

PROGRAM EVALUATION DIVISION
NORTH CAROLINA GENERAL ASSEMBLY



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

A presentation to the
Joint Legislative Program Evaluation Oversight Committee

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Carol Shaw



Evaluation Team

Carol Shaw, Evaluation Lead

Sean Hamel, Evaluator

Kiernan McGorty, Senior Evaluator

Pamela L. Taylor, Statistician

Office of State Budget and Management

Office of the State Controller

Department of the State Treasurer



Overview

A study of the feasibility of consolidating State Budget, the Controller, and some functions of the Treasurer with the goal of achieving economies or improving management

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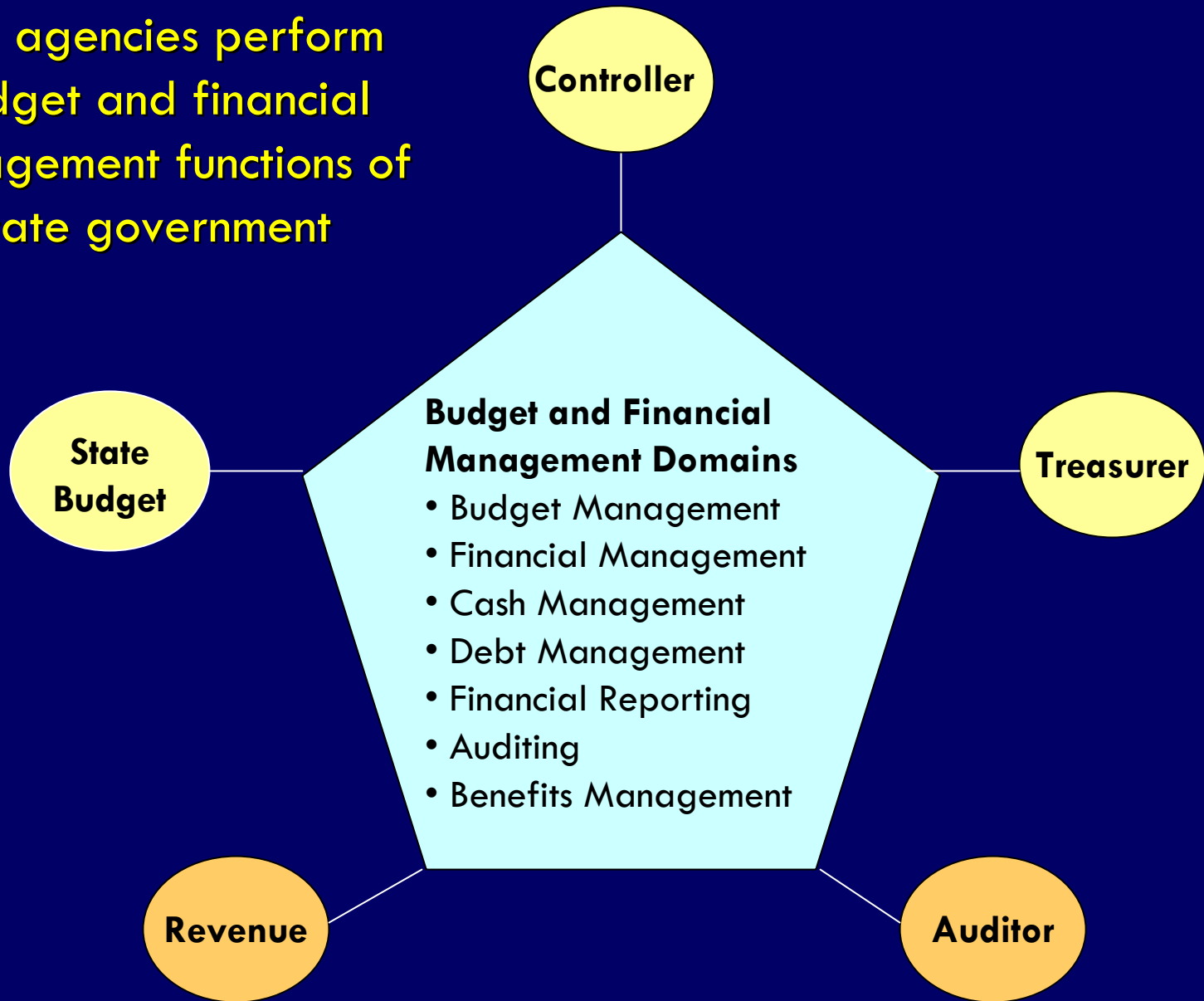
Overview

- There is no duplication of budget and financial management functions performed by the three agencies
- North Carolina is one of 22 states that locates budget and financial management functions in three separate agencies
- Consolidation is feasible and could save money but would sacrifice the independence of the Controller

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Five agencies perform budget and financial management functions of state government



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Constitutional and Statutory Framework

The North Carolina Constitution and General Statutes establish the legal framework for budget and financial management

Agency	Constitutional	Statutory
State Budget	✓	✓
Controller		✓
Treasurer	✓	✓

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Evaluation Questions

1. How are budget and financial management functions performed in North Carolina?
2. How are budget and financial management functions are performed in other states?
3. Is it feasible and appropriate to consolidate some budget and financial management functions performed by State Budget, the Controller, and the Treasurer?

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How Are Budget and Financial Management Functions Performed in North Carolina?

Identified 29 budget and financial management functions grouped under 7 domains:

- Budget management
- Financial management
- Cash management
- Debt management
- Financial reporting
- Auditing
- Benefits management

State Budget, the Controller, and the Treasurer spent \$56.3 million to perform these functions in Fiscal Year 2008-09

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How Are Budget and Financial Management Functions Performed in North Carolina?

- No duplication of budget and financial management functions performed by State Budget, the Controller, and the Treasurer
- One agency has primary responsibility for most budget and financial functions in these domains

Domain	Primary Responsibility
Budget Management	State Budget
Financial Management	Controller
Cash Management	Treasurer
Auditing	State Auditor

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How Are Budget and Financial Management Functions Performed in North Carolina?

- Responsibility for budget and financial management functions under these domains is shared between at least two agencies

Domain	Shared Responsibility
Debt Management	State Budget, Controller, Treasurer
Financial Reporting	State Budget, Controller, Treasurer, State Auditor
Benefits Management	Controller, Treasurer

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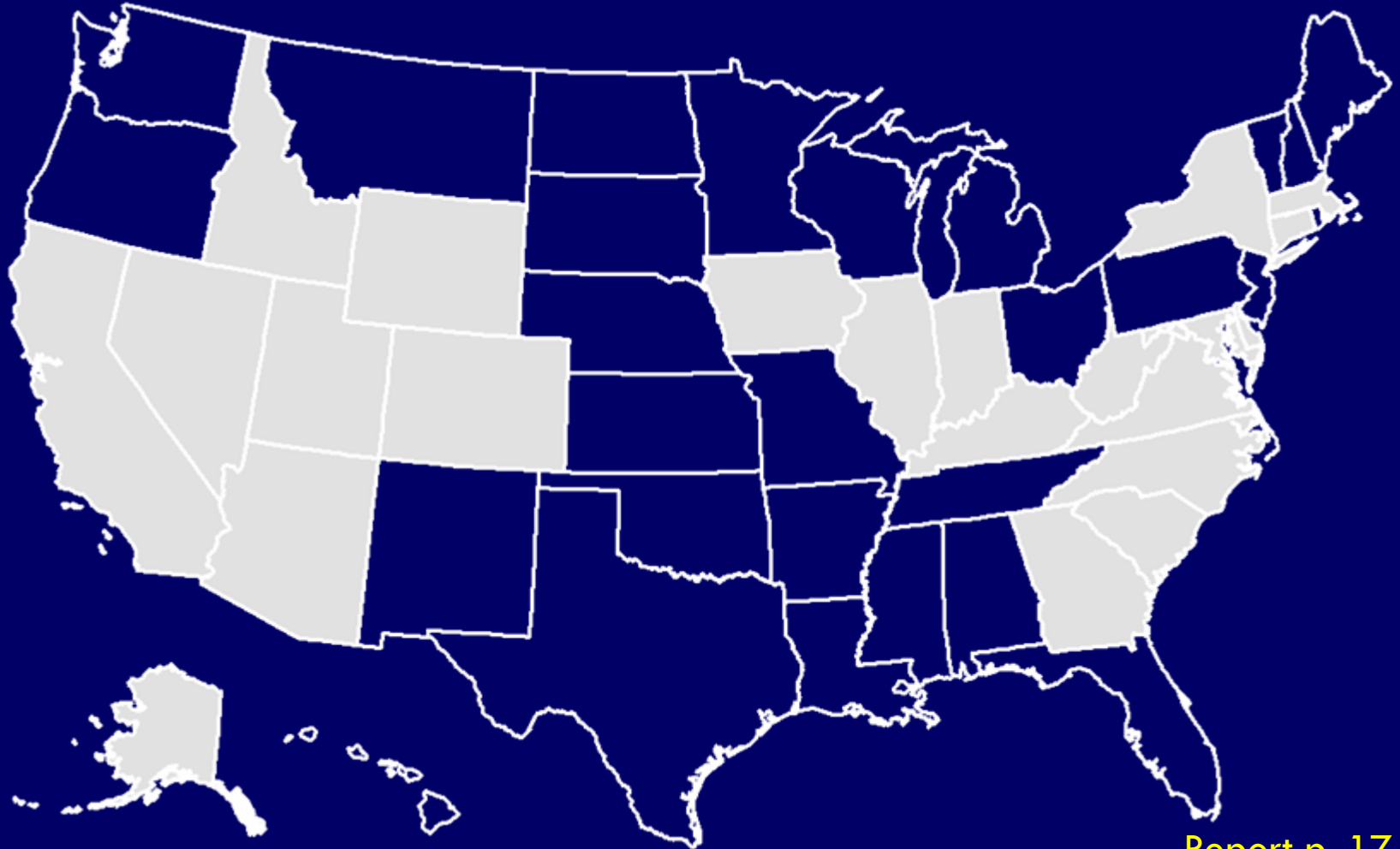
How Are Budget and Financial Management Functions Performed in Other States?

- Structure and location vary among states based on specific legal requirements and local custom
- North Carolina is one of 22 states that locates budget and financial management functions in three separate agencies

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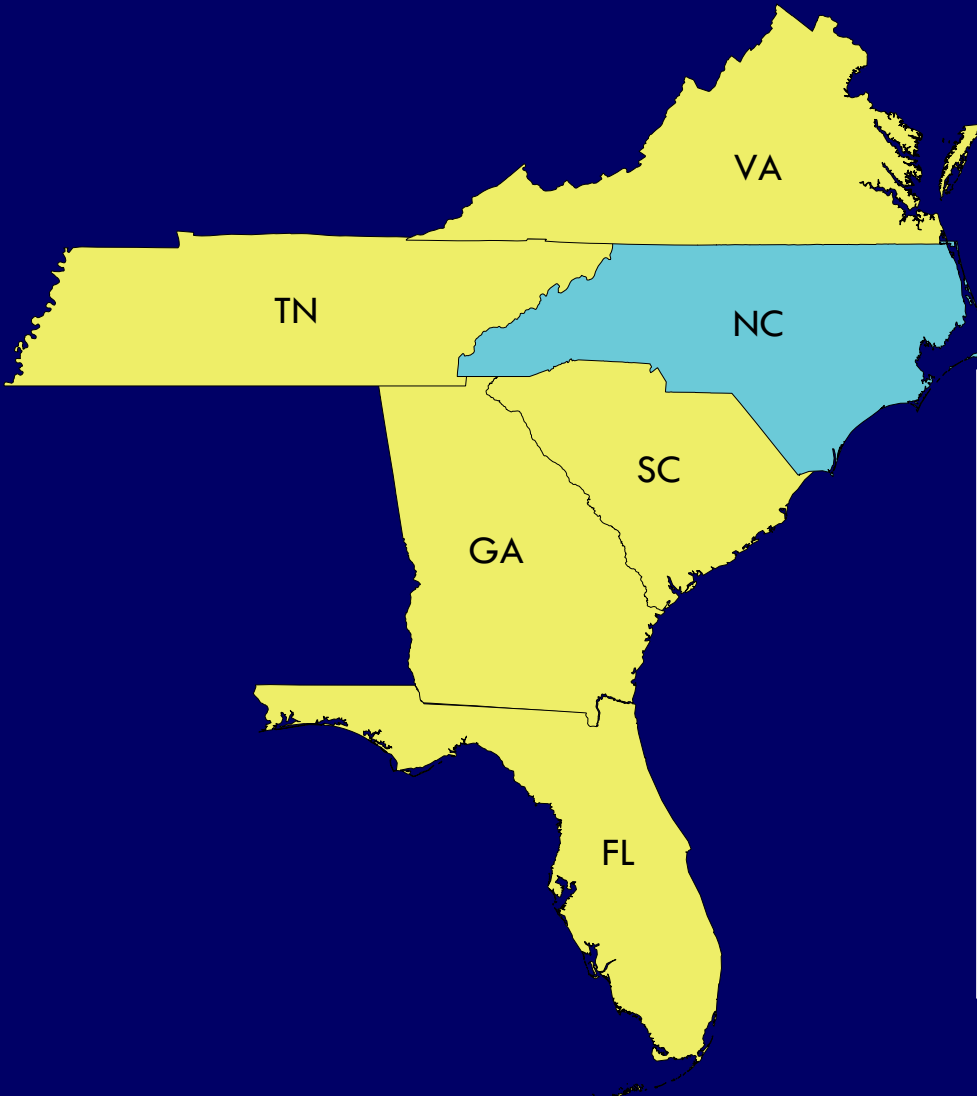
How Are Budget and Financial Management Functions Performed in Other States?



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How Are Budget and Financial Management Functions Performed in Other States?



State	Rank	Moody's	S&P	Fitch
NC	1	Aaa	AAA	AAA
GA	1	Aaa	AAA	AAA
VA	1	Aaa	AAA	AAA
SC	8	Aaa	AA+	AAA
FL	11	Aa1	AAA	AA+
TN	14	Aa1	AA+	-

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How Are Budget and Financial Management Functions Performed in Other States?

In other states and North Carolina, certain functions gravitate to the same agencies

- State budget offices → budget management functions
- Controllers → financial reporting and CAFR
- Treasurers → cash management functions

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Is Consolidation Feasible and Appropriate?

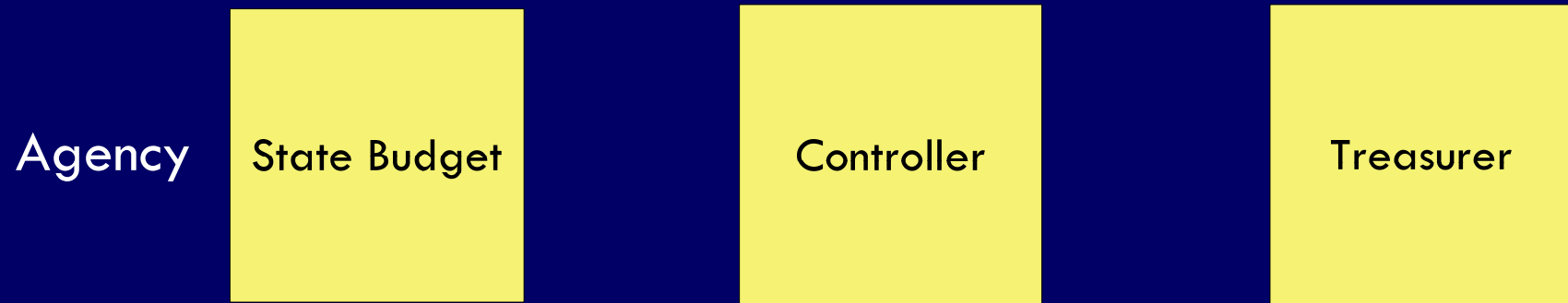
- Consolidation is feasible but constrained by constitutional requirements
 - Governor must prepare and execute the budget
 - State Treasurer is an elective officer
- Identified two options that do not require a constitutional amendment

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Is Consolidation Feasible and Appropriate?

Current Structure

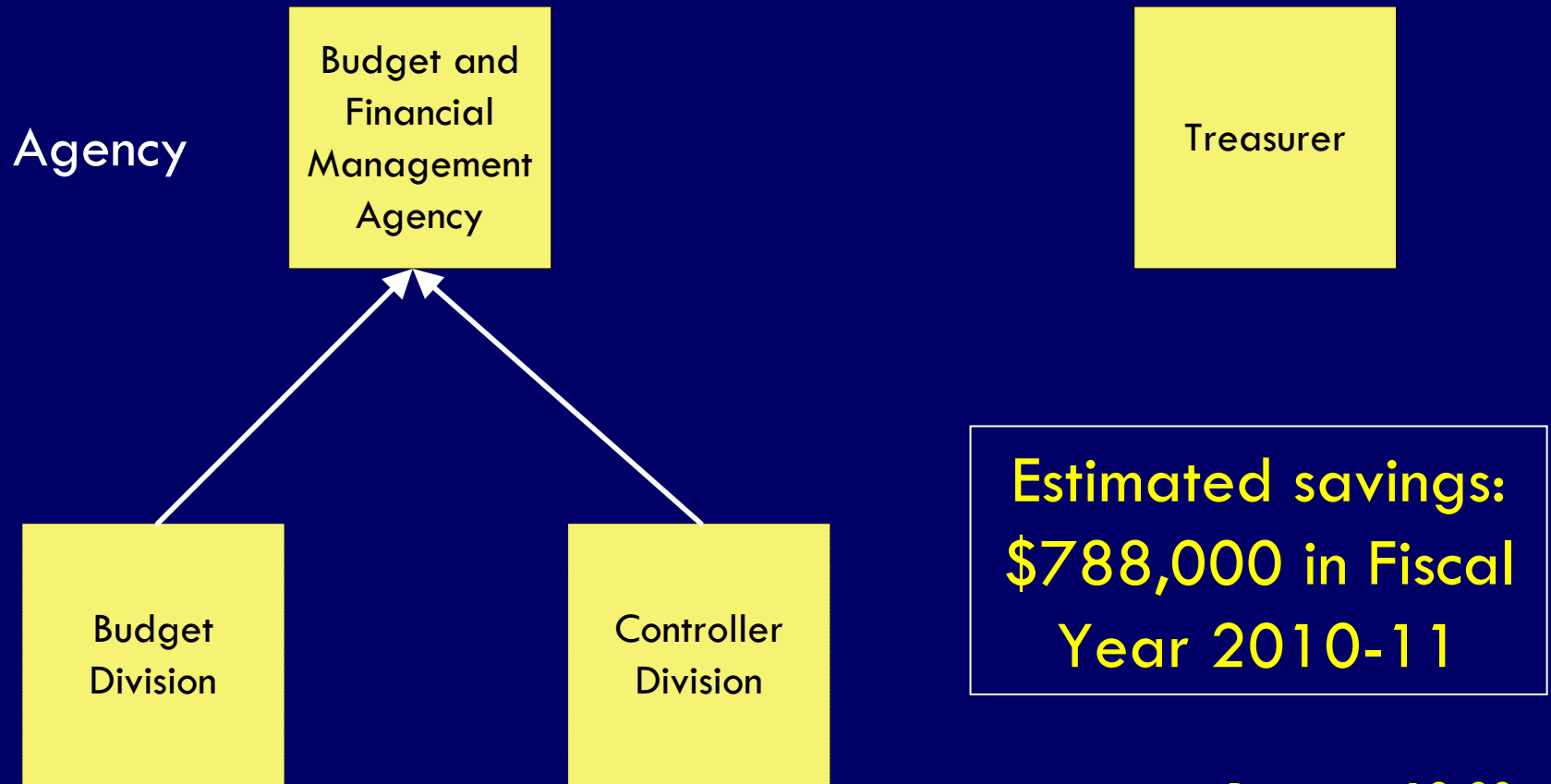


Three separate agencies

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Is Consolidation Feasible and Appropriate?

Option 1: Combine State Budget and the Controller into a Single Agency

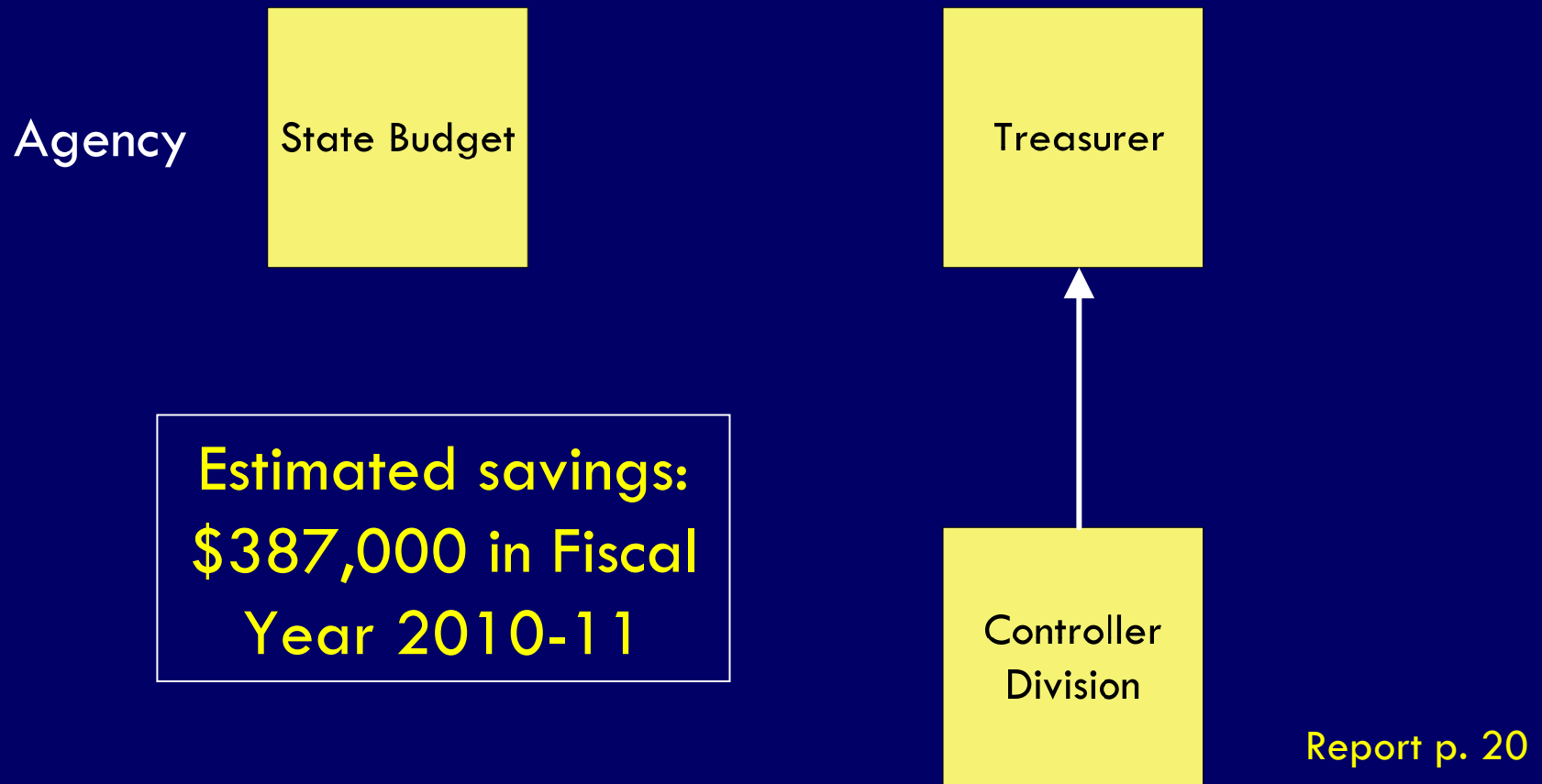


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Is Consolidation Feasible and Appropriate?

Option 2: Merge Controller into a division under the Treasurer



Implications of Consolidation

- A significant repercussion of both options is the Controller would no longer be an independent entity
- Independence of the Controller was a major priority in 1986 when the office was established by the Legislature
- Independence of the Controller continues to be a priority today

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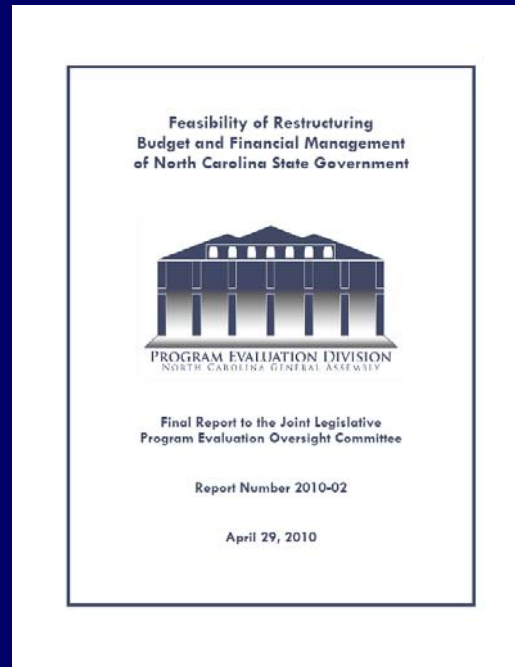
Summary

- There is no duplication of budget and financial management functions performed by the three agencies
- North Carolina is one of 22 states that locates budget and financial management functions in three separate agencies
- Consolidation is feasible and could save money but would sacrifice the independence of the Controller

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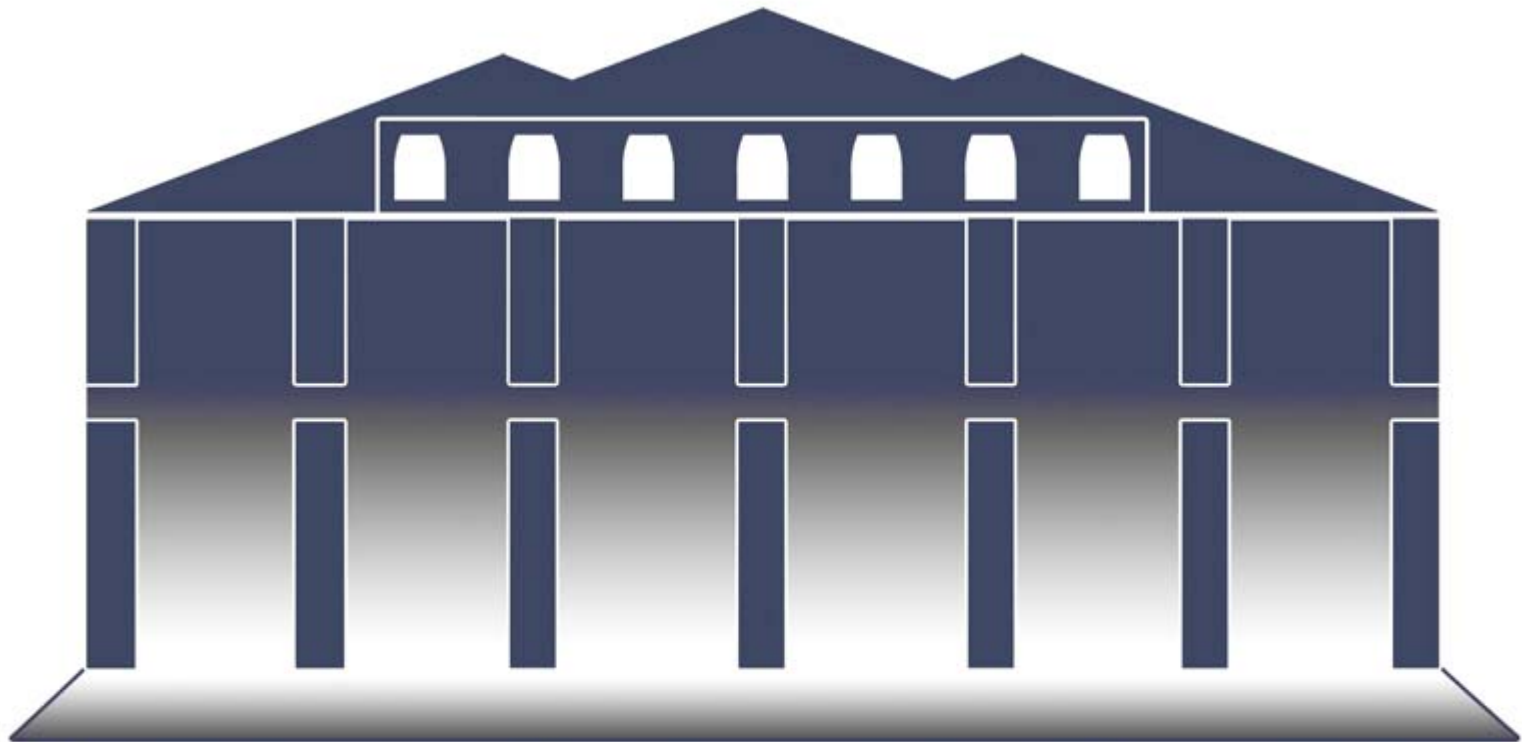


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**Carol Shaw
carol.shaw@ncleg.net**





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