



North Carolina Department of Commerce

Pat McCrory, Governor
John E. Skvarla III, Secretary

Dr. Patricia Mitchell, CECd
Assistant Secretary
Rural Economic Development Division

To: Joint Legislative Commission on Governmental Operations
NC General Assembly—Fiscal Research Division

From: Dr. Patricia Mitchell, Assistant Secretary, Rural Economic Development Division

Date: January 30, 2015

Re: Report on State CDBG Match

Pursuant to N. C. Session Law 2014-100, Section 15.9.(d), attached you will find a report outlining the reduction in expenditures required in Section 15.9.(b) and the manner in which the State CDBG match will be achieved and reported.

I. Reduction in Expenditures

In September 2014 in accordance with Session Law 2014-100 Section 15.9.(b), and to obtain the North Carolina Department of Commerce management flex cuts required, the Rural Economic Development Division (REDD) implemented a reduction-in-force (RIF) initiative to permanently abolish eight filled positions from Fund Code 1620 for the Economic Advancement and Planning Office (formerly Division of Community Assistance) and Main Street Center. The cuts included the permanent closure of Commerce field offices in Fayetteville and Raleigh and the RIF of the following positions.

Position Number Classification

60081190 Community Development Planner III

60081230 Office Assistant IV

60081181 Community Development Planner II

60081169 Administrative Assistant II

60081183 Community Development Planner I

60081186 Community Development Planner I

60081196 Community Development Planner I

60081203 Community Development Planner I

Thrive NC

Rural Economic Development Division•301 North Wilmington Street•4346 Mail Service Center•Raleigh, North Carolina 27699-4346
Tel: (919) 733-4151
www.nccommerce.com

The total budget impact for the Economic Advancement and Planning Office (DCA) and Main Street Center is \$524,546 and includes: \$318,750 in response to Session Law 2014-100 Section 15.9.(b) and \$205,796 toward the Department's management flex cut.

II. Commerce Administrative Match:

The State's obligation to match CDBG administrative funds is outlined in 24 CFR Part 570.489. The State is required to match administrative costs in excess of \$100,000 on a dollar for dollar basis. While the State's CDBG programs, administrative expenses and matching requirement are split between Commerce and the Department of Environment Natural Resources (DENR), the Department of Commerce is responsible for insuring that the required match is being met and reported to the U. S. Department of Housing and Urban Development (HUD).

North Carolina Session Law 2014-100 Section 15.9.(a) appropriated \$637,500 toward the State's administrative match requirement. The Department of Commerce has established Fund Code 1631-4119 to track the expenditure of the state appropriated matching funds. As Commerce administrative expenses are incurred, the Department will draw one half of the amount of the expenditure from the federal allocation and one half from the state appropriation. The Department of Commerce is required to report the expenditure of State matching funds for the CDBG program at the closeout of each program year once all grant funds for that year are expended and all sub-grants are closed. The Department also maintains documentation and records for inspection by HUD as requested.

III. DENR Administrative Match:

In 2013, the N.C. General Assembly transferred a portion of the Community Development Block Grant ("CDBG") program to DENR. Session Law 2013-363, s. 5.3, allocated CDBG infrastructure funds from the Department to DENR. In addition, Session Law 2013-360, s. 15.23, instructed the Department to collaborate with DENR "to determine a way in which to equitably distribute the employees . . . responsible for the CDBG program." As a result, the Department transferred positions and operational funds to DENR to administer grants for the Community Development Block Grant Infrastructure program. Four positions were transferred from the Federal CDBG allocation (Fund Code 1631) and three were transferred from the Economic Advancement and Planning Office (DCA) and Main Street Center (Fund Code 1620).

Fund Code Position Number Classification

1631 60081217 Community Planner II

1631 60081232 Community Development Planner I

1631 60081224 Office Assistant IV

1631 60081018 Financial Specialist

1620 60081199 Community Development Planner I

1620 60081185 Community Development Planner II

1620 60081204 Community Development Planner I

The total in funds transferred to DENR is \$600,000 which includes: \$300,000 from the federal CDBG administrative allocation (1631) and \$300,000 from the Economic Advancement and Planning Office (DCA) and Main Street Center appropriation (1620).

The Department of Commerce will track the expenditure of the DENR administrative match as the agency makes requests to draw from the federal administrative funds to insure that the match is being met on a dollar for dollar basis. Commerce will maintain the documentation required and will report the expenditure of the match funds to HUD at the closeout of each program year once all grant funds for that year are expended and all sub-grants are closed. The Department will also maintain documentation and records for inspection by HUD and DENR as requested.