



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

PAT MCCRORY  
GOVERNOR

LEE HARRISS ROBERTS  
STATE BUDGET DIRECTOR

January 19, 2016

**MEMORANDUM**

TO: Department Heads and Chief Fiscal Officers

FROM: Lee Harriss Roberts   
State Budget Director

SUBJECT: Further Guidance on Elimination of Vacant Positions in Section 6.25 of the  
2015 Appropriations Act, House Bill 97 (Session Law 2015-241)

The purpose of this memorandum is to provide further guidance regarding the elimination of certain long-term vacant positions in the State budget.

**Background**

In April 2015, the Office of State Budget and Management initiated a measure to improve efficiency and effective stewardship of taxpayer dollars by evaluating positions in state government that had been vacant as of April 17, 2015, for at least 12 months in order to redirect savings to critically underfunded operational requirements or reserves. OSBM identified more than 2,500 full-time equivalent positions (FTEs) from all fund sources that had been vacant for more than 12 months. Of these positions, more than 500 were filled by June 30, and nearly 1,200 FTEs are scheduled to be abolished.

Initially begun in Executive Branch agencies, the General Assembly, in Section 6.25 of Session Law 2015-241, provided that this measure shall apply to each state agency, with the following limited exemptions:

- Vacant positions within the Department of Transportation, and
- Three vacant positions within the Department of Administration to be reclassified and reallocated to the Office of State Human Resources.

Exceptions are allowed at the discretion of the Director of the Budget and legislative language provides for the prioritization of use of the savings generated.

**Implementation**

OSBM, in collaboration with the Office of State Human Resources, generated personnel system reports to identify all positions, regardless of funding source, that were vacant for 12 months or longer. These reports were provided to state agencies who were given until June 30, 2015, to fill critical vacancies or request a case-by-case exception on the basis that a specific position is required to protect the safety, health and/or well-being of our citizens, or to enable the State to meet federal or state maintenance of effort requirements or mandatory staffing levels. OSBM also took into account pending position reclassifications to meet mission critical operations and positions established in General Statute.

In late June and early July, agencies were notified of specific exceptions, and were directed that non-exempted positions must remain vacant pending enactment and certification of the 2015 Appropriations

Act. With those measures completed, and in order to finalize the elimination of these positions, agencies are directed to take the following actions:

*Eliminate all affected non-exempted vacant positions, as provided in documentation from your OSBM analyst, by submitting "Type 11" budget revisions by February 3, 2016, as follows:*

1. Using an effective date July 1, 2015, eliminate the salaries and Full-time Equivalent (FTE) value for the positions at the minimum value for the assigned personnel grade and value of the associated employer benefit payments for social security, retirement and health care premiums using the 2014-15 rates.
2. Total savings achieved by eliminating these positions (and benefit contributions) are placed in an agency assigned reserve account when savings are attributable to General Fund appropriation. OSBM has established a statewide account for agencies to isolate these savings: Account 53-7207 Reserves for Realignment. Total savings accruing to non-General Fund sources by eliminating the salary, FTE value and benefit contributions will be returned to the respective funding source by eliminating budgeted expenditures ("requirements") and the corresponding amount of receipts.
3. Agencies are directed to use documentation provided by OSBM on specific positions to be eliminated and must reconcile any discrepancies prior to submitting budget revisions.
4. The effective date of the budget revision is July 1, 2015 and the values should reflect the full annualized savings from these actions. Approved budget revisions will be included in the January North Carolina Accounting System budget reports (NCAS BD701).

Use of the savings generated by eliminated non-critical long-term vacancies is given to unfunded or underfunded critical obligations that have historically been backfilled using salaries and benefits accruing to vacant positions ("lapsed salaries"). Priority is given to legal obligations, operational requirements directly related to health, safety and well-being of citizens in the care or custody of the State; and other deficiencies where no other source of funding exists and failure to fund will result in operational disruptions or unfunded liabilities. Review of Section 6.25 provides exact legislative language for prioritization. To accomplish this, agencies are directed to do the following:

*Submit a plan to OSBM by February 3, 2016. Submit a "Type 11" budget revision by February 12, 2016, to implement approved plans as follows:*

1. Plans must be in the form of a schedule that identifies total savings placed in the agency reserve, and itemization of needs, consistent with legislative direction in Section 6.25, and the total of any remaining/unused balances of reserves and/or remaining unfunded requirements meeting the prioritization in legislation.
2. Approved plans that are implemented via an approved budget revision will be incorporated in January NCAS BD 701 budget reports.

### **Success of this Initiative**

Eliminating non-critical, long-term vacancies enables appropriated funds to be used to meet the most pressing obligations of the State. In addition to aligning budget resources to critical funding needs and providing greater budget transparency, this initiative has resulted in filling mission critical positions on a timely basis and, by eliminating long-term vacancies at the minimum for the personnel grade, helps agencies address critical staffing needs with residual salary reserves.

Upon final implementation, OSBM will report the accomplishments from this joint Executive and Legislative initiative pursuant to Session Law.

Any questions about the information outlined in this memorandum should be directed to your OSBM budget analyst at (919) 807-4700.