	DOA	Cabinet	651	22.4
Information Technology	DIT	Cabinet	607	40.5
State Treasurer	DST	Council	442	26.0
Insurance	DOI	Council	430	24.2
Labor	DOL	Council	386	18.0
Community College System	CCS	Other	197	12.6
Secretary of State	SOS	Council	197	8.0
State Auditor	OSA	Council	166	10.1
Military and Veterans Affairs	DMVA	Cabinet	105	3.4
Office of the Governor	Gov	Council	67	4.0
Office of the Lieutenant Governor	Lt Gov	Council	6	0.5
Total			75,170	\$2,762.8

Notes: The president of the Community College System is appointed by the State Board of Community Colleges. Total salary expenditures are from all funding sources and do not include fringe benefits associated with these positions.

Source: Program Evaluation Division based on the State Constitution, General Statutes, and BEACON data as of June 2016.

Background

Two concepts related to organizational design—span of control and organizational layers—can affect an organization's efficiency and effectiveness. Low spans of control and high numbers of organizational layers increase the operating costs of departments, especially when these inefficiencies occur in executive offices, because of the higher salaries associated with executive office employees.

Span of control refers to the number of employees a supervisor oversees and can be expressed as a ratio. Exhibit 2 shows a hypothetical organization where the deputy director is a supervisor who directly oversees five employees and therefore has a span of control of 1:5. Knowing this ratio allows managers to compare spans across an organization and across sectors for similar work. Supervisors can have low (sometimes called small or narrow) or high (sometimes called large or broad) spans of control depending on the relative number of employees they oversee. Ideally, a supervisor has a span of control that provides the level of supervision employees need to perform the work of an organization efficiently and effectively.

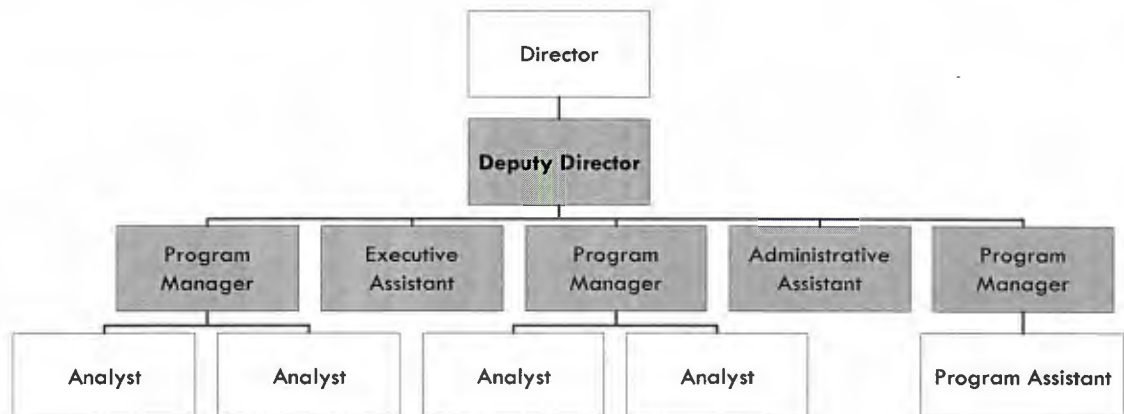
Exhibit 2: Sample Deputy Director with Span of Control of 1:5

1 Supervisor,
1 Subordinate
Span: 1:1

1 Supervisor
5 Subordinates
Span: 1:5

3 Supervisors
5 Subordinates
Span: 1:1.67

0 Supervisors
0 Subordinates
No Span



Source: Program Evaluation Division.

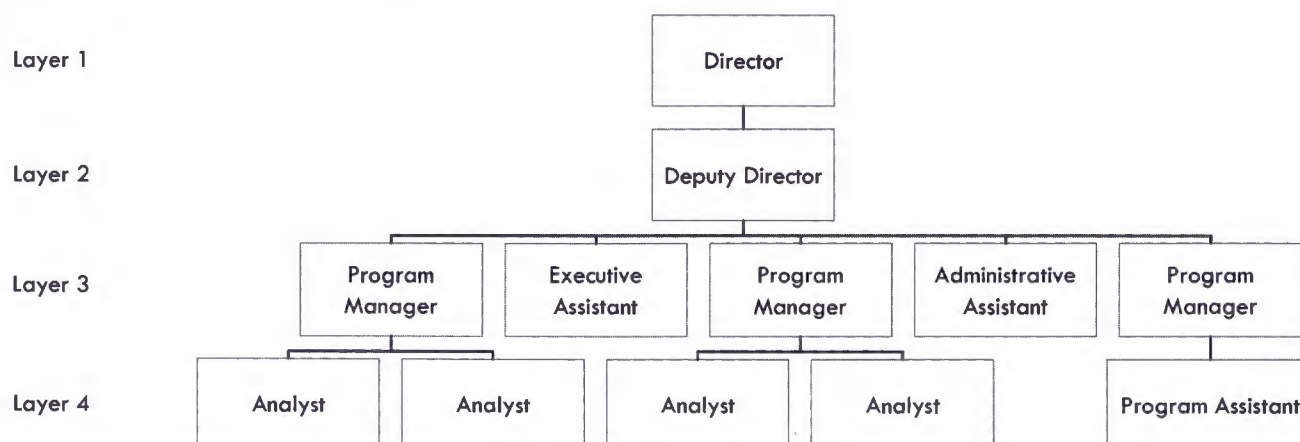
A variety of factors influence the determination of a supervisor's ideal span of control:

- clarity of organizational objectives,
- complexity of subordinates' work,
- degree of public scrutiny,
- degree of task certainty,
- degree to which employees are cross-trained,
- degree to which supervisor coordinates subordinates,
- geographic location of subordinates,
- liability or risk to the organization,
- number of temporary staff,
- qualifications and experience of subordinates,
- similarity of subordinates' activities,
- supervisor's burden of non-supervisory duties, and
- supervisor's skill in managing staff.

The relative weight of each factor differs depending on the type of work being done by supervisors and their subordinates. For example, a department may require more managers with lower spans of control for highly technical work needing closer supervision. In contrast, a department may require fewer managers with higher spans of control when the work of subordinates is routine and highly similar, thereby requiring less direct supervision.

Organizational layers refer to the number of levels in an organization's hierarchy, from the highest to lowest position. Exhibit 3 illustrates a hypothetical organization with four organizational layers. The supervisor to whom an employee reports would be considered part of the layer above, whereas the employees a supervisor oversees would be considered part of the layer below. Ideally, an organization has the number of organizational layers that best allows communication to flow freely, efficiently, and effectively.

Exhibit 3: Sample Organization with Four Layers



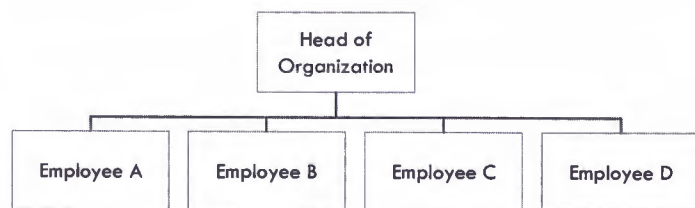
Source: Program Evaluation Division.

Issues surrounding span of control and organizational layers often intertwine. Low spans of control can lead to a higher number of organizational layers. Exhibit 4 shows an example of how spans of control and organizational layers interact. The head of the organization has a higher span of control in Scenario 1 (1:4) than in Scenario 2 (1:2) and consequently the organization has fewer layers.

Exhibit 4: Low Span of Control Can Lead to Additional Organizational Layers

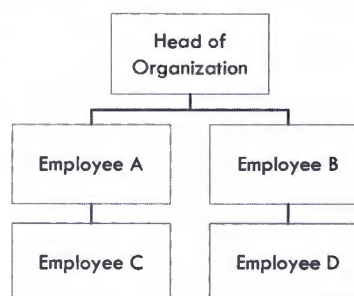
Scenario 1: Higher Span

Head of an organization with five employees chooses to have a span of 1:4, resulting in two layers. All employees report to the head of the organization.



Scenario 2: Lower Span

Head of an organization with five employees chooses to have a span of 1:2, resulting in three layers. Employees A and B report to the head of the organization. Employee C reports to Employee A, and Employee D reports to Employee B.



Source: Program Evaluation Division.

According to academic and practitioner literature on the subjects, there is no “one size fits all” standard when it comes to the number of subordinates or organizational layers. Nevertheless, as Exhibit 5 illustrates, low spans of control and high numbers of organizational layers trigger common concerns.² Because the organizational structure literature is largely anecdotal, authors who have recommended a single ideal number for

² The academic and practitioner literature cautions against excessively high spans of control as well because of the associated increase in the number of relationships supervisors must maintain.

either span of control or organizational layers or have implemented a mandated number in their own organizations have done so seemingly based on their own individual preferences.

Exhibit 5

Potential Consequences Related to Low Spans of Control and High Numbers of Organizational Layers

Potential Consequences of Low Spans of Control	Potential Consequences of High Numbers of Organizational Layers
<ul style="list-style-type: none"> • Superiors have more time to become too involved in subordinates' work • Less responsibility given to subordinates • Decreased morale due to micromanagement • Increase in number of organizational layers 	<ul style="list-style-type: none"> • Slowed approval due to unnecessary layers and authority • Lack of accountability when decisions must go through various channels • Communication becomes slow and cumbersome • General morale and performance may decrease

Source: Program Evaluation Division based on review of academic and practitioner literature.

North Carolina state government has not formally evaluated spans of control and organizational layers in nearly 20 years. A series of studies in the 1990s explored these topics.

- **1993 GPAC Study.** The General Assembly Government Performance Audit Committee (GPAC) produced a report focusing on excessively narrow spans of control, excessive layers of management, one-on-one reporting relationships, and numerous units with small numbers of staff.
- **1996 OSBM Study.** The Office of State Budget and Management (OSBM) studied span of control within state departments, excluding the Community College System and University of North Carolina (UNC) system. OSBM recommended a minimum statewide span of control ratio of 1:8, recognizing that each department would have a different span based on benchmarks proposed for individual job classifications. OSBM also recommended a maximum of seven organizational layers per department.
- **1997 UNC Study.** UNC General Administration requested that OSBM analyze the UNC system's span of control. OSBM's report recommended the UNC system establish campus-wide spans of control and a benchmark of seven organizational layers.
- **1998 OSBM Study.** OSBM performed a follow-up study, this time including the UNC and Community College systems. The study found that excessively narrow spans of control and high numbers of organizational layers continued to be issues for state departments.

In addition to recommending a statewide minimum span of control and maximum number of organizational layers, OSBM recommended an alternative compensation model that rewarded technical leadership and expertise in addition to the traditional notion of rewarding employees with supervisory responsibilities.

Tracking average spans of control across a department can lead to deeper analysis of structural efficiency. Organizations in which supervisors

are asked to oversee more employees typically show a corresponding decrease in the number of layers, thereby reducing the distance from an organization's leadership to its front-line employees. The Joint Legislative Program Evaluation Oversight Committee's 2015–17 Work Plan directed the Program Evaluation Division to evaluate the spans of control and organizational layers in the executive offices of state departments. This evaluation differs from the prior studies cited above because it includes both a statewide perspective on spans of control and organizational layers as well as an examination of these concepts in state department executive offices, defined as positions identified as such by department human resources representatives.

Findings

Finding 1. Of 21 state government departments, all but one have lower supervisor-to-employee ratios, on average, than the recommended statewide minimum ratio of 1:8.

To summarize the finding below, spans of control vary across departments. Currently, the average span of control across departments is 1:6.3, a slight improvement from 1995 when it was 1:5.4. Only one state department met the statewide span of control goal of 1:8 in 2016, and a majority of state departments have spans of control below 1:6. Further, several departments have high percentages of supervisors with narrow spans of control, potentially increasing the number of organizational layers.

Span of control reflects the number of employees each supervisor oversees, a definition that includes approving employee timesheets and conducting employee performance evaluations. A supervisor who performs these tasks for five employees would have a span of control ratio of 1:5. Individual spans of control for supervisors contribute to two additional measures of this concept within state government. First, a department-specific span of control captures the average number of positions that a supervisor in the department supervises. Second, statewide span of control describes the average number of positions that supervisors across all departments supervise. See Appendix A for a description of the methodologies for computing these respective measures.

Absent a better standard, the Program Evaluation Division applied OSBM's 1996 minimum statewide span of control ratio of 1:8. OSBM's 1996 report used a data-driven approach to develop a state-specific span of control standard for North Carolina state departments.³ To arrive at the standard, OSBM first identified its population of supervisors by eliminating individuals supervising fewer than 3 or more than 30 individuals.⁴ Following this step, OSBM computed average spans of control using position classification categories and then only included averages by classification categories that were greater than or equal to the average span of control during this time. This exercise resulted in a state-specific

³ Although OSBM primarily relied on data to establish the 1:8 statewide benchmark, its review of literature and other states reinforced the standard.

⁴ OSBM notes individuals with spans greater than 30 were eliminated because they were considered aberrations and impossible to emulate.

recommendation for supervisors to oversee eight or more positions on average. Unfortunately, the Program Evaluation Division could not replicate OSBM's approach with current information because the State's classification categories will be modified significantly in February 2017. Thus, a similar data-driven standard created at this time would not provide meaningful information for state departments moving forward.

As a result, the Program Evaluation Division looked to the literature and other states to determine if a more current and generally-accepted benchmark exists. The academic and practitioner literature lacks consensus on a recommended standard for span of control for either public or private organizations. In the public sector, the federal government's 1994 National Performance Review contained a plan to raise the government's average span of control from 1:7 to 1:14 but did not provide an explanation for why these ratios were chosen. Three states require state departments to adhere to department-wide span of control standards, and the ratios for these states, while informed by literature, do not appear to be data-driven.

- **Texas.** In 1997, the Texas legislature modified state law to require state departments to develop procedures to achieve management-to-staff ratios of 1:11.⁵
- **Iowa.** Since 1992, the Iowa General Assembly has mandated span of control standards for departments, and more recent legislation has required the Department of Management to develop a policy for state departments to calculate their spans of control.⁶ ⁷ In 2015, only 11 of 70 (15%) Iowa state agencies subject to the law met their required target ratio of 1:15. Across state departments, Iowa's average span of control ratio was 1:11.2, which did not meet the state's target ratio.
- **Oregon.** Since 2011, the Oregon legislature has required the Oregon Department of Administrative Services to develop a plan for state departments with more than 100 employees to attain specific spans of control, which are to be used in the legislative budget process.⁸ Departments not meeting the mandated statewide span of control ratio (1:11) are not allowed to fill supervisory positions unless granted an exception. State departments on average have increased their spans of control since 2011. As of 2016, 19 of 29 (66%) departments met their respective target span of control ratio.

⁵ Texas Government Code, Chapter 651, Section 651.004. Since the time of OSBM's 1996 study, the Texas legislature revised this law and instituted a requirement that departments with more than 100 full-time equivalent employees may not employ more than one full-time equivalent management employee per 11 non-managerial staff positions. This requirement excludes certain types of employees within three Texas state departments: the Department of Family and Protective Services, Parks and Wildlife Department, and Texas Historical Commission. State departments in Texas that believe the minimum 1:11 ratio is inappropriate for their department may appeal to the Texas Legislative Budget Board for an exemption to this requirement.

⁶ Iowa General Assembly, Retirement Incentives and Efficiency in Government Act, House File 2454, Chapter 1220.

⁷ Iowa General Assembly, State Government Reorganization Act, Senate File 2088, Chapter 1031. This legislation also established a waiver process for executive branch department heads who believed they would not be able to reach target ratios; a five-member review board grants waivers.

⁸ Oregon General Assembly, HB2020.

Each of these states' mandated ratios is greater than OSBM's 1996 recommendation. To be conservative, the Program Evaluation Division decided to apply OSBM's dated but more lenient 1:8 statewide benchmark to assess individual state departments' spans of control in the current study.

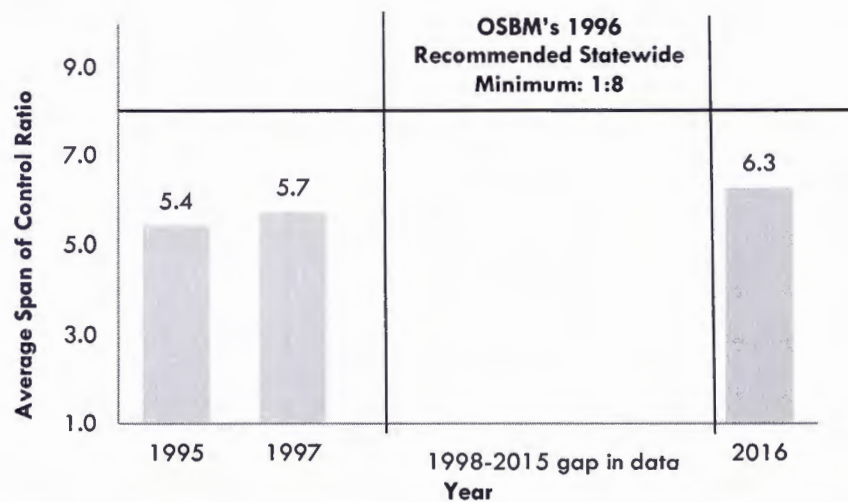
Today, the statewide span of control in North Carolina across 21 departments is 1:6.3. As Exhibit 6 shows, in 1996 OSBM found the statewide span of control was one supervisor to 5.4 employees (using 1995 data). After that report, departments undertook efforts to reduce the number of positions with narrow spans of control, defined as supervising three or fewer individuals, thereby increasing span of control averages. Two years later, OSBM issued a report using 1997 data that demonstrated the statewide span of control had improved to 5.7; however, this slight increase still fell short of the 1:8 statewide goal.

Departments were successful at reducing the number of supervisors with low spans of control between 1995 and 1997, producing a 40% reduction in their 1:1 spans and a 16% overall reduction in narrow spans. Departments generated \$14.7 million in statewide savings due to span of control or layer improvements from eliminating positions.

In 2016, supervisors in state departments, on average, supervise six positions. Thus, supervisors are supervising slightly more positions compared to the 1990s.

Exhibit 6

The Recommended Statewide Span of Control Has Not Been Met



Notes: The years in the table show the respective years of supervisory data used, not necessarily the year in which a report was produced. The Program Evaluation Division attempted to analyze historical data but too many positions were missing or were transferred to other departments to generate reliable comparisons.

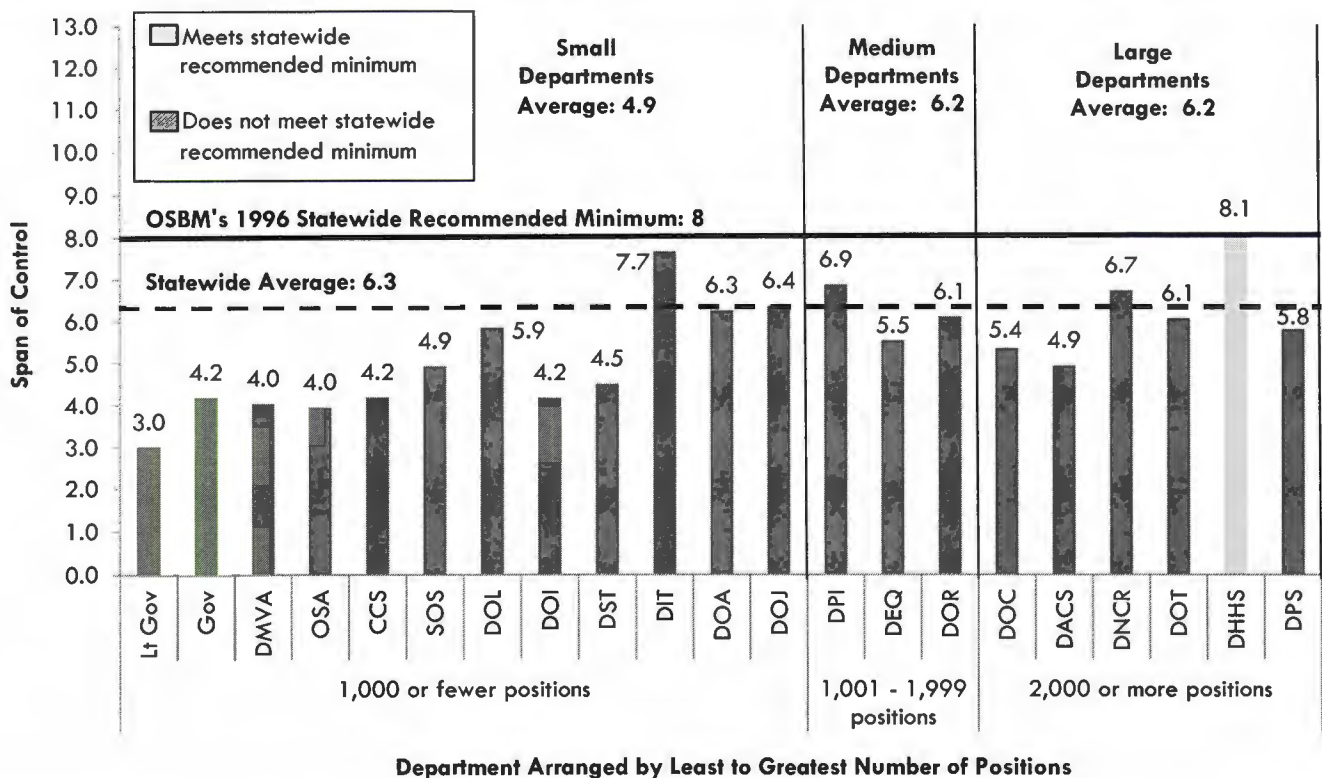
Source: Program Evaluation Division based on OSBM's 1996 and 1998 reports and BEACON data as of June 2016.

Only one state department has a span of control of 1:8. Although the statewide span of control has improved, 20 of the 21 principal state departments still have department-wide spans of control that are less than the statewide goal of 1:8. The Program Evaluation Division calculated the

span of control for each state department using 2016 BEACON data based on the total number of supervisors and the total number of positions within departments. Appendix B shows each of the 21 departments' spans of control by organizational layer.

Exhibit 7 presents the spans of control of the 21 principal departments as of 2016 grouped by the total size of the department (based on the number of positions) and compares these to the recommended statewide benchmark of 1:8. As the solid line in the exhibit shows, only the Department of Health and Human Services (DHHS) has a span of control that meets the recommended statewide ratio of 1:8.⁹ Overall, state departments' spans of control ranged from 1:3 to 1:8, with a statewide average of 1:6.3, shown by the dotted line in the exhibit. Six of the 21 state departments (DHHS, DNCR, DPI, DOJ, DOA, and DIT) meet or exceed the statewide average. Across all 21 departments, only 30% of supervisors oversee the recommended 8 positions or more.

Exhibit 7: Only One Department Meets the Recommended Statewide Span of Control Ratio of 1:8



Source: Program Evaluation Division based on BEACON data as of June 2016.

Because of significant size differences between departments, comparisons across all 21 departments may not be as meaningful as comparisons among departments with similar sizes. As the exhibit shows, variation exists among departments even within their size categories:

⁹ The Program Evaluation Division sought to understand potential reasons for DHHS's higher-than-average span of control but department representatives stated there was no formal effort to increase spans. DHHS's department-wide span of control could be influenced by high spans in state-owned health facilities.

- Five (Lt Gov, Gov, DMVA, OSA, CCS, DOI, DST) of the 12 smaller departments have spans of control above the average span of control for their size classification (1:4.9);
- One (DPI) of the three medium-size departments has an average span of control above its size classification's average (1:6.2); and
- Two (DNCR and DHHS) of the six larger departments are above the size average for that classification (1:6.2).

Overall, the Lieutenant Governor's Office (the smallest state department) has the lowest span of control (1:3) and the Department of Health and Human Services (the second largest department) has the highest span of control (1:8.1).

A third of supervisors across state departments have narrow spans of control. OSBM's 1996 report defined narrow spans of control as supervisors overseeing three or fewer employees. As discussed in the Background, narrow spans likely increase the number of layers in an organization. Exhibit 8 shows the percentage of each department's supervisors having spans of control of 1:1, 1:2, or 1:3. In total, 33% of supervisors across the 21 departments have spans of control of 1:3 or less.

Exhibit 8**A Third of All Supervisors
Oversee Three or Fewer
Positions**

Department Size Classification	Department	Percentage of Department Supervisors with Spans of Control of			
		1:1	1:2	1:3	Total 1:3 or Fewer
Large departments (2,000 or more positions)	DACS	19%	17%	15%	51%
	DNCR	20%	16%	10%	46%
	DOC	18%	14%	11%	43%
	DPS	12%	11%	10%	33%
	DOT	7%	10%	14%	30%
	DHHS	9%	9%	8%	26%
Medium departments (1,001 to 1,999 positions)	DOR	7%	11%	15%	32%
	DEQ	10%	11%	9%	29%
	DPI	13%	7%	8%	28%
Small departments (1,000 or fewer positions)	DMVA	15%	15%	23%	54%
	Lt Gov	50%	0%	0%	50%
	OSA	17%	12%	19%	48%
	DOI	15%	19%	14%	48%
	DST	11%	16%	18%	46%
	CCS	17%	11%	17%	45%
	Gov	6%	25%	13%	44%
	SOS	20%	10%	13%	43%
	DOA	13%	15%	11%	38%
	DOJ	11%	11%	6%	28%
	DOL	3%	11%	9%	23%
	DIT	6%	8%	5%	19%
Total across state departments		11%	11%	11%	33%

Notes: Percentage of total department supervisors is calculated using the supervisor with the respective span (1:1, 1:2, 1:3) as the numerator and the total number of department supervisors (defined as positions supervising at least one position) as the denominator. Total across state departments is based on the total number of supervisors with the respective spans of control, not the averages of the percentages across departments.

Source: Program Evaluation Division based on BEACON data as of June 2016.

As the exhibit shows, 13 of the 21 state departments have higher percentages of supervisors with spans of control of 1:3 than the statewide rate; 10 of these 13 departments are small departments and 3 are large departments. The Department of Information Technology has the fewest supervisors with narrow spans (19%) and the Department of Military and Veterans Affairs has the most supervisors with narrow spans (54%).

Finding 2. Of 21 state government departments, 10 exceed the recommended maximum of 7 organizational layers.

To summarize the finding below, the number of organizational layers varies across state departments. The average number of layers across departments is 8.1, an increase since 1996. Ten departments exceeded the maximum seven-layer benchmark in 2016, eight of which employ more than 1,000 positions. The remaining two departments exceeding the recommended maximum employ fewer than 1,000 positions.

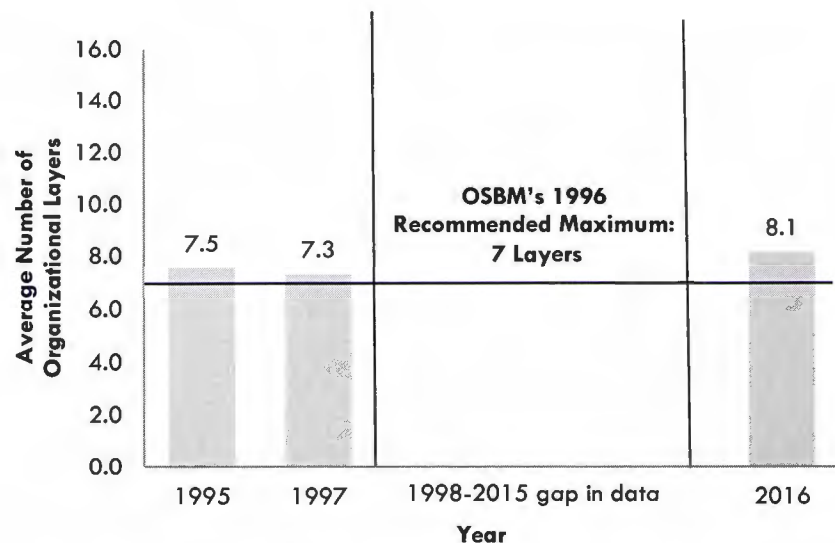
Organizational layers describe the distance of an organization from the top of the organization to the bottom. The supervisor to whom an employee reports would be considered part of the layer above, whereas the employees a supervisor oversees would be considered part of the layer below.

Absent a better standard, the Program Evaluation Division applied OSBM's 1996 benchmark of a maximum of seven organizational layers. As discussed in the Background, OSBM conducted a series of studies in the 1990s. At that time, OSBM established a statewide benchmark for the number of organizational layers of seven or fewer based on literature and efforts of other states. Similar to the benchmark for spans of control discussed in Finding 1, the Program Evaluation Division relied on the 1996 recommendation because of a lack of consensus in the literature and little evidence from other states on this topic. An example of organizational layer mandates in the private sector is the Kodak Company, which set and met a limit of five organizational layers without a loss of production.¹⁰ In the public sector, all departments in Iowa and one department in the state of Washington underwent efforts to consolidate organizational layers, but specific numbers of layers were not mandated.

Today, the average number of organizational layers across state departments is 8.1. As Exhibit 9 shows, departments currently have more layers, on average, since OSBM's 1996 report found an average of 7.5 using 1995 data.

Exhibit 9

Average Number of Layers in State Departments Has Increased Since the 1990s



Notes: The statewide average number of organizational layers for each year is based on the number of state departments at the given time. Because of the reorganization and merger of departments, it was not possible to examine historical trends in the number of layers within each department in a valid manner.

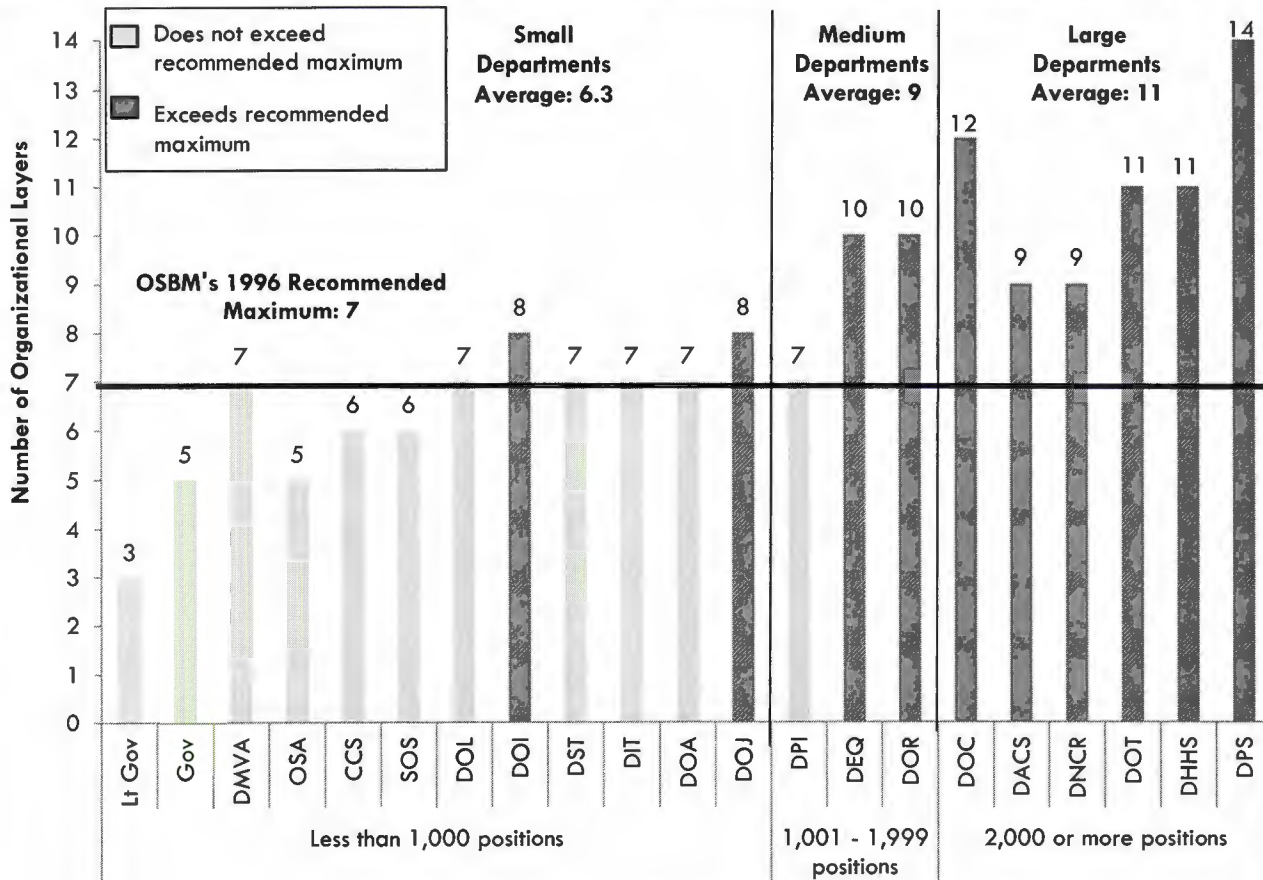
Source: Program Evaluation Division based on OSBM's 1996 and 1998 reports and BEACON data as of June 2016.

¹⁰ Hattrup, G. & Kleiner, B. (1993). How to establish the proper span of control for managers. *Industrial Management*, 35(6), 28-29.

Ten departments have more than the recommended seven layers.

Exhibit 10 groups departments by size and compares the number of layers across the 21 principal departments. Of the ten departments exceeding the recommended maximum of seven organizational layers, two departments (DOI and DOJ) have 1,000 or fewer positions and eight departments have more than 1,000 positions (DEQ, DOR, DOC, DACS, DNCR, DOT, DHHS, and DPS). Only one department (DPI) with 1,000 or more positions does not exceed the maximum recommended number of layers.

Exhibit 10: Ten Departments Have More than the Recommended Maximum Seven Layers

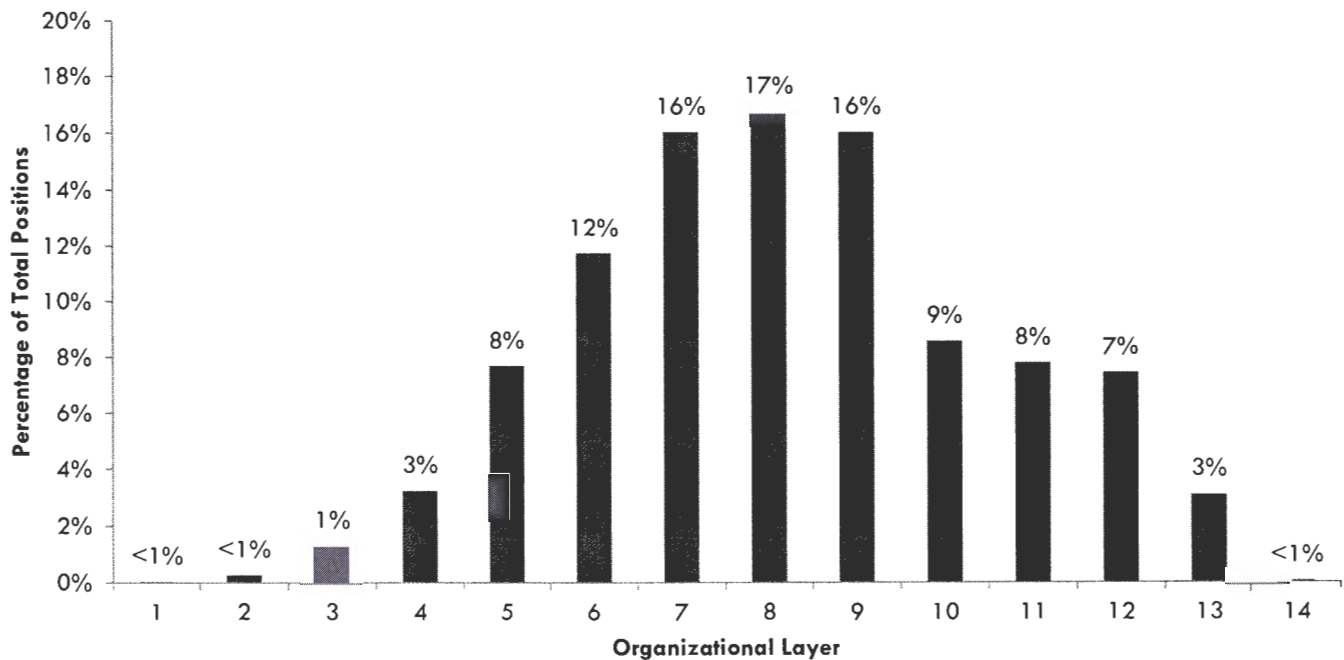


Departments Arranged by Least to Greatest Number of Positions

Source: Program Evaluation Division based on BEACON data as of June 2016.

The highest percentages of state government employees are in the seventh, eighth, and ninth layers of departments. Exhibit 11 shows the most populous layers across all departments. Forty-nine percent of state government positions are in layers seven, eight, and nine of departments, with the highest percentage (17%) in the eighth layer. More than 60% of positions are in layers beyond the recommended seventh layer.

Exhibit 11: The Highest Percentages of State Government Positions Are in Layers 7, 8, and 9



Source: Program Evaluation Division based on BEACON data as of June 2016.

Finding 3. Executive offices of state government departments vary in terms of their spans of control, number of layers, and salaries.

To summarize the finding below, North Carolina state departments self-identify 237 positions as members of executive offices. All executive office members are found in the first five layers of state departments, with most occupying the second layer of their respective organizations. On average, executive office members supervise six positions, but many (39%) supervise three or fewer positions. Executive office staff earn approximately \$111,000 per year on average. The Program Evaluation Division found support for the idea that the primary way for state employees to earn more money is by assuming supervisory responsibilities; however, this incentive system may not promote maximizing spans of control and minimizing organizational layers.

Executive office members can be characterized as those employees performing high-level activities. In the absence of an agreed-upon definition in the literature or from other states, the Program Evaluation Division solicited information from departments on who they consider to be members of their executive offices. The Division provided representatives from each of the 21 principal departments with a list of all positions within its first five organizational layers and asked the department to identify executive office members.¹¹ Exhibit 12 shows departments self-identified 237 positions as executive office members, or .003% of all state

¹¹ Five organizational layers was chosen as the cut-off because a review of online organization charts revealed division directors appeared only as low as the fourth organizational layer. Department representatives had the opportunity to identify positions outside the first five layers as members of their executive offices.

employees in these 21 departments. There is variation in the number and types of positions serving in departments' executive offices, and the meaningfulness of comparisons across departments may be further limited because the positions were self-identified in the absence of a standard definition. Appendix D shows organization charts and spans of control for each department-identified executive office member.

Exhibit 12

State Department
Executive Offices Consist
of 237 Positions

Department Size Categorization	Department	Total Number of Executive Office Members	Percentage of Total Positions in Department
Large departments (2,000 or more positions)	DACS	10	<1%
	DNCR	7	<1%
	DHHS	20	<1%
	DOC	15	<1%
	DOT	19	<1%
	DPS	11	<1%
Medium departments (1,001 to 1,999 positions)	DEQ	7	<1%
	DPI	9	<1%
	DOR	14	<1%
Small departments (1,000 or fewer positions)	DIT	7	1%
	DMVA	5	5%
	DOA	7	1%
	DOI	10	2%
	DOJ	17	2%
	DOL	30	8%
	Gov	10	15%
	Lt Gov	2	33%
	CCS	4	2%
	OSA	9	6%
	SOS	9	5%
	DST	15	3%
Total		237	

Source: Program Evaluation Division based on BEACON data as of June 2016 and department responses.

The average span of control for executive office members is 1:5.6, which is below the recommended statewide goal of 1:8 and the overall statewide ratio of 1:6.3. The 237 positions designated as members of executive offices range from elected or appointed department heads to administrative assistants.

As discussed earlier, OSBM established a statewide recommended minimum span of control ratio of one supervisor to eight employees in the late 1990s. On average, state department executive office members supervise approximately six positions. Exhibit 13 shows the average spans of control for executive office members by organizational layer. Most large departments have higher average spans of control than medium or smaller-size departments. Executive office members' spans of control range from 0 positions (found in 14 departments) up to 55 positions (found in 1 department, the Department of Public Safety).

The department executive office with the highest average span of control is the Department of Information Technology (1:11), and the department with the lowest is the Office of the Lieutenant Governor (1:2.5).¹² Average spans of control of department heads are generally broader than those of their subordinates. In fact, 12 of the 21 department heads have spans of control exceeding the statewide recommended benchmark of a minimum of eight employees reporting to a supervisor.

Exhibit 13: Department Executive Office Staff Supervise Fewer than Six Positions on Average

Department Size Categorization	Department	Executive Office Member Average Span of Control (1 to)					Department Executive Office Span of Control (1 to)		
		Layer 1	Layer 2	Layer 3	Layer 4	Layer 5	Average	Department Minimum	Department Maximum
Large departments (2,000 or more positions)	DACS	9.0	6.6	1.0			4.6	0.0	10.0
	DNCR	7.0	11.3				10.7	3.0	19.0
	DHHS	20.0	5.6	21.0			7.1	0.0	21.0
	DOC	17.0	4.4				5.3	0.0	17.0
	DOT	11.0	6.0	9.0	10.0		7.9	0.0	21.0
	DPS	11.0	10.5				10.5	1.0	55.0
Medium departments (1,001 to 1,999 positions)	DEQ	8.0	5.8				6.1	1.0	10.0
	DPI	16.0	5.8				6.9	1.0	16.0
	DOR	9.0	3.9	4.2			4.4	0.0	9.0
Small departments (1,000 or fewer positions)	DIT	17.0	10.0				11.0	3.0	26.0
	DMVA	5.0	1.0	14.0			4.4	0.0	14.0
	DOA	11.0	3.3				4.4	0.0	11.0
	DOI	7.0	3.8	6.5			5.2	0.0	9.0
	DOJ	4.0	6.0	2.5	1.3		3.1	0.0	10.0
	DOL	4.0	2.8	2.3	3.3	7.3	3.4	0.0	8.0
	Gov	2.0	5.0	2.8	2.0		3.3	0.0	8.0
	Lt Gov	1.0	4.0				2.5	1.0	4.0
	CCS	10.0	3.0				4.0	0.0	10.0
	OSA	6.0	4.4	5.7			5.0	1.0	9.0
	SOS	5.0	3.7	3.6			3.8	0.0	9.0
	DST	9.0	5.6	3.7			5.1	0.0	13.0
Statewide		5.6							

Notes: The executive office member average span of control is based on the number of executive office members in each layer divided by the number of employees they oversee. The department executive office span of control is the average of all executive office members' spans of control. The statewide span of control is the sum of all executive office supervisors divided by the total number of positions reporting to an executive office member.

Source: Program Evaluation Division based on BEACON data as of June 2016 and department responses.

Ninety-three executive office members have narrow spans of control, supervising three or fewer positions. As Exhibit 14 shows, 39% (n = 93) of executive office members supervise three or fewer positions. Thirty-eight (16%) executive office members do not supervise any positions. Only 67

¹² The Office of the Lieutenant Governor's low department span of control is due to its small size (two supervisory positions and six total positions).

(28%) of the 237 executive office positions supervise the recommended eight or more positions.

Exhibit 14

Only 28% of Executive Office Members Supervise the Recommended Eight or More Positions

Executive Office Members	Span of Control					
	1:0	1:1	1:2	1:3	1:4 to 1:7	1:8 or More
Number of Executive Office Members	38	22	14	19	77	67
Percentage	16%	9%	6%	8%	32%	28%

Source: Program Evaluation Division based on BEACON data as of June 2016 and department responses.

More than one-fourth of executive office members believe they could supervise more employees without their performance being affected.

The Program Evaluation Division surveyed state employees who were identified as members of their departments' executive offices.¹³ The survey found 28% of supervisors (n = 45) believe they could supervise more positions, but a majority (n = 104 or 66%) think they supervise about the right number of positions. On average, supervisors believe they spend nearly a quarter of their time (24%) on supervisory responsibilities.¹⁴ This figure suggests that many supervisors are what OSBM's 1996 report referred to as "working supervisors," employees who have programmatic or technical responsibilities in addition to supervisory responsibilities.

The majority (56%) of executive office members are in the second layer of their organizations. As shown in Exhibit 15, the number of executive office members by layer varies among departments. More than half of all executive office members (n = 133 or 56%) report directly to the department head. Although every department has executive office members in the second organizational layer, nine departments have executive members in their third organizational layer and three departments have executive office members in their fourth layer. Only the Department of Labor, which has the highest number of executive office members (n = 30), of any state department, has executive office members in the fifth organizational layer.

Most executive office members believe their organizations have "about the right number of layers." The Program Evaluation Division's survey of executive office members found 90% (n = 142) of executive office members believe their department has about the right number of layers, 9% (n = 14) believe their department has too many layers, and only 1% (n = 2) believe their department has too few layers to ensure the efficient achievement of the department's goals. In addition, 92% (n = 132) of executive office members believe the organizational layer above them is effective.

¹³ In response to a query from the Program Evaluation Division, department human resources representatives from each of the 21 principal departments identified members of their department's executive office (n = 237). Of the 237 self-identified executive office members, 158 members (67%) responded to the Division's survey and supervised at least one position. See Appendix C for individual response rates by principal departments.

¹⁴ In its 1996 report, OSBM estimated supervisors spent 10% to 25% of their time on supervisory responsibilities.

Exhibit 15**Number of Executive Office Members by Layer Varies Among Departments**

Department Size Categorization	Department	Number of Executive Office Members in Layer					Total
		1	2	3	4	5	
Large departments (2,000 or more positions)	DACS	1	5	4			10
	DNCR	1	6				7
	DHHS	1	18	1			20
	DOC	1	14				15
	DOT	1	8	9	1		19
	DPS	1	10				11
Medium departments (1,001 to 1,999 positions)	DEQ	1	6				7
	DPI	1	8				9
	DOR	1	8	5			14
Small departments (1,000 or fewer positions)	DIT	1	6				7
	DMVA	1	3	1			5
	DOA	1	6				7
	DOI	1	5	4			10
	DOJ	1	4	8	4		17
	DOL	1	4	9	13	3	30
	Gov	1	3	5	1		10
	Lt Gov	1	1				2
	CCS	1	2	1			4
	OSA	1	5	3			9
	SOS	1	3	5			9
	DST	1	8	6			15
Total		21	133	61	19	3	237

Source: Program Evaluation Division based on BEACON data as of June 2016 and department responses.

The average salary for the 237 executive office members is approximately \$111,000, with salaries totaling \$26.3 million annually. Salaries for the 237 self-identified executive office members range from \$33,365 to \$380,375. As shown in Exhibit 16, executive office members in the Department of Information Technology have the highest average salary (\$147,465), and those in the Department of Military and Veterans Affairs have the lowest average salary (\$71,223).¹⁵

OSBM's study in the 1990s of span of control, organizational layers, and employee salaries stated that a primary way for state employees to increase their salaries is to become supervisors. As a result, the Program Evaluation Division explored the salaries of executive office members who are in the highest levels of state departments and who are therefore more likely to supervise other positions.¹⁶

¹⁵ The Department of Labor has the most executive office members (n = 30) and its total salary expenditures for these staff is the second highest (\$2.3 million). The Department of Health and Human Services has the second most executive office members (n = 20), and its total salary expenditures for these staff is highest (\$2.8 million).

¹⁶ Because of data validity concerns, the Program Evaluation Division explored the following concepts using executive office span of control data validated by each of the 21 departments.

Exhibit 16: Annual Salaries of Department Executive Office Members Total \$26.3 Million and Average \$111,000

Size	Department	Number of Positions	Average Salary	Minimum Salary	Maximum Salary	Total Salary Expenditures
Large departments (2,000 or more positions)	DHHS	20	\$140,207	\$47,000	\$211,050	\$2,804,133
	DOT	19	119,587	80,000	162,080	2,272,151
	DPS	11	115,057	97,283	136,000	1,265,622
	DNCR	7	113,733	88,660	136,000	796,133
	DOC	15	106,484	60,000	136,000	1,597,264
	DACS	10	94,707	51,250	125,676	947,072
Medium departments (1,001 to 1,999 positions)	DPI	9	122,374	84,757	154,824	1,101,364
	DEQ	7	116,365	64,263	139,000	814,558
	DOR	14	106,336	51,000	179,000	1,488,704
Small departments (1,000 or fewer positions)	DIT	7	147,465	127,765	170,000	1,032,254
	DST	15	143,897	82,434	380,375	2,158,457
	CCS	4	140,696	45,000	286,954	562,783
	Gov	10	126,077	88,500	152,000	1,260,765
	Lt Gov	2	122,838	120,000	125,676	245,676
	OSA	9	117,322	92,500	131,559	1,055,900
	DOI	10	110,743	50,585	132,134	1,107,428
	DOA	7	105,111	72,600	129,000	735,779
	SOS	9	99,258	65,188	125,676	893,323
	DOJ	17	90,381	33,365	161,914	1,536,483
	DOL	30	76,468	38,052	125,676	2,294,051
	DMVA	5	71,223	46,000	101,000	356,114
State Total		237				\$26,326,014

Notes: Salaries include all sources of funding, not only state appropriations.

Source: Program Evaluation Division based on BEACON data as of June 2016 and department responses.

Analyses of executive office members' spans of control and salaries supports the idea that the primary way for state employees to increase their salaries is to become supervisors. In its 1996 study, OSBM noted that a primary way for state employees to increase their salaries is to become supervisors, and found empirical support for the idea.¹⁷ The Program Evaluation Division sought to test three hypotheses related to the impact of span of control and organizational layers on employee salaries.

- The first hypothesis was that supervisors have higher salaries than non-supervisors. The Program Evaluation Division found support for this hypothesis as supervisors in executive offices on average earn nearly \$45,000 more than non-supervisors in executive offices.¹⁸

¹⁷ OSBM found a supervisor's span of control was one of four significant variables in determining his or her salary; the other significant variables included his or her years of service in state government, education level, and professional classification. Unfortunately, the Program Evaluation Division could not replicate OSBM's analysis because position classification categories are set to change significantly in February 2017. During this evaluation, the Program Evaluation Division confirmed with OSBM and OSHR that they still believe becoming a supervisor is a popular way to increase one's earnings because it is one of a limited number of ways to increase current employees' earnings.

¹⁸ Executive office members identified as supervisors in BEACON on average earn \$118,292, whereas non-supervisors earn \$73,312; this difference is statistically significant ($p < .05$). Excluding administrative and executive assistants, supervisors on average earn \$118,292, whereas non-supervisors earn \$84,226; this difference is also statistically significant ($p < .05$).

- The second hypothesis was that an employee's salary increases as the number of employees he or she supervises increases. The Program Evaluation Division found some support for this hypothesis—as an executive office member's span of control increases by one position, the executive office member's salary increases by \$2,887.¹⁹
- The third hypothesis was that an employee's salary increases as the employee moves to a higher organizational layer. As state employees supervise more staff, they often move up the organization's hierarchy to the next organizational layer. The Program Evaluation Division found some support for this hypothesis—executive office members earn \$18,448 more for each layer they move up in an organization.²⁰

The State's compensation system could be discouraging departments from maximizing spans of control and minimizing organizational layers. The findings above provide support for the idea that employees have a monetary incentive to become supervisors, oversee more employees, and move up organizational layers within their departments. Consequently, departments may be designating more supervisors than necessary in order to monetarily reward their employees, which could introduce lower spans of control and higher numbers of organizational layers than necessary.

Recognizing the monetary incentive for employees to become supervisors, OSBM's 1998 report recommended an alternative method of rewarding employees. The report recommends the State reward employees for developing technical leadership expertise for their particular function or tasks. This alternative would likely address concerns with giving employees supervisory responsibilities primarily to increase their salaries and hopefully retain them.

Finding 4. State departments have broad discretion to determine their organizational structures and receive limited guidance.

Earlier findings in this evaluation show significant variation in the spans of control and number of organizational layers across departments. To summarize the finding below, departments have broad discretion to determine their organizational structures. OSBM and OSHR are the state agencies in the best position to provide guidance to promote greater consistency. Currently, OSBM and OSHR conduct a number of activities related to spans of control and organizational layers but only provide ad hoc guidance or assistance to departments on these topics and have no statutory authority regarding these concepts.

The North Carolina State Constitution and General Statutes provide state departments with broad discretion in structuring their organizations. The guidance that these sources do provide focuses on the efficient administration of state departments with no mention of department spans of control or organizational layers. Because "efficient administration" is not

¹⁹ This finding is statistically significant ($p < .05$).

²⁰ This finding is statistically significant ($p < .05$).

defined in statute, state departments are permitted to structure and manage themselves as they see fit.

- **North Carolina State Constitution.** According to the State Constitution, “The General Assembly shall prescribe the functions, powers, and duties of the administrative departments and departments of the State and may alter them from time to time, but the Governor may make such changes in the allocation of offices and departments and in the allocation of those functions, powers, and duties as he considers necessary for efficient administration.”²¹ Thus, although the General Assembly has the authority to set the direction and duties of state departments, the day-to-day administration and organizational structures within state departments are left to the Governor’s discretion.
- **Executive Organization Act of 1973.** This act grants department heads broad power to achieve efficient functioning of their respective state departments, including the power to
 - establish or abolish any division or unit to achieve economy and efficiency with the approval of the Governor and notification of the General Assembly within 30 days of such action,
 - establish or abolish positions,
 - transfer employees between positions, and
 - change the duties, titles, and pay of existing positions.²²

This act also establishes the nomenclature for department structure but does not go further than five layers of management (see Exhibit 17).²³

Exhibit 17

State Law Only Provides
Nomenclature for Five
Layers of Management

Layer of Management	Statutory Nomenclature
1	<div style="border: 1px solid black; padding: 5px; text-align: center;"> Agency Agency Head </div>
2	<div style="border: 1px solid black; padding: 5px; text-align: center;"> Division Division Director </div>
3	<div style="border: 1px solid black; padding: 5px; text-align: center;"> Division Section Section Chief </div>
4	<div style="border: 1px solid black; padding: 5px; text-align: center;"> Division Section Branch Branch Head </div>
5	<div style="border: 1px solid black; padding: 5px; text-align: center;"> Division Section Branch Unit Unit Supervisor </div>

Source: Program Evaluation Division based on N.C. Gen. Stat. § 143B-11.

²¹ Article III, Section 5.

²² N.C. Gen. Stat. Chp. 143-B.

²³ N.C. Ge. Stat. § 143B-11.

- **Human Resources Act.** This act limits the number of positions within each Cabinet and Council of State department that can be designated as exempt from this act, thereby increasing a department head's flexibility regarding personnel actions.²⁴ In addition to the specific positions that state law designates as exempt, department heads have the following discretion to make additional positions exempt.
 - For Cabinet departments, the Governor may designate a total of 1,500 exempt positions. Within Cabinet departments, 734 positions were exempt positions as of June 2016.
 - For Council of State departments, department heads may designate as exempt the greater of 40 positions or 2% of the department's total full-time positions.²⁵ Within Council of State departments, 321 positions were exempt positions as of June 2016.
- **Various statutes.** Certain statutes require departments to employ specific positions, but this information is not collected systematically. For example, state law requires the Department of Health and Human Services to employ a State Health Director. The Program Evaluation Division attempted to determine whether or not each of the 237 executive office member positions was statutorily required using information provided by departments and BEACON. Unfortunately, even for these select positions, the two sources did not provide an accurate and exhaustive list of statutorily required positions such that the Division could publish the information absent significant department involvement for verification.

Absent statutory direction, state departments have broad discretion to determine their organizational structures. Two state entities—OSBM and OSHR—are in a position to provide departments with standards and perform centralized activities related to span of control and organizational layers. These two entities also could provide periodic reports to the General Assembly and the Governor on these topics, but currently they are not doing so.

Currently, OSBM and OSHR only provide ad hoc guidance on span of control and organizational layers at the request of state departments. As discussed earlier, state law only refers to the efficient management of state departments as being the responsibility of the Governor or respective department heads. Thus, the two entities whose charge it is to coordinate and facilitate budgetary and personnel matters lack specific legal direction and authority to develop standards and require departments to justify any decreases in their spans of control and increases in their organizational layers. Despite having no specific statutory requirement to do so, OSBM and OSHR perform several activities related to these matters. Appendix E shows the various activities each entity performs related to spans of control and organizational layers.

²⁴ N.C. Gen. Stat. Chp. 126.

²⁵ N.C. Gen. Stat. §126-5(D)(2) specifies that Council of State department heads may designate the greater of 20 positions or 1% of the department's total full-time positions as exempt policy-making and the greater of 20 positions or 1% of the department's total full-time positions as exempt managerial.

However, none of these activities considers spans of control or organizational layers within an entire department or compares departments based on these elements. Instead, the various activities and analyses OSBM and OSHR conduct focus on specific positions, classifications of positions, or budgetary matters. These ad hoc efforts, while helpful to specific departments, do not provide systematic guidance to departments on spans of control or organizational layers, which could promote consistent and efficient organizational structures across state government. As Exhibit 18 shows, state departments lack the kinds of guidelines and requirements that would promote accountability and the active management of organizational structures. Such guidelines could enable departments to better understand their organization's spans of control, identify supervisors with excessively low spans, or identify supervisors with the potential to supervise more individuals.

Exhibit 18: Neither OSHR or OSBM Provide Consistent Guidance or Require Department Action on Important Elements of Organizational Structure

Entity	Timely Updating and Public Display of Department Organization Charts by State Departments		Timely Submission of BEACON Supervisory Relationship Changes by State Departments		Monitoring and Reporting of Spans of Control and Organizational Layers in Comparison to Benchmarks by State Departments	
	Statewide Guidance Provided	Statewide Requirements Provided	Statewide Guidance Provided	Statewide Requirements Provided	Statewide Guidance Provided	Statewide Requirements Provided
OSBM	x	x	x	x	x	x
OSHR	✓	x	x	x	x	x

Source: Program Evaluation Division based on information from OSHR and OSBM.

The lack of the following requirements to provide data that informs analysis of spans of control and organizational layers hampers the ability of state central offices to compare the efficiency of departments.

- **No requirement for departments to update and publish organization charts online.** Making organization charts available to both department employees and the public provides a mechanism for determining the activities and accountability structures of a department. However, neither OSBM nor OSHR formally requires departments to update or publicly display their organization charts at a regular interval. OSBM officials state that although there is no formal requirement, department organization charts are requested on an ad hoc basis for specific studies or analyses or for department reorganizations proposed during the budgetary process. OSHR officials state that they ask departments to update their organization charts monthly and ask for copies for certain ad hoc studies they perform, but they do not require departments to update these charts or make them publicly

available online.²⁶ The Program Evaluation Division determined that 8 of the 21 principal departments display high-level organization charts on their websites.²⁷

- **No requirement for departments to submit supervisory relationship changes to BEACON in a timely manner.** The Office of the State Controller (OSC) maintains and processes department-submitted changes affecting state personnel in BEACON, including position reporting relationships. Currently, there is no timeframe requirement from OSBM or OSHR for departmental human resources representatives to submit BEACON change requests relating to structural changes. A requirement for the timely submission of change requests relating to organizational structure would provide up-to-date information on a department's span of control and organizational layers. Up-to-date supervisory relationship data would allow the department itself, OSBM, and OSHR to use this data to perform organizational structure analyses.
- **No requirement for departments to examine spans of control and organizational layers periodically.** Organizations that periodically examine their spans of control and layers gain insight into the efficiency and effectiveness of their organizational structure. No central office within the State has examined these topics across departments since the late 1990s. OSBM's prior reports recommended departments monitor their spans of control and organizational layers. Neither OSBM nor OSHR require departments to conduct these activities at any given time interval. Requiring departments to monitor their spans of control and organizational layers would facilitate department comparisons and could potentially increase the efficiency of departments' structures.

These findings demonstrate that most state departments have not met statewide recommendations regarding minimum spans of control or maximum number of organizational layers and are unlikely to meet these standards in the future unless a review and justification process is developed. As Finding 1 discussed, all but one state department has lower supervisor-to-employee ratios, on average, than the recommended statewide minimum span of control ratio of 1:8. Finding 2 showed that 10 of the 21 departments, on average, exceed the recommended seven organizational layers. As Finding 3 discussed, the executive offices of state departments vary in terms of spans of control, number of layers, and salaries of employees occupying these offices. Finally, Finding 4 showed state agencies have broad discretion in determining their organizational structures and receive limited guidance.

²⁶ OSHR staff state they have developed a policy which would require departments to publish their organization charts, for consideration by the State Human Resources Commission. The Program Evaluation Division reviewed the draft policy and determined it does not require departments to publish organization charts in a uniform format.

²⁷ The Program Evaluation Division conducted an online search for each of the 21 principal departments' executive office organization charts on May 19, 2016. The eight departments displaying organization charts online are the departments of Administration, Agriculture and Consumer Services, Environmental Quality, Information Technology, Public Instruction, Public Safety, Transportation, and the State Treasurer.

Recommendations

Recommendation 1. The General Assembly should direct the Office of State Human Resources to take steps to proactively monitor state department spans of control and organizational layers.

As discussed in Finding 4, state departments have broad discretion in structuring their organizations. In addition, neither the Office of State Budget and Management (OSBM) nor the Office of State Human Resources (OSHR) issues standards or have requirements for departments to monitor and evaluate their spans of control and organizational layers. As Finding 1 and Finding 2 discussed, there are wide variations in the structuring of state departments, both in terms of spans of control and the number of organizational layers. The General Assembly should direct OSHR to take the following actions.

- **Develop standards for departments that promote a consistent nomenclature of positions within executive offices and ensure BEACON data is updated in a timely manner.** Executive office members within departments have a variety of position titles, many of which are not equivalent by organizational layer across departments. For example, a Deputy Secretary may be the equivalent of an Assistant Secretary in another department, and the two positions could be at different layers in the two departments. To address this issue, the General Assembly should direct OSHR to develop a standard organizational layer nomenclature, building on the nomenclature specified in N.C. Gen. Stat. §143B-11, which would promote consistency and clarity of responsibilities across departments.

The State's human resources management system (BEACON) contains the information for each position's supervisor and is the basis for any analyses of organizational structure. The primary incentive for departmental human resources staff to update BEACON is to ensure the correct supervisor approves the timesheets of those employees occupying positions they oversee. This evaluation found the supervisors of several positions were not correctly identified in BEACON. For example, BEACON erroneously listed four staff within the Governor's office reporting to one position when they actually report to another. To address this issue, the General Assembly should direct OSHR to develop a policy requiring department human resources representatives to submit any changes in supervisory reporting structures to the Office of the State Controller within five days of the effective date of the change.

- **Develop a formalized organization chart format across state government departments and require state departments to regularly update and publish their organization charts online.** Some departments use the BEACON-provided organization chart functionality, whereas others simply download the data into another software program to produce organization charts. A consistent approach for producing organization charts at a regular interval would promote comparisons across departments. To address this issue, the General Assembly should direct OSHR to develop a

standard organization chart format for departmental executive offices.

Publicly displaying a department's organization chart would provide citizens, department staff, and staff in other state departments with an overview of how the functions and duties of each department are organized. To address this issue, the General Assembly should direct OSHR to require departments to publish the standardized organization charts of their executive offices on their respective websites and update them quarterly. The General Assembly should also direct OSHR to develop a process for departments to submit their executive office organization charts at least semi-annually to be compiled in a single location on the OSHR website for convenient public inspection.

- **Establish formal policies and procedures for staffing and position analyses to include the components of spans of control and organizational layers.** As discussed in Finding 4, OSHR conducts a variety of analyses related to state government personnel; however, none of these analyses requires consideration of a position's span of control or a department's number of organizational layers. As a result, there may be little consideration of the effect of OSHR actions (approving positions, reclassifying positions, approving job duties, etc.) on a department's overall supervisory relationships, the spans of control for positions within the same job classification across departments, or a department's number of layers. Furthermore, as Finding 3 discussed, nearly a quarter of executive office members believe they could supervise more positions without their job responsibilities being negatively affected.

The General Assembly should require OSHR to incorporate spans of control and organizational layers as a component of analyses, which would inform its determinations of whether supervisory work could be performed by existing staff. OSHR's analyses and activities should document circumstances in which OSHR approves actions that would allow a position to not meet the minimum span of control ratio for the position's job classification (as established by OSBM in Recommendation 2), including a justification for the deviation.

In addition, the General Assembly should require OSHR to develop criteria-based technical leadership tracks as an alternative way to reward and retain valuable employees, instead of making them supervisors. OSHR should provide an implementation plan to the General Assembly, including proposed legislation to implement the plan, by June 30, 2017.

Recommendation 2. The General Assembly should direct OSBM to report every five years on each state department's span of control and organizational layers.

As discussed in the Background and Finding 4, no state entity has reported on the spans of control and organizational layers of all executive branch state departments since the 1990s when OSBM recommended a minimum average span of control of 1:8 across departments and a maximum of seven organizational layers. Finding 1 demonstrated there has been improvement in the statewide average span of control (from 5.4 in 1995 to 6.3 in 2016), but only one state department currently meets the statewide goal. Prior to the current Program Evaluation Division study, the General Assembly has not been provided updated data on these topics. Whereas Recommendation 1 would provide systematic approaches for OSHR in using span of control and organizational layer information to inform studies of department staffing, this recommendation would assign OSBM the task of producing statewide data and reporting it to the General Assembly.

To address this issue, the General Assembly should direct OSBM to report by December 1, 2017 and every five years thereafter to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on principal departments' spans of control and organizational layers. At a minimum, the required report should include the following components:

- each department's span of control and number of organizational layers
- each department's span of control by organizational layer, and
- the number and percentage of each department's supervisors with narrow spans of control (defined as ratios of 1:3 or fewer).

In the course of producing this report every five years, OSBM should conduct historical analyses and revise its statewide span of control ratio as appropriate based on forthcoming changes to the State's position classification categories. Furthermore, the General Assembly should require OSBM to establish span of control benchmarks for each job classification similar to its 1996 report, based on the upcoming reclassification process to be completed by February 2017. This report would provide historical information to the General Assembly on how the number of supervisors, spans of control, and organizational layers across departments have changed because of Recommendation 1's implementation. This report would also provide information on the spans of control of positions within each of the new job classifications and would provide department leaders with information to benchmark their own performance against other departments' performances. For example, the Department of Labor, a small department, has the most executive office members ($n = 30$), and those members occupy the most organizational layers ($n = 5$). In this report, OSBM should note departments whose overall span of control ratio decreases, departments whose overall number of layers increases, and departments with positions that do not meet the minimum span of control ratio for their respective job classifications. Having this information would give the General Assembly the opportunity to request further information justifying deviations from benchmarks for these specific positions and departments.

Appendices

Appendix A: Definitions and Methodologies for Calculating Spans of Control

Appendix B: Span of Control by Organizational Layer in State Departments

Appendix C: Executive Office Member Survey Response Rates

Appendix D: Organization Charts for Department-Identified Executive Office Members (Arranged from Largest to Smallest Department)

Appendix E: OSBM and OSHR Activities Relating to Spans of Control and Organizational Layers

Agency Responses

A draft of this report was submitted to the Office of State Budget and Management and Office of State Human Resources to review. Their joint response is provided following the report.

Program Evaluation Division Contact and Acknowledgments

For more information on this report, please contact the lead evaluator, Brent Lucas, at brent.lucas@ncleg.net.

Staff members who made key contributions to this report include Pat Madej and Kiernan McGorty. John W. Turcotte is the director of the Program Evaluation Division.

Appendix A: Definitions and Methodologies for Calculating Spans of Control

The Program Evaluation Division calculated two primary measures related to span of control—a department-specific total span of control and a statewide total span of control—for comparability with prior studies by the Office of State Budget and Management.

Department-specific total span of control. A department's total span of control is the total number of positions within the organization divided by the total number of supervisors. This organization-wide total span of control measure shows on average how many positions a supervisor supervises.

The table below shows an example of calculations for a department's span of control. Example Department A with 2,000 employees, of which 100 are supervisors, has a department-specific total span of control of 1:20. In comparison, Example Department B with the same number of total employees (2,000), of which 300 are supervisors, has a lower department-specific total span of control (1:6.7).

Type of Span Measure	Entity	Total Number Employees	Total Number of Supervisors	Method to Determine Total Span of Control	Span of Control Ratio
Department-Specific Total Span of Control	Example Department A	2,000	100	$2,000 / 100$	1:20
	Example Department B	2,000	300	$2,000 / 300$	1:6.7
Statewide Total Span of Control	Example Departments A and B	4,000	400	$\frac{2,000 + 2,000}{100 + 300}$	1:10

Notes: The total number of employees includes both supervisors and those they oversee. An alternative approach to calculating span of control uses a numerator that excludes supervisors in the total number of employees. For example, Example Department A would have 1,900 non-supervisory employees and 100 supervisors, and its span of control would be calculated by dividing 1,900 by 100, thereby producing a span of 1:19.

Source: Program Evaluation Division.

Statewide total span of control. The statewide total span of control reflects the total number of employees in departments divided by the total number of supervisors in departments. In the table above, assuming state government consisted of only these two departments, Departments A and B have 4,000 total employees, of which 400 are supervisors, producing a statewide total span of control of 1:10.

Appendix B: Span of Control by Organizational Layer in State Departments

Department Size Categorization	Department	Span of Control 1:													Total Positions	Department Span of Control
		Layer 1	Layer 2	Layer 3	Layer 4	Layer 5	Layer 6	Layer 7	Layer 8	Layer 9	Layer 10	Layer 11	Layer 12	Layer 13		
Large departments (2,000 or more positions)	DPS	2.9	8.1	4.9	4.3	5.0	5.7	5.3	6.0	5.1	5.1	7.6	7.1	3.7	26,042	5.81
	DHHS	20.0	6.3	5.4	6.2	6.0	7.1	8.2	10.4	9.3	7.3				18,055	8.08
	DOT	11.0	7.9	5.9	6.9	5.4	6.0	6.9	5.2	5.6	8.7				13,723	6.07
	DNCR	7.0	9.9	5.0	5.1	5.6	10.4	4.3	5.5						3,221	6.74
	DACS	5.5	4.9	5.9	5.5	5.9	3.7	6.1	4.4						2,656	4.94
	DOC	6.8	4.8	4.9	7.6	5.2	4.0	4.6	12.5	8.3	4.0	2.0			2,583	5.35
Medium departments (1,001 to 1,999 positions)	DOR	9.0	4.9	4.5	5.8	6.7	4.4	7.0	11.9	13.8					1,919	6.11
	DEQ	8.0	5.1	4.5	4.6	5.5	6.5	5.8	3.7	5.3					1,694	5.54
	DPI	16.0	4.6	7.0	7.1	7.0	5.8								1,176	6.88
Small departments (1,000 or fewer positions)	DOJ	4.0	8.0	5.8	8.6	4.4	7.1	5.0							847	6.37
	DOA	11.0	5.0	4.7	9.6	4.1	4.6								651	6.26
	DIT	17.0	7.3	6.4	9.5	8.4	3.3								607	7.68
	DST	9.0	5.1	3.8	3.4	3.7	9.3								442	4.51
	DOI	7.0	4.8	3.7	4.4	4.1	4.3	1.7							430	4.17
	DOL	4.0	3.7	4.0	4.4	5.6	7.7								386	5.85
	CCS	10.0	5.3	3.1	4.2	4.1									197	4.19
	SOS	5.0	3.7	5.3	3.4	7.5									197	4.93
	OSA	6.0	4.4	4.1	3.6										166	3.95
	DMVA	3.0	2.3	6.3	5.8	4.2	2.1								105	4.04
	Gov	2.0	5.0	4.2	4.1										67	4.19
	Lt Gov	1.0	4.0												6	3.00

Notes: Span of Control by Layer is calculated by dividing the total number of supervisors in each layer by the total number of positions in each layer. The order of departments is based on the total number of positions within the department, which may include boards and commissions administratively located within the departments.

Source: Program Evaluation Division based on BEACON data as of June 2016.

Appendix C: Executive Office Member Survey Response Rates

The Program Evaluation Division surveyed department-identified executive office staff in the summer of 2016. Of the 237 department-identified executive office positions, 228 were filled at the time of the survey. The Program Evaluation Division obtained the preferred email addresses of these individuals from BEACON. Of the 228 email addresses, 223 were valid.

The Program Evaluation Division sent an Internet-based survey on spans of control and organizational layers to these 223 email addresses. To ensure adequate representation from various departments, executive office members and human resources staff within the 21 departments were informed that each department's survey response rate would be included in this report.

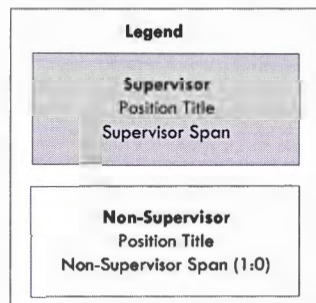
Of the 223 executive office members with valid email addresses, 194 individuals completed the survey in its entirety, producing an overall response rate of 87%. As Finding 3 discusses, 158 of these individuals supervise at least one individual. The table below provides the response rate by department.

Principal Department	Percentage of Executive Office Members Completing Survey
Community College System Office	100%
Department of Information Technology	100%
Department of the Secretary of State	100%
Office of the State Auditor	100%
Department of Insurance	100%
Department of Public Instruction	100%
Department of Administration	100%
Office of the Lieutenant Governor	100%
Department of Commerce	100%
Department of the State Treasurer	100%
Department of Justice	100%
Department of Agriculture and Consumer Services	90%
Department of Health and Human Services	88%
Department of Revenue	86%
Department of Natural and Cultural Resources	86%
Department of Labor	83%
Office of the Governor	80%
Department of Public Safety	73%
Department of Transportation	68%
Department of Environmental Quality	57%
Department of Military and Veterans Affairs	20%
Overall completion rate	87%

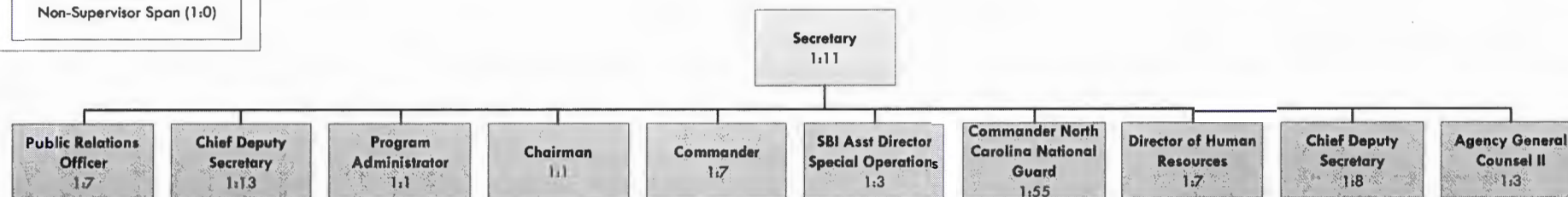
Source: Program Evaluation Division.

Appendix D: Organization Charts for Department-Identified Executive Office Members (Arranged from Largest to Smallest Department)

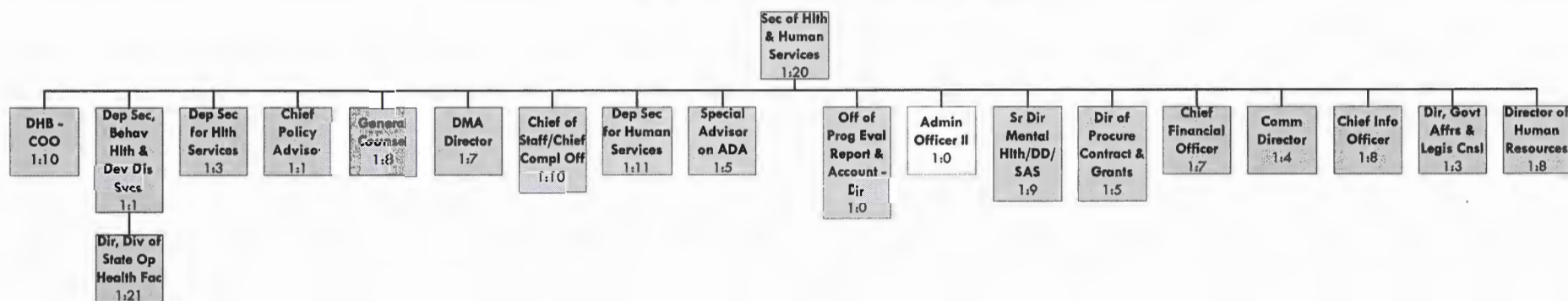
Large Departments (2,000 or More Positions)



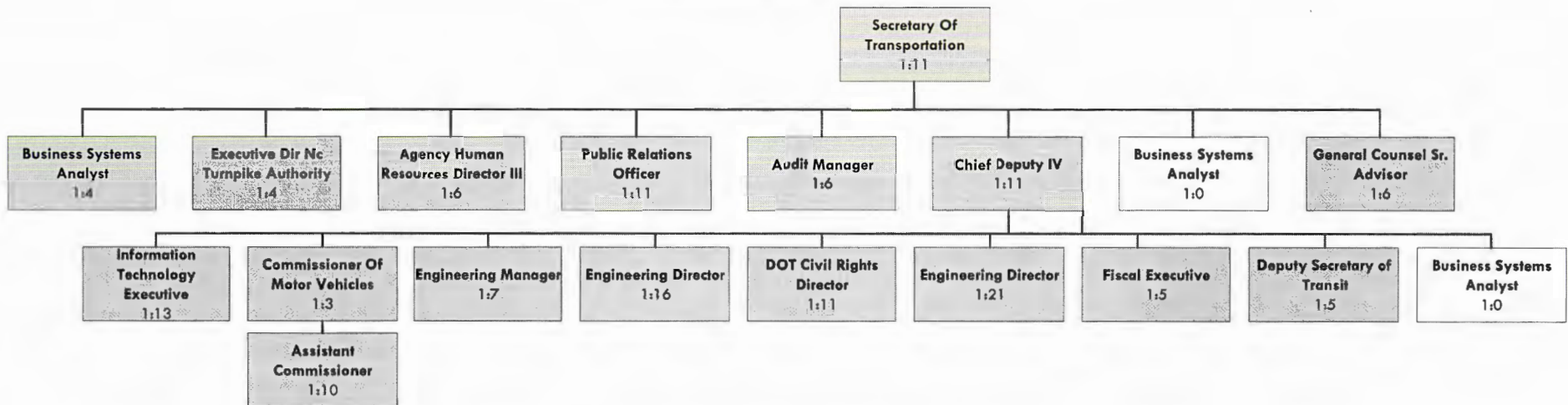
Department of Public Safety



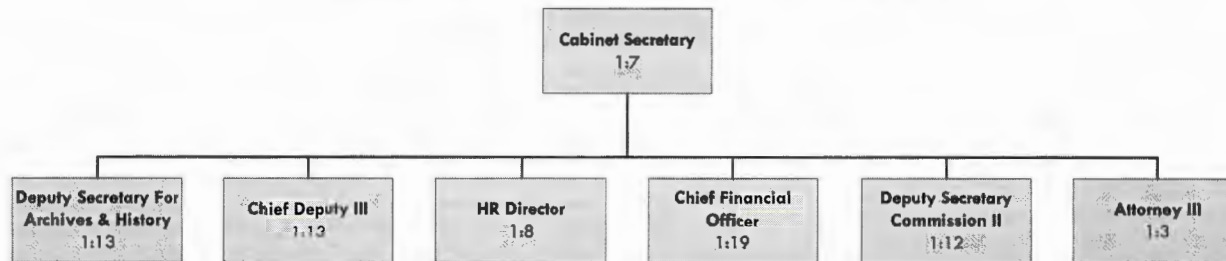
Department of Health and Human Services



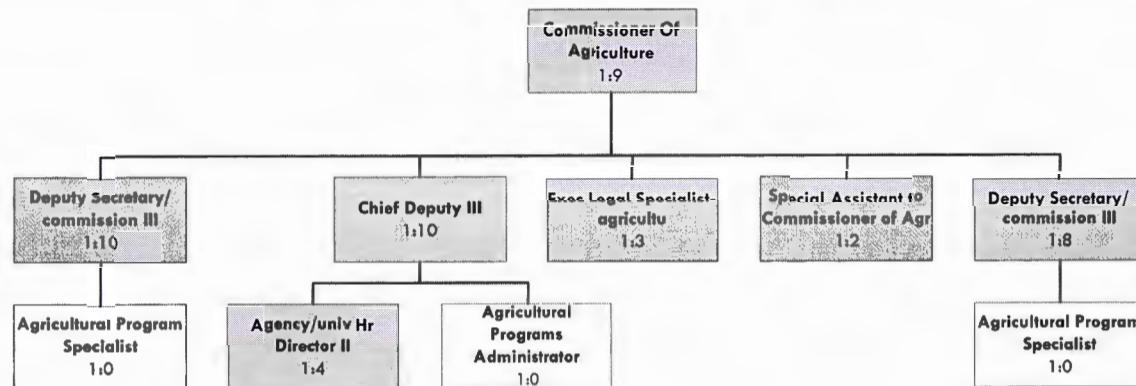
Department of Transportation



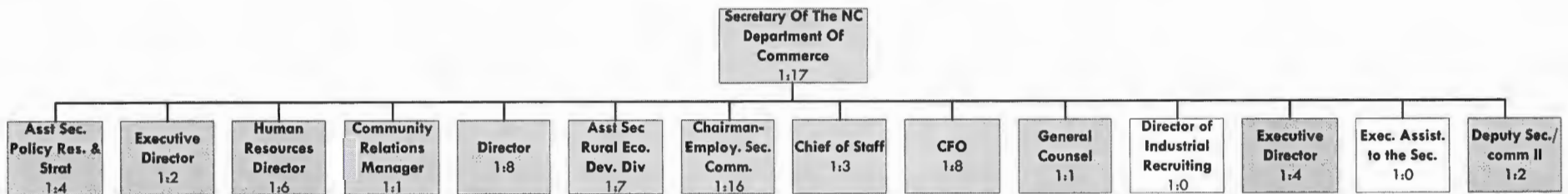
Department of Natural and Cultural Resources



Department of Agriculture and Consumer Services

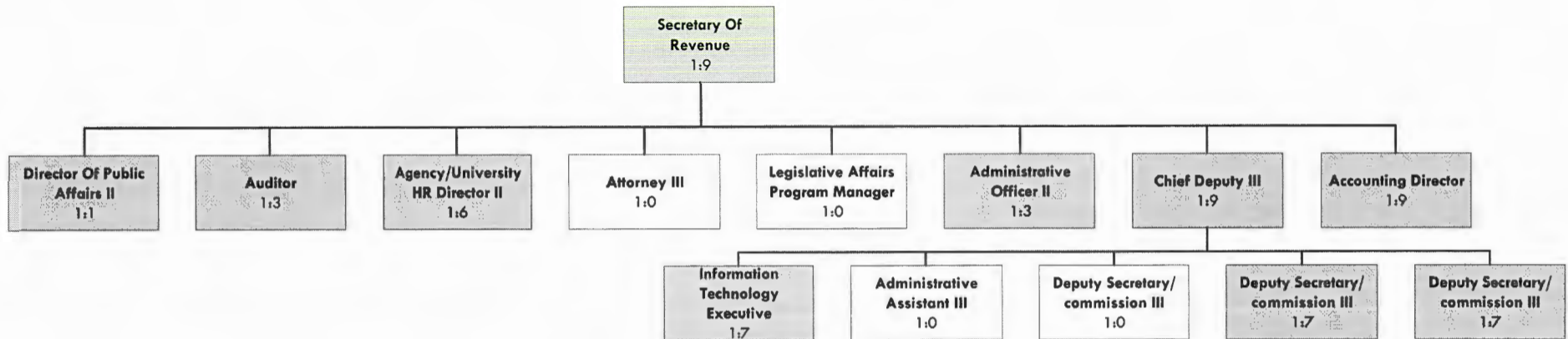


Department of Commerce

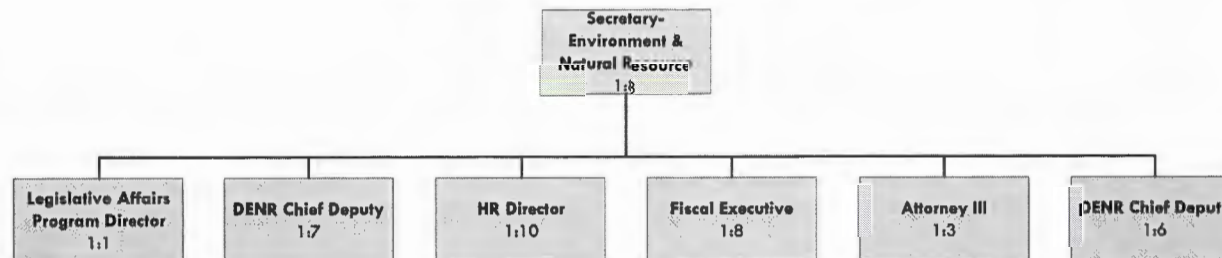


Medium Departments (1,000 – 1,999 Positions)

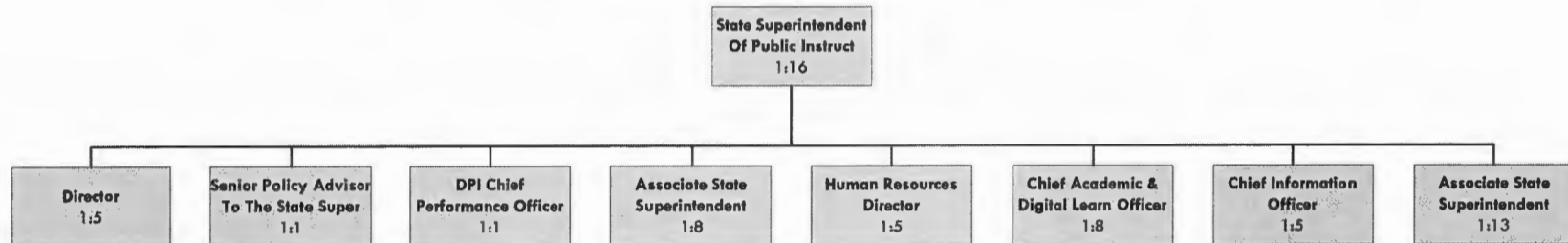
Department of Revenue



Department of Environmental Quality

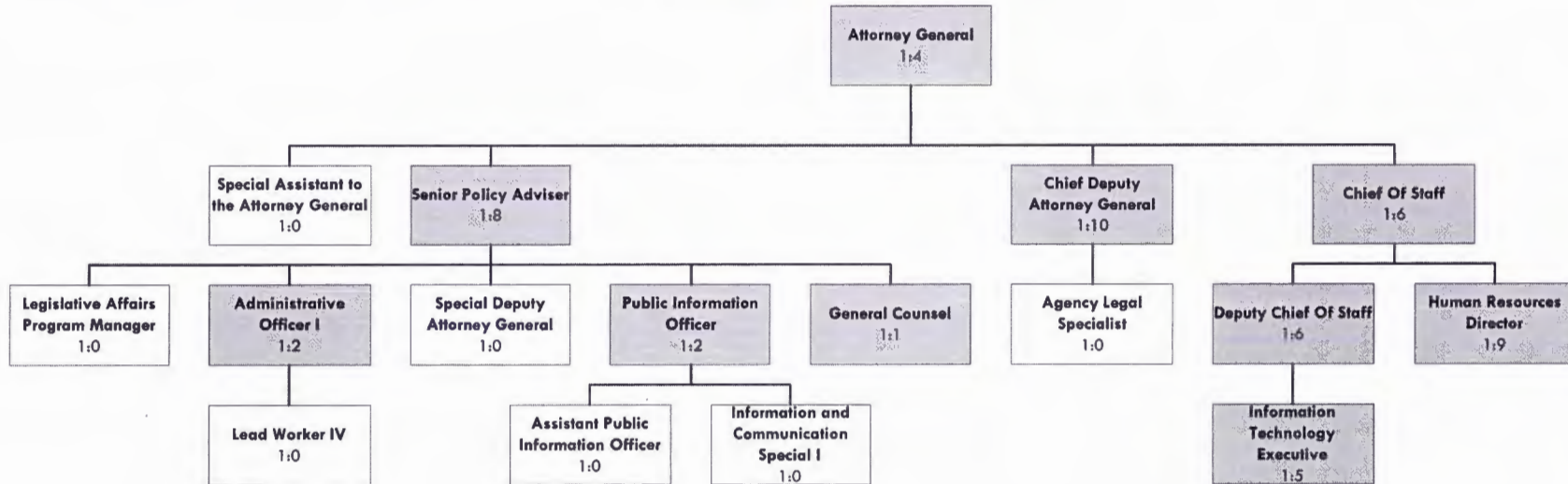


Department of Public Instruction

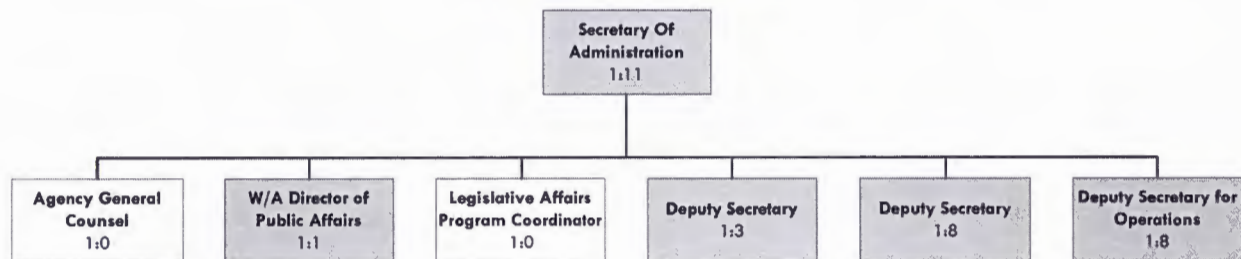


Small Departments (1,000 or Fewer Positions)

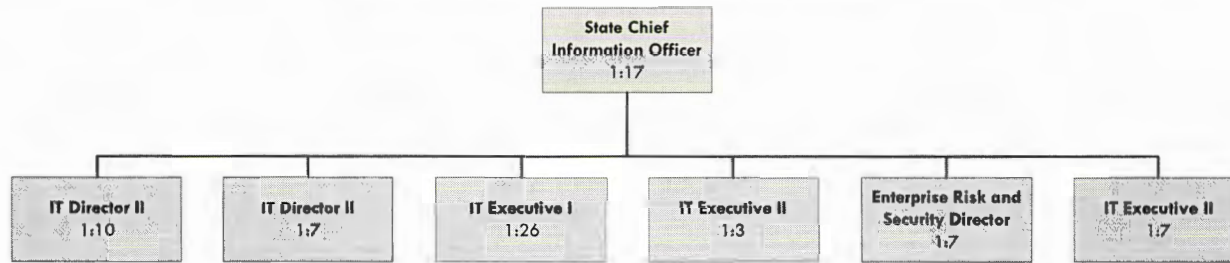
Department of Justice



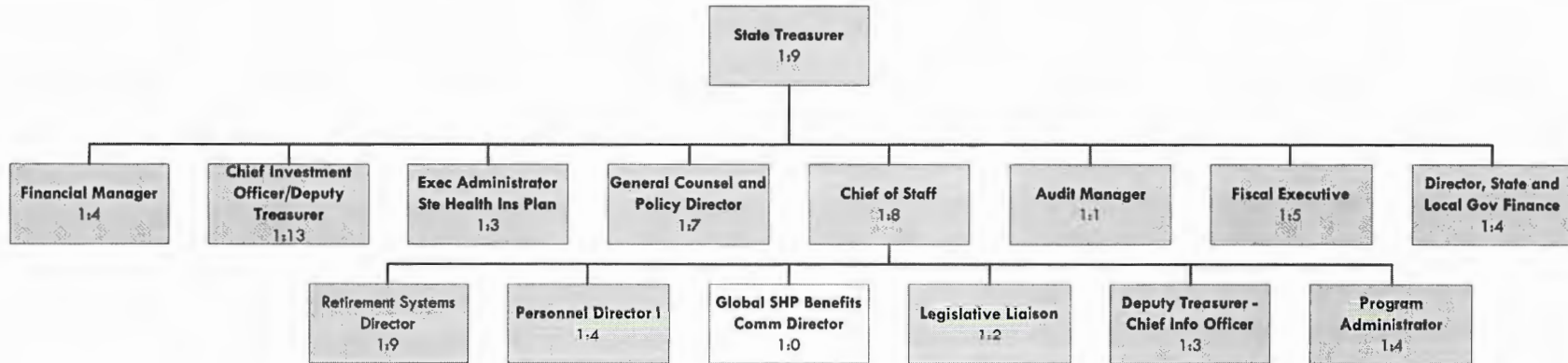
Department of Administration



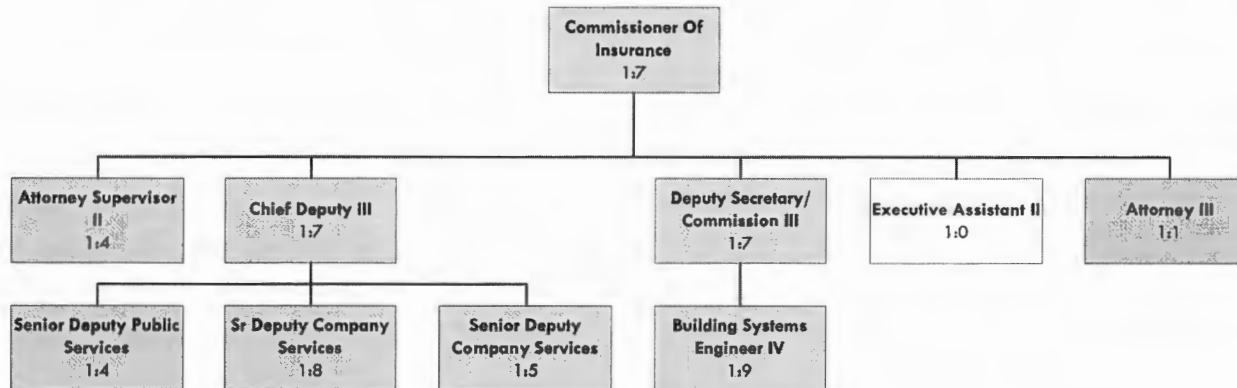
Department of Information Technology



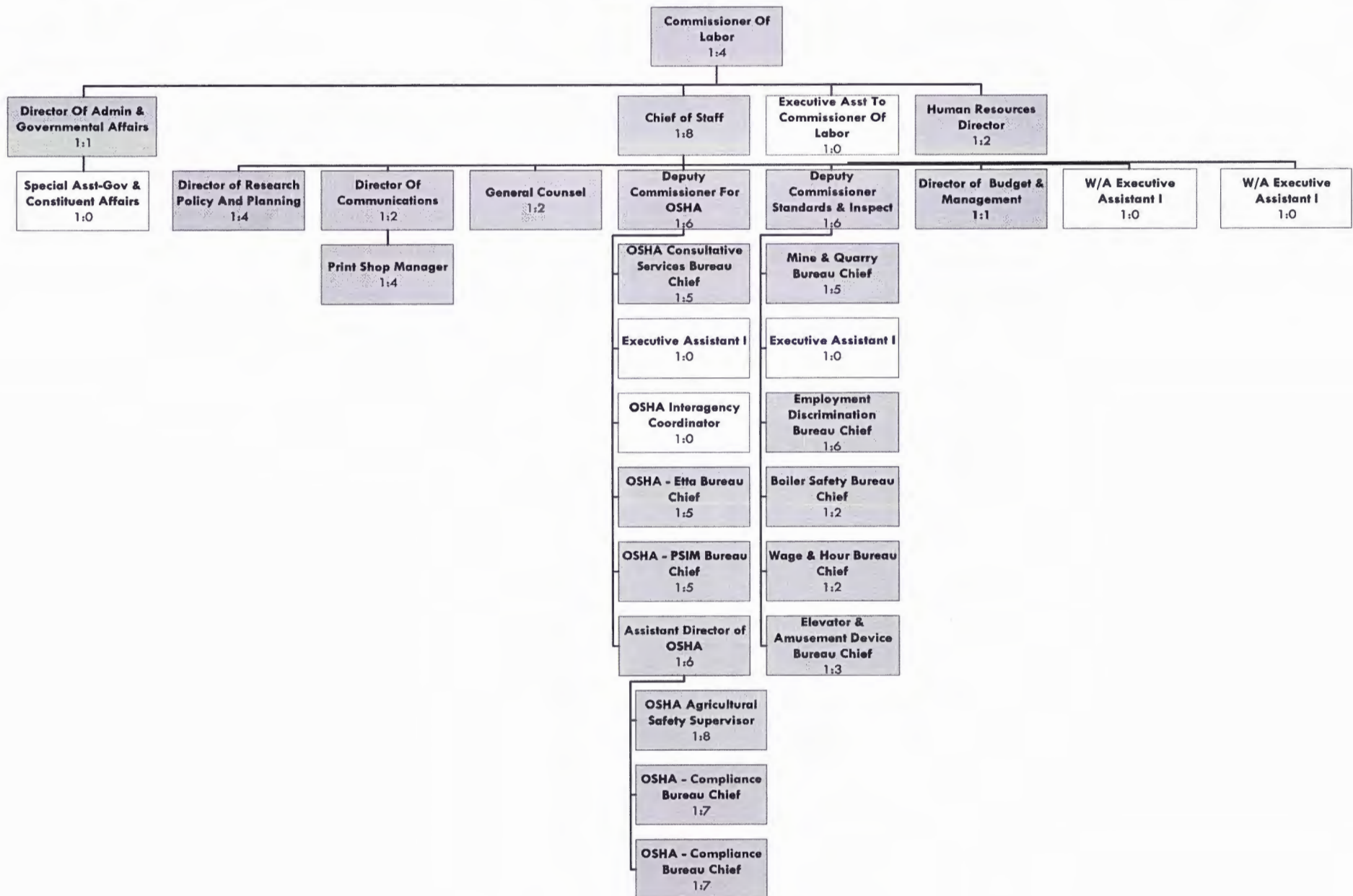
Department of State Treasurer



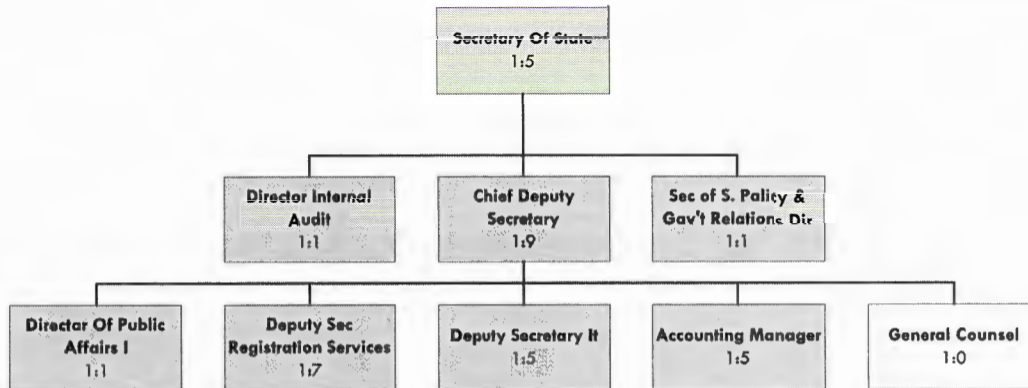
Department of Insurance



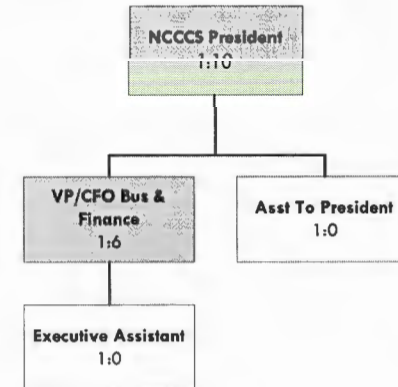
Department of Labor



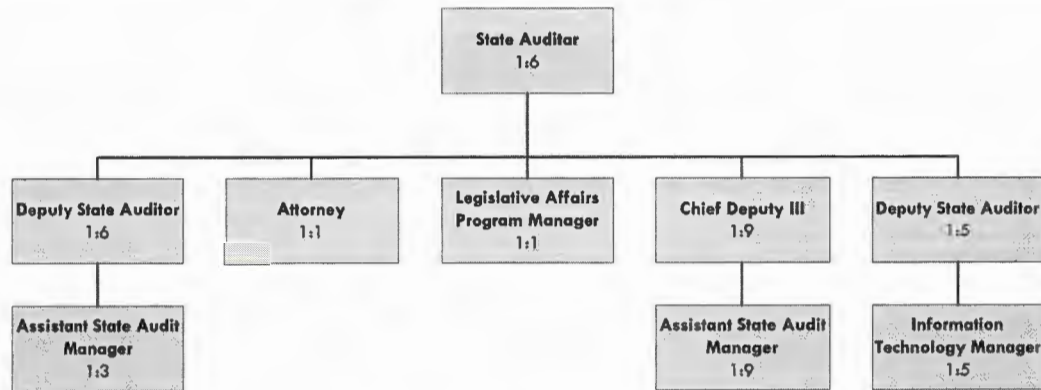
Department of Secretary of State



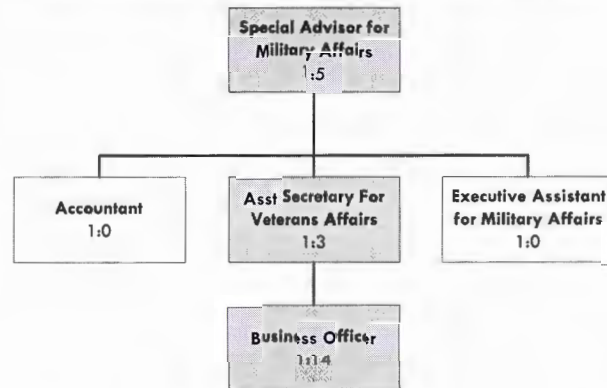
Community College System Office



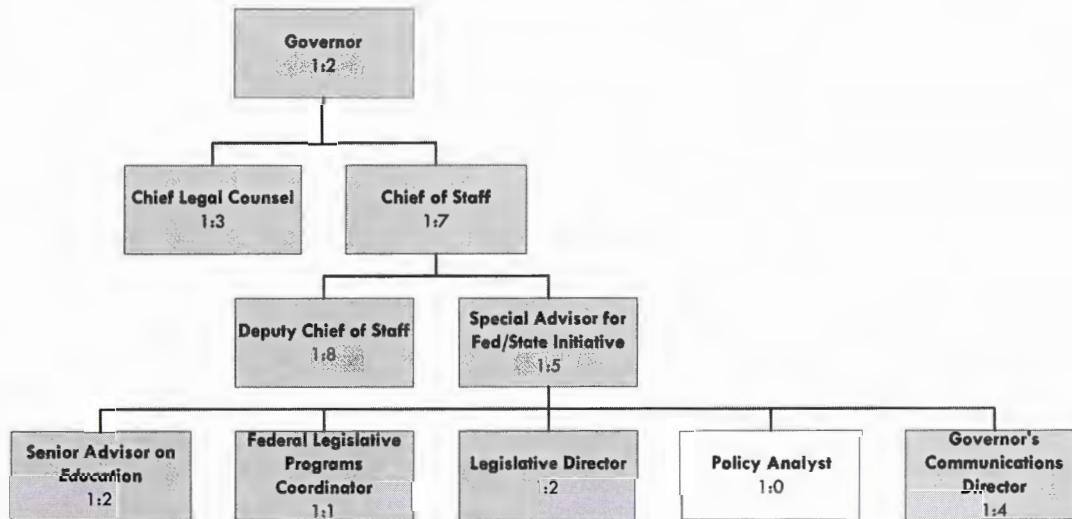
Office of the State Auditor



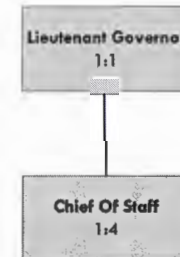
Department of Military and Veterans Affairs



Office of the Governor



Office of the Lieutenant Governor



Appendix E: OSBM and OSHR Activities Relating to Spans of Control and Organizational Layers

Entity	Name of Activity	Summary of Activity
OSHR	Process department requests to create new positions or reclassify positions (referred to as position/job analysis)	OSHR determines if proposed classification recommendations are appropriate and either negotiates or accepts the classification. This is a study of a type of work covering one or more positions, including job duties and responsibilities; scope and complexity of work; required analytical skills, education, and experience requirements; knowledge, skills, and ability requirements; and other considerations affecting the level of work when compared with other jobs. During these studies, the Classification and Compensation unit (C&C) obtains position descriptions, current and proposed organization charts, analyst notes, and other documents. C&C staff reviews documentation for content. OSHR reviews documentation to determine if the department's request meets certain standards and either follows up with departmental human resources analysts to notify them of the request's approval or to further discuss classification of position details to obtain approval. In State Fiscal Year 2015–16, C&C conducted 133 specific job analyses.
	Perform classification studies	As part of the Statewide Classification and Compensation Project study, OSHR has developed guidelines for determining the appropriateness of position descriptions, job families, and classification specifications. During this process, state experts reviewed organization charts if they were available and current. Experts were instructed to avoid reorganizing departments but were asked to note when organizational structures could be improved. During the course of these studies, every vacancy has been reviewed by the Talent Management Section for assurance of appropriate supervisory levels.
	Review vacant positions	OSHR monitors vacant positions at the request of departments to determine the length of time positions have been vacant and if those positions should subsequently revert, be abolished, or reallocated; to see the types of positions vacant that may be difficult to recruit and fill; and to determine if vacancies create an increase in overtime pay.
	Review key measures on organizational structure	OSHR's Classification and Compensation unit (C&C) and Human Resources Planning and Metrics unit meet to review key measures regarding how an organization's structure is working; key measures include vacancy and turnover rates, overtime pay and compensatory time accruals, supervisory relationships, and comparative pay across similar positions within the State or within a specific department. OSHR uses this data to review findings and identify follow-up actions with departments, such as further position analysis, salary adjustments, position reallocations, organizational changes, updating of job descriptions, etc.
OSBM	Process department requests to create new positions, reclassify positions, or move positions across funds	OSBM approves the establishment of all new positions as well as changes to funding for existing positions. New positions or funding changes approved outside the legislative process are requested through budget revisions during the year. OSBM budget sections review requests to ensure sufficient justification of the department's business need for the request and to ensure appropriate funding sources are available to support the annualized cost. OSBM ensures sufficient legal authority exists to establish new positions and either approves or declines the request. OSBM also has responsibility to ensure the total number of permanent positions created does not increase in a fiscal year by a greater percentage rate of change than the State's population.
	Review vacant positions	OSBM routinely reviews vacant positions in the budget development process to identify long-term vacancies and to evaluate them as potential reductions. Per S.L. 2015-241 (and continued with S.L. 2016-94), OSBM conducted a formal review to identify long-term vacant positions, determined appropriate exemptions from abolishment as submitted by agencies, and processed budget revisions to abolish positions and realign funds to critically underfunded operational requirements consistent with legislative direction.
	Process legislative direction to create new position	Positions established through legislation are established either at budget certification or through budget revision by OSBM. Budget sections review requests to ensure consistency with legislative direction and to ensure appropriate funding sources to support the annualized cost of the position.
	Propose department reorganization	Through the budget process, OSBM may propose reorganizations aimed at efficiency and effectiveness. In developing proposals, OSBM works with impacted departments to determine appropriate organizational structures to achieve the goals of the proposed reorganization. Major reorganizations typically require legislative action, and the associated movement of budget and positions would be done either at certification and/or through budget revisions that would require OSBM approval.
	Approve proposed reorganization	OSBM approves all department-proposed reorganizations (authorized by G.S. 143B-10, G.S. 143B-12, or other department-specific authority) requested at certification or through budget revision. OSBM budget sections review requests to move budget and positions across funds and/or create new funds. Depending on the scope of the reorganization, OSBM also reviews the proposed organization chart.

Source: Program Evaluation Division based on information from OSBM and OSHR.



State Human Resources

PAT McCrory

Governor

PAULA WOODHOUSE

Interim Director, State Human Resources

November 30, 2016

Mr. John Turcotte, Director
Program Evaluation Division
300 North Salisbury Street, Suite 100
Raleigh, NC 27603-5925

Dear Mr. Turcotte,

On behalf of the Office of State Human Resources (OSHR) and the Office of State Budget and Management (OSBM), thank you for the opportunity to review the Program Evaluation Division's Report entitled *"Most Departments Span of Control and Number of Organizational Layers Do Not Meet Recommended Levels"*. Please accept this letter as our formal response.

Recommendation 1. The General Assembly should direct the Office of State Human Resources to take steps to proactively monitor state department spans of control and organizational layers.

OSHR recognizes the need for monitoring and oversight over state departments' spans of control and organizational layers. Over the past couple of years, OSHR has focused on these issues and is working to improve organizational efficiency through various statewide initiatives that are already underway. These initiatives outlined below directly deal with each of the specific recommendations in the report. Therefore, additional legislation is not needed to address these recommendations.

1. Implementation of the Statewide Classification and Compensation System

Due to be implemented on February 1, 2017, the new system will greatly reduce the need to make an employee a supervisor in order to increase their pay. The new system will have wider salary ranges, which will allow employees to receive pay increases due to job enrichment and not solely from job enlargement.

Our new compensation policies will allow employees to receive pay increases while gaining technical skills and knowledge, where the previous course of action would have been to promote them to supervisor level. There will be a career path for employees who choose to remain in a technical career path as opposed to a supervisory/management career path. Therefore, rather than developing legislation to implement criteria-based technical leadership tracks as an alternative way to reward and retain valuable employees, the new OSHR compensation policies and the Classification and Compensation system will address this issue.

In addition, the new Statewide Classification and Compensation system will bring standardization and consistency to the classification of executive positions. OSHR has been working with the Office of the

Nothing Compares

An Equal Opportunity Employer
State of North Carolina | State Human Resources
110 West Jones Street | 13th Mail Service Center | Raleigh, NC 27699-1331
919.807.4800 | TDD 919.715.9750 |

State Controller (OSC) to identify position titles that promote consistency. Within the HR system, OSHR and OSC are working together to consistently identify the executive branch positions.

2. Implementation of a New Organization Charting Tool

The current organization charting tool is inadequate to meet state government needs. OSHR and the Department of Information Technology (DIT) have completed an RFP for a new organizational charting tool. OSHR has a goal to implement this new tool in 2017. This new organizational charting tool will have the following benefits:

- Improve Human Resource process performance and standardization
- Lower support and operational costs
- Allow charts to be visible online for public viewing.
- Reduce the need for departments to submit their executive office organizational chart at least semi-annually by compiling this information at a single location on the OSHR website.
- Create standardization of organizational charts throughout state government.
- Allow for standard analytical studies to enable regular monitoring and evaluation of span of control.

3. Implementation of the Organizational Structure Policy

This statewide policy will set standards for departments to monitor and evaluate their spans of control as recommended in this study. The policy will also include a time frame for a department to make organizational changes.

OSHR Action Plan for Addressing Recommendation 1

- Release RFP for new organizational charting tool (late 2016)
- Implement Statewide Classification and Compensation system (February 2017)
- Select vendor for new organizational charting tool (mid 2017)
- Develop new Statewide Organizational Structure Policy (mid-late 2017)

Recommendation 2. The General Assembly should direct OSBM to report every five years on each state department's span of control and organizational layers.

OSHR/OSBM Action Plan for Addressing Recommendation 2

The new organizational charting tool discussed earlier will allow members of the General Assembly and the public to view each department's span of control and number of organizational layers. Allowing organizational charts to be displayed publicly will ensure this information is readily available on a regular basis. Once this functionality is operational, we question the need for OSBM to generate a formal report



State Human Resources

PAT McCrory

Governor

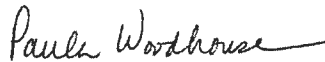
PAULA WOODHOUSE

Interim Director, Office of State Human Resources

on the metrics identified in this recommendation. While there may be value in publishing certain metrics to allow for comparisons across departments, we advise against establishing set benchmarks. As noted in PED's report, there are many factors that need to be considered when determining an appropriate ratio for an organizational unit. For these reasons, when conducting staffing analyses for organizations, OSBM has steered away from identifying and applying a uniform standard and has provided individualized recommendations for improving the efficiency of operations based on specific factors impacting that entity.


We recognize the intent of this recommendation is to enhance accountability for improving efficiency and effectiveness. OSBM proposes the same underlying goals and corrective action can be accomplished by utilizing strategic planning. By requiring departments to develop and maintain a strategic plan with performance measures dedicated to improving efficiency and effectiveness, the natural process to improve performance will drive organizational evolution such as change in span of control and organizational layers. This should all work in conjunction with the new Statewide Classification and Compensation system, a new organization charting tool and the Organizational Structure Policy, all of which will improve OSHR's organizational visibility on spans of control and organizational layers.

Sincerely,



Paula Woodhouse

State Human Resources Interim Director, Office of State Human Resources



Andrew Heath

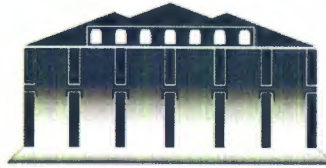
State Budget Director, Office of State Budget and Management

Nothing Compares

An Equal Opportunity Employer
State of North Carolina - State Human Resources
116 West Jones Street | 1331 Mail Service Center | Raleigh, NC 27699-1331
919.807.4800 | 919.715.9750 |







Program Evaluation Division
North Carolina General Assembly
Legislative Office Building, Suite 100
300 North Salisbury Street
Raleigh, NC 27603-5925
919-301-1404
www.ncleg.net/PED

75 copies of this public document were printed at a cost of \$49.65 or \$0.66 per copy.

A limited number of copies are available for distribution through the Legislative Library:

Rooms 2126, 2226
State Legislative Building
Raleigh, NC 27601
919-733-7778

Room 500
Legislative Office Building
Raleigh, NC 27603
919-733-9390

The report is also available online at www.ncleg.net/PED.



Joint Appropriations Committee

On

General Government

Feb.22, 2017

Room 425, LOB

8:30 AM

House Sergeant at Arms:

JOE CROOK

TERRY McCRAW

Senate Sergeant at Arms:

JOHN ENLOE

CHARLES MARSALIS



Principal Clerk _____
Reading Clerk _____

Corrected #1:

SENATE
NOTICE OF JOINT COMMITTEE MEETING
AND
BILL SPONSOR NOTICE

The **Senate Committee on Appropriations on General Government and Information Technology** will meet at the following time:

DAY	DATE	TIME	ROOM
Tuesday	February 28, 2017	8:30 AM	425 LOB

Senator Tamara Barringer will chair

Senator John M. Alexander, Jr., Co-Chair
Senator Tamara Barringer, Co-Chair
Senator Jeff Tarte, Co-Chair



Joint Appropriations Committee on General Government
February 28, 2017; 8:30 AM
LOB 425
Agenda

Chairs:

Sen. Tamara Barringer, presiding
Sen. Jeff Tarte
Sen. John Alexander
Rep. George Cleveland
Rep. Dennis Riddell

Chair's Opening Comments

Housing Finance Agency
Agency Overview

Cara Bridges, FRD

Housing Finance Agency
Agency Presentation

Scott Farmer, Executive Director
Housing Finance Agency

Committee Discussion



**Senate Committee on Appropriations on General Government and Information
Technology**

Tuesday, February 28, 2017 at 8:30 AM

Room 425

MINUTES

The Senate Committee on Appropriations on General Government and Information Technology met at 8:30 on February 28, 2017 in Room 425. 5 Senate members and 10 House members were present.

Senator Tamara Barringer, Chair, presided.

Senator Barringer gavelled the meeting to order at 8:30. Senator Barringer introduced the Sergeant-at-Arms and the Pages and thanked them for their service.

Senator Barringer recognized Bob Kucab, with the Housing Finance Agency, who is retiring, and thanked him for his years of service and stewardship for the state.

Cara Bridges, from the Fiscal Research Division, presented the Housing Finance Agency Overview.

The following questions were asked by members:

- Representative Pittman stated that we received \$20 million this year and asked what will be needed in the upcoming year?
- Chairman Cleveland asked if more funding is expected.
- Senator Van Duyn asked what supportive housing rehabilitation is.
- Rep. Ford questioned the Edgecombe County median income numbers?

Scott Farmer, the new Executive Director of the Housing Finance Agency, then presented his overview of the Housing Finance Agency.

Mr. Farmer addressed the following questions following his presentation:

- Rep. Pierce asked what were the five counties that were first granted the emergency funds.
- Rep Floyd asked about the homeless population, and if services were available to them?
- Senator Alexander asked who qualifies for the foreclosure funds and do they have to pay the money back?
- Rep. Brody asked two questions. Is the money allocated by the Tier system and what was Mr. Farmer referring to when he referenced retiring employees?
- Rep. Brody also asked why they needed two separate Boards.
- Senator Edwards asked about the self- supporting statement and are there liens associated with the loans?



- Senator Edwards requested all members receive information on the default rate on these loans.
- Rep Clampitt asked if there were any proactive services to help with plant/business closings.
- Senator Van Duyn asked what the status is of the community living initiative commitment to DOJ, and if they were on target.
- Chairman Cleveland asked why the foreclosure prevention has not ended.

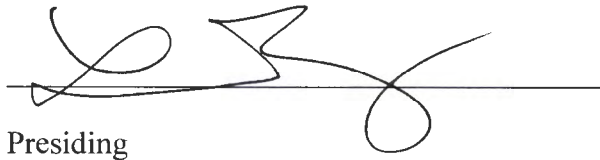
Senator Tarte thanked Mr. Kucab for his service.

Rep Floyd thanks the staff for the information on the Veterans Air Museum.

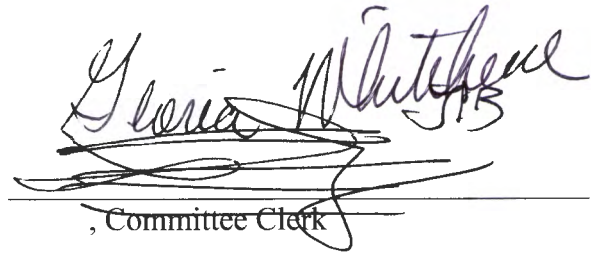
Senator Barringer announced the next meeting will be tomorrow at 8:30

With all business concluded, Senator Barringer adjourned the meeting at 10:19

The meeting adjourned at 10:19.



Presiding



, Committee Clerk



Housing Finance Agency Overview Outline

- Authorizing Laws & Responsibilities
- Mission Statement
- Budget Overview
 - Hurricane Relief Efforts

Housing Finance Agency Authorizing Laws & Responsibilities

- G.S. 122A – NC Housing Finance Agency
- G.S. 122E – Housing Trust Fund, Community Living Housing Fund
- G.S. 157-9.2 & Article 11 of G.S. 45 – Mortgage loans

Housing Finance Agency Mission Statement

- To create affordable housing opportunities for North Carolinians whose needs are not met by the market

Housing Finance Agency Budget Overview

- Actual expenditures are far greater than State appropriations
- General Assembly makes appropriations to fund specific programs; money goes directly into “bricks and mortar”

Housing Finance Agency Budget Overview

The table reflects State General Fund appropriations only

	FY 2014-15 ACTUAL	FY 2015-16 ACTUAL	FY 2016-17 AUTH.	FY 2017-18 BASE	FY 2018-19 BASE
Home Match	\$1.46 M	\$1.46 M	\$3.0 M	\$3.0 M	\$3.0 M
Housing Trust Fund	\$7.0 M	\$7.66 M	\$27.66 M*	\$7.66 M	\$7.66 M
Workforce Housing Loan Program	\$10.0 M NR	\$12.50 M NR	\$20.0 M NR	\$0	\$0

**20 million NR added for Disaster Recovery*

Housing Finance Agency Budget Overview

The table reflects State General Fund appropriations only

	FY 2014-15 ACTUAL	FY 2015-16 ACTUAL	FY 2016-17 AUTH.	FY 2017-18 BASE	FY 2018-19 BASE
Home Match	\$1.46 M	\$1.46 M	\$3.0 M	\$3.0 M	\$3.0 M
Housing Trust Fund	\$7.0 M	\$7.66 M	\$27.66 M*	\$7.66 M	\$7.66 M
Workforce Housing Loan Program	\$10.0 M NR	\$12.50 M NR	\$20.0 M NR	\$0	\$0

Housing Finance Agency Budget Overview - Hurricane Relief

- S.L. 2016-124 Disaster Recovery Act of 2016 provided \$20.0 million NR to the Housing Trust Fund for housing-related hurricane relief
 - \$15 million for Single Family Disaster Rehabilitation
 - \$5 million for Multi-Family and Supportive Housing Rehabilitation.
 - Loosened statutory restrictions on income eligibility limits

Housing Finance Agency Budget Overview – DHHS Partnership

- Community Living Housing Fund is funded by receipts from the Department of Health and Human (DHHS):
 - FY 15-16: \$2.89 million, NR
 - FY 16-17: \$5.52 million, NR
- Targeting Program & Key Rental Assistance

Questions?

Cara Bridges

Fiscal Research Division

919-733-4910

Cara.Bridges@ncleg.net



N.C. Housing Finance Agency

Homes . Jobs . Tax Base



Scott Farmer
Executive Director

Joint Appropriations Subcommittee on General Government
February 28, 2017





Mission

To create affordable housing for those whose needs are not met by the market

Philosophy

To operate efficiently, to leverage private capital,
to emphasize partnerships

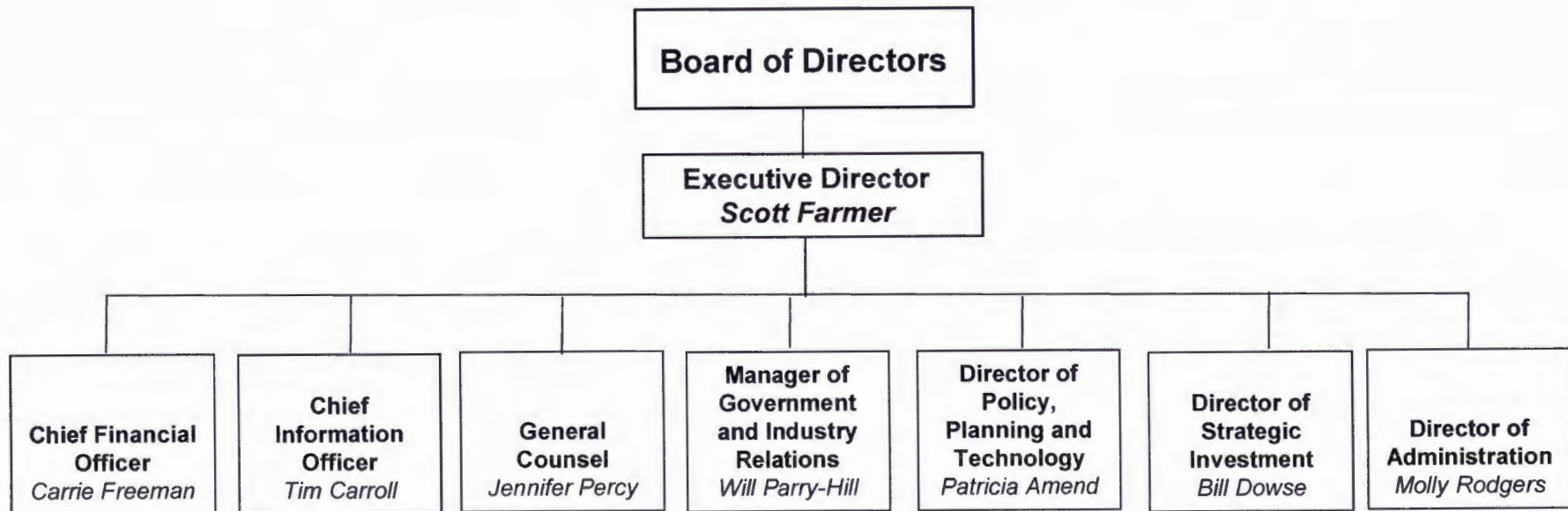


Agency Structure

- Self-supporting
- Flexibly structured to respond to the market
- Governed by a Board of Directors
- Financials audited by an independent auditor
- Bond issues evaluated by rating agencies
- Debts are not debts of the State



Organization Chart



The Agency's approved organization chart includes 140 full-time positions, of which 123 are filled. There are also 41 contract staff working mainly in foreclosure prevention programs. Contract staff are used to manage costs and workload, as foreclosure prevention programs change over time.



Production

Since 1974: 255,000 homes and apartments

2016

13,200 – Homes and Apartments

17,180 – Jobs

\$92 million – Tax Revenue

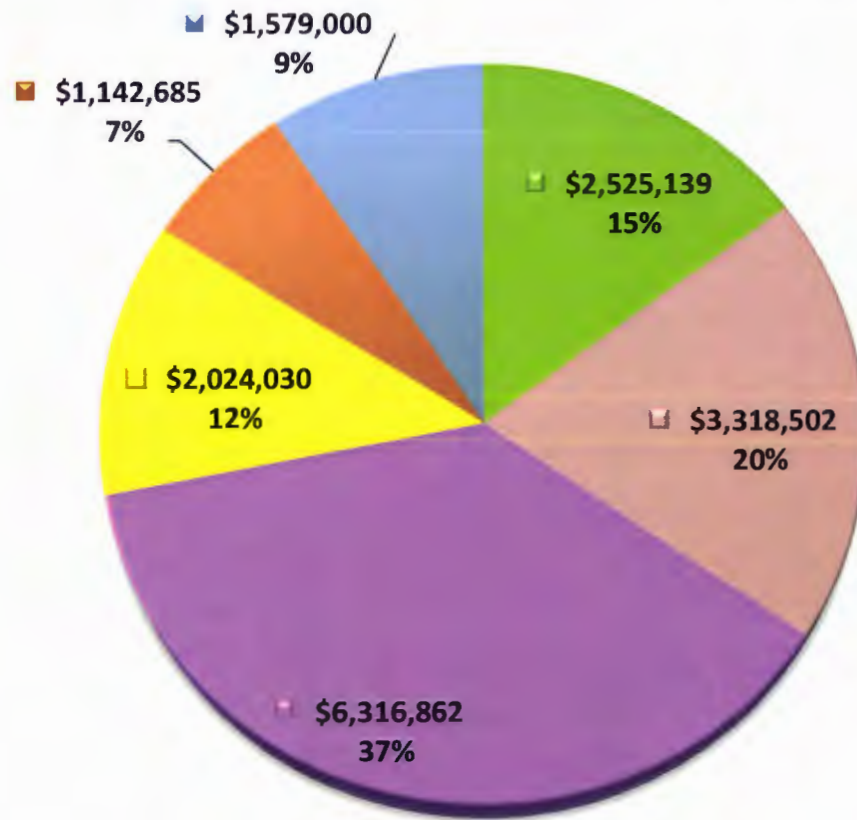
In 2016, we also provided foreclosure prevention loans for 2,520 homeowners and managed rent assistance on 26,590 apartments.

Economic impacts are calculated using the RIMS II model from the U.S. Bureau of Economic Analysis.



Sources of 2016 Operating Budget

\$16,906,218



Home Loan Lending and Servicing Revenue

Housing Credit Earned Revenue

Fees for Program Management

Hardest Hit Fund

HOME Program

HUD Rental Administration Contract

Program Services



Scope of Work

- We operate a range of programs to best serve the State
- Each program is evaluated annually for its cost/benefit
- Funding is not interchangeable. Funding sources have unique rules (e.g., income targeting, rent limits) and uses
- We work with partners in all 100 counties



Funding Awarded—All Programs

Activity	2014	2015	2016
<u>Production & Preservation</u>			
Home Ownership	\$441,581,227	\$692,151,649	\$909,365,764
Rental Housing *	\$302,904,746	\$291,578,836	\$351,829,212
Supportive Housing	\$5,332,248	\$3,203,941	\$3,318,000
Housing Preservation	\$9,913,584	\$10,542,598	\$12,128,221
<u>Rent Assistance</u>			
Rent Assistance	\$152,187,917	\$155,152,884	\$159,548,826
<u>Foreclosure Prevention</u>			
Foreclosure Prevention Loans	\$63,677,183	\$58,999,404	\$59,979,410
Foreclosure Prevention Counseling	\$3,938,275	\$2,325,825	\$2,061,750
TOTAL	\$979,535,180	\$1,152,629,908	\$1,436,190,023

Programs operate on the calendar year.

*Includes equity from the sale of federal tax credits to investors by project developers.



Recent Examples



Compass Pointe, Jacksonville
Apartments for Homeless Veterans



Antiquity Heights, Cornelius
Apartments for Working Families



Auburn Spring, Burlington
Senior Apartments



Single-Family Neighborhood, Apex
Habitat for Humanity



Leveraging

- Every State \$1 leverages \$4 of housing
- Every State \$1 produces bricks/mortar
- Every State \$1 is measured by the number of homes produced
- We pay the costs of administration



Appropriations

	2015	2016	2017
HOME Match Funds	\$1,458,000*	\$1,458,000*	\$3,000,000*
Workforce Housing Loan Program	\$10,000,000	\$12,500,000	\$20,000,000
Housing Trust Fund	\$7,660,000*	\$7,660,000*	\$7,660,000*

*Recurring



State HOME Match

- Appropriation began in 1993
- Ensures NC's share of federal HOME block grant
- Match is 25% of HOME funds, as drawn from Treasury
- Match projects must meet federal HOME rules
- Match repayments must return to the HOME Program



State HOME Match

**Results: 2016 Appropriation
\$3,000,000**

- Match funds will finance
 - 360 home buyers
 - \$13.8 million of real estate value
 - 280 jobs
 - \$1.3 million of tax revenues
- Sponsors create home buyer opportunities through local lenders, Realtors®, and builders



Workforce Housing Loan Program

- Created by the General Assembly in 2014
- Partially replaces the State Housing Credit, which invested an average of \$35 million / year, 2003 – 2014
- Used in combination with federal Housing Credits
- Stimulates rental production in low-wealth counties
- Reduces rents in moderate and higher income markets



Workforce Housing Loan Program

Results: 2016 Appropriation
\$20,000,000

- Benefited 60% of 2016 Housing Credit projects
- \$20 million will support
 - 3,230 apartments
 - \$383.6 million of development
 - 7,750 jobs
 - \$41.5 million in tax revenues



N.C. Housing Trust Fund

- Created by the General Assembly in 1987
- Increases the supply of affordable housing for very low-income persons
- Overseen by the 13-member Housing Partnership, appointed by the Speaker of the House and President Pro Tem of the Senate



Housing Trust Fund Fills Critical Gaps

- Best funding to produce independent apartments for persons with special needs
- Flexible funding for urgent repairs and accessibility items
- Focused on persons with incomes below 30% and 50% of median—veterans, seniors, and disabled persons



Housing Trust Fund

Results: 2016 Appropriation
\$7,660,000

Activity	Funds Awarded	Homes
Rental Housing	\$5.40 million	434
Supportive Housing	\$2.26 million	76
TOTAL	\$7.66 million	510

Economic impact

- \$59.0 million of housing
- 1,050 jobs
- \$5.7 million in tax revenues



Community Living Initiative

- DoJ settlement requires 3,000 disabled persons to be in community living by 2020
- Community Living Housing Funds of \$5.5 million were transferred to Housing Trust Fund in FY2017
- Funds will be used to leverage new housing options for DoJ settlement clients in a funding collaborative
- Our Agency, DHHS, LME/MCOs are working together



Disaster Recovery

- Disaster Recovery Act of 2016 appropriated \$20 million to the Housing Trust Fund to help people directly impacted by natural disasters
- Single Family Rehabilitation-Disaster Recovery
 - Owner-occupied homes in 49 counties
 - Incomes to 100% of area median
 - Up to \$50,000 per unit
 - Non-amortizing, forgivable loan
 - 15 participating partners to date



Housing Works!







HOUSING IMPACTS

North Carolina Housing Finance Agency **2016 Report on Achievements**

IMPACTING NORTH CAROLINA'S ECONOMY

In 2016, the North Carolina Housing Finance Agency financed \$1.8 billion in real estate activity—an all-time high—netting a significant return on investment and infusing an additional \$500,000,000 in wages and spending into the state's economy.

Arbor Glen, Lenoir



2016 was a record year for the state's affordable housing market. Our home loans helped 6,380 home buyers, while a mix of Housing Credits and bonds will produce 5,690 apartments, the highest production numbers ever.



Always an economic driver, our housing investments supported 17,180 jobs— 20% more than 2015—and generated \$92 million in taxes and revenues for state and local governments. Our efforts supported thousands of small businesses, including plumbers, electricians and engineers.*

New Home, Rowan County



Our flexibility with investments led to cost-saving innovations. Wake County Habitat used our funding to pre-build home components for assembly at home sites, increasing production. Our revamped rehab financing now prioritizes home repairs, enabling partners to help twice as many seniors, veterans and persons with disabilities.

2016 PRODUCTION



13,200
homes and
apartments



17,180
jobs



\$92 million
tax revenue

IMPACTING COMMUNITIES

We collaborated with developers, builders, local and state agencies and nonprofit groups to overcome local housing challenges and rejuvenate neighborhoods in more than 570 towns and cities ranging in size from 329 to 800,000 people.

2016 INVESTMENTS WILL HELP





6,380
home buyers



570
communities



5,690
renters



Renaissance Apartments, Charlotte

Our investments brought new opportunities to towns such as Chapel Hill where Phoenix Place restored the struggling Rogers Road community with 50 new homes, repairs on existing properties and infrastructure for future development. In Charlotte, Renaissance Apartments transformed an old public housing site to a thriving mixed-income community for seniors and families, while across town, Elizabeth Heights replaced vacant duplexes with new homes for working families, including teachers and veterans.

The Agency invested \$369.4 million in home ownership in 2015, helping working families in towns such as Goldsboro, Spindale and Winston-Salem, boosting the production of our partners including 160 lenders, nonprofits and local governments statewide.



Cooper Terrace, Elkin

Celebrating 30 years, the Housing Credit had its biggest year yet in North Carolina, combining with bonds to produce 59 developments in 43 communities, with at least 10% of apartments targeted to persons with disabilities. In 2016, the number of targeted units increased by 1,300, allowing 1,800 persons with disabilities to live independently in their communities.

We helped thousands of low-wealth North Carolinians buy homes, protected thousands more from foreclosure and financed affordable options for renters priced out of the skyrocketing rental market.



In 2016, the Agency achieved the milestone of helping 100,000 home buyers since its creation. Our NC Home Advantage Mortgage™ with down payment assistance spurred a 25% growth in the number of home buyers we helped over 2015.



We continued to use the state's Workforce Housing Loan Program to reduce rents in markets like New Bern and Wilmington where rising rents have outpaced wages. The state resource also helped us develop rental housing in counties such as Clay and Macon that have not had affordable rental housing built in several years—or ever!



Our successful NC Foreclosure Prevention Fund attracted an additional \$224 million from the U.S. Department of the Treasury, allowing us to help 2,520 more North Carolinians avoid foreclosure in 2016, including victims of Hurricane Matthew and veterans transitioning to civilian life.



families



property preserved



avoided foreclosure

HOUSING TRUST FUND: LEVERAGING IMPACT

The Agency leveraged private sector and federal investments with the N.C. Housing Trust Fund to build 1,250 affordable homes and apartments for low-income seniors and families in 2016. **Eighty-four percent of those earn less than half of their county's median income.**



The Agency used Trust Fund dollars to finance **supportive housing developments** that included women and family shelters, housing for person with traumatic brain injuries and apartments for persons with disabilities. Ralph Drive Group Home in Cary was rehabilitated for residents with development disabilities. Parish Place II offered new apartments for persons with disabilities in Red Springs and sparked renovation in the surrounding area.

Trust Fund investments made rents **affordable** for 340 families and seniors in towns such as Enfield, Jefferson and Tabor City. Another 860 seniors, veterans and persons with disabilities were able to stay in their homes thanks to urgent repairs and accessibility accommodations paid for by the Trust Fund.



The Housing Trust Fund has helped finance \$1.2 billion in housing since its creation. All appropriations go directly into bricks and mortar, not administrative costs. Over the past five years, every \$1 invested has yielded an average of \$4 in housing.

HOUSING IMPACTS EVERYTHING

HOUSING FINANCED

1974-2016

2016

	Homes	Value	Homes	Value
Home Buyers	101,180	\$9.2 Billion	6,380	\$954.8 Million
Rental Production	90,300	\$7.3 Billion	5,690	\$664.6 Million
Housing Preservation	31,700	\$333.3 Million	1,080	\$13.3 Million
Supportive Housing	4,280	\$267.4 Million	55	\$7.2 Million
Rent Assistance	31,320	\$2.1 Billion	26,590	\$159.5 Million
TOTAL**	255,000	\$19.2 Billion	37,560	\$1.8 Billion

Since 1974, the N.C. Housing Finance Agency has financed 255,000 homes and apartments totaling \$19.2 billion, increasing housing opportunities that generate jobs and dollars for North Carolina. Our self-supporting state agency continues to keep its operating costs to less than 2% of the housing financed, and maintains a AA/Aa2 bond rating.



32,260
homes and
apartments



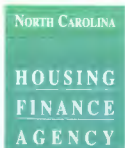
21,040
jobs



\$140.6 million
tax revenues

ALL-TIME RESULTS

**Rental production units that also have rent assistance or preservation loans are counted once in the grand total.



nchfa.com

1-800-393-0988 or 919-877-5700

© North Carolina Housing Finance Agency, 2017. No tax dollars were used for this publication.

A. Stancil Barnes, Chairman
Scott Farmer, Executive Director



Joint Committee on Appropriations Subcommittee on General Government
Wednesday, March 1, 2017 at 8:30 AM
Room 425LOB

MINUTES

The **Joint Committee on Appropriations Subcommittee on General Government** met at 8:30AM on March 1, 2017 in Room 425 LOB. Representatives Adcock, Brody, Clampitt, Cleveland, Floyd, Ford, Pierce, Pittman, and Riddell attended. Senators Alexander, Barringer, Tart, Edwards, and Van Duyn also attended. Fiscal staff members were Cara Bridges, Lisa Hollowell, and Chris Hearley.

Representative Dennis Riddell, Chair, presided. Polly Riddell was the Committee Clerk.

Attached to the minutes are the Staff for the Sergeant at Arms (Attachment #1), the Pages for the meeting (Attachment #2), and the attendance sheets for agency representatives and public visitors (Attachment #3).

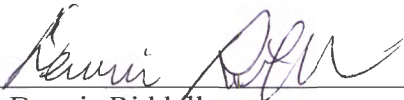
Chris Hearley from the Fiscal Research Division presented an Agency Overview for the Office of Administrative Hearings. His handout is labelled Attachment #4.

There was a short discussion which followed concerning the number of judges and the availability because of distance.

Julian Mann, III, Director and chief Administrative Law Judge, presented a Legislative Overview of the Office of Administrative Hearings. He discussed the success of the agency in handling cases quickly and also requested 2 new positions. His handout is labelled Attachment #5.

There was a short discussion before adjourning.

The meeting adjourned at 9:46 AM.



Rep. Dennis Riddell
Presiding



Polly Riddell, Committee Clerk



**NORTH CAROLINA HOUSE OF REPRESENTATIVES
JOINT COMMITTEE MEETING NOTICE
AND
BILL SPONSOR NOTIFICATION
2017-2018 SESSION**

You are hereby notified that the **House Committee on Appropriations, General Government** will meet **JOINTLY** as follows:

DAY & DATE: Wednesday, March 1, 2017
TIME: 8:30 AM
LOCATION: 425 LOB
COMMENTS: Rep. Riddell will chair this joint meeting.

Respectfully,

Representative George G. Cleveland, Co-Chair
Representative Dennis Riddell, Co-Chair

I hereby certify this notice was filed by the committee assistant at the following offices at 10:37 AM on Friday, February 24, 2017.

____ Principal Clerk
____ Reading Clerk – House Chamber

Polly Riddell (Committee Assistant)



Joint Appropriations Committee on General Government
March 1, 2017; 8:30 AM
LOB 425
Agenda

Chairs:

Rep. Dennis Riddell, Presiding
Rep. George Cleveland
Sen. Jeff Tarte
Sen. Tamara Barringer
Sen. John Alexander

Chair's Opening Comments

Office of Administrative Hearings
Agency Overview

Chris Hearley, FRD

Office of Administrative Hearings
Agency Presentation

Julian Mann, III
Director and Chief
Administrative Law Judge

Committee Discussion



Committee Sergeants at Arms

NAME OF COMMITTEE Joint Committee on Appropriations, General Gov't

DATE: 3/1/2017

Room: 425

House Sgt-At Arms:

1. Name: Warren Hawkins

2. Name: Doug Harris

3. Name: Malachi McCullough, Jr.

4. Name: _____

5. Name: _____

Senate Sgt-At Arms:

1. Name: John Enloe

2. Name: Jim Hamilton

3. Name: _____

4. Name: _____

5. Name: _____



**House Pages
Assignments
Tuesday, March 1, 2017
Session: 10:00 AM**

Committee	Room	Time	Staff	Comments	Member
Agriculture / Environment / Natural Resources	421	8:30 AM	Kelsey Peterson		Rep. John Ager
Appropriations on Department of Transportation	1027/1128	8:30 AM	Elizabeth Sebestyen		Rep. Phillip Shepard
Appropriations on General Government and Information Technology	425	8:30 AM	Mariah-Sydney Steele		Rep. Speaker Tim Moore
Appropriations on Health and Human Services	643	8:30 AM	Melvin McLawhorn		Rep. Speaker Tim Moore
			James Williams		Rep. Speaker Tim Moore
Appropriations on Justice and Public Safety	415	8:30 AM	Sheridan Charles		Rep. Speaker Tim Moore
			Brion Rogers		Rep. Speaker Tim Moore
Appropriations, Education	Other	8:30 AM	Michaela-Sivan Steele		Rep. Speaker Tim Moore



VISITOR REGISTRATION SHEET

Jt. Comm. on Appropriations, General Gov't

3/1/2017

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Julian Mann	OAH
Molly Masich	OAH
Gayle Lemons	OAH
Lambert Goins	OAH
Arthur Harrell	OAH
Robin Anderson	OAH
caroline muller	AMGA
CHRIS KAPLAN	ORIN
SUSANNA DAVIS	OSHR
Joe Byall	NCFPL
Michael Cook	DOI



VISITOR REGISTRATION SHEET

Jt. Comm. on Appropriations, General Gov't

3/1/2017

Name of Committee

Date _____

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME _____

FIRM OR AGENCY AND ADDRESS

Henry Adams

DOI

Suzanne Baskin

62100

Dahl Villa - Gloria

NC REACTORS

Sam WATKINS

057

Ken W. Nilt

1202



Office of Administrative Hearings

Overview

Joint Appropriations Committee on General Government

March 1, 2017



Outline

- Authorizing laws and agency mission
- Organizational Chart
- Budget History and Composition
- Division Responsibilities
- Recent Legislative Actions
- Base Budget

Office of Administrative Hearings

Statutory Authorization:

- Article 60 of G.S. 7A-750

Administers:

- G.S. 150B (Administrative Procedure Act)

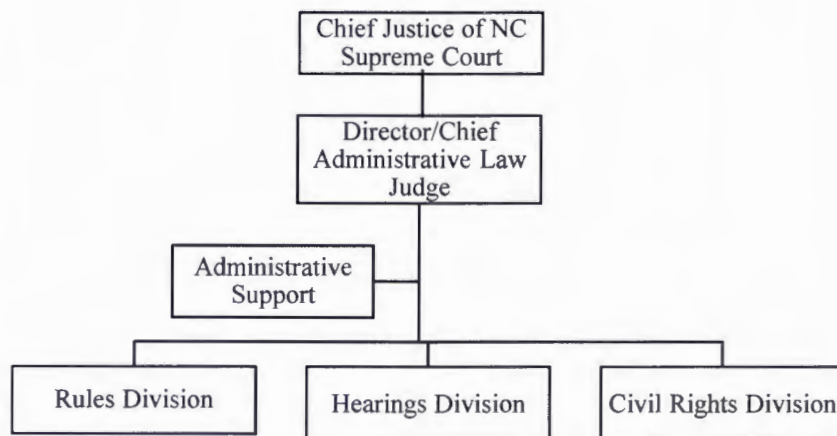
Designated Deferral Agency For:

- Civil Rights Act of 1964, Age Discrimination in Employment Act, and Americans with Disability Act for State and Local Government Employees covered under G.S. 126

Mission Statement

“To serve the citizens of North Carolina, with quality and efficiency, by providing an independent forum for prompt and impartial resolution of administrative law contested cases involving citizens and state agencies; investigating alleged acts of unlawful employment practices in state government; functioning as the State’s codifier and publisher of all administrative rules; and reviewing rules before the Rules Review Commission”.

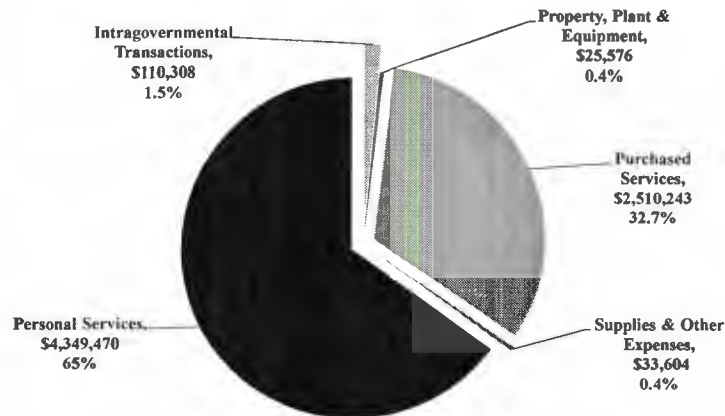
Office of Administrative Hearings Organization Chart



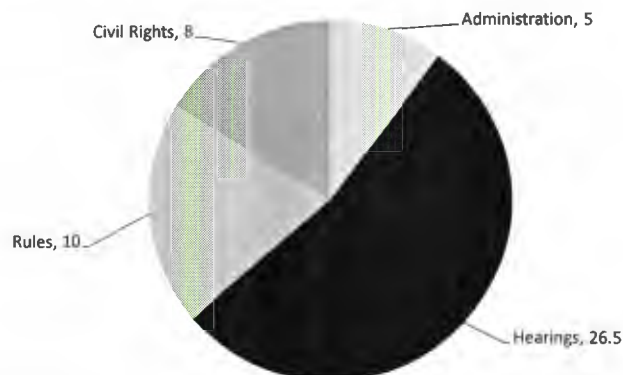
Office of Administrative Hearings Five-Year Budget History

Budget	Actual FY 2013-14	Actual FY 2014-15	Actual FY 2015-16	Authorized FY 2016-17	Total Base FY 2017-18
Requirements	\$6,474,345	\$6,089,142	\$6,697,779	\$7,124,771	\$7,150,460
Receipts	\$2,312,502	\$1,726,780	\$1,937,775	\$1,796,203	\$1,796,203
Appropriation	\$4,161,843	\$4,362,362	\$4,760,004	\$5,328,568	\$5,354,257
Certified FTEs	45	46	46	49.5	49.5

Office of Administrative Hearings Base Budget, FY 2017-18



Office of Administrative Hearings Base Budget FTEs, FY 2017-18



Rules Division

- Administers Rule Making Process Throughout State Government
- Staffs Rules Review Commission
- Publishes the North Carolina Register and the North Carolina Administrative Code

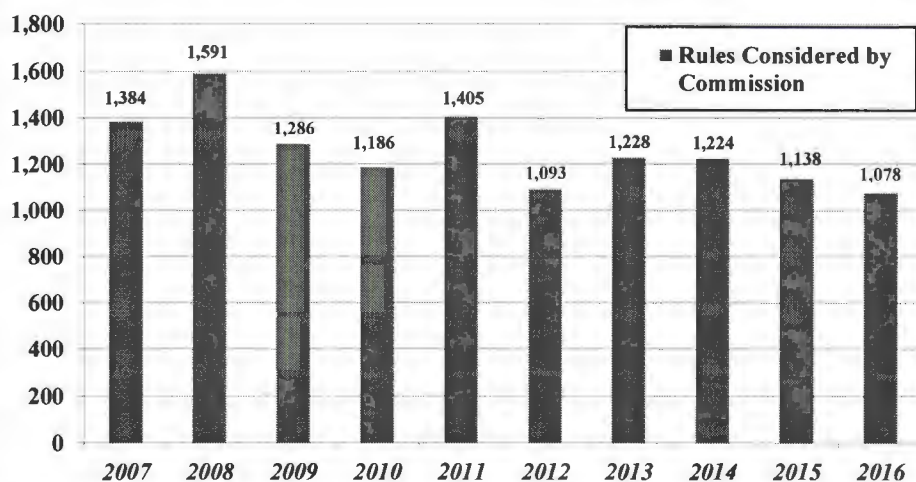
What is a Rule?

- Any agency regulation, standard or statement of general applicability that implements or interprets an enactment of the General Assembly or Congress or a regulation adopted by a federal agency or that describes the procedure or practice requirements of an agency. The term includes the establishment of a fee and the amendment or repeal of a prior rule.

Rules Review Commission

- The General Assembly appoints a 10 person Commission established under G.S. 143B-30.1
- The Commission reviews and approves rules that meet all of the following:
 - Proposed rule is within the Agency's authority
 - Proposed rule is clear and unambiguous
 - Proposed rule is reasonably necessary to implement or interpret an enactment of the General Assembly, Congress, or a regulation of a federal agency

Rules Division Rules Considered by Commission



Hearings Division

Responsible for hearing
Contested Cases under G.S.
150B:

- 11 Administrative Law Judges
- Offices in Raleigh, High Point, Charlotte and Waynesville



What is a Contested Case?

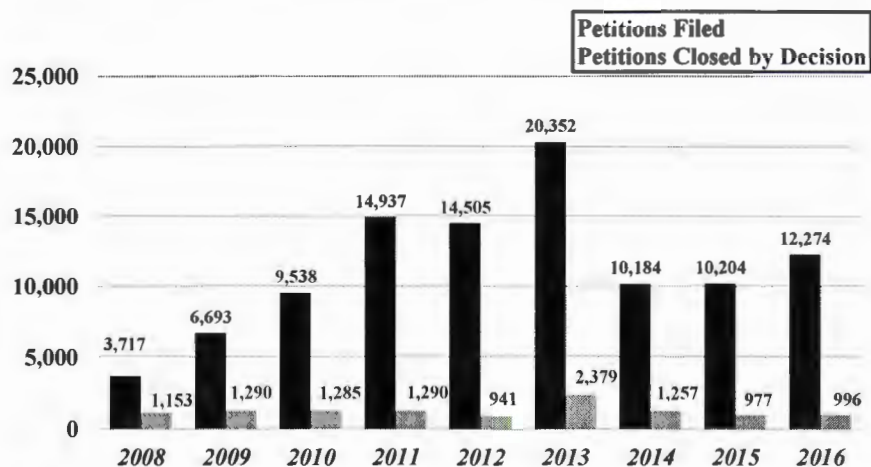
A Petitioner may file a contested case if they feel an Agency has:

- Deprived them of property
- Ordered them to pay a fine or civil penalty unjustly
- Substantially prejudiced their rights

What is a Contested Case?

- The Petitioner must prove that the Agency:
 - Exceeded its authority or jurisdiction
 - Acted erroneously
 - Failed to use proper procedure
 - Acted arbitrarily or capriciously
 - Failed to act as required by law or rule

Hearings Division Contested Case Petitions



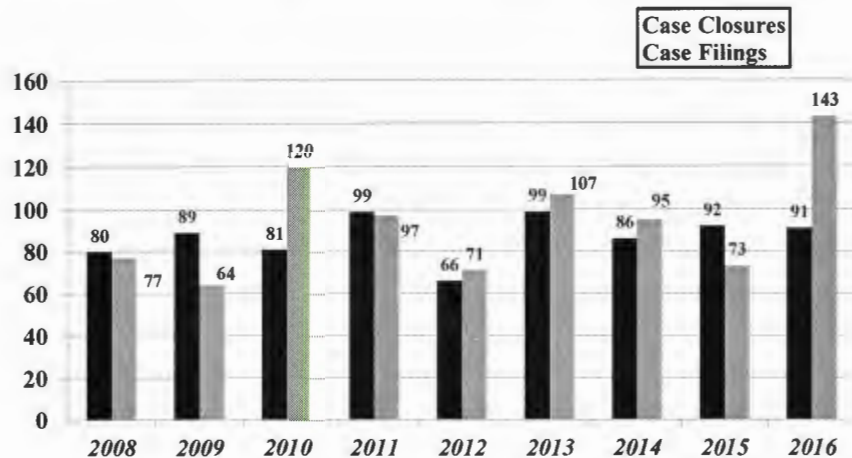
Civil Rights Division

- The Civil Rights Division investigates claims of employment discrimination by state or county employees against agencies.
- Performs comprehensive investigation of charges
 - Title VII
 - the Americans with Disabilities Act (ADA)
 - the Age Discrimination Employment Act (ADEA)

Civil Rights Division

- Investigative Findings Report
- Determination of Probable Cause
- Options for charging party
 - Finding With Probable Cause
 - Finding With No Probable Cause

Civil Rights Division Case Filing Statistics



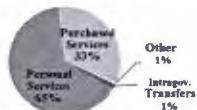
Recent Legislative Actions

SL 2015-241 established the following items:

- An additional Administrative Law Judge in Waynesville, NC
- Provided for the appointment of the Codifier of Rules

OFFICE OF ADMINISTRATIVE HEARINGS Base Budget Review

FY 2017-19 Base - Expenditures



FY 2017-19 Base - Source of Funds



Requirements	Actual FY 2015-16	Certified FY 2016-17	Authorized FY 2016-17	Increase/ (Decrease) FY 2017-18	Total Base FY 2017-18	Increase/ (Decrease) FY 2018-19	Total Base FY 2018-19
Personal Services	\$3,985,363	\$4,400,397	\$4,634,431	\$15,348	\$4,649,779	\$15,348	\$4,649,779
Purchased Services	\$2,457,556	\$2,510,243	\$2,289,990	\$45,175	\$2,335,165	\$45,175	\$2,335,165
Supplies	\$14,338	\$26,698	\$22,726	\$0	\$22,726	\$0	\$22,726
Property, Plant, Equipment	\$72,733	\$25,576	\$25,576	\$0	\$25,576	\$0	\$25,576
Other Expenses/Adjustments	\$57,481	\$6,906	\$6,906	\$0	\$6,906	\$0	\$6,906
Reserves	\$0	\$34,834	\$34,834	(\$34,834)	\$0	(\$34,834)	\$0
Intragovernmental Transfers	\$110,308	\$110	\$110,308	\$0	\$110,308	\$0	\$110,308
TOTAL REQUIREMENTS	\$6,697,779	\$7,004,764	\$7,124,771	\$25,689	\$7,150,460	\$25,689	\$7,150,460
Receipts	Actual FY 2015-16	Certified FY 2016-17	Authorized FY 2016-17	Increase/ (Decrease) FY 2017-18	Total Base FY 2017-18	Increase/ (Decrease) FY 2018-19	Total Base FY 2018-19
Sales, Services, Rental	\$67,304	\$54,859	\$50,866	\$0	\$50,866	\$0	\$50,866
Fees, Licenses, Fines	\$24,475	\$0	\$1,100	\$0	\$1,100	\$0	\$1,100
Intragovernmental Transfers	\$1,845,996	\$1,731,535	\$1,744,237	\$0	\$1,744,237	\$0	\$1,744,237
TOTAL RECEIPTS	\$1,937,775	\$1,786,394	\$1,796,203	\$0	\$1,796,203	\$0	\$1,796,203
NET APPROPRIATION	\$4,760,004	\$5,218,368	\$5,328,568	\$25,689	\$5,354,257	\$25,689	\$5,354,257
FTE	46	46	49.5	0	49.5	0	49.5

Office of Administrative Hearings



Chris Hearley

Fiscal Research

919-733-4910 or chris.hearley@ncleg.net



Office of Administrative Hearings

Julian Mann, III

Director and Chief Administrative Law Judge

Legislative Overview

For

JOINT APPROPRIATIONS COMMITTEE ON GENERAL GOVERNMENT

March 1, 2017

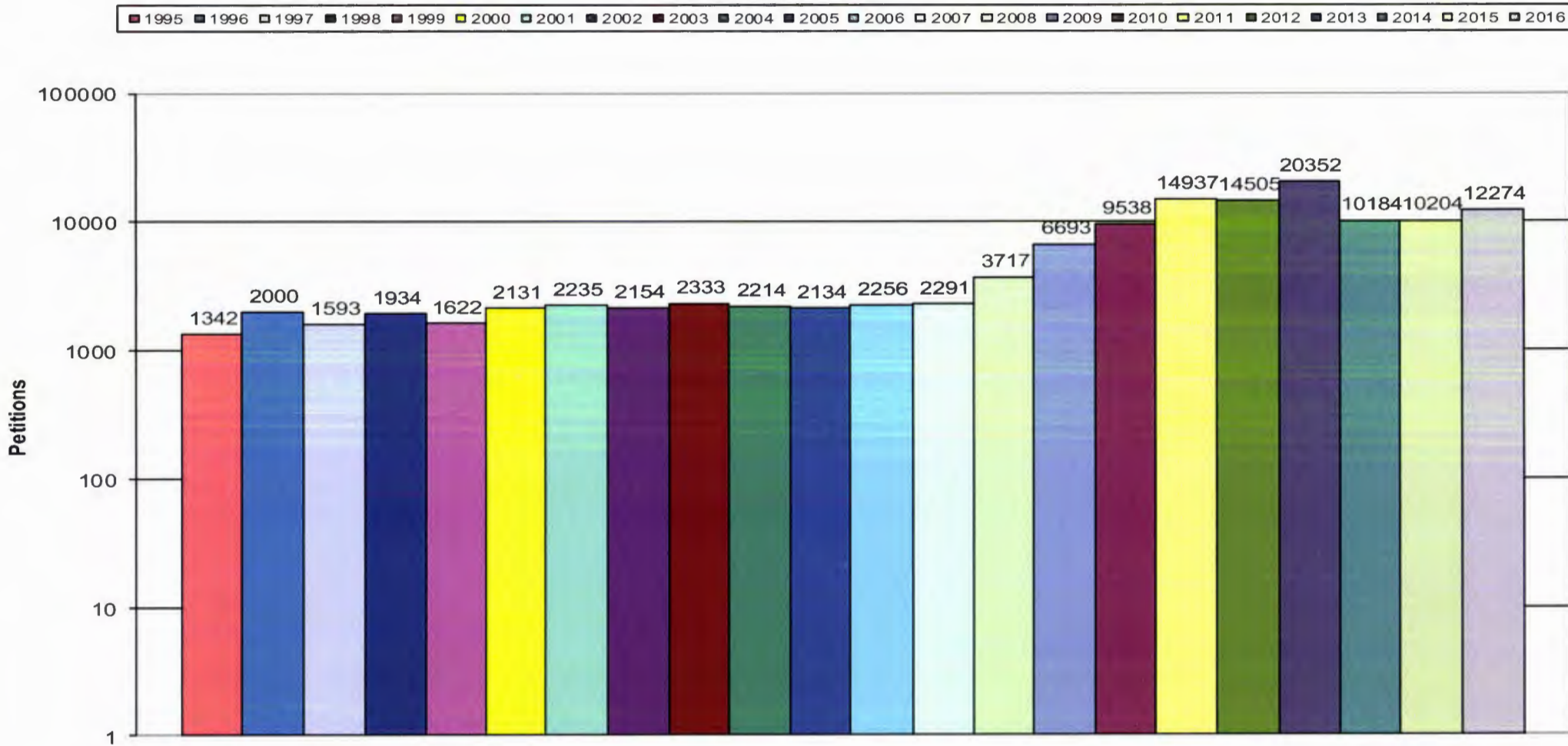
(This page is intentionally left blank)



Joint Appropriations Question

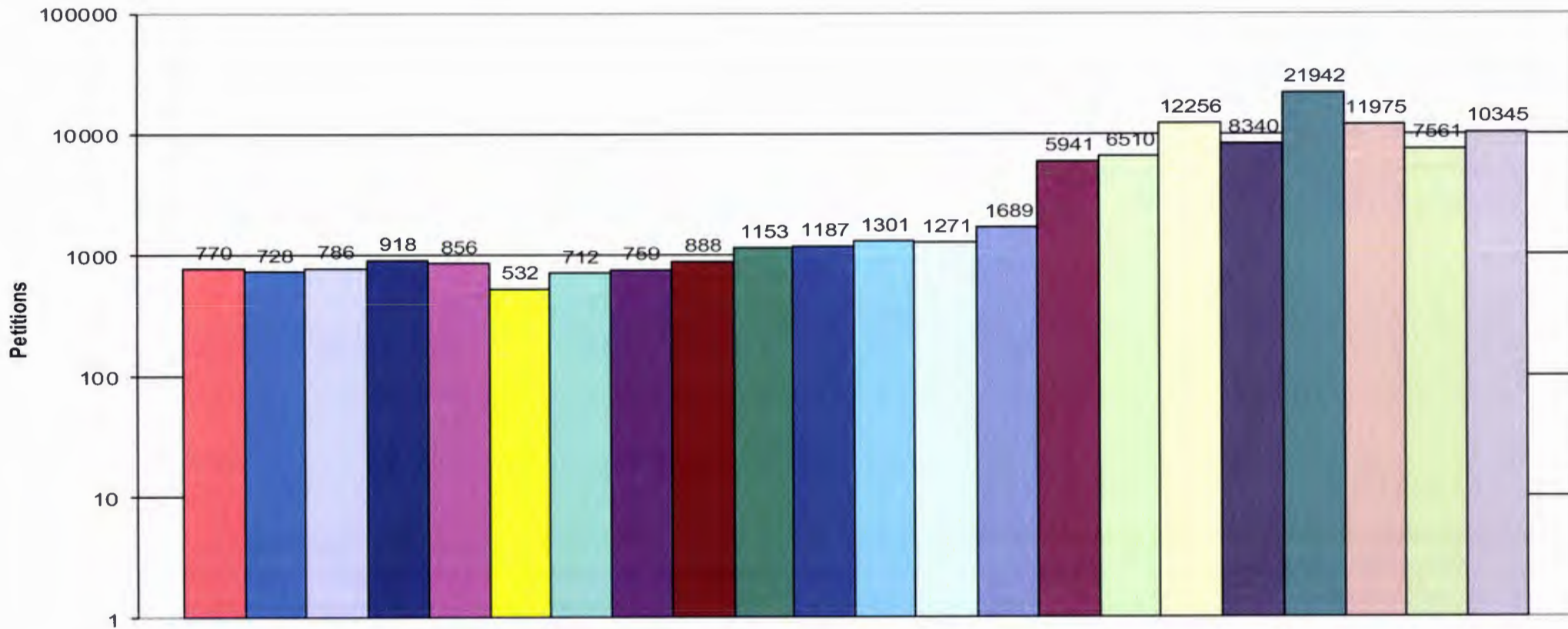
- How do you measure your agency's effectiveness and outcomes?

CONTESTED CASE PETITIONS FILED

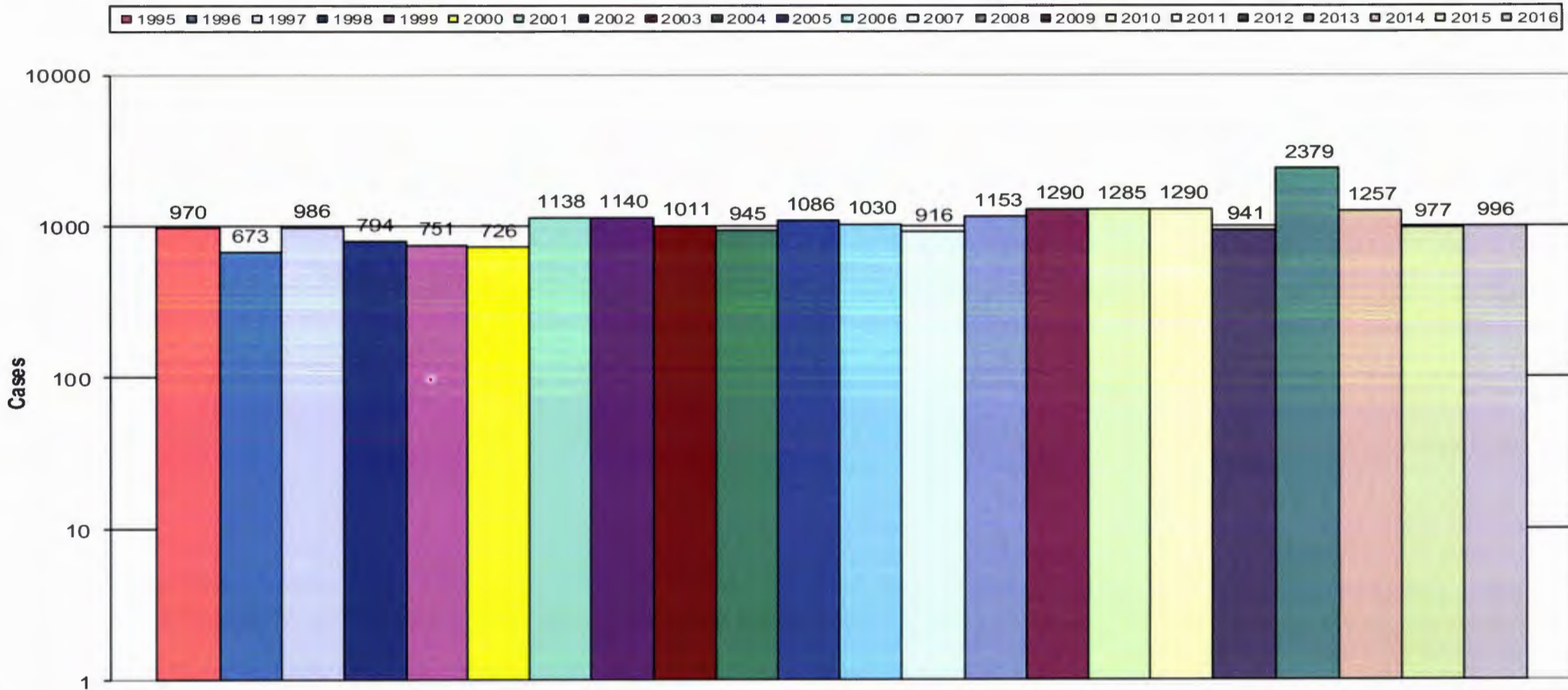


CONTESTED CASE PETITIONS WITHDRAWN OR SETTLED

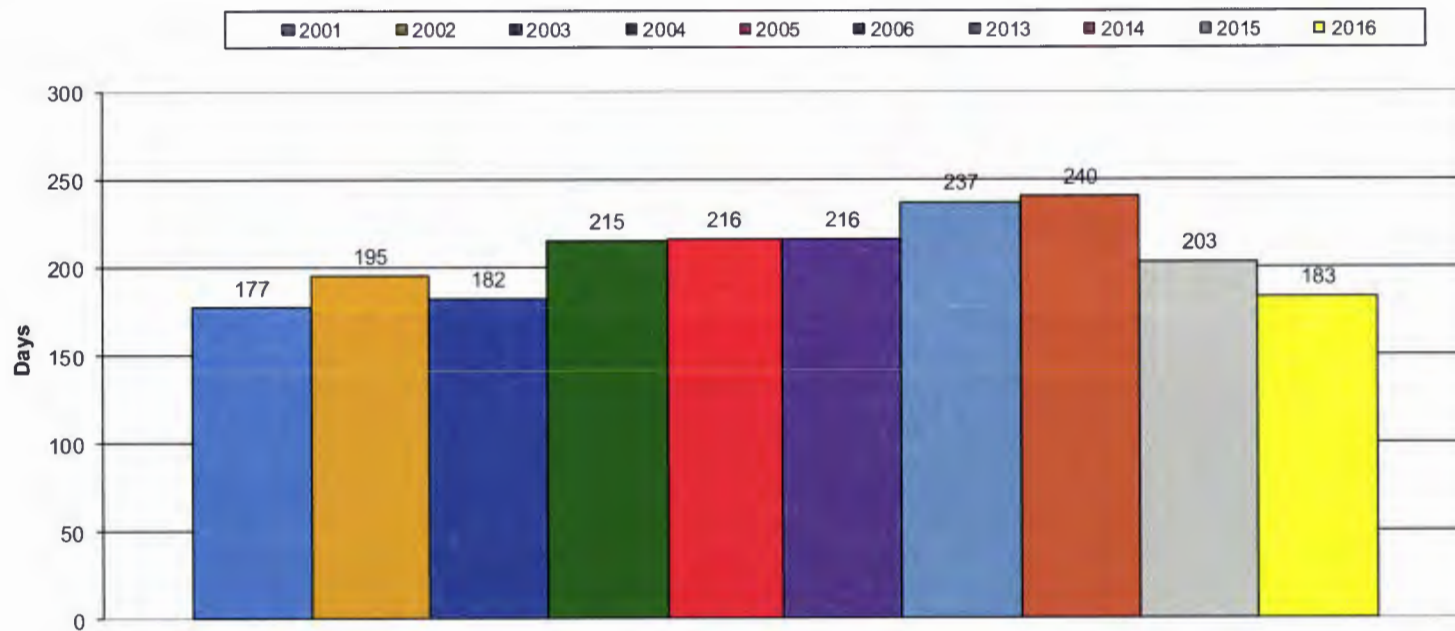
1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016



CONTESTED CASE PETITIONS CLOSED BY DECISION



AVERAGE AGE BY YEAR OF ALL CASES CLOSED



Data not available for 2007-2012

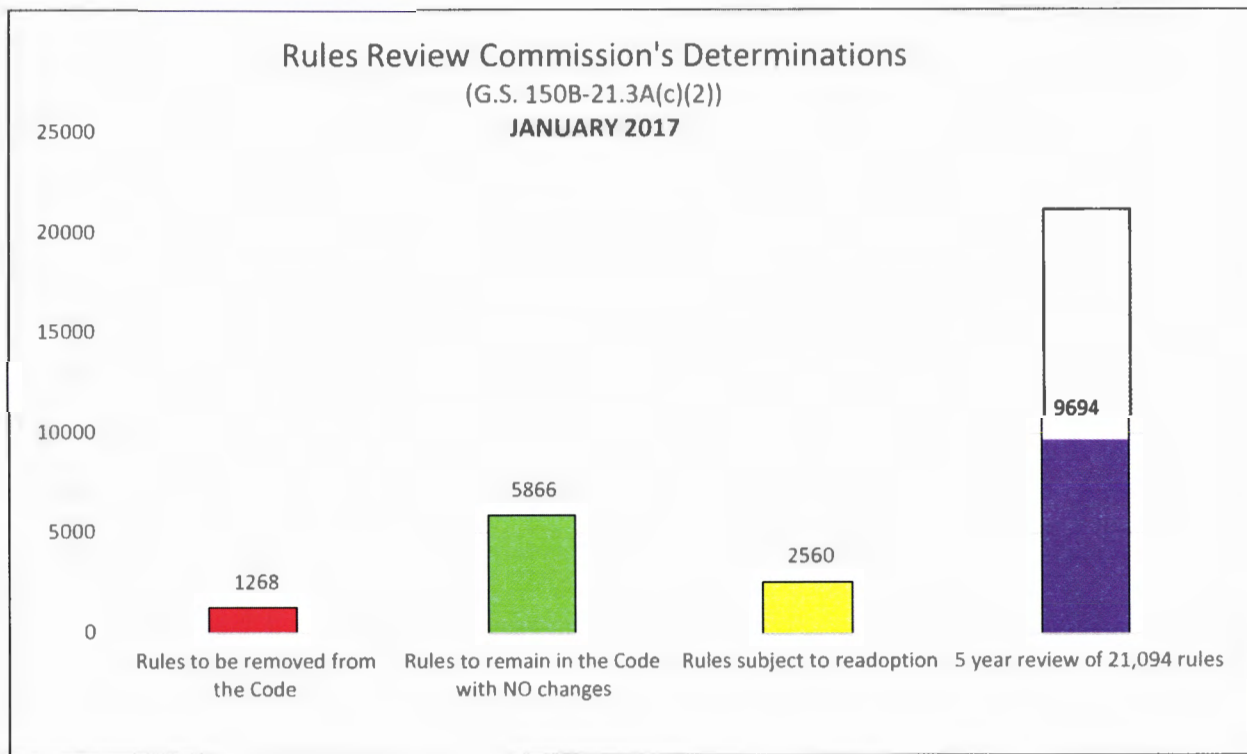
Medicaid Recipient Appeals and Equal Employment Opportunity Appeals not included

Rules Division

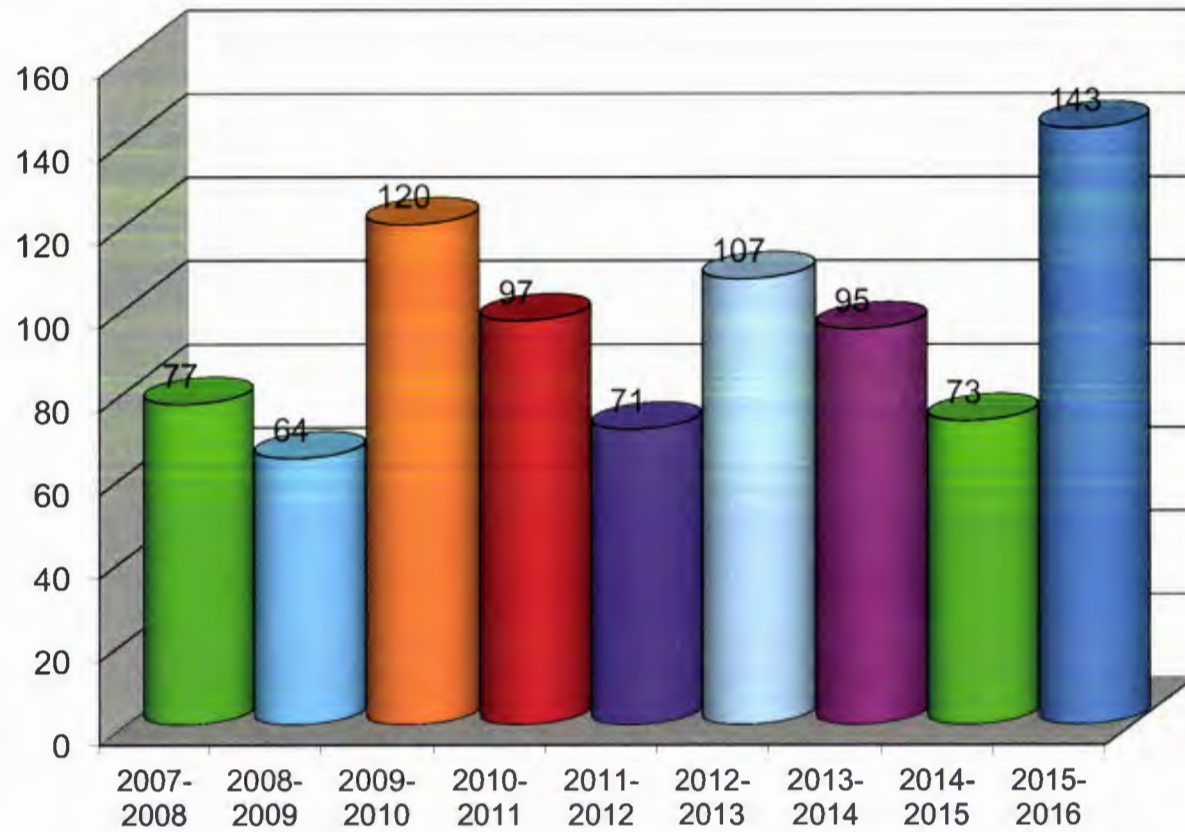
Rules Disposition Statistics and Efficiency Measurements



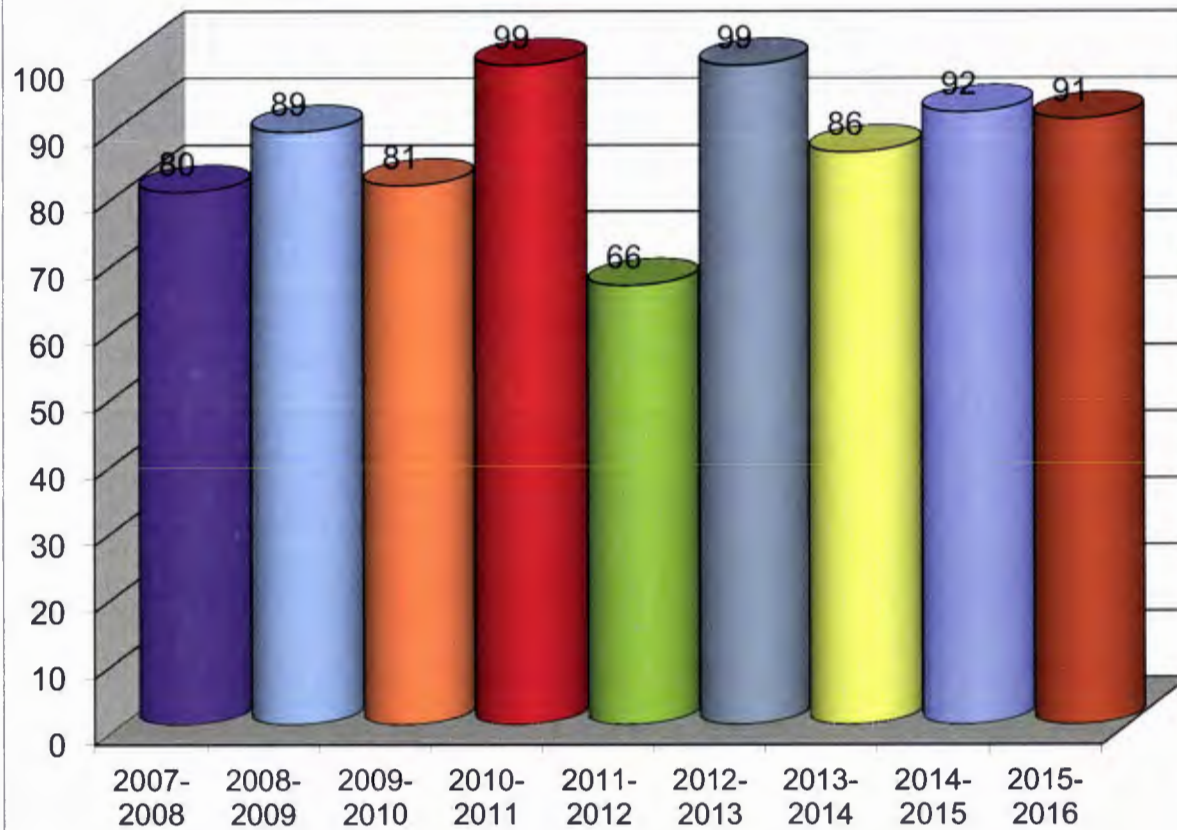
Periodic Review and Expiration of Existing Rules



**Office of Administrative Hearings
Civil Rights Division
Case Filings**



Office of Administrative Hearings
Civil Rights Division
Case Closings

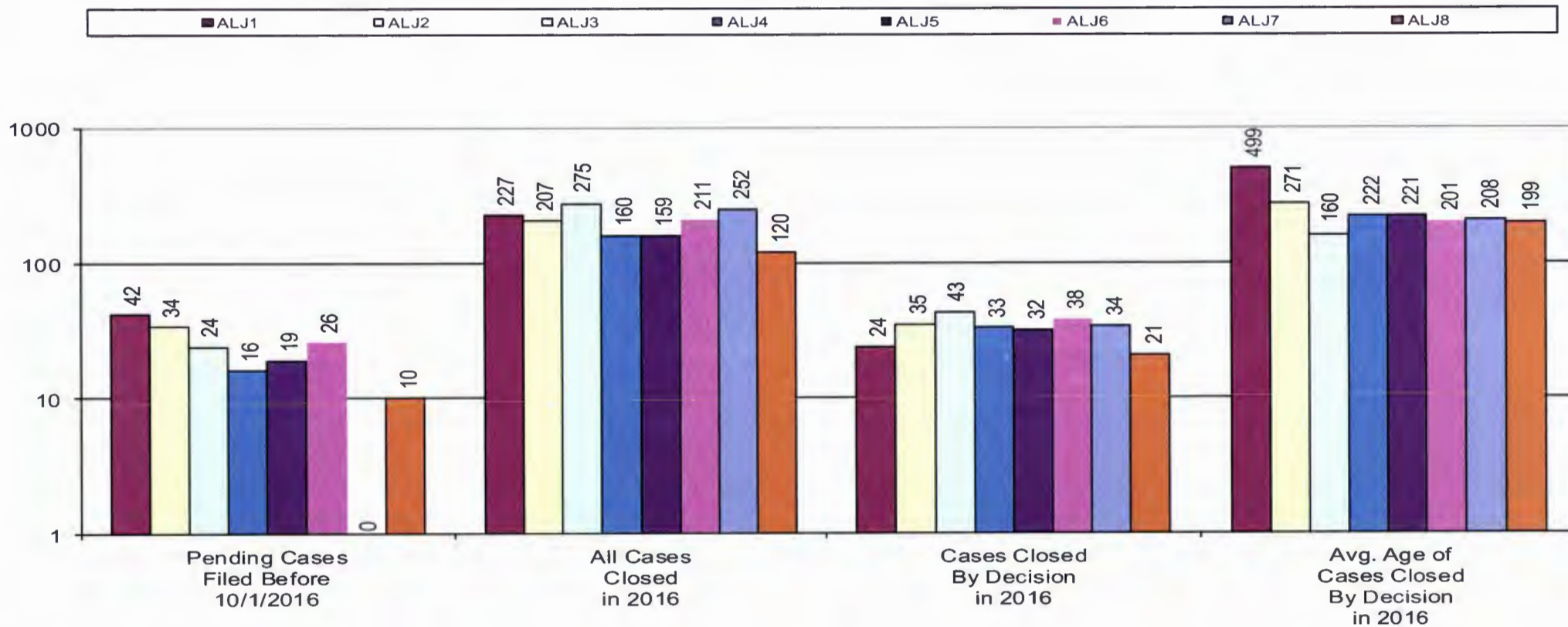


Joint Appropriations Questions

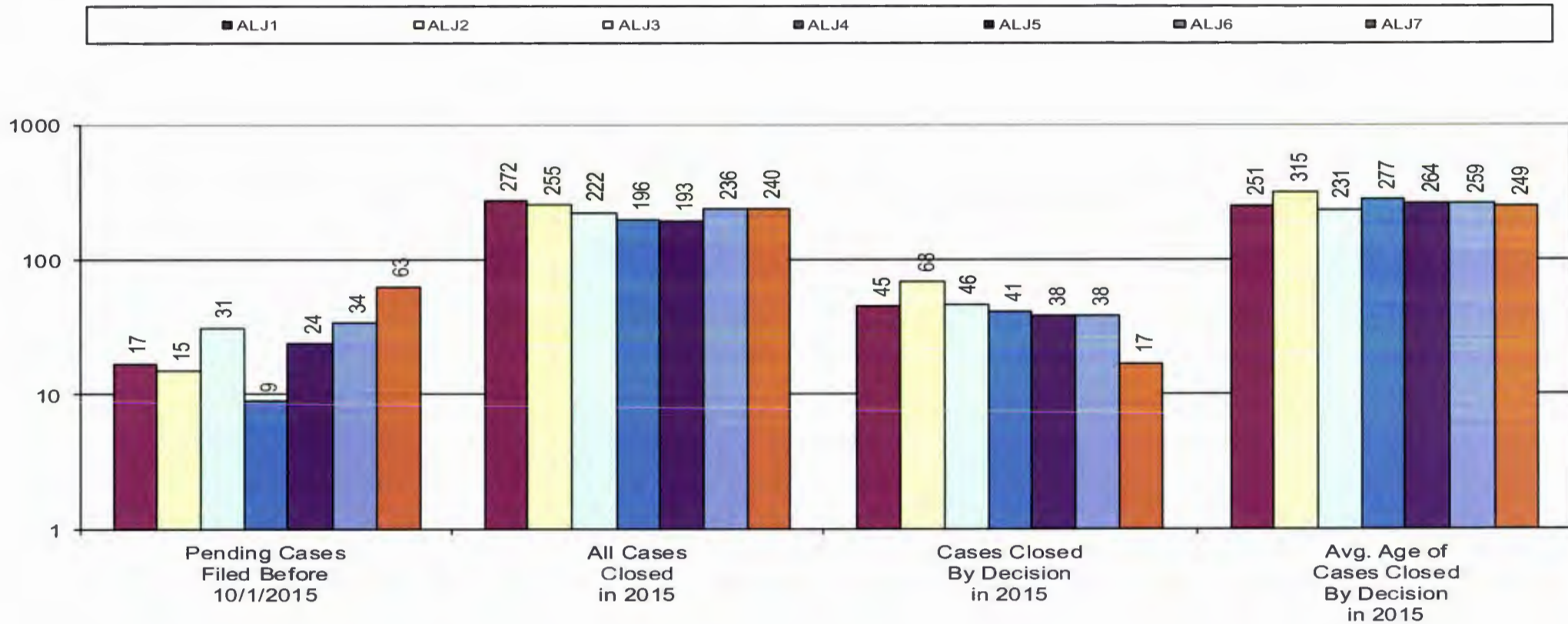
- How do you measure efficiency within your agency/department?
- Do you have metrics that you use to monitor agency performance? If so, please provide.



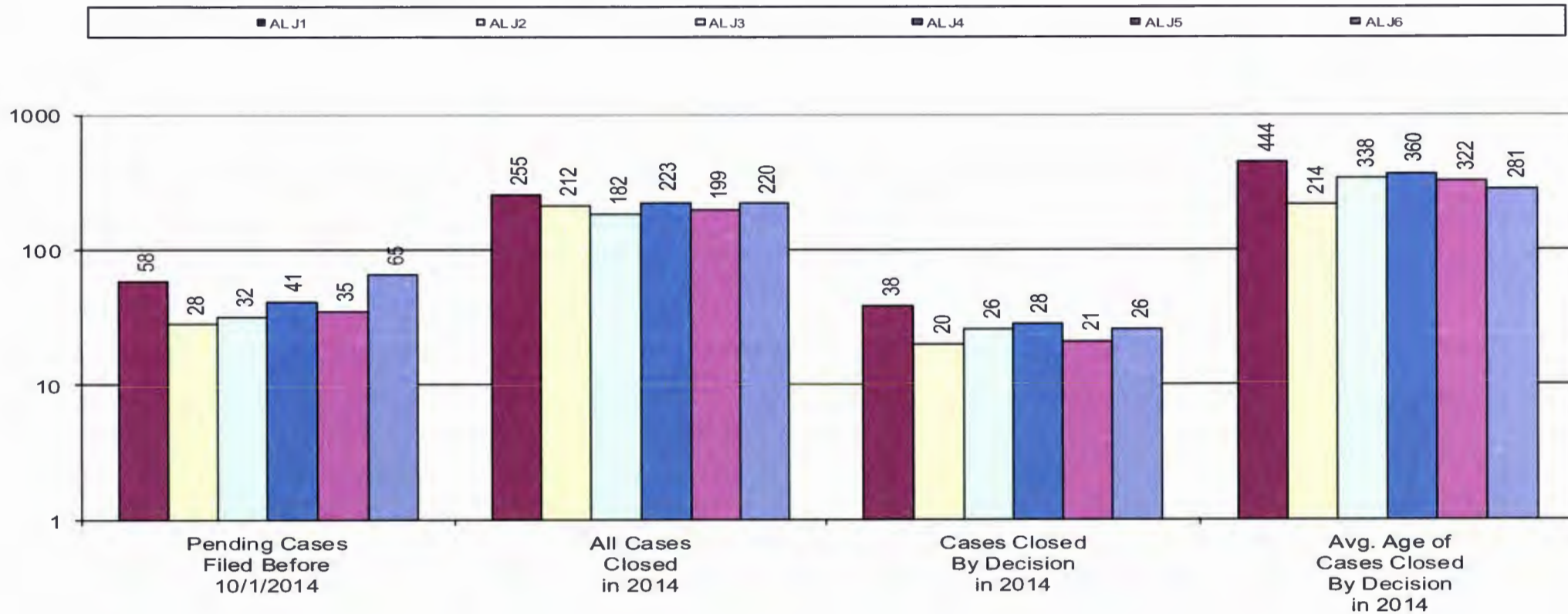
ADMINISTRATIVE LAW JUDGE PENDING/CLOSED FILE STATS FOR 2016



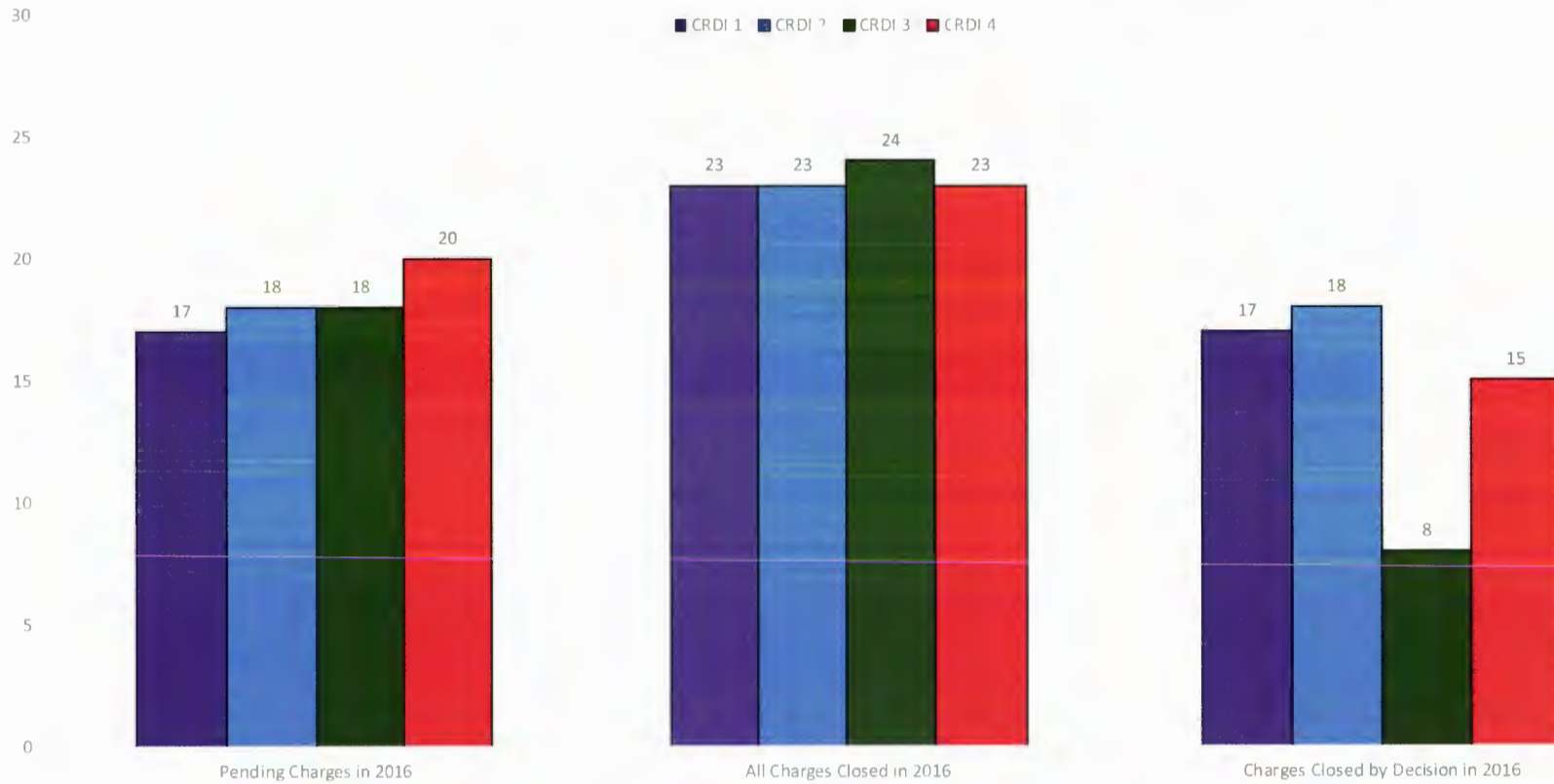
ADMINISTRATIVE LAW JUDGE PENDING/CLOSED FILE STATS FOR 2015



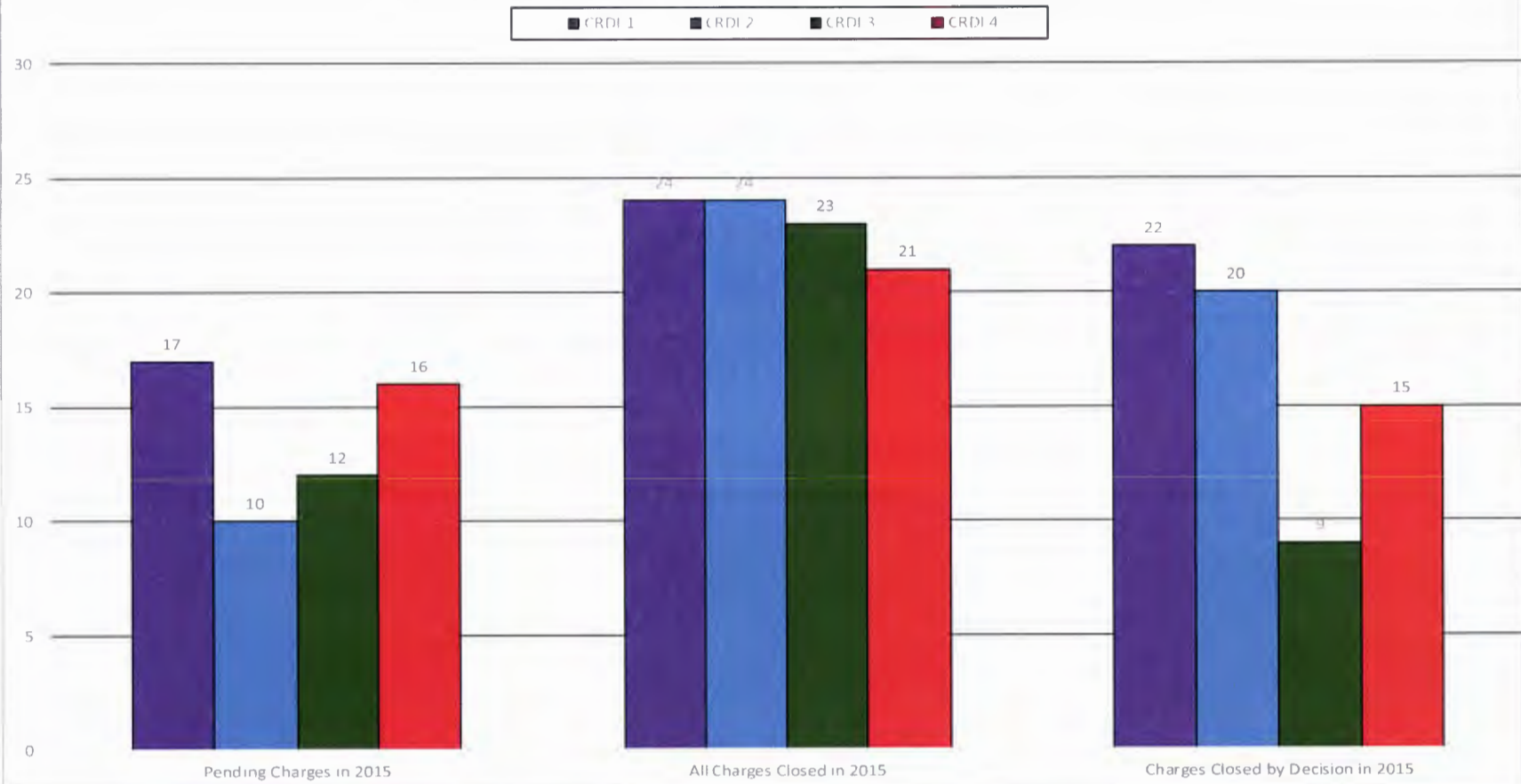
ADMINISTRATIVE LAW JUDGE PENDING/CLOSED FILE STATS FOR 2014



Civil Rights Investigator Pending/Closed Charges for 2016

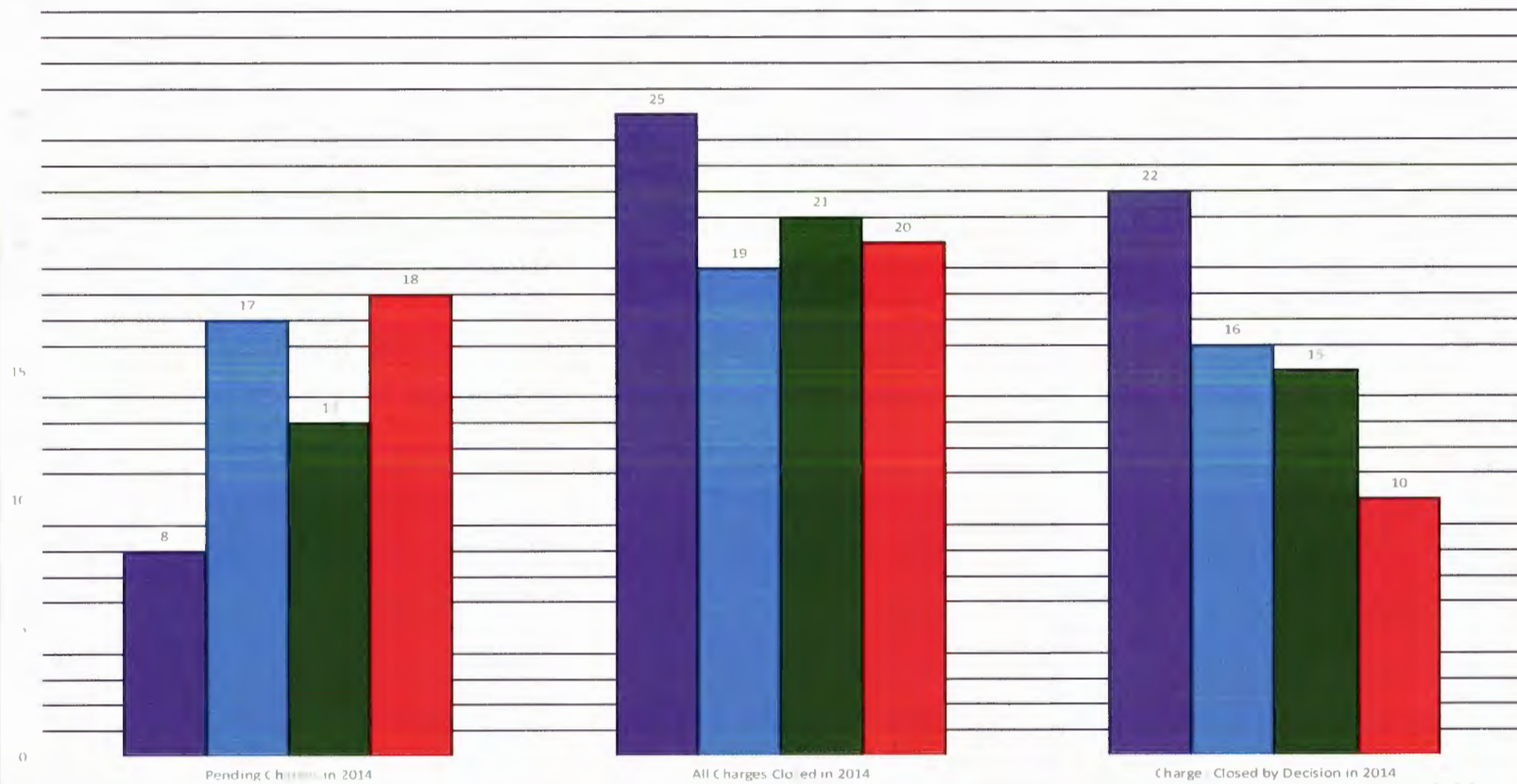


Civil Rights Investigator Pending/Closed Charges for 2015

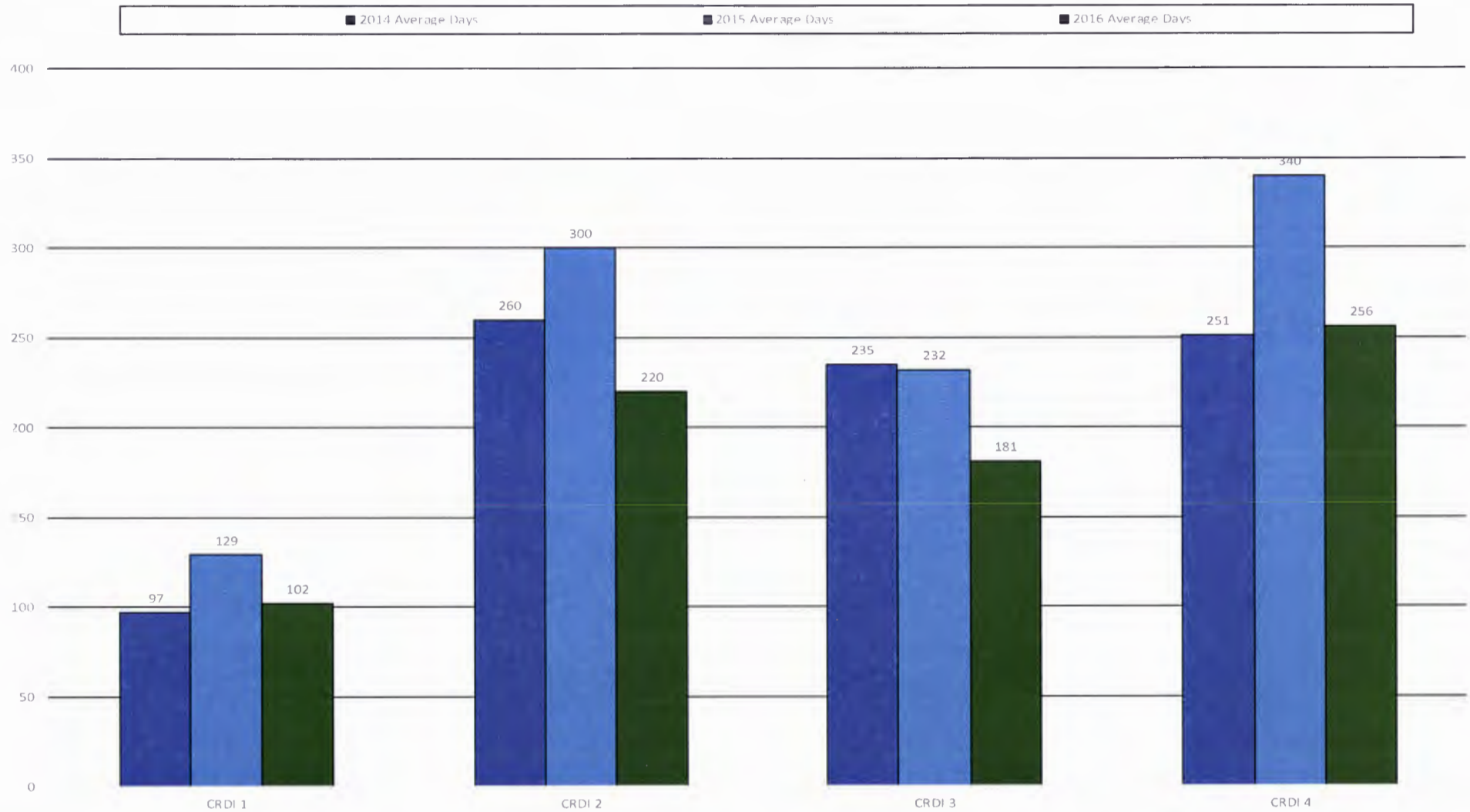


Civil Rights Investigator Pending/Closed Charges 2014

■ RDI 1 ■ RDI 2 ■ RDI 3 ■ RDI 4



Civil Rights Division Investigator Average Processing Time

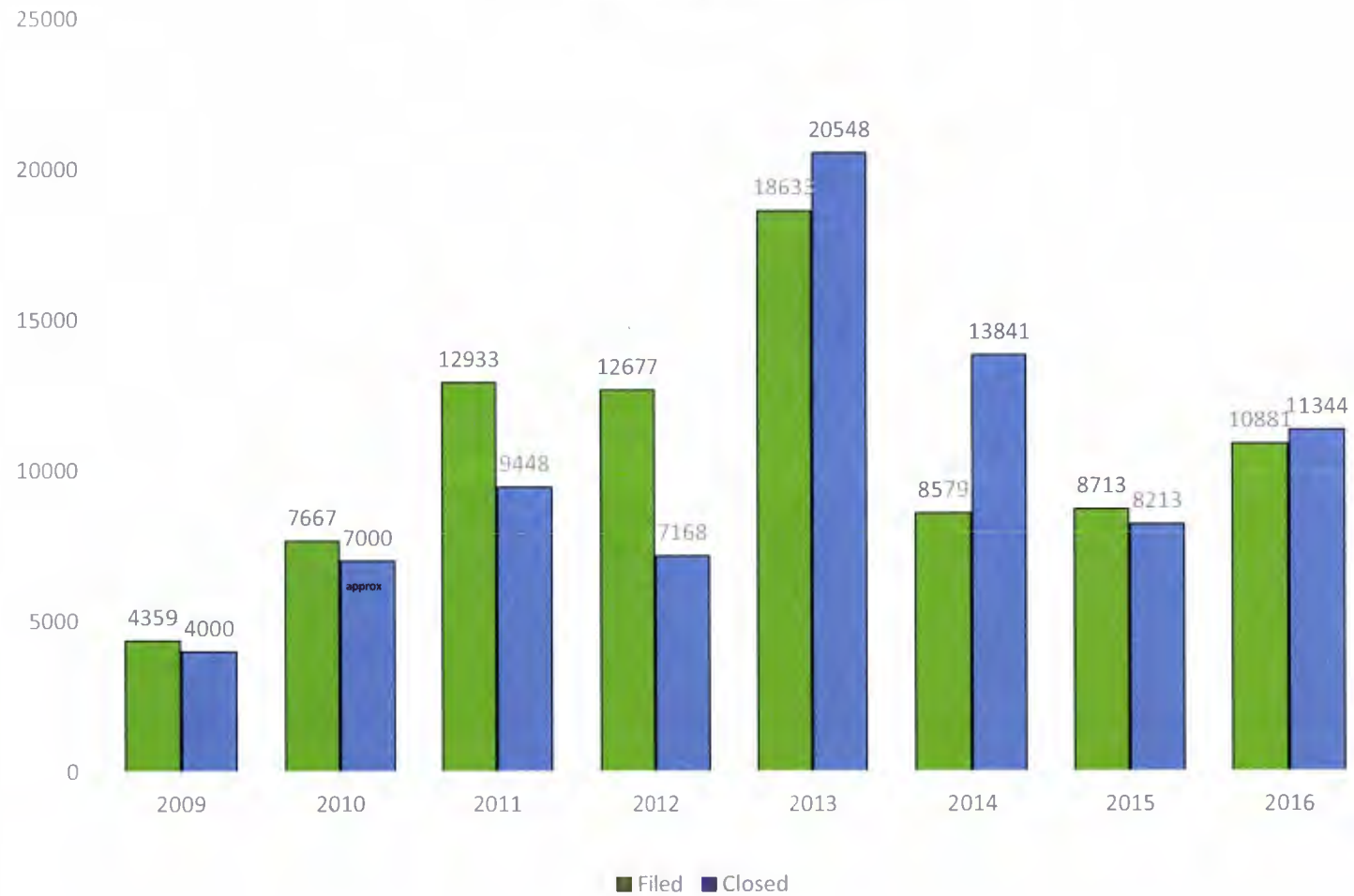


Joint Appropriations Questions

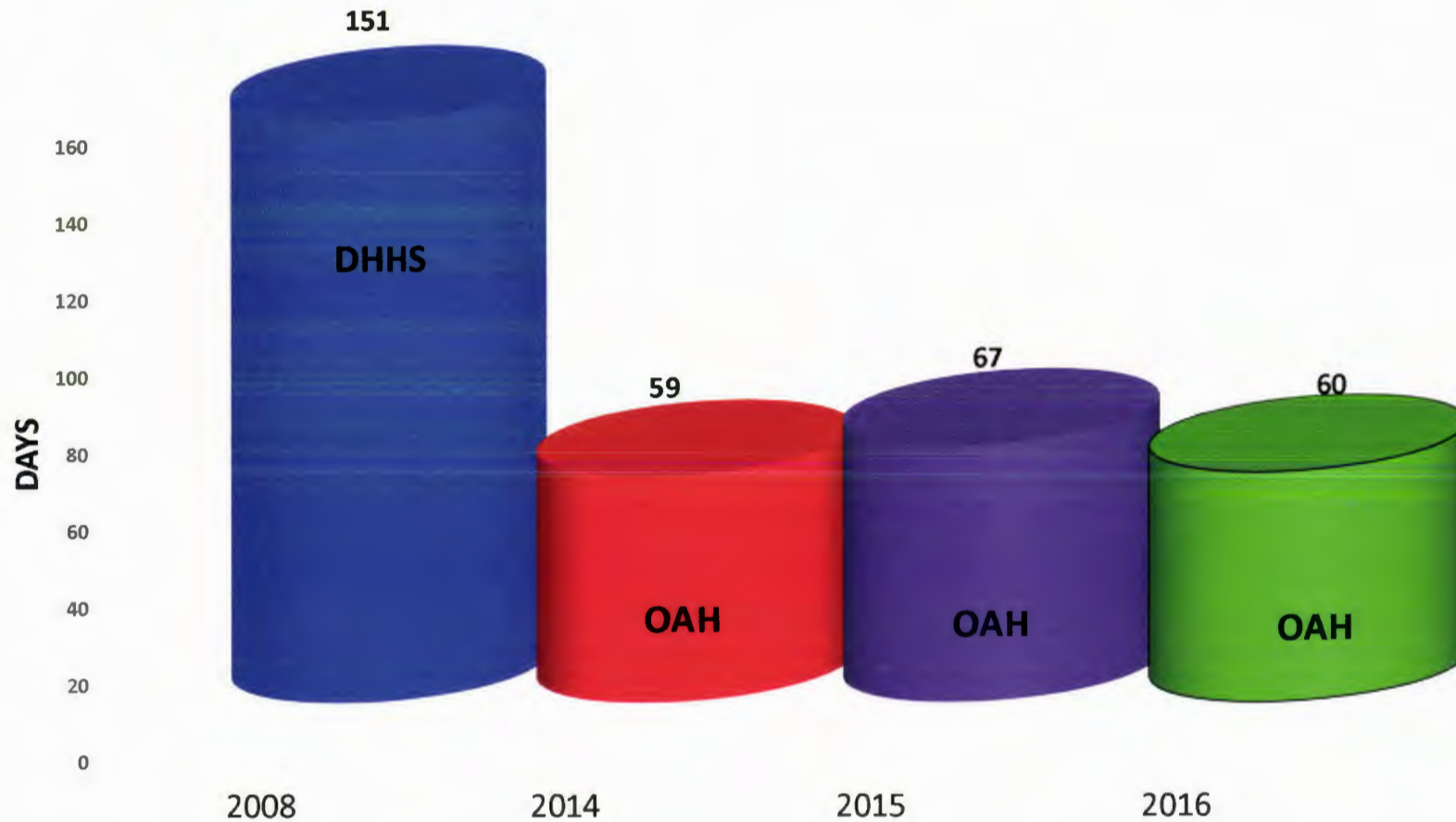
- Are you planning any changes to the current structure of your organizations?
- Will this impact your agency's budget?



MEDICAID RECIPIENT APPEALS Case Filing Statistics



MEDICAID RECIPIENT APPEALS AVERAGE AGE FROM FILING TO CLOSING



ANALYSIS OF MEDICAID RECIPIENT APPEAL PROCESS

Cost Effectiveness: 10/1/2008 – 3/31/2010

(Data Submitted to DHHS Document Management System)

Appeals Process Timeframe	Average Number of Days per Appeal
Before 10/1/08	151
Since 10/1/08 (through 3/31/10)	66

Service Type	Cost/Day/Appeal (MO3)	Appeals Resolved	MOS Cost Pre-10/1/08 (151 Days)	MOS Cost Post-10/1/08 (66 Days)	Cost Savings
CBS	\$42.09	2016	\$16,003,375.62	\$6,994,652.62	\$9,008,722.70
Community Support Team	\$31.20	499	\$2,550,921.94	\$1,027,555.28	\$1,323,366.66
CAP/RR/DD Services	\$130.14	231	\$4,539,336.09	\$1,984,081.66	\$2,555,254.11
Residential - Level III (<4 beds)	\$252.38	222	\$8,498,361.74	\$3,714,528.84	\$4,783,832.90
Day Treatment	\$75.00	186	\$2,140,425.00	\$935,550.00	\$1,204,875.00
Residential - Level II	\$96.40	80	\$1,152,432.00	\$503,712.00	\$648,720.00
Intensive In-Home Services	\$258.20	108	\$4,210,728.60	\$1,840,449.60	\$2,370,279.00
Psychosocial Rehab	\$17.33	30	\$78,511.46	\$34,316.26	\$44,195.19
Private Duty Nursing (12 hrs)	\$467.52	34	\$2,400,247.68	\$1,049,114.88	\$1,351,132.80
Skilled Nursing Facilities	\$148.00	20	\$448,960.00	\$195,360.00	\$253,600.00
Residential - Level IV	\$342.15	8	\$413,317.20	\$180,655.20	\$232,662.00
CAPIC Services	\$136.69	10	\$208,406.44	\$90,217.39	\$118,189.05
ICFMR	\$326.72	6	\$296,009.46	\$129,381.62	\$166,627.84
BRTF	\$437.04	12	\$791,916.48	\$346,135.68	\$445,780.80
Targeted Case Management (RM)	\$8.09	8	\$7,345.62	\$3,210.80	\$4,134.82
ACH-SCU/Alzheimers (31+ beds)	\$51.25	3	\$23,216.25	\$10,147.50	\$13,068.75
Private Duty Nursing (16 hrs)	\$623.36	9	\$647,146.24	\$370,275.84	\$276,870.40
Private Duty Nursing (24 hrs)	\$935.04	4	\$584,764.16	\$246,850.56	\$337,913.60
CAP/DA Services	\$66.92	1	\$10,105.16	\$4,410.63	\$5,694.53
Personal Care Services Plus	\$39.68	2	\$11,983.36	\$5,237.70	\$6,745.66
Totals		3995	\$44,883,540.81	\$18,666,050.95	\$26,217,489.86

Totals

\$3995.0

\$25,327,489.86

Joint Appropriations Questions

- What are your overall goals for your department/agency over the next biennium?



- Increase disposition times across divisions.
- Increase service to the public by increasing efficiencies.
- Increase transparencies on Office of Administrative Hearings website.
- Increase e-filings requirements for all users.

Joint Appropriations Questions

- What are your budget request/needs for the biennium?



Receipt supported Medicaid Administrative Law Judge

This position will replace the receipt supported Attorney II position that has been serving as the Temporary Administrative Law Judge as appointed by the Chief Administrative Law Judge set forth in N.C.G.S. § 7A-757. This position also serves as the Medicaid Administrator. The receipt supported Attorney II position will be abolished when Medicaid Administrative Law Judge is established.

This position will conduct fair and impartial Medicaid Recipient contested case hearings in accordance with the Administrative Procedures Act (Articles 3 and 3A of Chapter 150B), and specifically N.C.G.S. §§ 108A-70.9A&B and 108D (Managed Care Organizations).

Total Cost

Net Difference \$3,618 (Salary and Fringes)

Civil Rights Investigator

This position will conduct investigations of charges of employment discrimination covered by applicable statutes filed by applicants, current and former employees. Principle responsibilities include pre-investigative activities, investigative planning, technical report writing, settlement activities, legal research and post investigative activities. Duties within the various areas of responsibility include organizing and preparing charge files, on-site visits, developing all sources of evidence, inspecting agency facilities, reviewing, examining and auditing agency's personnel policies and practices, interpreting compliance with State and federal nondiscrimination statutes.

Total Cost

Recurring \$87,251 (salary, fringes, costs, postage and supplies)

Non-Recurring \$1,074 (furniture)

Perry Wester (Sen. John Alexander)

From: Perry Wester (Sen. John Alexander)
Sent: Thursday, March 02, 2017 01:47 PM
To: Perry Wester (Sen. John Alexander)
Subject: <NCGA> Senate Appropriations on General Government and Information Technology Committee Meeting Notice for Wednesday, March 08, 2017 at 8:30 AM (Joint)
Attachments: Add Meeting to Calendar_LINC_ics

Principal Clerk _____
Reading Clerk _____

SENATE
NOTICE OF JOINT COMMITTEE MEETING
AND
BILL SPONSOR NOTICE

The **Senate Committee on Appropriations on General Government and Information Technology** will meet at the following time:

DAY	DATE	TIME	ROOM
Wednesday	March 8, 2017	8:30 AM	425 LOB

Agency Presentations continue

Senator John M. Alexander, Jr., Co-Chair
Senator Tamara Barringer, Co-Chair
Senator Jeff Tarte, Co-Chair



Joint Appropriations Committee on General Government
March 8, 2017; 8:30 AM
LOB 425
Agenda

Chairs:

Sen. John Alexander, Presiding
Sen. Jeff Tarte
Sen. Tamara Barringer
Rep. George Cleveland
Rep. Dennis Riddell

Chair's Opening Comments

Office of the State Controller
Agency Overview

Chris Hearley, FRD

Office of the State Controller
Agency Presentation

Dr. Linda Combs, *State Controller*
James Dolan, *Chief Deputy State*
Controller

Committee Discussion



**Senate Committee on Appropriations on General Government and Information
Technology
Wednesday, March 8, 2017 at 8:30 AM
Room 425 of the Legislative Office Building**

MINUTES

The Senate Committee on Appropriations on General Government and Information Technology met at 8:30 AM on March 8, 2017 in Room 425 of the Legislative Office Building. 15 members were present.

Senator John M. Alexander, Jr., Chair, presided.

Senator Alexander opened the meeting at 8:35 a.m. Chairman Alexander introduced the pages and Sergeants at Arms.

Chris Hearley (FRD) presented first, and gave an agency overview of the Office of State Controller.

Dr. Linda Combs, NC State Controller, began the second presentation and thanked the members for their time, and turned the presentation over to James (Jim) Dolan, Chief Deputy State Controller, who then answered 5 questions the committee had asked agencies to prepare answers for (Effectiveness/Outcomes, Efficiency/Metrics, Organization Structure, Budget Request for Biennium, Overall Agency Goals).

Questions asked by members:

1. (Barringer) what do you do with audit issues? What about other agencies under OSC? Are we sure that were asking the right questions to correctly measure efficiency? Does the state auditor's office monitor as well?
2. (Brody) about pg 17 of report- further explanation of special funds
3. (Floyd) how many temps are being brought in during bust season? why does the cost of new programming go up \$40mil in the second biennium? REQUESTS regular briefings from agency as they continue to study options
4. (Edwards) further question about special funds? what is the urgency in replacing the financial system? Would we be building a new system from the ground up (therefore NC have proprietary advantage)? Have we looked at what other states/entities have or can offer us?
5. (Tarte) further questions about costs. Would meeting with groups outside of OSC control (treasury, community colleges, etc.) where all needs for new systems outlined be possible? Can we look at master chart of accounts for the state?
6. (Cleveland) are maintenance costs of systems included in the projections? What is the interagency cooperation like? What is OSC's specific involvement in escheats? What does OCS do with collected monies? Specifically how does OSC spend it on behalf of the agencies it collects monies for? What is the money for foreign nations going to?
7. (Floyd) what are the different escheats funds? (LISA HOLLOWELL CLARIFIED)



.




8. (Cleveland) why isn't money collected on behalf of state agencies given back to agencies to spend?

Senator Tarte recommended scheduling a separate meeting to discuss needs and wants for new financial systems.

Chairman Alexander closed the meeting and recommended to the room that everyone check the escheatment fund on the treasury website. He thanked members, speakers, and staff for attendance and preparation.

The meeting adjourned at 9:45.



Senator John M. Alexander, Jr., Chair
Presiding



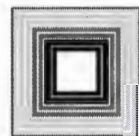
Perry Wester, Committee Clerk



Office of the State Controller Overview

Joint Appropriations Committee on General Government

March 8, 2017



FISCAL RESEARCH DIVISION
A Staff Agency of the North Carolina General Assembly

Outline

- Authorizing laws
- Mission/Vision
- Organizational Chart
- Budget History and Overview
- Division Responsibilities
- Special Funds
- Base Budget
- Information Requested From Agency



Authorizing Laws

- GS 143B-426.36-37: Creation of the office and the position of State Controller
- GS 143B-426.39: Powers and duties of the State Controller
- GS 143 3.1: Transfer of duties from the Office of State Budget and Management and the Office of the State Auditor to the State Controller

Mission Statement

“Protect the financial integrity of the State and promote accountability in an objective and efficient manner”.

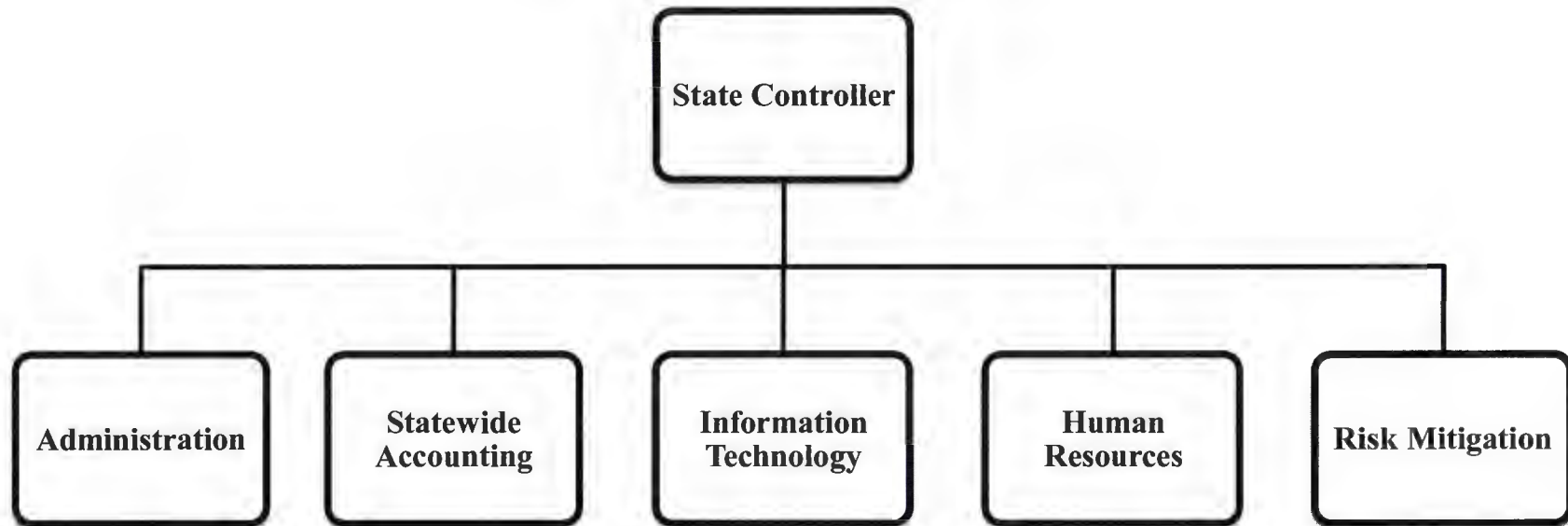


Vision

The Vision of the Office of the State Controller is to be an organization committed to excellence in:

- Ensuring maximum funds are available for Treasury investment
- Delivering cost effective quality services that achieve efficiencies and promote collaboration
- Building and maintaining core enterprise financial and business systems

Office of the State Controller Organization Chart

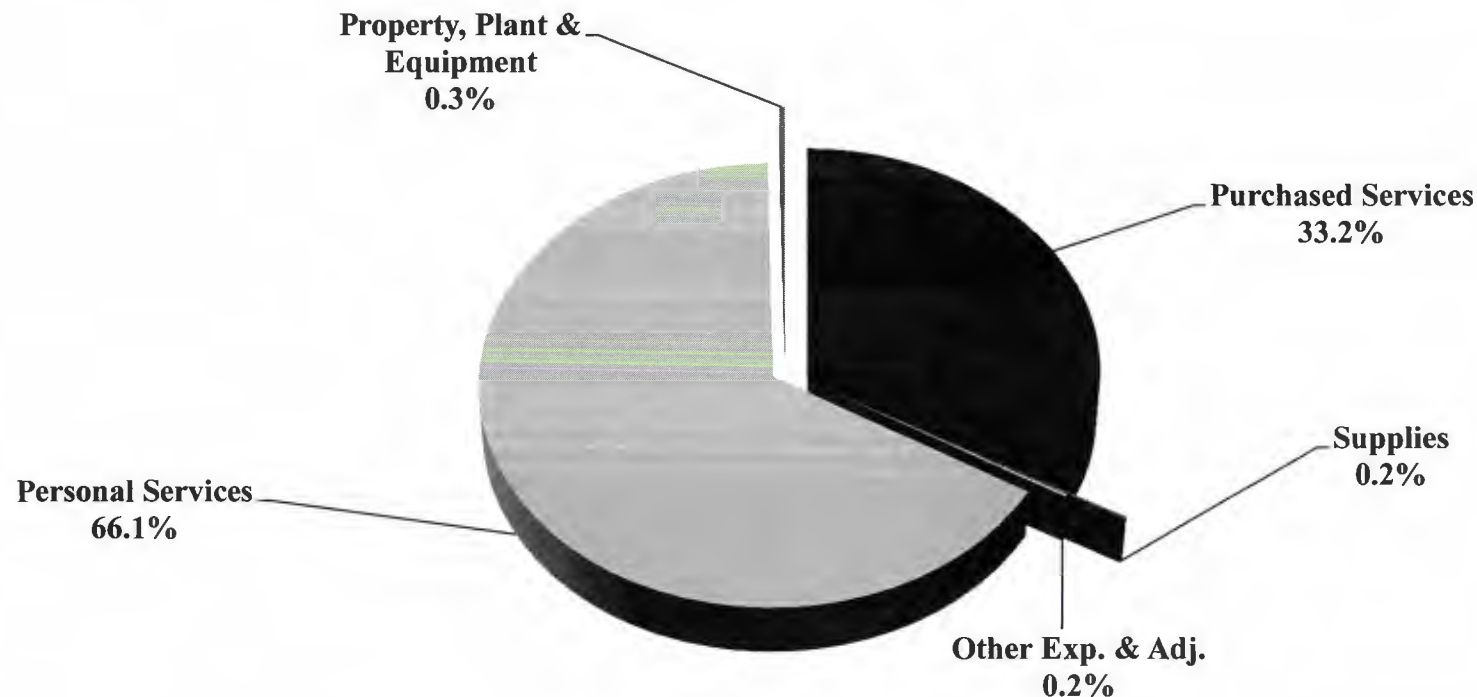


Office of the State Controller

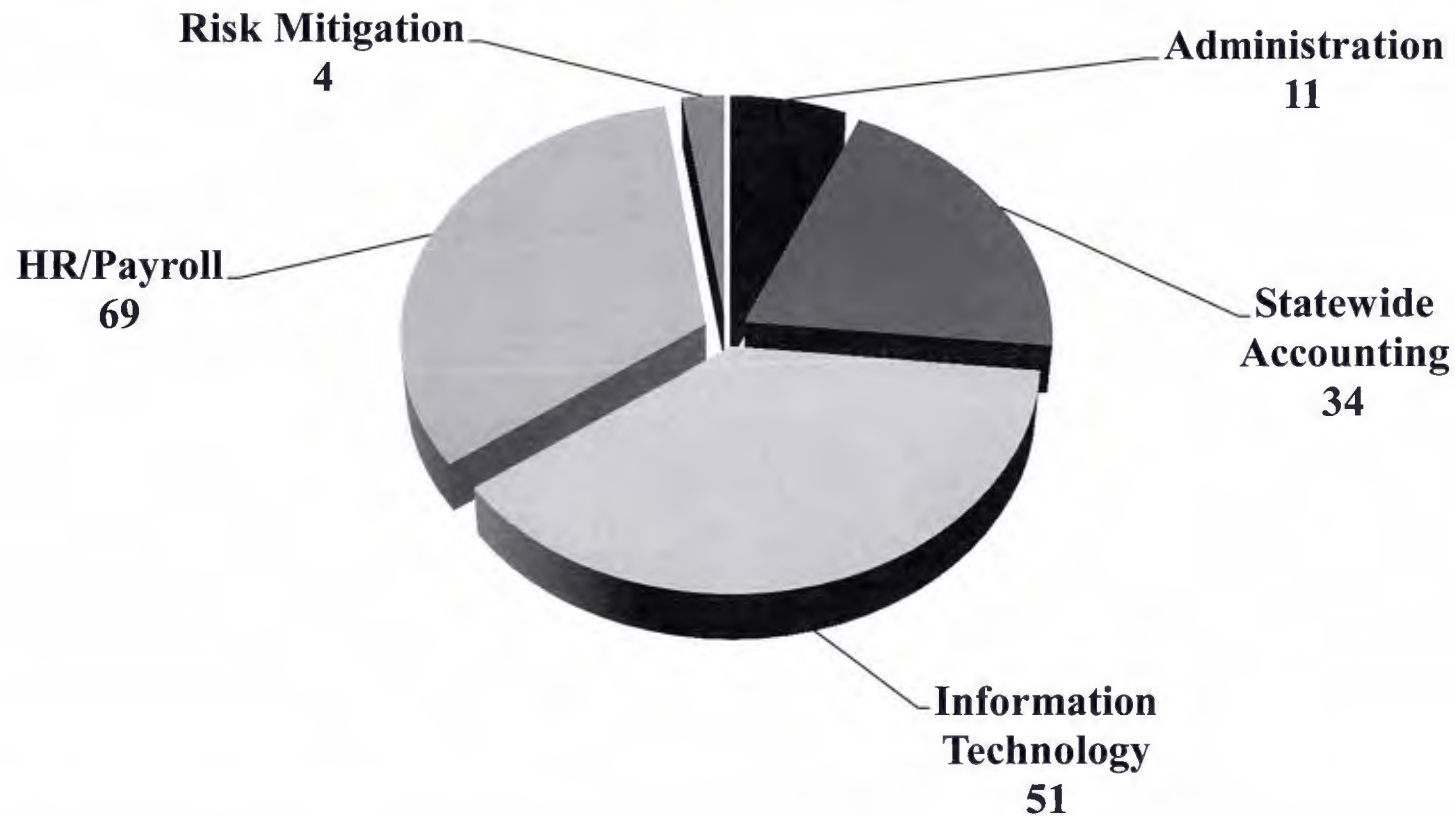
Five-Year Budget History

Budget	Actual FY 2014-15	Actual FY 2015-16	Authorized FY 2016-17	Total Base FY 2017-18	Total Base FY 2018-19
Requirements	\$23,990,391	\$23,850,022	\$24,015,810	\$24,174,328	\$24,174,328
Receipts	\$2,474,605	\$1,023,469	\$928,418	\$821,119	\$821,119
Appropriation	\$21,515,786	\$22,826,553	\$23,087,392	\$23,353,209	\$23,353,209
Certified FTEs	169	169	169	169	169

Office of the State Controller Breakdown of Expenditures, Base FY 2017-18



Office of the State Controller Base Budget Positions, FY 2017-18



Office of the State Controller

Roles and Responsibilities

- Provide accounting, disbursing, payroll, internal control, data management, e-commerce and financial reporting services to state agencies, employees and the public
- Maintaining systems, standards, and business processes to ensure that spending is within approved levels
- Produce numerous financial reports including the Comprehensive Annual Financial Report (CAFR)

Office of the State Controller Administration Division

Budget	Certified FY 2016-17
Expenditures	\$2,566,177
Receipts	\$16,961
Appropriation	\$2,549,216
FTEs	11

- Executive management
- Human Resource functions
- Business Services
- Communications

Office of the State Controller

Statewide Accounting Division

	Certified
Budget	FY 2016-17
Expenditures	\$3,438,791
Receipts	\$150,113
Appropriation	\$3,288,678
FTEs	34

- Statewide compliance policies and procedures
- Accounting and financial reporting
- North Carolina Accounting System (NCAS)
- Cash management and disbursement
 - Cash Management Control System (CMCS)
- e-commerce

Office of the State Controller Information Technology Division

Budget	Certified FY 2016-17
Expenditures	\$13,526,801
Receipts	\$0
Appropriation	\$13,526,801
FTEs	51

- Implements and maintains information technology systems
- Information technology infrastructure review and approval
- Technical systems administration
- Project management

Office of the State Controller

HR/Payroll Division

Budget	Certified FY 2016-17
Expenditures	\$4,359,463
Receipts	\$818,303
Appropriation	\$3,541,160
FTEs	69

- Integrated HR/Payroll System (formerly BEACON)
- Division functions:
 - Technical Team, HR Operations, Benefits Operations, Time Evaluation, Garnishment Operations, Payroll Operations and Accounting Operations
- Coordinates with the Office of State Human Resources personnel functions and pay policies

Office of the State Controller

Risk Mitigation Division

Budget	Certified FY 2016-17
Expenditures	\$421,443
Receipts	\$0
Appropriation	\$421,443
FTEs	4

- Statewide internal control compliance program
 - Enhancing Accountability in Government through Leadership and Education (EAGLE)
- Statewide tax compliance program
- Statewide indirect cost allocation plan
- Overpayment audit and recovery program
- Compliance monitoring

Office of the State Controller

Recent Legislative Actions

- **FY 2015-16**

- Continuation Review

- Placed hold on transfer of Funds from Department of Transportation to Office of State Controller - \$496,578

- **FY 2016-17**

- Continuation Review Funding Restoration

- Restores transfer of funds from Department of Transportation relating to BEACON positions - \$496,578



Office of State Controller

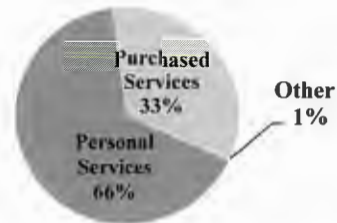
Special Funds

Code	Description	Balance as of 07/01/16
2000	Special Fund - OSC	\$15,763,059
2200	E-Commerce Initiatives	\$2,157
2401	BEACON – HR Payroll	\$1,824,568
2404	Data Integration	\$1,397,607
2500	Escheats – State Agencies	\$916,271
2900	Special IT Projects	\$908,646
	Total	\$20,812,298

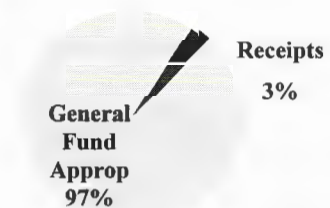
OFFICE OF THE STATE CONTROLLER

Base Budget Review

FY 2017-19 Base - Expenditures



FY 2017-19 Base - Source of Funds



Requirements	Actual FY 2015-16	Certified FY 2016-17	Authorized FY 2016-17	Increase/ (Decrease) FY 2017-18	Total Base FY 2017-18	Increase/ (Decrease) FY 2018-19	Total Base FY 2018-19
Personal Services	\$15,053,939	\$15,963,603	\$15,937,828	\$56,972	\$15,994,800	\$56,972	\$15,994,800
Purchased Services	\$8,693,784	\$8,007,795	\$8,022,435	\$0	\$8,022,435	\$0	\$8,022,435
Supplies	\$38,646	\$40,490	\$40,490	\$0	\$40,490	\$0	\$40,490
Property, Plant, Equipment	\$45,381	\$51,276	\$75,748	\$0	\$75,748	\$0	\$75,748
Other Expenses/Adjustments	\$18,272	\$34,200	\$40,855	\$0	\$40,855	\$0	\$40,855
Reserves	\$0	\$122,108	\$122,108	(\$122,108)	\$0	(\$122,108)	\$0
TOTAL REQUIREMENTS	\$23,850,022	\$24,219,472	\$24,239,464	(\$65,136)	\$24,174,328	(\$65,136)	\$24,174,328
Receipts	Actual FY 2015-16	Certified FY 2016-17	Authorized FY 2016-17	Increase/ (Decrease) FY 2017-18	Total Base FY 2017-18	Increase/ (Decrease) FY 2018-19	Total Base FY 2018-19
Sales, Services, Rental	\$121	\$150	\$150	\$0	\$150	\$0	\$150
Fees, Licenses, Fines	\$34,185	\$27,530	\$34,185	\$0	\$34,185	\$0	\$34,185
Intragovernment Transfers	\$989,163	\$926,385	\$783,820	\$2,964	\$786,784	\$2,964	\$786,784
TOTAL RECEIPTS	\$1,023,469	\$954,065	\$818,155	\$2,964	\$821,119	\$2,964	\$821,119
NET APPROPRIATION	\$22,826,553	\$23,265,407	\$23,421,309	(\$68,100)	\$23,353,209	(\$68,100)	\$23,353,209
FTE	169	169	169	0	169	0	169

Information Requested from the Office of State Controller

- How do you measure your agency's effectiveness and outcomes?
- How do you measure efficiency within your agency/department?
Do you have metrics that you use to monitor agency performance?
If so, please provide.
- Are you planning any changes to the current structure of your organization? Will this impact your agency's budget?
- What are your overall goals for your department/agency over the next biennium?
- What are your budget requests/needs for the biennium?
- Please discuss your Information Technology needs.

Office of the State Controller



Chris Hearley

Fiscal Research

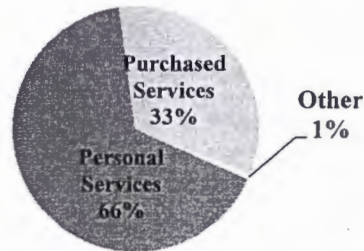
919-733-4910 or chris.hearley@ncleg.net



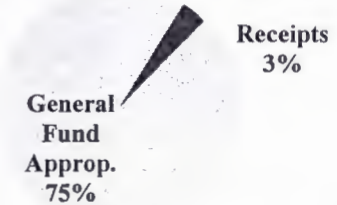
OFFICE OF THE STATE CONTROLLER

Base Budget Review

FY 2017-19 Base - Expenditures



FY 2017-19 Base - Source of Funds



Requirements	Actual FY 2015-16	Certified FY 2016-17	Authorized FY 2016-17	Increase/ (Decrease) FY 2017-18	Total Base FY 2017-18	Increase/ (Decrease) FY 2018-19	Total Base FY 2018-19
Personal Services	\$15,053,939	\$15,963,603	\$15,937,828	\$56,972	\$15,994,800	\$56,972	\$15,994,800
Purchased Services	\$8,693,784	\$8,007,795	\$8,022,435	\$0	\$8,022,435	\$0	\$8,022,435
Supplies	\$38,646	\$40,490	\$40,490	\$0	\$40,490	\$0	\$40,490
Property, Plant, Equipment	\$45,381	\$51,276	\$75,748	\$0	\$75,748	\$0	\$75,748
Other Expenses/Adjustments	\$18,272	\$34,200	\$40,855	\$0	\$40,855	\$0	\$40,855
Reserves	\$0	\$122,108	\$122,108	(\$122,108)	\$0	(\$122,108)	\$0
TOTAL REQUIREMENTS	\$23,850,022	\$24,219,472	\$24,239,464	(\$65,136)	\$24,174,328	(\$65,136)	\$24,174,328

Receipts	Actual FY 2015-16	Certified FY 2016-17	Authorized FY 2016-17	Increase/ (Decrease) FY 2017-18	Total Base FY 2017-18	Increase/ (Decrease) FY 2018-19	Total Base FY 2018-19
Sales, Services, Rental	\$121	\$150	\$150	\$0	\$150	\$0	\$150
Fees, Licenses, Fines	\$34,185	\$27,530	\$34,185	\$0	\$34,185	\$0	\$34,185
Intragovernment Transfers	\$989,163	\$926,385	\$783,820	\$2,964	\$786,784	\$2,964	\$786,784
TOTAL RECEIPTS	\$1,023,469	\$954,065	\$818,155	\$2,964	\$821,119	\$2,964	\$821,119

NET APPROPRIATION	\$22,826,553	\$23,265,407	\$23,421,309	(\$68,100)	\$23,353,209	(\$68,100)	\$23,353,209
FTE	169	169	169	0	169	0	169



Office of the State Controller

Presentation to the
Joint Appropriations Committee
on General Government

March 8, 2017

INTEGRITY
ACCOUNTABILITY

Content

- Effectiveness / Outcomes
- Efficiency / Metrics
- Organization Structure
- Budget Request for Biennium
- Overall Agency Goals → Continued excellent customer service and financial backbone replacement.



Effectiveness / Outcomes



The Controller's office **MISSION** is to protect the financial integrity of the State and promote accountability in an objective and efficient manner.

Provide Excellent Customer Service

- Make services readily available
- Process transactions in an accurate and timely manner
- Develop facilitative technology systems
- Provide accessible financial expertise to help solve agency queries
- Train & Educate

Optimize Operational Execution

- Streamline Business processes
- Improve communications internally and externally
- Expand and deliver effective financial services
- Provide external targeted training

Manage Risk Effectively and Efficiently

- Expand the framework to effectively identify, assess and manage risk
- Mitigate key risks
- Increase the knowledge, skills and abilities needed to identify and manage risk.

Foster a High Performance Culture

- Provide in house training for personal development targeted by need
- Expand Employee Development program
- Cross train for coverage and attrition
- Retain and attract top talent
- Create a succession plan

• Develop knowledge about our customers' changing needs

Underlying Driving Principles

*** Integrity & Ethics***

Builds trust by being open and honest and respecting others. Maintains social, ethical, and organizational norms.

Objectivity

Analyzes problems by evaluating available information and resources.

Accountability

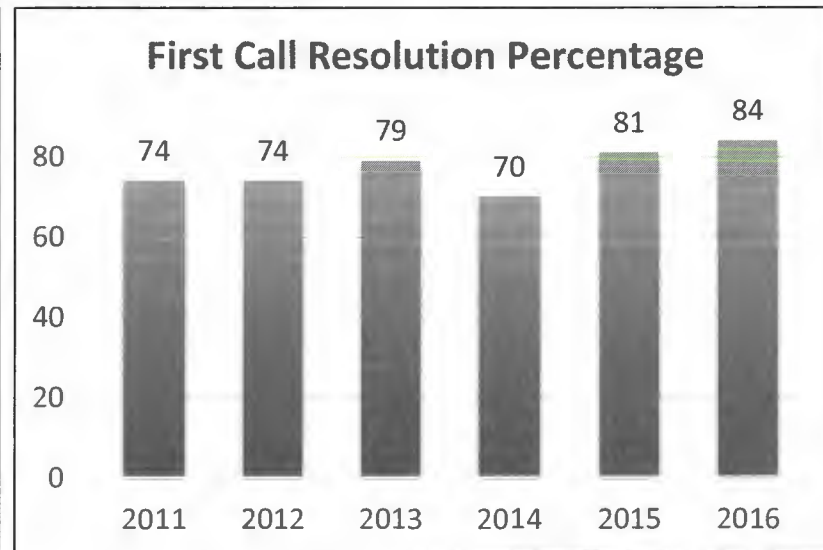
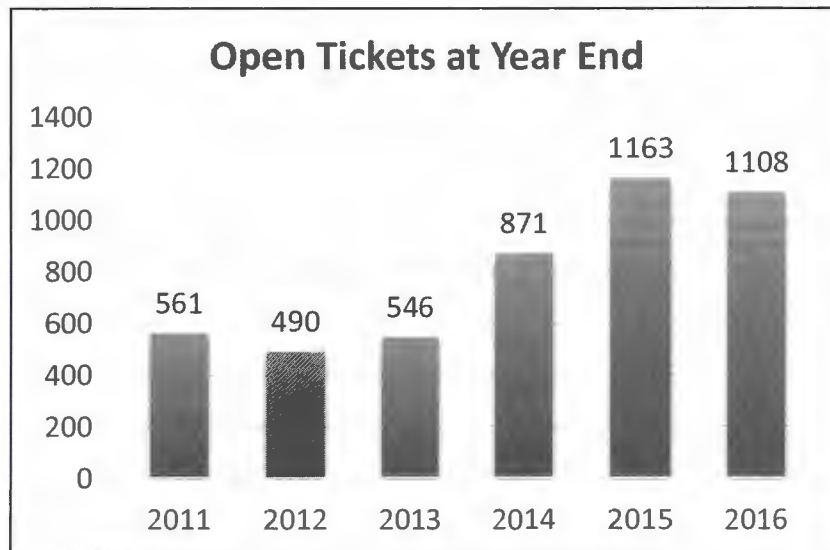
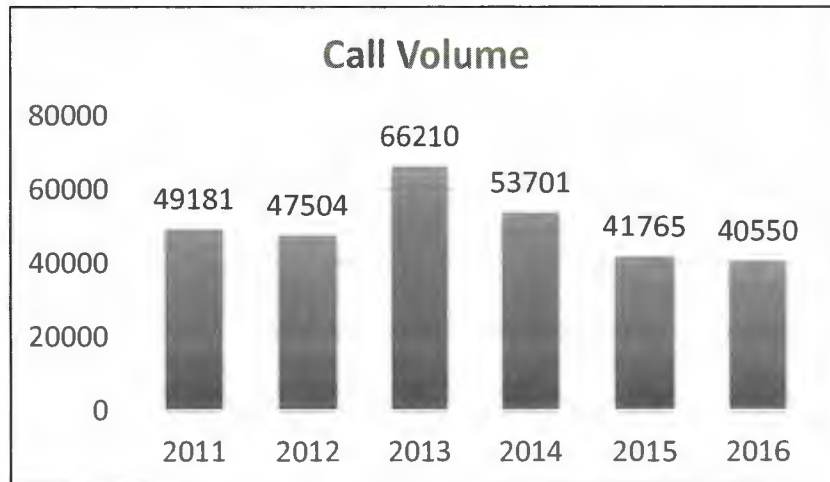
Accepts full responsibility for oneself and for ones' contribution as a team member.



Efficiency / Metrics



OSC Shared Services (Selected Metrics)



<https://osc.nc.gov/sscstats> contains >20 other metrics that are tracked monthly



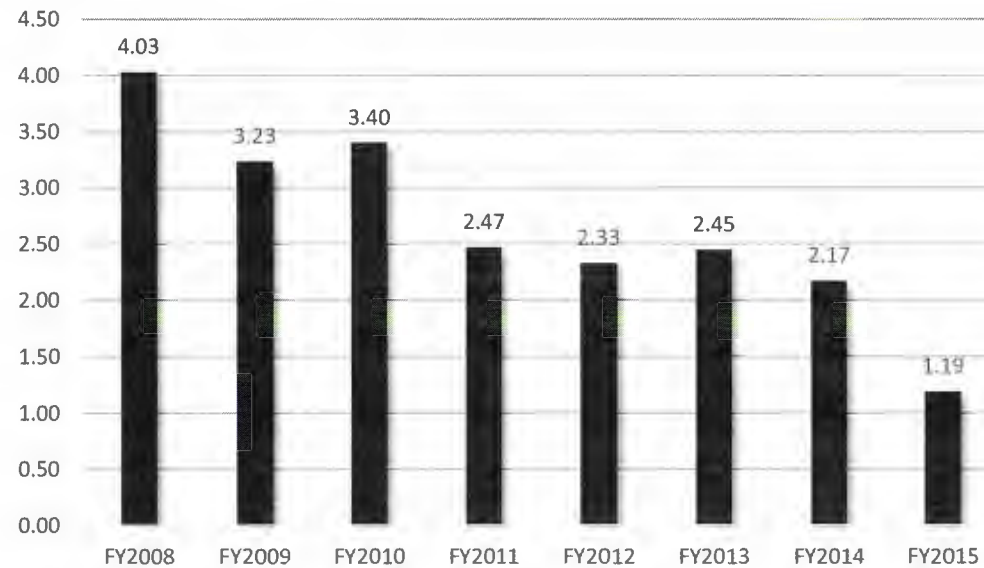
Statewide Accounting

Report Metrics:

- 22th consecutive year receiving the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association (GFOA) of the United States and Canada for the 2015 Comprehensive Annual Financial Report (CAFR)
- 18th consecutive year receiving the Award for Outstanding Achievement in Popular Annual Financial Reporting by the GFOA for 2015 Popular Report
- The CAFR has received an unqualified or “clean” audit opinion since 1994.
- North Carolina is one of only 9 States that have both AAA bond rating and received the GFOA Certificate of Achievement.
- For the last 5 years, completed the CAFR within 161 days or less. The average time for states to complete the FY 15 CAFR was 198 days.
- The 2015 CAFR was the 6th in completion time. Only 5 states (NY, Utah, Michigan, Washington, South Carolina) were faster.



State Agency Audits



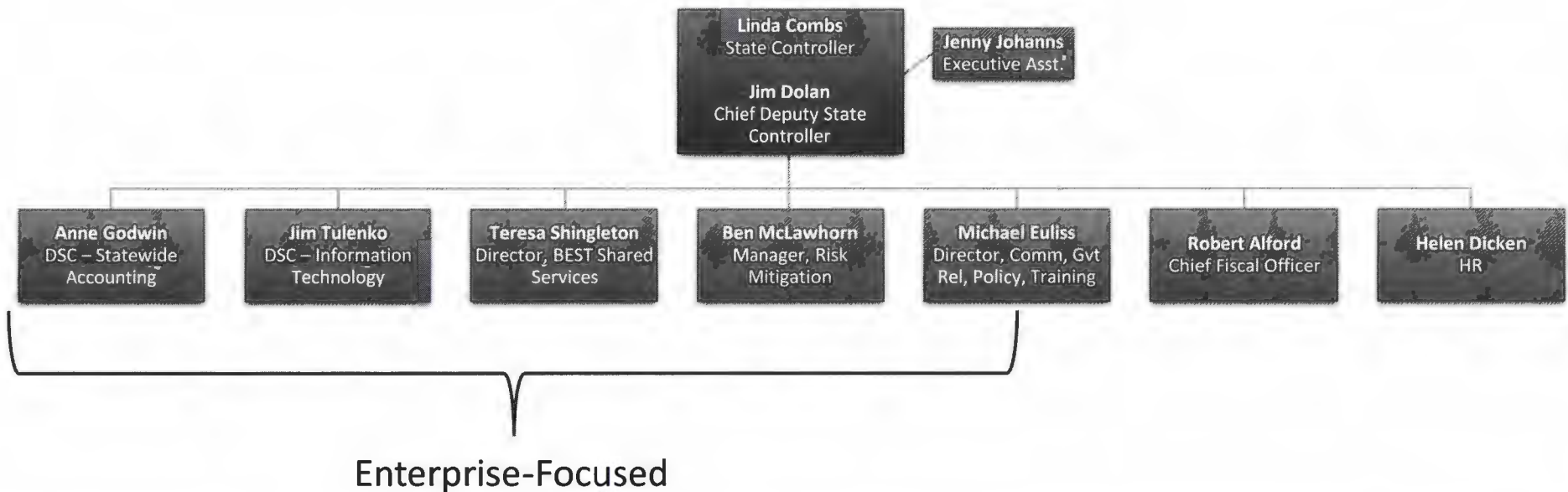
	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
Total Audits Reports Issued	133	152	85	79	107	93	76	38
Total Number of Reportable Audit Findings	33	47	25	32	46	38	35	32
Average Number of Audit Findings Per Audit	4.03	3.23	3.40	2.47	2.33	2.45	2.17	1.19

Between FY2009 and FY2015, there has been a 63% decline in the number of reportable audit findings per audit at state agencies.



Organization Structure

- ✓ Flat organizational structure; continuous evaluation and position compression since 2009
- ✓ Down ~39 positions or 19%; driven by efficiencies in operationalizing processes and consolidating areas
- ✓ Validation of steady state position count at 169 → need for temp employees for benefits enrollment/reconciliations



DSC = Deputy State Controller | Comm = Communications | Gvt Rel = Government Relations



Budget Request / Biennium Needs

OSC Appropriations Profile

	FY 15-16	FY 16-17	YTY	FY17-18	YTY	FY 18-19	YTY
Net Appropriation	\$22.85M	\$23.09M	1.1%	\$23.02M	-0.3%	\$23.20M	0.8%

2017-2019 Budget Submission to OSBM

Realignment of purchased services related to negotiated reduction of lease costs and increase in costs related to contractual enterprise software obligations and compliance requirements.

Increase (Decrease) 2017-2018	Increase (Decrease) 2018-2019	Description
\$(449,025)	\$(266,029)	Lease payments are being reduced as a result of a new lease term
\$381,804	\$382,404	Increased cost for obligations related to system maintenance, operations, as well as financial and payroll reporting compliance



Budget Request / Biennium Needs

Special Provision

This provision has been included in the budget for many years.

Overpayments Audit

- Receipts generated by the collection of inadvertent overpayments by State agencies to vendors as a result of pricing errors, neglected rebates and discounts, miscalculated freight charges, unclaimed refunds, erroneously paid excise taxes, and related errors are to be deposited in Special Reserve Account budget code 24172 as required by G.S. 147-86.22(c).
- Five hundred thousand dollars (\$500,000) per fiscal year of the funds in the Special Reserve Account budget code 24172 shall be used by the Office of the State Controller for data processing, debt collection, or e-commerce costs and are hereby appropriated for that purpose.
- The State Controller shall report quarterly to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on the revenue deposited into Special Reserve Account budget code 24172 and the disbursement of that revenue.



NC Financial Backbone Replacement Project



Cost Summary

- **Current Fiscal Year** - \$931K
- **2017-19 Biennium**
 - FY 2017/2018 - \$3.3M
 - FY 2018/2019 - \$37M
- **Following Biennium** - \$70M

Abstract

Just as roads and bridges are the physical infrastructure for the State; The NC Accounting System or Financial Backbone is the technology infrastructure for the state. Both need continuous improvement to ensure consistent, dependable service.

Critical Need

The current financial system's reporting capabilities do not meet the demands of the State:

- The current system presents difficulties in pulling consistent agency level data for General Assembly requests.
- The current financial system was developed over 25 years ago and the technology does not take into consideration modern day security requirements to protect the data.
- The current financial system is scheduled to go end of life in terms of support in 2023 with many of the technical support team supporting the system are eligible for retirement.
- The current financial system cannot accommodate modern financial subsystems such as grants management, fleet/facilities management and project level accounting.
- Many agencies to resort to finding ad-hoc non-integrated system solutions to accomplish their needs.

Recommendation

- Secure agreement from the Administration and General Assembly to adequately fund a new financial backbone for the State.
- Create RFPs for the software and system integrator.
- Commence project immediately.



Questions





VISITOR REGISTRATION SHEET

Appropriation, General Government

3/8/2017

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
George Robinson	DOI
Risha Fortson	SEANC
Sherrie Campbell	OSBM
CHRIS KAPSCH	OSBM
NELS ROSEAND	OSBM
Anthony Edwards	NCDOR
Jackie McKoy	NCDOR
Ken Wright	NCDOR



Committee Sergeants at Arms

NAME OF COMMITTEE Appropriation, General Government

DATE: 3/8/2017

Room: 425

House Sgt-At Arms:

1. Name: Warren Hawkins

2. Name: Doug Harris

3. Name: Malachi McCullough, Jr

4. Name: _____

5. Name: _____

Senate Sgt-At Arms:

1. Name: Charles Marsalis

2. Name: Giles Jeffreys

3. Name: _____

4. Name: _____

5. Name: _____



**Senate Committee on Appropriations on General Government and Information
Technology**

**Thursday, March 9, 2017 at 8:30 AM
Room 425 of the Legislative Office Building**

MINUTES

The Senate Committee on Appropriations on General Government and Information Technology met at 8:30 AM on March 9, 2017 in Room 425 of the Legislative Office Building. Five members were present.

Senator Jeffery P. Tarte, presided.

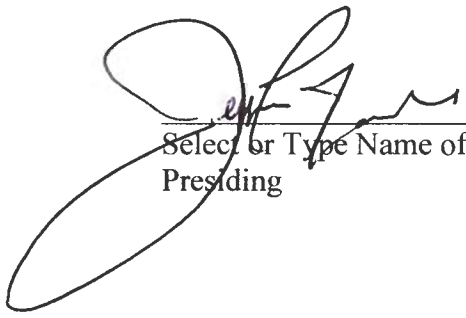
Senator Tarte called the meeting to order @ 8:34 a.m. He introduced the Sgt @ Arms and Pages. He then introduced Lisa Hollowell from fiscal staff. She shared the department of insurance hand out for review.

Senator Tarte then introduced Mike Causey (Commissioner of the Department of Insurance). He described his job and the duties therein. Commissioner Causey then introduced Brian Taylor (chief fire marshall) and opened the floor for questions.

Commissioner Causey followed up with an update on budget needs, status of the Albemarle Building renovation and move.

The members followed up with questions for Commissioner Causey and his staff regarding disaster relief, regulatory fees, position requirements, fraud issues, customer service requests, number of employees, structure and organization of management positions, number of legal staff and IT requirements.

The meeting adjourned at 9:55 a.m.



Select or Type Name of Presiding Chair
Presiding



Jan Copeland, Committee Clerk



Principal Clerk
Reading Clerk

SENATE
NOTICE OF JOINT COMMITTEE MEETING
AND
BILL SPONSOR NOTICE

The **Senate Committee on Appropriations on General Government and Information Technology** will meet at the following time:

DAY	DATE	TIME	ROOM
Thursday	March 9, 2017	8:30 AM	425 LOB

Senator Jeff Tarte chairing
Agency presentations continue

Senator John M. Alexander, Jr., Co-Chair
Senator Tamara Barringer, Co-Chair
Senator Jeff Tarte, Co-Chair



Joint Appropriations Committee on General Government
March 9, 2017; 8:30 AM
LOB 425
Agenda

Chairs:

Sen. Jeff Tarte, Presiding
Rep. George Cleveland
Sen. Tamara Barringer
Rep. Dennis Riddell
Sen. John Alexander

Chair's Opening Comments

Department of Insurance
Overview

Lisa Hollowell, FRD

Department of Insurance

Mike Causey, Commissioner
NC Department of Insurance

Committee Discussion



Department of Insurance Overview

**Joint Appropriations Committee on
General Government**

March 9, 2017



FISCAL RESEARCH DIVISION
A Staff Agency of the North Carolina General Assembly

March 9, 2017

Department of Insurance Presentation Outline

- Authorizing Laws
- Responsibilities
- Budget
- Recent Legislative Actions
- Agency Request for Information



Department of Insurance

Statutory Authority

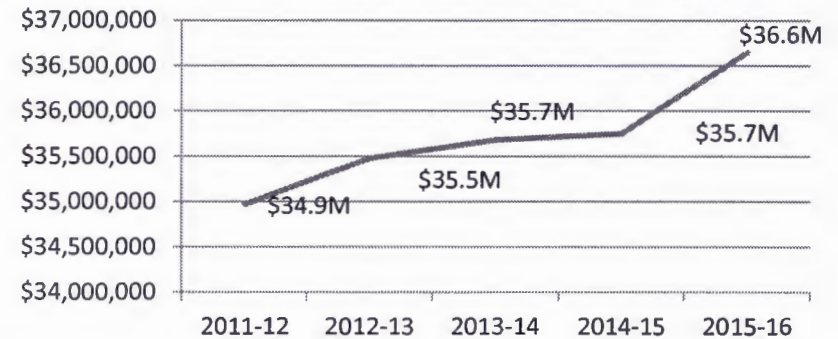
- Commissioner of Insurance is a member of the Council of State
- Constitution - Article 3, Section 7 creates the office of Commissioner of Insurance, elected to four-year terms
- GS Chapter 58 establishes a department, which is charged with the execution of laws relating to insurance and other responsibilities placed under the Department. Designates the Commissioner of Insurance as the chief officer of the department.
- Designates the Commissioner as State Fire Marshal

Department Mission

- The North Carolina Department of Insurance serves the citizens of North Carolina through consumer protection and education, safety training and promotion, and regulation of specified activities and industries. This is accomplished by:
 - Assuring an optimum marketplace in which consumers can readily purchase fairly-priced insurance products from sound, responsive entities
 - Educating the public in loss prevention and safety awareness, and by developing life safety standards;
 - Maintaining a well-managed, fiscally-responsible organization staffed by knowledgeable, courteous, professional employees.
- At all times, the affairs of the department are conducted in an open, ethical manner and in the best interests of the public.



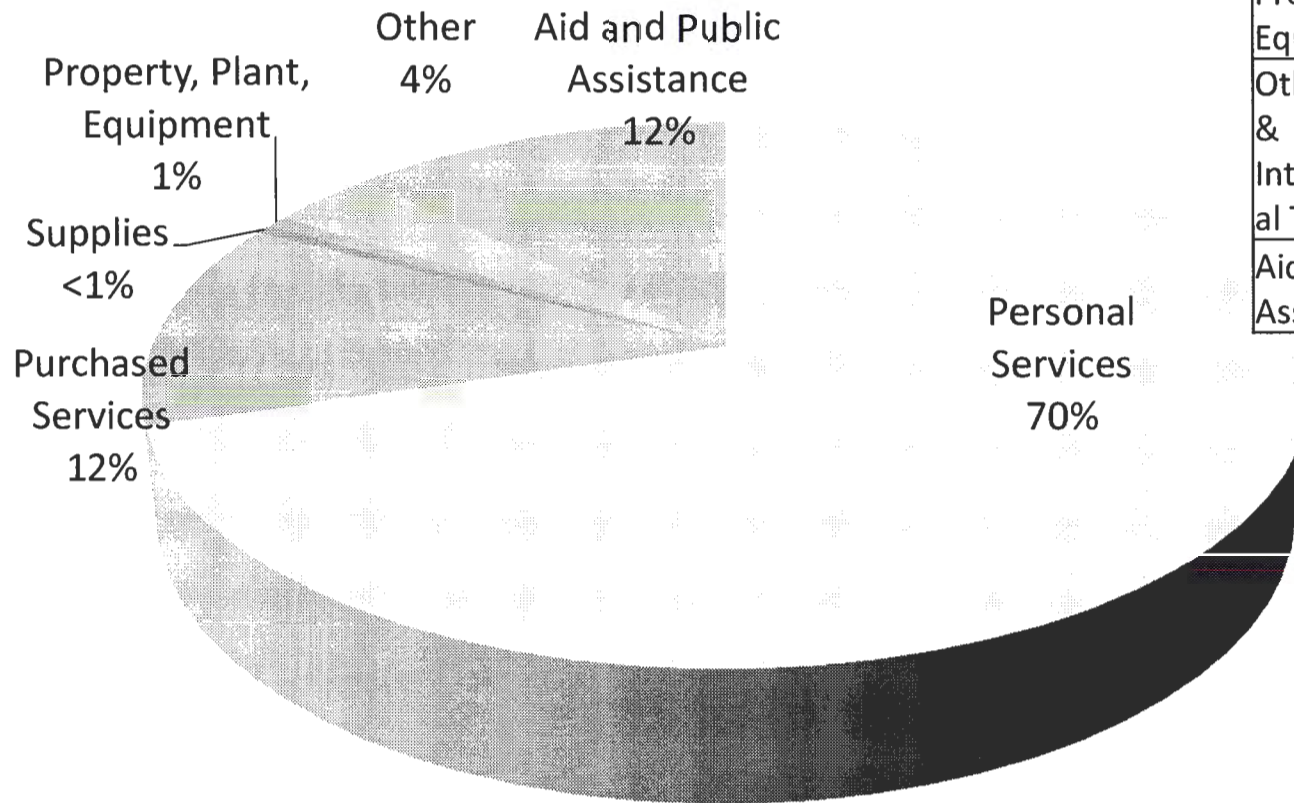
Budget



	FY 2015-16 Actual Budget	FY 2016-17 Authorized Budget	Base Budget FY 2017-18	Base Budget FY 2018-19
*Total Requirements	\$47,260,232	\$53,153,887	\$50,457,372	\$50,459,537
Receipts	\$10,613,460	\$10,816,448	\$10,666,688	\$10,666,688
GF Appropriations	\$36,646,772	\$42,337,439	\$39,790,684	\$39,792,849
Full Time Equivalent (FTE) Positions	416.18	420.18	420.18	420.18

Total Requirement includes Budget Code 13900.

Base Budget Composition FY 2017-19



Personal Services	\$35.6 M
Purchased Services	\$6.2 M
Supplies	\$268,509
Property, Plant, Equipment	\$350,697
Other Expenses & Intergovernmental Transfers	\$1.8 M
Aid and Public Assistance	\$6.3 M

Revenues

- Insurance Regulatory Fee
 - Set annually by the General Assembly
 - Collected by Department of Revenue and transferred to DOI
 - Currently 6.5% and generates approximately \$36 M annually
 - Rate may not exceed funds needed to defray cost of operations by Department of Insurance plus a reserve not to exceed 1/3rd of the estimated cost of operations for upcoming year (G.S. 58-6-25)
 - Last change was in 2015; added the Industrial Commission as an eligible expense for this fund
- Gross Premiums Tax (property)
 - Additional tax on property coverage contracts
 - Funds The Volunteer Fire Department Fund, Fireman's Relief Fund, and The Volunteer Safety Workers' Compensation Fund
- Other Revenues and Receipts
 - Premium Taxes, Insurance Company Business Licenses, Fee Receipts, Rate/Form Filings, Insurance Agent Examinations and other Insurance Company Fees are deposited directly into a non-tax revenue account and not available to DOI.

Other Receipts

Premium payments by State Agencies

Division of Motor Vehicles Inspection fees for North
Carolina Rescue Relief Fund and Grant Program

Federal Funds

Senior Assistance

Others

Fees

License

Certification

Training

Sale of publications

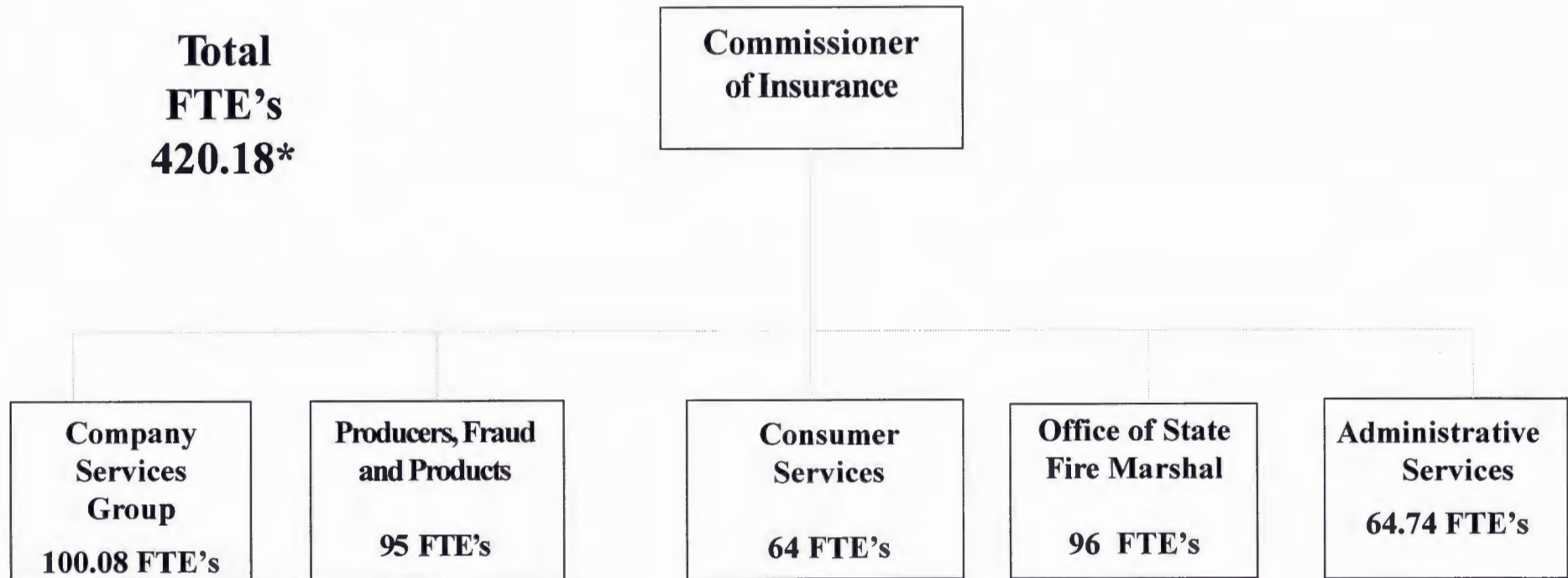
Examinations

Audits

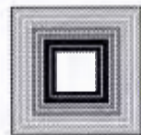
Fines



Organizational Structure (function)



* 2017-18 Base



FISCAL RESEARCH DIVISION
A Staff Agency of the North Carolina General Assembly

March 9, 2017

Departmental Responsibilities

- License and Regulate the Insurance Industry; companies and professionals
- Educate consumers
- Respond to complaints
- The Insurance Commissioner is the State Fire Marshal
- Consumer Protection Services
 - Assist consumers
 - Monitor insurance companies' compliance with laws and market conduct
- Regulatory Activities and Oversight of Other Industries



Administrative Services Division

Management Activities

Personnel

Controller's Office

Public Information Office

General Counsel

Information Systems

Internal Audit

Administrative Services FY 2017-18 Base	
Requirements	\$7,704,434
Receipts	\$121,726
Appropriations	\$7,582,708
FTEs	64.74



Company Services Group

Solvency Oversight
Regulate Market – Examine Insurance Companies
Monitor Troubled Insurers
Captives Insurance – 2013 legislation

Insurers
Company Admissions
Financial Analyses
Examination Section

Non-Insurers
Oversight
Consumer Disclosure reports
Offering of insurance programs by employers

Company Services Group FY 2017-18 Base	
Requirements	\$10,567,762
Receipts	\$27,676
Appropriations	\$10,540,086
FTEs	100.08



Consumer Assistance Group

Consumer Assistance

Respond to inquiries and complaints

Smart NC - External Review Program

Assist consumers, employers, healthcare providers
and insurance professionals

Seniors Health Insurance Information Program (SHIIP)

Consumer Assistance Group FY 2017-18 Base	
Requirements	\$6,392,063
Receipts	\$2,705,623
Appropriations	\$3,686,440
FTEs	64

Producers, Fraud, and Products

Producers, Fraud & Products FY 2017-18 Base	
Requirements	\$9,433,728
Receipts	\$3,198,158
Appropriations	\$6,235,570
FTEs	93

- Regulation of Agents
 - Licensing, Registering, and/or Granting Authority
 - Continuing education
- Insurers, Brokers, Appraisers, Collection Agencies, Bail Bondsmen, Premium Finance Companies
 - Budget is partially supported by receipts through course offerings
- Investigation of fraud
- Review rate filings
 - Life & Health
 - Property & Casualty
 - Rate Bureau

Office of State Fire Marshal

NC Building Code

Occupational Licensure

Certifications

Manufactured Buildings

State Property Fire Insurance Fund (SPFIF)

Fire Protection Grant Fund

Local Assistance

Fire & Rescue Personnel Training

Grants Administration & Safe Kids

Office of State Fire Marshal FY 2017-18 Base	
Requirements	\$15,731,158
Receipts	\$4,613,505
Appropriations	\$11,117,653
FTEs	96.36

Office of State Fire Marshal

Prevention, Programs, and Grants Division

Grant Program	Annual Grant Amount
Firefighters' Relief Fund	\$6.9 m
Rescue Squad Workers' Relief Fund	\$1 m
Volunteer Fire Department Fund Matching Grant	\$9.4 m
Volunteer Rescue/EMS Fund Matching Grant	\$1.8 m
**Other Programs – Buckle Up Kids, Safe Kids NC, Fire Safety Efforts and Campaigns	



Recent Legislative Actions

FY 2016-17

- Funding for Equipment and IT Infrastructure for the Albemarle Building \$1 million
- Captives Insurance staffing \$150k
- Consumer Assistance Staff 2 FTE's \$122k
- Building Code Registry Online Accessibility \$425k NR
- Fraud Investigator 1 FTE \$95k

FY 2015-16

- Continuation Reviews of Grant Programs
- Industrial Commission - \$2.4 million transfer from Regulatory Fund

Information Requested from Department of Insurance

How do you measure your agency's effectiveness and outcomes?

How do you measure efficiency within your agency/department? Do you have metrics that you use to monitor agency performance? If so, please provide.

Are you planning any changes to the current structure of your organization? Will this impact your agency's budget?

What are your overall goals for your department/agency over the next biennium?

What are your budget requests/needs for the biennium? Please discuss the items in the Governor's budget.

What is the status of the move into the newly renovated Albemarle Building?

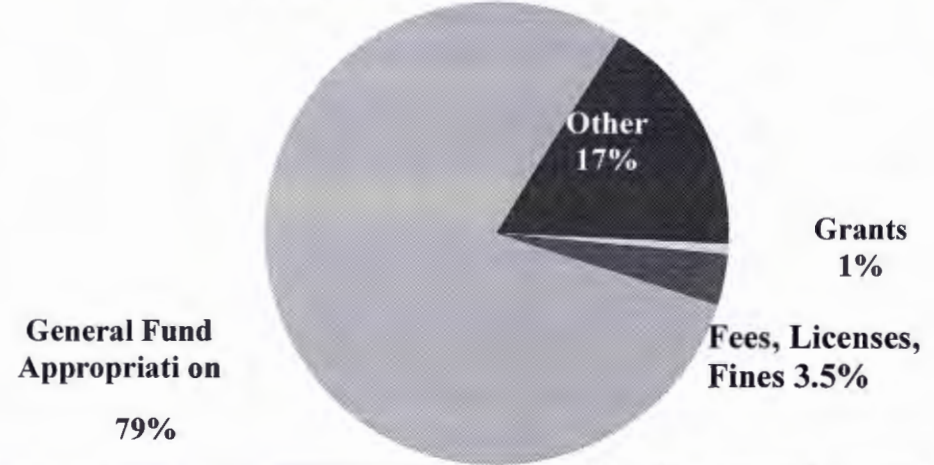
How have the disaster relief funds been administered?

Department of Insurance-Base Budget Review

FY 2017-19 Base - Expenditures



FY 2017-19 Base - Source of Funds

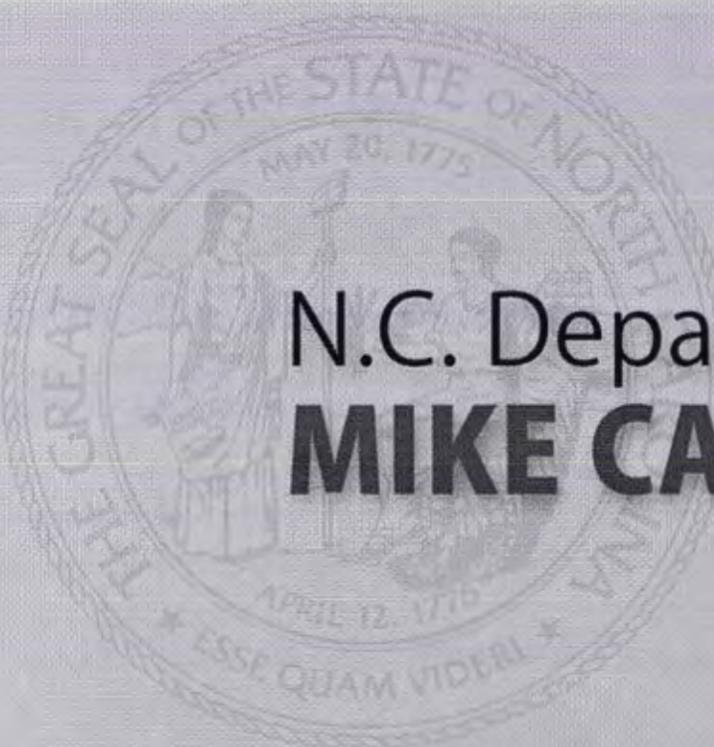


Requirements	Actual FY 2015-16	Certified FY 2016-17	Authorized FY 2016-17	Increase/ (Decrease) FY 2017-18	Total Base FY 2017-18	Increase/ (Decrease) FY 2018-19	Total Base FY 2018-19
Personal Services	\$32,527,268	\$35,526,531	\$35,444,087	\$140,057	\$35,584,144	\$140,057	\$35,584,144
Purchased Services	\$4,822,764	\$6,684,248	\$6,839,847	(\$150,000)	\$6,157,298	(\$680,384)	\$6,159,463
Supplies	\$430,085	\$872,715	\$268,509	\$0	\$268,509	\$0	\$268,509
Property, Plant, Equipment	\$1,092,423	\$1,065,788	\$1,094,697	(\$7,306)	\$350,697	(\$744,000)	\$350,697
Other Expenses & Intergovernmental Transfers	\$2,047,944	\$1,961,824	\$2,064,514	\$0	\$1,812,491	(\$252,023)	\$1,812,491
Aid and Public Assistance	\$6,339,748	\$7,197,524	\$7,442,233	(\$99,985)	\$6,284,233	(\$1,158,000)	\$6,284,233
TOTAL REQUIREMENTS	\$47,260,232	\$53,308,630	\$53,153,887	(\$117,234)	\$50,457,372	(\$2,694,350)	\$50,459,537

Receipts	Actual FY 2015-16	Certified FY 2016-17	Authorized FY 2016-17	Increase/ (Decrease) FY 2017-18	Total Base FY 2017-18	Increase/ (Decrease) FY 2018-19	Total Base FY 2018-19
Grants	\$340,654	\$440,500	\$358,696	\$0	\$358,696	\$0	\$358,696
Fees, Licenses, and Fines	\$2,789,462	\$1,749,573	\$1,813,073	\$0	\$1,813,073	\$0	\$1,813,073
Other	\$82,350	\$74,570	\$72,764	\$0	\$72,764	\$0	\$72,764
Governmental Transfers	\$7,400,994	\$8,706,548	\$8,571,915	(\$149,760)	\$8,422,155	(\$149,760)	\$8,422,155
TOTAL RECEIPTS	\$10,613,460	\$10,971,191	\$10,816,448	(\$149,760)	\$10,666,688	(\$149,760)	\$10,666,688
NET APPROPRIATION	\$36,646,772	\$42,337,439	\$42,337,439	\$32,526	\$39,790,684	(\$2,544,590)	\$39,792,849
FTE	416.18	521.68	420.18	0	420.18	0	420.18

Questions?



The background features a faint, circular seal of the State of North Carolina. The seal contains the text "THE GREAT SEAL OF THE STATE OF NORTH CAROLINA" around the perimeter. Inside the seal, it says "MAY 20, 1775" at the top and "APRIL 12, 1776" at the bottom. The central image of the seal depicts two female figures, Liberty and Justice, holding a shield. Below the shield is a banner with the motto "ESSE QUAM VIDERI".

N.C. Department of Insurance
MIKE CAUSEY, Commissioner

DID YOU KNOW?

The Insurance
Commissioner is also,
STATE FIRE MARSHAL



BY THE NUMBERS...

NCDOI uses a variety of different metrics to measure our performance, effectiveness and outcomes.

BY THE NUMBERS...

CONSUMER SERVICES – assisted over 150,000 people with questions or complaints:

Medicare:

- Helped 105,086 consumers on general questions
- Over 6,134 recipients helped to apply for federal low-income subsidy to save on prescription drug costs. Cost savings: **more than \$15 million.**

Life and Health insurance:

- Handled 37,700 calls and 8,537 written complaints and appeals
- Handled 504 requests for external reviews for denied medical claims.
- Resulted in **\$9.1 million returned or saved** to consumers.

BY THE NUMBERS...

CONSUMER SERVICES

Homeowners, Auto, and other Insurance:

- Handled 20,751 calls and 4,821 written complaints from consumers
- **Recovered approximately \$1.7 million** in benefits from insurance companies



BY THE NUMBERS...

SMART NC

- Calls: 8,830
- Complaints: 265
- Medical Appeals: 633
- Medical Appeal and Complaint Recovered Benefits for Consumers: **\$79,023**
- External Review Cases: 504
- External Review Recovered Benefits for Consumer: **\$2,244,489.20**



BY THE NUMBERS...

OFFICE OF STATE FIRE MARSHAL

Inspections

- 9S Standard Inspections: 121
- Survey Rating Inspections: 169
- Classes taught – 9S Surveys: 16
- Students Attending: 250
- Attendees at Upgrade Classes: 342



BY THE NUMBERS...

MARKET REGULATION DIVISION

Through market conduct examinations and investigations, NCDOL ordered **\$1,342,856** returned to policyholders.



BY THE NUMBERS...

CRIMINAL INVESTIGATIONS DIVISION

- Received 4,523 referrals related to insurance fraud in 2016
- All referrals reviewed -- 514 assigned to one of our 20 investigators
- 233 arrests
- 153 successful prosecutions
- **Recovered around \$5M** from these prosecutions



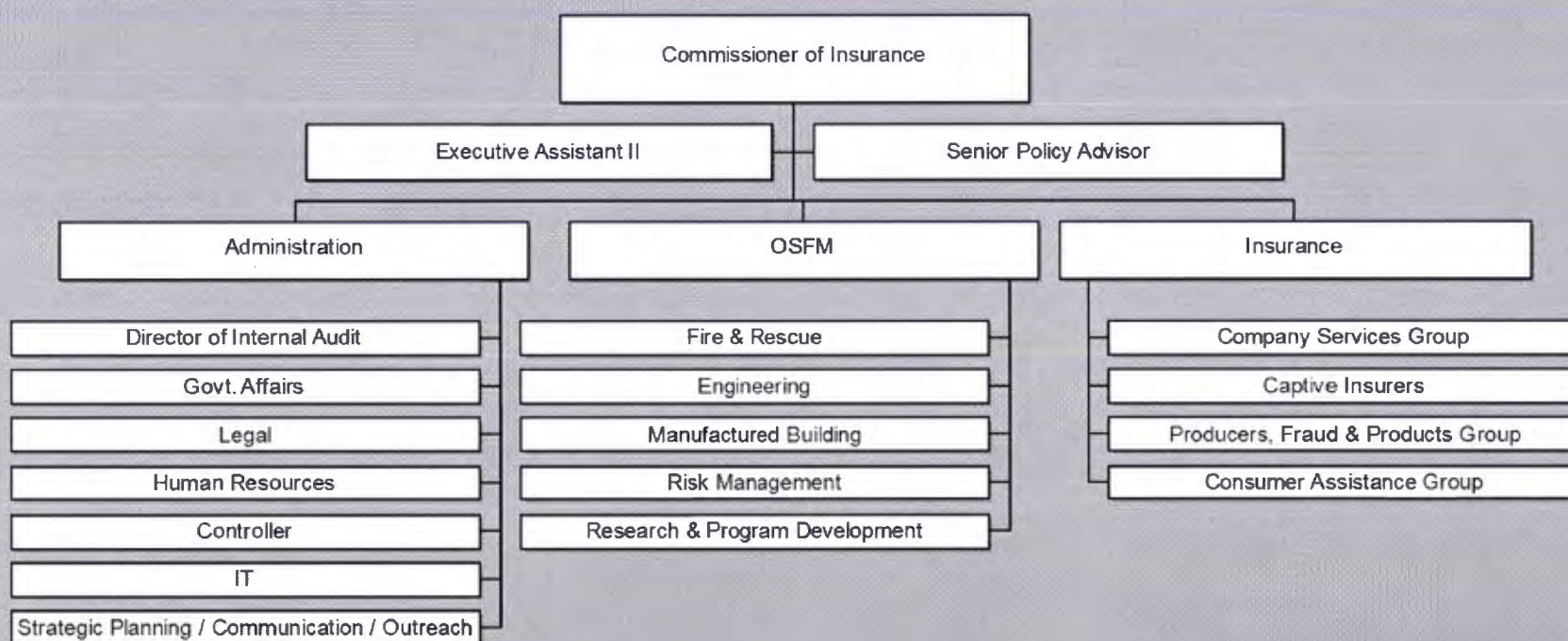
BY THE NUMBERS...

CAPTIVE INSURANCE DIVISION

- More than DOUBLED the number of licensed captive insurers in 2016
- Over 550 risk bearing captive insurance entities in NC



ARE YOU PLANNING CHANGES TO CURRENT NCDOI STRUCTURE?



WHAT ARE OVERALL GOALS FOR NCDOI?

- Identify, investigate, prosecute insurance fraud
- Increase fire department services and inspections to lower consumers' insurance costs
- Continue NCDOI excellent customer service

WHAT ARE NCDOI BUDGET REQUESTS; NEEDS?

GOVERNOR'S BUDGET

- Items 1, 2, & 3: Support anything to support state employees
- Item 4: Support additional funds for Albemarle Building lease
- Item 5: Support restoration - assist local fire districts
- Item 6: Supporting anything that helps combat insurance fraud is a top priority

WHAT IS STATUS OF NCDOT MOVE TO ALBEMARLE BUILDING?

MOVE TO ALBEMARLE

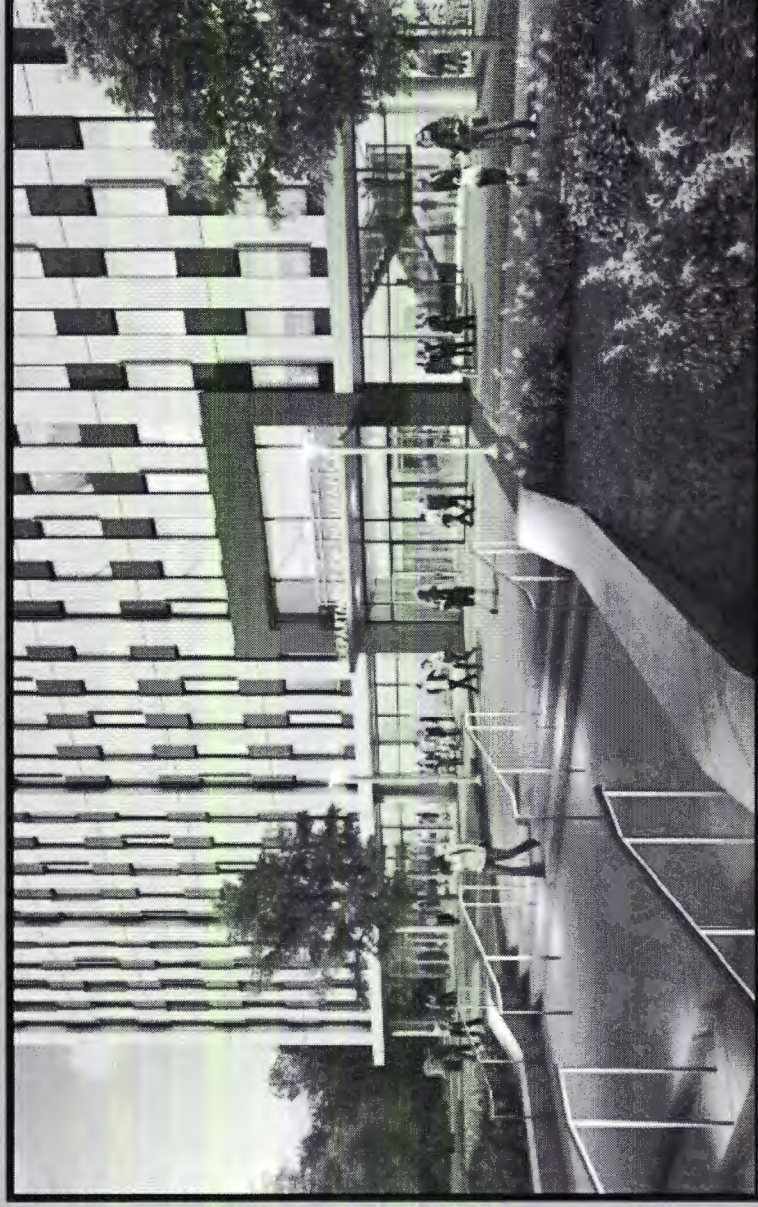
- Receive Certificate of Occupancy in next few days
- IT starts move next week
- Incremental staff moves begin first of April
- Move lasts 4-5 weeks



HOW HAVE DISASTER FUNDS BEEN ADMINISTERED?

- During NCGA special session -- \$1 million appropriated to NCDOI to award (pass-through) to volunteer fire departments
- For repairs of damages caused by Hurricane Matthew, wildfires in western part of NC, and Tropical Storms Julia and Hermine -- not covered by federal assistance or proceeds of insurance policies
- We begin to accept and evaluate requests for disbursement of the \$1 million on March 20th.

THE NORTH CAROLINA DEPARTMENT OF INSURANCE



N.C. Department of Insurance | **MIKE CAUSEY, Commissioner**

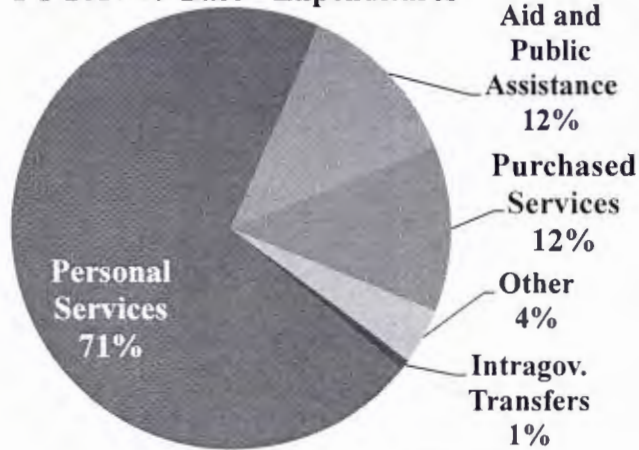
Department of Insurance – Special Funds

Budget Code	Budget	Primary Purpose
23900	\$47 M	Regulatory Fund & Consumer Protection Program, Volunteer Fire and Rescue Grant Programs
23901	\$1.3M	Rescue Squad Workers' Relief Fund, Fireman's Relief Fund, Manufactured Housing
23902	\$9.7M	Grants and Training (Inspection Fees, etc.)
23903	\$128K	Small Grants
63900	\$3 M	Insurance of State Property
63901	\$7.3M	Fireman's Relief Fund
63902	\$9.7M	Volunteer Safety Workers' Compensation Fund
63903	\$17.2M	State Property Fire Insurance Fund

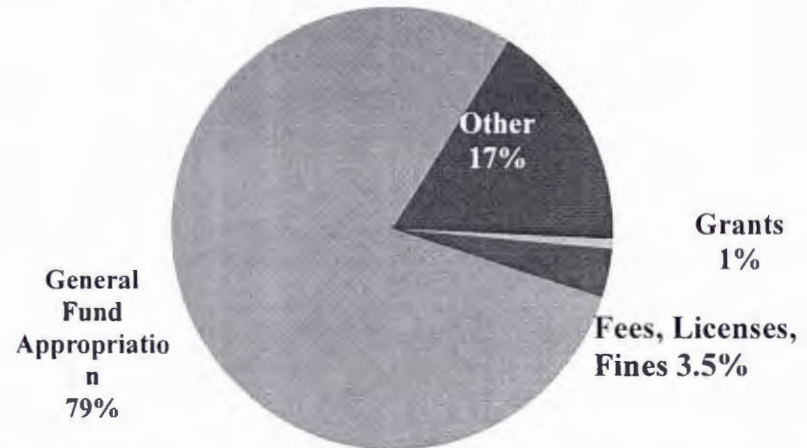


Department of Insurance-Base Budget Review

FY 2017-19 Base - Expenditures



FY 2017-19 Base - Source of Funds



Requirements	Actual FY 2015-16	Certified FY 2016-17	Authorized FY 2016-17	Increase/ (Decrease) FY 2017-18	Total Base FY 2017-18	Increase/ (Decrease) FY 2018-19	Total Base FY 2018-19
Personal Services	\$32,527,268	\$35,526,531	\$35,444,087	\$140,057	\$35,584,144	\$140,057	\$35,584,144
Purchased Services	\$4,822,764	\$6,684,248	\$6,839,847	(\$682,549)	\$6,157,298	(\$680,384)	\$6,159,463
Supplies	\$430,085	\$872,715	\$268,509	\$0	\$268,509	\$0	\$268,509
Property, Plant, Equipment	\$1,092,423	\$1,065,788	\$1,094,697	(\$744,000)	\$350,697	(\$744,000)	\$350,697
Other Expenses & Intergovernmental Transfers	\$2,047,944	\$1,961,824	\$2,064,514	(\$252,023)	\$1,812,491	(\$252,023)	\$1,812,491
Aid and Public Assistance	\$6,339,748	\$7,197,524	\$7,442,233	(\$1,158,000)	\$6,284,233	(\$1,158,000)	\$6,284,233
TOTAL REQUIREMENTS	\$47,260,232	\$53,308,630	\$53,153,887	(\$2,696,515)	\$50,457,372	(\$2,694,350)	\$50,459,537

Receipts	Actual FY 2015-16	Certified FY 2016-17	Authorized FY 2016-17	Increase/ (Decrease) FY 2017-18	Total Base FY 2017-18	Increase/ (Decrease) FY 2018-19	Total Base FY 2018-19
Grants	\$340,654	\$440,500	\$358,696	\$0	\$358,696	\$0	\$358,696
Fees, Licenses, and Fines	\$2,789,462	\$1,749,573	\$1,813,073	\$0	\$1,813,073	\$0	\$1,813,073
Other	\$82,350	\$74,570	\$72,764	\$0	\$72,764	\$0	\$72,764
Governmental Transfers	\$7,400,994	\$8,706,548	\$8,571,915	(\$149,760)	\$8,422,155	(\$149,760)	\$8,422,155
TOTAL RECEIPTS	\$10,613,460	\$10,971,191	\$10,816,448	(\$149,760)	\$10,666,688	(\$149,760)	\$10,666,688
NET APPROPRIATION	\$36,646,772	\$42,337,439	\$42,337,439	(\$2,546,755)	\$39,790,684	(\$2,544,590)	\$39,792,849
FTE	416.18	521.68	420.18	0	420.18	0	420.18



VISITOR REGISTRATION SHEET

Appropriations, General Government

3/9/2017

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
CHRIS KAPSCH	OSBM
Ken Wight	NC DOR
Sherrie Campbell	OSBM
Caroline Miller	AMGA
Susanna Davis	OSIR
Madeline Hurley	Ward and Smith, P.A.
BENNIE AIKEN	NC DOI
George Robinson	DOI
BRIAN TAYLOR	DOI/OSFM
Ted Brown	DOI
Megan Cook	DOI



VISITOR REGISTRATION SHEET

Appropriations, General Government

3/9/2017

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Dr. Michelle Osborne

DOI

Mike Causey

DOI

Anteigen

NMRS

Nelson Freeman

Speakers Moore



Senate Pages Attending

COMMITTEE: Jt. Apps. General Gov't & T ROOM: 425

DATE: 3-9 TIME: 8:30

PLEASE PRINT LEGIBLY!!!!!!!!!!!!!!.....or else!!!!!!

	Page Name	Hometown	Sponsoring Senator
1.	Andrew Andrew Beck	New London	McKinnis
2.	Abby Levey	Raleigh	Chaudhuri
3.			
4.			
5.			
6.			
7.			
8.			

Pages: Present this form to either the Committee Clerk at the meeting or to the Sgt-at-Arms.



6



**House Pages
Assignments
Thursday, March 09, 2017
Session: 11:00 AM**

Committee	Room	Time	Staff	Comments	Member
Appropriations on General Government and Information Technology	425	8:30 AM	^{Keen} Rayquian Jones		Rep. Speaker Tim Moore
			^{Di2Ne/13} Brian Ornelas		Rep. Speaker Tim Moore
Appropriations on Health and Human Services	643	8:30 AM	Christopher Irvin		Rep. Speaker Tim Moore
			Tyler Phillips		Rep. Mike Clampitt
Appropriations, Agriculture and Natural and Economic Resources	415	8:30 AM	Nikyah Bowers		Rep. Speaker Tim Moore
			Leonardo Tamburro		Rep. Gale Adcock
Appropriations, Agriculture and Natural and Economic Resources	421	8:30 AM	Dylan Gabard		Rep. Speaker Tim Moore
			Michael Lee		Rep. Speaker Tim Moore
Appropriations, Education	Other	8:30 AM	Kaleah Poole		Rep. Speaker Tim Moore
			Mahlaysia Thomas		Rep. Speaker Tim Moore





**Joint Committee on Appropriations, General Government
Tuesday, March 14, 2017 at 8:30 AM
Room 425 Legislative Office Building**

MINUTES


The Joint Committee on Appropriations, General Government met at 8:30 AM on March 14, 2017 in Room 425 Legislative Office Building. Representatives Adcock, Ager, Clampitt, Cleveland, Floyd, Ford, Pierce, and Riddell attended. Reps. Brody and Pittman had an excused absence. Senators Alexander, Barringer, Tarte, Edwards, and Van Duyn were in attendance. Staff Members Lisa Hollowell, Cara Bridges, and Chris Hearley were in attendance. Attached to the Minutes are the Staff for the Sergeant at Arms (Attachment #1), the Pages for the meeting (Attachment #2), and the attendance sheets for agency representatives and the public visitors (Attachment #3).

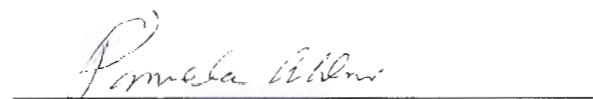
Rep. George G. Cleveland presided.

Cara Bridges from the Fiscal Research Division gave an Overview of the Office of the State Auditor (Attachment #4). There were no questions regarding her presentation.

State Auditor Beth Wood presented the work of her agency (Attachment #5). Sen. Alexander asked what enforcement and compliance measures her audits had. Ms. Wood responded that the agency has subpoena power but can't force action. There needs to be legislation for changes, i.e., a follow-up audit, bring the agency head in front of the committee to testify, penalties of some kind, or a reduced budget. Ms. Wood also highlighted the fact that there are many contracts without non-performance clauses or penalties. Contracts of 10 million dollars or more should have heavier scrutiny and non-performance clauses. It was suggested that the DOA hire a subject matter expert to monitor contracts and give greater oversight. Ms. Wood stated that her agency responds to every allegation of fraud within 30 days. The layers and span of control issues that were highlighted in the PED report of December 2017 are inefficiencies in state government. 48 % of the state workforce supervises 3-4 people. Audits bring inefficiencies to light, but the Auditor cannot assign a value to those inefficiencies. Ms. Wood stated that she is trying to get a 4 year rotation for licensing board audits, since each board is independent. Rep. Cleveland stated that the leadership and the Legislature should address the issues identified by the Auditor.

The meeting was adjourned at 9:40 AM.


Rep. George G. Cleveland
Presiding


Pamela Ahlin, Committee Clerk



**NORTH CAROLINA HOUSE OF REPRESENTATIVES
JOINT COMMITTEE MEETING NOTICE
AND
BILL SPONSOR NOTIFICATION
2017-2018 SESSION**

You are hereby notified that the **House Committee on Appropriations, General Government** will meet **JOINTLY** as follows:

DAY & DATE: Tuesday, March 14, 2017

TIME: 8:30 AM

LOCATION: 425 LOB

COMMENTS: Rep. Cleveland will chair this Joint budget meeting.

Respectfully,

Representative George G. Cleveland, Co-Chair
Representative Dennis Riddell, Co-Chair

I hereby certify this notice was filed by the committee assistant at the following offices at 10:31 AM on Thursday, March 09, 2017.

____ Principal Clerk
____ Reading Clerk – House Chamber

Pamela Ahlin (Committee Assistant)



Joint Appropriations Committee on General Government
March 14, 2017; 8:30 AM
LOB 425
Agenda

Chairs:

Rep. George Cleveland, presiding
Sen. Tamara Barringer
Rep. Dennis Riddell
Sen. John Alexander
Sen. Jeff Tarte

Chair's Opening Comments

Office of the State Auditor
Overview

Cara Bridges, FRD

Office of the State Auditor

State Auditor Beth Wood

Committee Discussion



Committee Sergeants at Arms

NAME OF COMMITTEE House Committee on Appropriation, General Government

DATE: 3/14/2017 Room: 425

House Sgt-At Arms:

1. Name: Warren Hawkins
2. Name: Doug Harris
3. Name: Malachi McCullough, Jr.
4. Name: _____
5. Name: _____

Senate Sgt-At Arms:

1. Name: Giles Jeffreys
2. Name: Sham Patel
3. Name: _____
4. Name: _____
5. Name: _____



**House Pages
Assignments
Tuesday, March 14, 2017
Session: 2:00 PM**

Committee	Room	Time	Staff	Comments	Member
Appropriations on Department of Transportation	1027/1128	8:30 AM	Emilie Norwood		Rep. Speaker Tim Moore
			Emily Pennington		Rep. Speaker Tim Moore
Appropriations on Education / Higher Education	Other	8:30 AM	Marissa Huggins		Rep. Mike Clampitt
			Sophia Sload		Rep. Speaker Tim Moore
Appropriations on General Government and Information Technology	425	8:30 AM	Savannah Barnes		Rep. Speaker Tim Moore
			Eleanor McNamee		Rep. Speaker Tim Moore
Appropriations on Justice and Public Safety	415	8:30 AM	Hannah Bethea		Rep. Garland Pierce
			Makenzie Waites		Rep. Sarah Stevens
Appropriations, Agriculture and Natural and Economic Resources	421	8:30 AM	Emily Kornegay		Rep. Speaker Tim Moore
			Hannah Lewis		Rep. Speaker Tim

ATTACHMENT # 2



Senate Pages Attending

COMMITTEE: Jt. Apps. General Gov't & Infor. Tech. ROOM: 425

DATE: 3-14 TIME: 8:30

PLEASE PRINT LEGIBLY!!!!!!!!!!!!!!.....or else!!!!!!

Page Name	Hometown	Sponsoring Senator
1. Aleksia kleine	Cary	Sn. Tamara Barringer
2. Katie Grush	Holly Springs	senator Tamara Barringer
3. Diana Jasany	Mooreville	Sn. David Curtis
4.		
5.		
6.		
7.		
8.		

Pages: Present this form to either the Committee Clerk at the meeting or to the Sgt-at-Arms.



VISITOR REGISTRATION SHEET

Joint Appropriations General Government

March 14, 2017

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Bill Holmes	Office of the State Auditor
Beth Wood	"
Kent McLamb	"
CHRIS KAPSCH	OSBM
Caroline Miller	AMGA
Ken Wright	NC DOR
George Robinson	DOI
Melvin Cook	NC DOI
Nelson Foreman	Speakers
Flint Benson	SEANC
SAM WATTS	NC Dept of State Treasurer

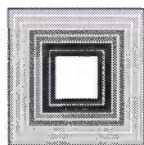


North Carolina Office of the State Auditor (OSA)

Agency Overview

Joint Appropriations Committee on General Government

March 14, 2017



FISCAL RESEARCH DIVISION
A Staff Agency of the North Carolina General Assembly

Outline

- Authorizing Laws & Responsibilities
- Mission & Vision Statement
- Budget Overview
- Audit Types
- Recent Legislative Actions
- Information Requested



Office of the State Auditor

Authorizing Laws & Responsibilities

- NC Constitution Article III
 - Section 7: Officer of the State, election terms
 - Section 8: Council of State
- G.S. 143A (Article III): Creation of the Office

Office of the State Auditor

Authorizing Laws & Responsibilities

- G.S.147, Article 5A includes:
 - Duties and responsibilities
 - Methods of receiving ‘tips’
 - Broad authority to access financial records
 - Ability to use contracted services

Office of the State Auditor

Mission & Vision

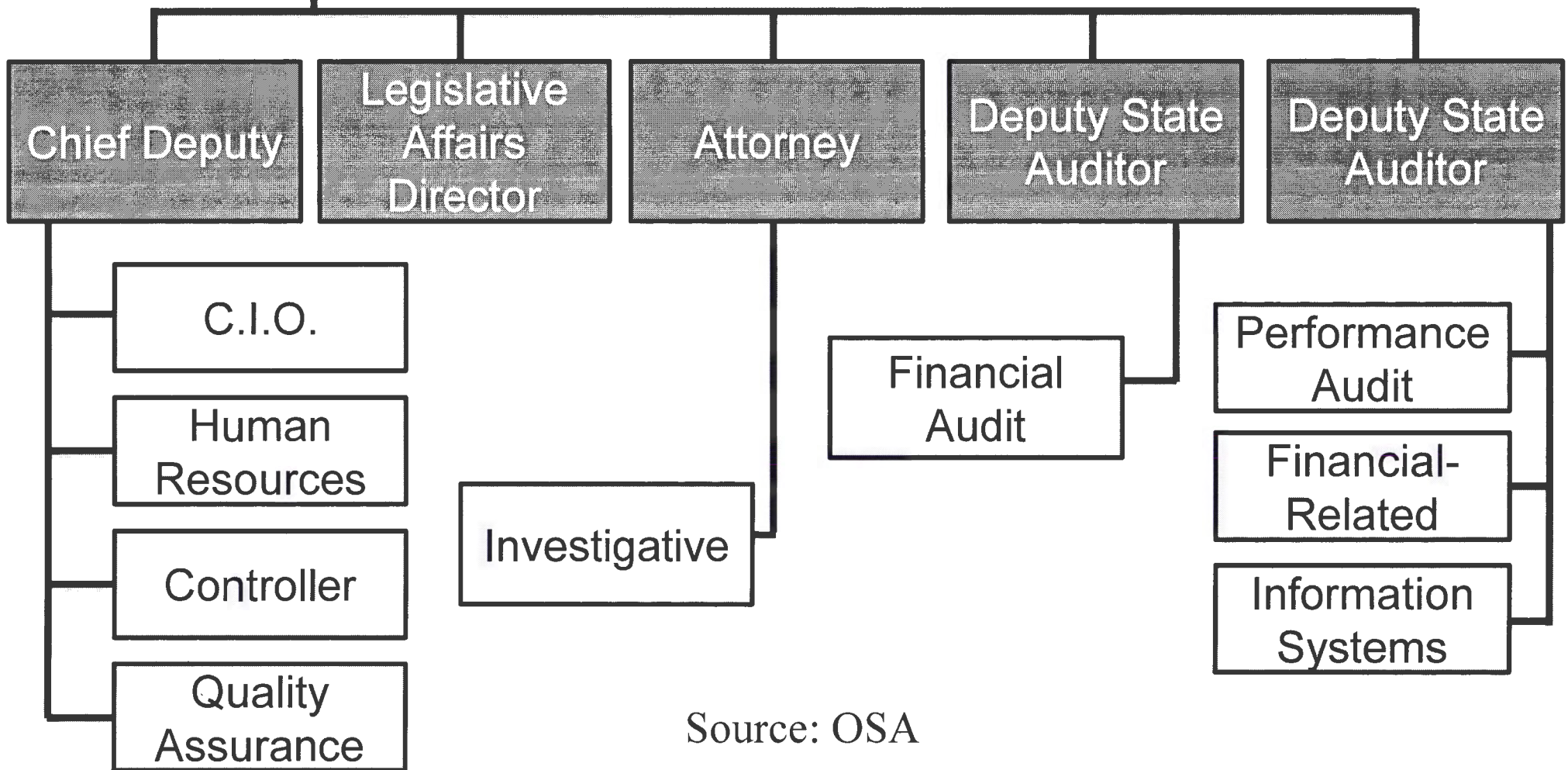
- Mission: “We protect the interests of taxpayers and others who provide financial resources to the State of North Carolina. Specifically, we provide objective information to interested parties about whether state resources are properly accounted for, reported, and managed; as well as whether publically-funded programs are achieving desired results.”
- Vision: “The Office of the State Auditor seeks to be a highly respected, professional, and productive audit organization that makes a difference in state government. The office wants its employees to be highly competent team players who enjoy their work and feel successful in their careers, while at the same time maintaining a work/life balance that allows them to have fulfilling personal lives.”

Source: OSA

**State Auditor
Beth Wood**

Office of the State Auditor Organizational Chart

Executive
Assistant



Source: OSA



Office of the State Auditor

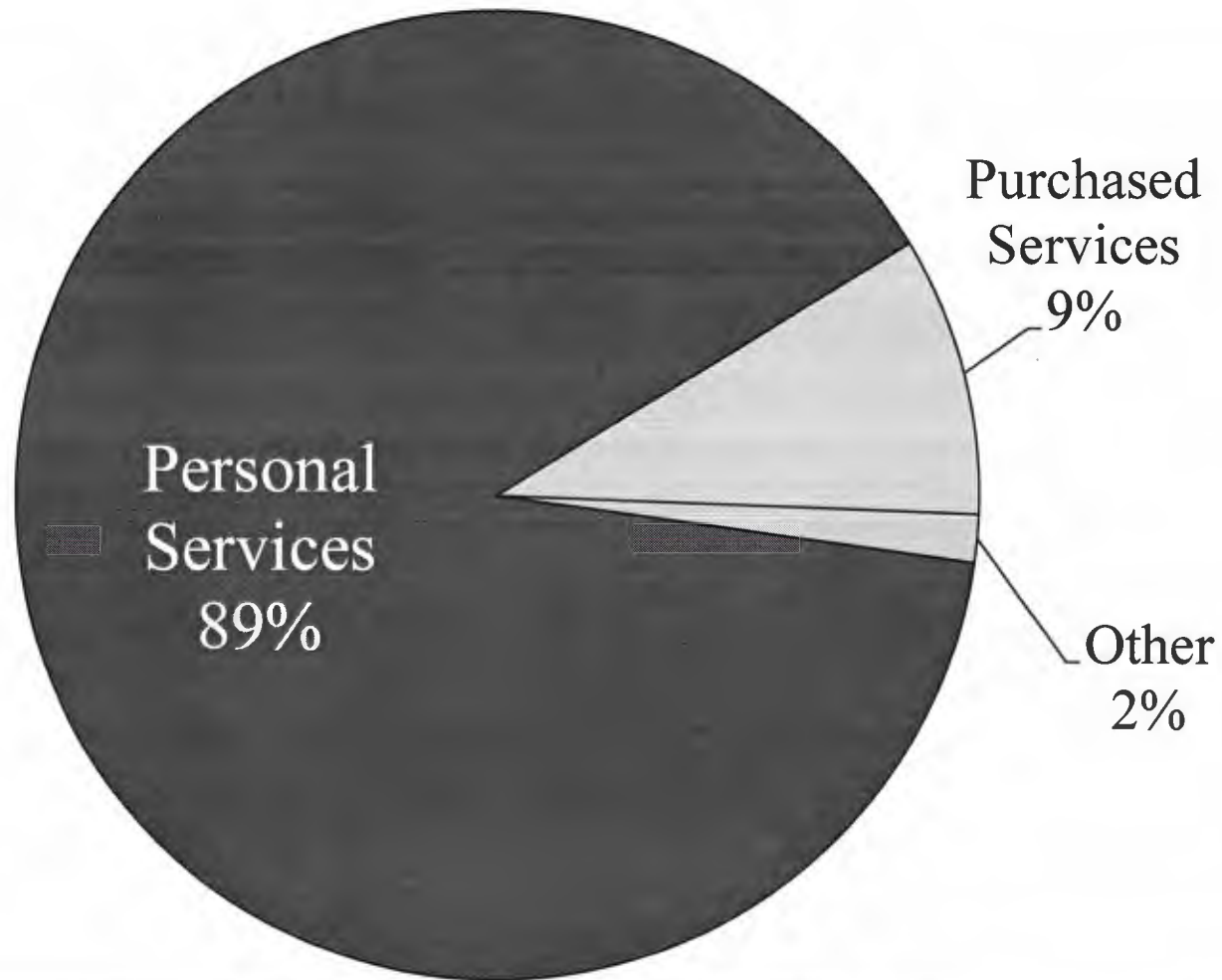
Budget History

	FY 2014-15 ACTUAL	FY 2015-16 ACTUAL	FY 2016-17 AUTH.	FY 2017-18 BASE	FY 2018-19 BASE
Requirements	\$16,295,883	\$18,440,716	\$19,493,377	\$19,327,612	\$19,327,612
Receipts	\$6,216,693	\$7,706,825	\$5,901,875	\$5,947,874	\$5,947,874
Net Appropriation	\$10,079,190	\$10,733,891	\$13,591,502	\$13,379,738	\$13,379,738
FTE	172	166	166	166	166

Office of the State Auditor

Authorized Budget Requirements

FY 2016-17

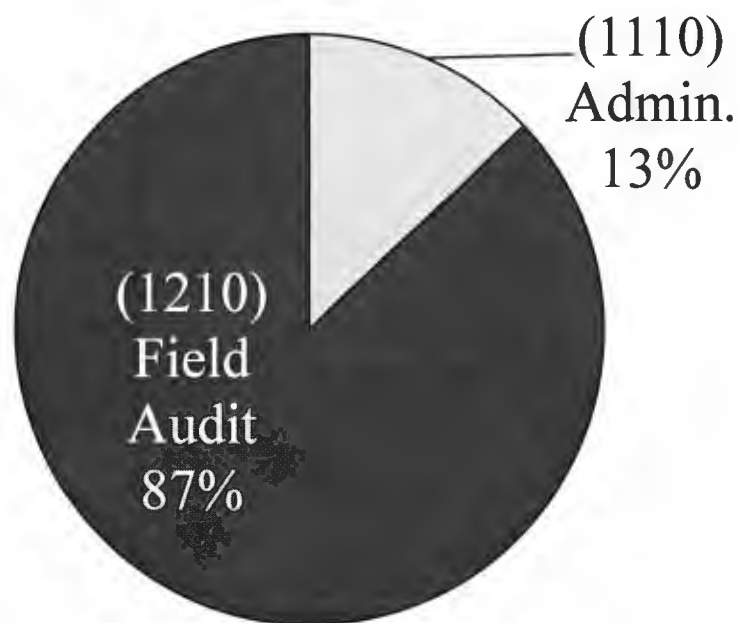


Office of the State Auditor

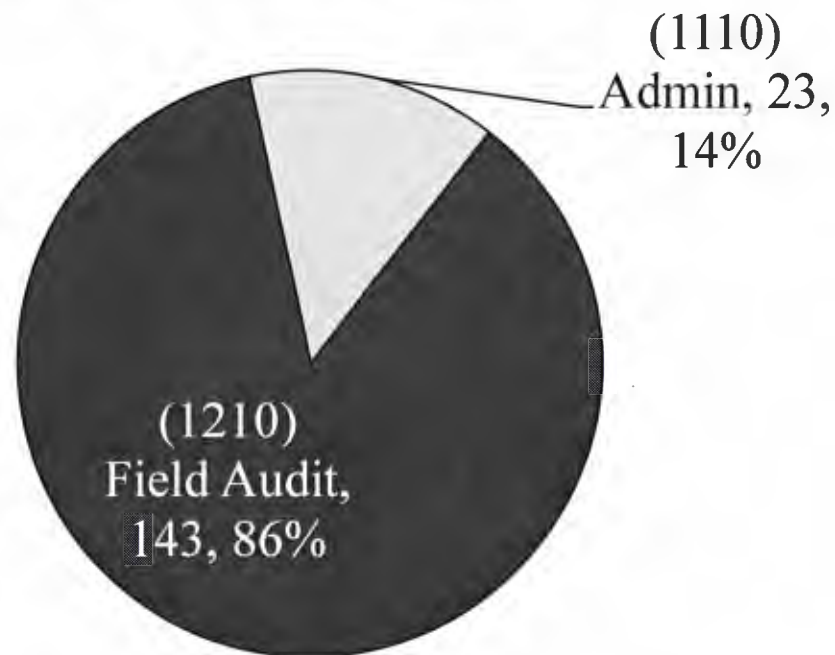
Operations Comparison

FY 2016-17 Authorized Budget

**Total Requirements
by Function (Fund Code)**



**Total FTE
by Function (Fund Code)**



Office of the State Auditor

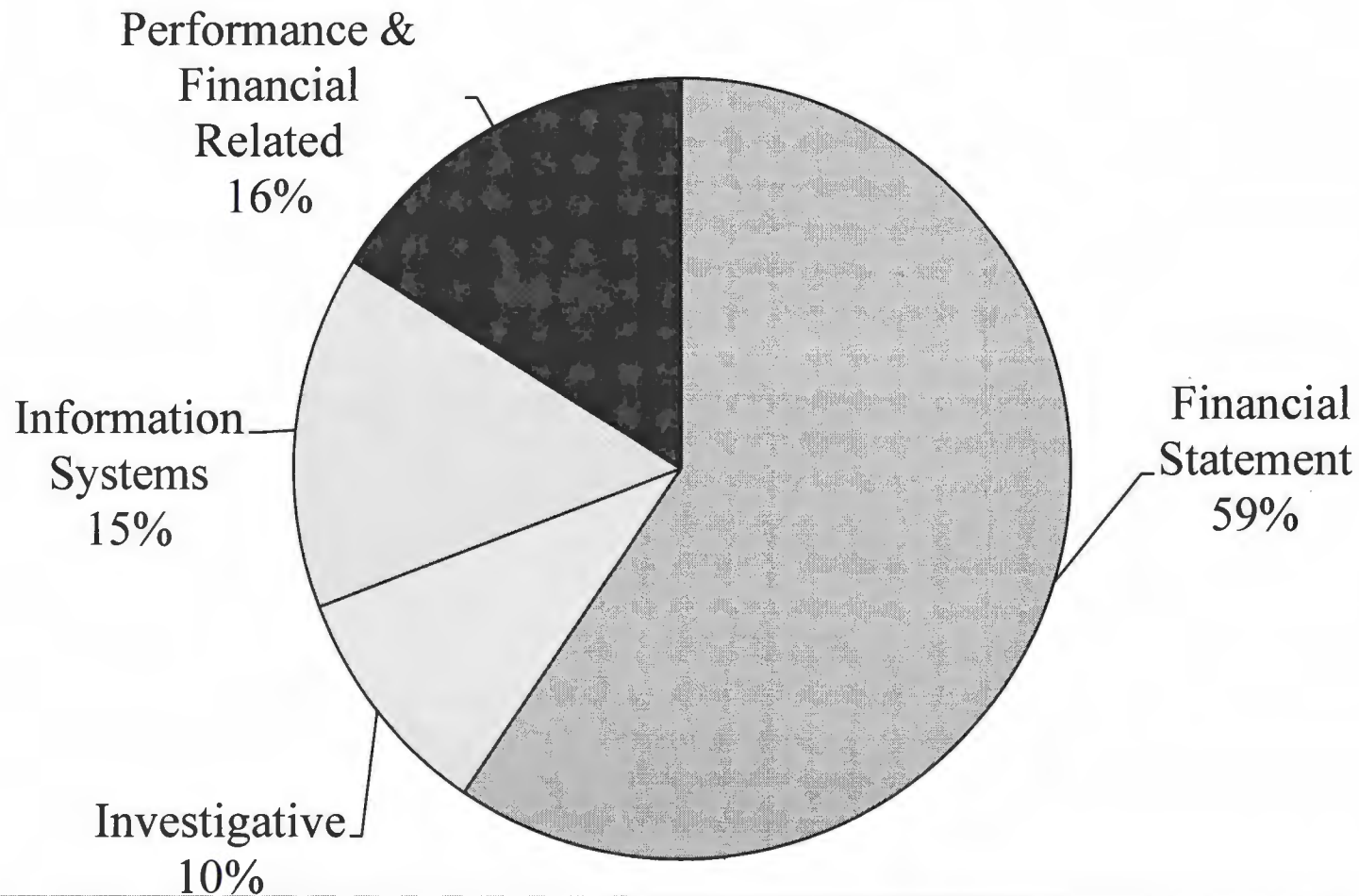
Field Audit Division

1. Financial Statement Audits
2. Performance/Financial Related Audits
3. Information Systems Audits
4. Investigative Reports*

**Not an audit type*

Office of the State Auditor

Full Time Equivalents (FTE) by Audit Division FY 2016-17



Office of the State Auditor

Recent Legislative Actions

- **FY 2015-16**
 - Additional \$250,000 R for subject matter experts
 - \$450,000 R from DHHS for annual Financial Audit
 - Salary Adjustment Fund: \$243,406
 - All instances of fraud required to be reported to the State's Purchasing Officer
- **FY 2016-17**
 - Additional \$150,000 NR for subject matter experts
 - Salary Adjustment Fund: \$492,782
 - Security Officer for Auditor, Secretary of State, and Labor

Office of the State Auditor

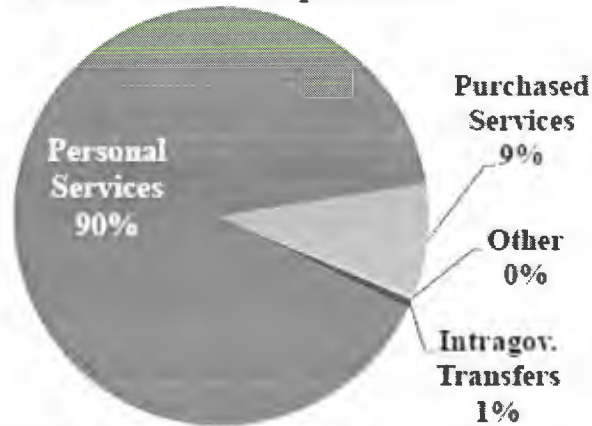
Requested Information

- How do you measure your agency's effectiveness and outcomes?
- How do you measure efficiency within your agency/department? Do you have metrics that you use to monitor agency performance? If so, please provide.
- Are you planning any changes to the current structure of your organization? Will this impact your agency's budget?
- What are your overall goals for your department/agency over the next biennium?
- What are your budget requests/needs for the biennium? Please discuss the items in the Governor's budget.



Office of the State Auditor – Base Budget

FY 2017-19 Base - Expenditures



FY 2017-19 Base - Source of Funds



Requirements	Actual FY 2015-16	Certified FY 2016-17	Authorized FY 2016-17	Increase/ (Decrease) FY 2017-18	Total Base FY 2017-18	Increase/ (Decrease) FY 2018-19	Total Base FY 2018-19
Personal Services	\$14,657,827	\$17,128,451	\$17,367,413	\$91,526	\$17,458,939	\$91,526	\$17,458,939
Purchased Services	\$1,988,521	\$1,813,936	\$1,813,936	(\$150,000)	\$1,663,936	(\$150,000)	\$1,663,936
Supplies	\$32,533	\$41,182	\$41,537	\$0	\$41,537	\$0	\$41,537
Property, Plant, Equipment	\$79,942	\$135,221	\$135,221	(\$7,306)	\$127,915	(\$7,306)	\$127,915
Other Expenses/Adjustments	\$52,717	\$35,285	\$35,285	\$0	\$35,285	\$0	\$35,285
Reserves	\$0	\$99,985	\$99,985	(\$99,985)	\$0	(\$99,985)	\$0
Intragovernment Transfers	\$1,629,176	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL REQUIREMENTS	\$18,440,716	\$19,254,060	\$19,493,377	(\$165,765)	\$19,327,612	(\$165,765)	\$19,327,612

Receipts	Actual FY 2015-16	Certified FY 2016-17	Authorized FY 2016-17	Increase/ (Decrease) FY 2017-18	Total Base FY 2017-18	Increase/ (Decrease) FY 2018-19	Total Base FY 2018-19
Sales, Services, Rental	\$50	\$50	\$50	\$0	\$50	\$0	\$50
Miscellaneous (P-card rebates)	\$355	\$0	\$355	\$0	\$355	\$0	\$355
Intragovernment Transactions	\$7,706,420	\$5,662,508	\$5,901,470	\$45,999	\$5,947,469	\$45,999	\$5,947,469
TOTAL RECEIPTS	\$7,706,825	\$5,662,558	\$5,901,875	\$45,999	\$5,947,874	\$45,999	\$5,947,874

NET APPROPRIATION	\$10,733,891	\$13,591,502	\$13,591,502	(\$211,764)	\$13,379,738	(\$211,764)	\$13,379,738
FTE	166	167	166	0	166	0	166

Questions?

Cara Bridges

Fiscal Research Division

919-733-4910

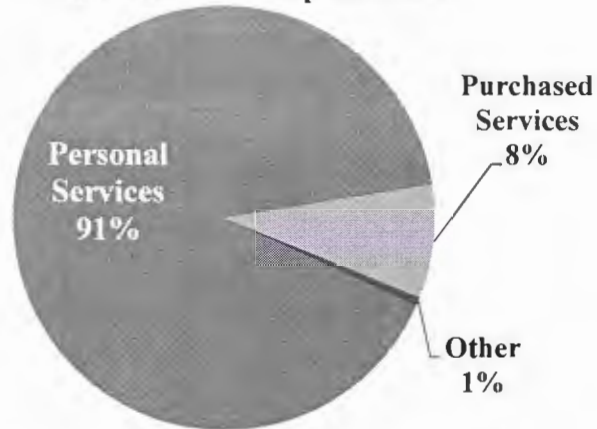
Cara.Bridges@ncleg.net



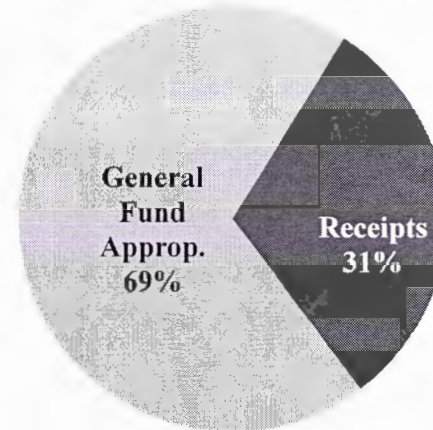
OFFICE OF THE STATE AUDITOR

Base Budget Review

FY 2017-19 Base - Expenditures



FY 2017-19 Base - Source of Funds



Requirements	Actual FY 2015-16	Certified FY 2016-17	Authorized FY 2016-17	Increase/ (Decrease) FY 2017-18	Total Base FY 2017-18	Increase/ (Decrease) FY 2018-19	Total Base FY 2018-19
Personal Services	\$14,657,827	\$17,128,451	\$17,367,413	\$91,526	\$17,458,939	\$91,526	\$17,458,939
Purchased Services	\$1,988,521	\$1,813,936	\$1,813,936	(\$150,000)	\$1,663,936	(\$150,000)	\$1,663,936
Supplies	\$32,533	\$41,182	\$41,537	\$0	\$41,537	\$0	\$41,537
Property, Plant, Equipment	\$79,942	\$135,221	\$135,221	(\$7,306)	\$127,915	(\$7,306)	\$127,915
Other Expenses/Adjustments	\$52,717	\$35,285	\$35,285	\$0	\$35,285	\$0	\$35,285
Reserves	\$0	\$99,985	\$99,985	(\$99,985)	\$0	(\$99,985)	\$0
Intragovernment Transfers	\$1,629,176	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL REQUIREMENTS	\$18,440,716	\$19,254,060	\$19,493,377	(\$165,765)	\$19,327,612	(\$165,765)	\$19,327,612

Receipts	Actual FY 2015-16	Certified FY 2016-17	Authorized FY 2016-17	Increase/ (Decrease) FY 2017-18	Total Base FY 2017-18	Increase/ (Decrease) FY 2018-19	Total Base FY 2018-19
Sales, Services, Rental	\$50	\$50	\$50	\$0	\$50	\$0	\$50
Miscellaneous (P-card rebates)	\$355	\$0	\$355	\$0	\$355	\$0	\$355
Intragovernment Transactions	\$7,706,420	\$5,662,508	\$5,901,470	\$45,999	\$5,947,469	\$45,999	\$5,947,469
TOTAL RECEIPTS	\$7,706,825	\$5,662,558	\$5,901,875	\$45,999	\$5,947,874	\$45,999	\$5,947,874

NET APPROPRIATION	\$10,733,891	\$13,591,502	\$13,591,502	(\$211,764)	\$13,379,738	(\$211,764)	\$13,379,738
FTE	166	167	166	0	166	0	166

OFFICE OF THE STATE AUDITOR

Base Budget Review

Changes to the Base Budget - FY 2017-19

Nonrecurring Items Removed

1. Subject Matter Experts	(\$150,000)
2. Security Officer	(\$7,306)

Other Changes

1. Retirement Changes (net)	(\$54,458)
-----------------------------	------------

TOTAL CHANGES	(\$211,764)
----------------------	--------------------

Office of the State Auditor

Joint General Government Appropriations Subcommittees

March 14, 2017



OSA Divisions

- **Financial Audit** – Financial statement audits, Single Audit, CAFR
- **Information Systems Audit** – IT security, general controls
- **Performance Audit** – Effectiveness and efficiency
- **Financial Related Unit** – Smaller scope (e.g., requests, follow-ups)
- **Investigative Division** – Fraud, waste and abuse





Who We Audit

- **State Agencies**
- **Universities**
- **Community Colleges**
- **Clerks of Court**
- **Component Units** (e.g., Battleship NC and Ports Authority)



Metrics

- Increased use of metrics – Division and staff levels
- Division metrics reviewed monthly – Senior leadership meeting
- Directors, managers, supervisors make daily decisions using metrics
- Office has expanded use of metrics to administrative divisions (e.g., Track It tickets in MIS and availability at Welcome Desk)





Division Metrics

Measure (Type)	Updated as of January 31, 2017	Target	Red	Yellow	Green	Current Month	Prior Month	FYTD 2017	Rolling 12-Month Trend	Ultimate Goal
1	Chargeable Hours: employees meet or exceed chargeable time target (input)	100%	<80%	<100%	>=100%	98%	117%	112%	125%	100%
2	Budget: segments of the audit completed within budgeted hours (process)	80%	<70%	<80%	>=80%	100%	NR	88%	88%	90%
3	Milestones: segments of the audit completed by the target date (process)	80%	<70%	<80%	>=80%	NR	NR	88%	88%	90%
4	Audit Released: reports issued and projects completed meet plan requirements (output) - Note - Color indicator is provided to reflect status as of the end of the prior month.	0	<70%	<80%	>=80%	1	0	92%	0	90%
5	Client Satisfaction: audit reports are useful and auditor conduct is professional. Rated on a 1-5 scale (outcome) -	4	<3	<4	>=4	3.69	NR	4.33	4.48	4.75

NCOSA
The Taxpayers' Watchdog

Individual Metrics

Chargeable Vs NonChargeable Employee Summary

		10/2016	11/2016	12/2016	1/2017	2/2017	3/2017	4/2017	5/2017	6/2017	7/2017	8/2017	9/2017	10/2017	11/2017	12/2017	1/2018	2/2018	3/2018	4/2018	5/2018	6/2018	7/2018	8/2018	9/2018	10/2018	11/2018	12/2018	1/2019	2/2019	3/2019	4/2019	5/2019	6/2019	7/2019	8/2019	9/2019	10/2019	11/2019	12/2019	1/2020	2/2020	3/2020	4/2020	5/2020	6/2020	7/2020	8/2020	9/2020	10/2020	11/2020	12/2020	1/2021	2/2021	3/2021	4/2021	5/2021	6/2021	7/2021	8/2021	9/2021	10/2021	11/2021	12/2021	1/2022	2/2022	3/2022	4/2022	5/2022	6/2022	7/2022	8/2022	9/2022	10/2022	11/2022	12/2022	1/2023	2/2023	3/2023	4/2023	5/2023	6/2023	7/2023	8/2023	9/2023	10/2023	11/2023	12/2023	1/2024	2/2024	3/2024	4/2024	5/2024	6/2024	7/2024	8/2024	9/2024	10/2024	11/2024	12/2024	1/2025	2/2025	3/2025	4/2025	5/2025	6/2025	7/2025	8/2025	9/2025	10/2025	11/2025	12/2025	1/2026	2/2026	3/2026	4/2026	5/2026	6/2026	7/2026	8/2026	9/2026	10/2026	11/2026	12/2026	1/2027	2/2027	3/2027	4/2027	5/2027	6/2027	7/2027	8/2027	9/2027	10/2027	11/2027	12/2027	1/2028	2/2028	3/2028	4/2028	5/2028	6/2028	7/2028	8/2028	9/2028	10/2028	11/2028	12/2028	1/2029	2/2029	3/2029	4/2029	5/2029	6/2029	7/2029	8/2029	9/2029	10/2029	11/2029	12/2029	1/2030	2/2030	3/2030	4/2030	5/2030	6/2030	7/2030	8/2030	9/2030	10/2030	11/2030	12/2030	1/2031	2/2031	3/2031	4/2031	5/2031	6/2031	7/2031	8/2031	9/2031	10/2031	11/2031	12/2031	1/2032	2/2032	3/2032	4/2032	5/2032	6/2032	7/2032	8/2032	9/2032	10/2032	11/2032	12/2032	1/2033	2/2033	3/2033	4/2033	5/2033	6/2033	7/2033	8/2033	9/2033	10/2033	11/2033	12/2033	1/2034	2/2034	3/2034	4/2034	5/2034	6/2034	7/2034	8/2034	9/2034	10/2034	11/2034	12/2034	1/2035	2/2035	3/2035	4/2035	5/2035	6/2035	7/2035	8/2035	9/2035	10/2035	11/2035	12/2035	1/2036	2/2036	3/2036	4/2036	5/2036	6/2036	7/2036	8/2036	9/2036	10/2036	11/2036	12/2036	1/2037	2/2037	3/2037	4/2037	5/2037	6/2037	7/2037	8/2037	9/2037	10/2037	11/2037	12/2037	1/2038	2/2038	3/2038	4/2038	5/2038	6/2038	7/2038	8/2038	9/2038	10/2038	11/2038	12/2038	1/2039	2/2039	3/2039	4/2039	5/2039	6/2039	7/2039	8/2039	9/2039	10/2039	11/2039	12/2039	1/2040	2/2040	3/2040	4/2040	5/2040	6/2040	7/2040	8/2040	9/2040	10/2040	11/2040	12/2040	1/2041	2/2041	3/2041	4/2041	5/2041	6/2041	7/2041	8/2041	9/2041	10/2041	11/2041	12/2041	1/2042	2/2042	3/2042	4/2042	5/2042	6/2042	7/2042	8/2042	9/2042	10/2042	11/2042	12/2042	1/2043	2/2043	3/2043	4/2043	5/2043	6/2043	7/2043	8/2043	9/2043	10/2043	11/2043	12/2043	1/2044	2/2044	3/2044	4/2044	5/2044	6/2044	7/2044	8/2044	9/2044	10/2044	11/2044	12/2044	1/2045	2/2045	3/2045	4/2045	5/2045	6/2045	7/2045	8/2045	9/2045	10/2045	11/2045	12/2045	1/2046	2/2046	3/2046	4/2046	5/2046	6/2046	7/2046	8/2046	9/2046	10/2046	11/2046	12/2046	1/2047	2/2047	3/2047	4/2047	5/2047	6/2047	7/2047	8/2047	9/2047	10/2047	11/2047	12/2047	1/2048	2/2048	3/2048	4/2048	5/2048	6/2048	7/2048	8/2048	9/2048	10/2048	11/2048	12/2048	1/2049	2/2049	3/2049	4/2049	5/2049	6/2049	7/2049	8/2049	9/2049	10/2049	11/2049	12/2049	1/2050	2/2050	3/2050	4/2050	5/2050	6/2050	7/2050	8/2050	9/2050	10/2050	11/2050	12/2050	1/2051	2/2051	3/2051	4/2051	5/2051	6/2051	7/2051	8/2051	9/2051	10/2051	11/2051	12/2051	1/2052	2/2052	3/2052	4/2052	5/2052	6/2052	7/2052	8/2052	9/2052	10/2052	11/2052	12/2052	1/2053	2/2053	3/2053	4/2053	5/2053	6/2053	7/2053	8/2053	9/2053	10/2053	11/2053	12/2053	1/2054	2/2054	3/2054	4/2054	5/2054	6/2054	7/2054	8/2054	9/2054	10/2054	11/2054	12/2054	1/2055	2/2055	3/2055	4/2055	5/2055	6/2055	7/2055	8/2055	9/2055	10/2055	11/2055	12/2055	1/2056	2/2056	3/2056	4/2056	5/2056	6/2056	7/2056	8/2056	9/2056	10/2056	11/2056	12/2056	1/2057	2/2057	3/2057	4/2057	5/2057	6/2057	7/2057	8/2057	9/2057	10/2057	11/2057	12/2057	1/2058	2/2058	3/2058	4/2058	5/2058	6/2058	7/2058	8/2058	9/2058	10/2058	11/2058	12/2058	1/2059	2/2059	3/2059	4/2059	5/2059	6/2059	7/2059	8/2059	9/2059	10/2059	11/2059	12/2059	1/2060	2/2060	3/2060	4/2060	5/2060	6/2060	7/2060	8/2060	9/2060	10/2060	11/2060	12/2060	1/2061	2/2061	3/2061	4/2061	5/2061	6/2061	7/2061	8/2061	9/2061	10/2061	11/2061	12/2061	1/2062	2/2062	3/2062	4/2062	5/2062	6/2062	7/2062	8/2062	9/2062	10/2062	11/2062	12/2062	1/2063	2/2063	3/2063	4/2063	5/2063	6/2063	7/2063	8/2063	9/2063	10/2063	11/2063	12/2063	1/2064	2/2064	3/2064	4/2064	5/2064	6/2064	7/2064	8/2064	9/2064	10/2064	11/2064	12/2064	1/2065	2/2065	3/2065	4/2065	5/2065	6/2065	7/2065	8/2065	9/2065	10/2065	11/2065	12/2065	1/2066	2/2066	3/2066	4/2066	5/2066	6/2066	7/2066	8/2066	9/2066	10/2066	11/2066	12/2066	1/2067	2/2067	3/2067	4/2067	5/2067	6/2067	7/2067	8/2067	9/2067	10/2067	11/2067	12/2067	1/2068	2/2068	3/2068	4/2068	5/2068	6/2068	7/2068	8/2068	9/2068	10/2068	11/2068	12/2068	1/2069	2/2069	3/2069	4/2069	5/2069	6/2069	7/2069	8/2069	9/2069	10/2069	11/2069	12/2069	1/2070	2/2070	3/2070	4/2070	5/2070	6/2070	7/2070	8/2070	9/2070	10/2070	11/2070	12/2070	1/2071	2/2071	3/2071	4/2071	5/2071	6/2071	7/2071	8/2071	9/2071	10/2071	11/2071	12/2071	1/2072	2/2072	3/2072	4/2072	5/2072	6/2072	7/2072	8/2072	9/2072	10/2072	11/2072	12/2072	1/2073	2/2073	3/2073	4/2073	5/2073	6/2073	7/2073	8/2073	9/2073	10/2073	11/2073	12/2073	1/2074	2/2074	3/2074	4/2074	5/2074	6/2074	7/2074	8/2074	9/2074	10/2074	11/2074	12/2074	1/2075	2/2075	3/2075	4/2075	5/2075	6/2075	7/2075	8/2075	9/2075	10/2075	11/2075	12/2075	1/2076	2/2076	3/2076	4/2076	5/2076	6/2076	7/2076	8/2076	9/2076	10/2076	11/2076	12/2076	1/2077	2/2077	3/2077	4/2077	5/2077	6/2077	7/2077	8/2077	9/2077	10/2077	11/2077	12/2077	1/2078	2/2078	3/2078	4/2078	5/2078	6/2078	7/2078	8/2078	9/2078	10/2078	11/2078	12/2078	1/2079	2/2079	3/2079	4/2079	5/2079	6/2079	7/2079	8/2079	9/2079	10/2079	11/2079	12/2079	1/2080	2/2080	3/2080	4/2080	5/2080	6/2080	7/2080	8/2080	9/2080	10/2080	11/2080	12/2080	1/2081	2/2081	3/2081	4/2081	5/2081	6/2081	7/2081	8/2081	9/2081	10/2081	11/2081	12/2081	1/2082	2/2082	3/2082	4/2082	5/2082	6/2082	7/2082	8/2082	9/2082	10/2082	11/2082	12/2082	1/2083	2/2083	3/2083	4/2083	5/2083	6/2083	7/2083	8/2083	9/2083	10/2083	11/2083	12/2083	1/2084	2/2084	3/2084	4/2084	5/2084	6/2084	7/2084	8/2084	9/2084	10/2084	11/2084	12/2084	1/2085	2/2085	3/2085	4/2085	5/2085	6/2085	7/2085	8/2085	9/2085	10/2085	11/2085	12/2085	1/2086	2/2086	3/2086	4/2086	5/2086	6/2086	7/2086	8/2086	9/2086	10/2086	11/2086	12/2086	1/2087	2/2087	3/2087	4/2087	5/2087	6/2087	7/2087	8/2087	9/2087	10/2087	11/2087	12/2087	1/2088	2/2088	3/2088	4/2088	5/2088	6/2088	7/2088	8/2088	9/2088	10/2088	11/2088	12/2088	1/2089	2/2089	3/2089	4/2089	5/2089	6/2089	7/2089	8/2089	9/2089	10/2089	11/2089	12/2089	1/2090	2/2090	3/2090	4/2090	5/2090	6/2090	7/2090	8/2090	9/2090	10/2090	11/2090	12/2090	1/2091	2/2091	3/2091	4/2091	5/2091	6/2091	7/2091	8/2091	9/2091	10/2091	11/2091	12/2091	1/2092	2/2092	3/2092	4/2092	5/2092	6/2092	7/2092	8/2092	9/2092	10/2092	11/2092	12/2092	1/2093	2/2093	3/2093	4/2093	5/2093	6/2093	7/2093	8/2093	9/2093	10/2093	11/2093	12/2093	1/2094	2/2094	3/2094	4/2094	5/2094	6/2094	7/2094	8/2094	9/2094	10/2094	11/2094	12/2094	1/2095	2/2095	3/2095	4/2095	5/2095	6/2095	7/2095	8/2095	9/2095	10/2095	11/2095	12/2095	1/2096	2/2096	3/2096	4/2096	5/2096	6/2096	7/2096	8/2096	9/2096	10/2096	11/2096	12/2096	1/2097	2/2097	3/2097	4/2097	5/2097	6/2097	7/2097	8/2097	9/2097	10/2097	11/2097	12/2097	1/2098	2/2098	3/2098	4/2098	5/2098	6/2098	7/2098	8/2098	9/2098	10/2098	11/2098	12/2098	1/2099	2/2099	3/2099	4/2099	5/2099	6/2099	7/2099	8/2099	9/2099	10/2099	11/2099	12/2099	1/2100	2/2100	3/2100	4/2100	5/2100	6/2100	7/2100	8/2100	9/2100	10/2100	11/2100	12/2100	1/2101	2/2101	3/2101	4/2101	5/2101	6/2101	7/2101	8/2101	9/2101	10/2101	11/2101	12/2101	1/2102	2/2102	3/2102	4/2102	5/2102	6/2102	7/2102	8/2102	9/2102	10/2102	11/2102	12/2102	1/2103	2/2103	3/2103	4/2103	5/2103	6/2103	7/2103	8/2103	9/2103	10/2103	11/2103	12/2103	1/2104	2/2104	3/2104	4/2104	5/2104	6/2104	7/2104	8/2104	9/2104	10/2104	11/2104	12/2104	1/2105	2/2105	3/2105	4/2105	5/2105	6/2105	7/2105	8/2105	9/2105	10/2105	11/2105	12/2105	1/2106	2/2106	3/2106	4/2106	5/2106	6/2106	7/2106	8/2106	9/2106	10/2106	11/2106	12/2106	1/2107	2/2107	3/2107	4/2107	5/2107	6/2107	7/2107	8/2107	9/2107	10/2107	11/2107	12/2107	1/2108	2/2108	3/2108	4/2108	5/210
--	--	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	--------	--------	--------	--------	--------	---------	---------	---------	--------	--------	--------	--------	-------



Organization/Reorganization

- Office reorganization completed in 2016
 - No immediate significant restructuring planned
- Every position is evaluated for effectiveness, efficiency
 - Particularly true during times of turnover
- Long term
 - Add a performance team to conduct full-time follow-up audits



Goals

- Improve efficiency in mandated work to focus more effort on work that saves the state money
 - Medicaid program
 - State contracting practices
 - Follow-up audits





Budget Request

	<u>Request(\$)</u>	<u>Governor's Budget</u>
Subject matter experts	250,000	200,000
Market salaries	127,000 ¹ /675,000 ²	203,000 (2% increase)

¹ Based on existing market rates, approximately 10 years old

² Based on OSHR's proposed 2016 market rates

NCOSA
The Taxpayers' Watchdog

Questions?

NCOSA
The Taxpayers' Watchdog



**Senate Committee on Appropriations on General Government and Information
Technology**

Wednesday March 15, 2017 at 8:30 AM

Room 425

MINUTES

The Senate Committee on Appropriations on General Government and Information Technology met at 8:30 on Wednesday March 15, 2017 in Room 425. 3 Senate members and 4 House members were present.

Senator John Alexander, Chair, presided.

Senator Alexander gaveled the meeting to order at 8:30. He then introduced the Sergeant-at-Arms and the Pages and thanked them for their service.

Cara Bridges, from the Fiscal Research Division, presented the Lieutenant Governor's Overview.

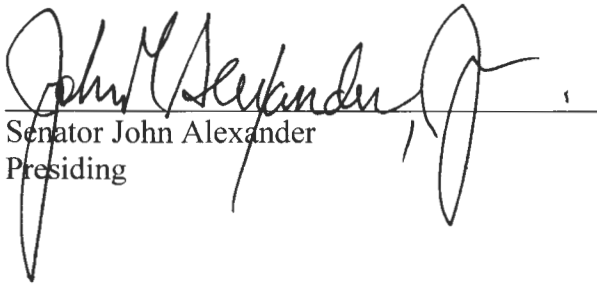
Steven Walker, General Counsel and Policy Director from the Lieutenant Governor's office, presented his overview.

Senator Alexander addressed the following questions from the Committee:


- Representative Floyd asked Mr. Walker why the state of the equipment is so bleak.
- Representative Pittman asked if the \$30 K request is a recurring request.
- Representative Riddell asked if the Fiscal Research staff could provide the Committee members with a comparison of the Lieutenant Governor's budget from 2007 to the current request.
- Senator Edwards asked what the total increase the Lieutenant Governor was asking for would amount to.

With all business concluded, Senator Alexander adjourned the meeting at 8:58 am

The meeting adjourned at 8:58.



Senator John Alexander
Presiding



Gloria Whitehead
Committee Clerk



Principal Clerk
Reading Clerk

SENATE
NOTICE OF JOINT COMMITTEE MEETING
AND
BILL SPONSOR NOTICE

The **Senate Committee on Appropriations on General Government and Information Technology** will meet at the following time:

DAY	DATE	TIME	ROOM
Wednesday	March 15, 2017	8:30 AM	425 LOB

Senator Barringer will be chairing.

The Lt. Governor's office will be presenting.

Senator John M. Alexander, Jr., Co-Chair
Senator Tamara Barringer, Co-Chair
Senator Jeff Tarte, Co-Chair



Joint Appropriations Committee on General Government
March 15, 2017; 8:30 AM
LOB 425
Agenda

Chairs:

Sen. Tamara Barringer, presiding
Rep. Dennis Riddell
Sen. John Alexander
Sen. Jeff Tarte
Rep. George Cleveland

Chair's Opening Comments

Office of the Lieutenant Governor
Overview

Cara Bridges, FRD

Office of the Lieutenant Governor

Steven Walker, General Counsel &
Policy Director
Office of the Lieutenant Governor

Committee Discussion

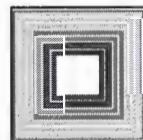


Office of the Lieutenant Governor

Agency Overview

Joint Appropriations Committee on General Government

March 15, 2017



FISCAL RESEARCH DIVISION
A Staff Agency of the North Carolina General Assembly

Outline

1. Authorizing Laws & Responsibilities
2. Budget Overview
3. Recent Legislative Actions
4. Information Requested

Authorizing Laws & Responsibilities

- Creation of the Office
 - State Constitution, Article III, Sec. 2
 - State Constitution, Article III, Sec. 6
 - § 143A-5. - Requirements of the Office
 - § 147-3 - Executive Officer

Lieutenant Governor Elections



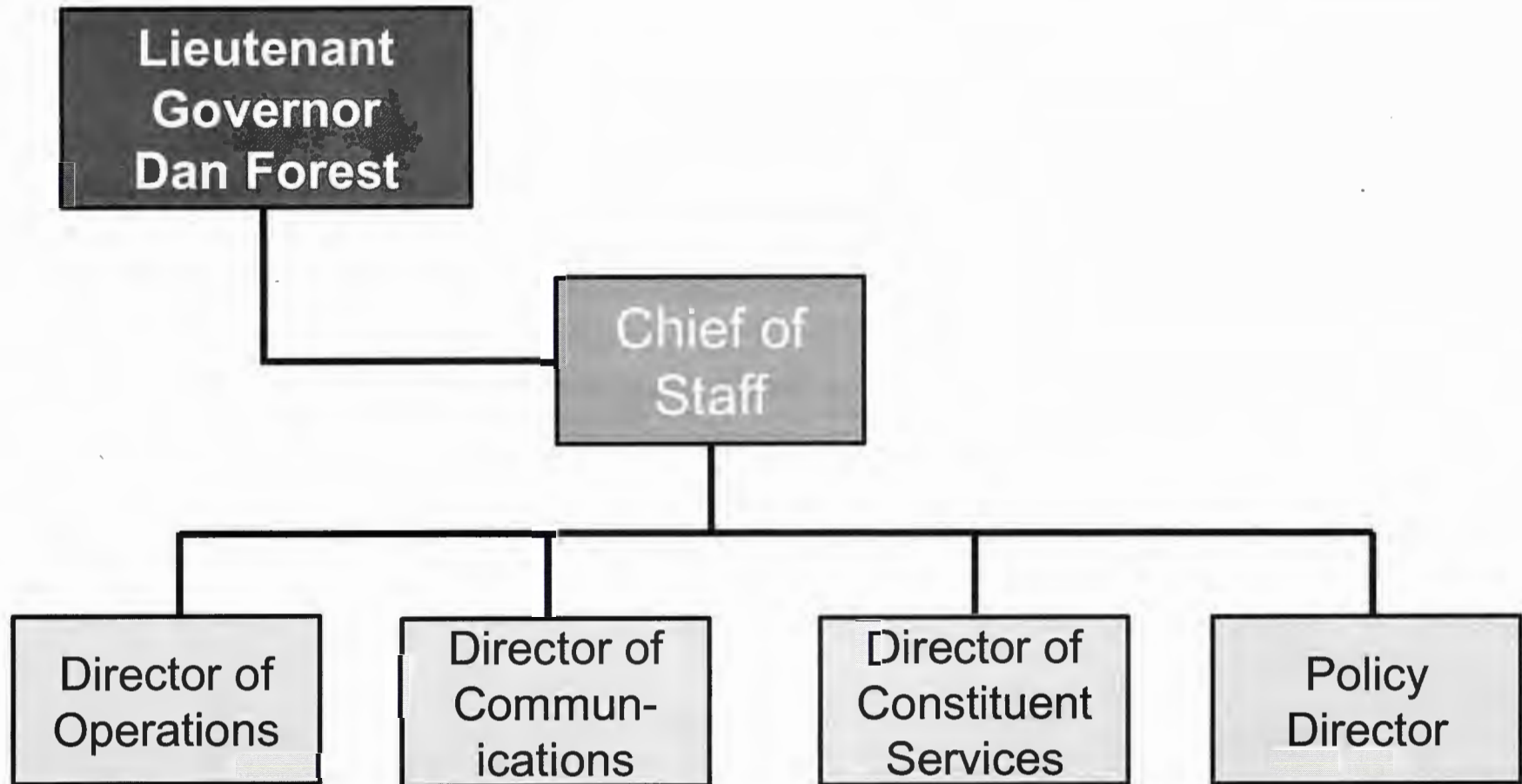
**KEY: Separate Ticket, Joint General/Separate Primary,
Joint Ticket, By State Senate, No Lt. Gov**

Office of the Lieutenant Governor

Responsibilities

- The Lieutenant Governor also serves on the:
 - State Board of Education
 - State Board of Community Colleges
 - NC Charter Schools Advisory Board
 - Energy Policy Council, Chair
 - Military Affairs Commission
 - Domestic Violence Commission
 - NC Capital Planning Commission, Vice-Chair

Office of the Lieutenant Governor Organizational Chart



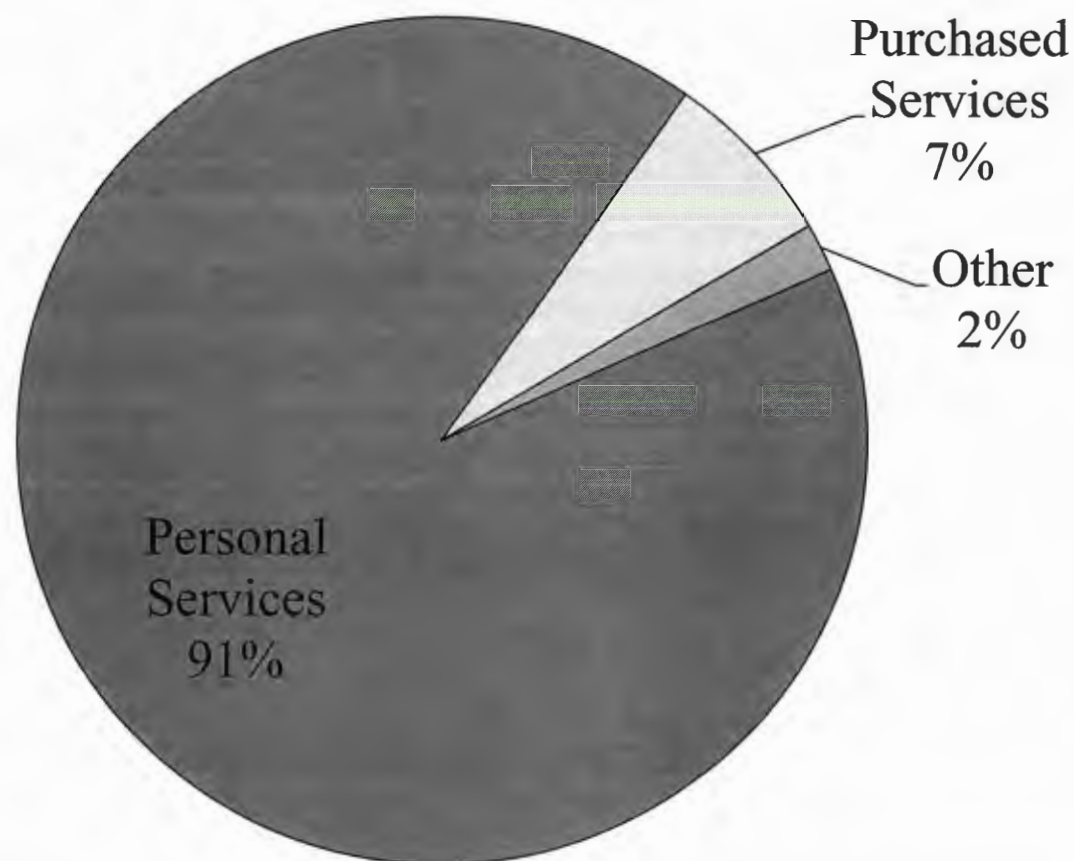
Office of the Lieutenant Governor

Budget Overview

	FY 2015-16 ACTUAL	FY 2016-17 AUTH.	FY 2017-18 BASE	FY 2018-19 BASE
Requirements	\$678,274	\$708,481	\$703,302	\$703,302
Receipts	\$3	\$0	\$0	\$0
Net Appropriation	\$678,271	\$708,481	\$703,302	\$703,302
FTE	6	6	6	6

Office of the Lieutenant Governor

Authorized Budget FY 2016-17



Office of the Lieutenant Governor

Recent Legislative Actions

- FY 2016-17
 - \$10,000 R for business-related travel and office subscriptions

Office of the Lieutenant Governor

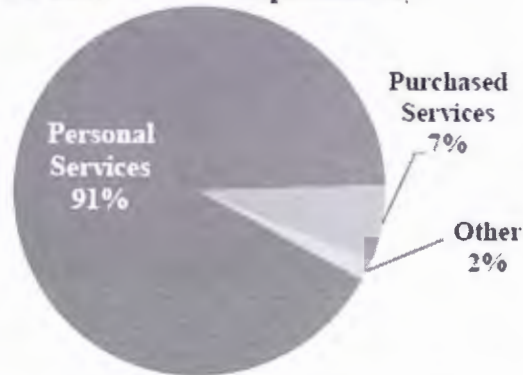
Requested Information

- How do you measure your agency's effectiveness and outcomes?
- How do you measure efficiency within your agency/department? Do you have metrics that you use to monitor agency performance? If so, please provide.
- Are you planning any changes to the current structure of your organization? Will this impact your agency's budget?
- What are your overall goals for your department/agency over the next biennium?
- What are your budget requests/needs for the biennium? Please discuss the items in the Governor's budget.

Office of the Lieutenant Governor

Base Budget Review

FY 2017-19 Base - Expenditures



FY 2017-19 Base - Source of Funds



Requirements	Actual FY 2015-16	Certified FY 2016-17	Authorized FY 2016-17	Increase/ (Decrease) FY 2017-18	Total Base FY 2017-18	Increase/ (Decrease) FY 2018-19	Total Base FY 2018-19
Personal Services	\$640,512	\$641,422	\$641,422	\$2,358	\$643,780	\$2,358	\$643,780
Purchased Services	\$30,284	\$46,456	\$46,456	\$0	\$46,456	\$0	\$46,456
Supplies	\$655	\$6,809	\$6,809	\$0	\$6,809	\$0	\$6,809
Property, Plant, Equipment	\$245	\$0	\$0	\$0	\$0	\$0	\$0
Other Expenses/Adjustments	\$6,579	\$6,257	\$6,257	\$0	\$6,257	\$0	\$6,257
Reserves	\$0	\$5,308	\$5,308	(\$5,308)	\$0	(\$5,308)	\$0
TOTAL REQUIREMENTS	\$678,275	\$706,252	\$706,252	(\$2,950)	\$703,302	(\$2,950)	\$703,302

Receipts	Actual FY 2015-16	Certified FY 2016-17	Authorized FY 2016-17	Increase/ (Decrease) FY 2017-18	Total Base FY 2017-18	Increase/ (Decrease) FY 2018-19	Total Base FY 2018-19
Miscellaneous (P-card rebates)	\$3	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL RECEIPTS	\$3	\$0	\$0	\$0	\$0	\$0	\$0

NET APPROPRIATION	\$678,272	\$706,252	\$706,252	(\$2,950)	\$703,302	(\$2,950)	\$703,302
FTE	6	6	6	0	6	0	6

Questions?

Cara Bridges

Fiscal Research Division

919-733-4910

Cara.Bridges@ncleg.net

Office of the Lieutenant Governor

Presentation to Joint Appropriations
on General Government

Measuring Effectiveness, Outcomes, and Efficiency

- The benefits of having a smaller office make measuring effectiveness and outcomes easier than for larger agencies.
- Many of our projects that we work on are joint projects among members of the staff. It assists us in keeping each other accountable.



Goals for the Biennium

- Continue the good work that has been started.
- Remain fiscally responsible.

Proposed Changes to Structure

- We do not anticipate changing the structure of our agency, but we are requesting a new position to be added to the staff.
- New Position: Staff Assistant to the General Counsel and Director of Operations
- Impact on Budget: At a salary of \$34,000, including FICA, Retirement, and Insurance the new position will have a \$47,812.20 impact.



Operations Budget Request

- Needs:
 - Upgraded/repaired printers for staff members
 - Upgraded shared network printer/scanner
 - Ability to print documents in color
 - A continued cushion for unexpected costs
 - Explore upgrades for constituent communication
- Request: \$30,000

Personnel Budget Request

- Addition of FTE as explained earlier.
- Increase staff salaries to be comparable with other agencies and market conditions.



Chief of Staff Salary

- Current Salary: \$121,800
- Proposed Salary: \$131,000
- Total Budgetary Impact: \$11,406.16
- Governor's Office Positions
 - Chief of Staff: \$151,000

Director of Operations

- Serves as Director of Operations for the office, Scheduler for the Lieutenant Governor, Press Secretary, and handles certain policy matters.
- Current Salary: \$62,524
- Proposed Salary: \$72,500
- Budgetary Impact: \$12,368.24
- Governor's Office Positions:
 - Communications Director: \$125,000
 - Deputy Press Secretary: \$95,126

Director of Communications

- Project manager – handles media and video production.
- Current Salary: \$54,810
- Proposed Salary: \$65,000
- Budgetary Impact: \$12,633.56
- Governor's Office Positions:
 - Communications Director: \$125,000

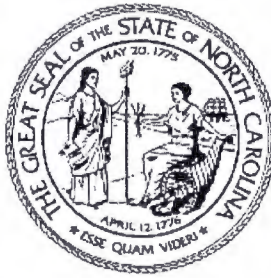
Director of Constituent Services

- Manages constituent matters, also serves as Assistant to the Chief of Staff
- Current Salary: \$32,937
- Proposed Salary: \$45,000
- Budgetary Impact: \$14,955.71
- Governor's Office Positions:
 - Administrative Assistant: \$61,381
 - Administrative Assistant: \$52,500

General Counsel & Policy Director

- Handles most policy matters for the office; Serves as the Chief Legal Counsel for the Lieutenant Governor; Serves as the Chief Records Officer for the Office
- Current Salary: \$87,290
- Proposed Salary: \$105,000
- Budgetary Impact: \$21,956.86
- Governor's Office Positions:
 - Chief Legal Counsel: \$130,000
 - Policy Director: \$141,796





03-15-17
(DATE)

General Government and IT
(COMMITTEE)

SENATE SERGEANT-AT-ARMS

Charles Marsalis

Frances Patterson

HOUSE SERGEANT-AT-ARMS

WARREN Hawkins

Doug Harris

Malachi McCullough



Senate Pages Attending

COMMITTEE: Jt. App. Gen'l Gov't & IT ROOM: 425
DATE: 3-15 TIME: 8:30

PLEASE PRINT LEGIBLY!!!!!!!!!!!!!!....or else!!!!!!

Page Name	Hometown	Sponsoring Senator
1. Sydney Alderman	New Bern	sn. Norman Sanderson
2. Kevin L. (Lee)	Belmont	Sn Kathy Harrington
3.		
4.		
5.		
6.		
7.		
8.		

Pages: Present this form to either the Committee Clerk at the meeting or to the Sgt-at-Arms.



**House Pages
Assignments
Wednesday, March 15, 2017
Session: 2:00 PM**

Committee	Room	Time	Staff	Comments	Member
Appropriations on Department of Transportation	1027/1128	8:30 AM	Savannah Barnes		Rep. Speaker Tim Moore
			Mariah Pride		Rep. Speaker Tim Moore
Appropriations on Education / Higher Education	Other	8:30 AM	Kelley Hamilton		Rep. Darren Jackson
			Makenzie Waites		Rep. Sarah Stevens
Appropriations on General Government and Information Technology	425	8:30 AM	Marissa Huggins		Rep. Mike Clampitt
			Hannah Bethea		Rep. Speaker Tim Moore
Appropriations on Health and Human Services	643	8:30 AM	Emilie Norwood		Rep. Speaker Tim Moore
			Sophia Sload		Rep. Speaker Tim Moore
Appropriations on Justice and Public Safety	415	8:30 AM	Yara Mahmoud		Rep. Speaker Tim Moore
			Eleanor McNamee		Rep. Speaker Tim Moore



VISITOR REGISTRATION SHEET

Joint Appropriations on General Government and IT

03-15-17

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

<u>NAME</u>	<u>FIRM OR AGENCY AND ADDRESS</u>
Molly Mueller	Sen. Alexander intern
Crystal Feldman	STH
Meghan Cook	DOI
George Robinson	DOI
Danielle Albert	Office of the Lt. Governor
Steven Walker	Office of the Lt. Governor
Providence HAKZINIAH	OSBT
Ken Wright	NRDC
Angela Davis	SES

SPEAKER REGISTRATION SHEET

Joint Appropriations on General Government and IT

03-15-17

Date

SPEAKERS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

<u>NAME</u>	<u>FIRM OR AGENCY AND ADDRESS</u>

House Committee on Appropriations, General Government
Tuesday, March 21, 2017 at 8:30 AM
Room 425

MINUTES

The House Committee on Appropriations, General Government met at 8:30 AM on March 21, 2017 in Room 425. Representatives Adcock, Ager, Clampitt, Cleveland, Floyd, Ford, Pierce, Pittman, and Riddell attended. Senators Alexander, Barringer, Tarte, Edwards, and Van Duyn were in attendance. Fiscal staff members were Lisa Hollowell, Cara Bridges, and Chris Hearley.

Representative Dennis Riddell, Chair, presided. Polly Riddell was the Committee Clerk.

Attachments to the minutes are the Staff for the Sergeant at Arms (Attachment #1), the Pages for the meeting (Attachment #2), and the attendance sheets for agency representatives and public visitors (Attachment #3).

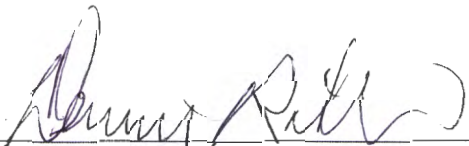
Lisa Hollowell from the Fiscal Research Division presented an Agency Overview for the Department of the State Treasurer. Her handout is labelled Attachment #4

NC State Treasurer Dale Folwell gave a presentation on the Treasurer's Office. The Dept. of State Treasurer's Chief Financial Officer, Fran Lawrence, presented the department's budget expansion requests. Greg Gaskins, Secretary of The Local Government Commission and Department Treasurer for State & Local Government, presented the COACH Team's assessment outcomes. This combined presentation is Attachment #5

Erin Matteson from the OSBM presented their plan for improving transparency of the State Treasurer's budget. This handout is labelled #6

There was a discussion by various members of the committee.

The meeting adjourned at 9:52 AM.



Representative Dennis Riddell, Presiding Chair



Polly Riddell, Committee Clerk



**NORTH CAROLINA HOUSE OF REPRESENTATIVES
JOINT COMMITTEE MEETING NOTICE
AND
BILL SPONSOR NOTIFICATION
2017-2018 SESSION**

You are hereby notified that the **House Committee on Appropriations, General Government** will meet **JOINTLY** as follows:

DAY & DATE: Tuesday, March 21, 2017
TIME: 8:30 AM
LOCATION: 425 LOB
COMMENTS: Rep. Riddell will chair this joint meeting.

Respectfully,

Representative George G. Cleveland, Co-Chair
Representative Dennis Riddell, Co-Chair

I hereby certify this notice was filed by the committee assistant at the following offices at 9:55 AM on Thursday, March 16, 2017.

____ Principal Clerk
____ Reading Clerk – House Chamber

Polly Riddell (Committee Assistant)



Joint Appropriations Committee on General Government
March 21, 2017; 8:30 AM
LOB 425
Agenda

Chairs:

Rep. Dennis Riddell, presiding
Sen. John Alexander
Sen. Jeff Tarte
Rep. George Cleveland
Sen. Tamara Barringer

Chair's Opening Comments

Department of State Treasurer
Brief Budget Overview

Lisa Hollowell, FRD

Department of State Treasurer
Committee Presentation

State Treasurer Dale Folwell

Report on Improving Transparency of
State Treasurer's Budget

Erin Matteson, Office of State
Budget and Management



Committee Sergeants at Arms

NAME OF COMMITTEE Appropriations, General Government

DATE: 3/21/2017 Room: 425

House Sgt-At Arms:

1. Name: Warren Hawkins
2. Name: Doug Harris
3. Name: Bill Bass
4. Name: _____
5. Name: _____

Senate Sgt-At Arms:

1. Name: Jim Hamilton
2. Name: John Enloe
3. Name: _____
4. Name: _____
5. Name: _____



**House Pages
Assignments
Tuesday, March 21, 2017
Session: 1:00 PM**

Committee	Room	Time	Staff	Comments	Member
Appropriations on General Government and Information Technology	425	8:30 AM	Joshua Babson		Rep. William Brisson
			Akirah Graves		Rep. Rodney Moore
Appropriations on Health and Human Services	643	8:30 AM	Autumn Brisson		Rep. William Brisson
			Kailey Gause		Rep. William Brisson
Appropriations on Justice and Public Safety	415	8:30 AM	Colin Konieczka		Rep. Linda Hunt- Williams
			Garrett Penley		Rep. Julia Howard
Appropriations, Education	Other	8:30 AM	Connor Scanlon		Rep. Joe John
			Kayla Yarborough		Rep. Dean Arp
Appropriations, Transportation	1027/1128	8:30 AM	Lily Ahlin		Rep. George Cleveland
			Blake Bellanger		Rep. Larry Bell
Education - K-12	643	10:00 AM	Autumn Brisson		Rep. William Brisson
			Kailey Gause		Rep. William Brisson
Appropriations, Capital	415	11:00 AM	Colin Konieczka		Rep. Linda Hunt- Williams



Senate Pages Attending

COMMITTEE: Jt. App. on General Gov't & I. To ROOM: 425

DATE: 3-21 TIME: 8:30

PLEASE PRINT LEGIBLY!!!!!!!!!!!!!!.....or else!!!!!!

	Page Name	Hometown	Sponsoring Senator
1.	Darauna Davis	Norlina	A. Bryant
2.	Bethany Forest	Norwood	McInnis
3.			
4.			
5.			
6.			
7.			
8.			

Pages: Present this form to either the Committee Clerk at the meeting or to the Sgt-at-Arms.



VISITOR REGISTRATION SHEET

Appropriations, General Government

3/21/2017

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Sam Watts	OST
Aug C. Aspin	OST
Susanna Davis	OSTR
Starnes	OST
Dale Folwell	OST
Frank Lester	OST
Sam Hayes	OST
Alynn	OST
George Robinson	DOT
Madame Cook	DOI
Prudence Hixson	OSBP



VISITOR REGISTRATION SHEET

Appropriations, General Government

3/21/2017

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

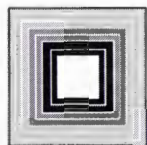
NAME	FIRM OR AGENCY AND ADDRESS
Steve Trule	DST/RSD
Fran Lawrence	DST
Brenda Williams	DST
Erin Matteson	OSBM
Corey Petersohn	OSBM
Tracy Kimbrell	Prayer for
CHAS KAPSCH	OSBM
Haley Haynes	NCSOS
Mike Arnolds	SOS
Caroline Miller	AMGA
Meng MuAugh	NCDST



Department of the State Treasurer

Joint Appropriations Subcommittee on General Government

March 21, 2017



FISCAL RESEARCH DIVISION
A Staff Agency of the North Carolina General Assembly

Outline

- Overview of the Departmental budget
 - Constitutional Office: Article III, Section 7
- Duties prescribed in Article 6, G.S. 147
- Acts as financial advisor to state and local Governments
 - Financial Operations - Investments
 - State and Local Government Financial Oversight
 - Retirement
 - Unclaimed Property
 - State Health Plan*

**State Health Plan is not under the purview of the General Government Appropriations Committee*

Mission and Vision of the Department

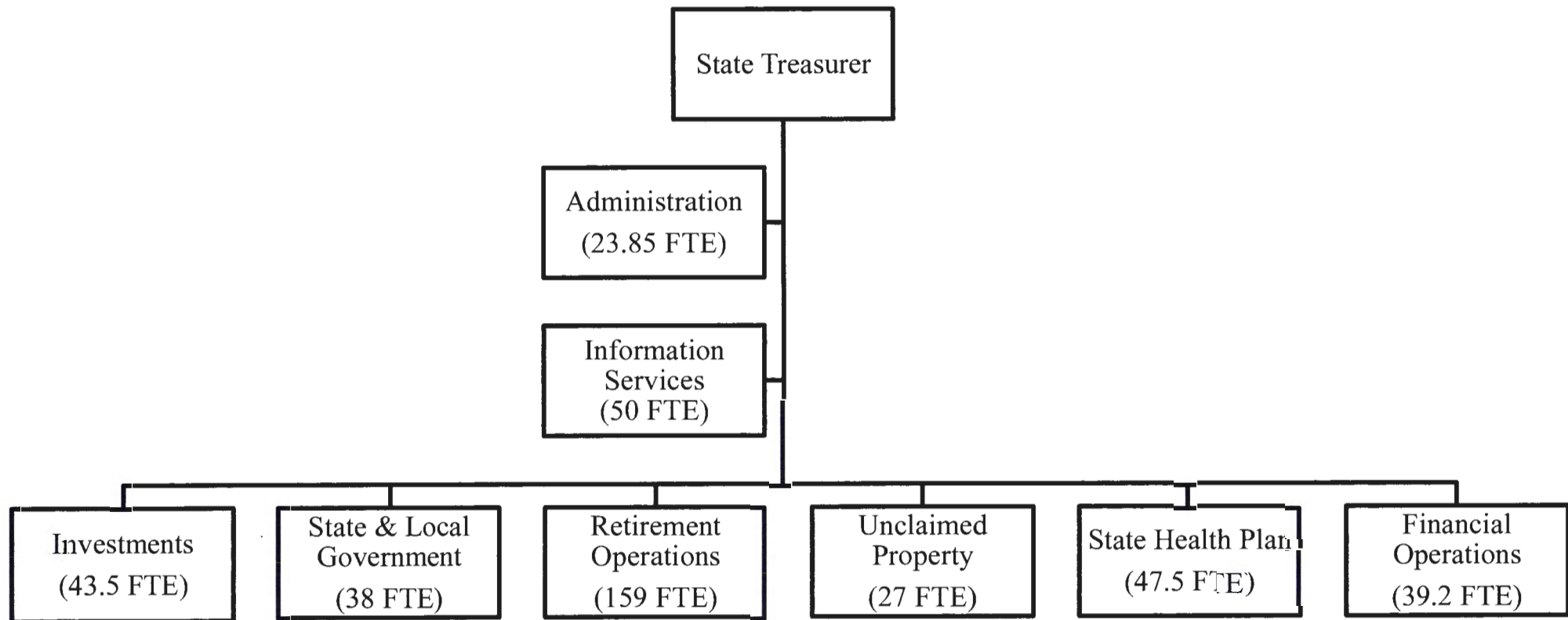
Vision

To create and maintain a fiscally sound and prosperous North Carolina

Mission

To exercise fiduciary oversight and provide outstanding customer service that provides value to, and instills confidence by, the state's citizens, customers, and financial community

Organization of the Department



The 4 ABLE FTE's are shown with Investments.

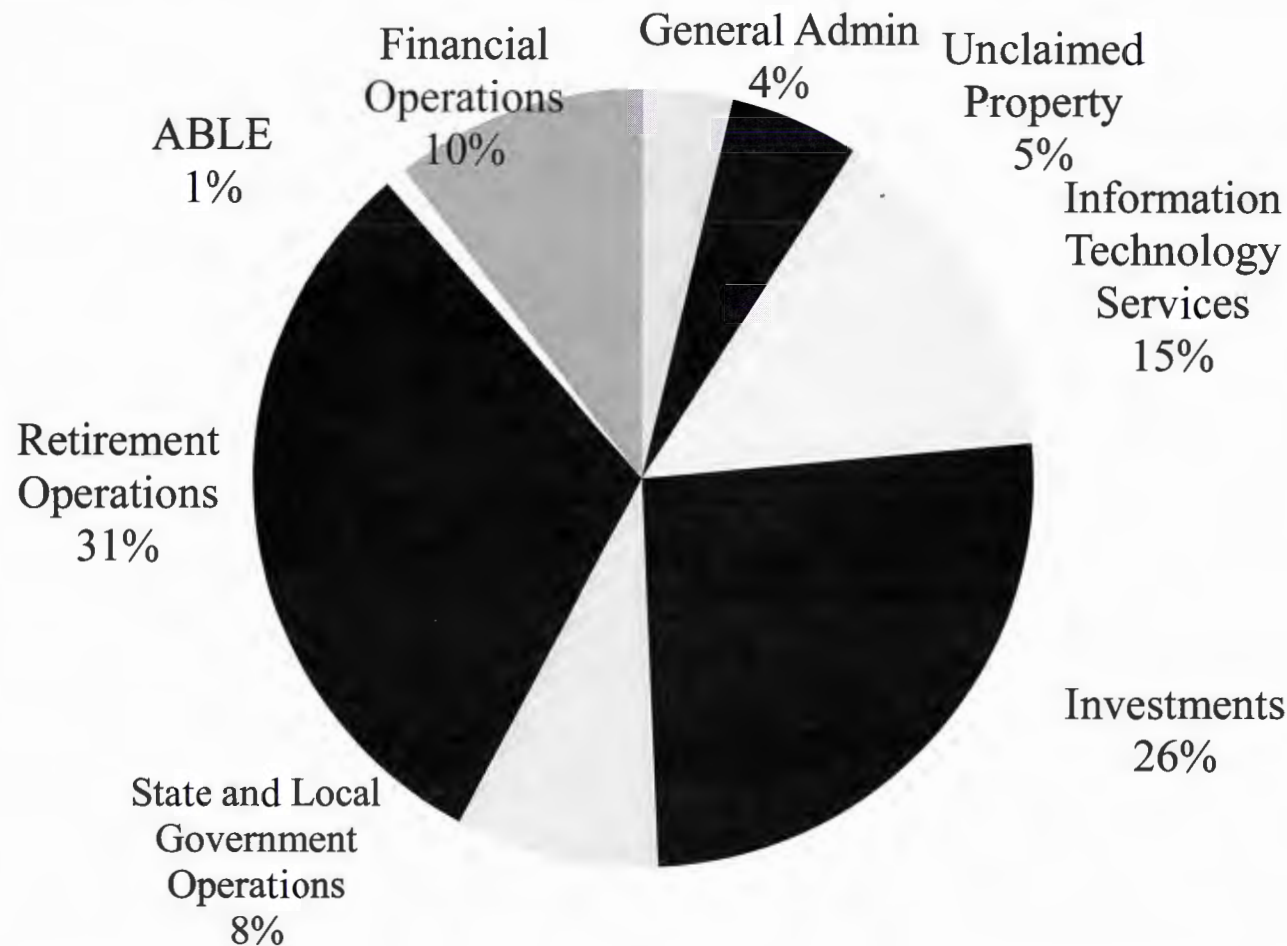
Funding for the Department

- The Department is mainly receipt-supported:
 - Funding Sources Include:
 - Funds under management
 - Internal charges to divisions under management
 - Local sales tax and fees related to debt issuances
- General Assembly authorization is required for the expenditure of State funds, in general
 - G.S. 147-69.3 gives authority to State Treasurer establish compensation plans including bonuses for employees working on investments

Budget History

	Actual	Actual	Actual	Actual	Actual	Actual	% Growth since 2011
Fiscal Year	2011	2012	2013	2014	2015	2016	
Requirements	\$44,236,979	\$47,633,252	\$46,008,906	\$449,347,423	\$49,539,111	\$51,393,082	16.18%
Receipts	\$35,560,173	\$41,166,097	\$39,610,979	\$37,384,094	\$40,875,231	\$46,886,146	31.85%
Appropriation	\$8,676,806	\$6,467,155	\$6,397,927	\$7,550,648	\$8,663,880	\$4,506,936	-48.06%
(FTE's)	355.94	358.9	359.9	358.9	368.94	380.1	6.79%

FY 2017-18 Base Budget, By Division, All Funds



FY 2017-18 Base Budget By Type, All Funds

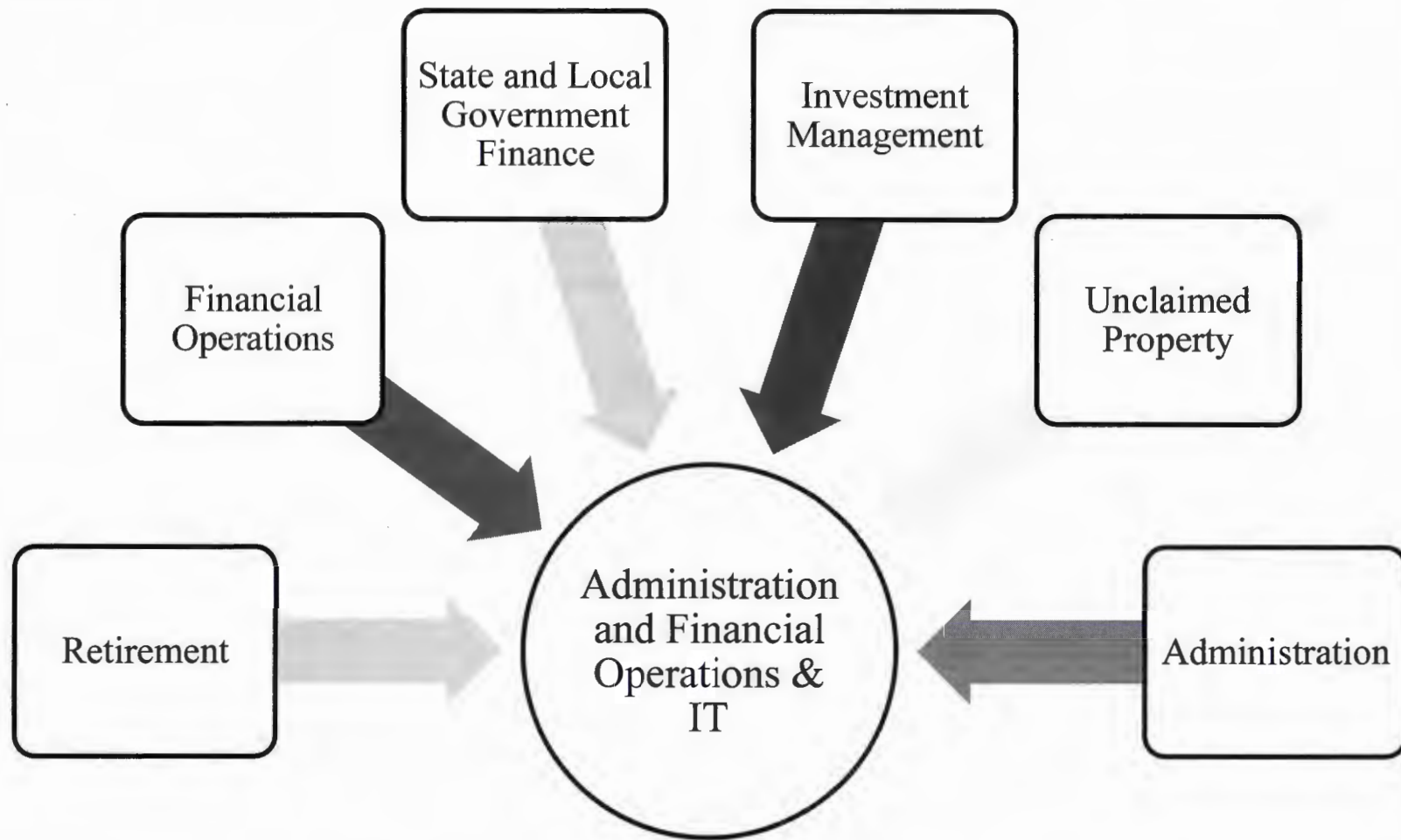


Administration of the Department

- Treasurer
- General Administration
- Legislative and Government Affairs
- Financial Operations*
- Information Management*
- Human Resources
- Internal Audit
- Community Affairs
- Communications
- Legal Counsel

* Separate Divisions within the Department

FY 2017-18 Support for Administration of Department, by Division, All Funds



Administration – Financial Operations

- G.S. 147-68 deposits all State funds with the Treasurer
- Provides Accounting Support services to the entire Department
- Provides Core Banking Services to the Entire State
 - Core Banking is allowed to cost allocate its appropriation to funds under management per G.S. 147-68.1.

Investment Management

- Invests and oversees approximately \$120 billion (2016) within retirement systems, supplemental retirement plans, and other investment funds
- Investment criteria authorized in Article 6, G.S. 147
- Includes Cash Management, Pension Funds, Ancillary Investments

State and Local Finance Division: Mission

The State and Local Government Finance Division handles the sale and delivery of all State and local debt and monitors the repayment of State and local government debt. Staff counsel and assist local governments in determining the feasibility of projects, the size of the financing and the most expedient form of financing. Additionally, this Division monitors and analyzes the fiscal and accounting practices of all local governments.

State and Local Government Finance

- Division funded by:
 - Distribution of Local Sales Tax (G.S. 105-501)
 - Fees associated with debt issuances (G.S. 159-6)
- Oversees State, Local, and other indebtedness
- Oversees local government finances
 - Unique to North Carolina
- Organization
 - Capital Facilities Finance
 - Debt Management Planning and Policy
 - Fiscal Management

Retirement Operations

- Administers Retirement and Fringe Benefit Plans for the State and other Systems
- Article V, Sec. 6 of NC Constitution
- 12th Largest Public Pension in the US
- 26nd Largest Pension Fund in the World
- Consistently ranks in top 5 states for pension funding.

Retirement Operations: Plans Managed – Systems and Funds

- Teachers and State Employee Retirement System
- Consolidated Judicial Retirement System
- Local Governmental Employee's Retirement System
- Legislative Retirement System
- Firemen's and Rescue Workers' Fund
- National Guard Pension Plan
- Register of Deeds Supplemental Pension Fund
- Many Supplemental Plans

Unclaimed Property

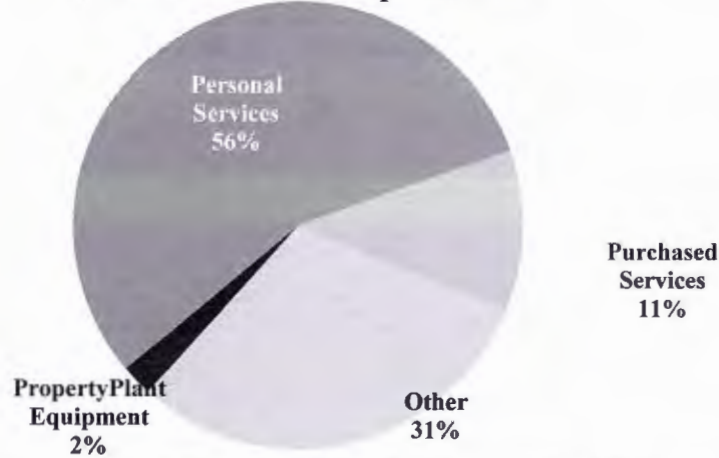
- Division that oversees Unclaimed (Escheats) Property
- Article IX, Section 10 of the Constitution
- Administers G.S. 116B
 - Involves:
 - Audit
 - Claims Processing
 - Call Center
 - Receipts Reporting

Recent Legislative Actions

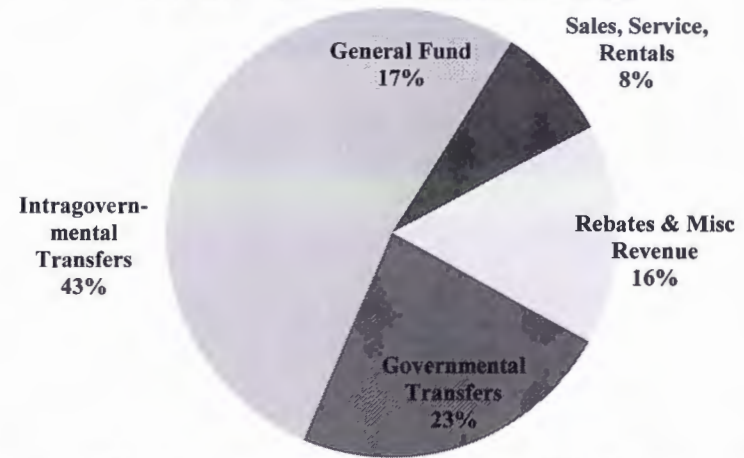
- FY 2015-16
 - ABLE Act implementation \$455,000 and \$540,000 Recurring for 4 FTE's
 - Operations Reduction of 2% taken in the Investment and Banking Division (\$188,715)R
 - Local Government Commission – 2 FTE's at \$198,864 (receipt-supported)
- FY 2016-17
 - State's Core Banking System \$450k NR
 - Operating Costs \$36k and increased receipts by \$512,000
 - Local Government Assistance – One position at a compensation level of \$99,432; paid for by receipts

Department of State Treasurer-Base Budget Review

FY 2017-19 Base - Expenditures



FY 2017-19 Base - Source of Funds



Requirements	Actual FY 2015-16	Certified FY 2016-17	Authorized FY 2016-17	Increase/ (Decrease) FY 2017-18	Total Base FY 2017-18	Increase/ (Decrease) FY 2018-19	Total Base FY 2018-19
Personal Services	\$28,350,942	\$33,186,763	\$34,345,053	\$172,808	\$34,517,861	\$172,808	\$35,584,144
Purchased Services	\$8,898,783	\$7,791,241	\$7,636,503	(\$478,439)	\$7,158,064	(\$450,709)	\$6,159,463
Supplies	\$237,924	\$252,253	\$254,053	\$0	\$254,053	\$0	\$268,509
Property, Plant, Equipment	\$1,583,034	\$1,413,509	\$1,393,509	\$0	\$1,393,509	\$0	\$350,697
Other Expenses & Intergovernmental Transfers	\$12,322,399	\$11,499,207	\$18,749,421	(\$16,554)	\$18,732,867	(\$16,554)	\$1,812,491
TOTAL REQUIREMENTS	\$51,393,082	\$54,142,973	\$62,378,539	(\$322,185)	\$62,056,354	(\$294,455)	\$62,084,084

Receipts	Actual FY 2015-16	Certified FY 2016-17	Authorized FY 2016-17	Increase/ (Decrease) FY 2017-18	Total Base FY 2017-18	Increase/ (Decrease) FY 2018-19	Total Base FY 2018-19
Sales, Service, Rentals	\$4,180,947	\$5,186,928	\$5,141,737	\$12,423	\$5,154,160	\$12,423	\$5,154,160
Rebates & Misc Revenue	\$7,710,305	\$3,186,267	\$9,769,451	\$67,702	\$9,837,153	\$67,702	\$1,813,073
Governmental Transfers	\$14,272,178	\$12,857,776	\$14,364,441	\$74,527	\$14,438,968	\$102,257	\$72,764
Intragovernmental Transfers	\$20,722,715	\$22,129,517	\$22,320,425	\$38,822	\$22,359,247	\$38,822	\$8,422,155
TOTAL RECEIPTS	\$46,886,145	\$43,360,488	\$51,596,054	\$193,474	\$51,789,528	\$221,204	\$51,817,258
NET APPROPRIATION	\$4,506,937	\$10,782,485	\$10,782,485	(\$515,659)	\$10,266,826	(\$515,659)	\$10,266,826
FTE	380.1	374.75	381.1	0	381.1	0	381.1

Information Requested

How do you measure your agency's effectiveness and outcomes?

How do you measure efficiency within your agency/department?

Do you have metrics that you use to monitor agency performance? If so, please provide.

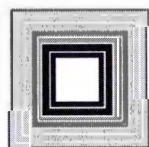
Are you planning any changes to the current structure of your organization? Will this impact your agency's budget?

What are your overall goals for your department/agency over the next biennium?

What are your budget requests/needs for the biennium? Please discuss the items in the Governor's budget.

Questions

Fiscal Research
919-733-4910



FISCAL RESEARCH DIVISION
A Staff Agency of the North Carolina General Assembly

03/21/2017



NORTH CAROLINA
DEPARTMENT OF STATE TREASURER



Dale R. Folwell, CPA

STATE TREASURER OF NORTH CAROLINA

DALE R. FOLWELL, CPA

Key Operational Metrics

The Department of State Treasurer uses both qualitative and quantitative measures to define operational success. A handout is available with the complete listing.

Metric Count by Division/Core Service Area	
Financial Operations	21
State and Local Government Finance	18
Investment Management	17
State Health Plan	11
Retirement Systems	227
Information Technology	9
Unclaimed Property	7
Legal	10
Communications	7
Internal Audit	7
Human Resources	7
Legislative	12
Departmental Total	353



Strategic Goals and Objectives 2014-2016

Goal 1 – Provide Public Leadership in Finance, Fiscal, and Health Policy

Objective 1.1 - *Create a proactive strategy for the long-term sustainability of retirement and health benefits*

Objective 1.2 – *Grow the retirement system investments over the long-term with prudent risk management*

Objective 1.3 – *Promote prudent financial decision making and conservative debt management*

Objective 1.4 – *Integrate financial and health wellness resources in multiple aspects of Department outreach*

Objective 1.5 – *Support comprehensive strategies around K-12, community colleges and university education*

Goal 2 – Enhance Accountability of Department Services

Objective 2.1 – *Promote and improve transparency and ethical processes*

Objective 2.2 - *Strengthen board and committee oversight*

Objective 2.3 - *Enhance constituent relationships-including members, customers, Department, government, stakeholders & citizens*

Objective 2.4 – *Effectively manage risk, resources and compliance*

Goal 3 – Innovate and Modernize Operations

Objective 3.1 – *Improve data analytic and use of metrics in decision-making processes*

Objective 3.2 - *Strategically implement technology-based applications*

Objective 3.3 - *Continuously improve core functions and programs*

Goal 4 – Maximize our Talent

Objective 4.1 – *Enrich our workforce through the effective use of strategic talent acquisition and retention*

Objective 4.2 - *Develop an integrated talent management system*

Objective 4.3 - *Promote a culture of engagement and collaboration*

**Currently under review for 2017-2019*



NORTH CAROLINA
DEPARTMENT OF STATE TREASURER

3

STATE TREASURER OF NORTH CAROLINA
DALE R. FOLWELL, CPA
Dale R. Folwell, CPA

Focus on Core Mission

- Reduce Complexity
- Add Value/Reduce Cost
- Improve Service



2017-2019 Biennium Budget Expansion Requests

- Focus on Operational Risk
- Identified through metrics and inefficiencies within the Department
- Integrate into the Department's and IT's Strategic Plans
- Are high priority initiatives within each of the Divisions
- Subject matter experts here to answer questions



2017-2019 Biennium Budget Expansion Requests

1. Rent escalation increase - \$169,000 (recurring)
 - The rent escalation for the Atlantic Avenue campus is effective annually. In the FY16-17 year, DST was not authorized to increase its budget for the rent increase of \$169k.
 - Since the biennium base budget process only includes current escalations, DST has to ask for a recurring \$169k to have the recurring budget for the FY16-17 increase.
2. IT maintenance for Banking System* - \$450,000 (recurring)
 - The FY16-17 budget certified \$450k in IT maintenance costs for the Banking system but was reflected as 'Non-recurring'. Funds are to support upgrades and maintenance
 - Banking maintains all disbursing accounts for state entities and processes over 5 million warrants and 23,000 wires per year. Banking also maintains all state depository accounts, the Collateralization of Public Deposits program, performs daily cash flow calculations and reconciles State Treasurer bank accounts as well as budget code balances between the Office of State Controller ("OSC") and DST.
 - On July 20, 2015, Banking's upgraded system was placed into production on time and on budget. This marked the first major upgrade to the system in more than ten years and brought increased operational efficiencies to an aging platform.

* Item included in the Recommended Governor's Budget

2017-2019 Biennium Budget Expansion Requests

3. ORBiT enhancements & 2 positions - \$686,000 and \$730,000* (recurring and nonrecurring)
 - Automation of several retirement processes in order to address expected increases in demand on the Division's operating resources. The request includes two permanent positions to provide maintenance and support of the automated functions. System automation will require ongoing functional enhancements to maintain operational compliance and security enhancements due to the sensitive financial and personal data involved in online transactions.
 - \$431,000 in FY17-18 and \$475,000 in FY18-19 are non-recurring. Remaining amounts are recurring for \$255,000 for 2 positions.
4. Accounting Positions - \$217,000 and \$211,000 (recurring)
 - 2 permanent full-time positions to be responsible for accounting and financial reporting to support the functions of the Department of State Treasurer.
 - Throughout the last five years, accounting has increased its volume of work and responsibilities for internal and external financial reporting while having high turnover rates. Examples of the increase in responsibilities for accounting personnel includes the new GASB reporting requirements for Pension and OPEB Accounting and additional audit requirements on investments.
 - There are currently not enough accounting personnel to mitigate the risks for DST's accounting and financial reporting requirements.

* Item included in the Recommended Governor's Budget



NORTH CAROLINA
DEPARTMENT OF STATE TREASURER

STATE TREASURER OF NORTH CAROLINA
DALE R. FOLWELL, CPA
Dale R. Folwell, CPA

2017-2019 Biennium Budget Expansion Requests

5. 3 Internal Audit Positions & Funding for specialized audits - \$360,000 and \$351,000 (recurring)
 - 3 permanent full-time positions to be responsible for providing adequate Internal Audit coverage.
 - The Office of State Auditors has listed the Department as one of the top six agencies in terms of risks and the Office of State Budget Management (Council of Internal Audit) has listed the Department as fourth in number of Internal Audit Positions needed. Their recommendation is for 12 auditors and DST has a staff of three.
 - Due to specialty of skills and training needed, we are requesting \$100,000 annually for contract services to provide special training or bring in third party auditors with expertise in certain areas. Remaining amounts are \$250,000 for 3 positions.
6. Digital Web Expert - \$122,000 and \$119,000 (recurring)
 - 1 permanent full-time position to be responsible for supporting the online content functions of the Department of State Treasurer, including designing and managing special web workflow processes, training, and support around the business needs and web divisional web authors for the Department.
 - Over the last 5 years, the Department's web traffic and web content needs have increased dramatically. The Department's website serves as the primary information source for the 950,000 members of the State Retirement Systems and the 700,000 members of the State Health Plan. Additionally, the NCCash.com site serves as the source of information for the state's \$420 million Escheat (unclaimed property) Fund.



2017-2019 Biennium Budget Expansion Requests

7. EEO Officer - \$104,000 and \$100,000 (recurring)
 - 1 permanent full-time position to be responsible for creating the annual EEO Plan, managing all initiatives outlined in the Plan, supporting all employee relation training and managing all grievances and investigations for the DST.
 - There are currently not enough HR staff to mitigate the risks and ensure that DST is appropriately doing all that it should to adhere to the requirements outlined in its annual EEO Plan and the NC Administrative Code (25 NCAC 01L.0104(2)(A) and 25 NCAC 01L.0104(2)(C)) which specifies the responsibilities of the EEO Officer.
 - Our current staffing structure does not allow for segregation of duties for the EEO role to appropriately to mitigate risks and does not appropriately allow for cross-training in its current state.
8. 2 Unclaimed Property Positions* - \$109,000 and \$103,000 (recurring)
 - 2 full-time permanent positions to be responsible for reviewing and processing of claims for unclaimed property, and providing support to the Receipts and Reporting Unit to receive and record unclaimed property.
 - The Unclaimed Property Division's Receipts and Reporting Unit oversees the annual receipt and accounting for unclaimed property reported by all businesses and organizations doing business in the state of North Carolina.
 - Prior to 2009, the Department paid an average of less than 30,000 claims per year. The number of claims paid each year has continued to increase. In the 2015-16 fiscal year, 91,912 claims were paid; more than twice the number of claims paid in any given year.
 - The UPD has continued to experience an increase in the amount of unclaimed property reported by businesses over the last 10 years. In the five fiscal years prior to FY 2006-07, an average of \$85 million was received annually in unclaimed property. Over the last 5 years, FY 2011-12 to FY 2015-16, an average of \$157 million has been received annually.

* Item included in the Recommended Governor's Budget



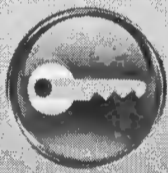
NORTH CAROLINA
DEPARTMENT OF STATE TREASURER

9

STATE TREASURER OF NORTH CAROLINA
DALE R. FOLWELL, CPA
Dale R. Folwell, CPA

COACH Team - Unit Assistance List

- COACH Team hired in FY 2016 and began assessment visits to local units in July, 2016
 - 72 assessment visits
 - 12 extended or repeat visits
 - Extremely well received
- Through assessment process, identified 23 priority units where most work will be focused for first half of 2017FY (some assessments will continue also)
- Challenges identified in visits have changed our approach on how we communicate with all units on operational issues
- Visits have highlighted the need for trained, qualified staff in finance department

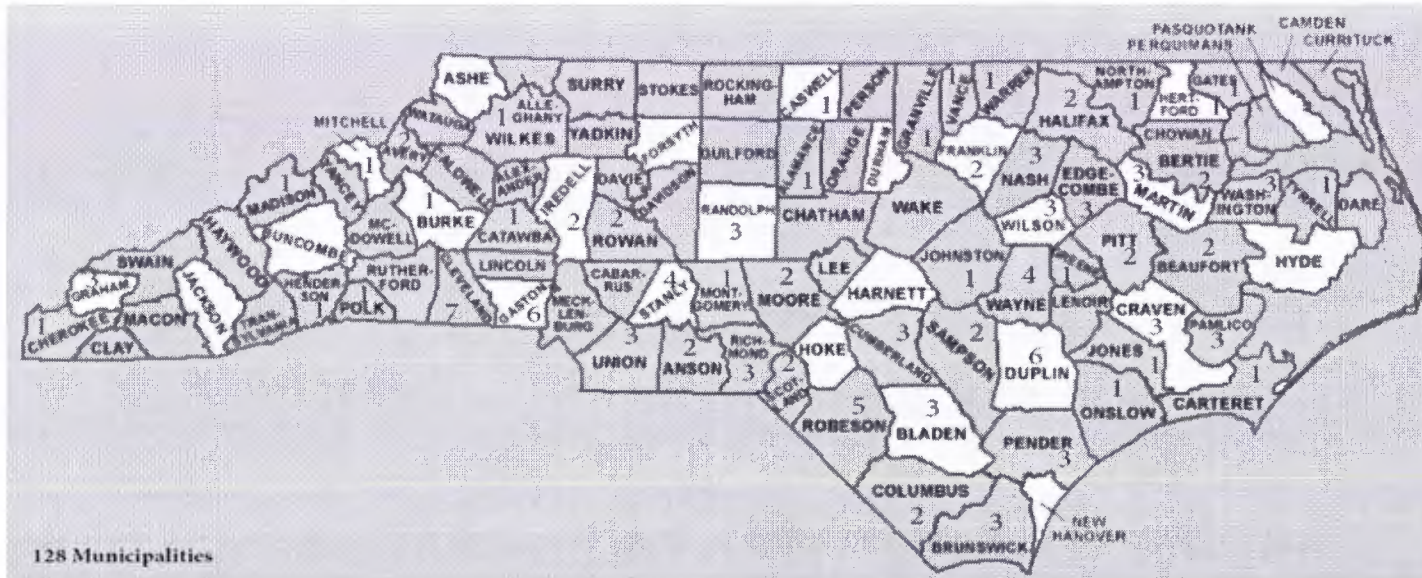


"Thank you both so much for the visit today. We have learned a lot and will continue to improve our processes and procedures with your help. We take you at your word and will be calling you as the year goes on for your guidance and knowledge." Beverly O'Brien, Finance Officer, Franklinville



North Carolina Local Government Units Currently on Unit Assistance List

Based on Audited Financial Statements as of June 30, 2016



Troubled Counties (14):

Anson

Chowan

Edgecombe

Greene

Hoke

Hyde

Martin

Northampton

Orange

Robeson

Scotland

Tyrrell

Vance

Warren

2/28/17



NORTH CAROLINA
DEPARTMENT OF STATE TREASURER

11

STATE TREASURER OF NORTH CAROLINA

DALE R. FOLWELL, CPA

Dale R. Folwell, CPA

Local Government Finance Training through NCCCS

Pilot program being offered Spring 2017 at the following campuses:

Asheville-Buncombe Technical College Beaufort County Community College

Johnston Community College Rowan-Cabarrus Community College

- Introductory government finance class taught with a practical, hands-on approach, directed towards those without formal finance education
- Weekly reading and assignments designed to let student put what is learned to use in their own job functions
- Finance staff in units on unit assistance list were directly notified about the class and asked to attend if location was feasible



Quote from Duane Holder, Finance Officer, Pitt County, and instructor at BCCC: "(class was) WONDERFUL! Great mix ranging from extremely small to small/medium (units). We have a serious diversity of experience ...Finance Officers with 10+ years all the way to Clerks with 3 weeks experience.....everyone learned new things last night. By the way, I want to compliment you guys on the layout of the material. It is really top notch and I wish I had it years ago."



NORTH CAROLINA
DEPARTMENT OF STATE TREASURER

12

STATE TREASURER OF NORTH CAROLINA
DALE R. FOLWELL, CPA
Dale R. Folwell, CPA

Questions?



NORTH CAROLINA
DEPARTMENT OF STATE TREASURER

13

STATE TREASURER OF NORTH CAROLINA
DALE R. FOLWELL, CPA
Dale R. Folwell, CPA





Joint Legislative Oversight Committee on General Government Improving Transparency of the State Treasurer's Budget

Erin Matteson

Assistant State Budget Officer, Management Section



Overview

- Purpose & Objectives
- Relevant Statutes, Changes, & Current Authorities
- Overview of Current Funding Structure
- Investment and Banking Operations
- Allocated Administrative Costs
- Compensation Plan
- State Comparisons
- Options

Study Purpose and Objectives

Purpose

- Determine the feasibility and develop a plan for converting the Office of State Treasurer funds identified in Section 27.1.(a) of S.L. 2016-94 from receipt-support to General Fund-support in order to increase transparency.

Objectives of Proposed Plan

- Show that receipts from the Funds listed in this subsection are used to offset General Fund appropriations.
- Reflect that receipts generated from the Investment Management Division, the Escheat Fund, and the Local Government Operations Division Fund and any interest earnings be deposited as nontax revenue.
- Eliminate all transfers used to pay for administration in Funds 1110, 1150, and 1510 from Funds 1130, 1210, 1310, and 1410.
- Identify any amendments to current law needed to implement the proposed plan.
- Require the Department of the State Treasurer's expenditures be recorded in the North Carolina Accounting System in the appropriate budget code, fund code, and account code and not be charged directly to the Investment Asset Classes.

Relevant Statutes and Recent Changes – Investment Operations

G.S. 147-69.3(f):

*"The cost of administration, management, and operation of investment programs established pursuant to this section shall be apportioned equitably among the programs in such manner as may be prescribed by the State Treasurer, such costs to be paid from each program, **and to the extent not otherwise chargeable directly to the income or assets of the specific investment program or pooled investment vehicle**, shall be deposited with the State Treasurer as a General Fund nontax revenue. The cost of administration, management, and operation of investment programs established pursuant to this section **and not directly paid from the income or assets of such program** shall be covered by an appropriation to the State Treasurer for this purpose in the Current Operations Appropriations Act."*

**Bolded text added in 1987.*

Relevant Statutes and Recent Changes - Compensation

G.S. 147-69.3(i2):

*"(i2) In order to promote achievement of long-term investment objectives and to retain key public employees ~~in the Investment Division, with investment functions~~, the State Treasurer is authorized to establish market-oriented compensation plans, including bonuses for the Chief Investment Officer and Investment Directors salaries and performance-related bonuses, for employees possessing specialized skills or knowledge necessary for the proper administration of investment programs, who shall be exempt from the classification and compensation rules established by the Office of State Human Resources. ~~The bonuses may design and administration of those compensation plans shall be based on compensation studies conducted by a nationally recognized firm specializing in public fund investment compensation and the Pension Plan performance.~~ compensation. ~~The salaries compensation and other associated employee benefits~~ **shall be apportioned directly from the investment program.** ~~The Treasurer shall report the salaries and bonuses paid to the Joint Legislative Commission on Governmental Operations Oversight Committee on General Government annually."~~*

Relevant Statutes and Recent Changes - Banking

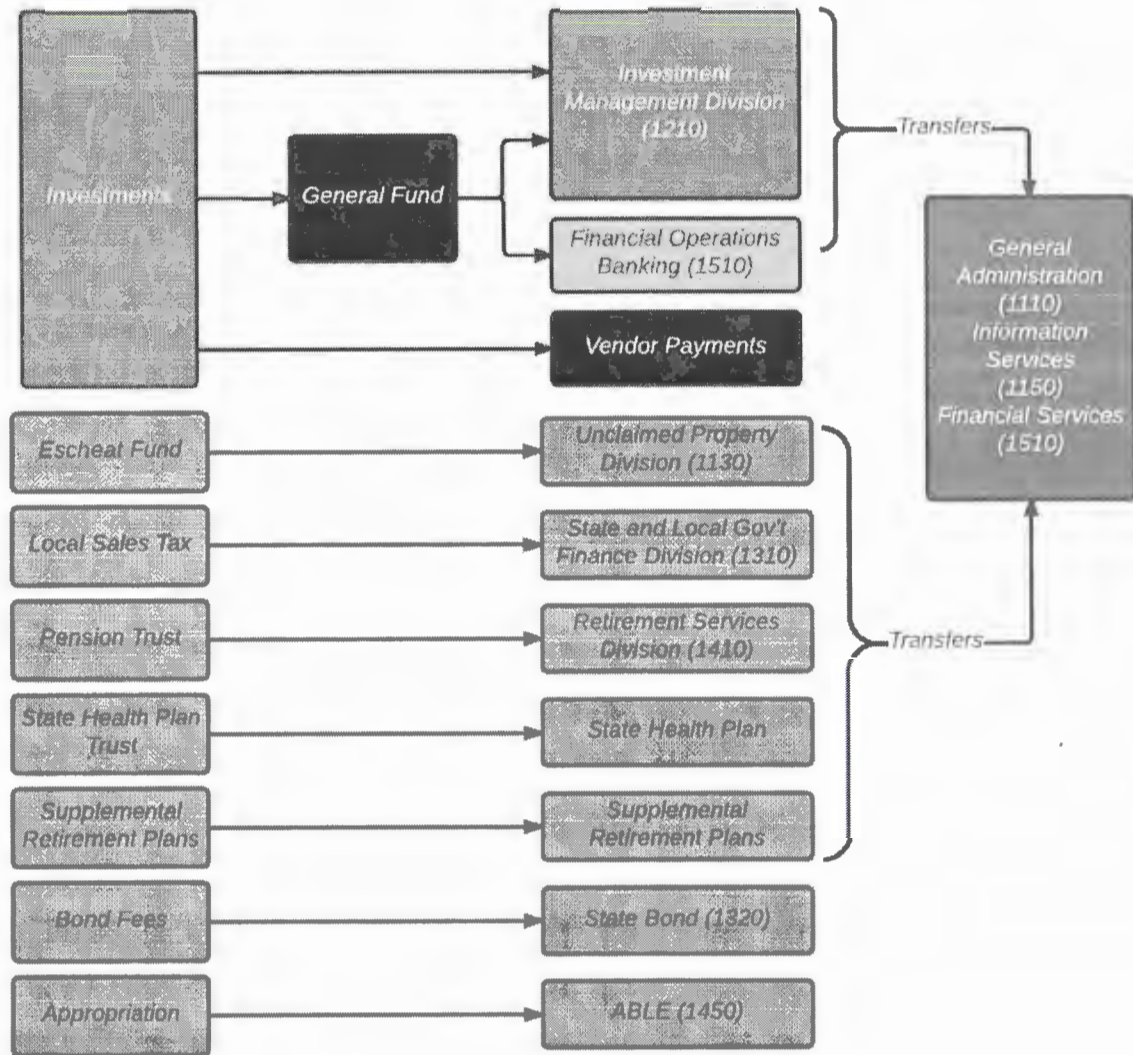
G.S. 147-68.1:

“The cost of administration, management, and operations of the banking operations of the Department of State Treasurer shall be apportioned equitably among the funds and programs using these services, and the costs so apportioned shall be deposited with the State Treasurer as a general fund nontax revenue. The cost of administration, management and operations of the banking operations of the Department of State Treasurer shall be covered by an appropriation to the State Treasurer for this purpose in the Current Operations Appropriations Act.”

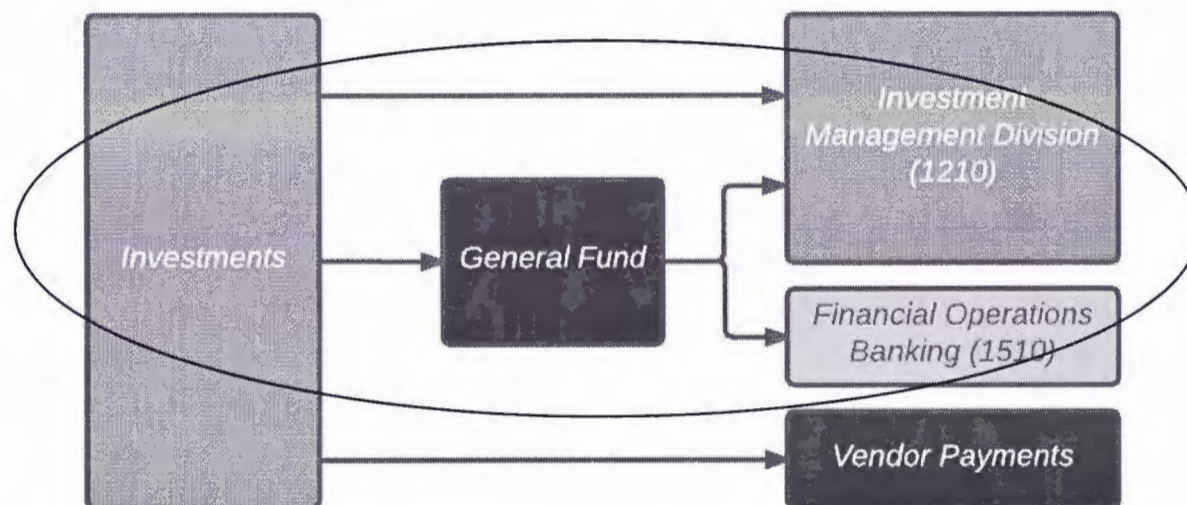
Overview of Current Authorities

- For investment functions, current statutes give the Treasurer authority to fund operations from investment assets outside of the appropriations process.
- Statutes give the Treasurer authority to charge expenses directly to investment assets without defining what is an allowable direct charge or setting a cap on expenditures (G.S. 147-69.3(f)).
- Statutes authorizing the market-based compensation plan specify that the cost of the plan is to be apportioned to the investment assets, enabling the Treasurer to fully fund all pay increases under the new plan by increasing receipts from investments.
- These authorities have been extended to include investment related functions outside of the Investment Management Division, primarily in Financial Services.
- Other divisions do not have this same flexibility to increase spending outside of the appropriations process, though nearly all are receipt-supported from other non-General Fund sources (e.g. Pension Trust Fund, Escheat Fund, etc.)

Overview of Funding Sources and Flows



Investment and Banking Operations



- **Treasurer's Expenses (Receipt-supported expenses)**

- Funds are transferred to the Investment Management Division and recorded as receipts.
- Receipts generally cover salaries and benefits and other operations of the Investment Management Division, including overhead for General Administration, Finance and IT.
- Expenditures are reflected in DST's operating budget and the State's accounting system.

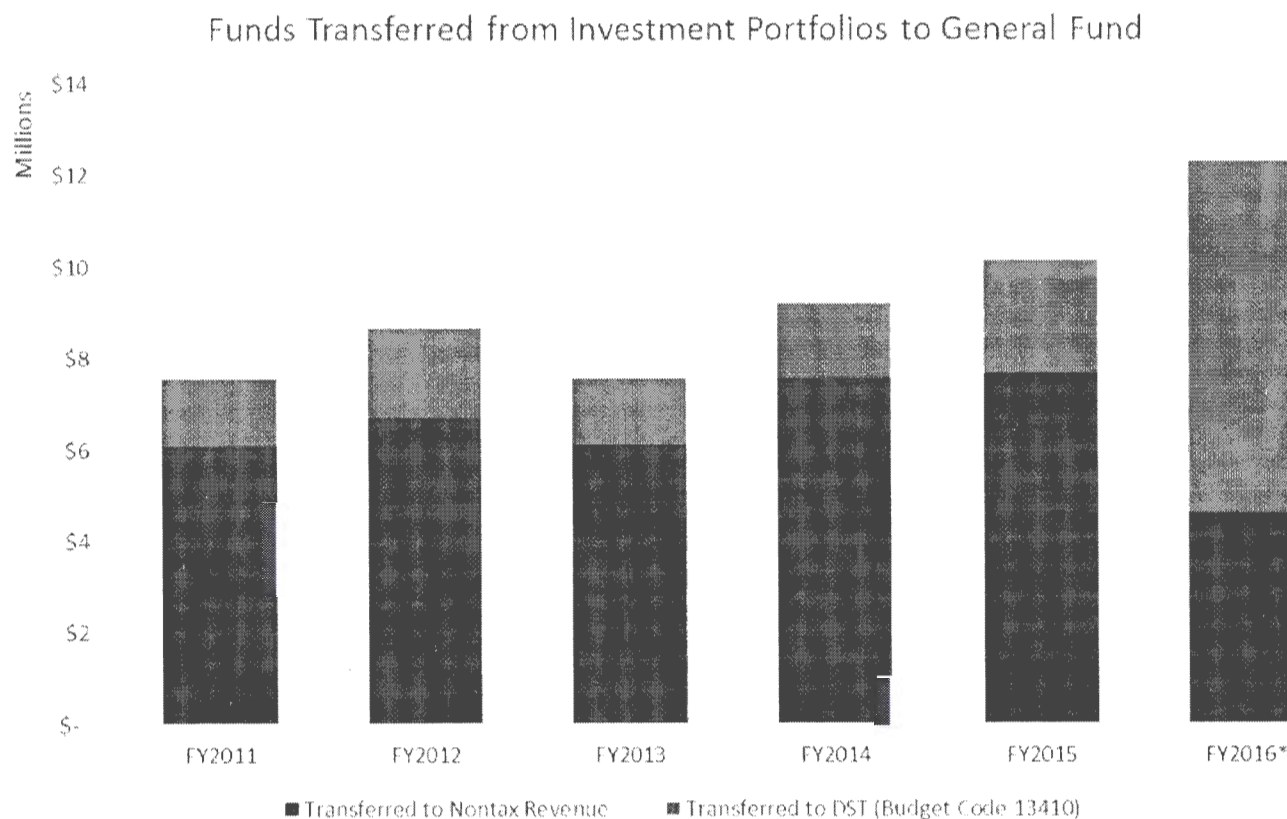
- **Treasurer's Allocated Costs (Appropriated expenses)**

- A monthly fee is charged to each portfolio and transferred to the General Fund as nontax revenue.
- Fee is based on appropriated expenses for the Investment Management Division (Fund 1210) and the Banking operations within the Financial Operations Division (Fund 1510).
- Investment expenses allocated on a pro rata basis to the portfolios.
- Banking expenses are allocated to the Short Term Investment Fund (STIF).
- Expenditures are reflected in DST's operating budget and the State's accounting system.

Investment and Banking Budget

	FY11-12 Actual (in millions)	FY15-16 Actual (in millions)
1210 Investment Management:		
Expenditures	\$5.47	\$9.56
Receipts	\$1.96	\$8.69
Appropriation	\$3.51	\$0.87
1510 Financial Operations (Banking):		
Expenditures	\$3.07	\$3.40
Receipts	\$0.00	\$0.00
Appropriation	\$3.07	\$3.40
Total Investment and Banking Appropriation	\$6.58	\$4.27

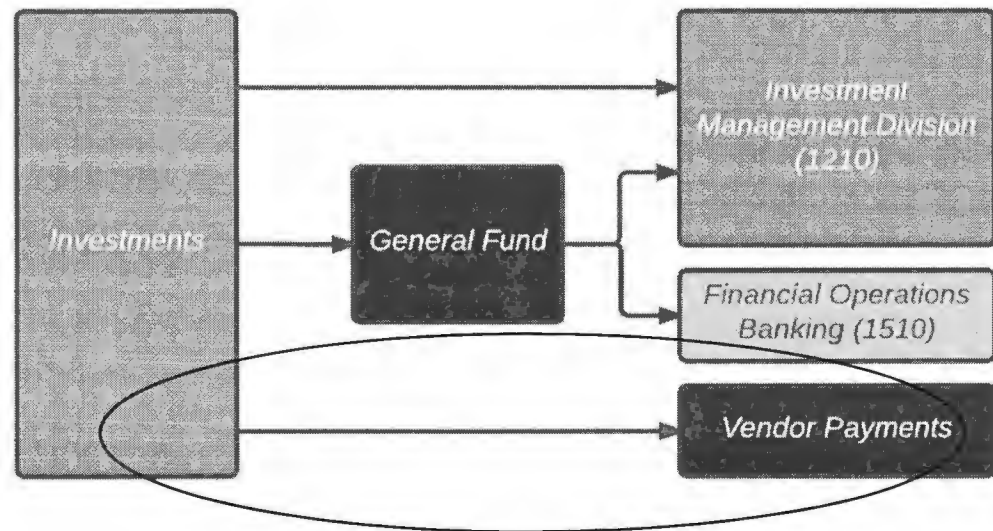
General Fund Reimbursements from Investment Pool



*The FY16 budget was revised to shift salaries and allocations from appropriated to receipt-support following implementation of the new compensation plan

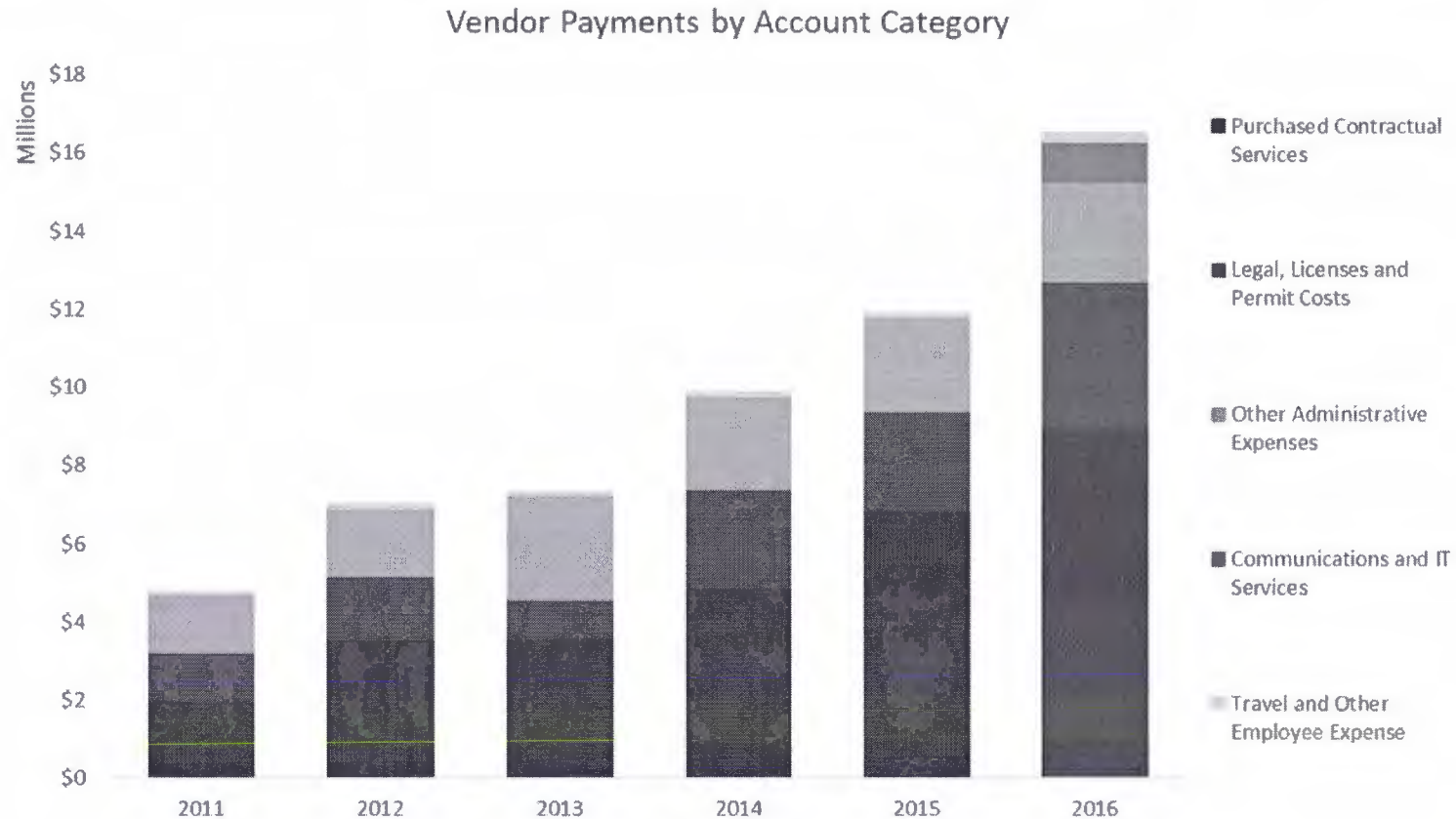
Direct Vendor Expenses

- Direct payments to vendors from the investment asset classes
- Typically for invoices that are related to a specific investment asset class
- Expenses primarily include legal fees, contractors, IT services, and travel
- Payments are not reflected as expenditures in DST's operating budget in the State's accounting system



Direct Vendor Expenses

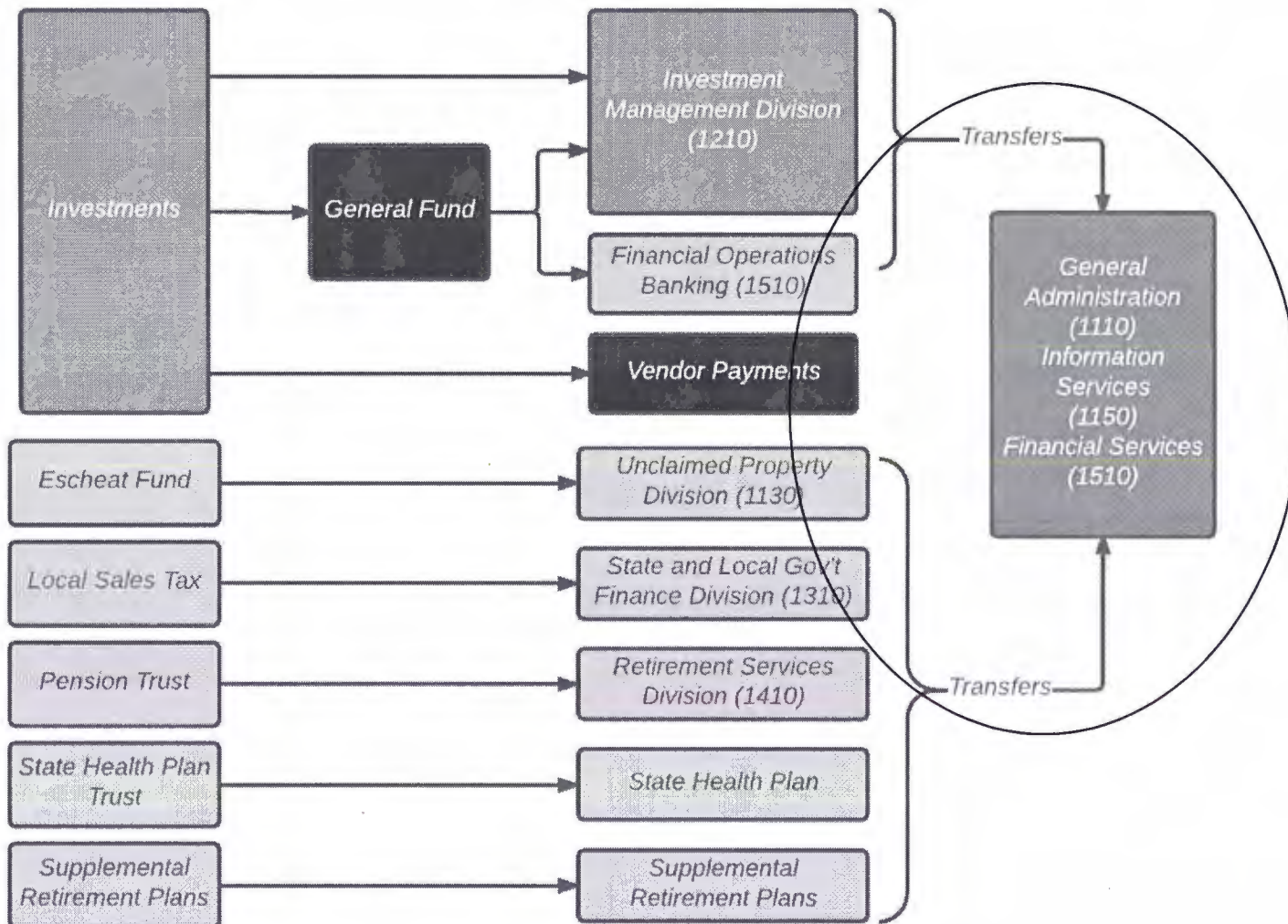
- Per DST, expenditures have grown as more funds are being transitioned from external to internal management.



Total Investment and Banking Operations

	FY11-12 Actual (in millions)	FY15-16 Actual (in millions)
Expenditures (“on budget”):		
1210 Investment Management	\$5.47	\$9.56
1510 Financial Operations (Banking)	\$3.07	\$3.40
Total	\$8.54	\$12.96
 Expenditures (“off budget”)		
Direct Vendor Payments	\$7.00	\$16.51
 Total Investment and Banking Expenditures	 \$15.54	 \$29.46

Allocated Administrative Costs



Allocated Administrative Costs

- DST Administrative Divisions are “receipt-supported” by the other operating divisions through a cost allocation methodology.
- Divisions funded through allocations and the methodology for allocating costs are summarized below.

Division/Fund Code	Major Functions	Allocation Methodology
General Administration/1110	Human Resources, Legal Services, Legislative Services, Communications, Special Programs	Based on headcount
Information Technology/1150	Management Services, Enterprise Desktop Management, Hardware and Software Procurement, Network Management, Security	50% based on headcount/50% based on number of servers used
Financial Operations – Accounting/1510	Departmental Accounting, Statewide Accounting, Internal Audit, Procurement and Contracting	Accounting personnel designated to specific operating division charged to division; other personnel and costs based on headcount

Allocated Administrative Costs

- Below is a breakdown of the funds transferred from operating divisions and the associated funding source for FY15-16:

Operating Division/Fund	Source of Funds	Allocation Amount	Percent of Total
Retirement Services/1410	Retirement Plans	\$5,962,720	47%
Financial Operations – Banking/1510	Appropriations*	\$1,910,395	15%
State Health Plan/2A11	State Health Plan	\$1,398,654	11%
Investment Management/1210	Investment Portfolios	\$1,220,832	10%
State and Local Government Finance/1310	Local Sales Tax	\$1,144,930	9%
Unclaimed Property/1130	Escheat Fund	\$865,974	7%
Supplemental Retirement Plans/2710 & 2720	Supplemental Retirement Plans	\$194,650	2%
Total		\$12,698,156	

**Banking appropriation is offset by nontax revenue transfer from investment portfolios.*

Compensation Plan

- Fall 2014: Mercer Consulting conducted compensation study.
- Mercer selected positions and benchmarked the compensation levels to comparable groups:
 - Large and leading U.S. public pensions
 - Blended group of large and leading U.S. public pension funds and public university endowments
- On June 1, 2015, the new plan went into effect:
 - 45 positions were reclassified.
 - 26 were filled and the rest went into hiring status.
 - Total cost for filled positions was about \$1.3 million.

Position	Average of Base Salary (\$)	Average of Recommended Salary (\$)	Percentage Change
CFO/Fiscal Executive - J	134,648	216,750	61%
Chief Investment Officer	351,000	380,375	8%
Investment Director - A	195,794	234,609	20%
Investment Director - C	147,000	198,900	35%
Portfolio Manager - A	80,000	144,788	81%
Portfolio Manager - J	97,039	165,888	71%

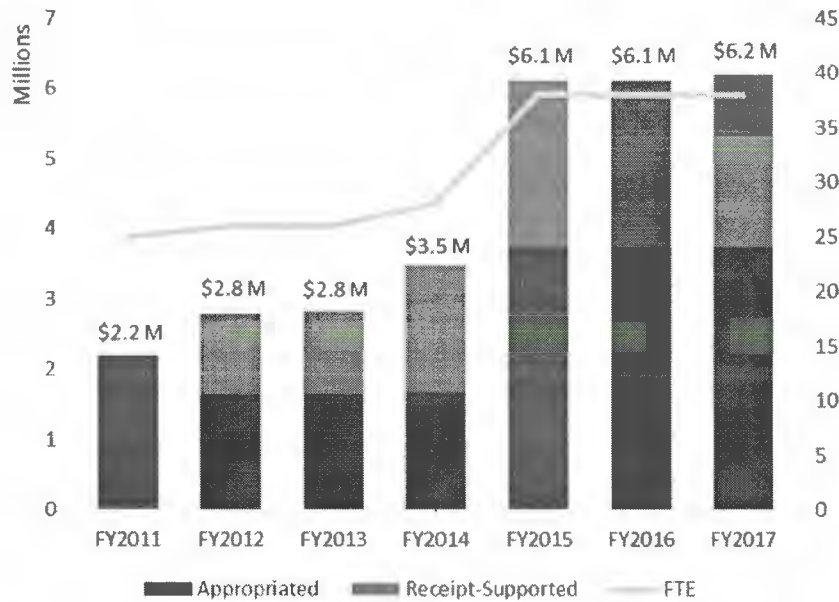
"Update on DST Market-Oriented Compensation Plan and New Positions." (January 2016).

Funding for Compensation Plan

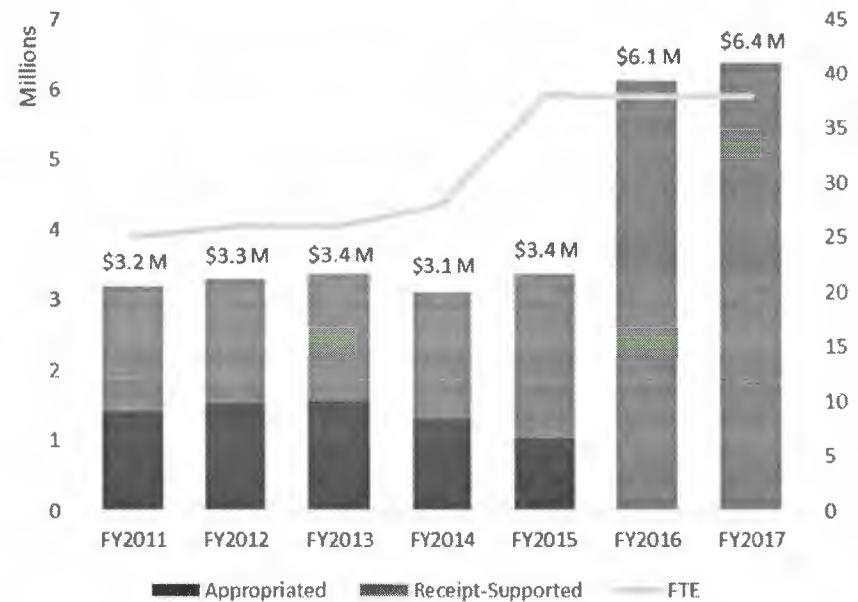
- G.S. 147-69.3(i2) - as revised by S.L. 2014-100:
 - "...The compensation and other associated employee benefits **shall be apportioned directly from the investment program**. The Treasurer shall report the salaries and bonuses paid to the Joint Legislative Oversight Committee on General Government annually."
- Senate Bill 744 / S.L. 2014-100:
 - SECTION 33.2.(c) "There is hereby established a Compensation Reserve within the Investment Division of the Department of State Treasurer for the purpose of funding the compensation plans as described in this section."
 - SECTION 33.2.(d) "The State Treasurer shall submit a report, no later than March 1, 2015, to the Joint Legislative Oversight Committee on General Government, established by Section 22.1 of this act, regarding the distributions from the Investment Division's Compensation Reserve and the methodology used in determining any distributions."
- In accordance with G.S. 147-69.3, all investment related positions paid under the new compensation plan were shifted from appropriated to receipt-support.
- Funds appropriated in S.L. 2014-100 for investment positions were moved to a reserve account and not expended.
- Instead of transferring funds to nontax revenue from investments, funds were transferred directly to Treasurer's budget code as receipts.
- OSBM approved these changes through the budget revision process in accordance with G.S. 147-69.3(i2).

Impact of New Compensation Plan

Investment Management Division
Salaries by Funding Source (Certified)



Investment Management Division
Salaries by Funding Source (Authorized)



Other State Models

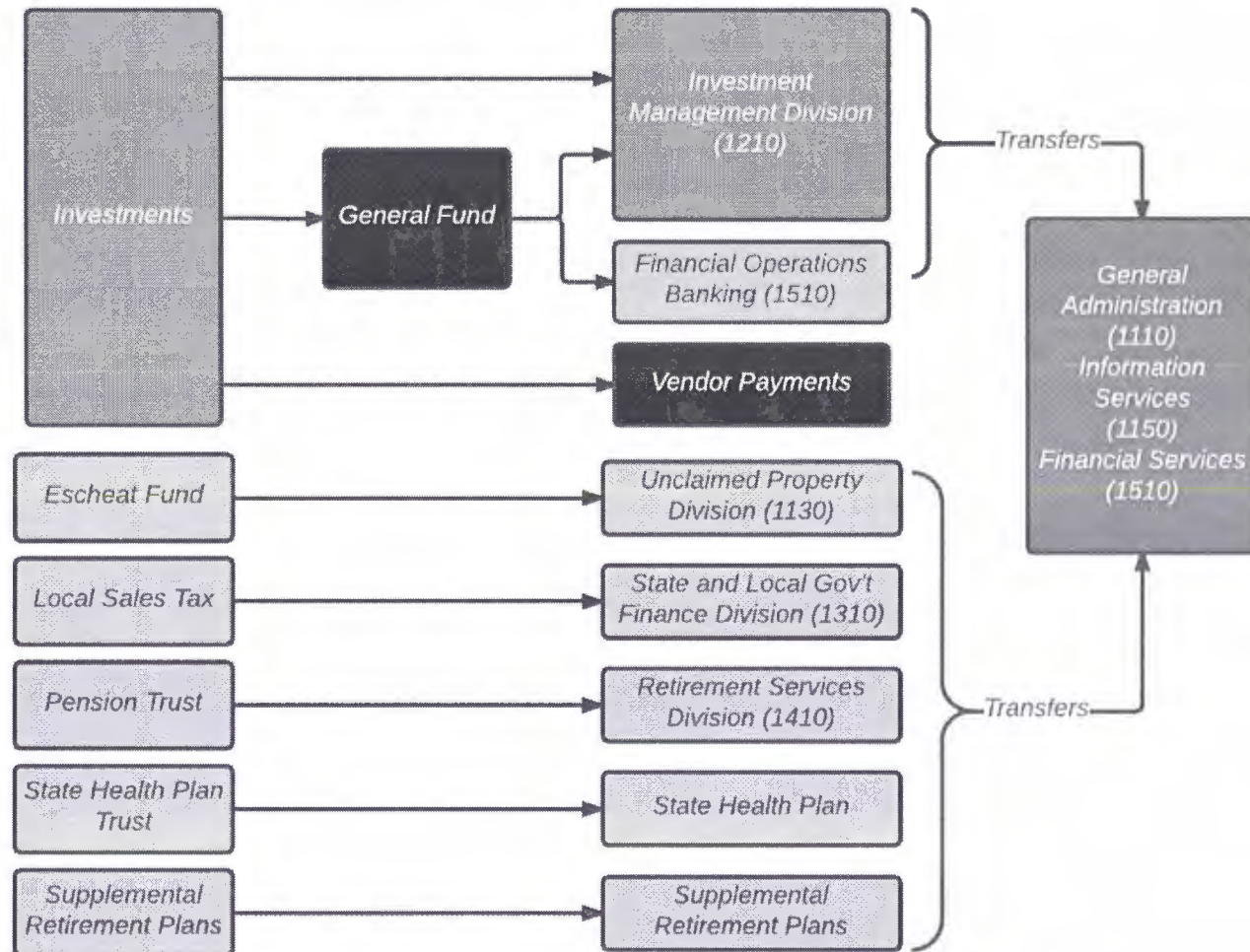
- Wide variation in governance structures and budget/appropriations processes.
- Selected the following states based on bond rating, asset size, and management of funds:
 - Washington
 - Virginia
 - Georgia
 - Florida
- Retirement systems were managed separately from other functions in all of the state's examined
- Focused on the entity responsible for pension investments since pension funds comprise the largest share of the NC Treasurer's investment responsibilities
- All operational expenses reflected in budget and recorded in single accounting system
- All funded from retirement funds/investments, but constrained to approved budget
- With the exception of Florida, budgets legislatively approved and appropriated

Other State Models

	Virginia	Georgia	Florida	Washington
Primary Investment Agency*	Virginia Retirement System (VRS)	Employees' Retirement System (ERS)/Teachers' Retirement System (TRS)	State Board of Administration (SBA)	Washington State Investment Board (WSIB)
Governance	Board of trustees	Boards of trustees	Board of trustees	Board of trustees
Functions	Retirement funds investment and benefits administration	Retirement funds investment and benefits administration (ERS contracts with TRS for investment services)	Retirement funds investment and other state/local long-term investments	Retirement and other state long-term investments
Agency operating budget	Appropriated by Legislature	Appropriated by Legislature	Not appropriated; approved by Board and submitted to legislature	Appropriated by Legislature
Funding Source	VRS Trust Fund	Retirement Funds	Fees for service (charged against investments)	Managed Funds Earnings

**Focused on the entity responsible for pension investments since pension funds comprise the largest share of the NC Treasurer's investment responsibilities*

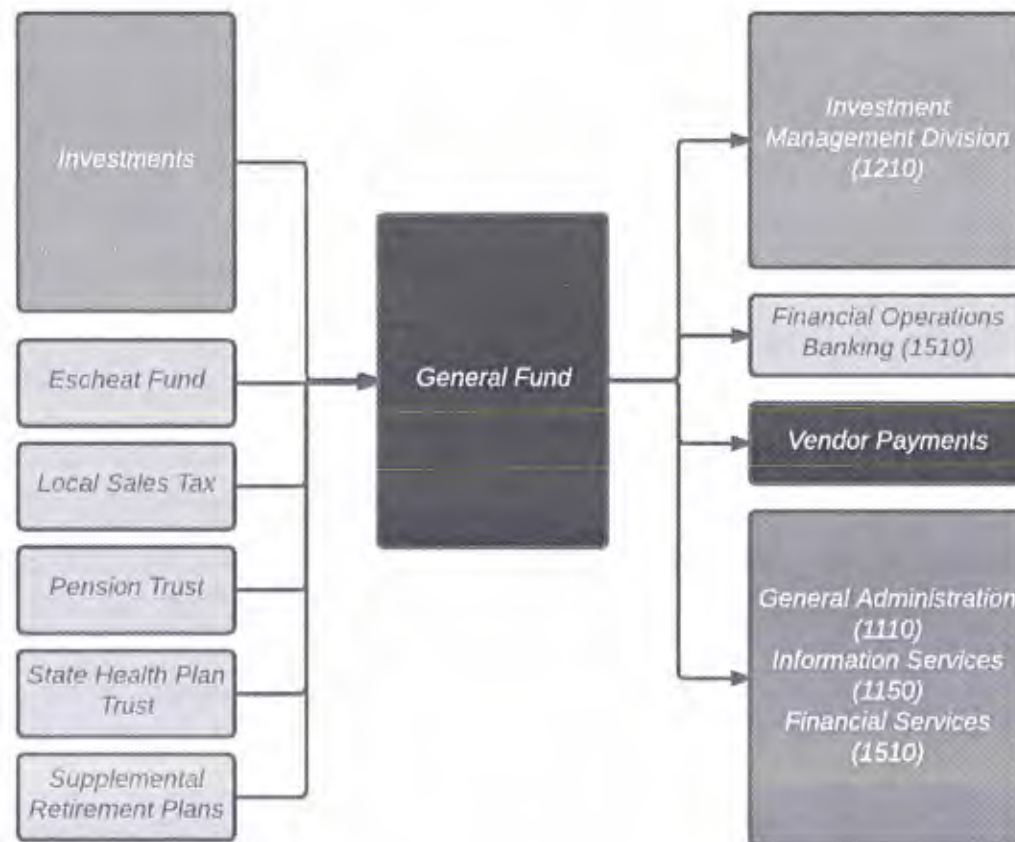
Option 1 – Status Quo



Option 1 – Status Quo

- Investment operations are funded through three separate mechanisms:
 - Transfer to the Investment Management Division for “receipt-supported” expenses
 - Transfer to General Fund nontax revenue to support appropriated expenses
 - Direct payments to vendors
- Banking operations are appropriated and offset by transfer to the General Fund as nontax revenue
- Administrative overhead functions are receipt-supported by all divisions

Option 2: Appropriation offset by Nontax Revenue (all expenditures on budget)



Option 2: Appropriation offset by Nontax Revenue (all expenditures on budget)

- Receipt-supported expenditures in Investment Management Division (1210), Financial Operations (1510), Information Technology (1150), and General Administration (1110) would be appropriated
- Vendor payments previously charged directly to investments would be appropriated in the Investment Management Division budget (equity management fees would still be paid directly from investments)
- Investment Management Division and Banking Operations costs would be apportioned to investments and deposited as General Fund nontax revenue
- Administrative costs previously allocated and charged to divisions would be appropriated
- Administrative costs would be apportioned by division using existing methodology, but funds would be deposited from various funding sources as General Fund nontax revenue
- Statutes would be amended to remove language authorizing direct charges to investments

Option 2: Appropriation offset by Nontax Revenue (all expenditures on budget)

Option 2: Appropriation offset by Nontax Revenue (all expenditures on budget)

	FY17-18 Base (WSI)	Change	FY17-18 Revised
Allocated Admin Costs			
(1110 Gen Admin, 1150 IT, 1510 Finance - Acct)	\$1	\$14,090,967	\$14,090,968
Requirements	\$14,090,968	\$0	\$14,090,968
Receipts	\$14,090,967	-\$14,090,967	\$0
1210 Investment Management	\$6,093,394	\$19,020,139	\$25,113,533
Requirements	\$15,930,547	\$9,182,986	\$25,113,533
Receipts	\$9,837,153	-\$9,837,153	\$0
1510 Financial Operations Division BANK	\$3,627,996	-\$1,943,950	\$1,684,046
Requirements	\$3,627,996	-\$1,943,950	\$1,684,046
Other Divisions (1130, 1310, 1320, 1410, 1450)	\$545,435	\$0	\$545,435
Requirements	\$28,406,843	-\$8,742,017	\$19,664,826
Receipts	\$27,861,408	-\$8,742,017	\$19,119,391
Total Requirements	\$62,056,354	-\$1,502,981	\$60,553,373
Total Receipts	\$51,789,528	-\$32,670,137	\$19,119,391
Total Appropriation	\$10,266,826	\$31,167,156	\$41,433,982

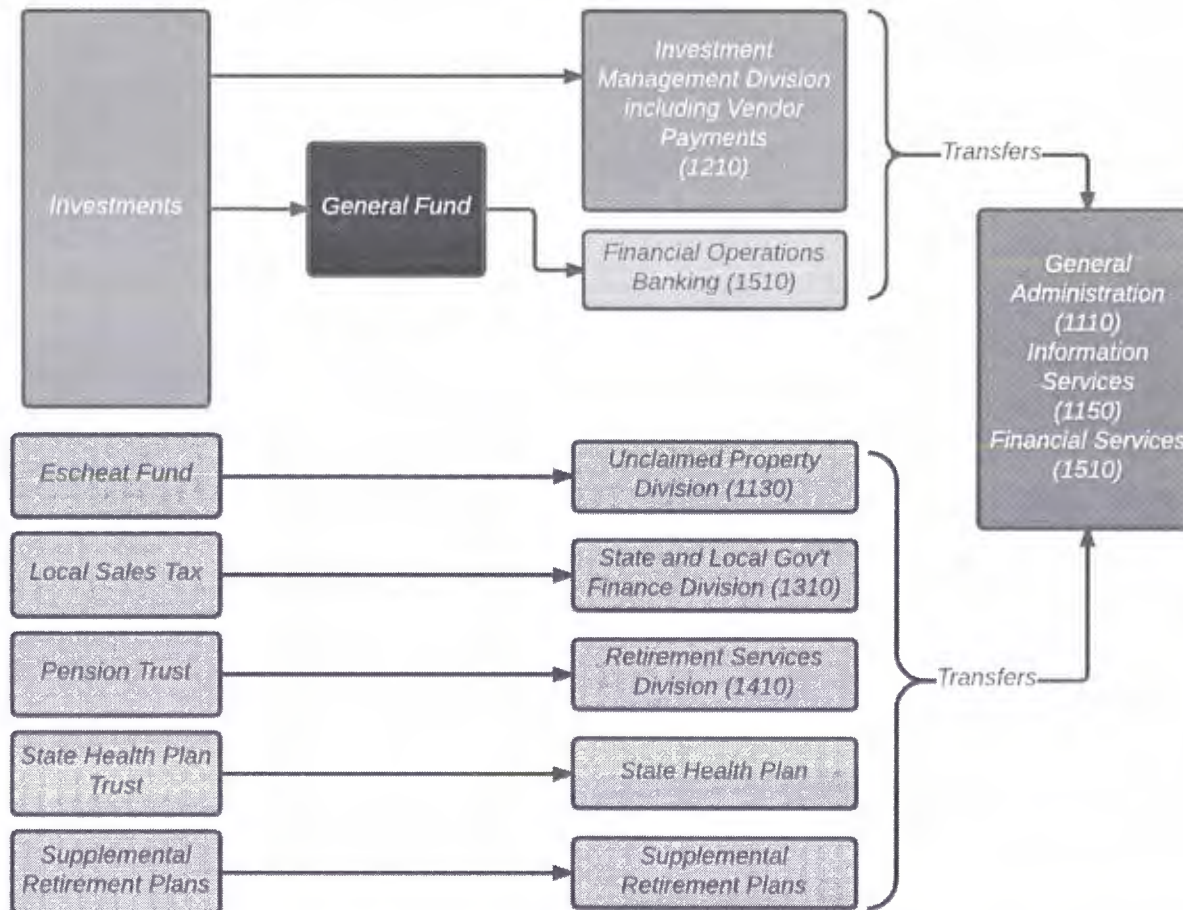
Option 2: Appropriation offset by Nontax Revenue (all expenditures on budget)

Estimated Transfers to Nontax Revenue

	1210	1510 Banking	1110, 1150, 1510 Acct*	Total
Investment Portfolios	\$25,113,533	\$1,684,046	\$3,548,334	\$30,345,913
Retirement			\$6,466,497	\$6,466,497
Escheat			\$959,209	\$959,209
Public Employees Health Benefit Fund			\$1,629,725	\$1,629,725
Supplemental Retirement Plans			\$247,497	\$247,497
Local Government Sales and Use tax			\$1,239,706	\$1,239,706
Total	\$25,113,533	\$1,684,046	\$14,090,968	\$40,888,547

*Based on percent allocation from estimated FY17-18 base

Option 3: Receipt-Supported with Spending Limits (all expenditures on budget)



Option 3: Receipt-Supported with Spending Limits (all expenditures on budget)

- Investment Management Division (1210) would continue to be receipt-supported from investments
- Vendor payments previously charged directly to investments would be reflected in the Investment Management Division budget as receipt-supported (equity management fees would still be paid directly from investments)
- Financial Operations (1510), Information Technology (1150), and General Administration (1110) would continue to be receipt-supported by other divisions
- Statutes would be revised to clarify under what circumstances the Treasurer has authority to budget additional receipts outside of the appropriations process

Option 3: Receipt-Supported with Spending Limits (all expenditures on budget)

	FY17-18 Base (est)	Change	FY17-18 Revised
1210 Investment Management - Appropriation	\$6,093,394	-\$6,093,394	\$0
Requirements	\$15,930,547	\$10,818,738	\$26,749,285
531XXX PERSONAL SERVICES	\$8,201,475	\$0	\$8,201,475
532XXX PURCHASED SERVICES	\$358,604	\$10,249,627	\$10,608,231
533XXX SUPPLIES	\$31,126	\$0	\$31,126
534XXX PROPERTY, PLANT & EQUIPMENT	\$8,848	\$0	\$8,848
535XXX OTHER EXPENSES & ADJUSTMENTS	\$6,030	\$6,257,823	\$6,263,853
537XXX RESERVES	\$5,688,712	-\$5,688,712	\$0
538XXX INTRAGOVERNMENTAL TRANSACTIONS	\$1,635,752	\$0	\$1,635,752
Receipts	\$9,837,153	\$16,912,132	\$26,749,285
437XXX MISCELLANEOUS	\$9,837,153	\$16,912,132	\$26,749,285
438XXX INTRAGOVERNMENTAL TRANSACTIONS	\$0	\$0	\$0

- Operating accounts are increased to reflect vendor payment activity previously paid directly from investments
- Funds appropriated for positions that are now receipt-supported are removed
- Receipts are increased to support new operating budget level
- Other divisions/funds are unchanged

Analysis of Options

- OSBM considered options based on the following criteria:
 - **Transparency** – Appropriate expenditures are “on budget” and tracked in the State’s accounting systems
 - **Control and Accountability** – The General Assembly and OSBM have adequate control through the appropriations process and budget execution
 - **Flexibility** – Treasurer has sufficient flexibility to manage unpredictable costs associated with investment operations

Analysis of Options

Option	Advantages	Disadvantages
Option 1: Status Quo	<ul style="list-style-type: none"> • Flexibility for Treasurer to manage investment operations • Requires no change to existing policies or processes 	<ul style="list-style-type: none"> • Lacks transparency since many expenditures are “off budget” • Limits General Assembly control • Overly complicated • Increased risk for misuse of funds due to complexity and off budget activity
Option 2: Appropriation offset by Nontax Revenue (all expenditures on budget)	<ul style="list-style-type: none"> • More transparent - all expenditures “on budget” • Greater control for General Assembly – appropriated level sets clear cap • Equity manager fees still paid directly, providing necessary flexibility for volatility • Reduced risk for misuse of funds • Meets legislatively stated objectives for study 	<ul style="list-style-type: none"> • Reduces Treasurer’s flexibility to manage investment operations and fund compensation plan • Adds complexity by requiring transfers to GF nontax revenue from multiple sources (pension plans, health plan, escheat fund, etc.) • Administrative burden to establish new processes
Option 3: Maintain receipt-supported structure but move all expenditures on budget and cap spending authority	<ul style="list-style-type: none"> • More transparent - all expenditures “on budget” • Greater control for General Assembly if limits clearly established in statute • Equity manager fees still paid directly, providing necessary flexibility for volatility • Requires limited change to existing policies or processes • Reduced risk for misuse of funds 	<ul style="list-style-type: none"> • Reduces Treasurer’s flexibility to manage investment operations and fund compensation plan • Some administrative burden to establish new processes

Supplemental Documents

Department of State Treasurer Key Operational Metrics

Communications	Press hits	Number of stories mentioning Treasurer, impact of DST
Communications	External events	Tracked by division, region, frequency
Communications	Treasurer travel	Tracked by region frequency
Communications	Email distribution	Tracked by list size, open rate, frequency
Communications	Records requests	Tracked by turnaround time, size
Communications	Media log	Log off all press calls/inquiries
Communications	Collateral	List of all collateral by date/division
Financial Operations	Departmental Accounting	Number of business days after month end to certify previous month's financial data with OSC
Financial Operations	Departmental Accounting	Meeting 100% of all internal and external deadlines related to financial reporting each month
Financial Operations	Departmental Accounting	No FOD findings in audits including CAFR and other financial related audits
Financial Operations	Departmental Accounting	Number of days of the 7 day turnaround requirement for payments to employees
Financial Operations	Departmental Accounting	Number of days of the 2 day turnaround requirement for processing BDAs
Financial Operations	Statewide Accounting	100% timely processing of debt payments
Financial Operations	Statewide Accounting	100% timely submission to IMD for monthly and quarterly financial statements
Financial Operations	Statewide Accounting	100% timely funding for all retirement payouts
Financial Operations	Statewide Accounting	100% timely submission of State Health Plan monthly and quarterly financial statements
Financial Operations	Statewide Accounting	Funding of weekly net claim payment by second business day of receipt of Net Disbursement Report
Financial Operations	Departmental Accounting	Track timing of OSBM to process DST requests within 10 days
Financial Operations	Departmental Accounting	95% timely submission of time reporting in BEACON each week
Financial Operations	Departmental Accounting	Timely funding of escheats payments within four days
Financial Operations	Departmental Accounting	90% timely submission of invoices to FOD by DST divisions
Financial Operations	Banking	Timely monthly reconciliation of budget codes between CMCS and Flexcube
Financial Operations	Banking	Timely processing of daily BAI file by 8:45am
Financial Operations	Banking	Timely releasing of cash flow spreadsheet to IMD by 10:30am
Financial Operations	Procurement & Contracting	Response time from DOA on DST requests
Financial Operations	Procurement & Contracting	Response time from DIT on DST requests
Financial Operations	Procurement & Contracting	Timely processing of non-IT E-procurement requisitions within two state business days of request
Financial Operations	Procurement & Contracting	Timely requisitioning of IT related goods and services up to \$25,000 in the E-Procurement system within three state business days of requests
Information Technology	IT Management	Helpdesk Ticket Count
Information Technology	IT Management	Average Response Time in Hours
Information Technology	IT Management	Average Time to Close Tickets
Information Technology	IT Management	Tickets with a Service Rating
Information Technology	IT Management	Percent of Tickets with Service Rating
Information Technology	IT Management	Average Ticket Rating
Information Technology	IT Management	Helpdesk Tickets by Category and Priority In SLA Range and Outside of SLA Range.
Information Technology	Security	Unhandled Malware
Information Technology	Security	Domain/Enterprise Admin Group Membership
Human Resources	Talent Acquisition	Vacancy Report
Human Resources	Talent Acquisition	Turnover Report
Human Resources	Talent Management	Annual Performance Evaluations
Human Resources	Talent Management	Employee Engagement
Human Resources	Total Rewards	Compensation Ratio compared to market rates
Human Resources	Total Rewards	Leave of absence reports
Human Resources	Total Rewards	Payroll processing reports
Internal Audit	Internal Audit	Complete at least six audits by end of fiscal year. (supports all strategic goals)
Internal Audit	Internal Audit	Meeting 100% of deadlines to OSBM – reports within 10 days, audit plan or update by September 30, Charter once revised. (supports strategic goal 2)
Internal Audit	Internal Audit/Compliance	At least 40 hours of CPE for each staff member – 20 related directly to audit (Internal Audit only) (supports strategic goal 4)
Internal Audit	Internal Audit	Receive at least 90% positive response on customer surveys. (supports strategic goal 3)
Internal Audit	Internal Audit	At least 80% of Open Issues followed up within 60 days of expected completion date. (effective March 2016) (supports strategic goal 3)
Internal Audit	Compliance	Add a Compliance Section to the Internal Audit internal website and populate with information that would be helpful to DST staff by January 1, 2017. (supports strategic goal 2)
Internal Audit	Compliance	Implement Seven Elements of Effective Compliance Program including hotline by July 1, 2017. (supports strategic goal 3)
Investment Management	Total Fund Management	Returns relative to benchmarks for total fund and asset classes. DST Strategic Plan has high level metrics applicable to the NCRS.
Investment Management		A. Risk Standards and Metrics. To help achieve the investment objectives, IMD will monitor risk measurements against certain standards over various time horizons. Monitoring will occur with ex post and ex ante measurements utilizing various risk systems and vendors. It is understood that there will be periods during which the Fund's risk profile will deviate from the standards due to market events and/or active positioning. An IMD Risk Budget Policy will be adopted by the Treasurer to further define monitoring standards, escalation standards, and escalation processes, including, but not limited to the following:
Investment Management		1. Annual volatility of Fund returns of 10%
Investment Management		2. Sensitivity of annual Fund returns to global stock market returns; i.e., equity beta of 0.60
Investment Management		3. Sensitivity of annual Fund returns to inflation; i.e., inflation beta of 0.30
Investment Management		4. Sensitivity of annual Fund returns to intermediate-term bond returns; i.e., intermediate U.S. Treasury bond return beta of 0.30
Investment Management		5. Net of fees risk-adjusted returns; i.e., sharpe ratio of 0.40 and information ratio of 0.30
Investment Management		6. Net employer and employee contributions as a ratio of Fund assets of -3%
Investment Management		7. Level 1 liquidity; i.e., investments that take 3 days or less to exit have value equal to 70% of Fund
Investment Management		8. Fund tracking error or active risk (TBD in Risk Budget Policy)
Investment Management		B. Fund Rebalancing. A disciplined rebalancing policy is an important investment risk management tool that can occur through the ongoing natural cash flows of the Fund, relative valuation changes, and asset liquidations and transfers.

Investment Management		1. Interim Rebalancing. Should the Portfolio allocation for either Investment Grade Fixed Income or Public Equity fall below or exceed a boundary of +/- 2% relative to its Target Allocation in Table 1 for a period exceeding five (5) business days, IMD shall produce and provide to the Treasurer a written memorandum describing a proposed rebalancing action. Outside Policy Range. Investment strategies or market conditions which result in a Portfolio allocation beneath the minimum or above the maximum listed in Table 1 for a period exceeding five (5) consecutive business days shall be reported to the Treasurer, together with a review of conditions causing the persistent deviation and a recommendation for subsequent investment action. In such case, the Treasurer shall approve a transition plan for an orderly rebalancing.
Investment Management		2. Suspensions of Rebalancing. On occasion, it may not be prudent to immediately initiate rebalancing; for example, due to concerns about losses resulting from liquidation of investments or concerns that exceptional market volatility might require reversal of the action. Therefore, notwithstanding any other provision of this Policy, the Treasurer may authorize in writing a suspension of rebalancing. Any such written authorization shall cover a time period no more than 6 months long. At the end of that period, the Treasurer may authorize another 6 month suspension period if circumstances warrant.
Investment Management		3. IMD may utilize physical securities and derivatives, including options, to accomplish rebalancing to the extent otherwise consistent with applicable statutes and this Policy.
Investment Management	Total Fund Management (continued)	C. Cost-effectiveness. Cost-effectiveness will be proactively managed. IMD will regularly monitor the cost-effectiveness of the Fund's internal and external costs and expenses. Cost-effectiveness will be assessed relative to investment objectives, peers, industry benchmarks, and realized investment performance.
Investment Management		D. Liquidity. The liquidity of the Fund, including, but not limited to marketability of investments, cash flow from investments, net employer and employee contributions, capital commitments, and potential commitments will be regularly monitored. The holding periods and cash flows for the various investment vehicles may range widely. It is recognized that non-public market strategies are typically highly illiquid, in general only offering liquidity upon the realization or partial realization of an investment. The Fund will be diversified among investments with different degrees of liquidity.
Investment Management		E. Portfolio Allocations and Guidelines. Each Portfolio comprising the Fund has authorized allocations and guidelines to govern their operation and help manage risk and these are set out in Appendix 2. 1. IMD shall periodically review the Portfolio allocations and guidelines. Adjustments can be based on various factors including changing investment objectives, peer practice, market conditions, policy benchmarks, statutory revisions, expected returns/risks, and liquidity. 2. Due to market movements, active positioning, or exogenous factors, a Portfolio may deviate from authorized allocation ranges and will be rebalanced to the extent practicable and warranted by market
Investment Management		F. Compliance. IMD will implement regular and independent compliance procedures to ensure ongoing adherence with the requirements of NCGS §147-69.2, this Policy, other IMD policies, procedures, and guidelines and contractual guidelines. Statutory compliance requirements are detailed in Appendix 3.
Legal		IMD Transactions
Legal		Estimated damages avoided
Legal		Litigation matters under management
Legal		Litigation matters concluded
Legal		Instances of legal advice
Legal		Instances of legal counsel
Legal		Timeliness of response
Legal		Timeliness of update comm
Legal		Time spent in negotiation
Legal		Public records pages produced
Legislative	Legislative	Meet all designated drafting, filing, crossover deadlines. 100% requirement for all DST legislation
Legislative	Legislative	Meet all deadlines as determined by OSBM for submitting DST budget expansion items. 100% requirement for all DST budget item submissions to OSBM
Legislative	Legislative	Very High Success Rate in Enacting the Legislative Agenda.
Legislative		Low Complexity/Controversy bills 100% pass
Legislative		Moderate Complexity/Controversy bills 90-100% pass
Legislative		High Complexity, Controversy bills better than 75% pass
Legislative		DST budget. Keep cuts to minimum levels. 2% or less. Success in getting additional resources for Dept.
Legislative	Constituent Services	Timely response to all GA members and others initiating constituent service requests. Immediate response acknowledging all constituent requests. Immediate transfer to person responsible. Timely response rate as determined by complexity of the request. Need to gather information, etc.
Legislative	Requests for Information	Optimally, 48 hour turn-around time for time-sensitive requests from the General Assembly. A week for most other requests for information. 24 hour up front delivery of presentation materials to GA committee staff.
Legislative	Legislative	Very High Success Rate in stopping legislation deemed hostile to the vision or mission of the DST. 90-100% kill rate.
Legislative	Compliance	100% timely filing of SEI, Registration, and Spending Reports by each member of the legislative team to the Secretary of State's office. Deadlines as determined by Secretary of State.
Legislative	Information	Immediate transfer of key or time sensitive information to Treasurer and Senior Staff. 100% timely transfer.
Retirement Systems	Supplemental Retirement	Average Monthly Contribution
Retirement Systems	Supplemental Retirement	Active Participation Rate
Retirement Systems	Supplemental Retirement	Target Date Funds Utilization among New Members
Retirement Systems	Supplemental Retirement	Target Date Funds Utilization among All Members
Retirement Systems	Calculations	Total Number of Cost Calculations Completed
Retirement Systems	Calculations	Total Self Service Purchase Calculations
Retirement Systems	Calculations	Percent of Service Purchases Made - Rolling 12-month Average
Retirement Systems	Calculations	First Time Through Rate
Retirement Systems	Calculations	Average Days to Prepare Calculation
Retirement Systems	Core Accounting	Health Insurance Enrollment Forms Received
Retirement Systems	Core Accounting	Number of 6INTs Received (conversion from DRET to service retirement)
Retirement Systems	Core Accounting	Volume of Outbound Reclamations
Retirement Systems	Core Accounting	Volume of Inbound Reclamations
Retirement Systems	Core Accounting	Volume of Returns

Retirement Systems	Core Accounting	Volume of Cobra Guard Errors Checked
Retirement Systems	Core Accounting	TAT of Outbound Reclamations
Retirement Systems	Core Accounting	TAT of Inbound Reclamations
Retirement Systems	Death	Death Notifications Received
Retirement Systems	Death	Percent of Death Notifications Received Within 60 Days of Date of Death
Retirement Systems	Death	CDB Paid Amounts
Retirement Systems	Death	State/Local Death Benefit Amounts
Retirement Systems	Death	Active/Retiree LEO Separate Benefit Fund Amounts
Retirement Systems	Death	Average Number of Days to Close Death Workflow
Retirement Systems	Death	Percent of First Payments Made in 30 Days After DC Receipt
Retirement Systems	Death	Percent of First Payments Made in 45 Days After DC Receipt
Retirement Systems	Disability	Number of New Disability Applications Received
Retirement Systems	Disability	Number of Re-Exams Received
Retirement Systems	Disability	Number of New Benefits Initiated
Retirement Systems	Disability	Cases Reviewed by the Medical Board
Retirement Systems	Disability	New Cases Reviewed by the Medical Board
Retirement Systems	Disability	Re-Exams Reviewed by the Medical Board
Retirement Systems	Disability	Statements of Income Opened
Retirement Systems	Disability	Statements of Income Closed
Retirement Systems	Disability	Percent of Medical Board Cases Approved
Retirement Systems	Disability	Percent Incomplete Applications Received
Retirement Systems	Disability	Percent Cases Paid in Month Requested - All
Retirement Systems	Disability	Percent Cases Paid on Time if app rec'd 60 days prior - All
Retirement Systems	Disability	Percent Cases Paid in Month Requested - LT
Retirement Systems	Disability	Percent Cases Paid in Month Requested - EST
Retirement Systems	Disability	Percent Cases Paid in Month Requested - DRET
Retirement Systems	Disability	Percent Disability Cases Received 60+ Days in advance
Retirement Systems	Disability	Percent Disability Cases Received 30-59 Days in advance
Retirement Systems	Disability	Percent Disability Cases Received 0-29 Days in advance
Retirement Systems	Disability	Percent Disability Cases Received <0 Days in advance
Retirement Systems	Disability	LT/EST - Average TAT - App. Rcvd to Paid
Retirement Systems	Disability	DRET - Average TAT - App. Rcvd to Paid
Retirement Systems	Disability	ST/PLT - Average TAT - App. Rcvd to MB Review
Retirement Systems	Disability	App Rec'd To MB Review - All Cases
Retirement Systems	Disability	MB Approved to Paid - All Cases
Retirement Systems	Disability	Percent Offset Cases Completed >= 30 Days
Retirement Systems	Disability	Percent Offset Cases Completed >= 15 Days
Retirement Systems	Disability	Statement of Income Turnaround Time
Retirement Systems	Disability	Total Employer \$ Amount Reimbursed
Retirement Systems	Employer Reporting	Employer Reporting Calls Offered
Retirement Systems	Employer Reporting	Employer Reporting Calls Answered
Retirement Systems	Employer Reporting	Number of Defective Records
Retirement Systems	Employer Reporting	Completed Employer Requests for Record Rework
Retirement Systems	Employer Reporting	316s/Pink Sheet Refunds Opened
Retirement Systems	Employer Reporting	316s/Pink Sheet Refunds Closed
Retirement Systems	Employer Reporting	Total Contributions
Retirement Systems	Employer Reporting	Percent of Defective Records
Retirement Systems	Employer Reporting	Percent of Corrected Memberships - 2013
Retirement Systems	Employer Reporting	Percent of Corrected Memberships - 2014
Retirement Systems	Employer Reporting	Percent of Corrected Memberships - 2015
Retirement Systems	Employer Reporting	Percent of Correct Memberships - 2016
Retirement Systems	Employer Reporting	Percent of Errors Over 90 Days Old
Retirement Systems	Employer Reporting	Percent CSI remitted on time
Retirement Systems	Employer Reporting	(payroll reporting from active employers)
Retirement Systems	Employer Reporting	316s/Pink Sheet Refunds TAT
Retirement Systems	Estimates	Number of ORBIT Self-Service Estimates Completed
Retirement Systems	Estimates	Number of ORBIT Self-Service NC 401(k)/NC 457 Estimates Provided
Retirement Systems	Estimates	Number of Manual Estimate Requests
Retirement Systems	Estimates	Number of Manual Estimates Completed
Retirement Systems	Estimates	First Time Through Rate
Retirement Systems	Estimates	Days to Complete an Estimate
Retirement Systems	Fire Rescue	Count of Fire/Rescue Purchase Calculations Received
Retirement Systems	Fire Rescue	Count of Fire/Rescue Purchase Calculations Completed
Retirement Systems	Fire Rescue	Fire/Rescue Calls Offered
Retirement Systems	Fire Rescue	Fire/Rescue Calls Answered
Retirement Systems	Fire Rescue	Fire/Rescue Retirements Received
Retirement Systems	Fire Rescue	Fire/Rescue Retirements Completed
Retirement Systems	Fire Rescue	Fire/Rescue Retirements Requested for this Month
Retirement Systems	Fire Rescue	Fire/Rescue Death Workflows Opened
Retirement Systems	Fire Rescue	Fire/Rescue Death Workflows Closed
Retirement Systems	Fire Rescue	Fire/Rescue Refund Workflows Opened
Retirement Systems	Fire Rescue	Fire/Rescue Refund Workflows Closed
Retirement Systems	Fire Rescue	Number of Fire/Rescue TADs Received
Retirement Systems	Fire Rescue	Number of Fire/Rescue TADs Posted
Retirement Systems	Fire Rescue	Fire/Rescue Retirements Paid in Month Requested
Retirement Systems	Fire Rescue	FR Phone Call Abandonment Rate
Retirement Systems	Fire Rescue	Average Speed of Answer (Min:Sec)
Retirement Systems	Fire Rescue	Fire/Rescue Retirement TAT
Retirement Systems	Fire Rescue	Fire/Rescue Death TAT
Retirement Systems	Fire Rescue	Fire/Rescue Purchase TAT
Retirement Systems	Fire Rescue	Fire/Rescue Refund TAT
Retirement Systems	Fire Rescue	Fire/Rescue TAD Turnaround Time

Retirement Systems	Fire Rescue	Percent of Fire/Rescue TADs Processed Within 1 Week
Retirement Systems	Imaging	Documents Scanned
Retirement Systems	Imaging	Pages Scanned
Retirement Systems	Imaging	Percent Corrections/Documents Imaged
Retirement Systems	Imaging	Average Workdays to Image a Workflow Batch
Retirement Systems	Imaging	Average Workdays to Image a Non-WF Batch
Retirement Systems	Imaging	Total Average Workdays per Batch
Retirement Systems	Imaging	Percent of WF Batches 1 Day or less
Retirement Systems	Imaging	Percent of all Documents Scanned in 1 Day or Less
Retirement Systems	Judicial-Legislative-ROD	Retirements Requested for this Month
Retirement Systems	Judicial-Legislative-ROD	Estimates Completed
Retirement Systems	Judicial-Legislative-ROD	Judicial Transfers Requested
Retirement Systems	Judicial-Legislative-ROD	Judicial Transfers Completed
Retirement Systems	Judicial-Legislative-ROD	Legislative Transfers Requested
Retirement Systems	Judicial-Legislative-ROD	Legislative Transfers Completed
Retirement Systems	Judicial-Legislative-ROD	Total Transfers Completed
Retirement Systems	Judicial-Legislative-ROD	Percent of Retirements Paid in Month Requested
Retirement Systems	Judicial-Legislative-ROD	Percent of Retirements received >= 60 days in Adv.
Retirement Systems	Judicial-Legislative-ROD	Percent of Retirements received 30-59 days in Adv.
Retirement Systems	Judicial-Legislative-ROD	Percent of Retirements received < 30 days in Adv.
Retirement Systems	Judicial-Legislative-ROD	Days to Complete a Judicial Estimate
Retirement Systems	Judicial-Legislative-ROD	Days to Complete a Transfer
Retirement Systems	Member Contact	Total Calls Offered
Retirement Systems	Member Contact	Total Calls Answered
Retirement Systems	Member Contact	Total Calls Abandoned
Retirement Systems	Member Contact	Average Phone Calls Answered per Day
Retirement Systems	Member Contact	Average Correspondence and Emails Answered per Day
Retirement Systems	Member Contact	Total Emails Received
Retirement Systems	Member Contact	Total Emails Answered
Retirement Systems	Member Contact	Average Number of Office Visitors per Day
Retirement Systems	Member Contact	Average Individual Counseling Sessions per Day
Retirement Systems	Member Contact	Employee Education Meetings
Retirement Systems	Member Contact	Average Number of Employee Attendees
Retirement Systems	Member Contact	Employer Education Meetings
Retirement Systems	Member Contact	Average Number of Employer Attendees
Retirement Systems	Member Contact	Webinars
Retirement Systems	Member Contact	Average Number of Webinar Attendees
Retirement Systems	Member Contact	Phone Call Abandonment Rate
Retirement Systems	Member Contact	Percent of Calls Answered in 30 sec or less
Retirement Systems	Member Contact	Answer Rate - Percent of offered
Retirement Systems	Member Contact	Average Speed of Answer - Min:Sec
Retirement Systems	Member Contact	Average response to Correspondence - Days
Retirement Systems	Member Contact	Average response to Create Requests - Days
Retirement Systems	Member Contact	Average Time in After Call Wrap-up
Retirement Systems	Member Maintenance	Number of Beneficiary Workflows Completed
Retirement Systems	Member Maintenance	Number of Member Maintenance Workflows Closed
Retirement Systems	Member Maintenance	Weighted Average of TAT - Member Maintenance Documents
Retirement Systems	Member Maintenance	Average TAT - Beneficiary Workflows
Retirement Systems	Member Surveys	Average Member Satisfaction - Member Services
Retirement Systems	Member Surveys	Average Member Satisfaction - Benefits Processing
Retirement Systems	Member Surveys	Average Member Satisfaction - Retirement Processing
Retirement Systems	Member Surveys	Average Member Satisfaction - Retirement Planning Conferences
Retirement Systems	Member Surveys	Overall Average Member Satisfaction (fiscal year)
Retirement Systems	Overpayments-Collections	Number of Cases Sent to Compliance Team
Retirement Systems	Overpayments-Collections	Number of General Cases Sent to Compliance Team
Retirement Systems	Overpayments-Collections	Number of Death Cases Sent to Compliance Team
Retirement Systems	Overpayments-Collections	Number of Disability Cases Sent to Compliance Team
Retirement Systems	Overpayments-Collections	Number of Fire/Rescue Cases Sent to Compliance Team
Retirement Systems	Overpayments-Collections	Number of Late Payment Cases Sent to Compliance Team
Retirement Systems	Overpayments-Collections	Number of Return to Work Cases Sent to Compliance Team
Retirement Systems	Overpayments-Collections	Number of Award Cases Sent to Compliance Team
Retirement Systems	Overpayments-Collections	Number of Money Change Cases Sent to Compliance Team
Retirement Systems	Overpayments-Collections	Number of Waiting Period Cases Sent to Compliance Team
Retirement Systems	Overpayments-Collections	Number of Earnable Allowance Cases Sent to Compliance Team
Retirement Systems	Overpayments-Collections	Number of Collections Cases Closed - Paid in Full
Retirement Systems	Overpayments-Collections	Number of Collections Cases Closed - Payment Plan
Retirement Systems	Overpayments-Collections	Number of Collections Cases Closed - Flagged
Retirement Systems	Overpayments-Collections	Number of First Letters Sent
Retirement Systems	Overpayments-Collections	Number of Second Letters Sent
Retirement Systems	Overpayments-Collections	Number of Files Sent to Attorney General
Retirement Systems	Overpayments-Collections	Number of Files Sent to Department of Revenue
Retirement Systems	Overpayments-Collections	Accounts Outstanding (Total)
Retirement Systems	Overpayments-Collections	Total Dollars Collected
Retirement Systems	Overpayments-Collections	Total Overpayment Balance
Retirement Systems	Overpayments-Collections	Overpayments Balance Change
Retirement Systems	Overpayments-Collections	Total Overpayment Balance - DIPNC
Retirement Systems	Overpayments-Collections	Total Overpayment Balance - All Others
Retirement Systems	Overpayments-Collections	Total Overpayment Balance - Interest Invoices
Retirement Systems	Overpayments-Collections	Total Repayments in Progress - DIPNC
Retirement Systems	Overpayments-Collections	Total Repayments in Progress - All Others
Retirement Systems	Overpayments-Collections	Percent Balance In Repayment
Retirement Systems	Overpayments-Collections	Percent of Outstanding Debt due to DIPNC

Retirement Systems	Overpayments-Collections	Percent of Second Letters Sent Within 48 Hours
Retirement Systems	Overpayments-Collections	Percent of Attorney General Letters Sent Within 48 Hours
Retirement Systems	Payroll	Payees on Monthly Payroll
Retirement Systems	Payroll	Amount Paid – Monthly Payroll
Retirement Systems	Payroll	Amount Paid – Supplemental (non-refund) Payroll
Retirement Systems	Payroll	Amount Paid - Supplemental Death Payroll
Retirement Systems	Payroll	Amount Paid - Refund Payroll
Retirement Systems	Payroll	Average Amount Paid - Monthly Payroll
Retirement Systems	Refunds	Number of Refund Applications Received
Retirement Systems	Refunds	Number of Refund Applications Processed
Retirement Systems	Refunds	Number of Refunds Paid
Retirement Systems	Refunds	Defect-Free Refunds - % of Refunds Checked
Retirement Systems	Refunds	Average Days to Prepare a Refund
Retirement Systems	Refunds	Percent Meeting Estimated Date
Retirement Systems	Retirement	Retirement Applications (Fm6) Received
Retirement Systems	Retirement	Retirements Requested for this Month
Retirement Systems	Retirement	Number of Benefit Calculations (Fm6E) Mailed
Retirement Systems	Retirement	Percent Paid in Month Requested
Retirement Systems	Retirement	Percent Paid on time if app rec'd >= 60 days prior
Retirement Systems	Retirement	Average Days to process Fm 6 to Fm 6E
Retirement Systems	Retirement	Percent Apps Rcvd >= 60 days Before Retirement Date
Retirement Systems	Retirement	Percent Apps Rcvd 30-59 days Before Retirement Date
Retirement Systems	Retirement	Percent Apps Rcvd < 30 days Before Retirement Date
Retirement Systems	Service Audit	Audits Done According to ORBIT
Retirement Systems	Service Audit	Percent of Retirement Applications Needing Service Audit
Retirement Systems	Service Audit	Average TAT of All Audits
Retirement Systems	Self Service	Total Retirement Estimate Visits
Retirement Systems	Self Service	Total SRIP Estimate Visits
Retirement Systems	Self Service	Total Service Purchase Calculations Visits
Retirement Systems	Self Service	Total Retirement Estimate Views
Retirement Systems	Self Service	Total SRIP Estimate Views
Retirement Systems	Self Service	Total Service Purchase Calculations Views
Retirement Systems	Self Service	MaintainBeneficiary.aspx - Visits
Retirement Systems	Self Service	EditBeneficiary.aspx - Visits
Retirement Systems	Self Service	MaintainBeneficiary.aspx - Views
Retirement Systems	Self Service	EditBeneficiary.aspx - Views
Retirement Systems	Self Service	Total Beneficiary Views
Retirement Systems	Self Service	Retirement Systems Estimator Visits
Retirement Systems	Self Service	Retirement Systems Estimator Views
Retirement Systems	Self Service	List of All Forms
Retirement Systems	Self Service	MaintainAddress.aspx
Retirement Systems	Self Service	ViewTaxDocuments.aspx
Retirement Systems	Self Service	MaintainTaxWithholding.aspx
Retirement Systems	Self Service	ViewAnnualStatements.aspx
Retirement Systems	Self Service	StatementofAccount.aspx
Retirement Systems	Self Service	MaintainDirectDeposit.aspx
Retirement Systems	SRIP Transfers	Monthly Transfer \$ Amount
Retirement Systems	SRIP Transfers	Count of Monthly Transfers
Retirement Systems	SRIP Transfers	Transfer \$ Amount Since Inception
Retirement Systems	SRIP Transfers	Transfer Count Since Inception
State and Local Government Finance	Fiscal Management	Audit Reviews
State and Local Government Finance	Fiscal Management	Unit Letters
State and Local Government Finance	Fiscal Management	Unit Visits
State and Local Government Finance	Fiscal Management	Cash and Investment Reports (LGC 203)
State and Local Government Finance	Fiscal Management	Memorandums
State and Local Government Finance	Fiscal Management	Local Government Bankruptcies
State and Local Government Finance	Fiscal Management	Group Presentations
State and Local Government Finance	State Debt Management	Date of Publication of Debt Affordability Study
State and Local Government Finance	State Debt Management	Debt Affordability Study meets Statutory Requirements
State and Local Government Finance	State Debt Management	Ten-year payout ratio
State and Local Government Finance	State Debt Management	Credit Ratings
State and Local Government Finance	State Debt Management	Secondary Market Filings completed by January 31
State and Local Government Finance	State Debt Management	State Debt Sales
State and Local Government Finance	Local Debt Management	Local Debt approved – dollar value
State and Local Government Finance	Local Debt Management	Local Debt Issued – transaction volume
State and Local Government Finance	Local Debt Management	Number of Denied applications

State and Local Government Finance	Local Debt Management	Number of local governments in default on debt
State and Local Government Finance	Local Debt Management	Revenue bonds issued for State agencies and boards
State Health Plan	Customer Experience	Average Speed to Answer Enrollment Exceptions Requested/Approved Attendance/participation Pre-65 Retiree Road Shows Medicare Retiree Enrollment Events Telephone Town Halls
State Health Plan	Health Plan Operations	Membership Reports
State Health Plan	Policy Planning & Analysis: Board Strategic Plan Scorecard	Patient Centered Medical Home (PCMH) Utilization • Increase in % of members receiving care at NCQA recognized PCHM practices
State Health Plan		Quality of Care • % of members with diabetes meeting clinical standards of care • % of members with persistent asthma meeting clinical standards of care • Asthma related emergency department visits • Asthma related inpatient hospitalizations
State Health Plan		Worksite Wellness • Increase in the number of worksites with active wellness programs
State Health Plan		Customer Satisfaction • Improve overall customer satisfaction score
State Health Plan		Annual Enrollment Service Level Agreements • SHP vendors serving members meet or exceed contractual performance requirements
State Health Plan		Member Engagement • Increase the number of unique registered member uses of the third party administrator website • Increase the average monthly usage of the TPAs provider search and transparency tools • Increase attendance at SHP provided educational events and road shows
State Health Plan		Financial Stability • Net Income/Loss within 2% of budgeted actuarial forecast • Per Member Per month claims expense within 2% of budgeted actuarial forecast • Average % of total claims cost paid by members through copays, deductibles and coinsurance at or below benchmark
State Health Plan	Policy Planning & Analysis: State Health Plan Strategic Plan Executive Summary Status Report	Prepared quarterly, this status report provides a high-level summary of overall SHP Strategic Plan progress. For each strategic initiative, colored indicators show outcomes or progress against key milestones as defined by SHP leadership.
State Health Plan	Policy Planning & Analysis: Financial	Loss ratios
Unclaimed Property	Recover Unclaimed Property - Receipts and Reporting	Monthly reconciliation of receipts activity with FOD.
Unclaimed Property	Recover Unclaimed Property - Receipts and Reporting	Funds must be deposited within 24 hours of receipt.
Unclaimed Property	Return Property to its Rightful Owner - Claims Processing	Monthly reconciliation of claims activity with FOD.
Unclaimed Property	Return Property to its Rightful Owner - Claims Processing	Within 90 days after a claim is filed, allow or deny the claim and give written notice of the decision to the claimant.
Unclaimed Property	Return Property to its Rightful Owner - Claims Processing	Within 30 days after a claim is allowed, deliver the property or net proceeds to the claimant.
Unclaimed Property	Protect the Assets of the Escheat Fund - Sale of Tangible Property	Within 3 years after receipt of abandoned property, sell it to the highest bidder at public sale.
Unclaimed Property	Protect the Assets of the Escheat Fund - Sale of Securities	Sale of securities 3 years after their receipt.

Principal Clerk
Reading Clerk

SENATE
NOTICE OF COMMITTEE MEETING
AND
BILL SPONSOR NOTICE

The **Senate Committee on Appropriations on General Government and Information Technology** will meet at the following time:

DAY	DATE	TIME	ROOM
Wednesday	March 22, 2017	8:30 AM	425 LOB

Agency presentations continue

Senator John M. Alexander, Jr., Co-Chair
Senator Tamara Barringer, Co-Chair
Senator Jeff Tarte, Co-Chair



**Senate Committee on Appropriations on General Government and Information
Technology
Wednesday, March 22, 2017 at 8:30am
Room 425**

MINUTES

The Senate Committee on Appropriations on General Government and Information Technology met at 8:30 am on March 22, 2017 in Room 425 of the Legislative Office Building. 14 members were present.

Senator Alexander presided.

Senator Alexander opened the meeting by thanking the pages and sergeants at arms for their service.

Cara Bridges of the Fiscal Research Division presented first, and gave an overview of the Secretary of State's office.

Secretary of State, Elaine Marshall, then began her department's presentation. Haley Haines, Deputy Secretary, along with other members of senior staff, then gave their presentation to the group.

Questions:

1. Floyd: If a check is bad and you have to go to court, do they have access to the system/resources in the time before it is realized the check is bad? Why not wait until after the check has cleared to provide access? Why not slow the process down?
2. Barringer: How will the legislation [that was presented as legislation that may involve the SoS office] affect their budget needs?
3. Brody: Would the check verify system asked for be the same as what stores use?
4. Edwards: Why is the span of control ratio so low? Are there plans to increase?
5. Van Duyn: can you draw a direct line in how you create jobs/businesses for NC?
6. Tarte: Are your success metrics available online/do we have access to that information? What is the volume of checks received? How many are bad? How many do we collect on? What's the debt? Is there an ROI available? Thoughts on looking at digital certificates or e-signatures vs fingerprinting?
7. Pierce: Is the IT request adequate for what you need to do?
8. Floyd: Why go to Wake County court vs court in the county where bad check originated?
9. Tarte: What general ledger application center do you use?

Cara Bridges (FRD) then began her presentation on the Department of Administration.

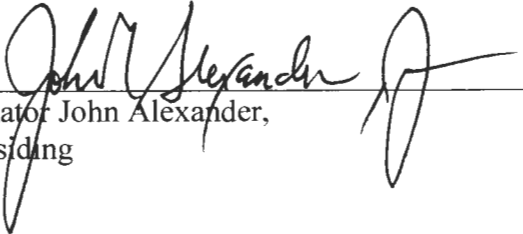
Department of Administration Secretary Machel Sanders began the department's presentation. Bryan Brannon, CFO, and Angie Dunaway, Interim Purchase and Contract Director, assisted.



Questions:

1. Barringer: *Made several points referencing inconsistency and issues with who contracts are being issued and written.* How do you plan on addressing the issues? The laws are clearly not being enforced, what's your response? Does DOA do common sense contracting to protect the people of NC? Why are people without legal training writing contracts?
2. Floyd: Have we expanded the Human Relations Commission? (Cara Bridges answered)\
3. Tarte: Is there/do we need/have a short list of vendors? What are the average days of AAR? Are the contracts online?

The meeting adjourned at 10:04 am.



Senator John Alexander,
Presiding



Perry Wester, Committee Clerk



Joint Appropriations Committee on General Government

March 22, 2017; 8:30 AM

LOB 425

Agenda

Chairs:

Sen. John Alexander, presiding

Sen. Jeff Tarte

Rep. George Cleveland

Sen. Tamara Barringer

Rep. Dennis Riddell

Chair's Opening Comments

Office of the Secretary of State
Brief Budget Overview

Cara Bridges, FRD

Office of the Secretary of State
Committee Presentation

Secretary of State Elaine Marshall
Deputy Secretary Haley Haynes

Committee Discussion

Department of Administration
Brief Budget Overview

Cara Bridges, FRD

Department of Administration
Committee Presentation

Secretary Machelie Sanders

Committee Discussion

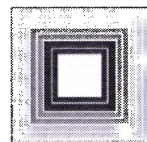


Office of the Secretary of State

Agency Overview

Joint Appropriations Committee on General Government

March 22, 2017



FISCAL RESEARCH DIVISION
A Staff Agency of the North Carolina General Assembly

Outline

- Authorizing Laws & Responsibilities
- Budget Overview
- Divisions
- Recent Legislative Actions
- Information Requested
- Base Budget Review (handout)

Secretary of State

Authorizing Laws and Responsibilities

- State Constitution, Article III
- G.S. 143 A, Article 2 – creates the Office
- G.S. 147, Article 4 – duties of the Office
- G.S. 120 C – lobbying laws

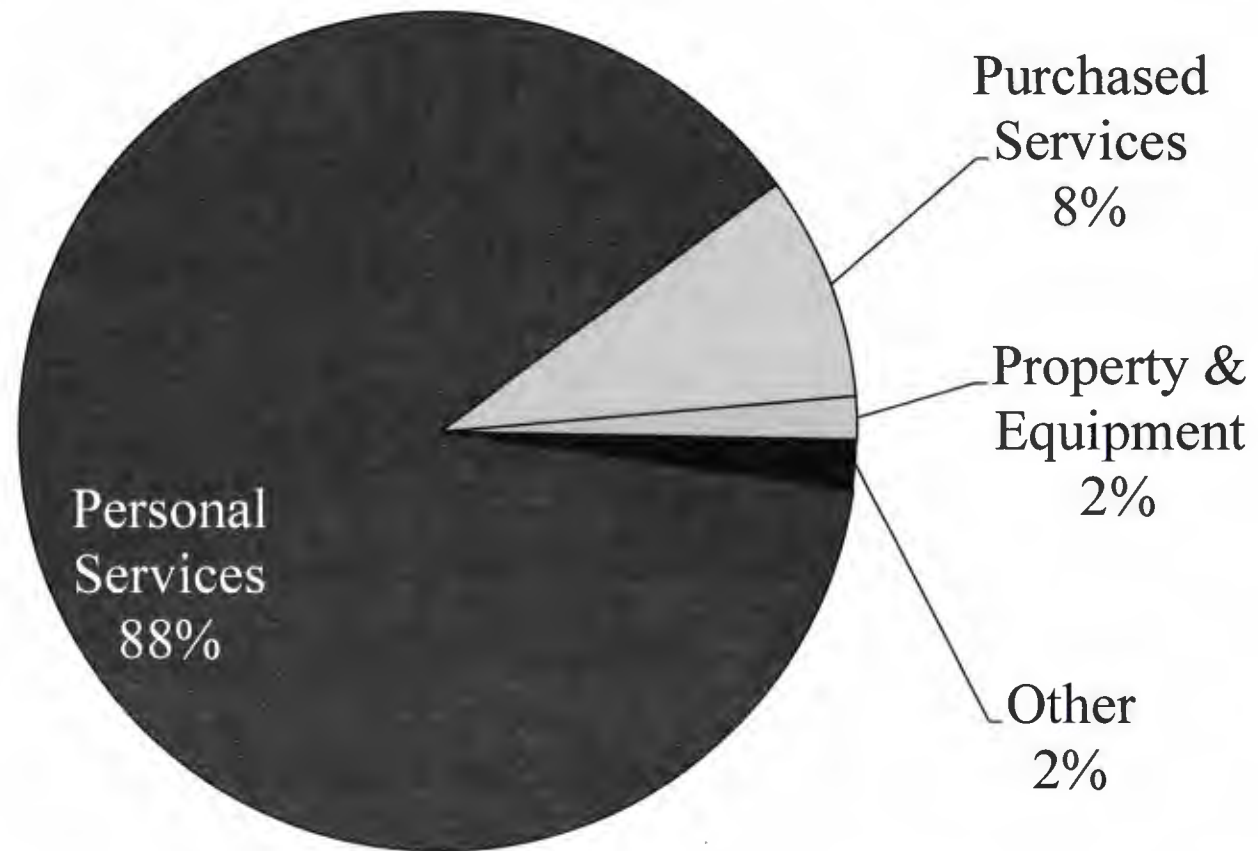
Secretary of State Budget Overview

	FY 2015-16 ACTUAL	FY 2016-17 AUTH.	FY 2017-18 BASE	FY 2018-19 BASE
Requirements	\$12,018,189	\$12,968,744	\$12,923,217	\$12,983,865
Receipts	\$310,517	\$171,554	\$171,794	\$171,794
Net Appropriation	\$11,707,672	\$12,797,190	\$12,751,423	\$12,812,071
FTE	169.88	175.88	175.88	175.88

Secretary of State

Authorized Budget Requirements

FY 2016-17



Secretary of State Divisions

- Administration
- Publications
- Corporations
- Securities
- Certification and Filing
- Charitable Fundraising Licensing
- Lobbying Compliance

Secretary of State Divisions

- Administration – support functions for the Office including human resources, information technology, finance
- Base Budget FY 2017-19
 - Requirements: \$3,390,384
 - Receipts: \$0
 - Net Appropriation: \$3,390,384
 - FTE : 34.1

Secretary of State

Divisions

- Publications - custodian of public documents and records filed with Office
- Base Budget FY 2017-19
 - Requirements: \$203,879
 - Receipts: \$553
 - Net Appropriation: \$203,326
 - FTE : 2.733

Secretary of State Divisions

- Corporations – examination, custody, and maintenance of legal documents filed by businesses
- Base Budget FY 2017-19
 - Requirements: \$3,262,709
 - Receipts: \$2,100
 - Net Appropriation: \$3,260,609
 - FTE : 57.87

Secretary of State

Divisions

- Securities – examines applications for securities registrations, regulates licensed securities dealers, investigates violations of securities laws
- Base Budget FY 2017-19
 - Requirements: \$2,412,212
 - Receipts: \$0
 - Net Appropriation: \$2,412,212
 - FTE : 26.75



Secretary of State Divisions

- Certification and Filing – provides certification and filing documents related to commercial lending, Notary Public Act, and land records
- Base Budget FY 2017-19
 - Requirements: \$2,460,857
 - Receipts: \$34,825
 - Net Appropriation: \$2,426,032
 - FTE : 39.0

Secretary of State

Divisions

- Charitable Fundraising Licensing – maintains registry of organizations licensed to solicit charitable contributions in the State, licenses fundraising professionals
- Base Budget FY 2017-19
 - Requirements: \$729,493
 - Receipts: \$0
 - Net Appropriation: \$729,493
 - FTE : 9.43

Secretary of State Divisions

- Lobbying Compliance - maintains records of all lobbyists and principals, including liaisons for State agencies.
- Base Budget FY 2017-19
 - Requirements: \$329,367
 - Receipts: \$0
 - Net Appropriation: \$329,367
 - FTE : 5.0

Secretary of State

Federal Grant Program

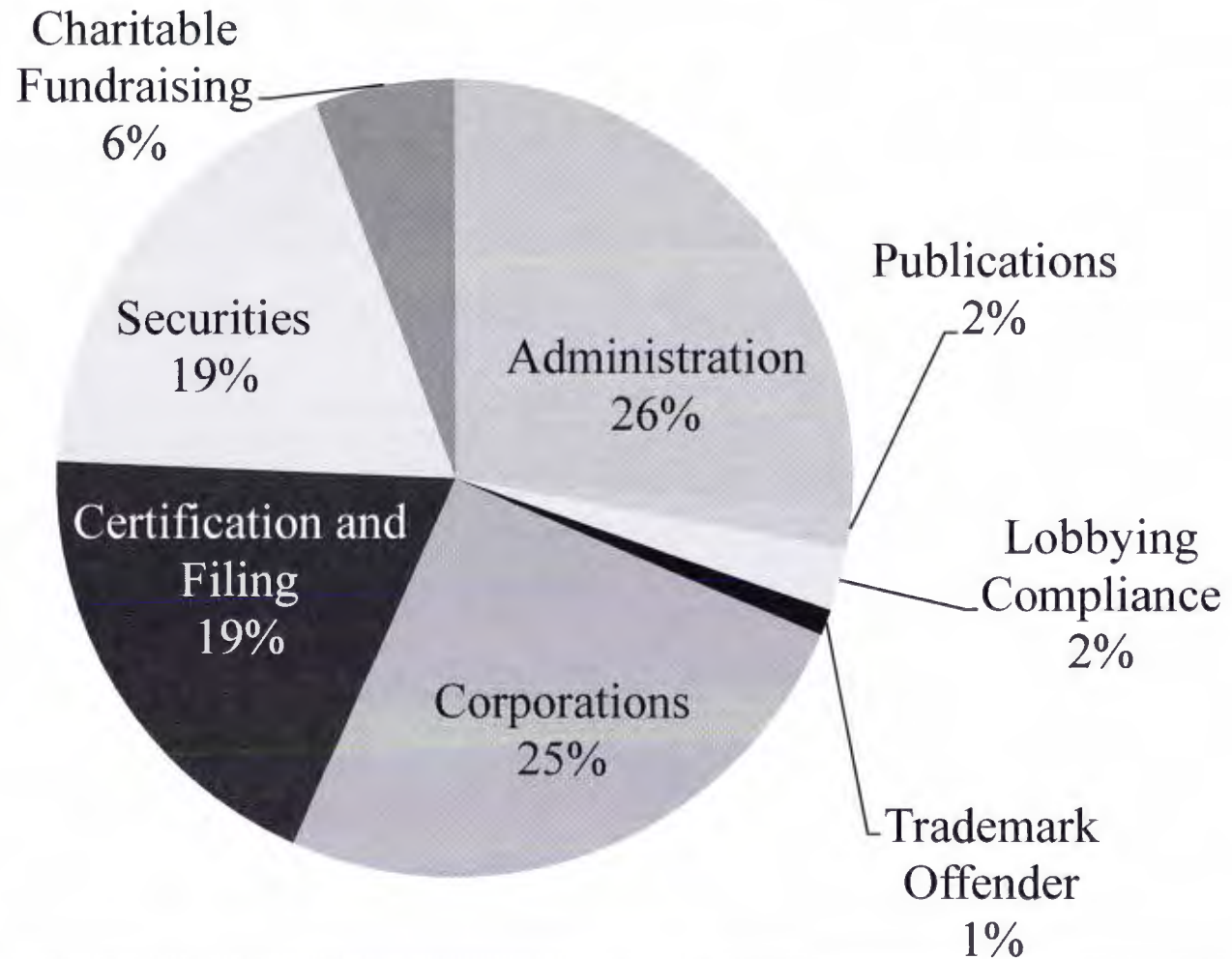
- Trademark Offender – enforcement of trademark violations
- Base Budget FY 2017-19
 - Requirements: \$134,316
 - Receipts: \$134,316
 - Net Appropriation: \$0
 - FTE : 1.0



Secretary of State

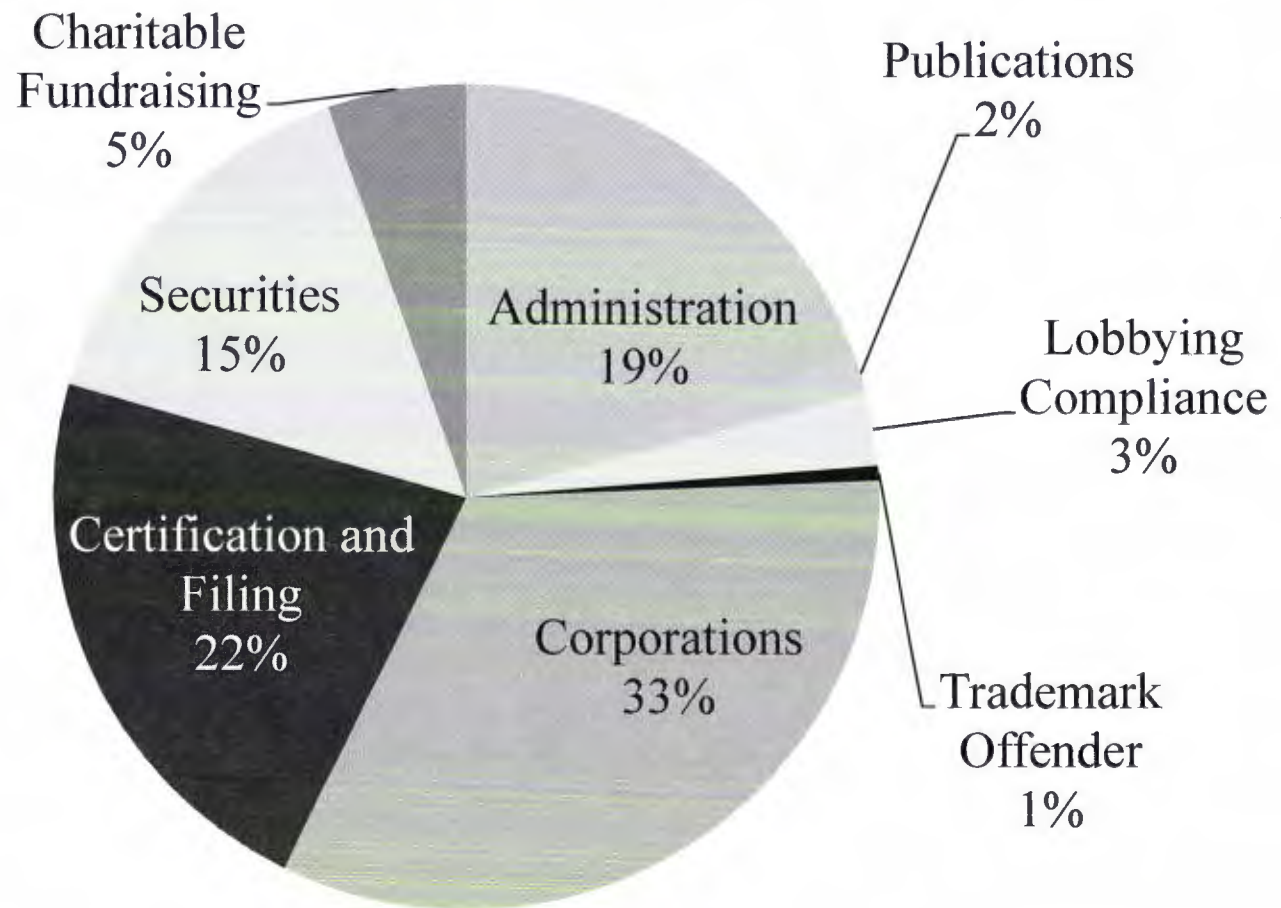
Requirements by Fund Code (General Fund)

FY 2017-19 Base



Secretary of State

FTE by Requirements by Fund Code (General Fund) FY 2017-19 Base



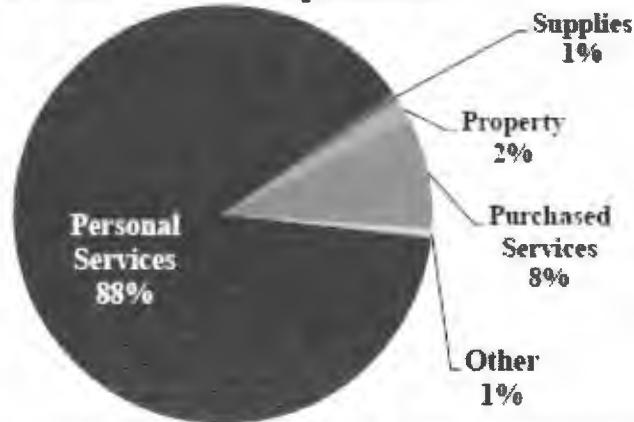
Secretary of State

Information Requested

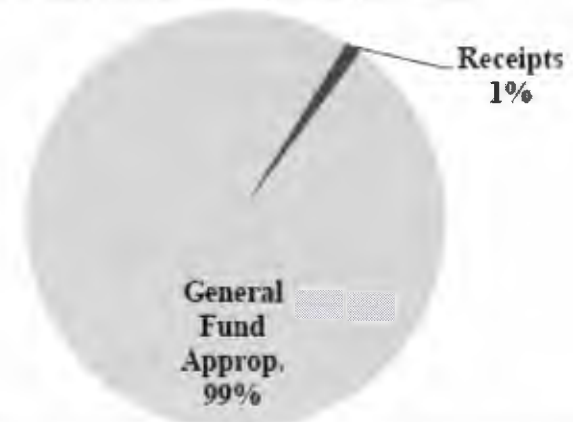
- How do you measure your agency's effectiveness and outcomes?
- How do you measure efficiency within your agency/department? Do you have metrics that you use to monitor agency performance? If so, please provide.
- Are you planning any changes to the current structure of your organization? Will this impact your agency's budget?
- What are your overall goals for your department/agency over the next biennium?
- What are your budget requests/needs for the biennium? Please discuss the items in the Governor's budget.

Secretary of State - Base Budget Review

FY 2017-19 Base - Expenditures



FY 2017-19 Base - Source of Funds



Requirements	Actual FY 2015-16	Certified FY 2016-17	Authorized FY 2016-17	Increase/ (Decrease) FY 2017-18	Total Base FY 2017-18	Increase/ (Decrease) FY 2018-19	Total Base FY 2018-19
Personal Services	\$10,272,108	\$11,300,671	\$11,381,711	\$39,433	\$11,421,144	\$39,433	\$11,421,144
Purchased Services	\$1,386,886	\$1,129,334	\$1,120,654	(\$14,895)	\$1,105,759	\$45,753	\$1,166,407
Supplies	\$90,406	\$81,840	\$79,187	\$6,137	\$85,324	\$6,137	\$85,324
Property, Plant, Equipment	\$161,841	\$214,162	\$216,000	\$10,748	\$226,748	\$10,748	\$226,748
Other Expenses/Adjustments	\$106,949	\$48,512	\$85,512	(\$1,270)	\$84,242	(\$1,270)	\$84,242
Reserves	\$0	\$85,680	\$85,680	(\$85,680)	\$0	(\$85,680)	\$0
TOTAL REQUIREMENTS	\$12,018,190	\$12,860,199	\$12,968,744	(\$45,527)	\$12,923,217	\$15,121	\$12,983,865

Receipts	Actual FY 2015-16	Certified FY 2016-17	Authorized FY 2016-17	Increase/ (Decrease) FY 2017-18	Total Base FY 2017-18	Increase/ (Decrease) FY 2018-19	Total Base FY 2018-19
Sales, Services, Rental	\$96,713	\$59,625	\$37,478	\$0	\$37,478	\$0	\$37,478
Fees, Licenses, Fines	\$47,620	\$2,000	\$0	\$0	\$0	\$0	\$0
Other Transactions	\$166,184	\$1,384	\$134,076	\$240	\$134,316	\$240	\$134,316
TOTAL RECEIPTS	\$310,517	\$63,009	\$171,554	\$240	\$171,794	\$240	\$171,794

NET APPROPRIATION	\$11,707,673	\$12,797,190	\$12,797,190	(\$45,767)	\$12,751,423	\$14,881	\$12,812,071
FTE	169.88	174.88	175.88	0.0	175.88	0.0	175.88

Questions?

Cara Bridges

Fiscal Research Division

919-733-4910


Cara.Bridges@ncleg.net





NC Department of the Secretary of State Presentation to the Joint Appropriations Committee on General Government

March 22, 2017



Measuring Effectiveness & Outcomes

We measure in 3 ways:

1. Customer Service,
2. Customer Service, and
3. Customer Service.





Metrics

- Customer service satisfaction surveys
- Call/e-mail metrics, such as call abandonment, call wait times
- Turnaround times for document processing
- Filing Volume
- E-filing adoption rate
- Webpage views
- Numbers of citizens educated



Changes to Current Structure?

- None planned at this time
- Legislative enactments could have the potential to affect our current structure





Overall Goals for Next Biennium

- Improve the customer experience through modernizing our website
- Improve customer service by continuing to expand and enhance our electronic filing capabilities
- Protect our digital assets, which are core to our service delivery

Strategic Plan – Goals and Objectives

GOAL 1: Promoting a level playing field for economic development and financial capital formation by providing responsive, innovative and free access to quality data.

- State of the art e-government IT system for registration and filing (businesses, UCCs, non-profits, investment advisors, broker dealers, lobbyist, etc.)
- Reliable customer service to promote economic development and capital formation
- Maintain other important state records for public, business and governmental use

GOAL 2: Promoting transparency and timely public access to vital and accurate business and governmental information.

- Corporations – Business registrations and annual report filings need to facilitate economic development and capital formation (info used by the market place for buy, sell, lend, borrow and invest decisions)
- Commercial loan filings and federal tax liens
- Securities and broker dealers
- Registered charities and professional fundraisers
- Notary

Strategic Plan – Goals and Objectives

GOAL 3: Fighting business and market based fraud through appropriate licensing, enforcement, education and administration of uniform laws, and ensuring the integrity of filings and data.

- Compile, publish and promote information on businesses and borrowers for market use
- Trademark registration and enforcement – protect intellectual property rights
- Regulatory framework for registration and enforcement of the state's Securities industry
- Commissioning of Notaries – registration, enforcement and education
- Registration and enforcement for CSL

GOAL 4: Supporting a competitive and ethical business and governmental climate.

- Regulatory framework for lobbyist
- Emphasize and encourage and appropriate behavior in securities
- Emphasize and encourage and appropriate behavior in charitable solicitations

GOAL 5: Strategic partnerships with other governmental entities to share and exchange data and information, training and standards needed.

- Local government partnerships – register of deeds, tax assessors, mappers and planners to foster a land records management system used in real estate transactions
- Department of Revenue – facilitate collection of delinquent business taxes, revenue suspensions, etc.
- Occupational licensing boards and commissions
- Advancing the delivery of e-services and e-government
- Serve as a designated state authority for supporting and facilitating visiting international delegations and collaborative partnerships for NC

Budget Requests

Starting Your Business (FTE Component)*

Additional infrastructure needed to help people start new businesses and facilitate capital formation through required business filings used in millions of business decisions each year

- Six (6) call center positions - \$302,600
- Four (4) annual report positions - \$195,462
- Three (3) document examiners - \$161,398
- One (1) education/outreach position - \$62,000

* Three (3) positions were included in the Governor's budget



Budget Requests (cont'd)

Starting Your Business (IT Component)

- Requesting software tools to strengthen our system's protection against fraud:
 - Check Verify - \$195k NR, \$76k R
 - Digital Device Fingerprinting - \$2k NR, \$24k R

Budget Requests (cont'd)

IT Services*

- Funding for improved IT security (2 items legislatively required) for IT related services:
 - \$77k NR, \$88k R
 - Disaster recovery site at Western Data Center (required)
 - Penetration testing (required)
 - Enhanced web filtering/security

*Items funded in the Governor's budget



Other Relevant Legislative Matters

- SB 114 – Annual Report Modernization
- HB 230 – Revised Uniform Athlete Agent Act
- HB 279 – Fantasy Sports Regulation



Crowdfunding Update (SB 680)

- Expedited rulemaking complete, effective 4/1/17
 - 2-tier regulatory model based on amount to be raised
 - \$250,000 threshold
- Program ready to accept registrations 4/1/17
- Looking forward to updating on progress as program proceeds





- Questions?

- Contact information:

Haley Haynes, Deputy Secretary of State

hhaynes@sosnc.gov

(919) 807-2005

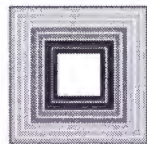


Department of Administration (DOA)

Agency Overview

Joint Appropriations Committee on General Government

March 22, 2017



FISCAL RESEARCH DIVISION
A Staff Agency of the North Carolina General Assembly

Outline

- Authorizing Laws & Responsibilities
- Budget Overview
- Divisions
 - Government Services
 - Public Services
- Recent Legislative Actions
- Information Requested
- Base Budget Review (handout)



Department of Administration

Authorizing Laws & Responsibilities

- Established in G.S. 143B, Article 9

It shall be the duty of the Department of Administration to serve as a staff agency to the Governor and to provide for such ancillary services as the other departments of State government might need to ensure efficient and effective operations.

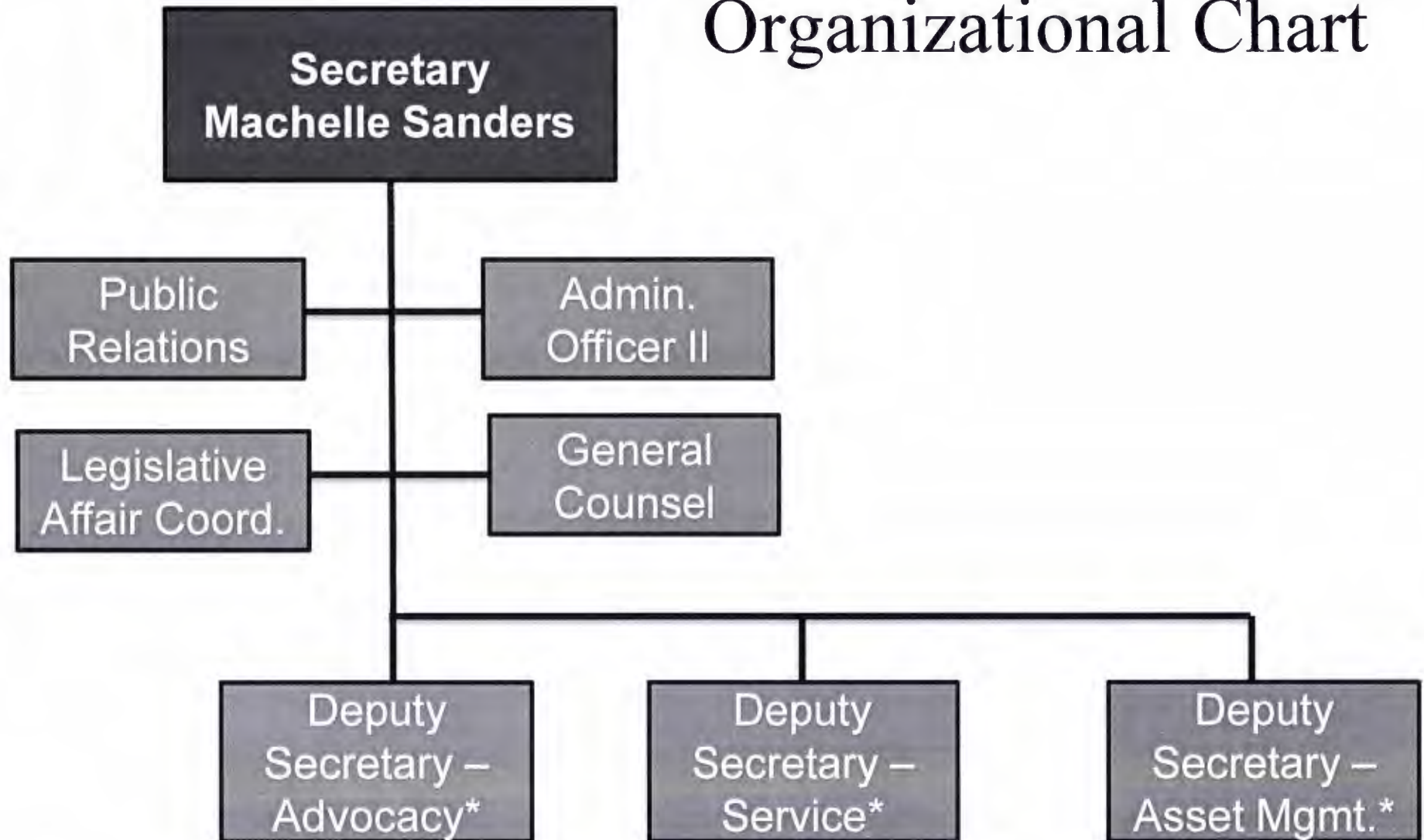


Department of Administration Authorizing Laws & Responsibilities

- The Department was created in 1957 and serves two main roles:
 - The State's business manager (government services)
 - Provides services to groups of citizens through a variety of commissions and divisions (public services)

Department of Administration

Organizational Chart



*Partially or fully
receipt-supported

Source: DOA

Department of Administration

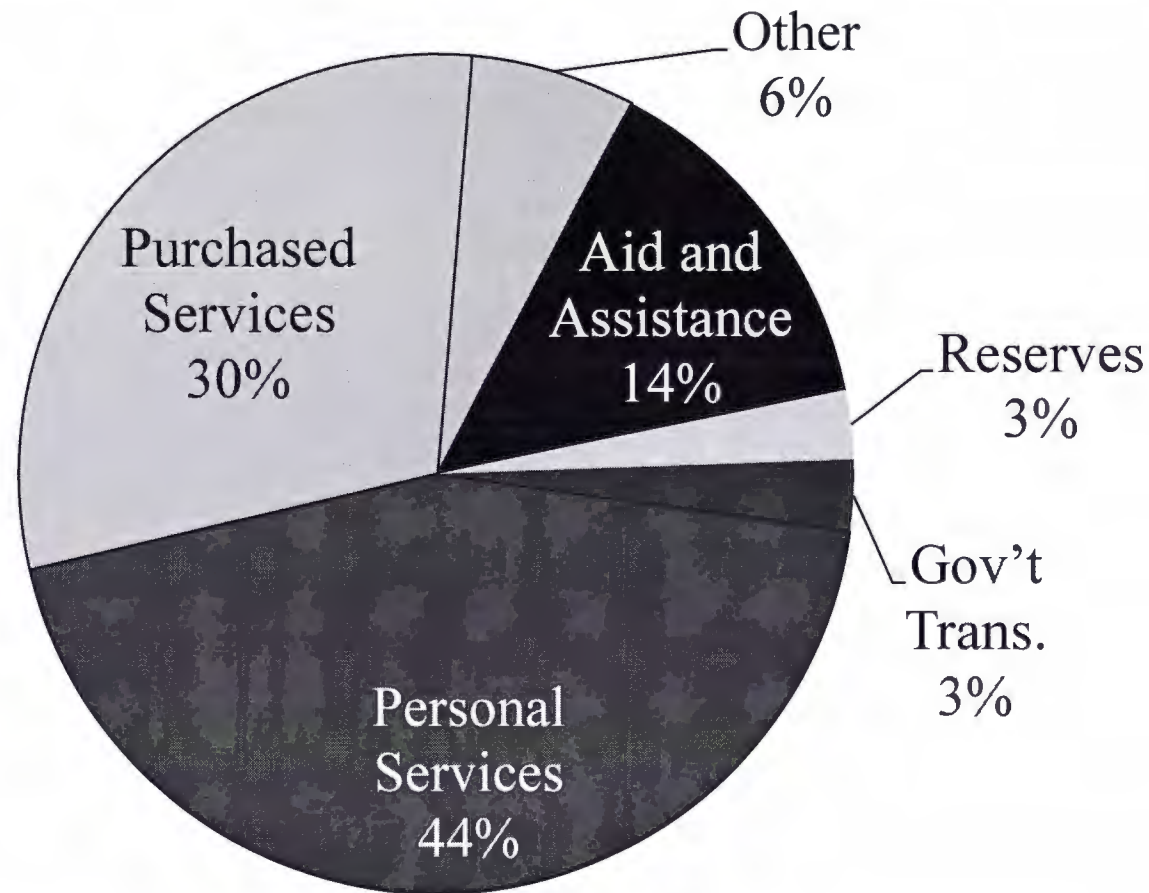
General Fund Budget History

	FY 2015-16 ACTUAL	FY 2016-17 AUTH.	FY 2017-18 BASE	FY 2018-19 BASE
Requirements	\$72,763,593	\$77,437,922	\$73,622,445	\$73,622,445
Receipts	\$13,565,885	\$13,099,015	\$11,636,042	\$11,636,042
Net Appropriation	\$59,197,708	\$64,338,907	\$61,986,403	\$61,986,403
FTE	442	429.25	429.25	429.25

Department of Administration

Authorized Budget Requirements

FY 2016-17



Department of Administration

Divisions – Government Services

- Facilities Management
- Mail Service
- Motor Fleet
- Historically Underutilized Businesses
- Purchase and Contract
- State Construction
- State Property
- Surplus Property
- State Parking



Department of Administration

Divisions – Government Services

Facilities Management - G.S. 143-341

- Routine maintenance to State facilities, house-keeping, janitorial, landscaping
- **Base budget FY 2017-18**
Requirements: \$31,271,709
Receipts: \$3,668,687
Net appropriation: \$27,603,022
FTE: 149

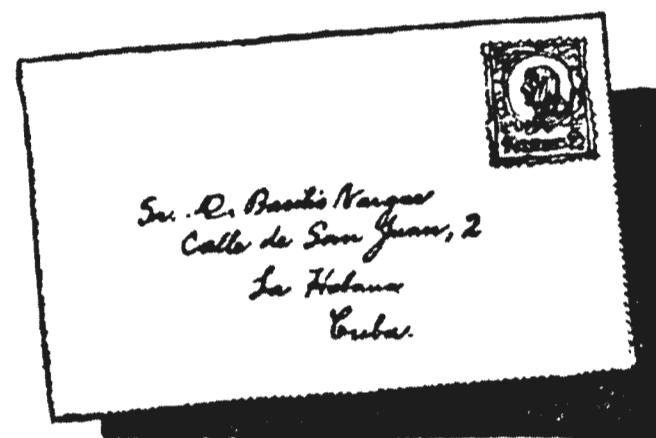


Department of Administration

Divisions – Government Services

Mail Service - G.S. 143-341(8)g – h

- Receipt-supported, handles mail services for State agencies, interoffice mail, and courier services
- **Base budget FY 2017-18**
Requirements: \$4,275,103
Receipts: \$4,277,405
Change Fund Balance: \$2,302
FTE: 60



Department of Administration

Divisions – Government Services

Motor Fleet Management - G.S. 143-341(8)(i)

- Fully receipt-supported, manages a portion of the State's motor fleet
- **Base budget FY 2017-18**
Requirements: \$51,470,532
Receipts: \$57,332,850
Change in Fund Balance: \$5,862,318
FTE: 39



Department of Administration

Divisions – Government Services

Historically Underutilized Businesses - G.S. 143-48, 143-64, 143-128

- Certifies businesses for HUB program, provides training and outreach for businesses and State agencies on the procurement system and process
- **Base budget review FY 2017-18**
Requirements: \$620,484
Receipts: \$129,382
Net appropriation: \$491,102
FTE: 8

Department of Administration

Divisions – Government Services

Purchase and Contract Division - G.S. 143, Article 3

Administers and manages a portion
of State contracts and the State's
purchasing system

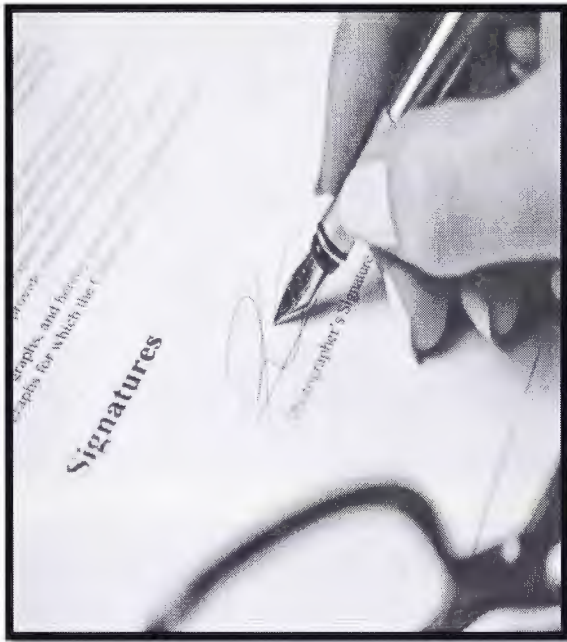
Base budget FY 2017-18

Requirements: \$3,052,158

Receipts: \$0

Net appropriation: \$3,052,158

FTE: 32.1



Department of Administration

Divisions – Government Services

Purchase and Contract Division –

E-Commerce Reserve (Special Fund) – online system used for purchasing. This fund pays for the maintenance and operations of the e-procurement system

- **Base budget FY 2017-18**

Requirements: \$25,133,906

Receipts: \$17,003,906

Change in Fund Balance: -\$8,130,000

Total Fund Balance (Feb. 2017): \$16,735,508

FTE: 2.9

• Department of Administration •

Divisions – Government Services

State Construction Office - G.S. 143-341(3) and G.S. 143-135.25



Analyzes construction plans and cost estimates, contract admin/supervision, inspects work and materials, support to State's Building Commission

Base budget FY 2017-18

Requirements: \$6,291,050

Receipts: \$693,708

Net appropriation: \$5,597,342

FTE: 61



Department of Administration

Divisions – Government Services

State Property Office - G.S. 143-341(4) and G.S. 146

- Handles State's real estate transactions including surveying and deeds, maintains listing of State-owned land and buildings, manages State unallocated land
- **Base budget FY 2017-18**
Requirements: \$1,688,254
Receipts: \$738,107
Net appropriation: \$950,147
FTE: 19



Department of Administration

Divisions – Government Services

Surplus Property

- Article 3A of G.S. 143
- Manages the State and Federal surplus property, receipt-supported

- **Base budget FY 2017-18**

Requirements: \$2,543,759

Receipts: \$2,509,499

Change in Fund Balance: -\$34,260

FTE: 32.04



Department of Administration

Divisions – Government Services

State Parking Systems - G.S. 143-340(18) and (19)

Manages parking for State employees and visitors within the downtown State government complex, fully receipt-supported



Base budget FY 2017-18

Requirements: \$1,729,761

Receipts: \$2,173,830

Change in Fund Balance: \$444,069

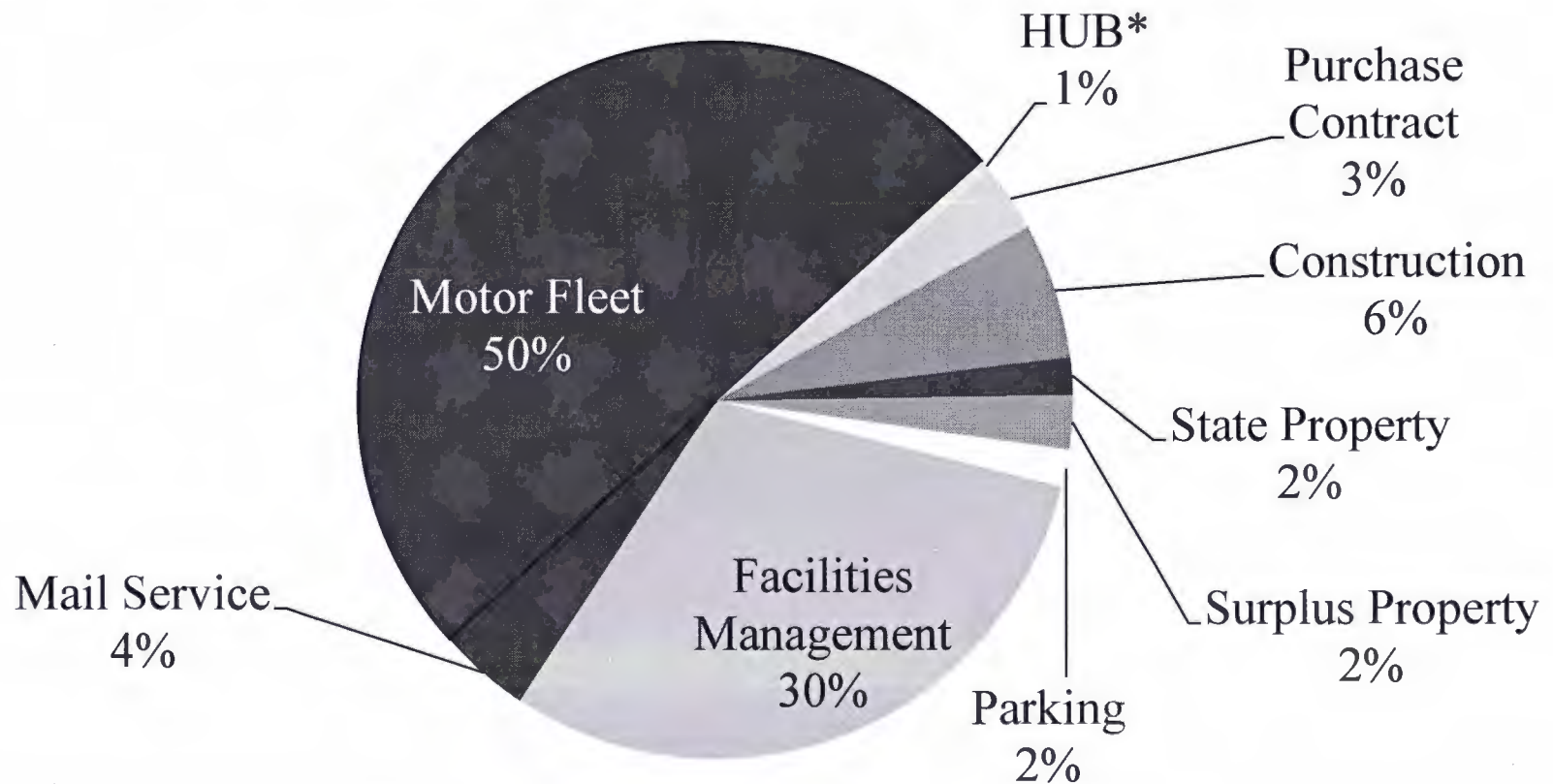
FTE: 19



Department of Administration

Divisions – Government Services

Total Requirements – Base Budget FY 17-19

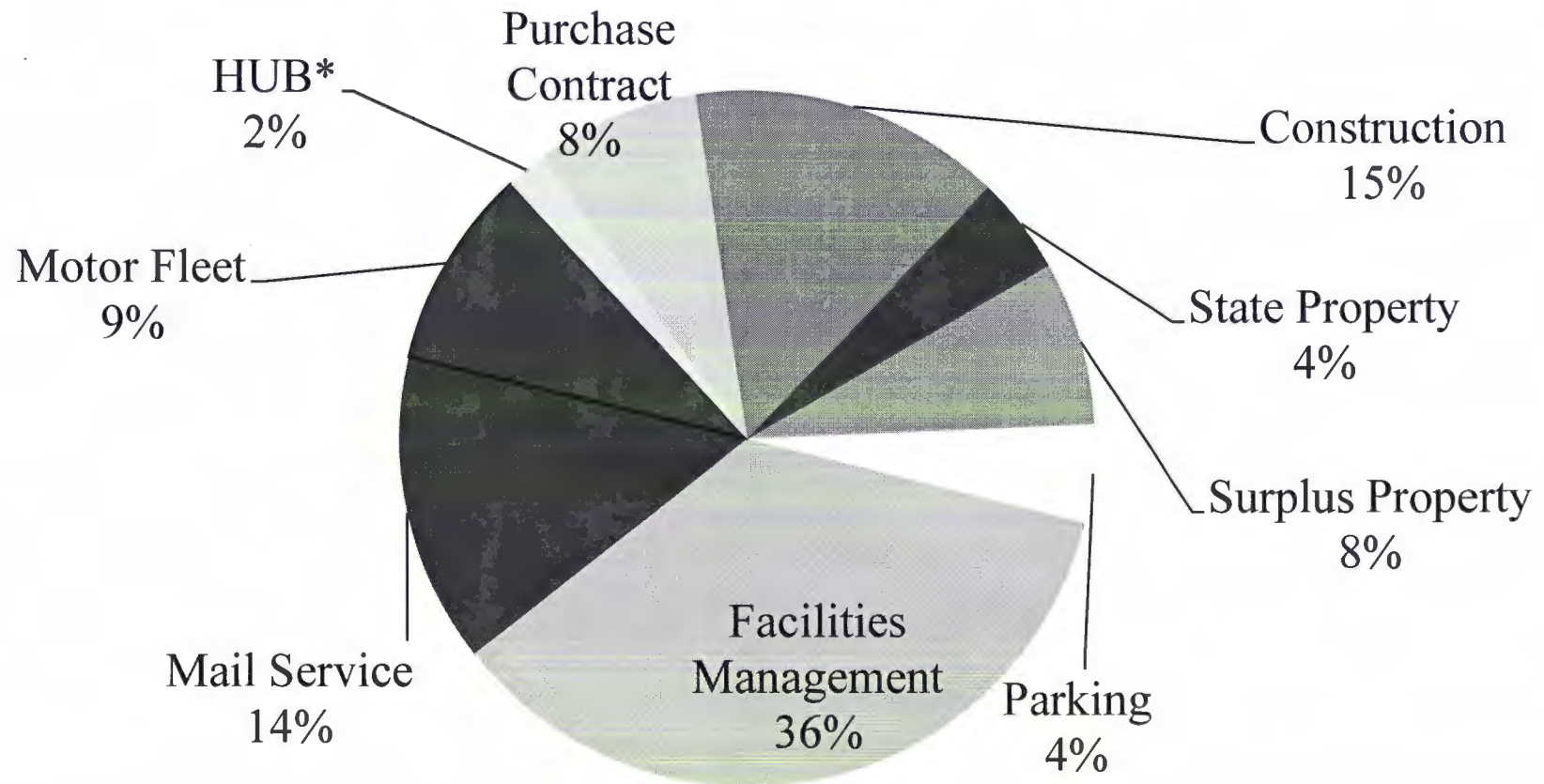


**Historically Underutilized Businesses*



Department of Administration Divisions – Government Services

Total FTE – Base Budget FY 17-19



**Historically Underutilized Businesses*



Department of Administration

Divisions – Public Services

- Commission on Indian Affairs
- Council for Women & Youth Involvement
- Human Relations Commissions
- Non-Public Education



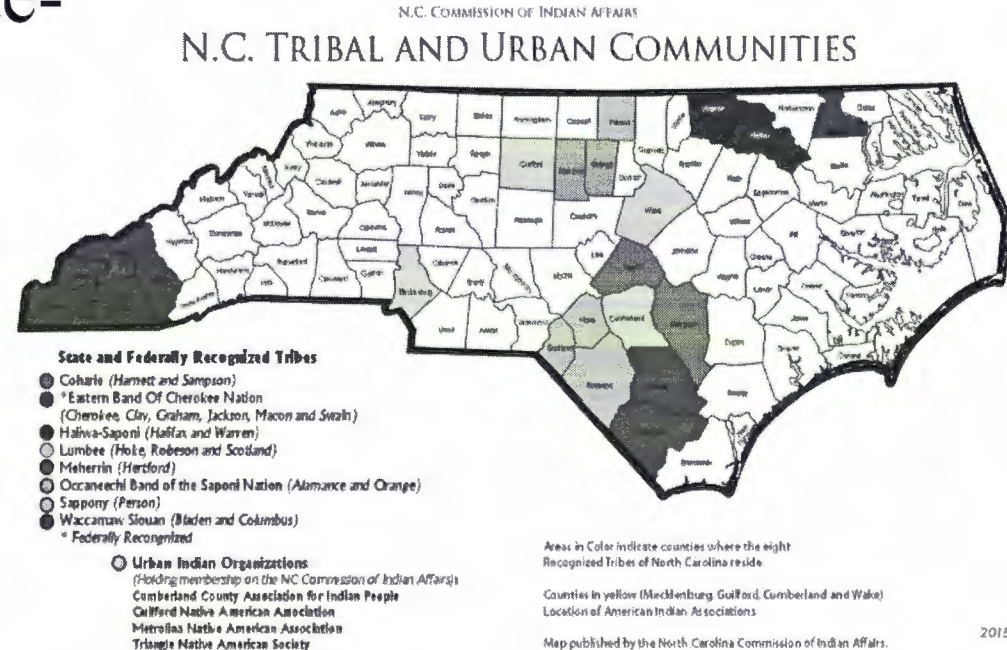
Department of Administration

Divisions – Public Services

Commission on Indian Affairs G.S. 143B-404

Administers programs for State-recognized Tribes and Urban Indian Associations

- **Base budget FY 2017-18**
Requirements: \$4,865,802
Receipts: \$4,531,938
Net appropriation: \$333,864
FTE: 14



Department of Administration

Divisions – Public Services

Council for Women and Youth Involvement

Program	Requirements	Receipts	Net Appropriation	FTE
Domestic Violence Center	\$3,913,212	\$3,913,212	\$0	0
Dom. Violence Program	\$5,091,486	\$0	\$5,091,486	4.64
Sexual Assault Program	\$2,895,560	\$0	\$2,895,560	0.36
Council for Women & Y.I.	\$1,069,679	\$0	\$1,069,679	11
TOTAL	\$12,969,937	\$3,913,212	\$9,056,725	16



Department of Administration

Divisions – Public Services

Human Relations Commission - G.S. 143B-391, G.S. 99D, G.S. 41A

- Administers the State's Fair Housing Act and staffs Human Relations Commission and Martin Luther King, Jr. Commission
- **Base budget FY 2017-18**
Requirements: \$801,835
Receipts: \$220,991
Net appropriation: \$580,844
FTE: 9



Department of Administration

Divisions – Public Services

Non-public Education - G.S. 155C, Article 9

Maintains statistics on private and home schools and monitors compliance with State laws

- **Base budget FY 2017-18**
Requirements: \$449,770
Receipts: \$0
Net appropriation: \$449,770
FTE: 5.75



Department of Administration

Other Items

- License To Give Trust Fund
Base budget FY 2017-18: \$547,727 (fully receipt supported) – collects funds from donations to provide grants to promote organ donation and maintains statewide online donor organ website
- Pension to Surviving Spouse
Base budget FY 2017-18 net appropriation: \$12,000 – pays a monthly pension to surviving spouses of NC governors



Department of Administration

Recent Legislative Actions

- **FY 15-16**
 - Creation of new Department of Military and Veterans Affairs
- **FY 16-17**
 - New Human Relations Commission position
 - Youth Advocacy and Involvement / Council for Women merger and transfer of Youth Legislative Assembly
 - Underutilized State Property Study: \$600,00 NR
 - Connect NC Bond: 6 FTE
 - State Land Fund replenishment

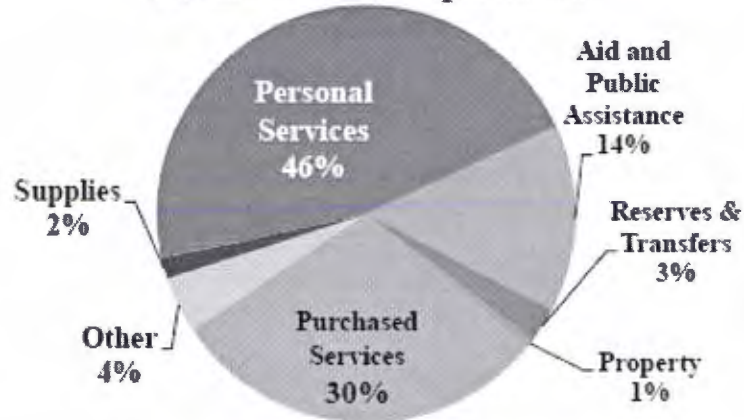
Department of Administration

Information Requested

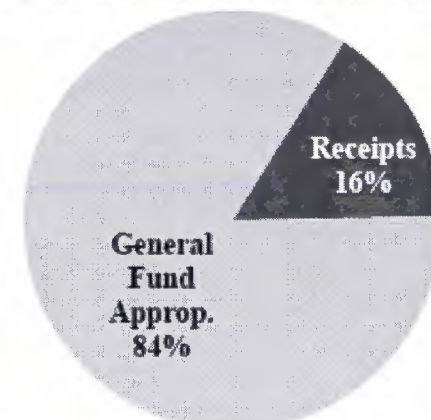
- How do you measure your agency's effectiveness and outcomes?
- How do you measure efficiency within your agency/department? Do you have metrics that you use to monitor agency performance? If so, please provide.
- Are you planning any changes to the current structure of your organization? Will this impact your agency's budget?
- What are your overall goals for your department/agency over the next biennium?
- What are your budget requests/needs for the biennium? Please discuss the items in the Governor's budget.
- Discuss the contract oversight that DOA provides to agencies.

Department of Administration – General Fund Base Budget

FY 2017-19 Base - Expenditures



FY 2017-19 Base - Source of Funds



Requirements	Actual FY 2015-16	Certified FY 2016-17	Authorized FY 2016-17	Increase/ (Decrease) FY 2017-18	Total Base FY 2017-18	Increase/ (Decrease) FY 2018-19	Total Base FY 2018-19
Personal Services	\$31,722,350	\$34,443,118	\$34,145,162	\$121,694	\$34,266,856	\$121,694	\$34,266,856
Purchased Services	\$20,957,816	\$24,015,168	\$23,282,993	(\$1,509,775)	\$21,773,218	(\$1,509,775)	\$21,773,218
Supplies	\$1,072,809	\$1,255,211	\$1,192,877	\$0	\$1,192,877	\$0	\$1,192,877
Property, Plant, Equipment	\$181,978	\$222,091	\$490,731	\$0	\$490,731	\$0	\$490,731
Other Expenses/Adjustments	\$3,141,999	\$2,786,480	\$3,267,402	\$0	\$3,267,402	\$0	\$3,267,402
Aid & Public Assistance	\$12,526,424	\$10,003,160	\$10,859,415	(\$200,000)	\$10,659,415	(\$200,000)	\$10,659,415
Reserves & Transfers	\$3,160,217	\$4,205,046	\$4,199,342	(\$2,227,396)	\$1,971,946	(\$2,227,396)	\$1,971,946
TOTAL REQUIREMENTS	\$72,763,593	\$76,930,274	\$77,437,922	(\$3,815,477)	\$73,622,445	(\$3,815,477)	\$73,622,445

Receipts	Actual FY 2015-16	Certified FY 2016-17	Authorized FY 2016-17	Increase/ (Decrease) FY 2017-18	Total Base FY 2017-18	Increase/ (Decrease) FY 2018-19	Total Base FY 2018-19
Sales, Services, Rental	\$2,147,123	\$2,722,426	\$2,714,161	\$0	\$2,714,161	\$0	\$2,714,161
Fees, Licenses, Fines & Other	\$4,666,913	\$4,146,838	\$4,164,938	\$0	\$4,164,938	\$0	\$4,164,938
Intragovernment Transfers	\$6,751,849	\$5,829,147	\$6,219,916	(\$1,462,973)	\$4,756,943	(\$1,462,973)	\$4,756,943
TOTAL RECEIPTS	\$13,565,885	\$12,698,411	\$13,099,015	(\$1,462,973)	\$11,636,042	(\$1,462,973)	\$11,636,042

NET APPROPRIATION	\$59,197,708	\$64,231,863	\$64,338,907	(\$2,352,504)	\$61,986,403	(\$2,352,504)	\$61,986,403
FTE	442	434.39	429.25	0	429.25	0	429.25

Questions?

Cara Bridges

Fiscal Research Division

919-733-4910

Cara.Bridges@ncleg.net





North Carolina Department of Administration

Department of Administration

Joint Appropriations Committee on General Government

March 22, 2017



Department Of Administration (DOA)

Joint Appropriations on General Government

- Organization and DOA Overview
- Budget Highlights
- Current Performance Measures and Examples
- Contract Management Responsibilities and Outcomes
- 2017 Revised Key Performance Indicators (KPIs)
- Excellence in All We Do

Organization



Our Mission

The North Carolina Department of Administration shall provide high quality services effectively, efficiently and economically for our customers who are the citizens, agencies and communities of our state.



Our Vision

DOA is recognized cross state government and within the communities we serve for superior customer service, responsiveness and operational excellence.



Our Imperatives

- 1 Explore and implement **new, improved ways** to deliver effective and efficient services to **create value** for taxpayers
- 2 Provide **superior customer service**
- 3 Create a **culture of trust** through enhanced employee engagement, openness, and inclusiveness



Think....Create....Innovate

Big idea

Create and implement an electronic management system for grants and contracts

Cost savings/green ideas

- Implement the use of enterprise printers
- Incorporate DOA forms into electronic workflows that allow for on-line approvals, saving time and reducing paper

Customer service ideas

- Create and implement an electronic tracking system for repairs and renovations
- Re-engineer the work order process as to match the amount of effort and potential risks associate

Budget Highlights

\$450,000 to restore position funding

Shifts funding of 4.9 FTEs to net General Fund appropriations to more accurately reflect roles in the organization

\$298,000 to improve contract monitoring and accountability

Adds four positions to the Purchase & Contract Division to enhance compliance and proficiency

Supports Administration's initiative to consolidate State procurement functions within DOA

Current Performance Measure Inputs



Performance Measure Examples

Fiscal

Efficiency

- % of invoices paid by due date or within 5 business days of receipt
- % of Accounts Receivables collected within 90 days of invoicing
- % of OSBM deadlines met

Customer Service

- # of DOA purchases from HUB vendors
- # of DOA division requisitioners trained bi-annually on Purchasing Policies & Procedures

Advocacy

Division: Non-public Education

Workload

- # of home school openings, closings and record reviews conducted
- # of Driver Education Certifications (DEC) issued by week
- Call volume by week

Efficiency

- Process time of new home school registrations
- Process time of DEC's

Customer Service

- Resolve time of complaints
- Customer survey

Operations

Division: State Surplus Property

Workload

- # of surplus items taken in
- Tracking of annual total sales of surplus items

Efficiency


- Cost savings of reutilization of surplus items
- Total sale funds returned to state agency budgets

Customer Service

- # of surplus items transferred back to agencies for reutilization
- Annual surveys to client agencies and public customers

Contract Management Oversight Responsibilities

2016 outcomes

- Develop standard contracting templates required to be used by all agencies *[G.S. 143-53]*
 - Review and approve all contract awards greater than each agency's delegated spend limit (typically, \$25,000) *[G.S. 143-53]*
 - Review and approve all proposed contracts greater than \$1 million to ensure that the contract details enforceable performance consistent with the intent of the contract *[G.S. 143-50.1]*
 - Conduct compliance reviews of all agencies to assess whether contract formation process complies with State purchasing law and rules *[G.S. 143-53]*
- 
- | | |
|------|---------------------------------|
| 1137 | Total contract awards reviewed |
| 213 | Total contracts >\$1M reviewed |
| 37 | Total agency compliance reviews |

Contract Management Oversight Responsibilities

- Monitor and enforce terms of Statewide Term Contracts
- Develop regulations and procedures for each agency to monitor and enforce its contracts
- Training of agency staff in contract administration and in contract terms and conditions



2016 outcomes

21

Current Statewide
Term Contracts

80

Contract review
meetings with vendors

209

Individuals attending
classes on contract
administration & terms

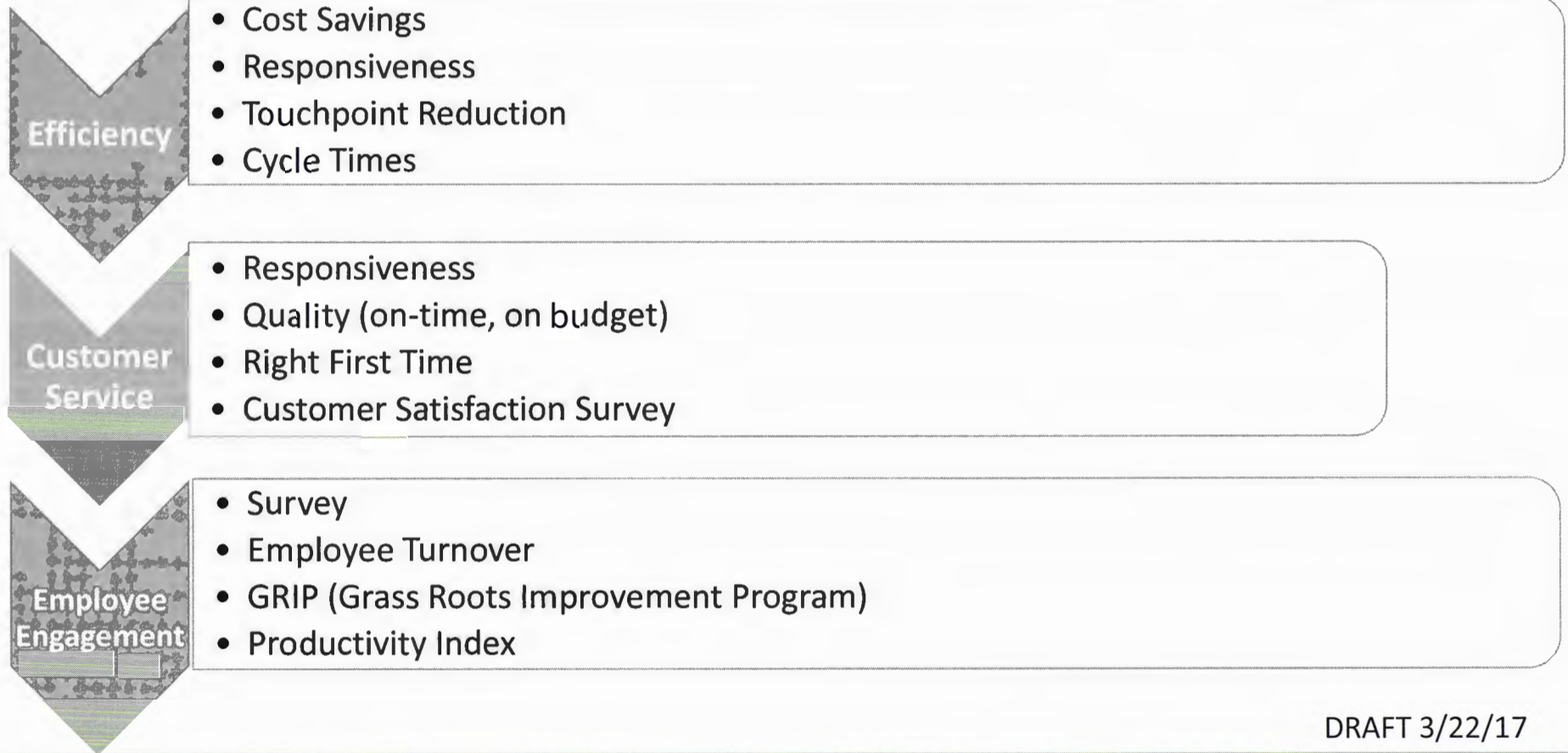
1

NC Contract
Administration Guide

2017 Revised Performance Measure Inputs



2017 Revised Key Performance Indicators (KPIs)



DRAFT 3/22/17

Superior Customer Service, Responsiveness, and *EXCELLENCE In All We Do*

Citizens



Division of Non-Public Education provided services for the **74,653 registered home schools and 118,268 students** during 2015-16 school year

Federal Surplus Property was **directed to Hurricane Matthew relief effort**

Businesses



HUB **promotes economic opportunities** in State government contracting and procurement

1,137 State contracts awarded in 2016

Government Agencies



Surplus property sales are returned to agency budgets

Facility Management maintains 169 buildings; 7.3 million sq. ft.

State Property oversees **12,000 building assets**

Motor Fleet manages 7,200+ vehicles

Enablers for Success: Leadership/ Values/ Culture of Trust/ Employee Engagement

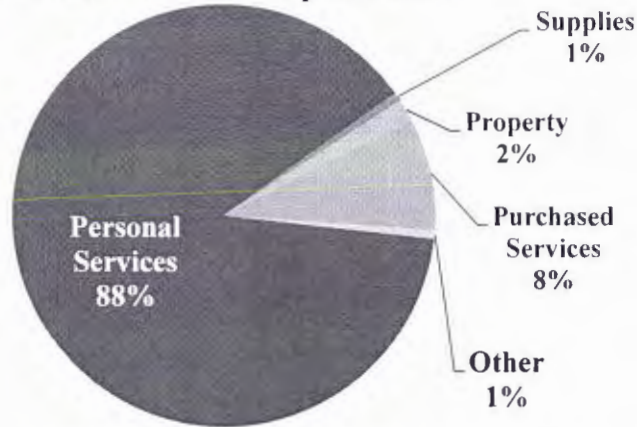
Divisions

- Office of Fiscal Management
- State Property Office
- State Surplus Property
- Federal Surplus Property
- State Construction Office
- Motor Fleet Management
- Facility Management
- Purchase and Contract
- State Parking
- Mail Service Center
- Council for Women and Youth Involvement
- Commission of Indian Affairs
- Division of Non-Public Education
- Human Relations Commission
- License to Give Trust Fund
- Office for Historically Underutilized Businesses
- Office of Justice for Sterilization Victims

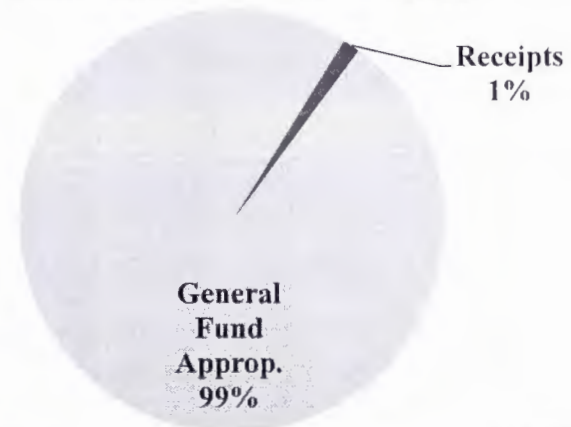
SECRETARY OF STATE

Base Budget Review - General Fund

FY 2017-19 Base - Expenditures



FY 2017-19 Base - Source of Funds



Requirements	Actual FY 2015-16	Certified FY 2016-17	Authorized FY 2016-17	Increase/ (Decrease) FY 2017-18	Total Base FY 2017-18	Increase/ (Decrease) FY 2018-19	Total Base FY 2018-19
Personal Services	\$10,272,108	\$11,300,671	\$11,381,711	\$39,433	\$11,421,144	\$39,433	\$11,421,144
Purchased Services	\$1,386,886	\$1,129,334	\$1,120,654	(\$14,895)	\$1,105,759	\$45,753	\$1,166,407
Supplies	\$90,406	\$81,840	\$79,187	\$6,137	\$85,324	\$6,137	\$85,324
Property, Plant, Equipment	\$161,841	\$214,162	\$216,000	\$10,748	\$226,748	\$10,748	\$226,748
Other Expenses/Adjustments	\$106,949	\$48,512	\$85,512	(\$1,270)	\$84,242	(\$1,270)	\$84,242
Reserves	\$0	\$85,680	\$85,680	(\$85,680)	\$0	(\$85,680)	\$0
TOTAL REQUIREMENTS	\$12,018,190	\$12,860,199	\$12,968,744	(\$45,527)	\$12,923,217	\$15,121	\$12,983,865

Receipts	Actual FY 2015-16	Certified FY 2016-17	Authorized FY 2016-17	Increase/ (Decrease) FY 2017-18	Total Base FY 2017-18	Increase/ (Decrease) FY 2018-19	Total Base FY 2018-19
Sales, Services, Rental	\$96,713	\$59,625	\$37,478	\$0	\$37,478	\$0	\$37,478
Fees, Licenses, Fines	\$47,620	\$2,000	\$0	\$0	\$0	\$0	\$0
Other Transactions	\$166,184	\$1,384	\$134,076	\$240	\$134,316	\$240	\$134,316
TOTAL RECEIPTS	\$310,517	\$63,009	\$171,554	\$240	\$171,794	\$240	\$171,794

NET APPROPRIATION	\$11,707,673	\$12,797,190	\$12,797,190	(\$45,767)	\$12,751,423	\$14,881	\$12,812,071
FTE	169.88	174.88	175.88	0.0	175.88	0.0	175.88

SECRETARY OF STATE
Base Budget Review - General Fund

Changes to the Base Budget - FY 2017-19

Nonrecurring Items Removed

1. Budget realignment to match actual expenditures (net)	(\$24,072)
2. Lease increases FY 2017-18	\$24,792
3. Lease increases FY 2018-19	\$85,440
4. Federal funds receipts adjustment	(\$240)

Other Changes

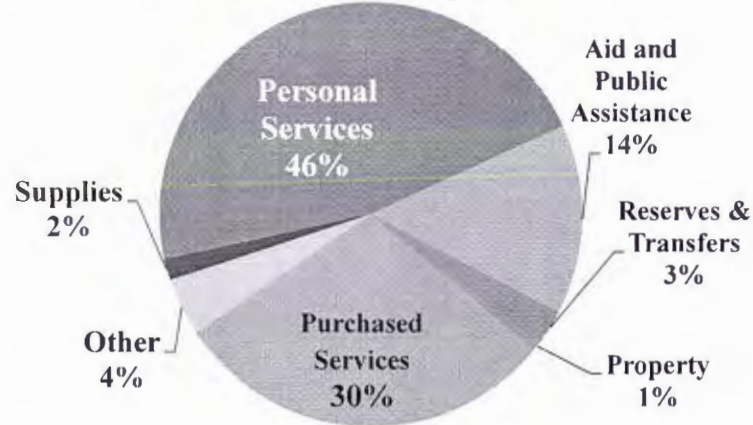
1. Retirement Changes (net)	(\$46,247)
-----------------------------	------------

FY 2017-18 CHANGES	(\$45,767)
FY 2017-19 CHANGES	\$14,881

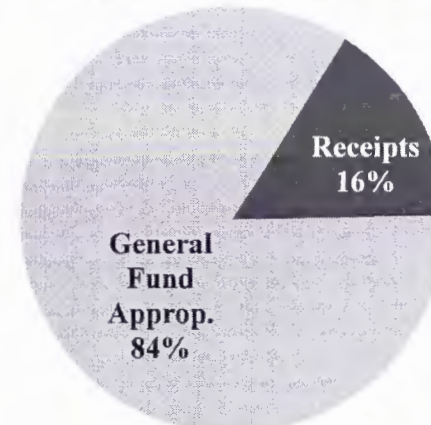
DEPARTMENT OF ADMINISTRATION

Base Budget Review - General Fund

FY 2017-19 Base - Expenditures



FY 2017-19 Base - Source of Funds



Requirements	Actual FY 2015-16	Certified FY 2016-17	Authorized FY 2016-17	Increase/ (Decrease) FY 2017-18	Total Base FY 2017-18	Increase/ (Decrease) FY 2018-19	Total Base FY 2018-19
Personal Services	\$31,722,350	\$34,443,118	\$34,145,162	\$121,694	\$34,266,856	\$121,694	\$34,266,856
Purchased Services	\$20,957,816	\$24,015,168	\$23,282,993	(\$1,509,775)	\$21,773,218	(\$1,509,775)	\$21,773,218
Supplies	\$1,072,809	\$1,255,211	\$1,192,877	\$0	\$1,192,877	\$0	\$1,192,877
Property, Plant, Equipment	\$181,978	\$222,091	\$490,731	\$0	\$490,731	\$0	\$490,731
Other Expenses/Adjustments	\$3,141,999	\$2,786,480	\$3,267,402	\$0	\$3,267,402	\$0	\$3,267,402
Aid & Public Assistance	\$12,526,424	\$10,003,160	\$10,859,415	(\$200,000)	\$10,659,415	(\$200,000)	\$10,659,415
Reserves & Transfers	\$3,160,217	\$4,205,046	\$4,199,342	(\$2,227,396)	\$1,971,946	(\$2,227,396)	\$1,971,946
TOTAL REQUIREMENTS	\$72,763,593	\$76,930,274	\$77,437,922	(\$3,815,477)	\$73,622,445	(\$3,815,477)	\$73,622,445

Receipts	Actual FY 2015-16	Certified FY 2016-17	Authorized FY 2016-17	Increase/ (Decrease) FY 2017-18	Total Base FY 2017-18	Increase/ (Decrease) FY 2018-19	Total Base FY 2018-19
Sales, Services, Rental	\$2,147,123	\$2,722,426	\$2,714,161	\$0	\$2,714,161	\$0	\$2,714,161
Fees, Licenses, Fines & Other	\$4,666,913	\$4,146,838	\$4,164,938	\$0	\$4,164,938	\$0	\$4,164,938
Intragovernment Transfers	\$6,751,849	\$5,829,147	\$6,219,916	(\$1,462,973)	\$4,756,943	(\$1,462,973)	\$4,756,943
TOTAL RECEIPTS	\$13,565,885	\$12,698,411	\$13,099,015	(\$1,462,973)	\$11,636,042	(\$1,462,973)	\$11,636,042

NET APPROPRIATION	\$59,197,708	\$64,231,863	\$64,338,907	(\$2,352,504)	\$61,986,403	(\$2,352,504)	\$61,986,403
FTE	442	434.39	429.25	0	429.25	0	429.25

DEPARTMENT OF ADMINISTRATION

Base Budget Review - General Fund

Changes to the Base Budget - FY 2017-19

Nonrecurring Items Removed

1. Ethics Application Maintenance	(\$20,000)
2. Ethics Electronic Filing System	(\$850,000)
3. Ethics Conference	(\$7,600)
4. State Property Study	(\$600,000)
5. Connect NC Bond Administration	(\$32,175)
6. Grants-in-aid	(\$200,000)
7. State Land Fund	(\$2,000,000)
8. E-Commerce Special Fund Transfer	\$1,476,543

Other Changes

1. Retirement Changes (net)	(\$119,272)
-----------------------------	-------------

TOTAL CHANGES	(\$2,352,504)
----------------------	----------------------

Senate Pages Attending

COMMITTEE: Jt. App. Gen. Gov't & I. To ROOM: 425

DATE: 3-22 TIME: 8:30

PLEASE PRINT LEGIBLY!!!!!!!!!!!!!!....or else!!!!

	Page Name	Hometown	Sponsoring Senator
1.	Isaac Castelloes	Raleigh	Berger
2.	Cameron Fardy	Clinton	B. Jackson
3.			
4.			
5.			
6.			
7.			
8.			

Pages: Present this form to either the Committee Clerk at the meeting or to the Sgt-at-Arms.



**House Pages
Assignments
Wednesday, March 22, 2017
Session: 2:00 PM**

Committee	Room	Time	Staff	Comments	Member
Appropriations on General Government and Information Technology	425	8:30 AM	Colin Konieczka Ko-NES-KA		Rep. Linda Hunt- Williams
			Garrett Penley		Rep. Julia Howard
Appropriations, Agriculture and Natural and Economic Resources	Other	8:30 AM	Joshua Babson		Rep. William Brisson
			Connor Scanlon		Rep. Joe John
Appropriations, Transportation	1027/1128	8:30 AM	Lily Ahlin		Rep. George Cleveland
			Blake Bellanger		Rep. Larry Bell



10

11

12

13

14

15

16

17

Committee Sergeants at Arms

NAME OF COMMITTEE House Committee on Appropriations, General Government

DATE: 3/22/2017

Room: 425

House Sgt-At Arms:

1. Name: Warren Hawkins
2. Name: Doug Harris
3. Name: Will Crocker
4. Name:
5. Name:

Senate Sgt-At Arms:

1. Name: Frances Patterson
2. Name: Giles Jeffreys
3. Name:
4. Name:
5. Name:



VISITOR REGISTRATION SHEET

House Committee on Appropriations, General Government 3/22/2017
 Name of Committee Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Crystal Feldman	SA
Joseph Kelly	Military & Veterans Affairs
CHRIS KAPSCHE	OSBM
Providence HAKIZIMANA	OSBM
Prentice Hunt	DOA
Mark Edwards	DOA
Bryan Brannon	DOA
Chris Agnew	DOA
Angie Dunaway	DOA



VISITOR REGISTRATION SHEET

House Committee on Appropriations, General Government 3/22/2017
 Name of Committee Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Barbara Baldwin	OSBM
Marcelle Sanders	DOA
Tommy Clark	SOS
Mike Arnold	SOS
Haley Haynes	SOS
Secretary E. Marshall	SOS
Dwayne Beamon	SOS
Angela Dunston	SOS
Sec. LARRY Hall	DMVA
Susanna Davis	OSHR
Regina Fortson	SEANC



**Senate Committee on Appropriations on General Government and Information
Technology**

**Thursday, March 23, 2017 at Special Time: 8:00 a.m.
Room 425 of the Legislative Office Building**

MINUTES

The Senate Committee on Appropriations on General Government and Information Technology met at Special Time: 8:00 a.m. on March 23, 2017 in Room 425 of the Legislative Office Building. Five members were present.

Senator Jeffery P. Tarte presided.

Senator Tarte called the meeting to order @ 8:02 a.m. He introduced and thanked the Sgt. @ Arms and pages.

Senator Tarte introduced Chris Hearley with the fiscal research division to give a brief overview on the Office of State Human Resources.

Barbara Gibson (the Director of State Human Resources) was then introduced to provide the members with information and answer and questions.

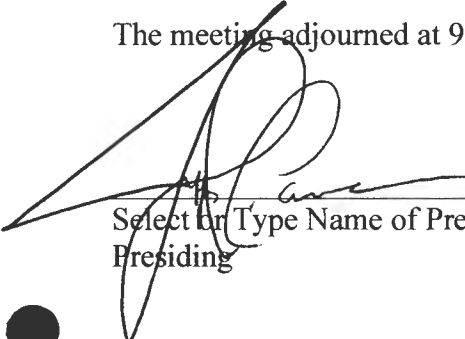
The members discussed the following: Positions available, cross training for positions, time frame to meet goals.

Senator Tarte introduced Chris Hearley with the fiscal research division to give a brief overview of the Department of Revenue.

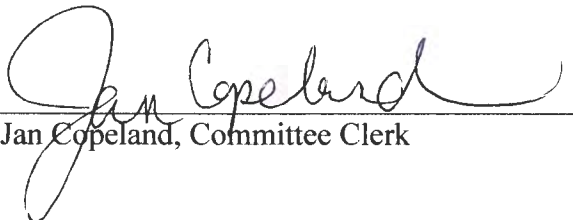
Ronald Penny (acting Secretary of the Department of Revenue) was then introduced to provide the members with information and answer questions.

The members and Secretary Penny discussed the following: time frame to fill open positions, developing key factors to pay employees, comparable salary to market, unpaid workers comp claims, and surveying of benefits.

The meeting adjourned at 9:37 a.m.



Select or Type Name of Presiding Chair
Presiding



Jan Copeland, Committee Clerk



Principal Clerk _____
Reading Clerk _____

SENATE
NOTICE OF JOINT COMMITTEE MEETING
AND
BILL SPONSOR NOTICE

The **Senate Committee on Appropriations on General Government and Information Technology** will meet at the following time:

DAY	DATE	TIME	ROOM
Thursday	March 23, 2017	Special Time: 8:00 a.m.	425 LOB

Senator Jeff Tarte will chair the joint committee at a special time (8:00 a.m.).

Senator John M. Alexander, Jr., Co-Chair
Senator Tamara Barringer, Co-Chair
Senator Jeff Tarte, Co-Chair



Joint Appropriations Committee on General Government

March 23, 2017; 8:00 AM

LOB 425

Agenda

Chairs:

Sen. Jeff Tarte, Presiding

Rep. George Cleveland

Sen. Tamara Barringer

Rep. Dennis Riddell

Sen. John Alexander

Chair's Opening Comments

Office of State Human Resources
Brief Overview

Chris Hearley, FRD

Office of State Human Resources

Barbara Gibson

Director of State Human Resources

Department of Revenue
Brief Overview

Chris Hearley, FRD

Department of Revenue

Ronald Penny, *Acting Secretary*

Jocelyn Andrews, *Chief Operating Officer*

Dave Roseberry, *Assistant Secretary/Chief
Information Officer*

Committee Discussion



Joint Appropriations Committee on General Government

March 23, 2017; 8:00 AM

LOB 425

Agenda

Chairs:

Sen. Jeff Tarte, Presiding

Rep. George Cleveland

Sen. Tamara Barringer

Rep. Dennis Riddell

Sen. John Alexander

Chair's Opening Comments

Office of State Human Resources
Brief Overview

Chris Hearley, FRD

Office of State Human Resources

Barbara Gibson
Director of State Human Resources

Department of Revenue
Brief Overview

Chris Hearley, FRD

Department of Revenue

Ronald Penny, *Acting Secretary*
Jocelyn Andrews, *Chief Operating Officer*
Dave Roseberry, *Assistant Secretary/Chief
Information Officer*

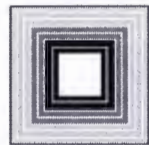
Committee Discussion



Office of State Human Resources Overview

Joint Appropriations Committee on General Government

March 23, 2017



FISCAL RESEARCH DIVISION
A Staff Agency of the North Carolina General Assembly

Outline

- Authorizing laws
- Mission
- Budget Information
- Roles and Responsibilities
- Recent Legislative Actions
- Base Budget FY 2017-19
- Agency Request for Information

Office of State Human Resources

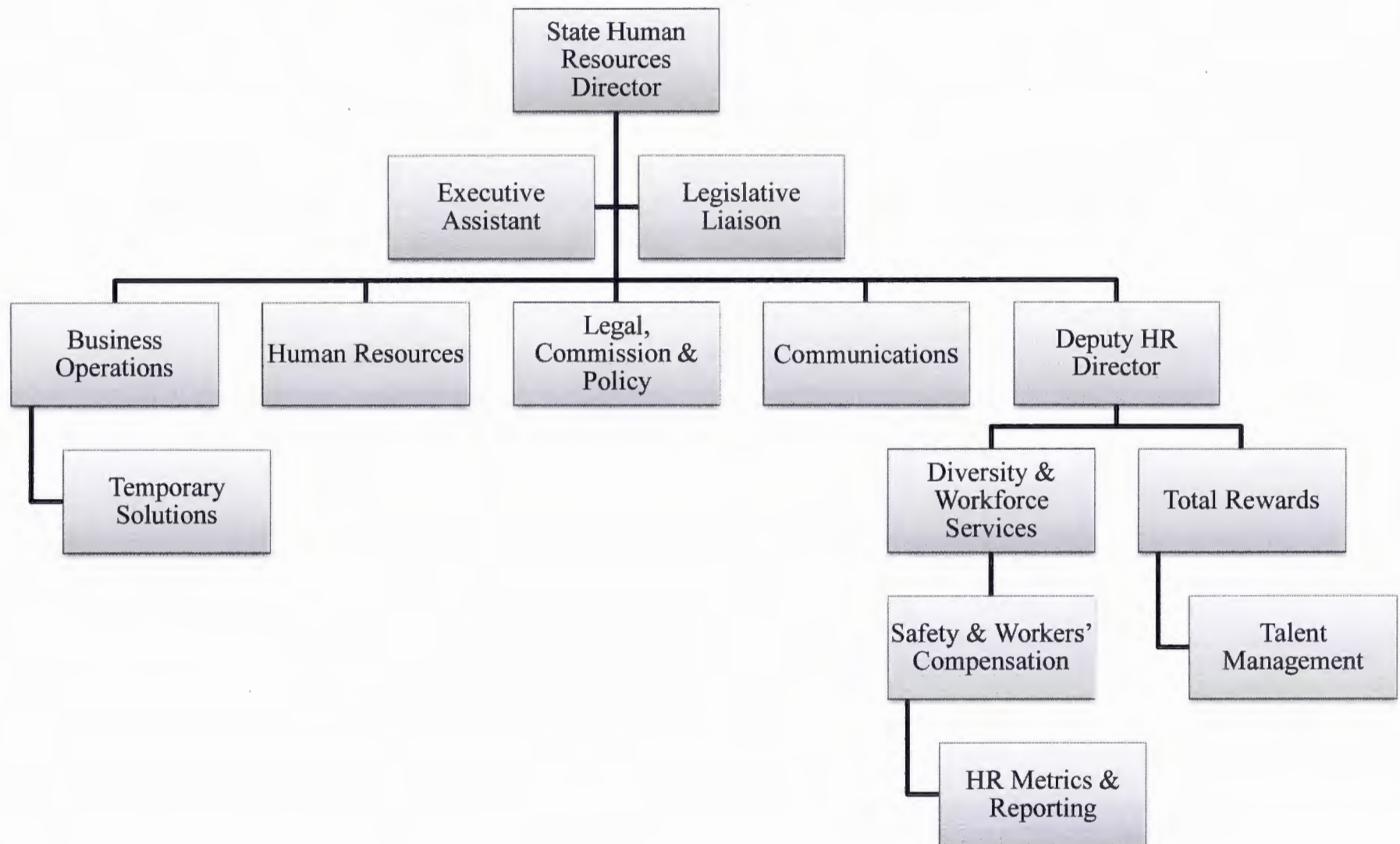
- § 126-2. Establishes the State Human Resources Commission
- § 126-3. Office of State Human Resources established and responsibilities outlined
- § 126-4. Powers and duties of State Human Resources Commission

Mission

To attract and retain a high-performing and diverse state government workforce, facilitate a safe work environment for all employees.



Organizational Chart



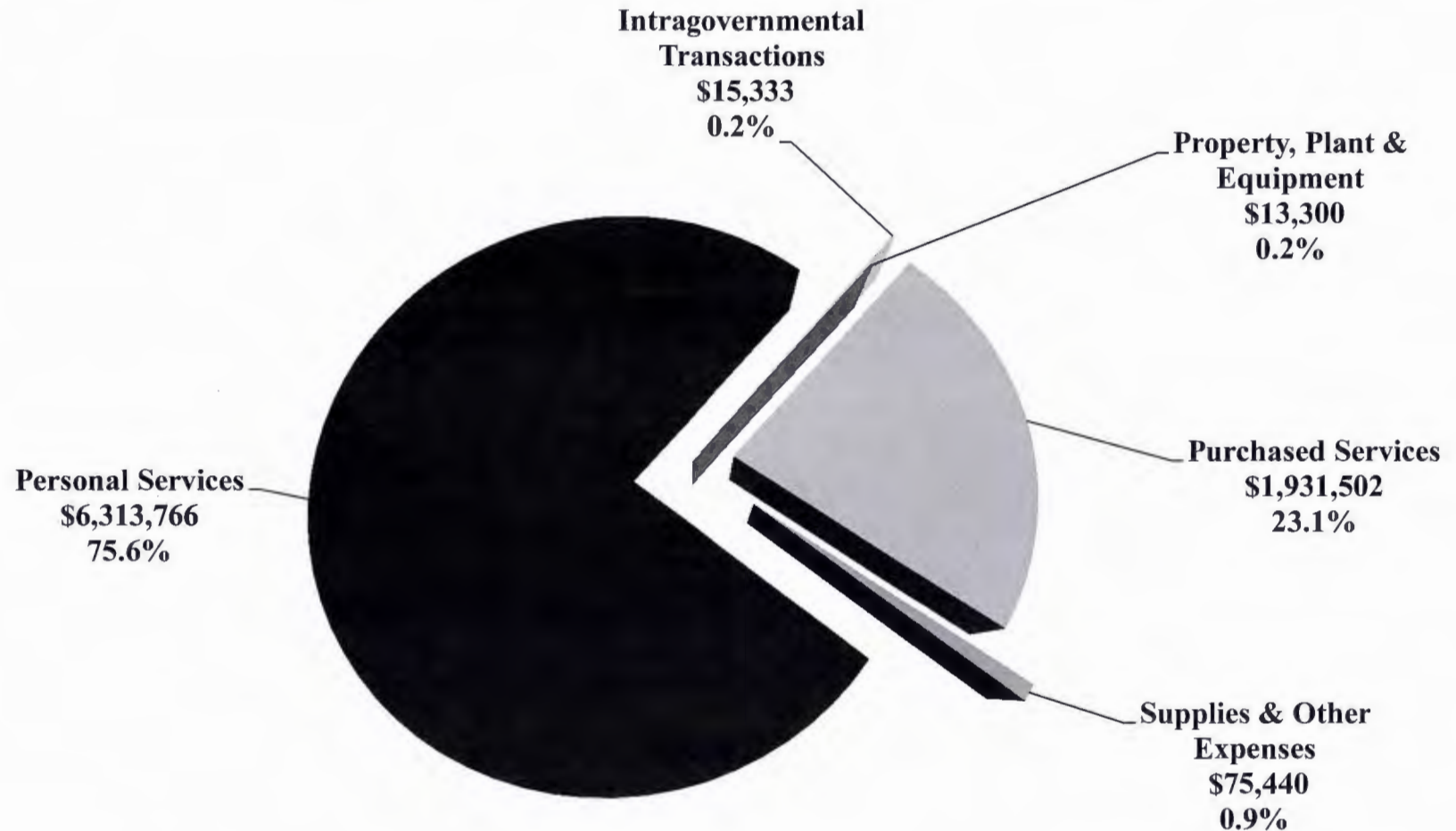
Office of State Human Resources

Budget Information

Budget	Actual FY 2015-16	Authorized FY 2016-17	Total Base FY 2017-18	Total Base FY 2018-19
Requirements	\$8,551,810	\$8,326,547	\$8,349,341	\$8,349,341
Receipts	\$743,835	\$115,571	\$115,619	\$115,619
Appropriation	\$7,807,975	\$8,210,976	\$8,233,722	\$8,233,722
Certified FTEs	68	64.75	64.75	64.75

Office of State Human Resources

Base Budget, FY 2017-18



Office of State Human Resources

Responsibilities

- Human Resources Programs and Services
 - HR transactions; recruitment; benefits; safety; health and wellness; classification and compensation
 - Direct support of Governor's Office, Office of State Management and Budget and Division of Military Affairs
- Business Operations
 - Provides operational management support services
- Communications & Employee Engagement
 - Manage agency's website and the OSHR and NC government recruitment system (Work for NC)
 - Provide agency support with communication and marketing strategies

• Office of State Human Resources •

Responsibilities, continued

- Total Rewards
 - Classification and Compensation
 - Salary Grade and Career-banding system
 - Salary Administration
 - Provide training and technical assistance to agencies and universities
 - Benefits & Wellness
 - NC Flex
 - Wellness & Safety and Health Program
 - Work-Life Programs
 - HR Metrics

Office of State Human Resources

Responsibilities, continued

- Talent Management
 - Learning and Development
 - Training Opportunities
 - Performance Management
 - North Carolina Valuing Individual Performance (NCVIP)
 - Recruitment Services
- Safety and Workers' Compensation
- Legal, Commission and Policy
 - Provide internal legal support and assess policies, administrative and statutory compliance with Human Resources Commission

• Office of State Human Resources•

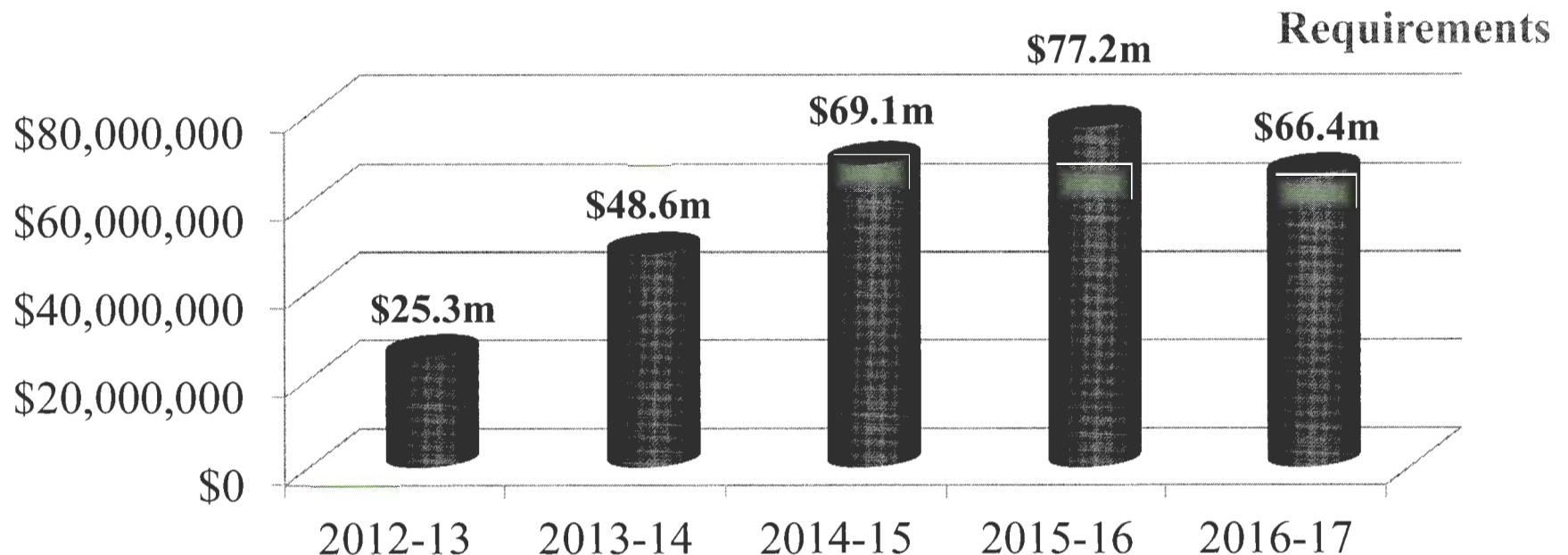
Responsibilities, continued

- Diversity & Workforce Services
 - Diversity & Inclusion
 - Compliance with federal Equal Employment Opportunity (EEO) guidelines
 - Employee Relations
 - Conflict Resolution
 - Local Government
 - Assist in salary plans, position classifications, policy interpretation and recruitment and selection
 - Employee Awards

Office of State Human Resources

Temporary Solutions

- Provides temporary staffing for other state agencies
- Receipt-supported program
- 2013 Executive Order directed agencies to use Temporary Solutions



Office of State Human Resources

Recent Legislative Actions

FY 2015-16

Action	Recurring	Nonrecurring
Applicant Tracking System Replacement	\$100,000	\$275,000
Position Realignment	(\$65,394)	\$0
Personnel Compensation and Classification System	\$140,000	\$0
Performance Management and Learning Management Systems	\$270,000	\$0
Vacant Position Transfer	(\$69,265)	\$0

Office of State Human Resources

Special Funds

Budget	NC Flex Program	Professional Development Program	Professional Development User Fee
Requirements	\$4,037,597	\$60,921	\$12,000
Receipts	\$4,037,597	\$21,858	\$12,000
Change in Fund Balance	\$0	(\$39,063)	-
Balance (as of February 2017)	\$3,698,572	\$67,500	\$15,790

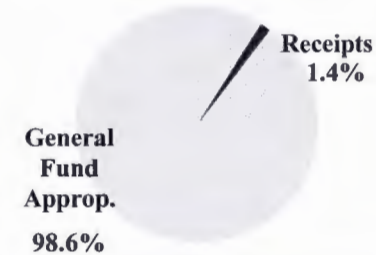
OFFICE OF STATE HUMAN RESOURCES

Base Budget Review

FY 2017-19 Base - Expenditures



FY 2017-19 Base - Source of Funds



Requirements	Actual FY 2015-16	Certified FY 2016-17	Authorized FY 2016-17	Increase/ (Decrease) FY 2017-18	Total Base FY 2017-18	Increase/ (Decrease) FY 2018-19	Total Base FY 2018-19
Personal Services	\$5,983,562	\$6,263,661	\$6,290,972	\$22,794	\$6,313,766	\$22,794	\$6,313,766
Purchased Services	\$2,072,501	\$1,933,062	\$1,931,502	\$0	\$1,931,502	\$0	\$1,931,502
Supplies	\$45,144	\$77,000	\$75,440	\$0	\$75,440	\$0	\$75,440
Property, Plant, Equipment	\$9,472	\$13,300	\$13,300	\$0	\$13,300	\$0	\$13,300
Other Expenses/Adjustments	\$27,715	\$16,893	\$15,333	\$0	\$15,333	\$0	\$15,333
Intragovernmental Transfers	\$413,416	\$5,704	\$0	\$0	\$0	\$0	\$0
TOTAL REQUIREMENTS	\$8,551,810	\$8,309,620	\$8,326,547	\$22,794	\$8,349,341	\$22,794	\$8,349,341

Receipts	Actual FY 2015-16	Certified FY 2016-17	Authorized FY 2016-17	Increase/ (Decrease) FY 2017-18	Total Base FY 2017-18	Increase/ (Decrease) FY 2018-19	Total Base FY 2018-19
Sales, Services, Rental	\$0	\$20,390	\$0	\$0	\$0	\$0	\$0
Fees, Licenses, Fines	\$103,444	\$87,592	\$103,092	\$0	\$103,092	\$0	\$103,092
Miscellaneous	\$73	\$0	\$0	\$0	\$0	\$0	\$0
Intragovernmental Transfers	\$640,319	\$5,596	\$12,479	\$48	\$12,527	\$48	\$12,527
TOTAL RECEIPTS	\$743,836	\$113,578	\$115,571	\$48	\$115,619	\$48	\$115,619

NET APPROPRIATION	\$7,807,974	\$8,196,042	\$8,210,976	\$22,746	\$8,233,722	\$22,746	\$8,233,722
FTE	68	66	64.75	0	64.75	0	64.75

Information Requested from the Office of Human Resources

- How do you measure your agency's effectiveness and outcomes?
- How do you measure efficiency within your agency/department? Do you have metrics that you use to monitor agency performance? If so, please provide.
- Are you planning any changes to the current structure of your organization? Will this impact your agency's budget?
- What are your overall goals for your department/agency over the next biennium?
- What are your budget requests/needs for the biennium?
- Please discuss new initiatives.

Office of State Human Resources



Chris Hearley

Fiscal Research

919-733-4910 or chris.hearley@ncleg.net





Office of State Human Resources
Joint Appropriations Subcommittee on General Government
March 23, 2017.

Barbara Gibson, Director
NC Office of State Human Resources



Barbara Gibson

Director

Lou Ann Phillips

Deputy Director

Nancy Astrike

Diversity and Workforce Services Manager

John Bogner

Safety, Health, & Workers' Compensation Director

Susanna Davis

Legislative Liaison

Paula Kukulinski

Talent Management Director

Lars Nance

General Counsel

Ray Scerri

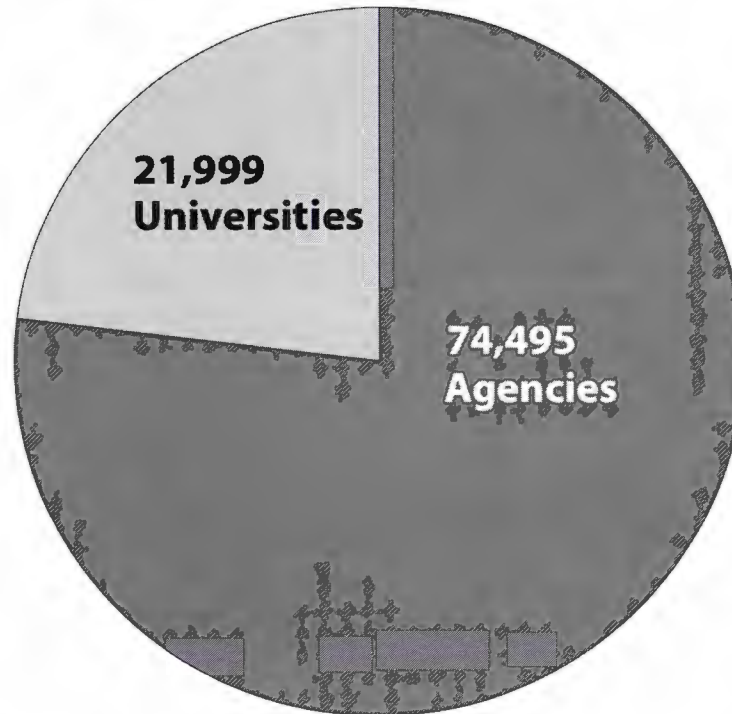
Total Rewards Director

Charlene Shabazz

Business Operations Director



Total State Employees



*Approximately 20,000 local employees



Effectiveness and Outcome Measurements



Recruitment & Retention

- Time from posting to fill
- Time positions vacant
- Turnover (voluntary & involuntary)
- Demographic reports
- Number of temporary employees



Benefits & Compensation

- Employees eligible to retire
- Employees below minimum (in proposed system)
- Active leave of absence/leave usage (non-productive hours)
- Average state employee salary, age, and service



Development & Performance Management

- Number of classroom training participants completing training
- Number of employees receiving performance evaluations
- Evaluation distribution



Work Environment

- Number of grievances filed
- Number of investigations completed
- Number of grievances resolved
- Number of FADs received
- New WC claims
- Open WC cases
- Settlement costs and future cost avoidance
- Number and type of hazard recognition notices



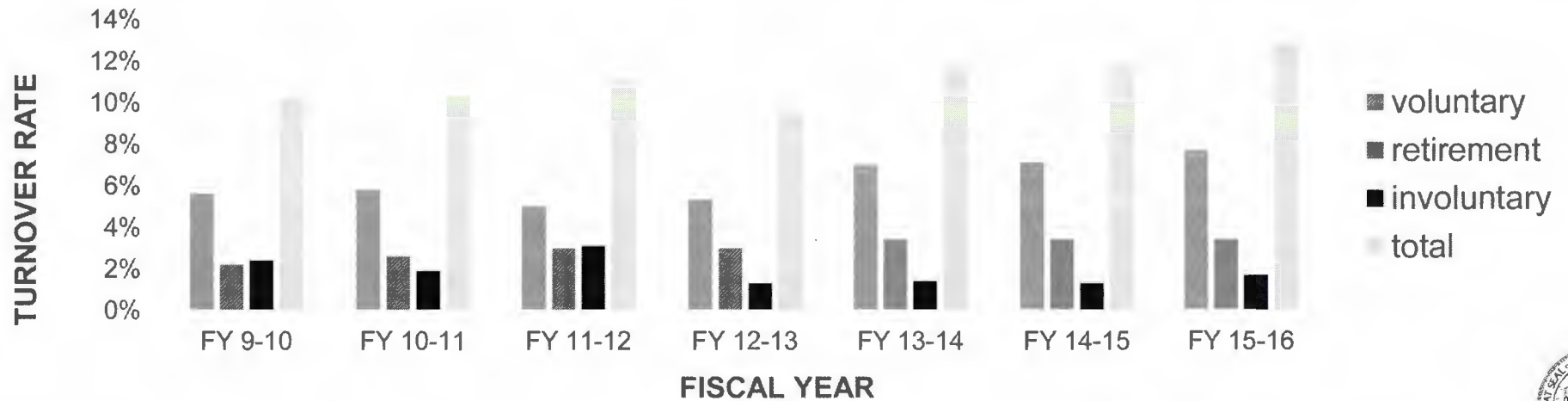
Recruitment

- 13,570 job postings in 2016 (including Temp Solutions)
- 161,000 average job applicants per year
- 7,000 average hires per year



Turnover Rates

	FY 2009-2010	FY 2010-2011	FY 2011-2012	FY 2012-2013	FY 2013-2014	FY 2014-2015	FY 2015-2016
Voluntary T/O	5.6%	5.8%	5.0%	5.3%	7.0%	7.1%	7.7%
Retirement T/O	2.2%	2.6%	3.0%	3.0%	3.4%	3.4%	3.4%
Involuntary T/O	2.4%	1.9%	3.1%	1.3%	1.4%	1.3%	1.7%
Total T/O	10.2%	10.3%	11.1%	9.7%	11.8%	11.8%	12.8%



Benchmark Classifications/Market Pay Gap

Job Title	Number of Employees	Base Salary Average	Market Base Salary Average	Labor Market Pay Gap	FY 15/16 Turnover Rate
Administrative Officer II	202	\$49,446	\$56,080	-13.4%	11.8%
Attorney III	142	\$88,429	\$101,898	-15.2%	5.2%
Chemist I	34	\$48,688	\$60,434	-24.1%	8.6%
Executive Assistant I	32	\$45,260	\$61,386	-35.6%	11.9%
Information & Communications Specialist II	56	\$48,812	\$55,417	-13.5%	26.8%
Maintenance Mechanic IV	293	\$39,537	\$54,971	-39.0%	10.4%
Museum Curator	9	\$45,003	\$59,397	-32.0%	0.0%
Paralegal	4	\$40,719	\$60,058	-47.5%	14.0%
Public Safety Officer	72	\$37,454	\$48,789	-30.3%	15.2%
Safety Officer II	17	\$47,311	\$58,734	-24.1%	21.0%
Social Worker III	120	\$45,209	\$56,129	-24.2%	13.8%
Staff Development Specialist II	37	\$48,554	\$58,263	-20.0%	7.9%
Staff Psychologist	90	\$58,255	\$87,766	-50.7%	22.0%
Statistician II	2	\$51,123	\$64,860	-26.9%	0.0%
Vehicle/Equipment Repair Technician	492	\$41,857	\$48,190	-15.1%	0.0%



2016 Employee Performance Ratings

Agency / University (BEACON)	Employees			Performance Ratings (% of rated employees)			Performance Ratings (counts)		
	Total #	# rated	% rated	Does Not Meet	Meets	Exceeds	Does Not Meet	Meets	Exceeds
Total	60,435	58,127	96%	0.9%	91%	8%	268	53,139	4,720

Rating Conversion Notes:

In the 2015-2016, Cabinet and Council of State Agencies converted to three-point rating scale:

1 = Does Not Meet Expectations; 2 = Meets Expectations; 3 = Exceeds Expectations

To calculate employee's overall performance rating, a rounding approach was used:

1.0 – 1.6: Does Not Meet Expectations

1.7 – 2.6: Meets Expectations

2.7 – 3.0: Exceeds Expectations

Ratings of "Meets Expectations" were combined with "Good" and "Very Good" ratings.

Ratings of "Exceeds Expectations" were combined with "Outstanding" ratings.



Grievance Data Snapshot

January 1, 2016 – December 31, 2016

Mediations

242 total

192 Agency
(79%)

50 University
(21%)

31% resolved
through mediation

FAD/FUD Reviewed by OSHR

90 total

75 Agency
(83%)

15 University
(17%)

Settlements Processed by OSHR

21 total /
\$1,046,442.93
total cost

19 Agency (90%)
/ \$1,011,671.02
total cost

2 University
(10%) /
\$34,771.91
total cost

OAH Decisions

28 total

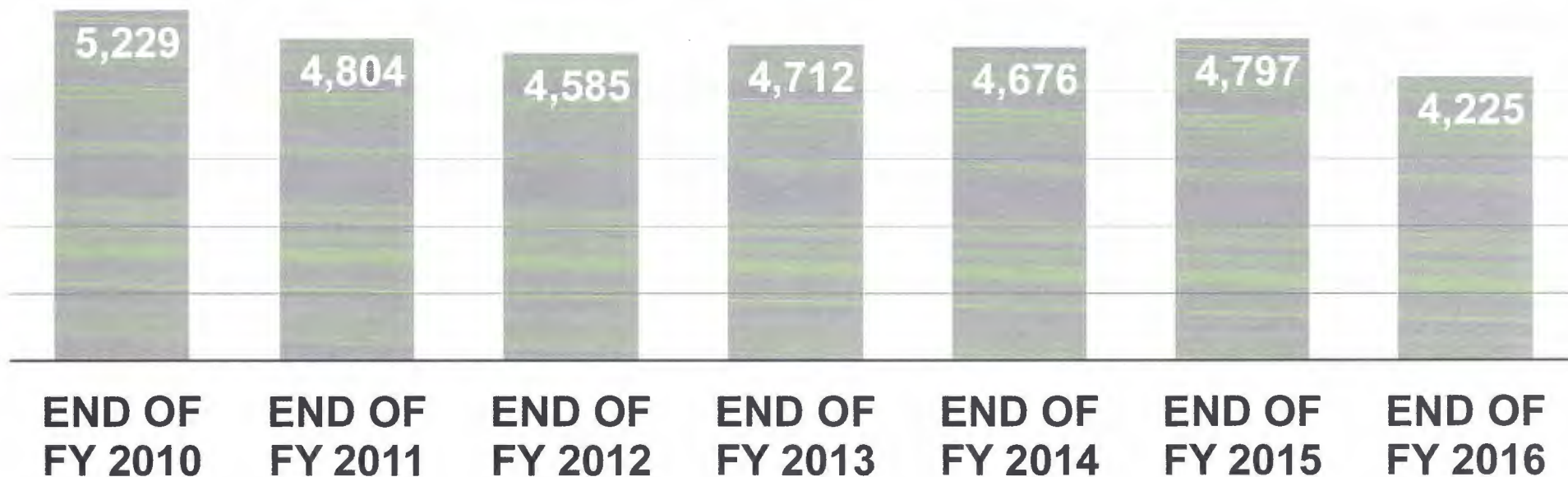
20 agree with
agency/university
decision

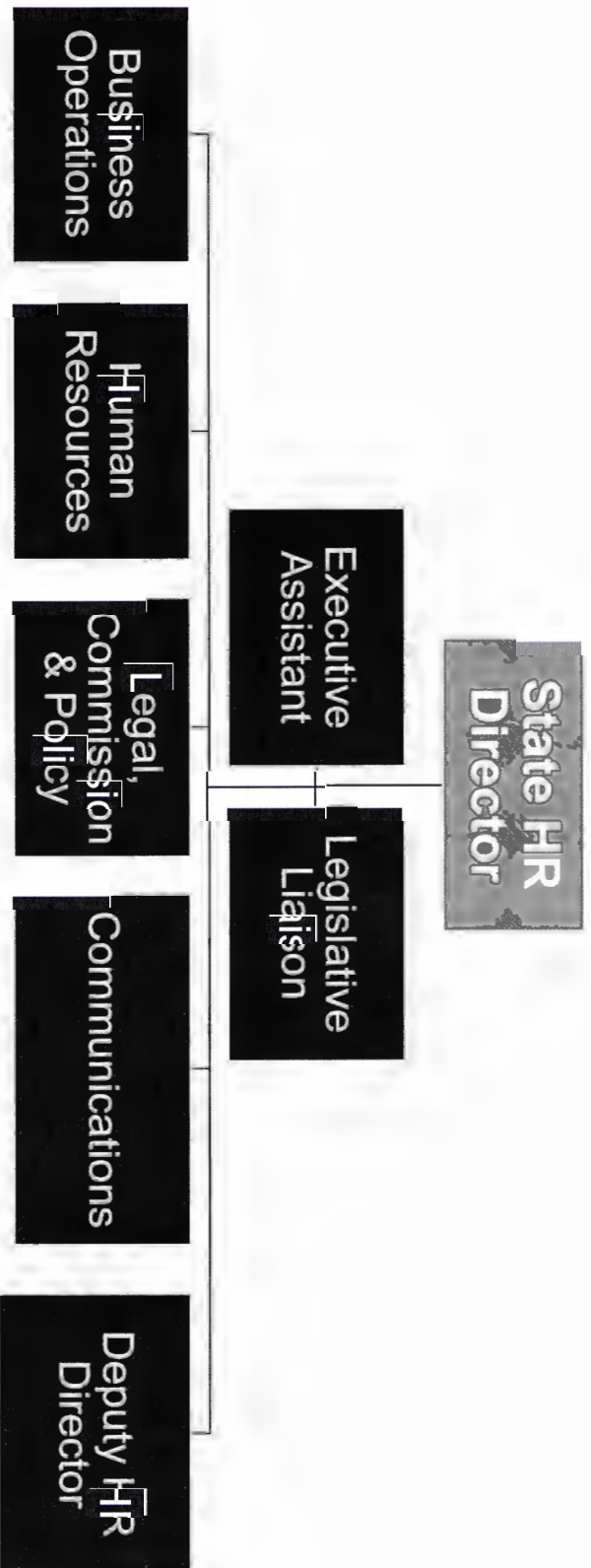
8 disagree with
agency/university
decision



Workers' Compensation

Total Open Claims





Current Goals

- Stabilize HR activities
- Assess and support agency needs
 - NCVIP
 - Applicant Tracking
 - Classification & Compensation
- Improve training for supervisors and HR staff





Budget Requests

- Funding for two full-time equivalent positions to support program requirements in Local Government Services, one FTE for mediation, and one FTE for technical support for the legal area
- Funding to settle workers' compensation claims
- Authorization to transfer from NCFlex FICA Reserve Fund for an organizational management tool



Local Government Support

(160 Social Services, Public Health, and Mental Health Entities)



Services provided:

- Position classification
- Local salary plan support
- Recruitment and selection
- Employee relations
- Policy interpretation





Workers' Compensation Settlements

OSHR Settlement Funds Allocations

FY 16: \$2 million

Actual Results

Claims Settled: 55

Total Settlement Cost: \$5,428,458

Future Cost Avoidance

Due to Settlement: \$37,530,971

Return on Investment: 691%

FY 17: \$4.38 million

Projections (as of March 21, 2017)

Claims Allocated Funds: 123

Total Settlement Cost: TBD

Estimated Future Cost Avoidance

Due to Settlement: \$66,621,729

Return on Investment: TBD

STATEWIDE CLAIM SETTLEMENT TOTALS

FY 16 Actual Settlements

Claims Settled: 352

Total Cost: \$19,574,054

Future Cost Avoidance

Due to Settlement: \$66,207,101

Return on Investment: 338%

FY 17 Settlement Projections

Estimated Claims Settled: 375

Estimated Total Cost: \$23,937,456

Estimated Future Cost Avoidance

Due to Settlement: \$93,310,160

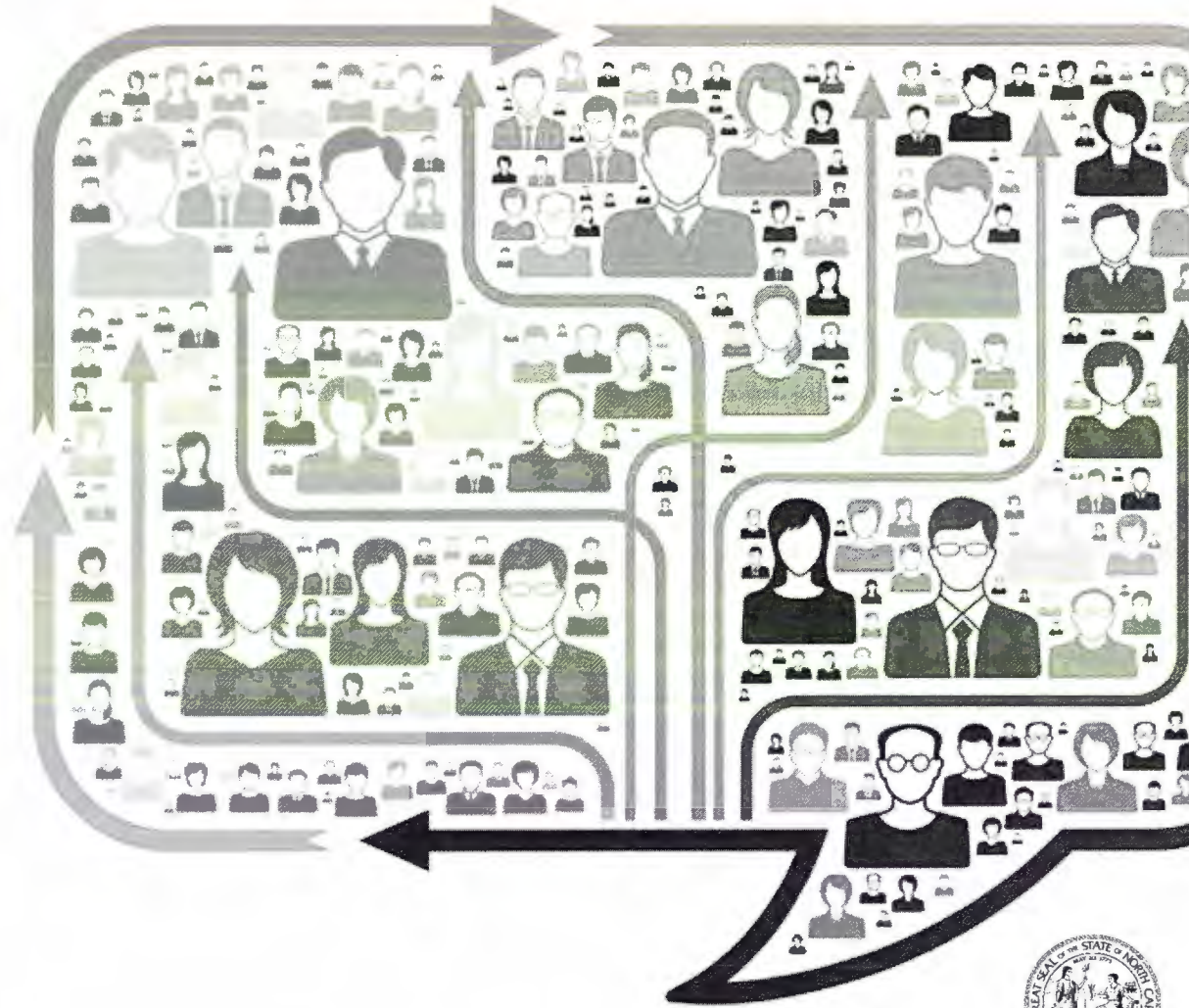
Estimated Return on Investment: 390%



Organizational Management Charting Tool

Benefits:

- Addresses span of controls issue
- Creates standardization across agencies
- Allows for analytical review
- Allows charts to be visible by public
- Lowers operational costs





TIME FOR QUESTIONS



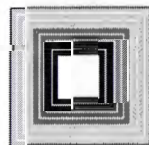


Department of Revenue

Overview

Joint Appropriations Committee on General Government

March 23, 2017



FISCAL RESEARCH DIVISION
A Staff Agency of the North Carolina General Assembly

Outline

- Authorizing laws
- Mission/Vision
- Roles and Responsibilities
- Organizational Chart
- Budget History and Overview
- Major Budget Items
- Base Budget 2017-19
- Agency Request for Information

Authorizing Laws

- G.S. 143B-217 through 143B-245
 - Powers and duties of the Department
 - Duty to collect and account for the State's tax funds, to insure uniformity of administration of the tax laws and regulations, to conduct research on revenue matters, and to exercise general and specific supervision over the valuation and taxation of property throughout the State
 - Authority over functions in relation to revenue collection, tax research, tax settlement, and property tax supervision
- G.S. 105
 - Taxation
 - Provides authority to raise and provide revenue for the necessary uses and purposes of the government and State of North Carolina

Mission Statement

- Administer the tax laws and collect the taxes due to the state in an impartial, uniform, and efficient manner.
- Tenets:
 - Easy to do business with
 - Compassionate when called for
 - Firm but fair

Vision Statement

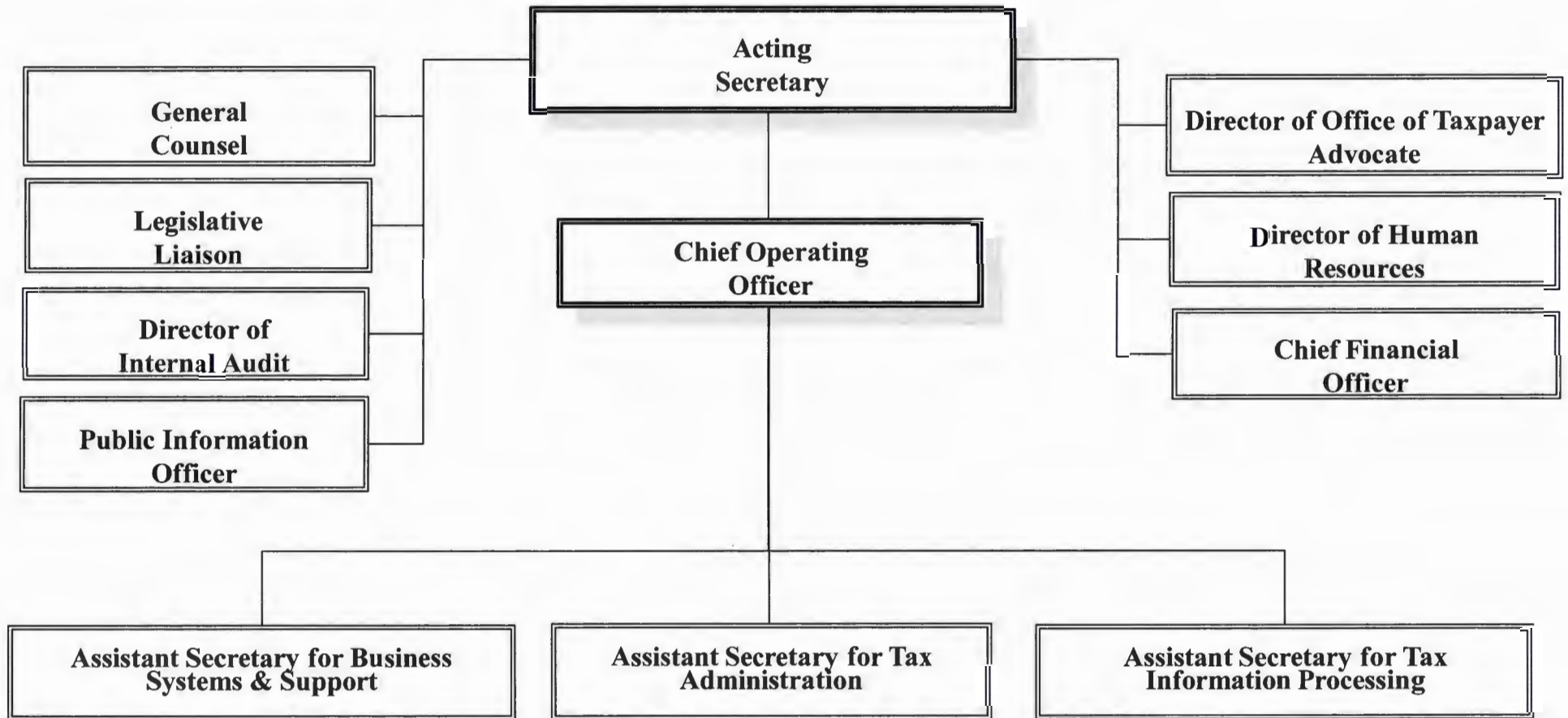
We are better today than yesterday as we:

- Set and achieve standards of excellence in service, effectiveness and efficiency
- Build collaborative relationships internally and externally to ensure the best outcomes for the citizens of North Carolina
- Earn consistent respect by being open, honest and willing to dialogue
- Make a difference every day

Roles and Responsibilities

- Administer the tax laws and collect the taxes due the State in an impartial, consistent and efficient manner
- Process and post tax payments
- Identify and assess non-compliance and underreporting
- Interpret the tax code
- Assist local governments in administering their tax schedules
- Handle appeals of tax liabilities
- Educate taxpayers on their obligations

Organizational Chart

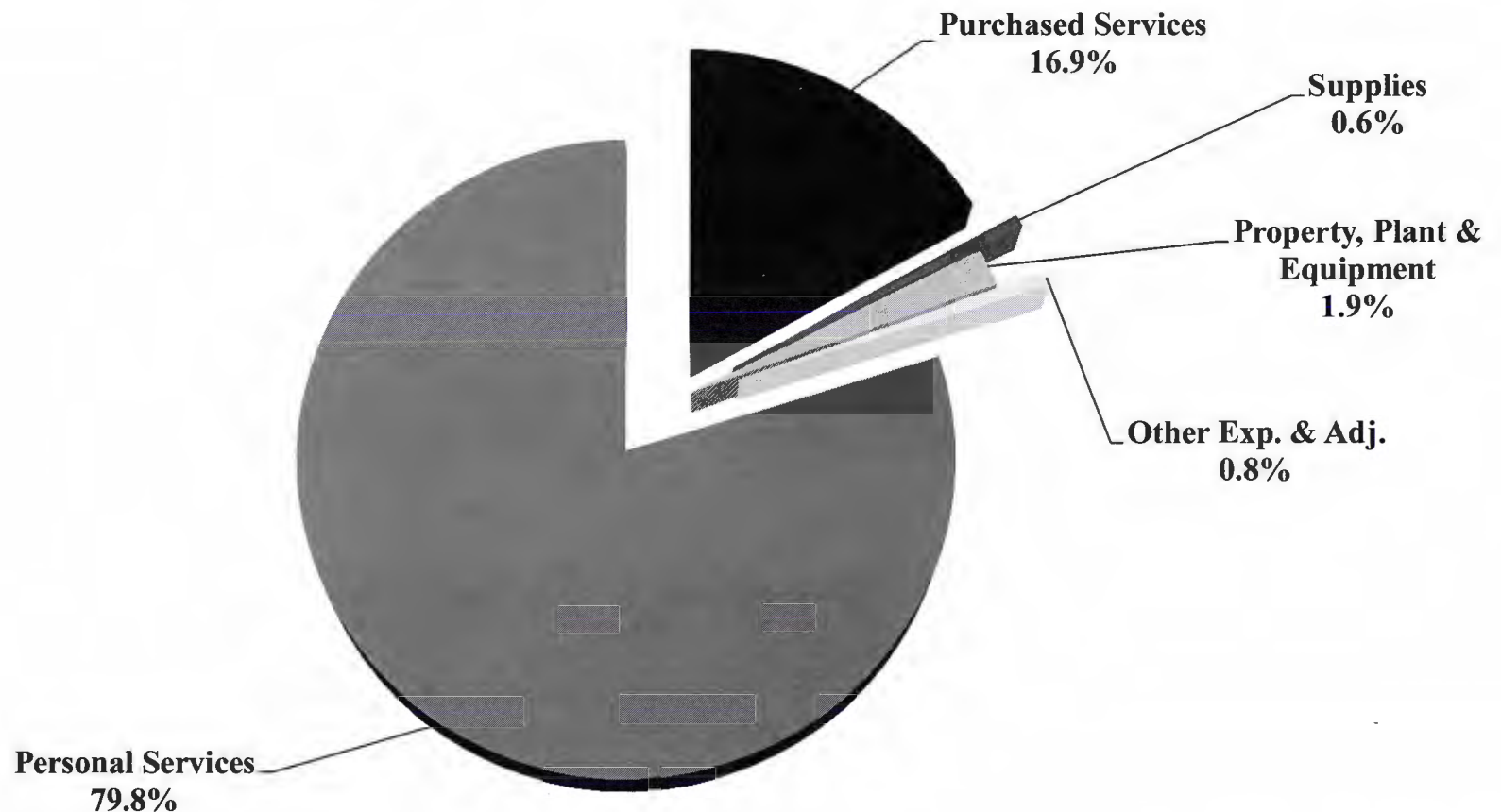


Department of Revenue

Budget Overview

Budget	Actual FY 2015-16	Authorized FY 2016-17	Total Base FY 2017-18	Total Base FY 2018-19
Requirements	\$127,052,402	\$141,106,534	\$138,664,960	\$138,664,960
Receipts	\$47,289,618	\$57,902,162	\$55,458,890	\$55,458,890
Appropriation	\$79,762,784	\$83,204,372	\$83,206,070	\$83,206,070
Certified FTEs	1,475.25	1,470.92	1,470.92	1,470.92

Department of Revenue Breakdown of Base Expenditures, FY 2017-18



Expenditures and Receipts by Fund

Base Budget, FY 2017-18

Code	Fund Description	Expenditures	Receipts	FTEs
1600	Administration	\$3,348,313	\$0	24.65
1601	Enterprise Project Management Office	\$780,128	\$0	8.00
1603	Human Resources	\$1,775,598	\$0	22.00
1605	Information Technology	\$16,876,783	\$413,232	100.50
1607	Revenue Research	\$447,299	\$0	7.00
1609	Criminal Investigations	\$887,087	\$0	7.31
1624	Income Tax	\$2,306,019	\$0	19.94
1625	Excise Tax	\$207,200	\$0	1.84
1627	Sales and Use Taxes	\$1,442,510	\$0	13.39
1629	Local Government Division	\$5,156,563	\$5,156,563	32.00
1643	Taxpayer Assistance	\$9,410,439	\$304,125	139.59
1660	Collection	230,832	\$0	2.00
1661	Project Collect Tax	\$27,588,723	\$27,588,723	336.85
1662	Taxpayer Call Center	\$10,353,222	\$10,353,222	137.00

Code	Fund Description	Expenditures	Receipts	FTEs
1663	Examination	\$25,755,979	\$0	279.03
1670	Unauthorized Substance Tax	\$1,630,339	\$0	19.62
1681	Business Operations	\$7,616,874	\$458,373	22.00
1683	Financial Services	\$872,912	\$0	11.00
1685	Documents and Payment Processing	\$12,015,215	\$1,221,727	197.84
1700	Motor Fuels	\$5,090,340	\$5,090,340	46.06
1708	International License Registration	\$233,055	\$233,055	2.46
1710	Fuel Tax Compliance	\$1,616,169	\$1,616,169	13.12
1711	Federal Grant-Joint Operations Center	\$590,791	\$590,791	1.72
1800	White Goods Disposal Tax	\$425,000	\$425,000	5.83
1820	Scrap Tire Disposal Tax	\$425,000	\$425,000	5.83
1830	Public Transit Tax	\$732,570	\$732,570	7.51
1840	Dry Cleaning Solvent Tax	\$125,000	\$125,000	0
1870	Solid Waste Disposal Tax	\$225,000	\$225,000	1.00
1880	911 – Service Charge	500,000	500,000	5.83
	Total	\$138,664,960	\$55,458,890	1,470.92
	Net Appropriation	\$83,206,070		

Major Budget Items

Description	Expenditures	% of Total Expenditures
Project Collect Tax	\$27,588,723	19.9%
Examination	\$25,755,979	18.6%
Information Technology	\$16,876,783	12.2%
Documents/Payments Processing	\$12,015,215	8.7%
Taxpayer Call Center	\$10,353,222	7.5%
Taxpayer Assistance	\$9,410,439	6.8%
Total – Major Budget Items	\$102,000,361	73.7%
All Other Divisions	\$36,664,599	26.3%

Department of Revenue

Collection Assistance Fee

- G.S. 105-143.1
 - Requires the Department to assess a 20% fee against a final bill that is at least 90 days past due
 - Designed to pass some of the costs of collecting overdue taxes to those who become delinquent rather than using General Fund monies
- Currently supports the 473.85 positions in Project Collect Tax and the Taxpayer Call Center
- FY 2015-16 Receipts
 - \$37,042,782
- Fund Balance as of 12/31/16
 - \$58,694,133

Department of Revenue Examination

- Administer tax laws and determine taxes due to the State
- Identify non-compliance with state tax laws
- Audit the books and records of individuals and businesses not in compliance
- Assess and collect unpaid revenue owed to the State
- Major Current Initiatives
 - Cash intensive business audits
 - Fortune 500 audits
 - Refund Fraud/Identity Theft program

Department of Revenue Information Technology

- Handle daily technical operations including business systems analysis, application development and procurement, maintenance, database administration, server/network support, and system software support
- Supports Tax Systems
- Manage security systems
 - Firewalls, intrusion detection systems, and system vulnerability assessment software
- Ensure that all hardware, software, and networks meet security standards

Department of Revenue

Documents & Payment Processing

- Ensure/manage the daily receipt of incoming taxpayer electronic and paper payments
- Assure electronically filed returns can be successfully loaded into the MeF system and exported into ITAS
- Correct suspended items (returns and/or payments with errors) and post to ITAS and ETM

• Department of Revenue Taxpayer • Assistance and Taxpayer Call Center

- Customer Service and Education
 - Responds to taxpayer questions
 - Staffed in Raleigh headquarters, 12 service centers and two call centers throughout the State
 - Provides three levels of customer service and education
- Customer Education Unit
 - Develops and delivers external seminars to help educate taxpayers; tax law application and policy training for DOR employees; e-modules for the department website; and customer service training
- Quality Assurance Team
 - Evaluates and assesses knowledge of service center and call center customer service staff

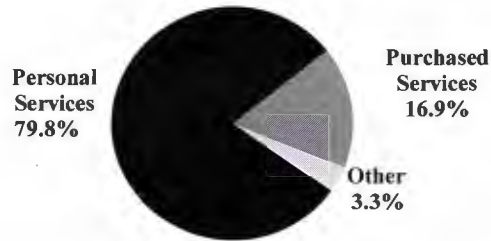
Recent Legislative Actions

2016 Action		FY 2016-17
Business Functions Optimization		\$348,000 NR
Tax Fraud Analysis – Project Collect Tax		\$2,000,000 NR
Implementation of New Tax Types – Project Collect Tax		\$582,800 NR
Operations and Maintenance for Tax Systems – ITAS Replacement		\$12,000,000 NR
2015 Action	FY 2015-16	FY 2016-17
Operating Budget Reduction (Property, Plant and Equipment)	(\$400,000) R	(\$400,000) R
Increased Funding for Leases	\$414,031 R	\$441,115 R
Additional Excise Tax Auditor position (for FY 2016-17)		\$104,698 R
Reduce Funds for Postage, Freight, and Delivery	(\$500,000) R	(\$500,000) R
Common Payment System Change to Paypoint Online Payment System	\$211,000 R	\$211,000 R
Transfer Vacant Position from DOR to Dept. of Military and Veterans Affairs	(\$76,107) R	(\$76,107) R
Increased Salaries for Auditors – Project Collect Tax	\$5,884,865 R	\$5,884,865 R
Tax Fraud Analysis Contract – Project Collect Tax	\$2,000,000 NR	
Field Office Lease Increases – Project Collect Tax	\$99,083 NR	\$107,722 R
E-Services Upgrades – Project Collect Tax	\$10,000,000 NR	\$2,000,000 R
Fund Maintenance Costs for ITAS and TIMS – ITAS Replacement	\$6,752,618 NR	
Corporate Electronic Filing Tax System – ITAS Replacement	\$4,062,322 NR	

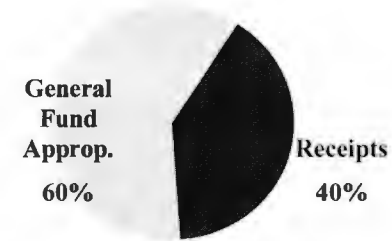
DEPARTMENT OF REVENUE

Base Budget Review

FY 2017-19 Base - Expenditures



FY 2017-19 Base - Source of Funds



Requirements	Actual FY 2015-16	Certified FY 2016-17	Authorized FY 2016-17	Increase/ (Decrease) FY 2017-18	Total Base FY 2017-18	Increase/ (Decrease) FY 2018-19	Total Base FY 2018-19
Personal Services	\$92,753,848	\$109,859,401	\$110,037,152	\$652,073	\$110,689,225	\$652,073	\$110,689,225
Purchased Services	\$27,110,554	\$24,759,886	\$26,085,000	(\$2,672,831)	\$23,412,169	(\$2,672,831)	\$23,412,169
Supplies	\$833,272	\$815,860	\$787,710	\$52,210	\$839,920	\$52,210	\$839,920
Property, Plant, Equipment	\$2,561,651	\$3,307,313	\$2,628,861	\$32,793	\$2,661,654	\$32,793	\$2,661,654
Other Expenses/Adjustments	\$994,592	\$1,203,678	\$1,043,399	\$18,593	\$1,061,992	\$18,593	\$1,061,992
Reserves	\$0	\$524,412	\$524,412	(\$524,412)	\$0	(\$524,412)	\$0
Intragovernmental Transfers	\$2,798,485	\$47,600	\$0	\$0	\$0	\$0	\$0
TOTAL REQUIREMENTS	\$127,052,402	\$140,518,150	\$141,106,534	(\$2,441,574)	\$138,664,960	(\$2,441,574)	\$138,664,960
Receipts	Actual FY 2015-16	Certified FY 2016-17	Authorized FY 2016-17	Increase/ (Decrease) FY 2017-18	Total Base FY 2017-18	Increase/ (Decrease) FY 2018-19	Total Base FY 2018-19
Grants	\$97,244	\$590,791	\$590,791	\$0	\$590,791	\$0	\$590,791
Sales, Services, Rental	\$381,672	\$501,435	\$501,435	\$0	\$501,435	\$0	\$501,435
Miscellaneous	\$656	\$750	\$750	\$0	\$750	\$0	\$750
Intragovernmental Transfers	\$46,810,046	\$56,220,802	\$56,809,186	(\$2,443,272)	\$54,365,914	(\$2,443,272)	\$54,365,914
TOTAL RECEIPTS	\$47,289,618	\$57,313,778	\$57,902,162	(\$2,443,272)	\$55,458,890	(\$2,443,272)	\$55,458,890
NET APPROPRIATION	\$79,762,784	\$83,204,372	\$83,204,372	\$1,698	\$83,206,070	\$1,698	\$83,206,070
FTE	1,475.25	1,465.25	1,470.92	0.00	1,470.92	0.00	1,470.92

Information Requested from the Department of Revenue

- How do you measure your agency's effectiveness and outcomes?
- How do you measure efficiency within your agency/department? Do you have metrics that you use to monitor agency performance? If so, please provide.
- Are you planning any changes to the current structure of your organization? Will this impact your agency's budget?
- What are your overall goals for your department/agency over the next biennium?
- What are your budget requests/needs for the biennium?
- Please discuss new initiatives.

Department of Revenue

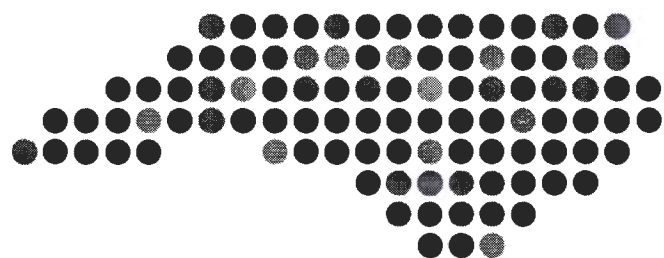


Chris Hearley

Fiscal Research

919-733-4910 or chris.hearley@ncleg.net





NCDOR

NORTH
CAROLINA
DEPARTMENT
OF REVENUE

General Government Joint Appropriations Committee

March 23, 2017

1. Introduction

- Ronald G. Penny, Acting Secretary

2. Agency Overview and Effectiveness/Efficiency

- Jocelyn Andrews, Chief Operating Officer

3. Information Technology Needs / Budget Requests

- David Roseberry, Assistant Secretary, CIO/CISO

4. Overall Agency Goals

- Jocelyn Andrews, Chief Operating Officer

5. Questions from the Committee



-
- Leadership Team Members Present
 - Jocelyn Andrews (COO), David Roseberry (Asst. Sec.), Angela Altice (Asst. Sec.), Anthony Edwards (Asst. Sec.), Jackie McKoy (CFO), Ken Wright (Legislative Liaison)
 - Recent Organizational Structure Changes (June 2016)
 - No major structural changes
 - Internal promotion of professionals
 - Adapting structure to meet taxpayer filing tendencies
 - Executive Review of Organization and Unchanged Focus/Mission
 - Development of Employees

- Fiscal Year 2015 – 2016 Review
 - Gross Collections: \$29.3 billion
 - Average Daily Deposit: \$116.3 million
 - Tax Returns Processed: 11.8 million
 - Number of Refunds Issued: 2.4 million
 - Total Dollar Amount of Refunds: \$2.1 billion
 - Average Refund Processing Time: Approximately 5 weeks
 - Return on Investment (FYE 6/30/16)
 - Examination Division: \$46.28 for every dollar budgeted
 - Collections Division: \$52.09 for every dollar budgeted

Taxpayer Assistance Call Center

	Calendar Year 2014	Calendar Year 2015	Calendar Year 2016	Calendar Year 2017*
Calls Answered (Per Month)	85,236	92,993	92,056	90,645
Average Talk Time	5:29	5:43	5:37	6:08
First Call Resolution	73.3%	73.0%	74.4%	79.5%

*Through Feb.

Collections Division

	FYE 6/30/14	FYE 6/30/15	FYE 6/30/16
Total Collections	\$513,431,351	\$516,130,893	\$624,215,689

NCDOR Information Technology Needs

- Expansion Budget request includes \$12.5 m for annual Critical IT Operations and Maintenance:
 - **Modernized eFile (\$4 m):** required for individuals and businesses to file electronically. Cost is almost exclusively for vendor labor to provide annual updates to existing product.
 - **Portfolio Warehouse (\$2 m):** serves as the platform for fraud detection analysis and annual data loads from various sources. Cost is software maintenance and vendor labor to provide annual updates to existing product. Required for collaboration with Government Data Analytics Center.
 - **Operations and Maintenance (\$6.5 m):** provides maintenance, support, and upgrades for various hardware and software.

- **Collections Case Management (\$20 m)**
 - Authorizes the one-time use of \$20 million from the Collection Assistance Fee to implement a new tax collection system.
- **Detect Identify Theft and Fraud (\$4.4 m)**
 - Permits the annual use of \$4.4 million to enhance the state's ability to fight identity theft and protect against fraud.

1. Collect taxes due to the State
 - Fair, impartial approach with taxpayers
2. Protect Taxpayers
 - Identity Theft
 - Refund Fraud
3. Development of Employees / Succession Planning



Questions from the Committee?

- Contact Information:
 - Ronald G. Penny, Acting Secretary: ronald.penny@ncdor.gov
 - Jocelyn Andrews, COO: jocelyn.andrews@ncdor.gov
 - David Roseberry, CIO / CISO: david.roseberry@ncdor.gov
 - Angela Altice, Assistant Sec: angela.altice@ncdor.gov
 - Anthony Edwards, Assistant Sec: anthony.edwards@ncdor.gov
 - Jackie McKoy, CFO: jacqueline.mckoy@ncdor.gov
 - Ken Wright, Legislative Liaison: ken.wright@ncdor.gov





Office of State Human Resources
Joint Appropriations Committee on General Government
March 23, 2017

Barbara Gibson, Director
NC Office of State Human Resources



Barbara Gibson

Director

Lou Ann Phillips

Deputy Director

Nancy Astrike

Diversity and Workforce Services Manager

John Bogner

Safety, Health, & Workers' Compensation Director

Susanna Davis

Legislative Liaison

Paula Kukulinski

Talent Management Director

Lars Nance

General Counsel

Ray Scerri

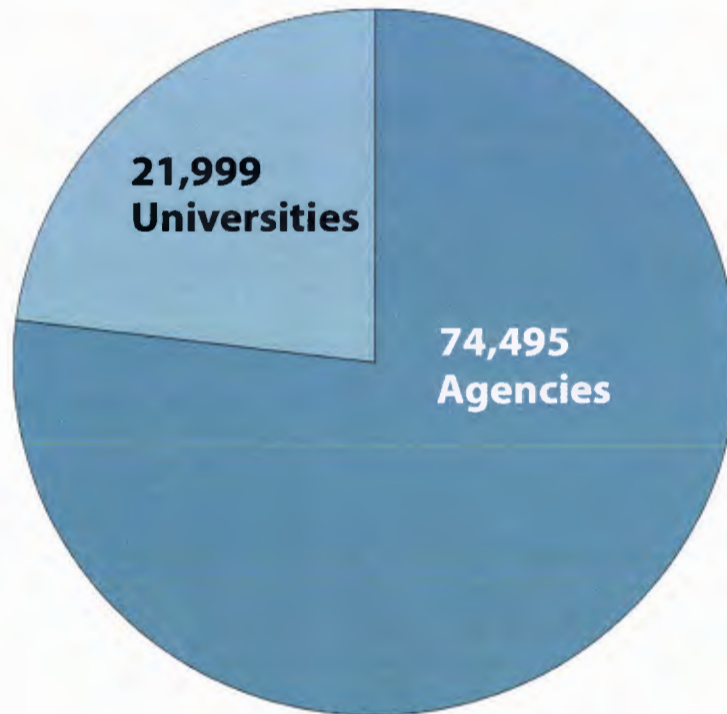
Total Rewards Director

Charlene Shabazz

Business Operations Director



Total State Employees



*Approximately 20,000 local employees



Effectiveness and Outcome Measurements



Recruitment & Retention

- Time from posting to fill
- Time positions vacant
- Turnover (voluntary & involuntary)
- Demographic reports
- Number of temporary employees



Benefits & Compensation

- Employees eligible to retire
- Employees below minimum (in proposed system)
- Active leave of absence/leave usage (non-productive hours)
- Average state employee salary, age, and service



Development & Performance Management

- Number of classroom training participants completing training
- Number of employees receiving performance evaluations
- Evaluation distribution



Work Environment

- Number of grievances filed
- Number of investigations completed
- Number of grievances resolved
- Number of FADs received
- New WC claims
- Open WC cases
- Settlement costs and future cost avoidance
- Number and type of hazard recognition notices



Recruitment

- 13,570 job postings in 2016 (including Temp Solutions)
- 161,000 average job applicants per year
- 7,000 average hires per year



Turnover Rates

	FY 2009-2010	FY 2010-2011	FY 2011-2012	FY 2012-2013	FY 2013-2014	FY 2014-2015	FY 2015-2016
Voluntary T/O	5.6%	5.8%	5.0%	5.3%	7.0%	7.1%	7.7%
Retirement T/O	2.2%	2.6%	3.0%	3.0%	3.4%	3.4%	3.4%
Involuntary T/O	2.4%	1.9%	3.1%	1.3%	1.4%	1.3%	1.7%
Total T/O	10.2%	10.3%	11.1%	9.7%	11.8%	11.8%	12.8%



Benchmark Classifications/Market Pay Gap

Job Title	Number of Employees	Base Salary Average	Market Base Salary Average	Labor Market Pay Gap	FY 15/16 Turnover Rate
Administrative Officer II	202	\$49,446	\$56,080	-13.4%	11.8%
Attorney III	142	\$88,429	\$101,898	-15.2%	5.2%
Chemist I	34	\$48,688	\$60,434	-24.1%	8.6%
Executive Assistant I	32	\$45,260	\$61,386	-35.6%	11.9%
Information & Communications Specialist II	56	\$48,812	\$55,417	-13.5%	26.8%
Maintenance Mechanic IV	293	\$39,537	\$54,971	-39.0%	10.4%
Museum Curator	9	\$45,003	\$59,397	-32.0%	0.0%
Paralegal	4	\$40,719	\$60,058	-47.5%	14.0%
Public Safety Officer	72	\$37,454	\$48,789	-30.3%	15.2%
Safety Officer II	17	\$47,311	\$58,734	-24.1%	21.0%
Social Worker III	120	\$45,209	\$56,129	-24.2%	13.8%
Staff Development Specialist II	37	\$48,554	\$58,263	-20.0%	7.9%
Staff Psychologist	90	\$58,255	\$87,766	-50.7%	22.0%
Statistician II	2	\$51,123	\$64,860	-26.9%	0.0%
Vehicle/Equipment Repair Technician	492	\$41,857	\$48,190	-15.1%	0.0%



2016 Employee Performance Ratings

Agency (BEACON)	Employees			Performance Ratings (% of rated employees)			Performance Ratings (counts)		
	Total #	# rated	% rated	Does Not Meet	Meets	Exceeds	Does Not Meet	Meets	Exceeds
Total	60,435	58,127	96%	0.9%	91%	8%	268	53,139	4,720

Rating Conversion Notes:

In the 2015-2016, Cabinet and Council of State Agencies converted to three-point rating scale:
1 = Does Not Meet Expectations; 2 = Meets Expectations; 3 = Exceeds Expectations

To calculate employee's overall performance rating, a rounding approach was used:

1.0 – 1.6: Does Not Meet Expectations

1.7 – 2.6: Meets Expectations

2.7 – 3.0: Exceeds Expectations

Ratings of "Meets Expectations" were combined with "Good" and "Very Good" ratings.
Ratings of "Exceeds Expectations" were combined with "Outstanding" ratings.



Grievance Data Snapshot

January 1, 2016 – December 31, 2016

Mediations

242 total

192 Agency
(79%)

50 University
(21%)

31% resolved
through mediation

FAD/FUD Reviewed by OSHR

90 total

75 Agency
(83%)

15 University
(17%)

Settlements Processed by OSHR

21 total /
\$1,046,442.93
total cost

19 Agency (90%)
/ \$1,011,671.02
total cost

2 University
(10%) /
\$34,771.91
total cost

OAH Decisions

28 total

20 agree with
agency/university
decision

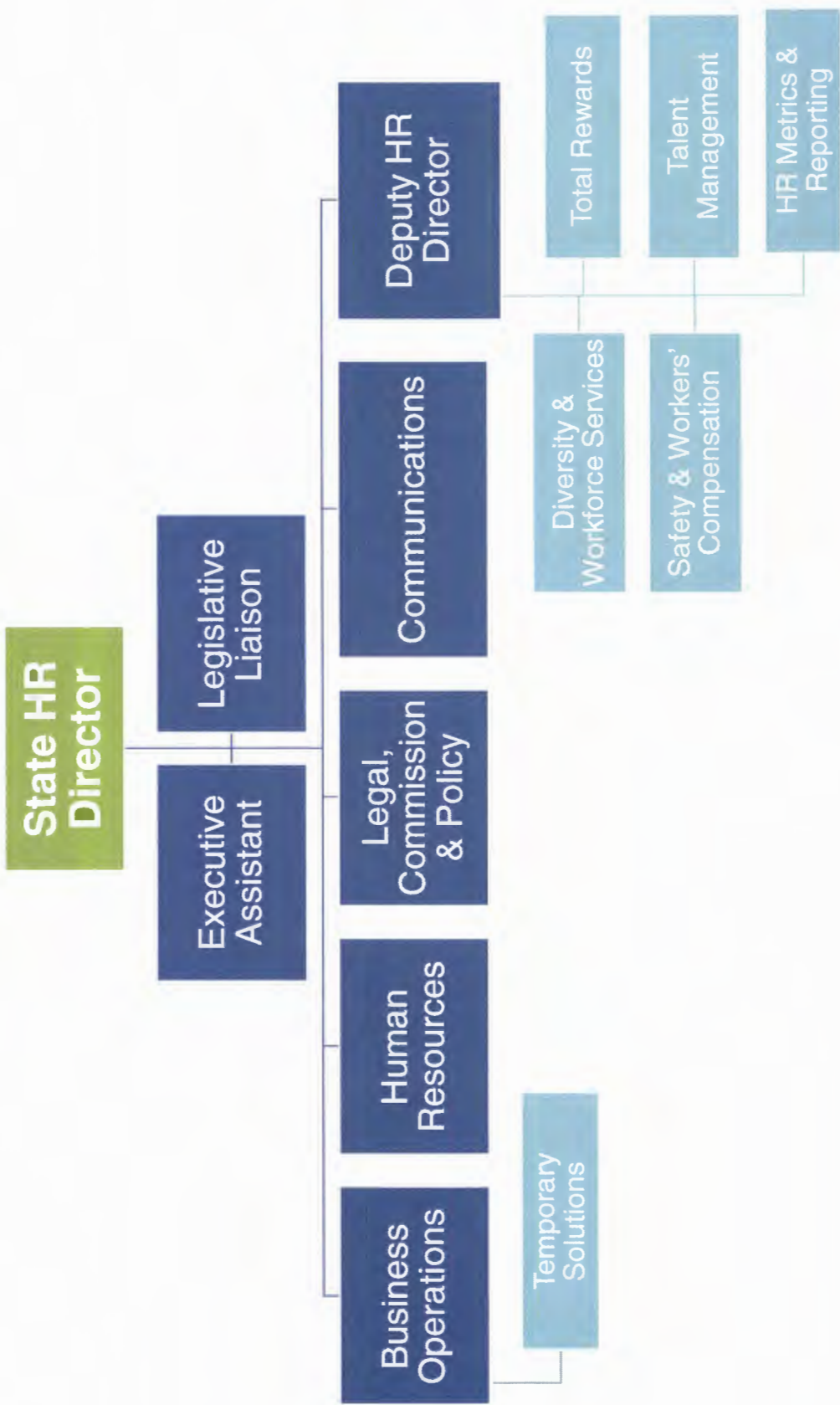
8 disagree with
agency/university
decision



Workers' Compensation

Total Open Claims





Current Goals

- Stabilize HR activities
- Assess and support agency needs
 - NCVIP
 - Applicant Tracking
 - Classification & Compensation
- Improve training for supervisors and HR staff





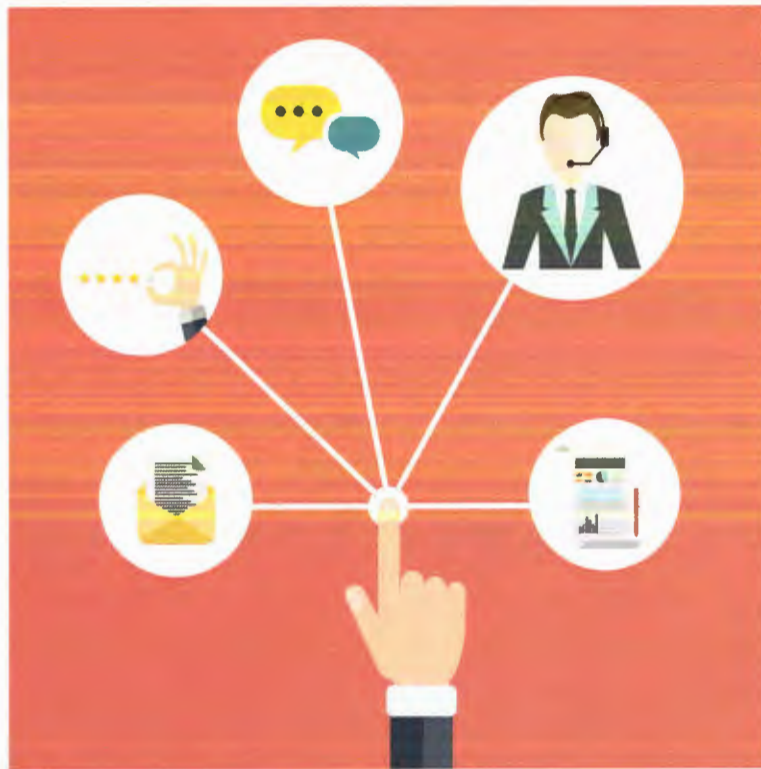
Budget Requests

- Funding for two full-time equivalent positions to support program requirements in Local Government Services, one FTE for mediation, and one FTE for technical support for the legal area
- Funding to settle workers' compensation claims
- Authorization to transfer from NCFlex FICA Reserve Fund for an organizational management tool



Local Government Support

(160 Social Services, Public Health, and Mental Health Entities)



Services provided:

- Position classification
- Local salary plan support
- Recruitment and selection
- Employee relations
- Policy interpretation





Workers' Compensation Settlements

OSHR Settlement Funds Allocations

FY 16: \$2 million

Actual Results

Claims Settled: 55

Total Settlement Cost: \$5,428,458

Future Cost Avoidance

Due to Settlement: \$37,530,971

Return on Investment: 691%

FY 17: \$4.38 million

Projections (as of March 21, 2017)

Claims Allocated Funds: 123

Total Settlement Cost: TBD

Estimated Future Cost Avoidance

Due to Settlement: \$66,621,729

Return on Investment: TBD

STATEWIDE CLAIM SETTLEMENT TOTALS

FY 16 Actual Settlements

Claims Settled: 352

Total Cost: \$19,574,054

Future Cost Avoidance

Due to Settlement: \$66,207,101

Return on Investment: 338%

FY 17 Settlement Projections

Estimated Claims Settled: 375

Estimated Total Cost: \$23,937,456

Estimated Future Cost Avoidance

Due to Settlement: \$93,310,160

Estimated Return on Investment: 390%



Organizational Management Charting Tool

Benefits:

- Addresses span of controls issue
- Creates standardization across agencies
- Allows for analytical review
- Allows charts to be visible by public
- Lowers operational costs







Committee Sergeants at Arms

NAME OF COMMITTEE House Committee on Appropriations, General Government

DATE: 3/23/2017

Room: 425

House Sgt-At Arms:

1. Name: Warren Hawkins
2. Name: Doug Harris
3. Name: David Linthicum
LYTHICUM
4. Name: GARLAND S. HOPKINS
5. Name: _____

Senate Sgt-At Arms:

1. Name: Jim Hamilton
2. Name: Sham Patel
3. Name: _____
4. Name: _____
5. Name: _____



Senate Pages Attending

COMMITTEE: J. App. Gen. Gov't & I.T. ROOM: 425

DATE: 3-23 TIME: 8AM

PLEASE PRINT LEGIBLY!!!!!!!!!!!!!!....or else!!!!

	Page Name	Hometown	Sponsoring Senator
1.	Isaac Castellones	Raleigh	Berger
2.	Emily Donaldson	Chapel Hill	senator Foushee
3.			
4.			
5.			
6.			
7.			
8.			

Pages: Present this form to either the Committee Clerk at the meeting or to the Sgt-at-Arms.

354

MA'Z

3 + 'v'ed . n'ed
.T. F. .ggA.T
E.S. E

VISITOR REGISTRATION SHEET

House Committee on Appropriations, General Government 3/23/2017

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

CHRIS KAPSH	OSBM
Providence Hakizimana	OSBM
Lawrence T. Stefan	CM
George Robinson	DOJ
Meghan Cook	DOI
TREVOR JOHNSON	NCDOR
Alan Woodward	NCDOR
Angela Attice	NCDOR
Anthony Edwards	NCDOR
Jackie McKay	NCDOR
DAVID ROSEBERG	NCDOR



VISITOR REGISTRATION SHEET

House Committee on Appropriations, General Government 3/23/2017

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Jocelyn Andrews

NCDOR

Ronald Penny

NCDOR

Ken Wight

NCDOR

Susanna Davis

OSHR

Barbara Gibson

OSHR

Nancy Aschke

OSHR

John R. BOGNER JR.

OSHR

RAY C. SCERRI

OSHR

Lars Nance

OSHR

Lou Ann Phillips

OSHR

Charlene Shubert

OSHR



VISITOR REGISTRATION SHEET

House Committee on Appropriations, General Government 3/23/2017

Name of Committee

Date _____

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME _____

FIRM OR AGENCY AND ADDRESS

Paula Kukulinen

OSTR

Crystal Feldman

57

Jim TULENKO

OSC

LAURA PURYEAR

MWC

GERM COLON

A handwritten signature in dark ink, appearing to be "J. N. W." or similar, written over a horizontal line.

