



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

PAT MCCRORY
GOVERNOR

ANDREW T. HEATH
STATE BUDGET DIRECTOR

September 14, 2016

MEMORANDUM

TO: Department Heads and Chief Financial Officers

FROM: Andrew Heath 
State Budget Director

SUBJECT: **Guidance on Elimination of Vacant Positions (Section 6.25 of HB 1030/Session Law 2016-94 as Amended by Section 2.3 of HB 805/Session Law 2016-123)**

The purpose of this memorandum is to provide further guidance regarding the elimination of certain long-term vacant positions in the State Budget. This memorandum includes policy and operational guidance to implement Session Law.

Background

Section 6.25 of House Bill 1030 (Session Law 2016-94) as amended by Section 2.3 of House Bill 805 (Session Law 2016-123) continues an effort to periodically evaluate long-term vacancies in state government. Specifically, each state agency in conjunction with the Office of State Budget and Management (OSBM) shall eliminate positions that have been vacant for more than 12 months as of April 30, 2016. Funds currently budgeted for these long-term vacancies will be retained by the agency and realigned within the agency to fund recurring obligations of the agency. The act became law on August 1, 2016.

Applicability

The evaluation and elimination of vacant positions applies to each state agency, with the following exemptions specified in Session Law:

- Vacant positions within the Department of Transportation, and
- Vacant positions reclassified pursuant to Section 30.18 (e) of the act [Session Law 2015-241].

The act applies regardless of the source of funding for affected positions.

Exceptions are allowed where positions are required to exist as part of the State's maintenance of effort requirements related to a federal grant that cannot be addressed with other state funds, or for which the Director of the Budget provides an exception, at the Director's sole discretion.

Data Source

Positions vacant for 12 months or longer as of April 30, 2016, will be identified using BEACON (the OSC Integrated HR Payroll Systems). Agencies are able to access this data by using the BEACON reporting function.

OSBM will use this same data source to populate an Excel template provided for each state agency's use. The template itemizes vacancies as of April 30, 2016, and provides a format for the proposed disposition of each position. The proposed disposition may either be a request for exception from elimination based on the criteria established by OSBM, or elimination of the position.

Exceptions and Position Eliminations

Exceptions to eliminating long-term vacant positions are allowed at the discretion of the Director of the Budget and will be considered on a case-by-case basis subject to the following criteria:

- Loss of position would impact the State's ability to meet federal or state maintenance of effort requirements that cannot be addressed with other state funds, or would impact mandatory staffing levels for vital services;
- Loss of position would directly pose risk to the safety, health and/or well-being of our citizens;
- Position is specifically established and required to exist in State statute;
- Agency has made repeated efforts to fill a position or it is currently being studied by OSHR and these delays have caused it to be vacant for more than 12 months;
- Position is 100% federally funded and filling the position is subject to a state disaster declaration/emergency management directive or a federal call for disability determination or unemployment caseload response.

In addition, exceptions will be granted for those state agency positions specifically excluded from the act.

Agencies must complete the template provided and return it to OSBM. Requests for exceptions must include factual documentation of the specific circumstance, the specific position(s), clear explanation of how and why maintaining the long-term vacant position(s) protects a vital interest, and a proposed action plan and timeline for filling the long-term vacant position(s).

OSBM will notify agencies of positions receiving an exception and positions subject to elimination.

Use of Funds Generated Through Position Elimination

Session Law requires that funds generated through this process be used to fund recurring obligations of the agency and provides a hierarchy of application if vacant position savings are inadequate to fund all operational deficiencies described in the act.

To be clear, salaries and benefits savings from positions eliminated will be retained by the agency and redirected by OSBM to agency operational needs.

Each agency is directed to create an inventory of operational deficiencies to be submitted with the vacant position template. The inventory should itemize and estimate the value of current deficiencies, designating those which have required the use of lapsed salaries or other nonrecurring funds for two of the past three fiscal years. The format of this is at the discretion of the agency but should include relevant budget codes, funds codes and primary accounts related to the deficiencies. If the agency has a plan to address the identified deficiencies, that should be included as well.

Savings from eliminating vacant positions include both the salary and related fringe benefits (using the current year rates and amounts). These savings shall be applied to operational shortfalls/deficiencies. This will be accomplished via 11-type budget revisions. Savings will be first moved to reserve line item 53-7207 so they can be quantified, and then moved to operational deficiencies on a recurring basis. Savings from receipt-funded positions will either be reduced from the budget or applied to a deficiency, as most appropriate to the funding source. (Technical questions about reserve accounts and the budget revision process should be directed to OSBM staff.)

These actions to abolish vacancies and fund operational needs will be included in the 2017-19 recommended base budget (WSI) as required by the act. (Note: As a reminder, any reserve balances from the FY 2015-16 vacant position elimination must be distributed and included in the recommended budget for 2017-19 WSI. Please work with OSBM analysts to ensure this occurs.)

Timeline

September 14 – 27

- Agency reviews BEACON reports.
- OSBM provides the exceptions template.
- Agency completes vacant position template and inventory of operational shortfalls.
- Agency returns exceptions template and inventory of operational shortfalls to OSBM no later than September 27.

September 28 – October 11

- OSBM reviews requests and responds to each agency regarding exceptions and requirements for eliminating positions as well as guidance about moving savings to operational deficiencies, with all responses provided no later than October 11.

October 12 – 28

- Budget revisions submitted and executed to implement elimination of positions, creation of reserves, and distribution of reserves to operational deficiencies. *Note: Timeline may be extended with approval of OSBM; however, budget revisions must be included in the agency's requested and Governor's recommended 2017-19 base budget.*

December 1, 2016

- Upon final implementation, OSBM will report the accomplishments from this initiative pursuant to Session Law.

We look forward to working with you to make implementation of this act successful. Any questions about the information outlined in this memorandum should be directed to OSBM staff at (919) 807-4700.

cc: Paula Woodhouse, Director, Office of State Human Resources
OSBM