



PROGRAM EVALUATION DIVISION

NORTH CAROLINA GENERAL ASSEMBLY

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Report No. 2010-02

Feasibility of Restructuring Budget and Financial Management of North Carolina State Government

Summary

Evaluation purpose. The North Carolina General Assembly directed the Program Evaluation Division to study the feasibility of consolidating the Office of State Budget and Management, the Office of the State Controller, and some functions of the State Treasurer or reallocating functions of those state agencies, with the goal of achieving economies or improving management. These agencies are responsible for much of the budgeting and financial management of state government in North Carolina. This report reviews the structure for budgeting and financial management in North Carolina and identifies functions provided by each entity.

There is no duplication of budget and financial management functions. Together, State Budget, the Controller, and the Treasurer, spent \$56.3 million in Fiscal Year 2008-09 to perform budget and financial management functions with 475.3 employees. The Program Evaluation Division identified 29 budget and financial management functions performed by these three entities and determined that there is no duplication of effort among them.

The structure and location of budget and financial management functions varies among states. Data from other states shows that location and organization of budget and financial management functions vary based on specific legal requirements and local custom. However, the Program Evaluation Division observed that North Carolina is one of 22 states with the structure of locating State Budget, the Controller, and the Treasurer in three separate agencies.

Consolidation of budget and financial management functions of state government is feasible but constrained by constitutional requirements. The Program Evaluation Division identified the following options requiring statutory changes:

- establishing a separate budget and financial management agency in the Department of Administration by combining State Budget and the Controller into one agency would save an estimated \$788,000 in Fiscal Year 2010-11; or
- merging the Controller into a division under the Treasurer would save an estimated \$387,000 in Fiscal Year 2010-11.

Consolidation of budget and financial management functions is not advised. Although consolidation would save money, the Program Evaluation Division determined that consolidation would sacrifice the independence of the Controller.