Office of the State Controller

OFFICIAL MEMORANDUM

To: Chief Fiscal Officers, Vice Chancellors, and Business Managers

From: Dr. Linda Combs, State Controller

Date: October 25, 2019

Subject: 2019 OSC Financial Conference

I am pleased to announce that on December 10, 2019, the Office of the State Controller will hold its annual Financial Conference for Chief Fiscal Officers and agency designated representatives at NCSU's McKimmon Center in Raleigh. This year's conference will include topics such as the fiscal condition of states, economic outlook for the State and nation, issues affecting the accounting profession, State Controller updates, cybersecurity, and professional development.

In addition, the recipients of the State Controller Fiscal Integrity Award and the Internal Audit Award of Excellence will be announced during the conference. Attendance will qualify for up to eight hours of CPE credit. The course announcement is attached for your review. Instructor biographies are available on OSC's website.

The registration fee is **$70 per attendee** and includes breakfast and a buffet lunch. To register for this conference, visit the Office of the State Controller's website at https://www.osc.nc.gov/training/cpe-events/2019-osc-financial-conference. Please register as soon as possible as the **registration deadline is Monday, December 2, 2019. Payments must be made on or before this date.** After this date, no requests for refunds will be considered.

Payment can be made by credit card or electronic transfer in the Cash Management Control System (CMCS) to the **Office of the State Controller**. Agencies should register attendees individually (with separate email addresses). Agencies using CMCS can submit one payment to cover all registration fees if all necessary notations have been made.

If you are paying by electronic transfer, please follow the instructions below:
   - **NCAS agencies:** Use IGO vendor number 561611588-03. For the cash management transfer – in the description or remit message line you must include the following for proper processing: Attendee full name; Reference 2019 OSC Financial Conference.
   - **Non-NCAS agencies paying through CMCS:** Use department code 4161 for payment – in the description or remit message line you must include the following for proper processing: Attendee full name; Reference 2019 OSC Financial Conference.

If you have questions, please contact Jan Prevo at jan.prevo@osc.nc.gov or 919-707-0714. We look forward to your participation in the conference and thank you for your service to our State.

Attachment

SA 20-20

2019 OSC Financial Conference
Continuing Professional Education
North Carolina Office of the State Controller

Date:	December 10, 2019 8:15 a.m. to 4:45 p.m.
Location:	The McKimmon Conference and Training Center N.C. State University 1101 Gorman Street Raleigh, NC 27606
Objective:	To offer training on recent topics of interest to Chief Fiscal Officers and agency representatives including the fiscal condition of state governments, the State and national economic outlook, issues affecting the accounting profession, State Controller updates, cybersecurity, and professional development.
Content:	– Fiscal Condition of the States – Issues Affecting the Accounting Profession – Economic Update – State Controller Updates – Cybersecurity Threats and Mitigation – Professional Development
Instructors:	Stacey Mazer – Senior Staff Associate, NASBO Sharon Bryson – Chief Executive Officer, NCACPA Dr. Michael Walden – Professor and Extension Economist, N.C. State University David Lloyd – Program Director Financial Backbone Replacement Program, Office of the State Controller Clayton Darnell – Business Lead Financial Backbone Replacement Program, Office of the State Controller Sandra Fields – Application Systems Manager, Office of the State Controller Seth Barun – Cyber/Mission Command Branch Chief, NC National Guard Michael Euliss – Communications/Government Relations/Training Director, Office of the State Controller
CPE Credit Offered:	Eight hours
Materials:	Will be available in advance on the OSC web page
Teaching Method:	Lecture
Breakfast:	Available beginning at 7:30 a.m. (scrambled eggs, bacon, potatoes, and pastries)
Lunch:	12:00 p.m. – 1:00 p.m. (barbeque, fried chicken, sides, and dessert)
Prerequisites:	Employed by a State agency or institution that is part of the State financial reporting entity (i.e., an entity included in the State's Comprehensive Annual Financial Report)
Advance Preparation:	None
Level:	Basic

DEVELOPERS: NASBO, NCACPA, NCSU, NC Office of the State Controller, NC National Guard

SPONSOR: NC Office of the State Controller

AGENDA
OSC Financial Conference
December 10, 2019

8:15 – 8:20	Call to Order – Michael Euliss, Office of the State Controller, Communications/Government Relations/Training Director
8:20 – 8:30	Opening Remarks – Dr. Linda Combs, State Controller
8:30 – 9:30	Fiscal Condition of the States – Stacey Mazer, National Association of State Budget Officers (NASBO) Senior Staff Associate
9:30 – 9:40	Internal Audit Award of Excellence Presentation – Beth Wood, State Auditor Fiscal Integrity Award Presentation – Dr. Linda Combs, State Controller
9:40 – 10:00	Break
10:00 – 11:00	Focus on the Profession – Sharon Bryson, North Carolina Association of Certified Public Accountants Chief Executive Officer
11:00 – 12:00	Economic Update – Dr. Michael Walden, N.C. State University
12:00 – 1:00	Lunch
1:00 – 1:05	Call to Order – Michael Euliss, Office of the State Controller
1:05 – 1:35	The Gift–Part 1 – Michael Euliss, Office of the State Controller

1:35 – 2:25	Office of the State Controller Updates
	    Financial Backbone Replacement Project – David Lloyd, OSC FBR Program Director and Clayton Darnell, OSC FBR Program Business Lead
	    XNET/XTND Replacement Demo – Sandra Fields, OSC Application Systems Manager

2:25 – 2:45	Break
2:45 – 3:45	Current Cyber Security Threats and Mitigation Techniques – Seth Barun, North Carolina National Guard Cyber/Mission Command Branch Chief
3:45 – 4:45	The Gift–Part 2 – Michael Euliss, Office of the State Controller Closing Remarks – Michael Euliss, Office of the State Controller

Upcoming Training Dates:

June 4, 2020 – 2020 Governmental Accounting Update

December 16, 2020 – 2020 OSC Financial Conference

BIOGRAPHICAL SUMMARY

7 Nov 2019

BARUN, SETH A.
LTC, SC, ARNGUS

Date and Place of Birth: 27 May 1977, Denver, CO

Mandatory Removal Date: 02 June 2024

Home Address: 280 W Rhode Island Ave, Southern Pines, NC 28387

Home Phone: (630) 561-4716

Email Address: seth.a.barun.mil@mail.mil

Present Assignment: Chief, Cyber Operations

Unit Telephone: (984) 664-6950

Enlisted Service: N/A

Commission: United States Air Force Academy, Colorado Springs, CO, 2 June 1999

Years of Commissioned Service: 20 years

Total Years of Service: 20 years

Military Education:	Year Completed:
US Air Force Academy	1999
US Air Force Aerospace Basic Course	1999
US Air Force Undergraduate Space and Missile Training	2000
US Air Force 4th Space Operations Satellite Mission Control School	2000
US Army Battalion/Brigade S6 Officer Course	2009
US Army Contractor Officer Representative Course	2011
US Army Signal Captain's Career Course	2013
US Army Command and General Staff Officer Course	2018

Civilian Education:		Year Received:
Waubonsie Valley High School, Aurora, IL	High School Diploma	1995
US Air Force Academy, Colorado Springs, CO	BS, Social Sciences	1999
Purdue University, Davenport, IA	MS, Information Technology	2016

Civilian Affiliations:
 North Carolina National Guard Association

US Decorations/Badges:

 Bronze Star Medal
 Meritorious Service Medal
 Air Force Commendation Medal
 Army Commendation Medal
 Air Force Achievement Medal
 Army Achievement Medal

SETH A. BARUN, LTC

Army Reserve Components Achievement Medal
National Defense Service Medal, with 1 Bronze Service Star Device
Afghanistan Campaign Medal
Global War on Terrorism Medal
Air and Space Campaign Medal
Air Force Longevity Ribbon, with 1 Oak Leaf Cluster
Armed Forces Reserve Medal w/ M Device
Army Service Ribbon
Army Overseas Service Ribbon
Air Force Training Ribbon
NATO/ISAF Medal
SC Achievement Ribbon
NC State Service Ribbon
Basic Space and Missile Badge

Chronological list of Appointments:

Rank/Grade	DMOS/Branch	Component	Date
Cadet	NMOSQ	USAFA	18 June 1995
Second Lieutenant/O-1	13S3A	Active Air Force	02 June 1999
First Lieutenant/O-2	13S3A	Active Air Force	02 June 2001
Captain/O-3	13S3A	Active Air Force	02 June 2003
Captain/O-3	25A/SC	NC National Guard	26 Feb 2009
Major/O-4	25A/SC	NC National Guard	30 May 2014
LTC/O-5	25A/SC	NC National Guard	30 May 2019

Chronological Record of Duty Assignments:

Date	Status	Duty Assignment (Position, Unit, Location)
10/18-Present	Active Duty	Chief, Cyber Operations
09/12-10/18	NCARNG M-Day	Brigade S6 (25A), 130th MEB, Charlotte, NC
01/10-09/12	NCARNG M-Day	Company Commander (25A), 295th SNSC, Charlotte, NC
02/09-12/10	NCARNG Mob	Battalion S6 (25A), 105th EN BN, Raeford, NC
06/04-02/09	Inactive	Inactive Ready Reserve
04/03-04/04	Active Duty	Chief, MILSTAR Mobile Satellite Operations (13S3A) USAF- 4th Space Operations Squadron, Schriever AFB, CO
01/03-04/04	Active Duty	Instructor, MILSTAR Satellite Control Crew Commander (13S3A) USAF- 4th Space Operations Squadron, Schriever AFB, CO
05/00-01/03	Active Duty	MILSTAR Mobile Satellite Mission Control Operator (13S3A) USAF- 4th Space Operations Squadron, Schriever AFB, CO
01/00-05/00	Active Duty	USAF 4th Space Operations Satellite Mission Control School (13S3A) USAF- 392nd Training Squadron, Vandenberg AFB, CA
06/99-01/00	Active Duty	USAF Undergraduate Space and Missile Training (13S3X) USAF- 392nd Training Squadron, Vandenberg AFB, CA

Cyber Security Outreach

NCNG Cyber Security Response Force

Agenda

- Security Trends

- Cyber Threats

- Cyber Incident Handling

- Open Forum

SECURITY TRENDS

Observations from recent events

- Organizations do not have an accurate network topology
  - Unknown number of devices
  - IP range and scope lacks oversite
  - Often a result of turnover and changing priorities
- Network configuration does not implement security standards
  - Network is not segmented to keep high value targets behind stronger security controls
  - Devices can talk to other devices without a business need (i.e. internal servers can reach the internet without valid need)
- Security devices are misconfigured
  - Firewalls are in place but either not configured correctly or not monitored
  - End user device security (i.e. McAfee, Symantec) not enabled or not configured

Observations from recent events

- End of life equipment/software still being utilized
  - Outdated operating systems used to support legacy software
  - Outdated or unpatched third party software
  - Old hardware that no longer meets security standards
- Security logs only extend back a short time period
  - Limited log access makes it difficult to pin down root cause analysis
  - Hard to validate if backups are safe without known entry point of attack
- Focus on availability more than security
  - Organizations that are under-staffed prioritize system up-time over security
  - Risk is often unknown or unclear to senior management
  - If security is an additional duty, it usually gets skipped due to higher priority taskings

Observations from recent events

- System patching not done regularly
  - Attacks are taking advantage of known vulnerabilities
  - Critical vulnerabilities still exist on some networks for more than two years
  - SysAdmins afraid to patch for fear of breaking systems and do not have a test environment
  - Organizations lack patching policy or vulnerability scan review
- Cloud services are not a fix-all solution
  - Organizations need to understand who has responsibility for maintenance and security implementation based on services rendered
  - Cloud environment still requires updates and patching
- Poor cyber hygiene
  - Accounts with admin privileges accessing the internet
  - Anonymous privilege accounts used by third parties/vendors
  - Regular users accessing admin credentials to run out of date applications

CYBER THREATS

```
C:\Documents and Settings\run
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Cyber Threats

- Cyber crime is the use of Internet services or software with Internet access to defraud victims or to otherwise take advantage of them
  - Business E-mail Compromise
  - Data Breach
  - Denial of Service
  - Malware/Scareware
  - Phishing/Spoofing
  - Ransomware

Cyber Crime Impact

- 137 million new malware samples in 2018
- Over 50% of devices that got infected were re-infected in the same year
- Cybercrime accounts for more than 50% of all crimes in the UK
- One attack every 39 seconds
- 92% of malware delivered by email
- Average ransomware attack cost company $5M
- 61% of organizations have experienced a cyber security incident
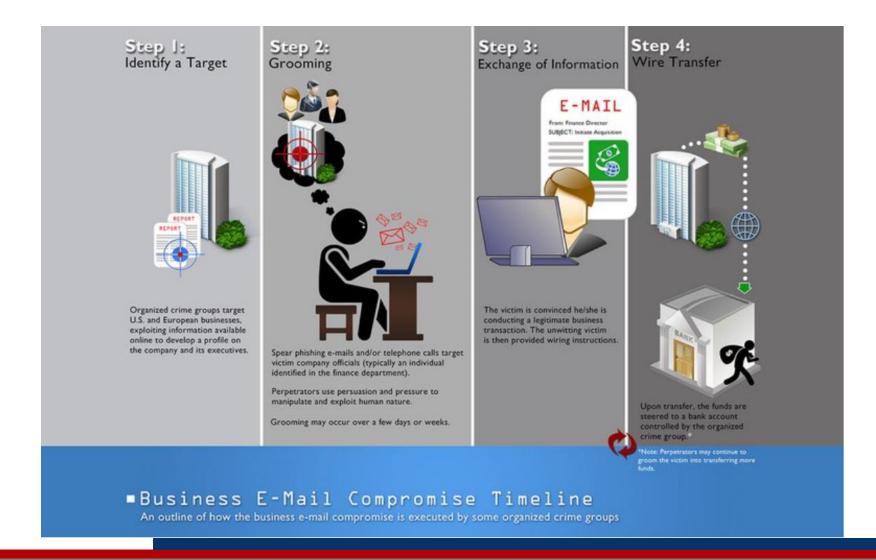- On average, it takes 191 days to identify cyber breach

Business Email Compromise

- As of 2015, BEC losses exceed $3B
- Carried out by large criminal organizations
- Target is finances of companies
- Scam tries to get companies to perform wire transfers using existing partnerships
- Sophisticated attacks employ lawyers, social engineers, hackers
- CEO impersonator attacks
- Malware utilized through spear-phising

Business Email Compromise Steps

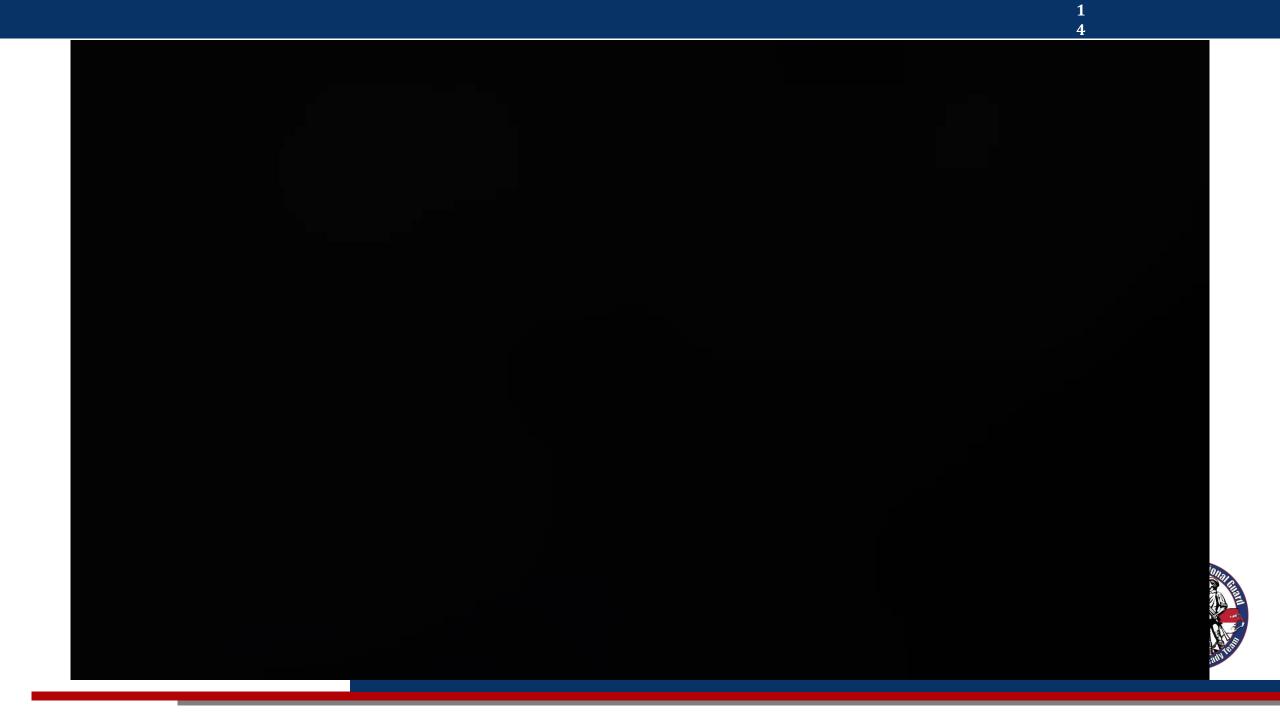# Business Email Compromise Prevention

- Safeguards against email only directives
- Employee training
- Intrusion detection systems on email
- Two-factor authentication for changes in payments
- Multiple verifications for wire transfers

Scoular Co

- Attack targeted company corporate controller
- Emails appeared to originate from CEO, but not from normal company email
- Emails refer to secret international deal and should be kept private to avoid SEC regulations
- Controller then received email from accounting firm with wire instructions that appeared to be from real accounting firm
- Sophisticated research done to understand corporate structure and payment patterns
- More than $17.2M wired to bank in China

Data Breach

- Incident in which information is stolen or taken from a system without authorization
- Information can be financial, personal, proprietary...
- Often results in financial loss, as well as a betrayal of trust perception
- Multiple types of data breaches
  - Hacking
  - Malware
  - Phishing
  - Insider Attack
  - Human Error

Data Breach Cycle

Data Breach Prevention

- Patch systems and networks
- Implement security standards and monitor activity
- Educate and enforce policies
- Perform regular audits and assessments
- Develop and practice disaster recovery plan

Target

- Attack started on Nov 27, 2013 and discovered on Dec 13, 2013
- 110M shoppers had information compromised
- 11GB data taken from network
- Microsoft website details Target's technical infrastructure, including POS information
- Third party vendor (Fazio Mechanical) compromised through phishing email installed malware which stole credentials
- Enterprise anti-malware would have discovered malware (Citadel), free version did not
- Web portal then compromised, alert of possible malware went unnoticed
- Servers and then POS systems compromised through multiple vulnerabilities

Denial of Service

- Attack prevents users from being able to access systems, services, devices, or network
- Most common attack is a flood of network server to the point of overload
- Distributed Denial of Service (DDOS) uses multiple machines to attack a target
  - Usually hijacked machines
  - Makes finding source very difficult
  - Can be traded between hackers

Denial of Service Prevention

- Use and maintain antivirus software
- Keep firewall updated and configured correctly
- Monitor network traffic
- Use DoS protection services
- Create and practice disaster recovery plan

Rio Olympics

- Sep 2015, multiple organizations affiliated with Olympics started receiving DDOS attacks
- LizardStresser is a DDOS-for-hire service that previously took down Xbox Live and Sony Playstation networks
- Utilized botnets to send up to 540Gbps attacks to flood network
- Arbor Networks had done network baselines and understood traffic prior to attacks
- Knowledge allowed them to mitigate attacks

Malware/Scareware

- Malware is short for malicious software
- Designed to gain access to or damage a computer
- Multiple types
  - Spyware-monitor activities
  - Viruses-usually harmful activities such as data destruction
  - Backdoors-allows for unauthorized access to systems
  - Trojan horse-hidden software that looks normal that can be destructive or provide access
  - Adware-installs forced advertising or additional browsers
- Scareware tries to trick you into buying fake or unnecessary software such as antivirus which will then install additional malware

Malware Prevention

- Anti-virus software is critical
- Keep anti-virus updated
- Ensure browser is updates
- Be conscious of emails with attachments or links
- Keep computer updated
- Don't plug unknown devices into computer

Stuxnet

- Worm that targeted Programmable Logic Controllers built by Siemens
- Iran used the PCLs in their nuclear centrifuges
- Worm designed to speed up centrifuges past tolerance, causing them to shatter
- Worm had three parts
  - Execute payload
  - Spread the worm
  - Hide all evidence
- Introduced via USB to bridge Air Gap
- Accidentally spread outside of Natanz facilities

Phishing/Spoofing

- Email or instant message that tries to obtain sensitive information
- Social engineering process that can appear to be from trusted sites or senders
- Multiple types
  - Spear phishing targets specific individuals
  - Whaling targets senior executives or high-profile targets
  - Clone phishing uses a previous email to make malicious identical email
  - Link manipulation changes the URL just enough to appear legitimate
  - Website forgery uses code to appear to be the correct website

Phishing Prevention

- **User training**
- Spam filter rules
- Safe browsing services
- Multi-factor authentication

Operation Phish Phry

- Egyptians set up phishing scam that sent emails to people getting them to log into their bank accounts
- The link in the email went to a fake site that stole the credentials
- Only used banks that did not have two-factor authentication
- Egyptians sent credentials to criminals in California, who opened bank accounts at the same institutions, then transferred money from the compromised accounts
- Money then wired to Egypt
- Involved more than 100 people and $1.5M

Ransomware

- 39% of global data breaches caused by malware attributed to ransomware
- Malware that encrypts data or threatens to publish data unless ransom is paid
- Ransomware usually is the last step in a larger breach
  - First step is usually a credential theft malware
  - Second step is to spread malware throughout network
  - Third step is to steal data/information
  - Fourth step is to encrypt systems
- Should you pay the ransom?
  - Attackers will almost always send the decryption key once they receive money
  - They still have access to the system, administrator accounts, networks
  - The only real was to ensure attackers are gone is to rebuild the systems

Ransomware Prevention

- Employee training
- Keep your systems patched and updated
- Segment the network
- Enforce smart security policies
- Pay attention to system logs and network traffic
- Use proper backup procedures, including validation and keeping them offsite

Baltimore

- Ransomware victim that will cost more than $18M
- RobbinHood variant of ransomware, same used in Greenville, NC
- Hackers asked for $76,280 which city refused to pay
- Second attack in two years
- Speculation around how attack happened either exploited unpatched server or phishing email
- EternalBlue is suspected to have been used in attack in some way

Unnamed Agency

- Agency noticed unusual activity from an administrator account
- Agency tried to isolate activity of user
- When specific unknown IP addresses were identified, they were blocked at the firewall
- Blocking the beaconing triggered the encryption protocol which then encrypted their entire infrastructure, including backups
- Agency then received popup message on systems with two email addresses
- Agency breach traced back to administrator allowing user access to admin credentials to run application
- Breach traced back at least four weeks prior to encryption

Prevention Trends

- Employee Training
- System patching and maintenance
- Security Policies
- Incident Response Plan
- Use your tools correctly

OPEN FORUM

Sharon H. Bryson, M.Ed.
Chief Executive Officer

As CEO of the NC Association of CPAs, Sharon Bryson works closely with the Board of Directors and the Executive Committee to help set the direction of the Association. In addition to working with the NCACPA Taxation Committee, she also represents the membership with the NC State Board of CPA Examiners, the NC Department of Revenue, the North Carolina General Assembly, and various other advocacy entities.

Sharon is a Past President of the Association Executives of North Carolina, and currently serves as a member of the AICPA National Commission on Diversity & Inclusion, the NC State Master of Accounting Advisory Board, the Louisburg College Board of Trustees, and the ECU College of Business Advisory Board. Sharon received both her undergraduate and graduate degrees from the University of North Carolina.

FOCUS ON THE PROFESSION

2019 OSC Financial Conference

Sharon Bryson, M.Ed., CEO
NC Association of CPAs

December 10, 2019
Raleigh, North Carolina

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Today's Session

➢ Who is NCACPA?

➢ Advocacy & Awareness

    ➢ Changes to CPE regulations in North Carolina

➢ Have you heard…the profession is changing?

    ➢ Change in desired skillsets

    ➢ Impact on demand for CPAs

    ➢ CPA Evolution

➢ Resources for YOU and the profession!

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Who is NCACPA?

The North Carolina Association of CPAs is the only statewide association for CPAs in North Carolina.

VISION

To be the essential resource for the North Carolina CPA.

MISSION

NCACPA promotes the competence, integrity, civic responsibility, and success of North Carolina CPAs.

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Advocating for YOU

- NC General Assembly
- NC Department of Revenue
- Governor's Office
- NC State Board of CPA Examiners
- State Auditor's Office
- State Treasurer's Office

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NC STATE BOARD of CPA EXAMINERS

Barton W. Baldwin, CPA

Bernita W. Demery, CPA

Jennifer K. Van Zant, Esq.

- State Board member appointments

- Rule-making changes

- Disciplinary matters

- CPE compliance

- Joint Task Force approach

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Did someone say CPE rules are changing?

Change Just Ahead

➢ CPE hours to contact minutes

➢ Ethics – from 2 to 1 hour

➢ Expansion to allow more educators to claim credit

➢ Nano learning now allowed

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Licensure of CPAs in North Carolina
(as of 3/31/2019)

17.5%

82.4%

● North Carolina	18,054	
● Out of State	3,849	
Total	21,903	

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NC Licensees by Area of Practice
(as of 3/31/2019)

● Industry	46%	
● Public	40%	
● Unknown	9%	
● Government	5%	

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NCACPA Members' Area of Practice
(as of 3/31/2019)

● Public	43%
● Industry	31%
● Other	14%
● Education	9%
● Government	3%

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NC Department of Revenue

- Business Advisory Council led by Secretary Penny

  - NCACPA representatives selected:
    - Jack Schmoll
    - Ken Gibbs
    - Desmond Sheridan
    - David Oettinger

  - Analyzing issues that fall under jurisdiction of DoR

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Legislative Updates

- *HB 924 Teacher Contract Changes*

  o Signed into law July 8, 2019

  o Specific provision requires NC high school students to pass a course on economics and personal finance in order to graduate

  o NCACPA delivered letters to General Assembly in late April supporting passage

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Legislative Updates

Senate Bill 557: Various Finance Law Changes

- Increases standard deduction
- *Enacts market-based sourcing*
- Imposes state sales tax on marketplace facilitators
- Requires Revenue Laws Study Commission to study tax sunset provisions
- *Requires Department of Revenue (DoR) to update systems to send relevant notices to taxpayers & designated power of attorney (POA)*

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From Capital to Capitol

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TAX ADVOCACY

- Disaster relief

- IRS Practitioner Services Division

- Fiscal State of the Nation

"I'm aware of it. I'm sensitive to it. And I understand the need for it."

–IRS Commissioner Charles Rettig on the creation of an IRS Practitioner Services Division

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NCACPA Advocacy – What's Next?

- Advocacy Advisory Council
  - o Discussing policy priorities for 2020 NC General Assembly "short session"

- New & enhanced educational resources for members

- NC CPA Political Action Committee fundraising

- Constituent meetings with legislators in December

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If each NCACPA member donated $20.20 to the NC CPA PAC, we would have $282,000.

Support our fundraising goal of $50,000 for the 2020 election cycle by making a contribution of $20.20!

ncacpa.org/nc-cpa-pac

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Changes in the Profession

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Every company is *reimagining* who they are.

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TECHNOLOGY IS
CHANGING EVERYTHING

Bots

Analytics

AI

Blockchain

Big data

Automation

Smart robots

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WHAT DOES IT TAKE TO SUCCEED?

3X
Digitally mature companies are 3X
more likely to report profit margins and
revenue growth significantly above
industry averages

Source: Deloitte Digital Transformation Executive Survey, 2018

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According to Interbrand:

2000

Top 10 best global brands

Coca-Cola	——	Beverages
Microsoft	——	**Technology**
IBM	——	Business services
intel	——	**Technology**
NOKIA	——	**Technology**
GE	——	Diversified
Ford	——	Automotive
Disney	——	Media
McDonald's	——	Restaurants
at&t	——	Telecommunications

Source: Interbrand

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According to Interbrand:

2018

Top 10 best global brands

Apple	——	**Technology**
Google	——	**Technology**
amazon	——	Retail (**Technology**)
Microsoft	——	**Technology**
Coca-Cola	——	Beverages
SAMSUNG	——	**Technology**
TOYOTA	——	**Automotive**
Mercedes	——	Automotive
facebook	——	**Technology**
McDonald's	——	Restaurants

Source: Interbrand

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CPA BRAND IS STRONG

Top perceived attributes

- QUALITY
- VALUE
- ETHICAL
- FAIR
- HONEST
- RELIABLE

Source: Reputation Institute

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REIMAGINING

SERVICES FOR A
TECH-DRIVEN FUTURE

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DIGITAL RISK AND EMERGING ASSURANCE SERVICES

Cyber crime damages are predicted to cost the world **$6 trillion annually by 2021.**

System and Organization Controls (SOC) Services:
- Cybersecurity
- Supply chain

Source: Cybersecurity Ventures

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CREATING AND DEMONSTRATING VALUE

98% of executives believe broader **non-financial factors** are important to **long-term value** creation

Source: Black Sun, IIRC, Association

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The job landscape in 2022

Global change by 2022

133 million

Top 10 emerging roles

1. **Data analysts and scientists**
2. **AI and machine learning specialists**
3. General and operations managers
4. Software and applications developers and analysts
5. Sales and marketing professionals
6. **Big data specialists**
7. **Digital transformation specialists**
8. **New technology specialists**
9. Organizational development specialists
10. **Information technology services**

Source: Future of Jobs Report 2018, World Economic Forum

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U.S. public accounting firm hiring

In 2016, there were

19%↓

fewer accounting graduate firm hires since 2014

Source: 2017 AICPA Trends Report

In 2018, there were

29%↓

fewer accounting graduate firm hires since 2014

Source: 2019 AICPA Trends Report

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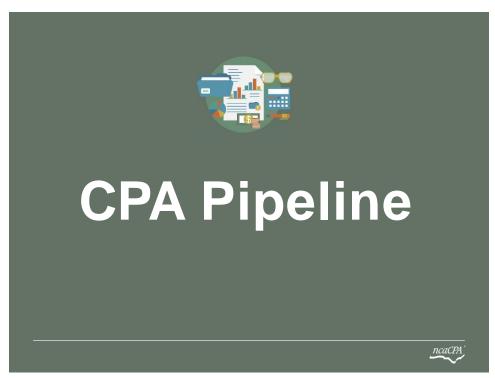
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Non-accounting graduate degree hires

Supply **Demand**

Non-accounting hires as a percentage of all new graduate hires are up 11%.

22% **2014**

20% **2016**

31% **2018**

• Non-accounting graduates

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CPA Pipeline

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LEAD BY
HAVING THE **RIGHT TALENT**

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YOUNG CPA CONCERNS:

Focused on Work Environment

Diversity

Community

Leaders Who Coach & Mentor

Technology

Flexibility

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Accounting enrollments

Total projected accounting enrollments are down 4% from the record highs of 2016 but are still among the highest.

Total enrollments

2016   **253,047**

2018   **241,873**

● Bachelor's   ● Master's in Accounting   ● Master's in Taxation   ● MBA Accounting   ● Ph.D.
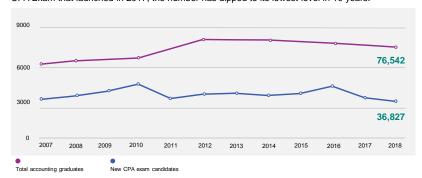
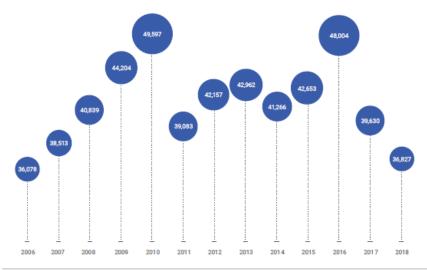*ncaCPA*

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Accounting graduates vs. new examinees

After the 2016 increase in CPA Exam candidates, attributed to new version of the Uniform CPA Exam that launched in 2017, the number has dipped to its lowest level in 10 years.

76,542

36,827

● Total accounting graduates   ● New CPA exam candidates

2019 Trends / The **supply** of accounting graduates and the **demand** for public accounting recruits
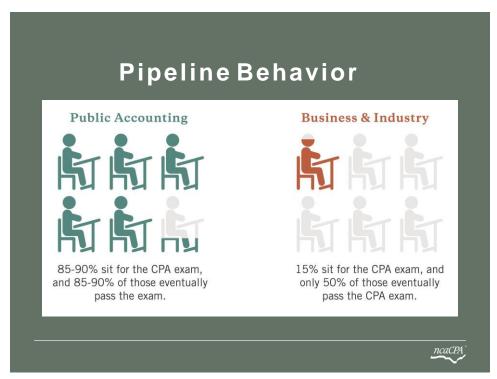
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5.1 Trends in number of new CPA candidates by year | 2006-18

Source: 2019 AICPA Trends Report, Section 06: Uniform CPA Examination®

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Pipeline Behavior

Public Accounting

85-90% sit for the CPA exam, and 85-90% of those eventually pass the exam.

Business & Industry

15% sit for the CPA exam, and only 50% of those eventually pass the CPA exam.

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NCCPA

FOUNDATION
YOUR INVESTMENT IN THE FUTURE OF THE PROFESSION

The CPA Profession is Facing a Talent Shortage,
and these key factors are affecting our talent pool:

Competition   **Cost**   **Teacher Shortage**

Insufficient Supply   **Diversity Deficiency**

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The Solution Starts Now

High School Initiative

Four-Year University Initiative

CPA Exam Initiative

Two-Year College Initiative

Master of Accounting Initiative

PhD Initiative

Diversity & Inclusion Initiative

Trusted CPA

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CPA Evolution

A combined NASBA-AICPA initiative aimed at evolving CPA licensure to reflect the skills and knowledge CPAs increasingly need in a technology-driven marketplace

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CPA Evolution progress

Circulated/ discussed conceptual licensure model		Drafted guiding principles		Leveraging feedback to inform an evolving licensure model	
Jan.- Oct. '18	Nov. '18- Jan. '19	Feb. '19	Spring '19	Today	2020
	Working Group formed; provided perspective		Exposed draft guiding principles; received feedback		**Build out model, gather feedback and finalize**

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Guiding Principles

- We must adapt quickly
- Technological expertise is essential
- Licensure requires rethinking
- We must expand our view of the CPA candidate
  - All must demonstrate core competencies
- Change should be rapid yet deliberate

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AICPA and NASBA stakeholder outreach

AICPA Council	State CPA societies	Boards of Accountancy	General membership
Firms of all sizes	Academia	Volunteer committees	Federal regulators
Students	Technology experts	CPAs in business and industry	Young professionals

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Support for:

👍 Need to change

💻 Bigger technology emphasis

A model that will:

🧭 Position CPA for the future

💡 Bring needed skills to the profession

👥 Protect the public interest

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What AICPA and NASBA heard

Focus on…
- A core that includes accounting, auditing, tax and technology
- Education that aligns with the core
- Experience requirements that support audit quality
- Supporting existing CPAs
  - Reskilling
  - Promoting emerging services

…while developing appropriate messaging to modify licensure in current environment

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Body of knowledge for newly licensed CPAs is growing…

Body of knowledge

Compared to 1980, today there are:

3X as many pages in the Internal Revenue Code

4X as many accounting standards

5X as many auditing standards

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Body of knowledge for newly licensed CPAs is growing…

Body of knowledge

Demands of practice require deeper skillsets

- Critical thinking
- Professional judgment/skepticism
- Problem solving
- Understanding of business
  - o Systems, controls, risk
- Data management and analysis
- SOC engagements

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…but Exam stays the same size.

Exam

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Stretch to cover more material with less depth

Exam and Education

Impact
- Requirements for licensure are watered down
- Candidates know less about what matters most

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Increase Exam and curriculum hours

Impact
- Increases barriers to entry, impacting pipeline
- Unsustainable approach over long term
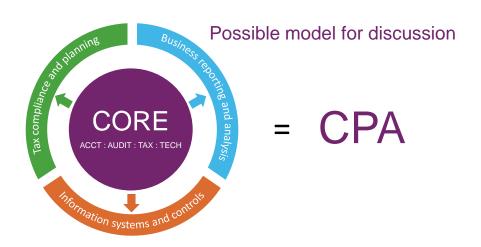
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Other models considered

- CPA – Audit, CPA – Tax, etc.
- ✗ Two tier
- ✗ Medical
- ✗ Legal
- ✗ Engineering

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Engineering Model

Mechanical
Civil
Electrical
Fundamentals
Structural
Industrial
Chemical
Nuclear

= Professional Engineer (PE)

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Possible model for discussion

Tax compliance and planning

Business reporting and analysis

CORE
ACCT : AUDIT : TAX : TECH

Information systems and controls

= CPA

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Possible model for discussion

CORE

ACCT : AUDIT : TAX : TECH

Tax compliance and planning

Business reporting and analysis

Information systems and controls

- Strong core with accounting, auditing, tax and technology
- Deeper knowledge in three primary disciplines
- Reflects reality of practice
- Adaptive and flexible
- One CPA license
- Enhances public protection

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Where do we go from here?

- Build out model and continue to seek feedback
- Continuing dialogue into 2020
  - Regional Council
  - State societies and state boards
  - Spring Council
  - NASBA Regional Meetings
  - AICPA and NASBA Boards of Directors
- **Goal: Finalize model in summer 2020**
- Plan and map out implementation
- **feedback@evolutionofcpa.org**

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Who is NCACPA?

The North Carolina Association of CPAs is the only statewide association for CPAs in North Carolina.

VISION

To be the essential resource for the North Carolina CPA.

MISSION

NCACPA promotes the competence, integrity, civic responsibility, and success of North Carolina CPAs.

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Here's Where We Are...

- **Things are changing rapidly for everyone in the accounting profession.**

- **There are many, many issues – but more importantly, numerous OPPORTUNITIES on the horizon!**

- **We have to communicate so we can address the challenges & solve the issues together!**

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So you said you were a resource, right?

Engage	**Learn**	**Get Involved**	**Explore**
Connect **Platform**	**Learn *your* way!**	**Committees**	**Advocacy**
Personalized Communication	**Current and relevant topics**	**Young CPA Cabinet**	**NC CPA Foundation**
Career Center	**CPE Select**	**Social & Networking Events**	**Blogs/Podcasts**
Affinity Partners	**Certificate Programs**		**Social Media**

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Clayton Darnell is the Business Lead for the NC Financial Backbone Replacement (FBR) project that will replace the North Carolina Accounting System (NCAS) and Cash Management Control System (CMCS) legacy statewide financial applications. Clayton has served the Office of the State Controller (OSC) since 2007, providing functional system support for NCAS and CMCS before joining the FBR project team in 2017. Prior to coming to OSC, Clayton worked nine years in accounting and financial system implementation and support roles for Sprint and H&R Block.

Clayton has a BS degree in Business Administration with an Accounting Emphasis from the University of Nebraska-Lincoln.

A graduate of Syracuse University, David began his career as an auditor and consultant with Arthur Andersen & Co. In 1995 David joined Computer Sciences Corporation to support a major re-engineering effort at Massachusetts Institute of Technology. David spent the next fifteen years at Computer Sciences Corporation and then at Accenture serving global clients developing international business systems strategies, including GMAC/Ally Bank, Volvo Financial Services, Daimler-Chrysler Financial Services, Farmers Insurance, Duke Energy, and General Electric. Since 2009 David has been an independent consultant providing transformation program leadership to clients such as GMAC/Ally Bank, Mead Johnson Nutrition, Standard Register, and General Dynamics. David has served North Carolina as OSC ERP Program Director since the fall of 2016.

Financial Backbone Replacement (FBR) Project Update

2019 NC Office of the State Controller Financial Conference

December 10, 2019

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NORTH CAROLINA ACCOUNTING SYSTEM - P REGION
MAIN MENU

A - PAYROLL/PERSONNEL

B - FINANCIAL SYSTEMS

E - INFORMATION EXPERT

ENTER THE SYSTEM TYPE YOU DESIRE: _

ACTION ____   DCI Release 01.01
                                                        18/057

AK03   CASH MANAGEMENT CONTROL SYSTEM
CLICK HTTPS://WWW.OSC.NC.GOV/STATE-AGENCY-RESOURCES/STATEWIDE-CASH-MANAGEMENT
SELECT EMAIL NOTIFICATION BOX TO SUBSCRIBE TO CMCS EMAIL GROUP

PF1 -DISPLAY NEXT PAGE OF A DETAIL LIST   PF13-DISPLAY LIST OF TRANSFERS
PF2 -DISPLAY PREVIOUS PAGE OF DETAIL LIST PF14-SELECT PRINTED RPTS (OSC ONLY)
PF3 -DISPLAY PRIMARY MENU   PF15-PRT TRANSFER WARRANT (OSC ONLY)
PF4 -DISPLAY CURRENT STATUS OF ACCOUNT   PF16-PRINTING DISPLAY MENU (OSC ONLY)
PF5 -DISPLAY APPROPRIATION DETAIL   PF17-INACTIVE
PF6 -DISPLAY ALLOTMENT DETAIL   PF18-INACTIVE
     -DISPLAY SPECIAL FUND DETAIL   PF19-INACTIVE
     -DISPLAY CAPITAL IMPROVEMENT DETAIL   PF20-ENTER/DISPLAY A REQUISITION
     -DISPLAY CONTROL ACCOUNT DETAIL   PF21-DISPLAY MENU FOR DEPOSITS
PF7 -DISPLAY ALLOTMENT RECEIPT/EXPEND   PF22-ENTER/DISPLAY A TRANSFER
     -DISPLAY SPECIAL FUND RECEIPTS   PF23-DISPLAY LIST OF REQUISITIONS
     -DISPLAY CAP IMP RECEIPTS/EXPEND   PF24-DISPLAY LIST OF DEPOSITS
PF8 -DISPLAY SPECIAL FUND EXPENDITURES   PF25-DISPLAY/UPDATE SECURITY
PF9 -DISPLAY ACCOUNT CODES AND TITLES   PF26-ENTER/UPDATE DEPOSIT
PF10-DISPLAY UPDATE FORMAT (OSC ONLY)   PF32-GO TO BUDGET SYSTEM (OSBM)
PF11-DISPLAY OVERDRAWN ACCOUNTS (OSC ONLY)
PF12-DISPLAY CONTROL ACCOUNTS (OSC ONLY)   NO. PENDING TRANSFERS   000
NEXT= _   PF=   DATE= MM DD YY SEQ   DISB/STIF =   BRNCH=

CALL OSC (919)707-0795 FOR ASSISTANCE ## -   ATA-MEGHNA SHAH
                                                        22/007

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STATUS UPDATE

- Reflection on May 2019 Task In Progress

- Chart of Accounts

- Planning and Common Design

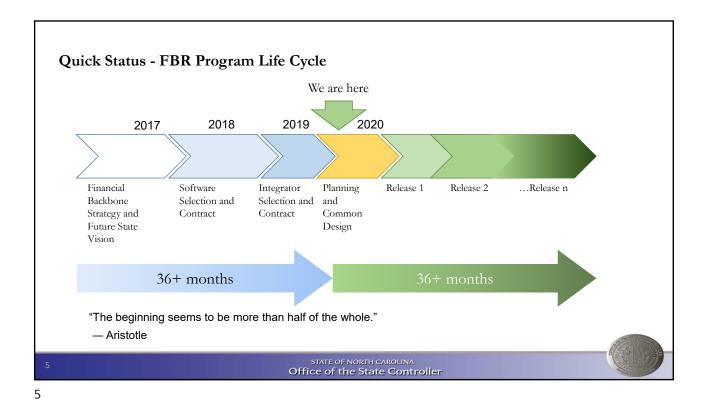STATE OF NORTH CAROLINA
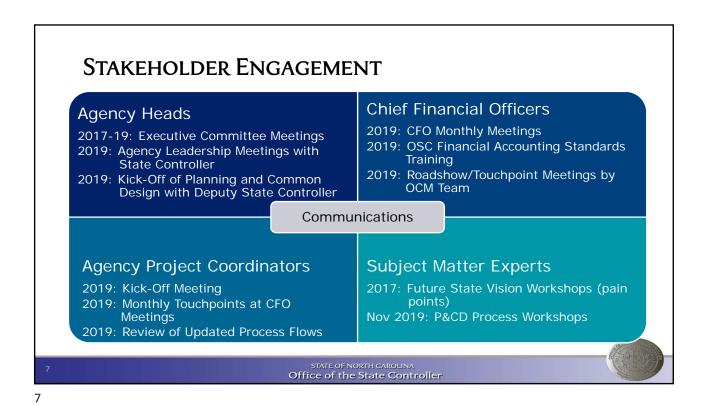Office of the State Controller

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LEGISLATIVE DIRECTION AND FUNDING

- Session Law 2016-94 Sec. 7.10 Enterprise Resource Planning Design and Implementation directed DIT, OSC, and OSBM to plan and design an ERP for state agencies.

- Session Law 2017-57 Sec. 37.6.(b) provided funding $13 million ($3 million 2017-18 plus $10 million 2018-19)

- Session Law 2018-5 Sec. 2.1 provided additional funding $27 million

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Quick Status - FBR Program Life Cycle

We are here

2017	2018	2019	2020		
Financial Backbone Strategy and Future State Vision	Software Selection and Contract	Integrator Selection and Contract	Planning and Common Design	Release 1	Release 2 ...Release n

36+ months

36+ months

"The beginning seems to be more than half of the whole."
— Aristotle

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REFLECTION ON MAY 2019 STATUS – WHERE ARE WE NOW

- ✔ • Award deployment support contract
- ✔ • Ramp up/onboarding of SI consultants
- ✔ • Kick off Planning and Common Design
- ✔ • SME identification
- ✔ • Current Chart of Accounts analysis
- ✔ • Initial Interface analysis
- ✔ • Current process analysis
- • Oracle learning (ongoing)
- • Data clean-up (ongoing)
- • OCM – stakeholder engagement (ongoing)

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STAKEHOLDER ENGAGEMENT

Agency Heads

2017-19: Executive Committee Meetings
2019: Agency Leadership Meetings with State Controller
2019: Kick-Off of Planning and Common Design with Deputy State Controller

Chief Financial Officers

2019: CFO Monthly Meetings
2019: OSC Financial Accounting Standards Training
2019: Roadshow/Touchpoint Meetings by OCM Team

Communications

Agency Project Coordinators

2019: Kick-Off Meeting
2019: Monthly Touchpoints at CFO Meetings
2019: Review of Updated Process Flows

Subject Matter Experts

2017: Future State Vision Workshops (pain points)
Nov 2019: P&CD Process Workshops

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FBR Core Team

This diagram represents the structure of the leadership team.

Steering Committee

Program Directors	PMO Support
David Lloyd	Brandee Stevenson
John Doyle	Rita Scoggins

OCM Leads	Functional Leads	Technical Lead
Libby Coley	Clayton Darnell	Arvind Wathore
Janice Coley	Matt Kessinger	Amit Kapshikar

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FBR Core Team

- Edith Cannady – Cash Management & Order to Cash Lead, OSC
- Shannon Creech – Budget Lead & Procure to Pay, OSBM
- Kris Hudson – Grants Lead, OSC
- Rokos Isaak – Inventory & Assets Lead, OSC
- Sondra Phillips – Data Lead, OSC
- Thurman Ross – Security Lead, OSC
- Teresa Shingleton, Project Advisor, OSC
- Randy Smith – Record to Report Lead, OSC

- Jordan Burd – Projects and Grants, Deloitte
- Brendan Callahan – Projects and Grants, Deloitte
- Rahule Desai – Inventory, Deloitte
- Don Houle – Procure to Pay, Deloitte
- Nahib Khaji – Procure to Pay, Deloitte
- Anish Prabhu – Record to Report, Deloitte
- Jennifer Rocks – OCM Director, Deloitte
- Danielle Scott – Functional Support, Deloitte
- Kalyan Vadlaptla – Fixed Assets, Deloitte
- Tori Vogel – PMO Support, Deloitte
- Jessica Zou – Cash Management & Order to Cash, Deloitte

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STATUS UPDATE

- Reflection on May 2019 Task In Progress

- Chart of Accounts

- Planning and Common Design

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KEY TERMINOLOGY – ENTERPRISE STRUCTURE

Enterprise	• Collection of legal entities under common control and management
Ledger	• Determines the currency, chart string, accounting calendar, and accounting convention for associated legal entities and sub-ledgers • Captures detailed transactional information from the sub-ledgers; details or summary are periodically imported and posted
Legal Entity	• Legally recognized entity that owns/trades assets and employs people in a registered jurisdiction
Business Unit (BU)	• Unit of an enterprise that performs one or many business functions and is assigned to a specific ledger; may roll up with other Business Units within a management hierarchy • Unit of an enterprise that processes transactions on behalf of legal entities (AP, PO, Expense)
Asset Book	• Housing unit for an asset belonging to any number of tax books (Full Accrual Basis) but only one corporate book (Modified Accrual Basis) • Assets are added to a corporate book first and then copied to the associated tax books
Department	• An organizational structure with one or more operational objectives or responsibilities • Example: Procurement, Sourcing, Receiving etc.

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NCAS CHART OF ACCOUNTS (COA) SEGMENTS

FFFG   TSOOOOaaaff   FFFFCCCCCCCCC
Company   **Account**   **Center**

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FINANCIAL ENTITY MODEL

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FIRST DRAFT NC CHART OF ACCOUNT STRUCTURE – SINCE SUPERSEDED

#	Segment Name	Description	Segment Qualifier	Length
1	Agency	A unit of the executive, legislative, or judicial branch of State government, such as a department, an institution, a division, a commission, a board, a council, or The University of North Carolina.	Primary Balancing Segment	4
2	Budget Fund	A fiscal and accounting entity with a self-balancing set of accounts for the purpose of carrying on stated programs, activities, and objectives of State government	Secondary Balancing Segment	9
3	State Program	A group of line items to support a specific statewide activity or theme and represents an alternative presentation of budget		4
4	Account	Object or line item in the budget or financial statements such as assets, liabilities, revenues, or expenditures.	Natural Account	8
5	Funding Source	Indication of resource underlying an expenditure such as appropriations, federal grant (FRC), local funds, etc.		4
6	Agency Management Unit	Agency defined org structure for internal management reporting and budgeting	Cost Center	7
7	Agency Program	Agency defined programs or functions for internal management reporting and budgeting		9
8	Agency Location	Agency defined location for internal management reporting and budgeting		6
9	State Project	Cross agency projects, such as hurricanes, to support statewide reporting of revenues and expenditures		5
10	County	NC county where material/asset was used/delivered or service performed		3
11	Inter-Agency	Due To/Due From; transfers between agencies	Intercompany	4
12	Future 1	Reserved for future use		6
13	Future 2	Reserved for future use		5

1234.123456789.1234.12345678.1234.1234567.123456789.123456.12345.123.1234.123456.12345

Agency — Budget Fund — State Program — Account — Funding Source — Agency Management Unit — Agency Program — Agency Location — State Project — County — Inter-Agency — Future 1 — Future 2

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CHART OF ACCOUNTS LEADING PRACTICE

A well designed chart of accounts is developed to fulfill financial and statutory needs. While requirements to fulfill these needs can vary across organizations, leading practice COAs follow the same common principles.

	Relevance – What needs to be reported?		*Single Dimension, Single Purpose*
	Flexible to Enable Growth		*Hierarchically Structured*
	Uniqueness – Cannot be derived		*Normalized – Utilize Sub-Ledgers and Ancillary Systems*

Leading Practice
Chart of Accounts Segments

Agency	Fund	Department	Natural Account	Intercompany	Future	Future

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STATUS UPDATE

• Reflection on May 2019 Task In Progress

• Chart of Accounts

• Planning and Common Design

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Planning & Common Design Outcomes

- Future state business process, enterprise structure, and data designs, and a partially configured prototype OCF environment. Proofs of Concept for key process components and configuration decisions

- Project life cycle strategies and plans for integration, data conversion, user access security, organizational design and training, that describe the target end state and the path from here to there.

- Plans and estimates that use GAO guidelines for high-quality, reliable estimates
  - Well-documented
  - Comprehensive
  - Accurate
  - Credible

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High Level Timeline

The Planning and Common Design process includes multiple phases that culminate in a revised roadmap and confirmed estimates.

	Oct - Nov	Dec* - Jan	Feb - Mar	Apr - May
	Future State Process Workshops	**Detailed Workshops**	**Workplan & Estimates Prepared**	**Refinement as Needed**
Inputs	- Draft State's Process Flows - Identify initial Fit / Gap	- Process Gaps Remediation - Initial User Story Inventory	- Collaboratively Determine Release Strategy - Update & Revise Estimates	
Outputs	- Updated Common Future State Processes - Follow-Up Actions	- User Story Inventory - List of Development Objects - Reports, Interfaces & Conversions	- Future State Roadmap - SOW for Future Work	

Project Management Office
Organizational Change Management
Technical Workstream

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Future State Process Workshop Overview

The outputs of the workshops at the sub-process level are compiled to provide the end to end process flows and draft Future State Process deliverable.

Inputs	Workshop	Review & Approve	Draft Deliverable

Inputs
- Pain Points
- Potential Gaps
- Key Decisions
- Updated Process Models

Workshop
Update Materials
Discussion/ Validation

Process Flows
Gaps | Decisions
Action Items | Parking Lot

Review & Approve
Feedback
Participant Review (within 3 days)
Document Results
Resolve Action Items
Notes (within 3 days)
Document and Review

Draft Deliverable
Procure to Pay Workshop Outputs

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Process Design Guiding Principles

These workshops are focused on gathering needs for the future system

- Create and deploy a new financial architecture that meets the current and foreseeable future financial information needs of the State

- Leverage standard processes and best practices within Oracle Cloud application services, minimizing software changes, and changing existing State processes to improve efficiency and effectiveness

- Recognize that the Project will create significant work and change for your State organizations and fellow employees; its success depends heavily on your knowledge, expertise, effort, and your ability and willingness to adopt the change

- Identify potential obstacles or challenges as early as possible

- Prioritize providing functionality in NCAS, but leverage standard solution efficiencies where possible

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Process Decomposition

Process Area

Record to Report	Procure to Pay	Order to Cash	Assets	Inventory	Projects	Grantee	Budget Execution	Cash Mgmt

Process Group

Manage Chart of Accounts

Process Accounting Transactions

Perform Closing

Process

Journal Entry

Post Journal

Cost Allocations

Intercompany Journals

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GL 2.1 - CREATE MANUAL JOURNALS VIA ORACLE SCREEN (A)
BELOW PROCESS DEMONSTRATES HOW JOURNALS ARE MANUALLY KEYED INTO THE SYSTEM.

GL 2.1a - Create Manual Journals Via Oracle Screen

Journal Originator

Start → GL 2.1a.1 Prepare Journal Voucher with Supporting Documentation as necessary

Budget Office

GL 2.1a.5 BU 7.1 Revise Budget

Accountant

GL 2.1a.8 GL 2.7 Delete/ Un-Posted Journals → GL 2.1a.2 Sign Hardcopy Journal Voucher (Optional) → GL 2.1a.3 Create Journals (Checks for Valid Distribution and Balanced Entries) → GL 2.1a.4 Check Funds → Funds Available? —Yes→ GL 2.6 GL 2.1a.6 Submit for Approval

(No → Revise Budget)

Manager

Journals Approved? —Yes→ GL 2.1a.7 GL 2.8 Posting → End

(No)

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NCAS Modules

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TODAY   **TOMORROW**

24

TODAY

TOMORROW

WE NEED <u>ALL</u> OF YOU!

- Engage
- Support
- Promote
- Communicate

Some Early Learnings
David Lloyd

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Key Success (so far) Factors

• Start by creating a shared vision of the future

• Drive product and services selections from strategy

• Make consensus-based decisions from broad-based input

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Governance and Guidance for FBR

These expanded governance groups help project leaders to work with and listen to agencies and departments at multiple levels, reducing the risks of surprises and missed expectations.

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Guiding Principles

1. Manage Work in Chunks
2. Follow The Rules
3. Pay Attention to People
4. Admit What We Don't Know
5. Make Decision-Making Transparent
6. Use Earned Value Management
7. Robust Quality Assurance

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QUESTIONS?

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Sandra Fields has worked with the Office of the State Controller for over 30 years.   She is the Technical Applications Systems Manager over the North Carolina Accounting System (NCAS) and the Cash Management Control System (CMCS). Previously, Sandra was a consultant with Dun and Bradstreet and started working with North Carolina on the initial implementation of NCAS. She has been working with the NCAS system ever since, leading projects for various enhancements.   Sandra and her staff currently are working with agencies to batch load journals, invoices and vendors using EXCEL. She will be assisting the Financial Backbone Replacement project (FBR) with converting the NCAS data to Oracle.

She has a BS degree in Applied Mathematics with a specialty in Computer Science from Florida State University.

FSJ1

OFFICE OF THE STATE CONTROLLER

CONTENT CLOUD

Sandra Fields – Technical Application Manager
SANDRA.FIELDS@OSC.NC.GOV

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CONTENT CLOUD

- Find and extract information from wherever it is stored and transform and deliver information in the context needed

- DIT Sponsored Project

- Replacement for XTND/XNET

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Slide 1

CONTENT CLOUD

- Why Replace XNET/XTND?
  - Does not meet Federally Mandated Security Standards
  - Not supported by SYSTEMWARE
    - End of life
  - Users should begin using Content Cloud as soon as available

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CONTENT CLOUD

- Target Dates
  - Testing
    - November – December 31
  - Production
    - January 5, 2020
      - Production XPTR will be upgraded to 5.2
    - January 11, 2019
      - Migrate data to servers
    - Jan 12 – 30, 2019
      - Soft Production Launch
    - January 31, 2020
      - Go Live
      - Content Cloud available for production use

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CONTENT CLOUD

- Target Dates
  - Training
    - November – January 31, 2020
      - Train the Trainer
        - Webinar
      - OSC Training

    - January 21, 2020
      - Advanced Train the Trainer

5

CONTENT CLOUD

- Quickly and Accurately find and retrieve content
  - Search features
  - Configurable
  - Create Scripts
  - Create individual or shared favorites
  - Access at page/report level
- Transform, Package and Deliver
  - Repurpose structured and non-structured content
  - Use queries
  - Extraction templates
  - Add Notes
  - Package multiple reports into single PDF/Zip

6

CONTENT CLOUD

- Storage and Retention
  - Records management
  - Share common resources
  - Compress content
  - Restore content and store in cloud
- Security and Compliance
  - Configure user groups, roles, filters
  - Encrypted data
  - Meet regulatory compliance with data masking

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CONTENT CLOUD

- Test Environment

    HTTPS://TEST.SYSWARE.NC.GOV

- Production Environment

    HTTPS://SYSWARE.NC.GOV

- VPN:
https://edc4.sslvpn.nc.gov/+CSCOE+/logon.html#form_title_text

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8

9

10

11

12

CONTENT CLOUD

```
X 1 V22: Favorites                                    Row 1 to 11 of 11
Command ===>                                          Scroll ===> CSR

Commands: PRO - Update Favorites (via Profile)
Options:  B   - Display on terminal    X   - List report indices
          S   - List report versions   V   - List report views
          PRT - Print                  Q   - Add to Work Queue
          SQ  - Structured Query       N   - Version Notes
Use END command to exit.  Use LEFT command to list more report information.

Opt  Type  Title                                     Last CMD
     DIR   /OSC/MFS
     DIR   CASH MANAGEMENT(OSC) /OSC/AKA
     DIR   CENTRAL PAYROLL (IMS)/OSC/PXA
     DIR   FLEX BENEFIT (CCC)
     DIR   NC23 (CICSNC23 REGION)
     DIR   OSC BEACON INTEGRATION
 S_  DIR   P (CICSSCCP REGION)
     DIR   PRACTICE/TRAINING REGION
     DIR   TEST (CICSSCCM REGION)
     DIR   UNIVERSITY REPORTS
     DIR   WORKMAN COMPENSATION (CCD)
```

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CONTENT CLOUD

```
X 1 V22: Favorites                                    Row 1 to 11 of 607
Command ===> _                                        Scroll ===> CSR

Commands: PRO - Update Favorites (via Profile)
Options:  B   - Display on terminal    X   - List report indices
          S   - List report versions   V   - List report views
          PRT - Print                  Q   - Add to Work Queue
          SQ  - Structured Query       N   - Version Notes
Use END command to exit.  Use LEFT command to list more report information.

Opt  Type  Title                                     Last CMD
     RPT   OSCOPC ACH BANK ERROR REPORT
     RPT   OSCOPC ACH BUDGET CODE PARM LIST
     RPT   OSCOPC ACH CANCELLED CHECKS
     RPT   OSCOPC ACH PAYMENT REPORT
     RPT   OSCOPC AGENCY FUNDS EOY REPORT
     RPT   OSCOPC AP DENR CGL CHECKS
     RPT   OSCOPC AP EOY INV ACR INJECTION
     RPT   OSCOPC AP EOY PRE INC ACR UNF ER
     RPT   OSCOPC AP EOY PRE INV ACR EXCEL
     RPT   OSCOPC AP EOY PRE INV ACR INJCTN
     RPT   OSCOPC AP FEDERAL CLEARANCE
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STATE OF NORTH CAROLINA
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XTND View

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XTND View File:

Category:

For Resource: Document (/OSC/OTC/OTEN)

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Content View Type: XTND View

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XTND View File: 0000000D.VEW

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CONTENT CLOUD

- Questions???

STATE OF NORTH CAROLINA
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Michael Euliss is the Director of Communications, Government Relations, and Training for the North Carolina Office of the State Controller. Mr. Euliss is also a motivational teacher and holds numerous nationally recognized certifications in training, teaching, and organizational health. He has provided educational events to hundreds of governmental, church, corporate, and civic groups across North America to help them develop a culture of servant leadership and displace ineffective and autocratic leadership practices.

He is internationally recognized for practical but powerful motivational and inspirational learning experiences. His expertise is in leadership development, public and interpersonal communication skills, strategic direction, and group dynamics. He uses a variety of methods to equip today's leaders with the tools they need to excel and make others around them better.

He has been featured as a guest speaker at hundreds of venues in almost every state in the US. His other appearances include many television and radio shows, the Texas Ministry Conference, the Christian Management Association Annual Convention, WFX, the Social Security Administration, the Oklahoma State Bureau of Investigation, the Wisconsin Law Enforcement Trainer's Association, and the Institute for Church Leadership.

Mr. Euliss has experiences in the corporate world as well as the public sector. He is retired from local government after 20 years and served in executive management in the private sector for 10 years before founding a non-profit organization focused on leadership development where he served for seven years. He is the author of Advanced Church Leadership, On Eagle's Wings - Developing the Leader in You, as well as Developing the Leader in You for Law Enforcement Professionals and created the BulletProof™ Initiative for the encouragement of public servants across America.

He has been married to his high-school sweetheart since 1984 and is the father of three children and a grandfather of three. He resides with his family in North Carolina.

The Gift

Michael Euliss
Office of the State Controller

Who are Your Heroes?

Who was the greatest?

Was it?

- Billy Sims?
- Emmitt Smith?
- Tony Dorsett?
- Herschel Walker?
- Earl Campbell?
- Brian Piccolo?
- Walter Payton?
- Gale Sayers?
- John David Crow?

John David Crow

- Only Heisman Trophy winner under Bear Bryant
- Played for the Cardinals and the 49ers
- Played in four Pro-Bowls
- Averaged 5 yards per carry
- Quote: "If {Crow's Teammate} had played for Bud Wilkinson at Oklahoma, the world would have never heard much about John David Crow."

Ken Hall (The Sugar Land Express)

- 11,232 Career Rushing Yards (1950-53) (59 Years)

- 4,045 Single-Season Rushing Yards (1953)*

- 47.3 yards per carry*

- 899 Points Career Scoring

- 395 Points Single Season

- 57 Touchdowns in One Season*

- 38 100+ Yard Games (Emmitt Smith)

- 21 Consecutive 100+ yard games

- 32.9 Points Average Per Game

- Ran for 520 yards in one game* (11 carries)

- Scored 38 points in a Texas State Championship Track Meet

" *...of all of the mistakes I made while coaching, you were the biggest.* **"**

Coach Paul "Bear" Bryant

Letter to Ken Hall from his coach many years later.

"Circumstances do not define a person's character, they **reveal** it...

They also provide the opportunity to develop and refine it"

Dr. Harry Reeder

"The first responsibility of a leader is to define reality.

The last is to say "Thank You"

In between the leader is a servant."

Max De Pree

Servant Leaders are a blend...

- Steel
- Hard as a Rock
- "Ferocious Resolve"

- Velvet
- Soft as a drifting, morning fog
- Great Humility

Servant Leader

(True Leader)

- Realizes that his or her role is not about them but about serving others.

- Moves themselves and others from "**preference to purpose**"

- Focuses **EVERYTHING** on serving others

- Demonstrates **AUTHENTIC** care for individuals

- Blinders are suddenly removed allowing them to see value in others

- Moves from ego to **humility**

- Understand and embrace people's basic needs. Not just what they can get from them.

The Basic Needs of <u>All People</u>

Who helped you get where you are today?

Stacey Mazer is a Senior Staff Associate with the National Association of State Budget Officers (NASBO) in Washington, D.C. In this capacity, Mazer is responsible for monitoring and analyzing the impact of federal health and Medicaid decisions on states as well as tracking human and social service developments within states. Mazer also produces a weekly Health Care Issues Update that is distributed to NASBO members and she serves as the staff lead for the association budget and grants. Prior to joining NASBO, she worked for the Congressional Budget Office and the Finance Department for the City of Baltimore. Mazer is a graduate of Syracuse University where she also earned a Master's degree in Public Administration from the Maxwell School of Public Affairs and Citizenship.

December 10, 2019

FISCAL CONDITION OF THE STATES

North Carolina OSC Financial Conference

NASBO
NATIONAL ASSOCIATION OF STATE BUDGET OFFICERS

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Current Fiscal
Situation for States

2

NASBO Publication:
State Expenditure Report

- Published yearly

- Breaks down spending by fund source

- Contains data on program area spending, as well as general fund revenue and transportation revenue

3

3

What's the State Fiscal Environment for 2020 Legislative Sessions?

Finished FY 2019 with Revenue Surpluses – 2nd Year in a Row

Rainy Day Funds at highest levels

FY 2020 budgets slightly higher spending growth than recent years. K-12 a big gainer in good times

Cautionary tale: preparing for the next economic downturn

K-12 and Higher Ed – usually big gainers in good times

Pensions and retiree health liabilities; infrastructure and transportation demands

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General Fund Revenues

General Fund Revenues – All Sources

Annual Median General Fund Revenue Change (%)

Source: NASBO State Expenditure Reports

FY 2019
MEDIAN GENERAL FUND REVENUE PERCENTAGE CHANGE

- SALES & USE TAX
- PERSONAL INCOME TAX
- CORPORATE INCOME TAX
- GAMING/LOTTERY
- OTHER
- TOTAL GENERAL FUND

| | 4.5% | 5.5% | 16.0% | 3.3% | 2.0% | 4.9% |

FISCAL 2019

Robust Growth in Fiscal 2019, Led by Personal Income Tax Collections

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General Fund Revenue Collections Compared to Budget Projections by Fiscal Year

NUMBER OF STATES

Year	LOWER	ON TARGET	HIGHER
2008	20	5	25
2009	41	4	4
2010	36	2	12
2011	9	9	32
2012	10	5	35
2013	7	6	37
2014	20	5	25
2015	7	4	39
2016	25	5	20
2017	27	5	18
2018	2	8	40
2019	2	2	46

- LOWER
- ON TARGET
- HIGHER

Most States Met or Exceeded Revenue Projections for Fiscal 2019

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No States Made Mid-Year Budget Reductions in Fiscal 2019 Due to a Shortfall
Budget Cuts Made After The Budget Passed

Note: Beginning in Fiscal 2018, NASBO asked states reporting net mid-year budget reductions as to whether the reductions were made due, at least in part, to a revenue shortfall. Effective in FY2018 going forward, only states reporting mid-year budget cuts due to a shortfall are included in the totals reported in this figure. Prior to FY2018, particularly in non-recessionary periods, states that reported mid-year cuts that were due to other reasons, such as a reduction in caseload, would have been included in the counts above.

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FY 2020 ESTIMATED MEDIAN GENERAL FUND REVENUE PERCENTAGE CHANGE

Source: NASBO State Expenditure Report 2019

Fiscal 2020 Growth over Revised FY 2019.

Growth rates were higher when FY 2020 budgets were set. Subsequently, FY 2019 revenues came in above budget.

Early revised estimates for FY 2020 have higher growth rates.

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Fiscal 2019 General Fund Revenue Growth
Forecasts and Actuals

Fiscal 2019 revised forecasts

- **US:** PIT +4.0%
- Sales   +4.5%
- CIT   +12.6%
- TOTAL +4.3%

- **NC:** PIT   +4.0%
- Sales   +4.6%
- CIT   +12.7%
- TOTAL   + 4.3%

Fiscal 2019 Actuals

- **US:** PIT   +5.5%
- Sales   +4.5%
- CIT   +16.0%
- TOTAL   +4.9%

- **NC:** PIT   +5.2%
- Sales   +5.6%
- CIT   12.4%
- TOTAL   +5.4%

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All States - Revenue Sources in the General Fund
Percentage

Fiscal 2019

- All Other 17.5%
- Sales 30.1%
- Gaming 1.0%
- Corporate Income 6.5%
- Personal Income 44.9%

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North Carolina - Revenue Sources in the General Fund
Percentage

Fiscal 2019

All Other 12.4%

Corporate Income 3.3%

Sales 31.2%

Personal Income 53.0%

Source: NASBO State Expenditure Report 2019

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Revenue Sources in General Fund – All States
FY 1998 compared to FY 2019

Fiscal 1998

Other Taxes & Fees 17.8%

Gaming 0.8%

Corporate Income 9.0%

Sales 33.7%

Personal Income 38.6%

Fiscal 2019

Other Taxes & Fees 17.3%

Gaming 1.0%

Corporate Income 5.6%

Sales 30.5%

Personal Income 45.6%

Source: NASBO State Expenditure Report

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Revenue Sources in General Fund – North Carolina

FY 1998 compared to FY 2019

Fiscal 1998

Other
14.9%

Sales
27.8%

Corporate
Income
5.9%

Personal
Income
51.4%

Fiscal 2019

Other
12.4%

Sales
31.2%

Corporate
Income
3.3%

Personal
Income
53.0%

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General Fund Spending

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Annual General Fund Expenditure Growth, Nominal (%)

State General Fund Spending Expected to See Moderate Increase In Fiscal 2020, After Above-Average Growth in Fiscal 2019

* 41-year historical average annual nominal growth rate in state general fund spending is 5.4 percent.

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FY 2020 Budgets: Key Themes & Common Budget Items

- Teacher Pay Increases

- Early Education/Pre-K expansions

- One-time Spending from one-time funds – including Deferred Maintenance

- Medicaid Expansion and some supplemental funds for FY 2019

- Full funding of Pension contributions plus some extra for unfunded liabilities

- Children's Service/Child Welfare

- Preparing for Next Recession

- More states starting and expanding last dollar "free" two-year college degrees

- State employee pay increases – many budgets have 2 to 3%. Most # states in many years

- Corrections employees – even more pay and minimum salary increases

- Workforce Development

- Housing in several states

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STATE FUNDS PERCENTAGE SPENDING GROWTH
BY PROGRAM AREA

ESTIMATED FISCAL **2019**

■ **K-12** ■ **Higher Ed** ■ **Public Assist.** ■ **Medicaid** ■ **Corrections** ■ **Transport.** ■ **All Other** ■ **Total**

*State Funds are general funds and other state funds combined, excluding bonds

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EXPENDITURES BY FUNCTION
ESTIMATED FISCAL **2019**

TOTAL STATE EXPENDITURES

Medicaid 28.9%
K-12 19.5%
Higher Ed 10.1%
Transportation 8.1%
Corrections 3.0%
Public Assistance 1.2%
All Other 29.1%

STATE FUNDS

Medicaid 16.4%
K-12 24.9%
Higher Ed 13.1%
Transportation 7.9%
Corrections 4.4%
Public Assistance 0.7%
All Other 32.6%

Total state expenditures are all federal and state funds. State funds are general funds and other state funds combined, excluding bonds.

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Fiscal 2019 General Fund Spending Exceeds Fiscal 2008 Level, Adjusted for Inflation

General Fund Spending, Fiscal 2008 To Fiscal 2020 (In Billions)

Fiscal 2020 figure is based on governors' recommended budgets.
Percentages shown represent total annual general fund spending growth. The median projected growth rate for fiscal 2020 is **3.4 percent**.
*Aggregate spending level needed to total at least $862.6 billion in fiscal 2019 to be equivalent with or exceed real 2008 spending level.

General Fund Spending, Fiscal 2008 To Fiscal 2020 (In Billions)

Source: NASBO Fiscal Survey of States; Fiscal 2020 figure is based on governors' recommended budgets.
Aggregate spending level needed to total at least $862 billion in fiscal 2019 to be equivalent with or exceed real 2008 spending level.

Fiscal 2019 General Fund Spending

Exceeds Inflation-Adjusted Pre-Recession Peak

Yet 25 states are still below Inflation Adjusted Pre-Recession Level

Total State Expenditures

By Fund Source

FY08 $1,479 Billion

Federal Funds, 26.3%
General Funds, 45.7%
Bonds, 2.4%
Other State Funds, 25.7%

FY19 $2,119 Billion

Federal Funds, 31.2%
General Funds, 40.5%
Bonds, 1.8%
Other State Funds, 26.5%

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Total State Expenditures

By Function

FY08 $1,479 Billion

Medicaid 20.5%
K-12 22.0%
Higher Education 10.7%
Transp. 7.8%
Corrections 3.5%
Public Assistance 1.7%
All Other 33.9%

FY19 $2,119 Billion

Medicaid, 29.7%
K-12, 19.6%
Higher Education, 10.1%
Transp. 8.0%
Corrections, 3.1%
Public Assistance, 1.3%
All Other, 28.3%

Source: NASBO State Expenditure Report. Total state expenditures include all federal and state funds. Percentages based on 50-state totals.

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General Fund Expenditures

By Function

FY08 $687 Billion

- K-12 Education 34.5%
- Higher Education 11.3%
- Public Assistance 1.8%
- Medicaid 16.3%
- Corrections 7.0%
- Transp. 0.8%
- All Other 28.4%

FY19 $864 Billion

- K-12 Education 35.6%
- Higher Education 9.6%
- Public Assistance 0.9%
- Medicaid 19.7%
- Corrections 6.6%
- Transp. 0.9%
- All Other 26.7%

Source: NASBO *State Expenditure Report.* Percentages based on 50-state totals.

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Federal Funds Expenditures

By Function

FY08 $395 Billion

- K-12 11.5%
- Higher Education 3.8%
- Public Assistance 3.1%
- All Other 29.4%
- Corrections 0.2%
- Transportation 8.5%
- Medicaid 43.6%

FY19 $650 Billion

- K-12 8.6%
- Higher Education 3.3%
- Public Assistance 2.4%
- All Other 17.4%
- Corrections 3.0%
- Transportation 7.1%
- Medicaid 58.2%

Source: NASBO *State Expenditure Report.* Percentages based on 50-state totals.

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Medicaid Has Increased as a Percentage of General Fund Spending Over Time

Source: NASBO State Expenditure Report

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Figure 7

Medicaid spending is mostly for the elderly and people with disabilities.

SOURCE: KCMU/Urban Institute estimates based on data from FY 2011 MSIS and CMS-64. MSIS FY 2010 data were used for FL, KS, ME, MD, MT, NM, NJ, OK, TX, and UT, but adjusted to 2011 CMS-64.

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K-12, Higher Ed and Medicaid Spending as a %
of General Fund

North Carolina

Source: NASBO State Expenditure Report.

Pension Spending

- **Pensions** – 46 states and DC were able to report pension spending separately from OPEB spending

- **General Fund Pension Spending** – 34 states and DC were able to break out the General Fund portion

- **K-12 Education** – 29 states and DC explicitly budget amounts for K-12 pensions. 16 states do for K-12 OPEBs

- **Higher Education** – 26 states explicitly budget amounts for Higher Education pensions. 13 states do for Higher Education OPEBs

Source: NASBO

Pension Spending

Pension and OPEB Spending Median Annual Growth Rates FY 2014-2017		
Fiscal Year	General Fund	All Funds
2014	6.8%	8.5%
2015	5.3%	6.0%
2016	3.9%	3.1%
2017	4.3%	3.0%

Source: NASBO

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Online Sales Tax

Online Sales Tax

Current Status of State Actions

- 42 of 45 Sales Tax States have statutes or regulations in place to require remote sellers to collect and remit – with small-seller thresholds

- Not Yet: FL, KS, MO

- Many states updated FY 20 revenue estimates with the impact of online sales tax revenues.

- Averaged around 2% of sales tax totals.

–By July 2018: HI, OK, RI, PA, VT

–Sept 2018: MS

–Oct 2018: AL, IL, IN, KY, ME, MD, MA, MI, MN, NV, NJ, ND, WA, WI

–Nov 2018: NC, SC, SD

–Dec 2018: CO, CT

–Jan 2019: GA, IA, NE, UT, WV

–Feb 2019: WY

–Later 2019: AR, AZ, CA, ID, LA, NM, NY, TN, TX, VA

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Online Sales Tax

Marketplace Facilitator Laws – 33 States

- Amazon, eBay, Etsy – examples of Marketplace Facilitators
- Marketplace Facilitators "facilitates" the sale of a seller's product through a marketplace for payment
- States are moving quickly to require Marketplace Facilitators to collect and remit sales taxes from online sales
- Relieves small businesses from the administrative burden of collecting and remitting sales taxes from their online sales.

2017 # of States passed these laws - 4

2018 before Supreme Ct Decision – 4

2018 after Supreme Ct Decision – 2

2019 Legislative Session – 23

(As of Oct 2019:
FL,GA,KS,LA,MI,MS,MO,NC,TN not yet)

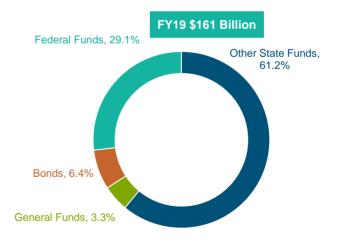NASBO   34

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Transportation

Transportation Expenditures
By Funding Source

Estimated Fiscal 2019

FY19 $161 Billion

Federal Funds, 29.1%

Other State Funds, 61.2%

Bonds, 6.4%

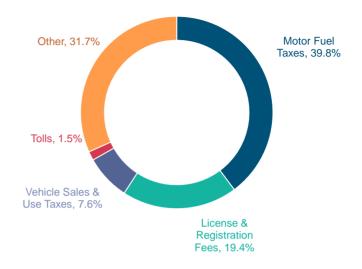General Funds, 3.3%

Source: NASBO State Expenditure Report

Transportation Fund Revenue Sources Fiscal 2019

46 States have a Dedicated Fund for Transportation

Since 2013, 33 states and DC have increased their state gas taxes.
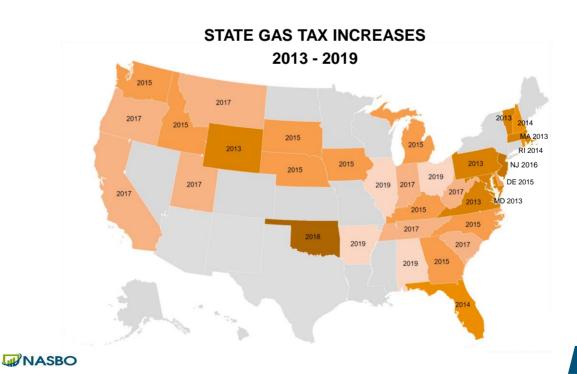
22 states & DC have indexed or variable-rate

27 States have fees on electric vehicles

Other, 31.7%

Motor Fuel Taxes, 39.8%

Tolls, 1.5%

Vehicle Sales & Use Taxes, 7.6%

License & Registration Fees, 19.4%

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STATE GAS TAX INCREASES
2013 - 2019

2015
2017
2017
2015
2013
2015
2017
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2019
2015

2013
2014
MA 2013
RI 2014
NJ 2016
DE 2015
MD 2013

2014

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Gas taxes raised in 33 states since 2013

-3 states in 2019(**AL,AR,OH**)

-1 state in 2018 (**OK**)

-8 states in 2017 (Rate increases: **CA, IN, MT, OR, SC, TN**. Formula change: **UT, WV**)

Road Usage Charges

The next frontier of transportation resources

32 states have Constitutional restrictions on how revenues in transportation fund can be spent

27 States now have electric vehicle fees

2016 – 9% of fleet were electric
2021 – 12% of fleet (est'd)

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State Rainy Day Funds

Median Rainy Day Fund Balance Over Time

Most States Continue to Strengthen Rainy Day Funds

37 States Report Increases in Fiscal 2019; 32 States Forecast Increases in Fiscal 2020

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Federal Outlook and Impact on States

The Affordable Care Act, especially Medicaid

Per capita caps, Expansion, Flexibility, ACA struck down

Infrastructure

Infrastructure Week?

Tax Policy Considerations

Municipal debt, border-adjusted corporate tax, state/local tax deductibility

The Fiscal 2020 Budget

What happens after December 20?

Federal
Uncertainty

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FEDERAL GOVERNMENT SHUTDOWNS AND THEIR DURATION IN DAYS
1976 - 2019

Date	Duration (top)	Duration (bottom)
Oct 1976	10	
Oct 1977		12
Nov 1977	8	
Dec 1977		8
Oct 1978	18	
Oct 1979		11
Nov 1981	2	
Sept 1982		1
Dec 1982	3	
Nov 1983		3
Sept 1984	2	
Oct 1984		1
Oct 1986	1	
Dec 1987		1
Oct 1990	3	
Nov 1995		5
Dec 1995 – Jan 1996	21	
Oct 2013		16
Jan 2018	3	
Feb 2018		1
Dec 2018 – Jan 2019	34	

Source: From Congressional Research Service reports

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FY 2020: How Did We Get Here?

DISCRETIONARY SPENDING
(BILLIONS)

	Defense	Defense Adjustments	Non-Defense	Non-Defense Adjustments
FY 2019 FINAL	$647	$69	$597	$23
FY 2020 BCA	$576		$543	
FY 2020 BBA	$667	$72	$622	$8
FY 2021 BBA	$672	$69	$627	$8

■ Defense   ■ Defense Adjustments   ■ Non-Defense   ■ Non-Defense Adjustments

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FY 2020: What Happens Next?

- Twelve appropriations bills: House and Senate different totals, need to reconcile.

- Continuing resolution (CR) funding the government through December 20.

- CR includes several program extensions: National Flood Insurance Program, HHS programs, TANF, and delays cuts to Disproportionate Share Hospitals.

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Beyond the Budget: Regulatory Changes

Medicaid Waivers

- Section 1115 of the Social Security Act provides authority for the Department of Health and Human Services to grant Medicaid waivers.

- Trump administration issued new waiver guidance in November 2017 and January 2018, addressing work requirements and no longer requiring increased coverage.

Landscape of Approved vs. Pending Section 1115 Medicaid Demonstration Waivers, October 9, 2019

- Approved (50 across 40 states)
- Pending (22 across 19 states)
- Set Aside by Court (3 across 3 states)

NOTES: Some states have multiple approved and/or multiple pending waivers, and many waivers are comprehensive and may fall into a few different areas. Therefore, the total number of pending or approved waivers across states cannot be calculated by summing counts of waivers in each category. Pending waiver applications are not included here until they are officially accepted by CMS and posted on Medicaid.gov. For more detailed information on each Section 1115 waiver, download the detailed approved and pending waiver tables posted on the tracker page. "MLTSS" = Managed long-term services and supports.

Landscape of Approved vs. Pending Section 1115 Medicaid Demonstration Waivers, October 9, 2019

NASBO 47

Beyond the Budget: Upcoming Census

- Next decennial Census will take place in 2020.

- The accuracy of each state government's 2020 Census count will affect its allocation of federal funding.

- 36 states and D.C. have Complete Count Commissions or Committees.

- 23 states have allocated over $300 million for Census efforts.

  (Source: National Conference of State Legislatures)

- Census-guided programs:
  - Federal Medical Assistance Percentage (FMAP)
  - Highway Planning and Construction
  - Special Education
  - Women, Infants and Children
  - TANF
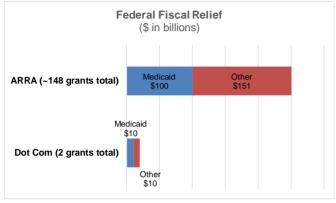 - CHIP
  - Foster Care
  - LIHEAP

For more information on how the Census affects federal funds to states, visit Counting for Dollars 2020 at the George Washington Institute of Public Policy.

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Past is Prologue? Lessons Learned from the Great Recession

Federal Fiscal Relief
($ in billions)

ARRA (~148 grants total): Medicaid $100, Other $151

Dot Com (2 grants total): Medicaid $10, Other $10

Source: Federal Funds Information for States

Key Findings and Recommendations

- In times of fiscal crisis, federal aid to states should continue to be directed through pre-existing payment systems.
- The timing of federal aid can be improved.
- The Recovery Act greatly helped to alleviate state fiscal troubles in the recession.
- But it also complicated future budgets.

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NASBO Publication:
Lessons Learned From the Economic Downturn

- Released in Summer 2013, this report highlights and discusses lessons learned by budget officers during the Great Recession.

- This report integrates budget officer commentary, state examples and fiscal trend analysis to provide a better understanding of state budget actions taken during the recession and what lessons were learned.

NATIONAL ASSOCIATION OF STATE BUDGET OFFICERS | SUMMER 2013

STATE BUDGETING AND LESSONS LEARNED FROM THE ECONOMIC DOWNTURN
ANALYSIS AND COMMENTARY FROM STATE BUDGET OFFICERS

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MICHAEL L. WALDEN

Dr. Michael L. Walden is a William Neal Reynolds Distinguished Professor in the Department of Agricultural and Resource Economics at North Carolina State University and a member of the Graduate Economics faculty with The Poole College of Management.   His Ph.D. degree is from Cornell University, and he has been at N.C. State since 1978.   He also has been a Visiting Professor at Duke University.

Walden has published 12 books and over 300 articles and reports, including his newest book, *North Carolina beyond the Connected Age*: *The Tar Heel State in 2050.*

Frequently, Walden can be seen, heard, and read in the media.   He has daily radio programs aired on stations around North Carolina. His biweekly column, *You Decide,* is carried by over 40 newspapers in the state. He has made close to 3,000 personal presentations.

Walden has won numerous academic and public awards, including two Champion-Tuck Awards for Excellence in Broadcasting, the UNC Board of Governor's Award for Excellence in Public Service, the Order of the Long Leaf Pine, and the Holladay Medal for Excellence from North Carolina State University.   Also, he has served on several state and local commissions, and currently is a member of the NC Future Investment Resources for Sustainable Transportation Commission.

His newest book, *Real Solutions: Commonsense Ideas for Solving Our Most Pressing Problems*, will be published in 2020.

ECONOMIC OUTLOOK:
HOW FAR WILL THE RECORD EXTEND?

Dr. Mike Walden

Reynolds
Distinguished
Professor

North Carolina
State
University

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ECONOMIC HEADLINES

GROWTH GOES IN TO 11TH YEAR
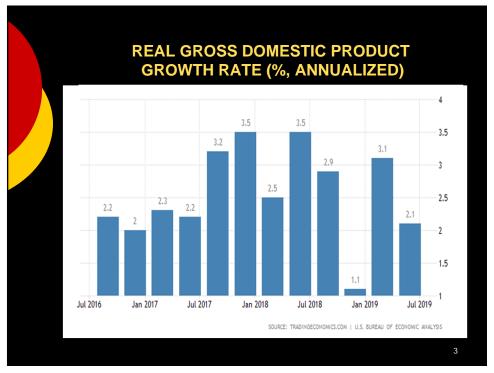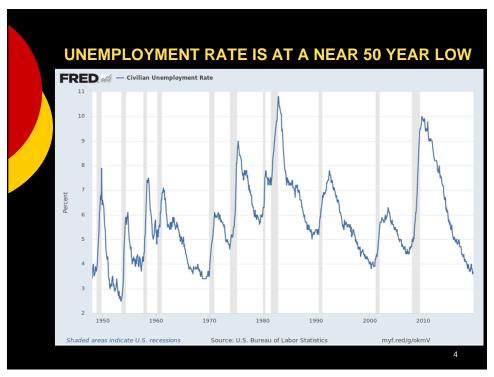
DEATH OF THE PHILLIPS CURVE
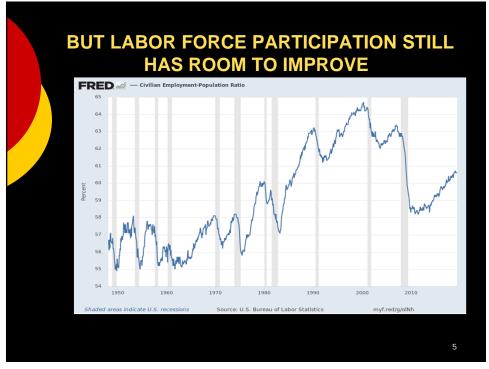
TRADE TENSIONS

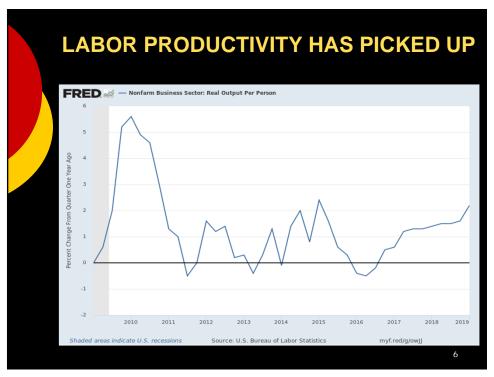FED CUTS RATES DURING AN EXPANSION

CHANCE OF A RECESSION

2

2

REAL GROSS DOMESTIC PRODUCT GROWTH RATE (%, ANNUALIZED)

3

UNEMPLOYMENT RATE IS AT A NEAR 50 YEAR LOW

4

5

6

AND WAGE GROWTH HAS BEEN IMPROVING

Nominal wage growth has been far below target in the recovery

Year-over-year change in private-sector nominal average hourly earnings, 2007–2019

- All nonfarm employees
- Production/ nonsupervisory workers

Wage target*

Percent change

2008   2010   2012   2014   2016   2018   2020

* Nominal wage growth consistent with the Federal Reserve Board's 2 percent inflation target, 1.5 percent productivity growth, and a stable labor share of income

Source: EPI analysis of Bureau of Labor Statistics Current Employment Statistics public data series

Economic Policy Institute

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WHY DOES THE PHILLIPS CURVE APPEAR TO BE DEAD?

Short-run Phillips curve:

Inflation rate (%)

6   B

2   A

3   5

SRPC1

Unemployment rate (%)

GLOBALIZATION

LOGISTICS

WEAK UNIONS

AUTOMATION

8

8

9

10

11

12

13

14

**ALTHOUGH HOME PRICES HAVE RISEN,
THE GAINS ARE BASED ON LACK OF SUPPLY**

FRED — S&P/Case-Shiller U.S. National Home Price Index

Index Jan 2000=100

Shaded areas indicate U.S. recessions   Source: S&P Dow Jones Indices LLC   myf.red/g/nMZ4

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**BUT SERVICING THE NATIONAL DEBT IS
TAKING A BIGGER SHARE OF THE ECONOMY**

FRED — Federal Outlays: Interest as Percent of Gross Domestic Product

Percent of GDP

Shaded areas indicate U.S. recessions   Source: Federal Reserve Bank of St. Louis   myf.red/g/nS1J

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ALSO, RELATIVE SIZE OF CONSUMER SPENDING HAS MODERATED

17

BUSINESS INVESTMENT HAS RECENTLY FALLEN

18

STOCK MARKET HAS MOVED WITH NEWS ON CHINA TRADE DISPUTE

19

IF A RECESSION DOES OCCUR

ORIGIN WILL BE ON BUSINESS SIDE

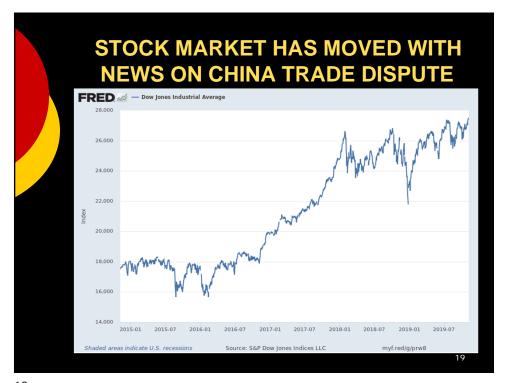LOWER EARNINGS AND MARGINS – LEADING TO CUTBACKS AND DECLINING VALUES

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TRADE WARS

* NEW NAFTA: USMCA,
   BUT PENDING

* EU TALKS
* S. KOREA TREATY
* JAPAN TALKS

REMAINING BIG
CHALLENGE – CHINA

MAY HAVE ALREADY
REDUCED GDP GROWTH
BY 0.6% POINTS

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POSSIBILITY OF FOREIGN RECESSIONS
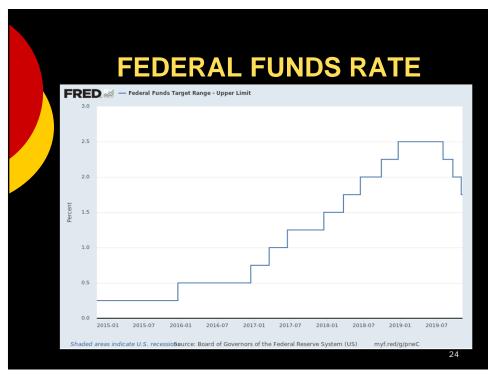

ECONOMIC GROWTH IS
SLOWING IN EUROPE TO 0% -
BREXIT

JAPAN'S GROWTH RATE IS
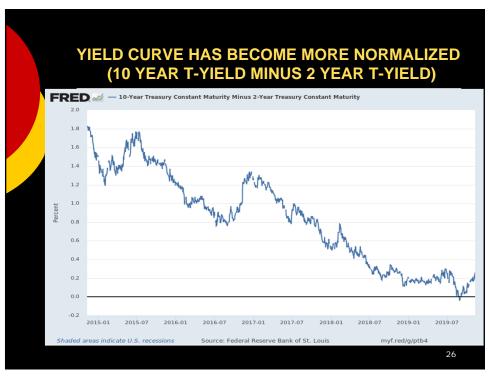UNDER 1%

CHINA'S GROWTH RATE IS 6%,
BUT LOWEST IN 25 YEARS

HOWEVER, TRADE IS A MINOR
PART OF THE US ECONOMY

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THE FEDERAL RESERVE BLINKED AND REVERSED THE "PUNCH BOWL POLICY"

STANDARD POLICY: GO COUNTER TO TRENDS IN THE ECONOMY IN ORDER TO PROMOTE STEADY GROWTH

RECOVERY- RAISE RATES (REMOVE PUNCH BOWL) RECESSION – CUT RATES (RETURN PUNCH BOWL)

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FEDERAL FUNDS RATE

24

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WHAT IS THE FED'S POLICY, & WHY?

OVER-TIGHTENED, SO CORRECTING NOW?

NO WORRIES ABOUT INFLATION

BUT TOOLS FOR NEXT RECESSION?

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YIELD CURVE HAS BECOME MORE NORMALIZED
(10 YEAR T-YIELD MINUS 2 YEAR T-YIELD)

FRED — 10-Year Treasury Constant Maturity Minus 2-Year Treasury Constant Maturity

Shaded areas indicate U.S. recessions   Source: Federal Reserve Bank of St. Louis   myf.red/g/ptb4

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OTHER CHANGES

1. EMERGENCE OF U.S. AS AN OIL PRODUCER

2. IMPLICATIONS OF AGING POPULATION, FALLING BIRTH RATE, AND IMMIGRATION ON LABOR SUPPLY

3. TECHNOLOGY, JOBS, AND RE-TRAINING

4. THE FUTURE OF TRANSPORTATION – MODES AND FINANCING

27

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NORTH CAROLINA

28

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GROWTH ALSO CONTINUES

- MOST RECENT DATA – ADDING JOBS AT FASTER RATE THAN NATION

- SLOWDOWN IN MANUFACTURING AND TRADE ISSUES FOR FARMERS HAVE HURT
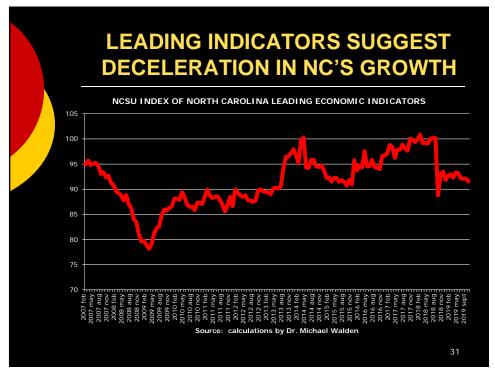
29

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SOME OTHER GOOD NEWS

NON-METRO COUTIES ARE SHARING IN JOB GROWTH

TECH SECTOR BOOMING

MIDDLE-PAYING JOBS GROWING

FEWER COUNTIES DEPOPULATING

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WHAT I SEE COMING

1. NO RECESSION (CONSENSUS IS NOW ONE-THIRD CHANCE
2. "SMALL" CHINA TRADE DEAL MADE
3. FED HAS "PAUSED" IN RATE CUTS
4. CONTINUED SUPER-LOW INFLATION
5. DUE TO SLOW LABOR FORCE GROWTH, 2% ANNUAL GROWTH IS NEAR NORMAL

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NC F1RST COMMISSION
FUTURE INVESTMENT RESOURCES FOR SUSTAINABLE TRANSPORTATION

34

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FINANCING ISSUES

- MOVEMENT AWAY FROM GAS AND GAS TAX

- PREDICTIONS OF LOWER VEHICLE OWNERSHIP

- OPTIONS: MILEAGE TAX, TOLLS, TAXING PROPERTY BENEFITING FROM TRANSIT IMPROVEMENTS

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MOBILITY MODE ISSUES

ECLIPSE OF THE PRIVATE AUTO?

WHAT KIND OF MASS TRANSIT?
- BUS, RAIL, RIDE-SHARE

IMPACT OF WORKING AT HOME

OTHER: PORTS – AIR AND WATER

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2019 Financial Conference
December 10, 2019

Attendees by Last Name (358)

Kathryn Alexander - Forsyth Technical CC
Robbie Alford - OSC
Daysi Allen - UNC Chapel Hill
Carolyn Alley - Blue Ridge CC
Shelly Alman - Gaston College
Greg Alvord - DHHS
Lewis Andrews - State Treasurer
Carolyn Arrington - NC Central University
Lamees Asad - UNC Chapel Hill
Unika Ashe-Valentine - DOI
Deborah Atkinson - DHHS
Cynthia Autenrieth - UNC Charlotte
Kristina Autio - Retired
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Kim Battle - OSC
DeAhn Baucom - UNC Chapel Hill
Suzanne Beasley - DHHS
Sharon Bell - ASU
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George Burnette - UNC School of the Arts
Dottie Burns - DHHS
Mary Ellen Burns - Commerce
Timothy Byrd - UNC Hospitals
Cassandra Campbell - NCSU
Edith Cannady - OSC
Wynona Cash - OSC
Mark Causey - UNC Hospitals
Liliana Cely - NC Housing Finance
Lena Cestaro - UNC Chapel Hill
Angelika Chafalovitch - DOA
Robin Champ - DPS
Susan Charlton - DPS
Steve Chase - Wildlife
Thomas Cheek - OSBM
Dan Chen - UNC Chapel Hill
Tommy Clark - Secretary of the State
Darrus Cofield - State Treasurer
Elizabeth Colcord - OSC
Stephanie Coleman - ECU
Libby Coley - OSC

Lorie Coley - DOT
Cynthia Collie - DIT
Jennifer Coltrane - NCSU
Linda Combs - OSC
Katie Condit-Jang - UNC Greensboro
Tracey Conrad - UNC Chapel Hill
Adrienne Covington - Nash CC
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Garett Dimond - General Assembly
Jim Dolan - OSC
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Carol Dorshimer - UNC Hospitals
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Joe Futima - State Treasurer
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Lauren Gates - Central Piedmont CC
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Michael Griffin - UNC Health Care
Paul Grosswald - UNC Hospitals
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Adriane Hankerson - Wake Technical CC
Dana Harris - UNC Wilmington

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Jeffrey Henderson - Retired	Sema Kara - UNC Hospitals	Luke McHale - NCSU	Malinda Peters - General Assembly
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Mark Hoffman - UNC Hospitals	David King - DHHS	Joel Mercer - DHHS	Sondra Phillips - OSC
Milburn Holbrook - NCSU	Andrew Kleitsch - Durham Technical CC	Courtney Michelle - OSC	Lynn Powell - DOT
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Jim Horne - General Assembly	Geary Knapp - DHHS	Joseph Miller - DEQ	Jan Prevo - OSC
Heather Horton - Commerce	Jim Knight - Wildlife	Laketha Miller - DHHS	Ashley Price - OSA
Teresa Hosford - DHHS	Dolly Kotek - NC Housing Finance	Marvin Miller - Retired	David Price - UNC Pembroke
William Hosterman - UNC Hospitals	Ariana Kudlats - NC Housing Finance	Matt Miller - NCSU	Phillip Price - Central Carolina CC
John House - Centennial Authority	Darlene Langston - DPS	Heather Mitchell - NCSU	Dawn Quist - ECU
Gloria Howell - DHHS	Rachel Leaptrot - DHHS	Seong Woon Mo - UNC Hospitals	Chandrika Rao - UNC Chapel Hill
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Scott Hummel - NC A&T University	John Leskovec - OSBM	April Morris - State Treasurer	Evan Rodewald - DOT
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Heather Iannucci - UNC Wilmington	Matthew Longobardi - DOJ	Debra Neal - DHHS	Jeani Rousseau - DPI
Rokos Isaak - OSC	Frank Lord - WSSU	Lisa Neal - Bladen CC	Camilla Sandlin - NC Education Lottery
Brenda Jackson - Sandhills CC	Cristina MacDowall - Agriculture	Hans Norland - DPS	Joanie Saucier - OSC
Lacie Jacobs - Bladen CC	Ebony Martin - UNC Chapel Hill	Jones Norris - State Treasurer	Troy Scoggins - OSC
Carmen Jarmon - AOC	Jeannette Martin - DEQ	Gwen Norwood - UNC Chapel Hill	Bill Scott - DHHS
Bryan Jenkins - NC Community CC	Lisa Martin - DOJ	Tony Norwood - DOA	Peta-Gaye Shaw - Commerce
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Brad Johnson - OSC	Beth McAndrew - UNC Chapel Hill	Kim Padfield - DOT	Jon Sholar - ECU
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Angela Johnston - AOC	Biff McGilvray - State Treasurer	Carly Perin - UNC Chapel Hill	Dana Smith - DOT

Jonathan Smith - Winston-Salem State University Helen Vozzo - NCSU

Laurie Smith - DOT

Patricia Smith - DOR

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Sarah Smith - UNC GA

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Heather Snelling - UNC Greensboro

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Kenneth Spayd - FSU

Jennifer Stackpole - DOL

Jay Stanley - Bladen CC

Faye Steele - ECU

Jeffrey Stevens - UNC Hospitals

Danny Stewart - DHHS

Justin Stiles - UNC Chapel Hill

John Storment - UNC Health Care

Lisa Stubbs - OSC

Mike Suggs - NC Education Lottery

Hannah Sullivan - DHHS

Allis Talley-Burton - DHHS

Dawei Tang - UNC Chapel Hill

Marla Tart - Wake Technical CC

Wesley Taylor - General Assembly

Elizabeth Thomas - Sandhills CC

Kim Thomas - NC Education Lottery

Roy Thompson - Bladen CC

Katie Thornsvard - UNC Chapel Hill

Kathleen Tolbert - OSC

Kathryn Torres - Fayetteville Technical CC

Christopher Trevathan – NCSU

Shirley Trollinger – DEQ

Jim Tulenko – OSC

Roshmi Valiyapurayil - UNC Hospitals

Kimberly Van Metre – DEQ

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Hunter Wagstaff - UNC Hospitals

Candace Walker - NCSU

Michael Walker - NCSU

Peggy Walker - DEQ

Megan Wallace - UNC GA

Teresa Walters - UNC Chapel Hill

Yiwen Wang - UNC Chapel Hill

Gary Ward - NC Central University

Brett Warner - NC Housing Finance

Krissie Warren Taylor - DHHS

Rex Whaley - DEQ

Ashlee Williams - OSC

Jeri Williams - UNC Health Care

Joe Wilson - DOT

Misty Wilson - NCSU

Richard Wilson - UNC Hospitals

Jennifer Wimmer - State Treasurer

Elisa Wolper - NC Courts

Steven Woodruff - Rockingham CC

Kent Woodson - DOL

Melanie Wright - UNC Chapel Hill

David Yokley - DOR

Renee Young-Williams - DOI

Michael Zanchelli - DHHS

Fenge Zhang - Commerce

Ling Zhu - DOA

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George Dennis - AOC
Carmen Jarmon - AOC
Angela Johnston - AOC
Sharon Bell - ASU
Lacie Jacobs - Bladen CC
Lisa Neal - Bladen CC
Jay Stanley - Bladen CC
Roy Thompson - Bladen CC
Carolyn Alley - Blue Ridge CC
Wesley Bunch - Catawba Valley CC
John House - Centennial Authority
Phillip Price - Central Carolina CC
Lauren Gates - Central Piedmont CC
Lauren Rooney - Central Piedmont CC
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Jeannette Martin - DEQ
Joseph Miller - DEQ

Alisha Moore - DEQ
Tanya Oginski - DEQ
Shirley Trollinger - DEQ
Kimberly Van Metre - DEQ
Peggy Walker - DEQ
Rex Whaley - DEQ
Greg Alvord - DHHS
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Krissie Warren Taylor - DHHS
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Tony Norwood - DOA
Ling Zhu - DOA
Unika Ashe-Valentine - DOI
Jason Dearman - DOI
Laresia Everett - DOI
Laura Greenwood - DOI
Michael Phillips - DOI
Renee Young-Williams - DOI
Katherine Kikendall - DOJ
Matthew Longobardi - DOJ
Lisa Martin - DOJ
Jennifer Stackpole - DOL
Kent Woodson - DOL
Anita Bunch - DOR
Tammy Hubbell - DOR
Christopher Long - DOR
Marvin Massey - DOR
Jackie McKoy - DOR
Patricia Smith - DOR
David Yokley - DOR
Lorrie Barbee - DOT
Lorie Coley - DOT
Tabitha Mbaka - DOT
Michelle Overby - DOT
Kim Padfield - DOT
Lynn Powell - DOT
Evan Rodewald - DOT
Wayne Rogers - DOT
Dana Smith - DOT

Laurie Smith - DOT
Joe Wilson - DOT
Judy Blount - DPI
Ryan Dupree - DPI
Bonaventure Ezewuzie - DPI
Sue Kearney - DPI
Barbara Roper - DPI
Jeani Rousseau - DPI
Robert Brinson - DPS
Robin Champ - DPS
Susan Charlton - DPS
Steven Davis - DPS
John Del Greco - DPS
Darlene Langston - DPS
Brandy McKoy - DPS
Hans Norland - DPS
Andrew Kleitsch - Durham Technical CC
Debra D Bailey - ECU
Stephanie Coleman - ECU
Sharon Culipher - ECU
Vincent Falvo - ECU
Patricia Fritz - ECU
Charles Gullette - ECU
Tereasa Hopkins - ECU
Cynthia Modlin - ECU
Tim Morris - ECU
Dannie Moss - ECU
Dawn Quist - ECU
Britt Sholar - ECU
Jon Sholar - ECU
Faye Steele - ECU
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Rebecca Fouts - EDP NC
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Carrie Freeman - NC Housing Finance

Dolly Kotek - NC Housing Finance

Ariana Kudlats - NC Housing Finance

Brett Warner - NC Housing Finance

Leah Englebright - NCSSM

Jennifer Brady - NCSU

Madelene Brooks - NCSU

Sharon Brooks - NCSU

Ginger Burks Draughon - NCSU

Cassandra Campbell - NCSU

Jennifer Coltrane - NCSU

Mike Edwards - NCSU

Milburn Holbrook - NCSU

Luke McHale - NCSU

Matt Miller - NCSU

Heather Mitchell - NCSU

Shawn Smith - NCSU

Christopher Trevathan - NCSU

Karen Visnosky - NCSU

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Sarah Gould - OSA

Rachel McDonald - OSA

Ashley Price - OSA

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Agatha Bessie DSouza - OSBM

Providence Hakizimana - OSBM

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Elizabeth Colcord - OSC

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Linda Combs - OSC

Joy Darden - OSC

Clayton Darnell - OSC

Karen Deleon - OSC

Jim Dolan - OSC

Michael Euliss - OSC

Doug Genzlinger - OSC

Anne Godwin - OSC

Sean Gutowski - OSC

Kris Hudson - OSC

Rokos Isaak - OSC

Jenny Johanns - OSC

Brad Johnson - OSC

Patcha Kidking - OSC

Laura Klem - OSC

Marcus McAllister - OSC

Jeannette McGlinsky - OSC

Ben McLawhorn - OSC

Courtney Michelle - OSC

Jennifer Pacheco - OSC

Sondra Phillips - OSC

Jan Prevo - OSC

Ellen Rockefeller - OSC

Joanie Saucier - OSC

Troy Scoggins - OSC

Teresa Shingleton - OSC

Virginia Sisson - OSC

Randy Smith - OSC

Lisa Stubbs - OSC

Kathleen Tolbert - OSC

Jim Tulenko - OSC

Ashlee Williams - OSC

Elizabeth John - OSHR

Beverly Murphy - Piedmont CC

Paula Ricard - Real Estate Commission

Kristina Autio - Retired

Thomas Berryman - Retired

Jeffrey Henderson - Retired

Simuel Hodges - Retired

Corby Johnson - Retired

Marvin Miller - Retired

Phyllis Petree - Retired

Steven Woodruff - Rockingham CC

Brenda Jackson - Sandhills CC

Elizabeth Thomas - Sandhills CC

Larna Griffin - SEAA

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Priscilla Roberts - Secretary of the State

Lewis Andrews - State Treasurer

James Burke - State Treasurer

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Lamees Asad - UNC Chapel Hill

DeAhn Baucom - UNC Chapel Hill

Manali Bettendorf - UNC Chapel Hill

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Carly Perin - UNC Chapel Hill

Chandrika Rao - UNC Chapel Hill

Rashmi Shivaraj - UNC Chapel Hill

Rod Smith - UNC Chapel Hill

Justin Stiles - UNC Chapel Hill

Dawei Tang - UNC Chapel Hill

Katie Thornsvard - UNC Chapel Hill

Teresa Walters - UNC Chapel Hill

Yiwen Wang - UNC Chapel Hill

Melanie Wright - UNC Chapel Hill

Cynthia Autenrieth - UNC Charlotte

Leon Browning - UNC GA

Debbie Dryer - UNC GA

Nuray Eksen - UNC GA

DP Singla - UNC GA

Sarah Smith - UNC GA

Megan Wallace - UNC GA

Katie Condit-Jang - UNC Greensboro

Brenda Hampshire - UNC Greensboro

Wayne Jones - UNC Greensboro

Quita Loflin - UNC Greensboro

Stephanie Pflum - UNC Greensboro

Heather Snelling - UNC Greensboro

Michael Bonner - UNC Health Care

Linda Garr - UNC Health Care

Will Gibbons - UNC Health Care

Michael Griffin - UNC Health Care

Jean Kaseke - UNC Health Care

John Storment - UNC Health Care

Jeri Williams - UNC Health Care

Timothy Byrd - UNC Hospitals

Mark Causey - UNC Hospitals

Carol Dorshimer - UNC Hospitals

Anthony Gentile - UNC Hospitals

Paul Grosswald - UNC Hospitals

Mark Hoffman - UNC Hospitals

William Hosterman - UNC Hospitals

Sema Kara - UNC Hospitals

Peizhu Liu - UNC Hospitals

Seong Woon Mo - UNC Hospitals

Pattie Moore-Boyette - UNC Hospitals

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Jeffrey Stevens - UNC Hospitals

Roshmi Valiyapurayil - UNC Hospitals

Hunter Wagstaff - UNC Hospitals

Richard Wilson - UNC Hospitals

David Price - UNC Pembroke

Jarrett Bailey - UNC School of the Arts

George Burnette - UNC School of the Arts

Dana Dupree - UNC School of the Arts

Jasheen Midgette - UNC School of the Arts

Cliff Flood - UNC System Office

Heather Hummer - UNC System Office

John Meese - UNC System Office

Joanne Ferguson - UNC Wilmington

Dana Harris - UNC Wilmington

Heather Iannucci - UNC Wilmington

Elizabeth Haynes - USS NC Battleship

Adriane Hankerson - Wake Technical CC

Linda Lejnar - Wake Technical CC

Marla Tart - Wake Technical CC

Steve Chase - Wildlife

Jim Knight - Wildlife

Jonathan Smith - WSSU

Frank Lord - WSSU