

Operational Excellence

Recommendation

Provides over \$240 million to deliver high-quality, effective services within state agencies and across the state. These critical government services include support for disaster recovery, resources for grant requirements, reserves for emergencies, and added capacity to improve, monitor, and evaluate agency performance.

Table 1: Allocation of Funds to Improve Operational Excellence

	Recurring	Nonrecurring
State Emergency Response and Disaster Relief Fund		\$ 125,000,000
Matching Funds		\$ 100,000,000
Contingency and Emergency Fund		\$ 10,000,000
Evaluation, Monitoring, and Compliance	\$ 6,598,165	
Grand Total	\$ 6,598,165	\$ 235,000,000

Statement of Need

Increases capacity to promote good government practices within state agencies and to respond to needs resulting from natural disasters and other unanticipated events.

- Hurricanes, tropical storms, earthquakes, and other natural disasters inflict damage from Murphy to Manteo. Between 2016-2018, Hurricanes Florence and Matthew caused about \$21.5 billion in losses.¹
- The Infrastructure Investment and Jobs Act (IIJA) funds more than 350 different programs across multiple policy areas, including transportation, broadband, cybersecurity, energy, and water infrastructure.² State agencies, local governments, and other stakeholders will need support to bring North Carolina's share of the \$550 billion in new federal investment to the state.³
- The Council for Internal Auditing made staffing recommendations to meet the statewide need in 2017,⁴ but 22 agencies and universities still need additional capacity to monitor for federal and state compliance, especially in this time of increased federal investment in states. Currently, state agencies and universities have 60 fewer internal auditors than the Council recommends.

Recommendation Detail

State Emergency and Disaster Relief Fund

- **DHHS:** Provides \$50 million to the Department of Health and Human Services (DHHS) to support COVID-19 response and recovery needs, such as vaccine administration, outreach, and protective equipment, once federal funds are no longer available for this purpose. In addition, DHHS is authorized to access up to \$125 million to cash flow expenses pending reimbursement from the Federal Emergency Management Agency.

¹ [Hurricane Florence Recovery Recommendations](#), Governor Roy Cooper.

² [A Guidebook to the Bipartisan Infrastructure Law for State, Local, Tribal, and Territorial Governments, and Other Partners](#), The White House.

³ [UPDATED FACT SHEET: Bipartisan Infrastructure Investment and Jobs Act](#), The White House.

⁴ [October 11, 2017 Meeting Agenda](#), Council of Internal Auditing.

- **DPS:** Provides \$50 million to the Department of Public Safety (DPS) for recovery projects to assist victims of Hurricane Florence or Tropical Storm Fred, including \$40 million to address unmet housing needs for families and homeowners who are ineligible for federal recovery assistance, \$5 million to repair damaged private roads and bridges, and \$5 million to support debris removal and disposal.
- **DOI:** Invests \$25 million to sustain the State Property Fire Fund at the Department of Insurance (DOI) and to cover the annual excess premium payment. This support enables the fund to provide adequate and timely coverage for insured state entities.

Matching Funds

- **IJA Grants:** Creates a \$49.7 million reserve to increase access to IJA grants for local governments, state agencies, and other stakeholder organizations. Of these funds, \$2.5 million is set aside to provide hands-on support for local governments and state agencies applying for IJA grants.
- **DEQ:** Provides \$39.5 million to the Department of Environmental Quality (DEQ) to meet match requirements for federal grants, leveraging more than \$89 million. Of these funds, \$36.7 million will be used to match Clean Water and Drinking Water State Revolving Loan Funds for four years, and \$2.8 million will be used to invest in the Albemarle-Pamlico National Estuary Partnership's Comprehensive Conservation and Management Plan for four years.
- **DIT:** Provides \$6.8 million to the Department of Information Technology (DIT) to address cyber-related activities across all levels of government.
- **DOC:** Provides \$4 million nonrecurring to the Department of Commerce (DOC) to hire up to 20 two-year, time-limited positions to assist local governments in applying for and administering IJA grants.

Contingency and Emergency Fund

- Restores funding to the Contingency and Emergency Fund, established in G.S. 147C-4-4. This funding was eliminated in 2017. Funds are needed to respond to emergent circumstances, such as court or Industrial Commission orders or death benefits.

Evaluation, Monitoring, and Compliance

- **Internal Auditor:** Provides \$6.4 million for new Internal Auditors at 22 state agencies and universities, to comply with the Council of Internal Auditing recommendations.
- **OSBM:** Provides \$208,926 to the Office of State Budget and Management (OSBM) for a Chief Scientist position. This position will promote and enable evidence-based policymaking at OSBM and across state government.

Expected Impact

This proposal will improve critical services so that North Carolina's state government runs efficiently and effectively, with the resources needed to address the state's challenges. Expected impacts include:

- Restoring North Carolinians' homes and properties after past and future natural disasters.
 - The Hurricane Florence funds will support housing recovery of at least 370 displaced families and homeowners.

- The Tropical Storm Fred funds for road and bridge repairs will allow about 100 families and households to safely travel to and from their homes. This proposal will also contribute to the removal and disposal of at least 85,000 cubic yards of debris.
 - Funding for the Contingency and Emergency Fund will allow the state to comply with court or Industrial Commission orders and improve transparency.
- Leveraging additional federal funds, such as the \$89 million that the Clean Water and Drinking Water State Revolving Loan Funds state match will bring in FY 2022-23.
- Adding 60 more internal auditors at agencies and universities, which will decrease the findings raised in external audits and ensure effective and compliant state operations.