



Office of the State Controller

OFFICIAL MEMORANDUM

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

From: Dr. Linda Combs, State Controller

Date: November 9, 2021

Subject: 2021 OSC Virtual Financial Conference

I am pleased to announce that on December 14 and 15, 2021, the Office of the State Controller will host its annual Financial Conference for Chief Fiscal Officers and agency designated representatives. In respect for everyone's safety and the importance of social distancing, this conference will be presented virtually rather than in person. This virtual conference will include topics such as the fiscal condition of states, economic outlook for the State and nation, professional development, and updates from State Budget and the NC Pandemic Recovery Office, State Controller and State Auditor.

In addition, the recipients of the State Controller's 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 description is attached for your review. Instructor biographies are available on the [Office of the State Controller's website](#).

The registration fee is **\$30 per attendee**. To register for this conference, visit the [Office of the State Controller's website](#). Please register as soon as possible, as the **registration deadline is Tuesday, December 7, 2021**. **Payments must be made on or before this date**. After this date, no requests for refunds will be considered. Please refer to [OSC's registration policies](#) for more information regarding refunds, cancellations, or complaints.

Payment can be made by credit card or electronic transfer in the North Carolina Financial System (NCFS) to the **Office of the State Controller**. Agencies should register attendees individually (with separate email addresses). Agencies using NCFS 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 transfer, in the NCFS Notes field, **you must include the following for proper processing:** full names of all attendees and reference 2021 OSC Financial Conference. If this information is not included in the Notes field, the transfer will be rejected in NCFS.
- **Non-NCAS agencies paying through NCFS:** Use agency number 1400 for payment. In the NCFS Notes field, **you must include the following for proper processing:** full names of all attendees and reference 2021 OSC Financial Conference. If this information is not included in the Notes field, the transfer will be rejected in NCFS.

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 22-19

DR. LINDA COMBS, STATE CONTROLLER
MAILING ADDRESS: 1410 Mail Service Center, Raleigh, North Carolina 27699-1410
STREET ADDRESS: 3512 Bush Street, Raleigh, North Carolina 27609
Phone (919) 707-0500 ~ <https://www.osc.nc.gov> ~ An EEO/AA/AWD Employer



2021 OSC Virtual Financial Conference

Continuing Professional Education
North Carolina Office of the State Controller

Date:	December 14, 2021 December 15, 2021 8:10 a.m. to 12:00 p.m. each day
Location:	Web-based Virtual Conference
Learning Objectives:	To gain an understanding of recent topics of interest including the fiscal condition of states, State and national economic outlook, professional development, and updates from State Budget and the NC Pandemic Recovery Office, State Auditor, and State Controller.
Content:	<u>December 14, 2021</u> <ul style="list-style-type: none">- Fiscal Condition of the States- State Auditor Updates- Leading a Virtual Team <u>December 15, 2021</u> <ul style="list-style-type: none">- Economic Update- Self-Care and Mindfulness: Core Leadership Competencies- State Budget and NC Pandemic Recovery Office (NCPRO) Update- State Controller Updates – Financial Backbone Replacement Project
Instructors:	Shelby Kerns – Executive Director, National Association of State Budget Officers (NASBO) Beth Wood – State Auditor Dr. Holly Sullenger – Dr. Holly Speaks LLC Dr. Michael Walden – N.C. State University Melisa Galasso – Galasso Learning Solutions Charlie Perusse – State Budget Director Stephanie McGarrah – Executive Director, NCPRO Clayton Darnell, David Lloyd, and Libby Coley – Office of the State Controller
CPE Credit Offered:	Up to eight hours
Fields of Study:	Accounting – Governmental, Economics, Auditing – Governmental, Information Technology, Finance, Behavioral Ethics, and Personal Development
Materials:	Available in advance on the Office of State Controller's website
Instructional Delivery Method:	Group internet based
Prerequisites:	Must be 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 Annual Comprehensive Financial Report)
Advance Preparation:	None
Level:	Basic

DEVELOPERS: [NASBO](#), [OSA](#), [DR. HOLLY SPEAKS LLC](#), [NCSU](#), [GALASSO LEARNING SOLUTIONS](#), [OSBM](#), [NCPRO](#) AND [OSC](#)

SPONSOR: [NC Office of the State Controller](#)



AGENDA

OSC Virtual Financial Conference

December 14 - 15, 2021

December 14, 2021

- 8:10 – 8:15 Call to Order – Michael Euliss, Office of the State Controller,
Communications/Government Relations/Training Director
- 8:15 – 8:25 Opening Remarks – Dr. Linda Combs, State Controller
- 8:25 – 9:25 State of the States – Shelby Kerns, NASBO Executive Director
- 9:25 – 9:40 Break
- 9:40 – 10:40 State Auditor Update – Beth Wood, State Auditor
- 10:40 – 10:50 Break
- 10:50 – 12:00 Leading a Virtual Team – Dr. Holly Sullenger, Dr. Holly Speaks LLC
- Closing Remarks – Michael Euliss, Office of the State Controller

December 15, 2021

- 8:10 – 8:15 Call to Order – Michael Euliss, Office of the State Controller
- 8:15 – 9:15 Economic Update – Dr. Michael Walden, N.C. State University
- 9:15 – 9:30 Break
- 9:30 – 10:20 Self-Care and Mindfulness: Core Leadership Competencies – Melisa Galasso, Galasso
Learning Solutions
- 10:20 – 10:30 Internal Audit Award of Excellence Presentation
- Fiscal Integrity Award Presentation
- 10:30 – 10:40 Break
- 10:40 – 11:30 State Budget and NC Pandemic Recovery Office (NCPRO) Update – Charlie Perusse,
State Budget Director and Stephanie McGarrah, Executive Director NCPRO
- 11:30 – 12:00 Financial Backbone Replacement (FBR) Project – David Lloyd, OSC FBR Program
Director, Clayton Darnell, OSC FBR Program Business Lead, and Libby Coley,
OSC FBR Organization Change Management Lead
- Closing Remarks – Michael Euliss, Office of the State Controller



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.

Melisa Galasso is the founder and CEO of Galasso Learning Solutions LLC. A CPA with nearly 20 years of experience in the accounting profession, Melisa designs and facilitates courses in advanced technical accounting and auditing topics, including not-for-profit and governmental accounting. She also supports essential professional development, audit level training, and train the trainer efforts. Melisa is a Certified Speaking Professional, a Certified Professional in Talent Development (CPTD), and has earned the Association for Talent Development Master Trainer™ designation. Her passion for instructional design and adult learning techniques is one of the differentiators that set her apart from other CPE providers. Within the industry, Melisa serves on the FASB's Not-for-Profit Advisory Committee (NAC), AICPA Council, and the VSCPA's Board of Directors. She previously served on the AICPA's Technical Issues Committee (TIC) and is a past-Chair of the NCACPA's A&A committee. Melisa also authors the AICPA's State and Local Government Guide and serves as a SME for the Center for Plain English Accounting.

Shelby Kerns is the Executive Director of the National Association of State Budget Officers (NASBO) in Washington, D.C. She joined NASBO in March 2020. Prior to coming to NASBO, spent a decade in the Idaho Division of Financial Management. In her position as Budget Bureau Chief, she led staff in developing, presenting, and advocating for the Governor's Executive Budget. Most recently she served as Deputy Director of the Idaho Department of Labor.

December 14, 2021

State Fiscal Conditions

An Update on State Expenditures and Revenue



Shelby Kerns
Executive Director
skerns@nasbo.org



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**Budget Climate,
Tell Me About it**

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General Fund Revenue Collections



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Polling Question

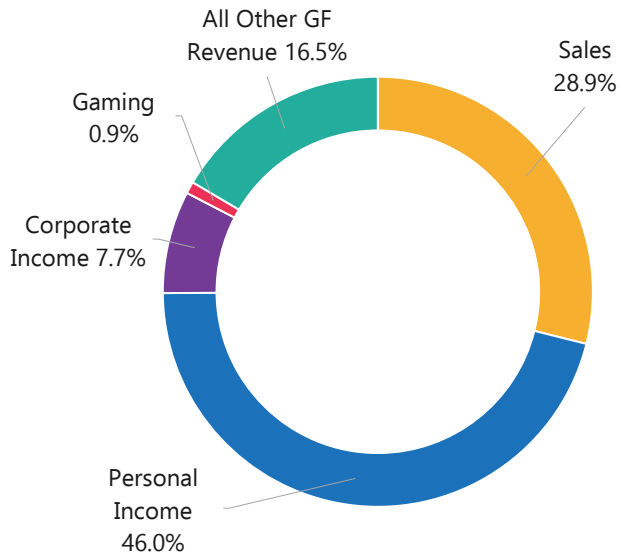
How do you think state general fund revenues (in aggregate) have fared during the pandemic?

- A. Growing faster than pre-covid projections
- B. Growing but slower than pre-covid projections
- C. Declining from pre-covid revenue levels

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Revenue Sources in the General Fund (%)

Estimated Fiscal 2021



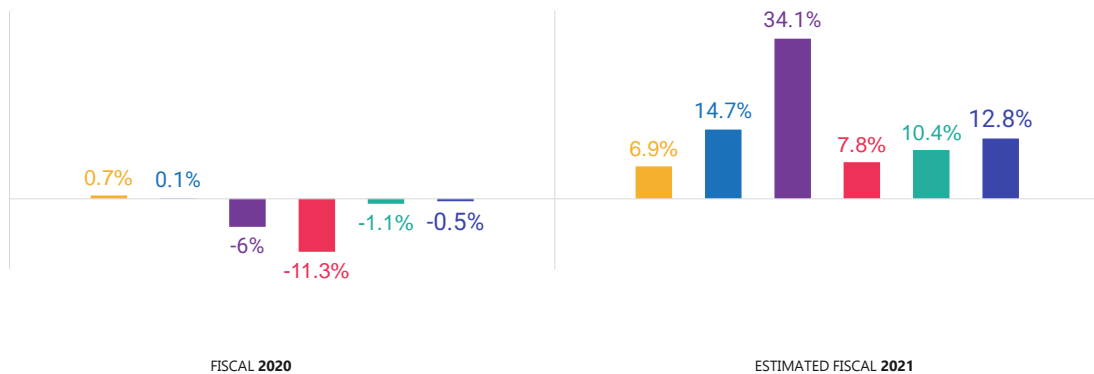
Source: NASBO State Expenditure Report

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REVENUE GROWTH BY PERCENTAGE STATE GENERAL FUNDS

■ Sales ■ Personal Income ■ Corporate ■ Gaming & Lottery ■ All Other ■ Total



FISCAL 2020

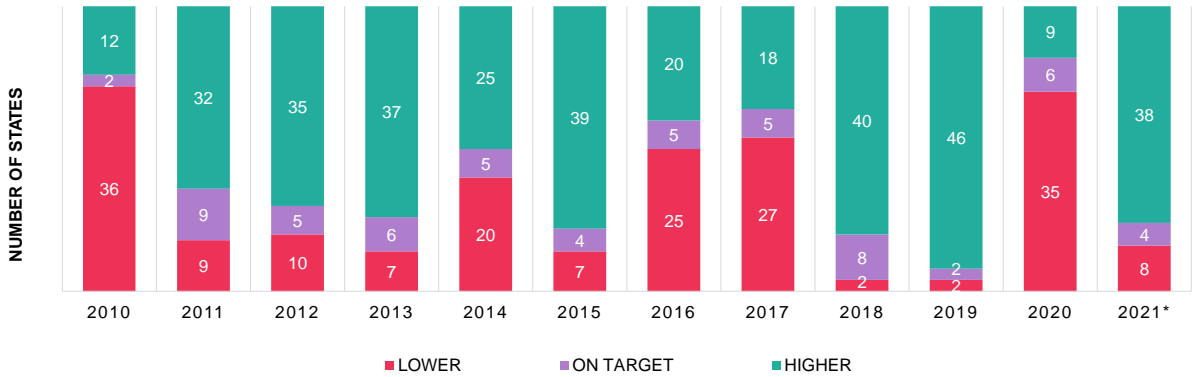
ESTIMATED FISCAL 2021

6



38 States Report Fiscal 2021 Tax Collections Exceeding Projections, as Revenue Conditions Improved

General Fund Revenue Collections Compared To Original Budget Projections (By Fiscal Year)



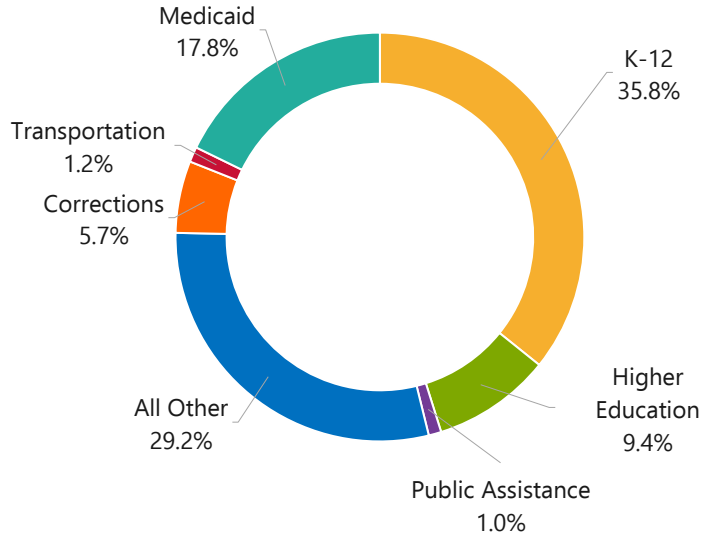
*Fiscal 2021 is ongoing and figures are subject to change. Some states' fiscal 2021 enacted budget projections pre-date COVID-19.



General Funds Expenditures

By Function

FY21
\$923.1 Million

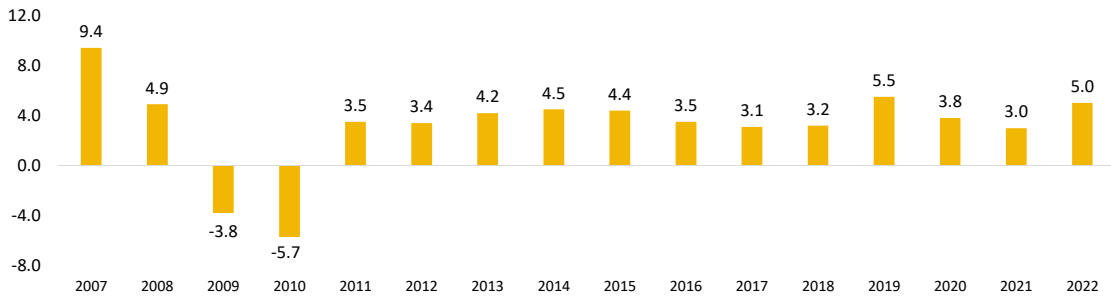


Source: NASBO State Expenditure Report



General Fund Spending Experienced Modest Growth During Pandemic

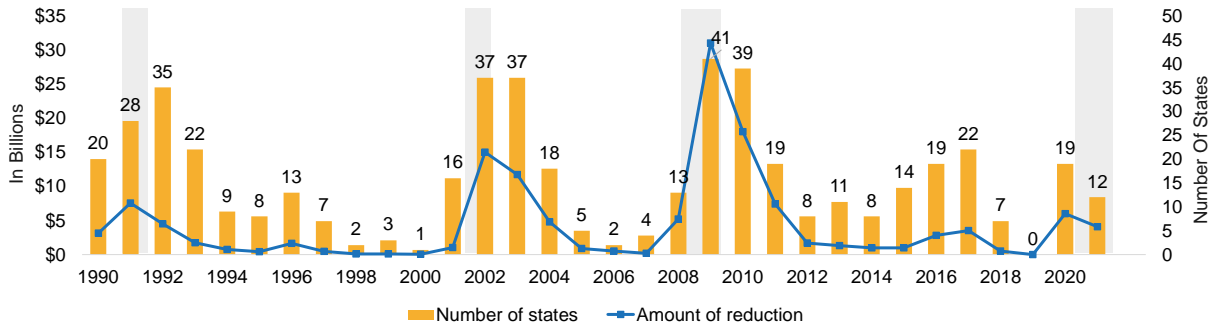
Annual General Fund Spending Changes, Fiscal 2008 To Fiscal 2022 (Percentage Change)





12 States Made Mid-Year Budget Reductions in Fiscal 2021 Due to a Shortfall

Budget Cuts Made After The Budget Passed



Gray boxes denote recessionary periods, based on a July-June fiscal year calendar that most states follow. Recession dates are as follows: Early 1990s recession (July 1990 to March 1991); Early 2000s recession (March 2001 to November 2001); Great Recession (December 2007 to June 2009); COVID-19 Recession (February 2020 - present).

Note: Beginning in Fiscal 2018, NASBO asked states reporting net mid-year budget reductions 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 revenue 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.



Polling Question

Do you think government employment is

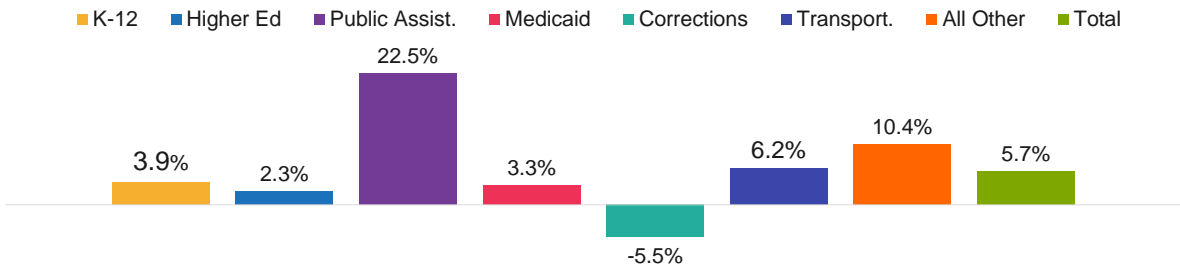
- A. Growing
- B. Holding Steady
- C. Declining

State Funds Spending

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STATE FUNDS PERCENTAGE SPENDING GROWTH BY PROGRAM AREA



ESTIMATED FISCAL 2021

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

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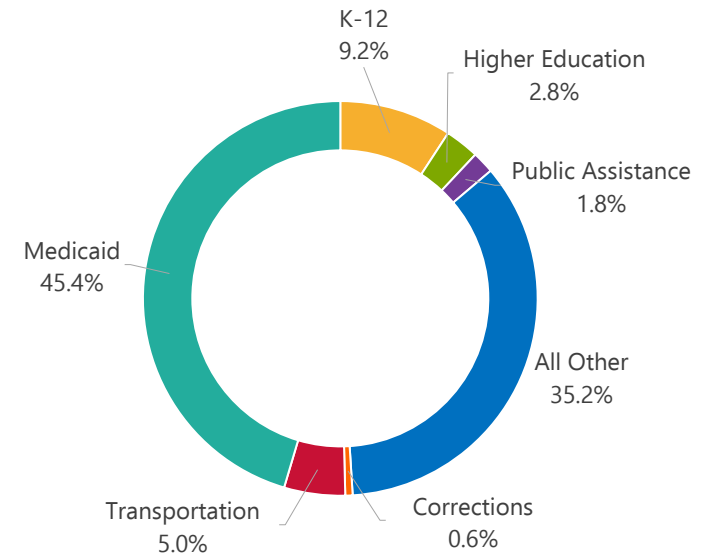
Federal Funds Spending

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Federal Funds Expenditures

By Function

Estimated
Fiscal 2021



Source: NASBO State Expenditure Report

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Polling Question

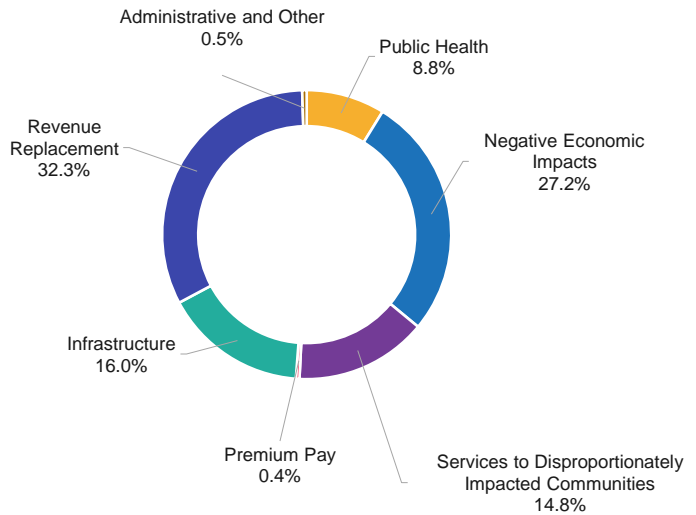
What expenditure category do you think has seen the greatest allocation of ARPA recovery funds by states?

- A. Administrative and Other
- B. Public Health
- C. Negative Economic Impacts
- D. Services to Disproportionately Impacted Communities
- E. Premium Pay
- F. Infrastructure
- G. Revenue Replacement

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Allocated Funds by Category (ARPA)



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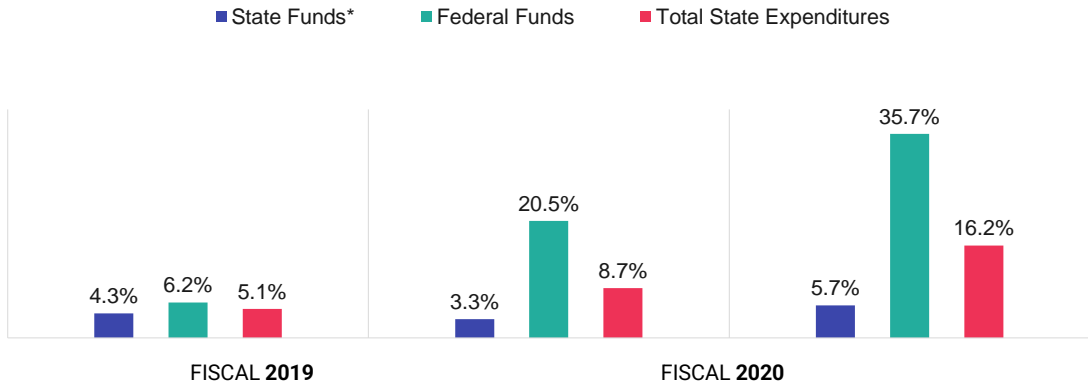


Total State Spending

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YEAR-OVER-YEAR PERCENTAGE SPENDING GROWTH BY FUND SOURCE



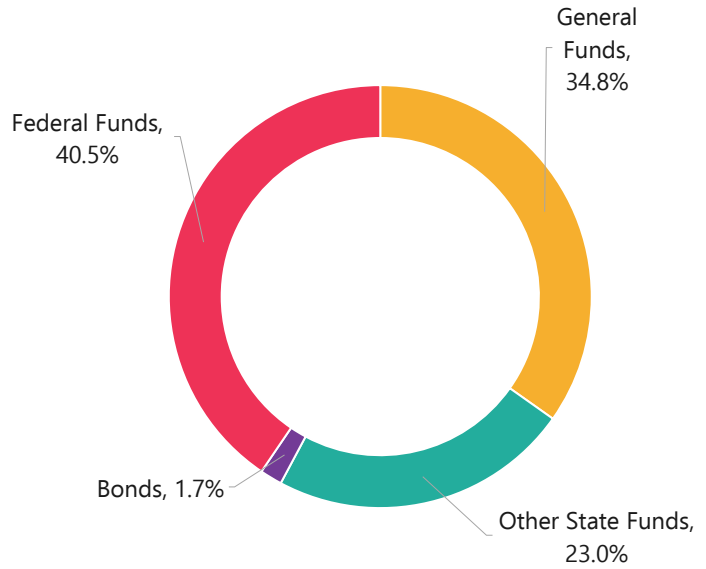
*State funds are general funds and other state funds combined, excluding bonds. Total state expenditures are all federal and state funds.

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Total State Expenditures

By Fund Source

Estimated Fiscal 2021



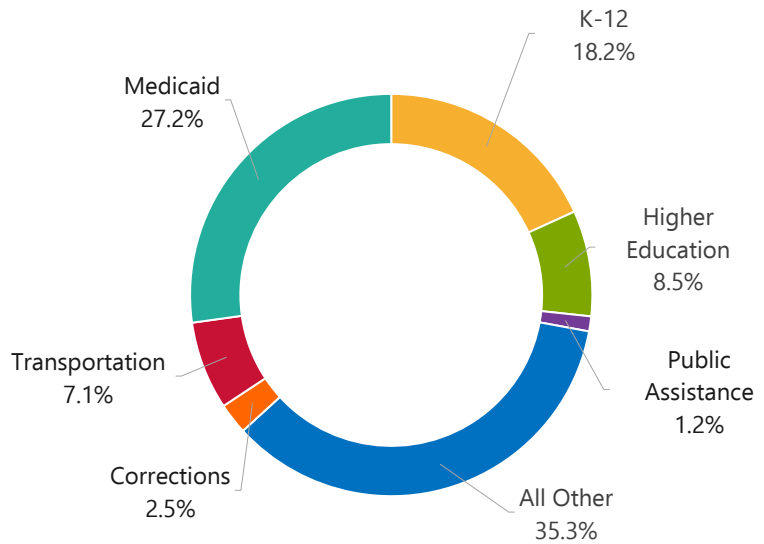
Source: NASBO State Expenditure Report

Total State Expenditures

By Function

FY 21

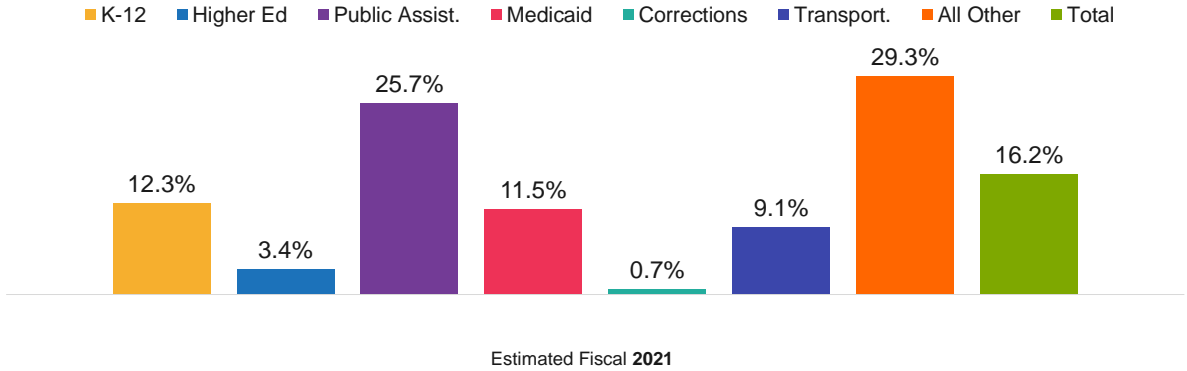
\$2,654 Billion



Source: NASBO State Expenditure Report



Total State Expenditures Percentage Spending Growth By Program Area



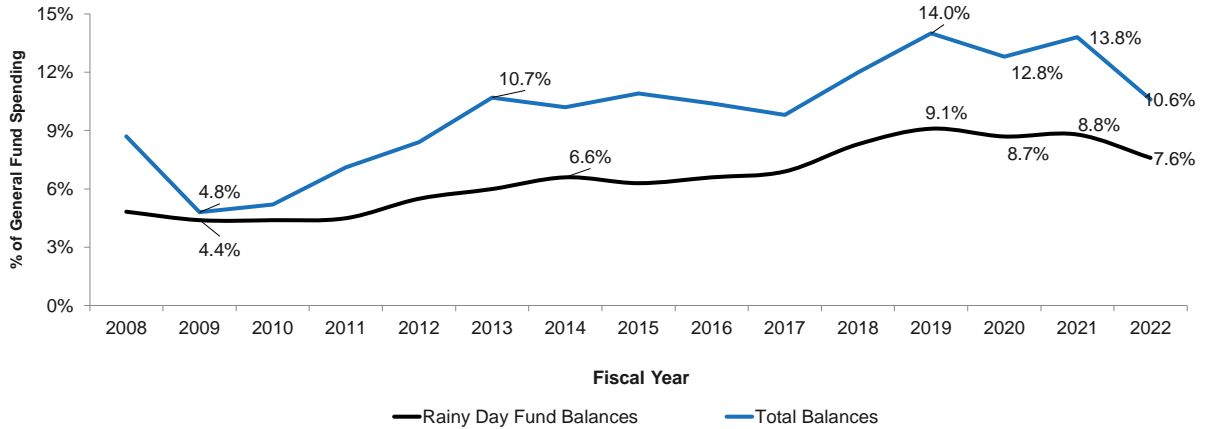
**Total state expenditures include spending from general funds, other state funds, bonds, and federal funds to states*





Overall State Balances See Small Reductions During Pandemic

Rainy Day Fund Balances and Total Balances as a Percentage of General Fund Expenditures



*Fiscal 2022 total balance and rainy day fund balance figures exclude Texas and Wisconsin. Fiscal 2021 and fiscal 2022 rainy day fund balance figures exclude Georgia.



Looking Ahead

Polling Question

How do you currently feel about the economy?

- A. Optimistic
- B. Ok
- C. Pessimistic

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Current Economic Outlook



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What's next for state budgets?

Uncertain future

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NATIONAL ASSOCIATION OF STATE BUDGET OFFICERS

www.nasbo.org

Shelby Kerns
Executive Director

National Association of State Budget Officers | **NASBO**

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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

2021 NC Office of the State Controller Financial Conference
December 15, 2021



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Agenda

- Introduction to FBR and NCFS
- Where We've Been
 - Release 1 in Review
 - Release 2 in Review
- Where We're Going
 - Release 3 Plans
 - Schedule
- Where to get more information



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Polling Question

- How aware are you of the FBR project?
 - Very aware
 - Aware
 - Somewhat aware
 - Not aware



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Introduction to NCFS

- The Financial Backbone Replacement Project (FBR) is an initiative of the Office of the State Controller to replace the State's current financial systems, the North Carolina Accounting System (NCAS) and the Cash Management Control System (CMCS).
- The FBR project is vital. NCAS and CMCS present existential risks to the financial operations of the State as they age, go out of support, and as the personnel who support them retire.
- The State is replacing NCAS and CMCS with the North Carolina Financial System (NCFS).
- NCFS is powered by the Oracle Cloud Financials.
- NCFS will change how financial and accounting tasks are performed, managed and completed within State Agencies.



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Where We've Been



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NCFS Release 1 in review – Cash Management



NCFS IS DEPLOYED

- R1 April 5, 6:30a
- Replaced CMCS for all 1500+ users
- CMCS data is now read-only access

CHALLENGES OVERCOME

- System performance
- R1 remaining challenges: reporting, interfaces, transactions

READY FOR R3

- Greater visibility to remaining work
- New project team members

MAJOR ACCOMPLISHMENTS

- 30+ years of hidden custom logic
- Virtual training

WHAT WORKED WELL

- TOP NOTCH Team with years of experience
- Leadership Support
- Hypercare & User Support
- Organizational Change Management

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Release 2 in Review - ACFR



WHAT'S WORKED WELL

- TOP NOTCH Team with years of experience
- Parallel Run

GO-LIVE

- Production Cutover July 26
- Go/No-Go July 30

CHALLENGES

- Rounding
- Availability of key resources

RELEASE 2 SCOPE

- Compilation of the Annual Comprehensive Financial Report (ACFR)
- Replaces very manual process

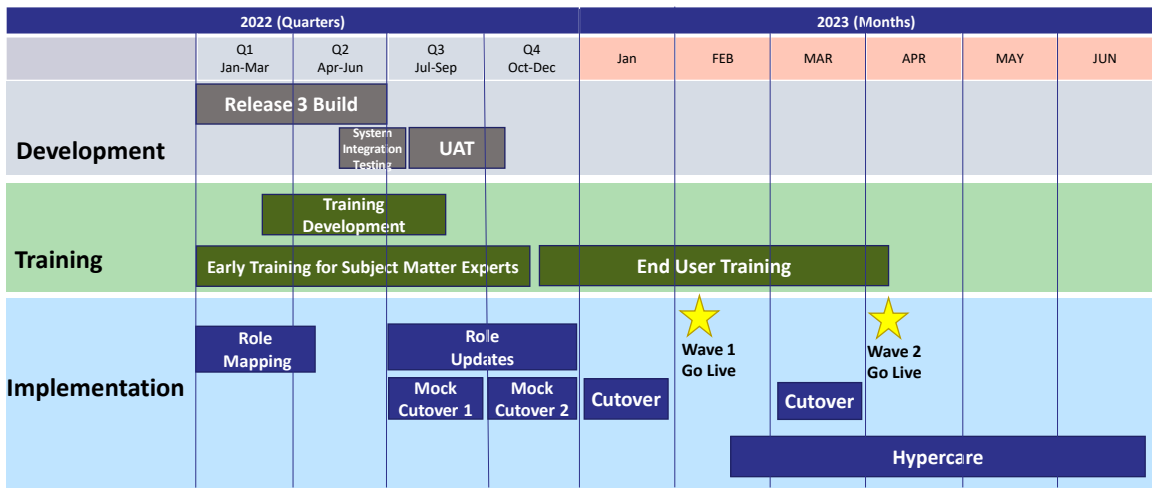
SUCCESSFUL COMPILATION

- FY21 ACFR was completed within a few days of normal schedule



Where We're Going

FBR Release 3 Implementation Timeline



R3 Preparation and Plans



Benefits

Mitigation of the risk presented by NCAS and CMCS as they go out of support

- **Single entry for cash**
Elimination of redundant data entry across multiple systems
- **Better reporting**
Modern reporting tools for a variety of users, leveraging a more robust data model
- **Improved efficiencies**
Excel integration to upload transactions and download reports. Attach documents and files to transactions.

Key Decisions

Projects & Grants

- Expanded coding block with dedicated segments for projects
- Hierarchies to make it easier to aggregate projects under a single award

Conversion Scope

- Prior year monthly GL balances
- Current year GL detail transactions
- Open purchase orders
- Assets
- Inventory items and warehouses



R3 Preparation and Plans (cont.)

Risks	Mitigations
<p>Unknowns</p> <ul style="list-style-type: none"> • Hidden special logic in NCAS and business processes • Differences between how we work and how Oracle applications work 	<p>Engage SMEs earlier and more deeply to try to uncover hidden issues</p> <p>Be open minded to new ways of working, and engage Oracle to help with requirements unique to State government</p>
<p>IE Reports</p> <ul style="list-style-type: none"> • Hundreds of reports accumulated over decades that may or may not be used today, and that cannot be completely rebuilt 	<p>Identify IE reports that are used as interfaces</p> <p>Build agency reporting skills and capabilities during the project</p> <p>Leverage enhanced inquiry and Excel integration to meet information needs</p>
<p>Time and Effort</p> <ul style="list-style-type: none"> • Once in a generation change that will require combined, total State effort 	<p>The success of Release 3 will depend on the people who work on it, and the time, effort, and experience they bring to it</p>



R3 Integration Work

Key Considerations

- Establish connectivity with organizations application for file transfers early on
- Would like to get sample files for testing early on
- Explore use of Excel based upload
- All Chart of Account, COA, values interfaced into NCFS must be valid values
- Driving to a single file format /layout for interface organizations

R3 Scope

All NCAS & Interface agencies

Upcoming Work

- Technical point of contact for establishing connection and getting a sample file
- Discussion on Valid COA values
- Discussion on new file format/layout

Polling Question

- Do you know where to go to get the most up to date information on the FBR Project?
 - Y
 - N



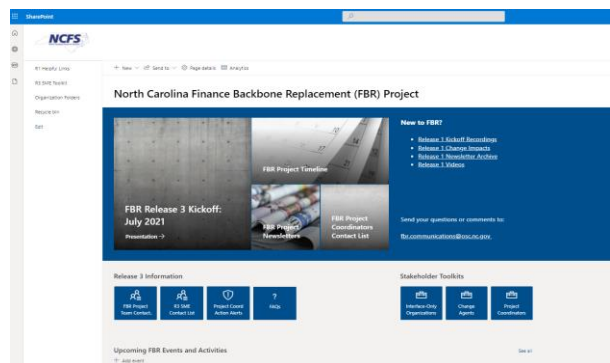
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NCFS R3 SharePoint

Financial Backbone Replacement (FBR) Communications Site

- Home Site
- NCFS updates
- Newsletters
- Project Coordinators List
- Toolkits
 - Interface Only
 - Project Coordinators
 - Subject Matter Experts
 - Change Agents
- All audiences



<https://nconnect.sharepoint.com/sites/FBRComms/SitePages/Home.aspx>

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Stephanie McGarrah serves as Executive Director of the North Carolina Pandemic Recovery Office. A native of western NC, McGarrah most recently worked with the North Carolina Area Health Education Centers (AHEC) to help identify, measure and address health care workforce shortages across the state. Prior to that, she served as Vice President of Policy at the North Carolina Healthcare Association (NCHA) and as a consultant for UNC Health and taught and conducted policy research at the University of North Carolina at Chapel Hill. From 2007 to 2013, Stephanie served as Assistant Secretary at the North Carolina Department of Commerce. She holds a Bachelor of Arts from UNC-Chapel Hill and a master's degree in public policy from Duke University.



Charles Perusse

State Budget Director

North Carolina Office of State Budget and Management

On January 1, 2017, Governor Roy Cooper appointed Charlie to his second stint as State Budget Director. Charlie, a 25-year state employee, returns to the Governor's Budget Office after serving six years as the Senior Vice President and Chief Operating Officer of the University of North Carolina System. In his earlier work with the Budget Office, he served as State Budget Director for three years and Deputy Director for six years. Charlie also spent eight years in the General Assembly's Fiscal Research Division, serving three years as budget coordinator for the House of Representatives.



State Budget Update

Charlie Perusse
State Budget Director

Integrity

Innovation

Teamwork

Excellence

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Agenda

- North Carolina Today
 - Economic Snapshot
 - Demographic Trends
- Summary of FY 2021-23 General Fund Budget
- American Recovery Plan Act
- NC PRO Update

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North Carolina Today

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North Carolina's Economy

- **11th** largest economy in the nation
\$594 billion state GDP in 2020 Q3 (2.8% of US)
- New business start-ups in 2021 **55% above 2020** (Q1-Q3)
- 2020 Per capita Income: **\$50,305** (40th in U.S.)

Sources: Bureau of Economic Analysis (GDP, in current dollars); NC Secretary of State

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North Carolina's Economy



NC's Largest Employers (2020)

1. Walmart
2. Duke Healthcare
3. Food Lion
4. Atrium Health
5. Wells Fargo Bank



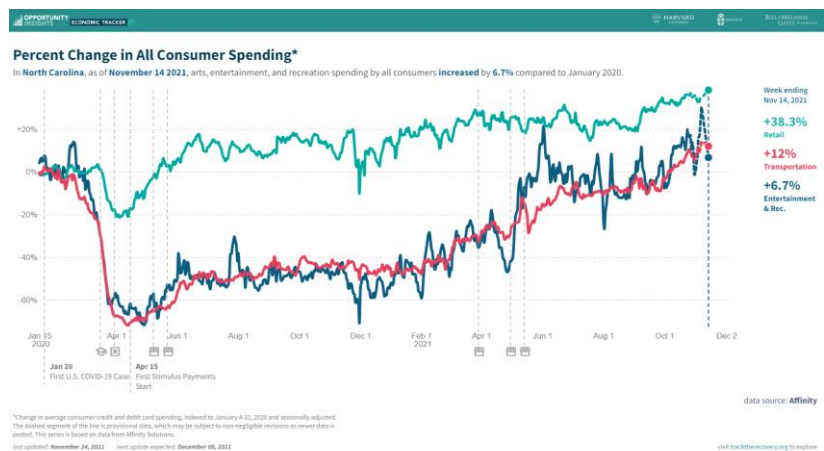
Amazon Fulfillment jumped from 26th to 6th largest employer Q1 2020 → Q1 2021

Sources: NC Department of Commerce LEAD



Consumer Spending Up, Especially on Goods

- Strength of financial and housing markets helped higher income households
- Federal stimulus packages boosted income and spending
- Consumer spending shifted to taxable goods vs in-person services —boosted sales tax revenues



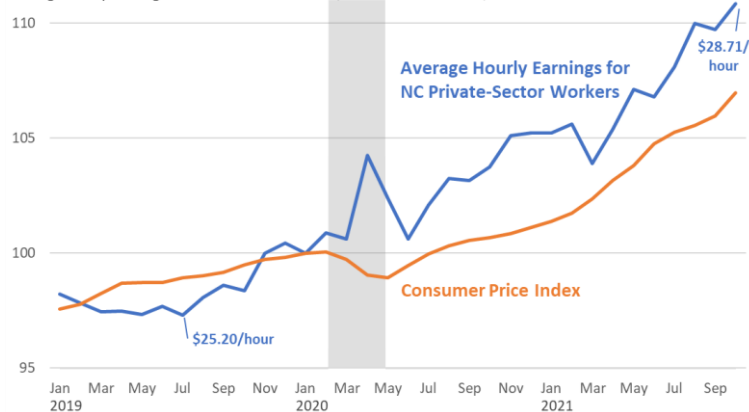


Inflation Accelerating, But Wages Growing Faster

- Wages in North Carolina have grown faster than inflation
- Average hourly wage up more than 10% since January 2020
- Consumer prices up roughly 7% since beginning of 2020

Wage Growth in North Carolina Has Outpaced Inflation

Average Hourly Earnings for Private-Sector Workers; Consumer Price Index; Indexed to 100 in Jan. 2020



Source: US Department of Commerce, Bureau of Labor Statistics; Shaded area indicates recession

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Near-Term Outlook

Growth

- National and state growth accelerating after third-quarter slowdown

Employment

- Unemployment rate back to near pre-COVID levels
- Employers to continue to face tight labor market even as number of jobs remains below pre-COVID peak

Income, Inflation, & Supply Chains

- Wage growth and inflation likely to moderate through 2022
- Supply-chain crisis likely to persist, though improving, well into 2022

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NC Population Today

Census 2020: **10.4 million** people lived in NC 2020

- **9th** largest state in the nation
- **6th** largest population gain 2010-2020
- **+1** additional Congressional seat



Source: US Census Bureau, 2020 Census

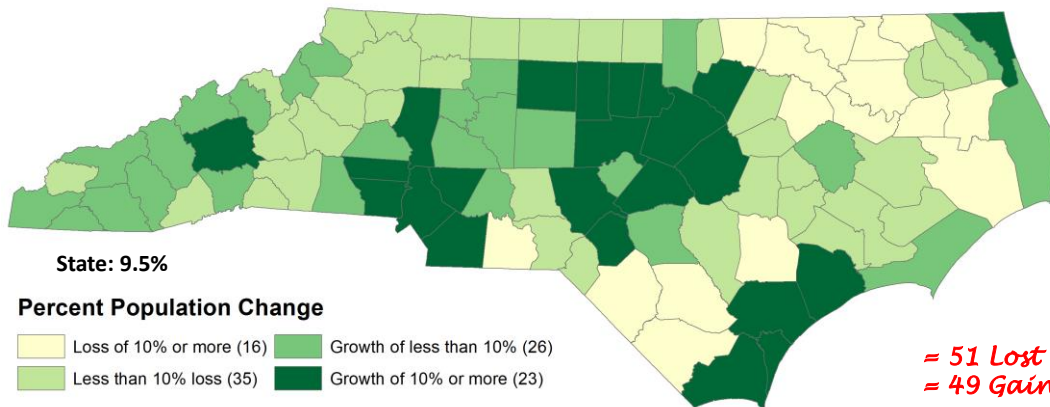
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Census 2020: Certain Areas Gained, Others Lost Population

Population Change from 2010 to 2020



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Rural is Significant *BUT* North Carolina Becoming More Urban



Rural Counties (80)

40% of Population
8% of Population Growth

- 51 Counties Lost Population
- 2 Rural Counties to “Graduate” to Urban (Suburban/Regional Center)



Urban Counties (20)

60% of Population
92% of Population Growth

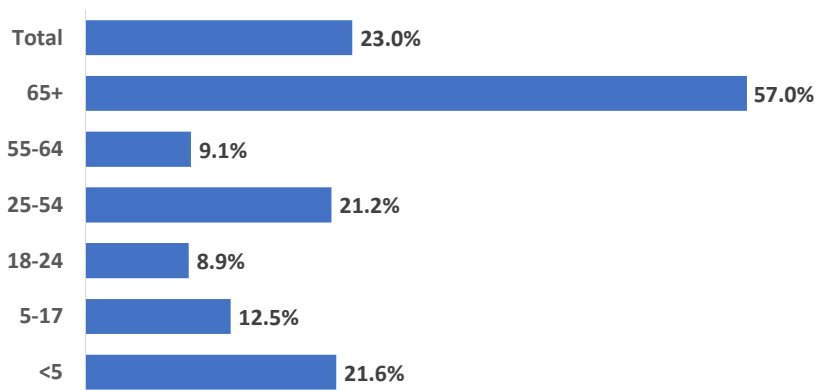
- 47% of Population Growth in Wake/Mecklenburg

*NC Rural Center Classifications using 2010 Census counts



Demographic Trends – Aging of Population

NC population 65 and over projected to grow 2.5x faster than Total Population in next 20 years



1 in 5 residents will be 65+ by 2028

By 2035, the 65+ population will be larger than childhood population (-18)

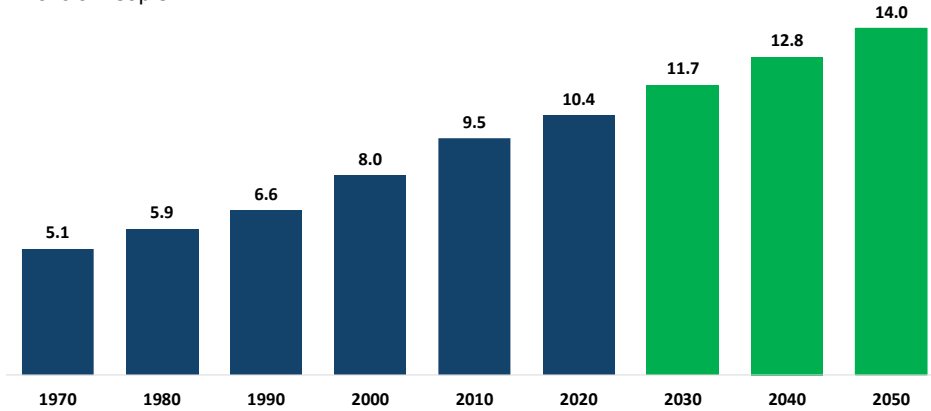
Source: North Carolina Office of State Budget and Management, Population Projections, Vintage 2020.



North Carolina Projected to Add 3.6 Million by 2050

North Carolina Population 1970 – 2020 and Projected Through 2050

Millions of People



Source: NC OSBM, Population Projections, Vintage 2020; US Census

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QUESTION

Population Growth

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Summary FY 2021-23 Budget

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State General Fund Revenue Picture

- June forecast \$60.4B for 2021-23 fiscal years
- Revenues in 2019-21 biennium closed \$6.7B (14%) above May 2020 forecast
- Revenue collections have exceeded expectations through first four months of FY 2021-22



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Summary of General Fund Budget

Availability

Beginning Balance	\$7.2B
FY 2021-22 (<i>base revenues – base expenditures</i>)	\$4.9B
FY 2022-23 (<i>base revenues – base expenditures</i>)	\$6.1B
Total State Funds to Allocate	\$18.2B
Left over	\$0.0021B

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Where Did Almost \$18.2B Go?

Capital Improvements	\$7.8B	44%
Includes SCIF, Disaster Recovery, Information Technology, and Economic Development Reserves.		
Operating Recommendations	\$3.7B	20%
Includes Education Enrollment, Medicaid Rebase, State Health Plan and Retirement System adjustments, and Compensation Increases.		
Tax Reductions	\$3.3B	18%
Personal income tax rate reduced from 5.25% to 3.99% over 6 years. Corporate tax rate reduced from 2.5% to 0% over 8 years.		
Reserves	\$3.3B	18%

18

18



Capital Improvements

- Over **\$6B** in capital investments statewide
- Approx. **\$1B** for disaster recovery efforts
- Over **\$400M** for economic development projects
- Almost **\$400M** for large IT projects



19

19



Operating Recommendations

- 5% increase for most state-funded employees
- Public school employees minimum wage to \$15/hour
- Retiree bonuses (Y1 2%; Y2 3%)
- Sound basic education investments
 - \$10M school psychologists
 - \$18M for intervention in low performing schools/districts
 - \$36M grants for after/before school programs
 - \$36M summer school extension programs

20

20



Tax Reductions



Personal Income Taxes

- Reduces tax rate from 5.25% to 3.99% over 6 years
- Increases standard deduction to \$25,500 (MFJ)
- Increases child deduction by \$500; expand eligibility to \$140k (MFJ)
- Eliminates tax on military pension income



Corporate Income & Franchise Taxes

- Corporate income tax repealed over 6 years
- Eliminates alternate property bases for franchise tax

21

21



QUESTION

Impact of Tax Reductions

22

22



Reserves

- Adds **\$1.1B** to savings reserve each year of biennium
 - Rainy day balance will be \$4.25B by end of biennium (about 16% of General Fund budget)
- Medicaid Transformation Reserve **\$460M** over two years

23

23



Federal American Rescue Plan Act (ARPA)

North Carolina's Fiscal Recovery Funds & Coronavirus Capital Projects:

\$5.7B

Major Investments	
Water/wastewater infrastructure	\$1.7B
High Speed Internet Connectivity	\$1B
Small Business/Economic Development	\$0.7B
Premium Pay Bonuses	\$0.7B
UNC System/NC Community Colleges	\$0.4B
Health & Human Services	\$0.4B

24

24

NCPRO Update

25

25

NCPRO's Role

- Established under [Session Law 2020-4 of House Bill 1043](#)
- Oversees all COVID-19 funds administered by the Governor's Office
- Provides technical assistance and ensures coordination of federal funds received by state agencies and local governments



26

NCPRO Management of Funds

Funds	Federal Agency	Amount	Direct Recipients	Expenditure Date	Final Reporting Date (frequency of reports)
Coronavirus Relief Funds	US Treasury	\$3.6 billion	1. Hospitals 2. Non-profits 3. Local governments 4. State agencies	December 31, 2021	March 31, 2022 (quarterly)
Emergency Rental Assistance (Parts 1 and 2)	US Treasury	\$1.1 billion	1. State agency 2. Counties (12)	September 30, 2022 (ERA 1) September 30, 2025 (ERA 2)	December 31, 2022 (ERA 1; monthly and quarterly) December 31, 2025 (ERA 2; monthly and quarterly)
Homeowners Assistance Funds	US Treasury	\$273.3 million	State agency	September 30, 2026	TBD (quarterly and annual reports required)
Governor's Emergency Education Relief Funds (parts 1 and 2)	US Department of Education	\$138.6 million (plus unused EANS)	1. State educational entities 2. Non-profit	September 30, 2022 (part 1) September 30, 2023 (part 2)	February 1, 2024 (annual reports due each February 1)
Economic Development Administration (Tourism and Strategy)	US Department of Commerce	\$6.4 million (tourism) \$1 million (strategy)	1. State agencies 2. Non-profit	May 31, 2027 (tourism) May 1, 2024 (strategy)	September 30, 2027 (tourism) August 29, 2024 (strategy - semiannual reports due April 30 and Oct 31)
American Rescue Plan Act - State Fiscal Recovery Funds	US Treasury	\$5.4 billion	1. State agencies 2. Non-profits	December 31, 2026	June 30, 2027 (quarterly expenditure; annual plan)
American Rescue Plan Act - Capital Project Fund	US Treasury	\$273.6 million	State agency	December 31, 2026	TBD

27

How NCPRO will work with state agencies

- Work with the agencies to meet federal and state reporting requirements
- Develop an MOA or contract for each agency program
- Host a state agency working group to work through common challenges and share information on recovery

Planning

Oversight

Reporting



28

28

How NCPRO will work with state agencies

- Provide a grants manager for each agency/non-profit to:
 - Provide technical assistance and support
 - Monitor agencies work
 - Communicate financial management guidance and processes to meet financial reporting requirements
- Develop and provide training on federal grants management and monitoring requirements

Training

Guidance

Grants Management



29

29



POLL

Training from NCPRO

30

30

What NCPRO needs from state agencies

- Complete reporting template from NCPRO and survey from Berry Dunn on agency readiness
- Communicate on a regular basis
- Follow financial management guidance
- Use the NCPRO grants management portal
- Meet reporting deadlines, respond to requests in timely manner
- Be flexible



31

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Reporting Requirements by Participant Type

Recipient	Interim Report	Project and Expenditure Report	Recovery Plan Performance Report
States, U.S. territories, metropolitan cities and counties with a population that exceeds 250,000 residents	By August 31, 2021, with expenditure summary by category	By October 31, 2021, and then 30 days after the end of each quarter thereafter ⁹	By August 31, 2021, and annually thereafter by July 31 ¹⁰
Metropolitan cities and counties with a population below 250,000 residents which received more than \$5 million in SLFRF funding			Not required
Tribal Governments		By October 31, 2021, and then annually thereafter ¹¹	Not required
Metropolitan cities and counties with a population below 250,000 residents which received less than \$5 million in SLFRF funding			
NEUs	Not required		

Source: [“Compliance and Reporting Guidance: State and Local Fiscal Recovery Funds.”](#)
UST. June 17, 2021. Version 1.0

32

Reporting elements required in 60 days

- Project overview (description, timeline, etc.)
- Use of funds
 - Promoting equitable outcomes
 - Evidence-based interventions
 - Targeted to economically disadvantaged communities
- Expenditures
 - Overall
 - Subawards
- Programmatic data



33

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Relief and recovery funds tracker

NCPRO submits reports to federal and state agencies on these funds that can be found online:

<https://www.nc.gov/agencies/ncpro>

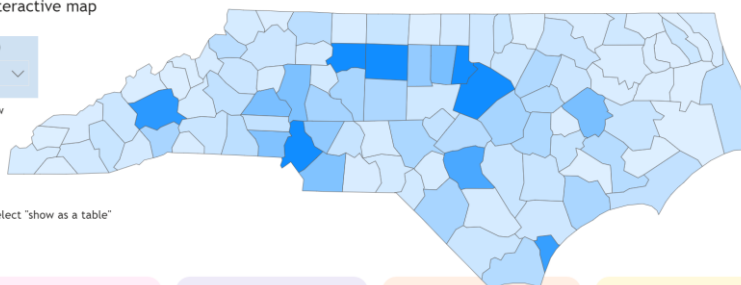
<https://www.pandemicoversight.gov/news/articles/prac-releases-coronavirus-relief-fund-data>

34

Relief Funds by County

A non-exhaustive, interactive map

Select county (or multiple)
 All ▼
 Use eraser to reset view



To view the full data:
 Right click on the map and select "show as a table"

<p>\$17,045,243,249 Business Aid Total</p> <p><small>Paycheck Protection Program (PPP), administered by the U.S. Small Business Administration (SBA). Note that awards greater than \$150K are estimated based on median award amounts.</small></p> <p><small>Economic Injury Disaster Loan (EIDL), administered by SBA. EIDL A are automatically forgiven advances.</small></p> <p><small>Job Retention Grant (JRG), administered by NC Department of Commerce using CRF.</small></p> <p><small>Small Business Loan (SBL), administered by SBA.</small></p>	<p>\$786,819,001 Local Government Total</p> <p><small>Includes CRF allocated to counties and municipalities by NC General Assembly, as well as direct allocations from the US Treasury.</small></p>	<p>\$3,610,414,752 Education Total</p> <p><small>Public K12 schools includes CRF, Governor's Emergency Education Relief (GEER) I, and Elementary and Secondary School Emergency Relief (ESSER) I & II.</small></p> <p><small>Higher education includes CRF, GEER I, and Higher Education Emergency Relief Funds (HEERF) I & II.</small></p>	<p>\$2,711,342,823 Health Provider Total</p> <p><small>Includes CRF allocated to hospitals by NC General Assembly, and Provider Relief Funds (PRF) distributed to providers by U.S. HHS. Providers were attributed to their corresponding counties.</small></p>
<p>\$351,540,625 Payments to Families</p> <p><small>Includes Extra Credit Grants.</small></p>	<p><small>Notes: Map represents \$24.1 billion out of over \$50 billion in federal COVID relief funds allocated to NC in 2020 (does not include American Rescue Plan funds). Amounts do not reflect expenditures of NC Pandemic Recovery Office</small></p>		

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Stay in touch with NCPRO!

NCPRO Phone:
984-236-0795

NCPRO Website:
<https://www.nc.gov/agencies/ncpro>

Follow NCPRO:

 @ NC Pandemic Recovery Office

 @NCPRO_gov

Stay in touch!

Phone:
984-236-0600

Website:
www.osbm.nc.gov

Follow us:

 @ NC Office of State Budget & Management

 @NCDemographer



Dr. Holly Speaks, PhD, LLC presents...

Leading a Virtual Team

Remote work, seen as an option until 2020, has become a necessary way to do business in today's climate. Suddenly, most work teams are virtual teams.

Virtual teams differ from in-person teams in many ways. An astute leader can take their virtual team to new heights by addressing these differences in a way that allows them to strategically grow and nurture the team.

This seminar will provide participants with the basic understanding of how virtual teams best function, what motivates virtual team members, and what brings out the best in today's remote worker. Emphasis will be placed on actions that virtual team leaders can take to help their teams flourish and succeed.

This seminar will cover:

- Virtual Team Best Practices
- Motivation Techniques for Virtual Team Members
- Tips and Tricks to Spur Creativity and Innovation in a Remote Team
- The Top Actions that Make Virtual Team Leaders Great



Meet the facilitator...

Dr. Holly A. Sullenger of Dr. Holly Speaks, PhD, LLC



Dr. Holly Sullenger is an award-winning, internationally renowned veteran in the fields of corporate speaking, training, and consulting. She offers expert speaking and training opportunities in the areas of leadership, professional development, and technology.

Dr. Holly has worked with individuals representing a vast array of different occupations and industries. She is known for being able to present high-level topics in ways that make the content easy to understand, to assimilate, and to act on. Dr. Holly's passions include prompting "light bulb moments" in her participants, and helping professionals stay relevant in their fields.

Dr. Holly has a PhD in Adult, Workforce and Continuing Professional Education from NC State University, as well as degrees in Adult Education, Business Management, Computer Science and Liberal Arts. This enables her to combine an in-depth knowledge of business and

industry with adult-education techniques and infused humor in order to bring unparalleled knowledge and assistance to those she partners with.

Dr. Holly A. Sullenger, Dr. Holly Speaks, PhD, LLC

919-649-8068 • DrHollySpeaks@gmail.com • www.DrHollySpeaks.com
www.Facebook.com/DrHollySpeaks • www.Linkedin.com/company/DrHollySpeaks



LEADING A VIRTUAL TEAM

Success in a Remote Environment

ABSTRACT

Since 2020, much of our workforce has turned into a virtual workforce – requiring a whole new way of thinking and behaving. This interactive seminar will explore how leaders can better lead a virtual team so that everyone succeeds!

Dr. Holly A. Sullenger, CEO

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1-919-649-8068



What is the definition of virtual work?

What are some stats surrounding virtual work?

How can organizations benefit from allowing employees to work virtually?

Why do employees like to work virtually?

Why might virtual work NOT be a good thing for an employer?



Why might an employee not like to work virtually?

--

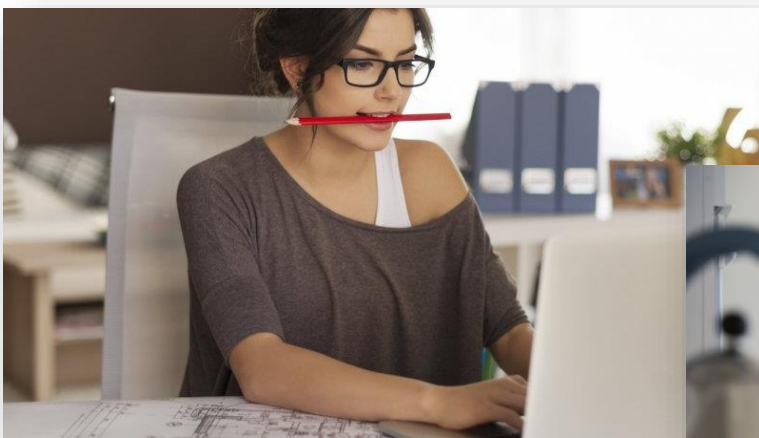
What 5 factors do leaders of virtual teams need to consider?

What are some qualities of effective leaders?

--

What are some daily responsibilities of leaders?

--



What 6 characteristics would the perfect leader of a virtual team have?

What is the breakdown of effective communication?

--

What 10 qualities does a great virtual worker have?

What tips do Forbes business coaches council have for virtual leaders?

--



What are some virtual icebreaker ideas?

--

What 12 suggestions can you share with your virtual team to help them succeed?

What are three things you can immediately use from this seminar?



Wrap Up

This seminar showed you virtual leadership techniques that will increase your ability to lead others professionally and with great success.

If you are interested in receiving more in-depth, hands-on training in leadership, you can visit www.DrHollySpeaks.com. There you will find a list of classes at all levels of leadership and professional development training, available upon request.

For additional questions about this course, you may contact Dr. Holly using any of the contact options listed below.

Thank you for your participation!



Dr. Holly Speaks, PhD, LLC

Dr. Holly A. Sullenger, CEO

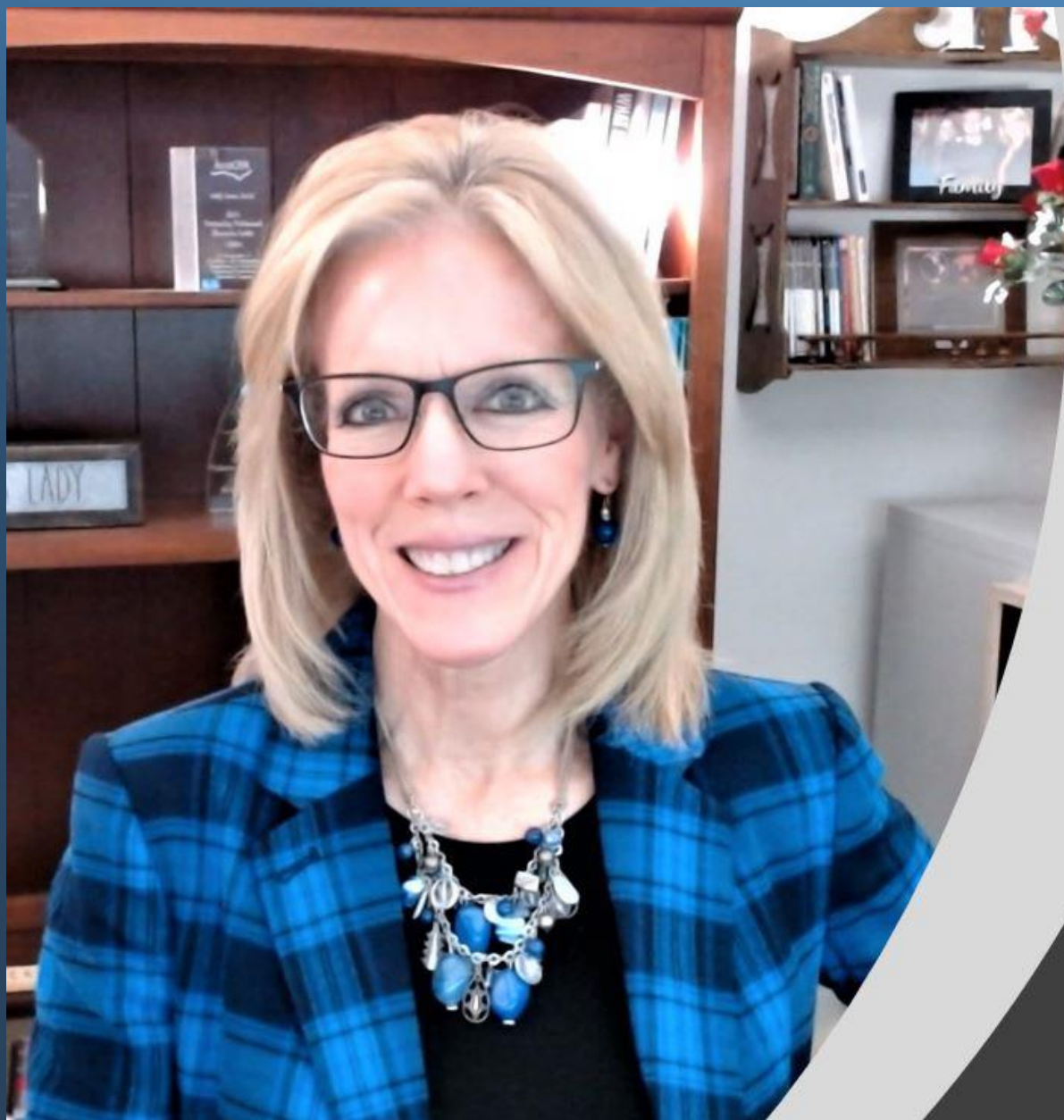
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Expectations for a great seminar...

- 70-minute session with Q&A
- Ask questions
- No multi-tasking
- Participate
- Take personalized notes

Successfully Leading a Virtual Team

Facilitated by:
Dr. Holly A Sullenger, CEO
Dr. Holly Speaks, PhD, LLC



vir·tu·al wərk / tel·e·work / 'telə,wərk / *Noun*

Work performed at an offsite location by an employee primarily using computers and other technology to link them to their employer and other business contacts.



A person is sitting at a desk, working on a laptop. They are wearing a red and black plaid shirt and have their feet propped up on the desk. They are holding a white bowl of food in their left hand. A white mug is on the desk next to the laptop. In the background, a computer monitor displays a document with text and a table.

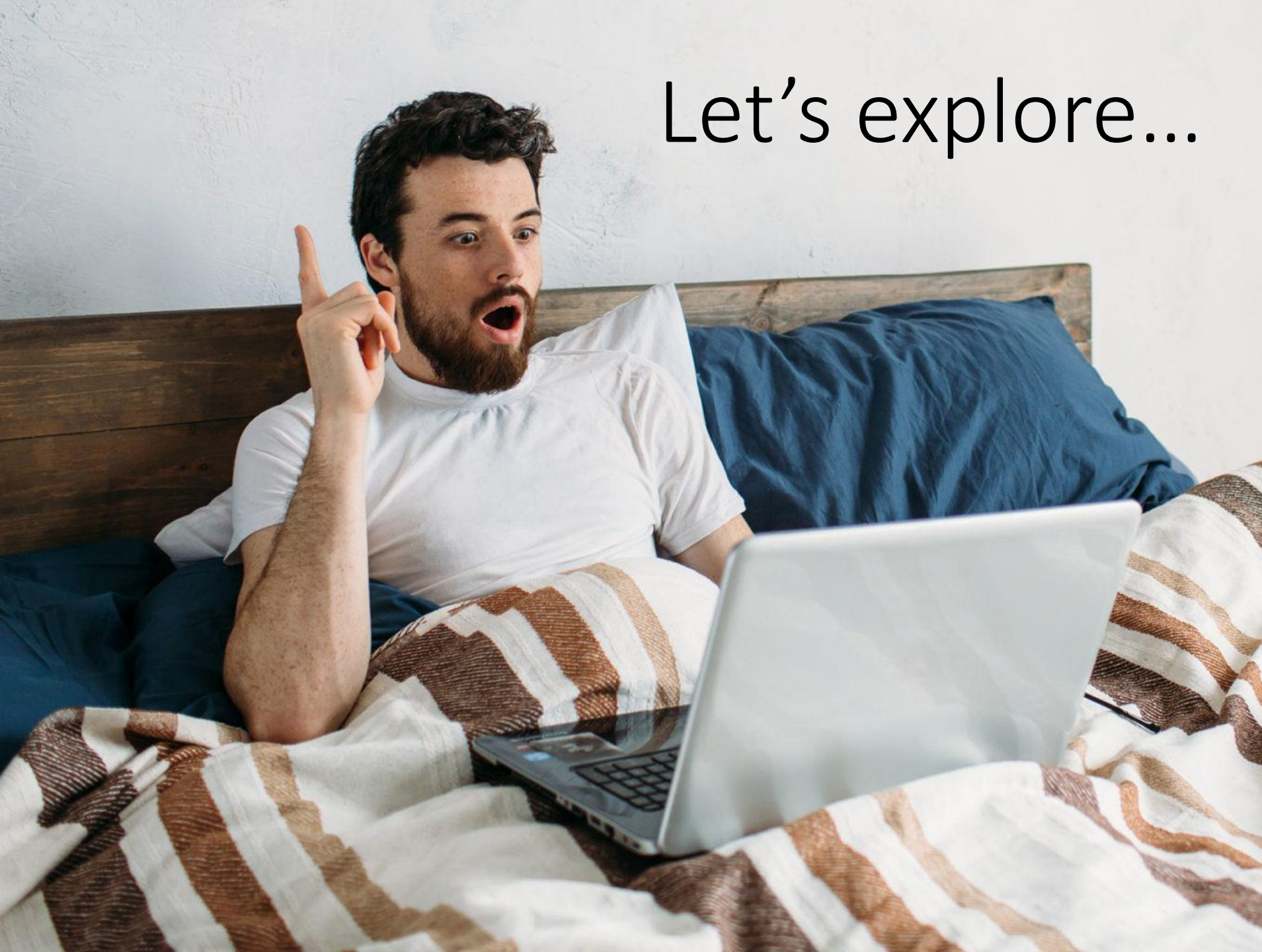
The Stats

1 in 4 Americans, over 26% of the workforce, worked virtually through 2021.

22% of the workforce (36.2 million Americans) will work virtually by 2025.


The actual number of people who worked remotely because of COVID-19 was, at its highest point, roughly 35 percent, way back in May 2020.

Let's explore...



How can virtual work benefit an organization?

Why is virtual work attractive to employees?

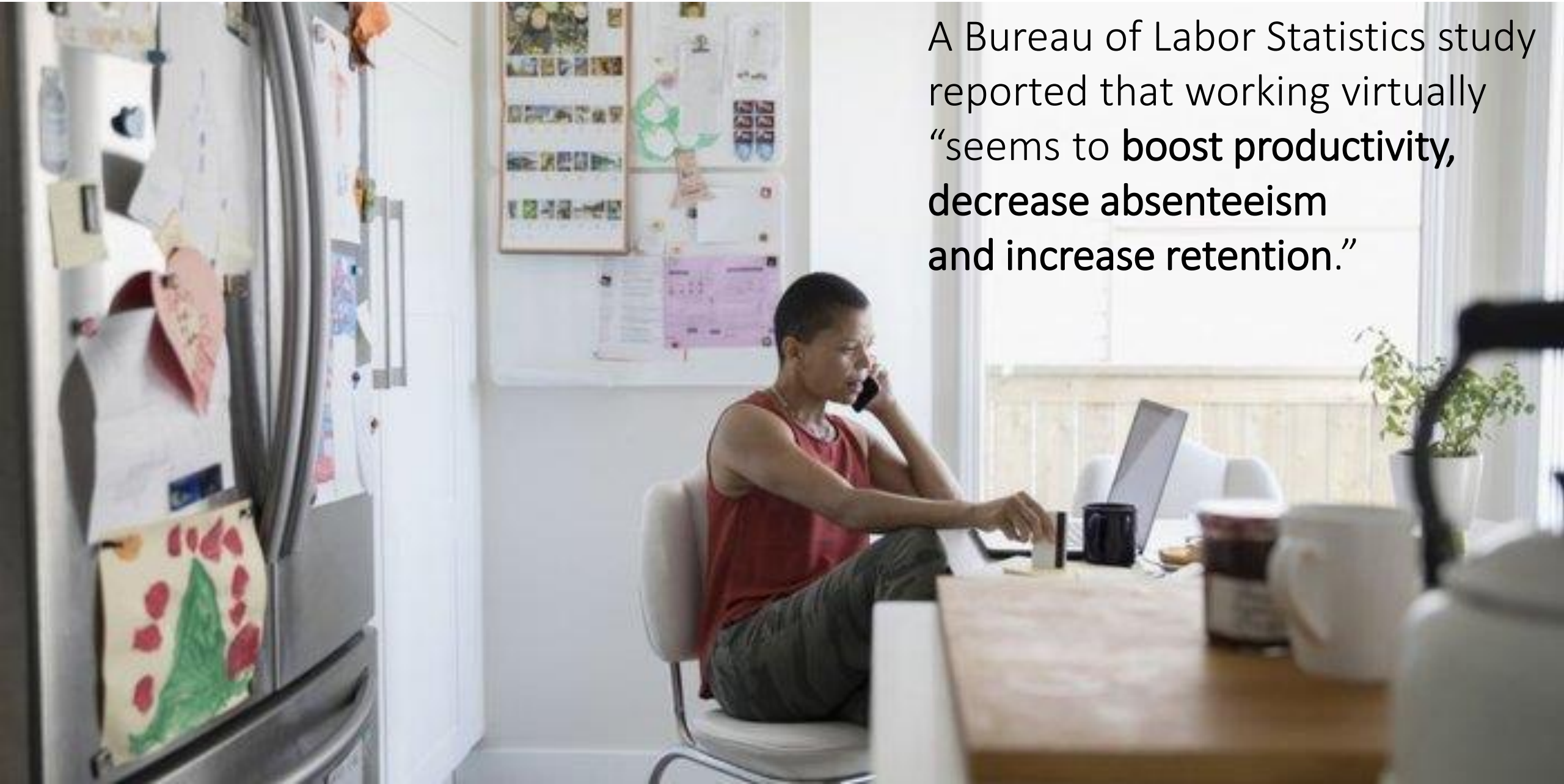
A man in a blue short-sleeved shirt is sitting at a light blue dining table, working on a laptop. He is looking at the screen with his hand on his chin. The table has a laptop, a blue mug, and a glass of orange juice. In the background, there is a large window with a yellow pendant light hanging above it. To the right, there is a kitchen counter with a pitcher of orange juice and a bowl. The scene is brightly lit, suggesting a sunny day.

30% of survey respondents said they were more productive and engaged working from home.

Commuting time was reduced by 62.4 million hours per day with time savings of over 9 billion hours starting from March 2020 through Sept 2020.

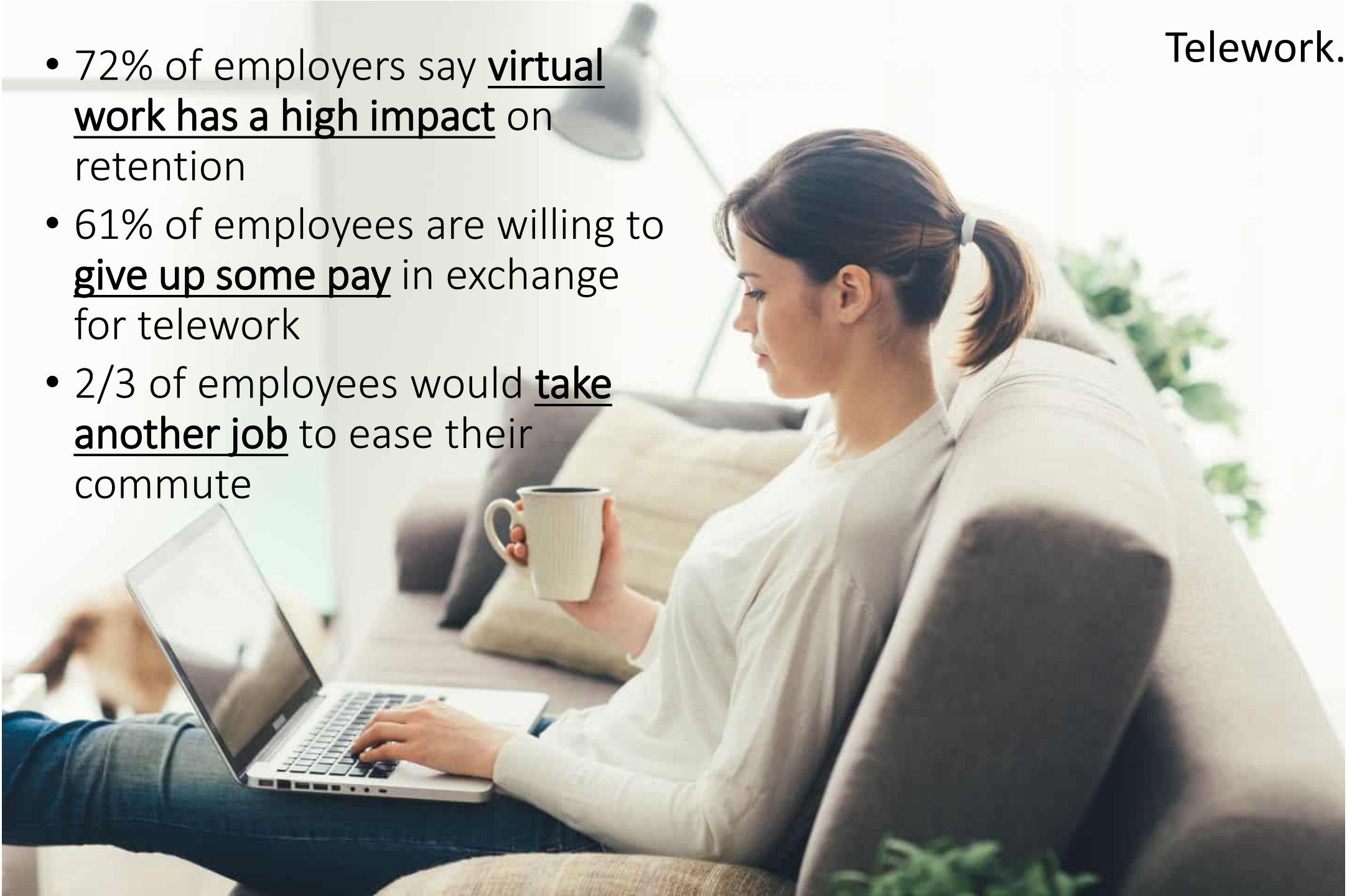
Interesting...

A Bureau of Labor Statistics study reported that working virtually “seems to **boost productivity, decrease absenteeism and increase retention.**”



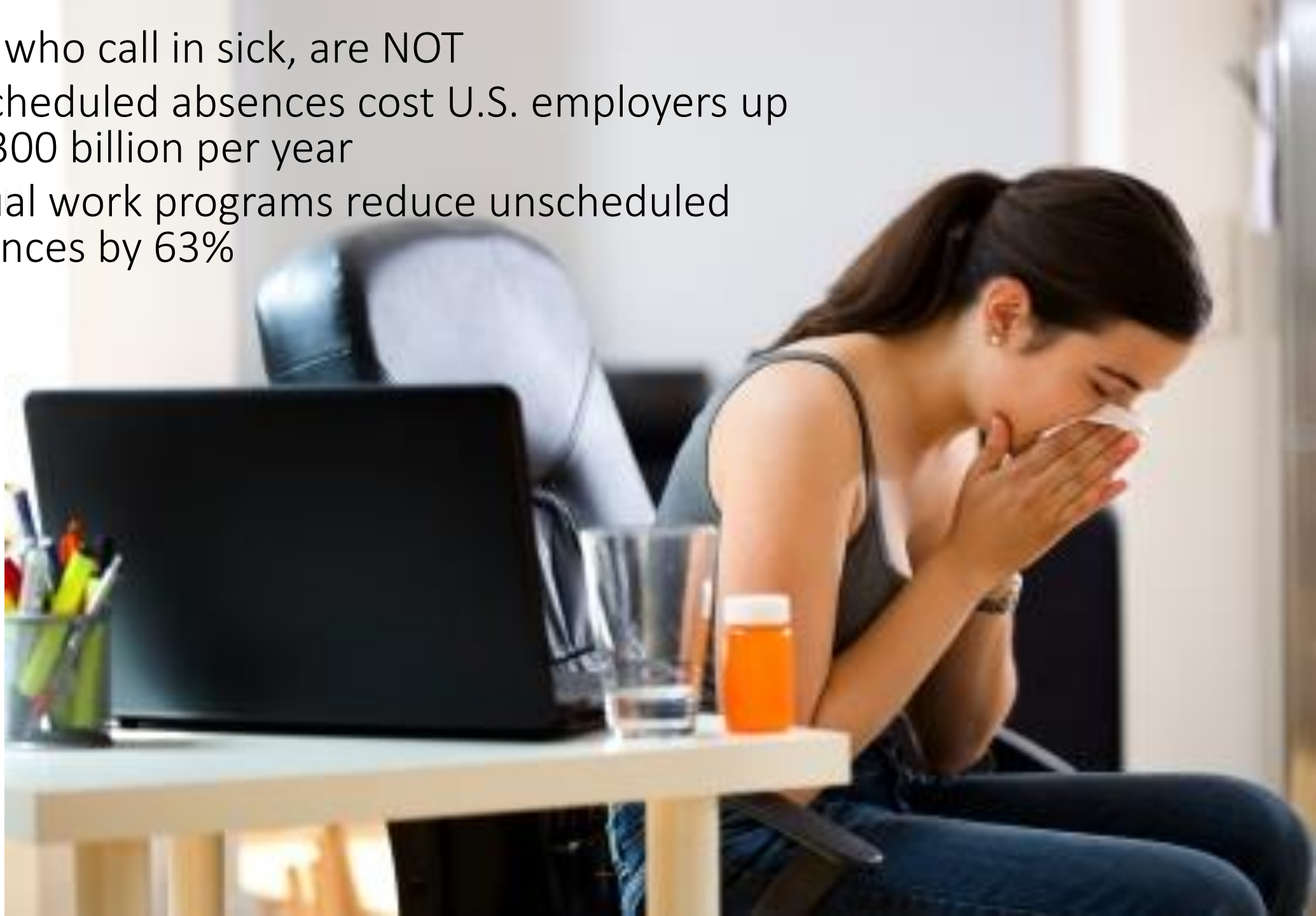
Reduction in Attrition

- 72% of employers say virtual work has a high impact on retention
- 61% of employees are willing to give up some pay in exchange for telework
- 2/3 of employees would take another job to ease their commute



Reduction in Unscheduled Absences

- 78% who call in sick, are NOT
- Unscheduled absences cost U.S. employers up to \$300 billion per year
- Virtual work programs reduce unscheduled absences by 63%



Polling Question

#1

Give it your best shot!



A woman with dark hair and glasses is sitting at a desk, looking at a laptop. She has a red pencil balanced horizontally in her mouth. The desk has a laptop and some papers. In the background, there are blue binders and a potted plant.

Expanding thoughts...

Why might virtual work not be a good idea for an organization?

Why might virtual work not be attractive to employees?

Drawbacks

- Management issues
- Worker isolation
- Data security
- ✓ *Not for all workers*
- ✓ *Not for all industries*





Is your organization using virtual work?

Leaders of organizations need to think through five key areas...

Gatekeeping – deciding who can telecommute and why

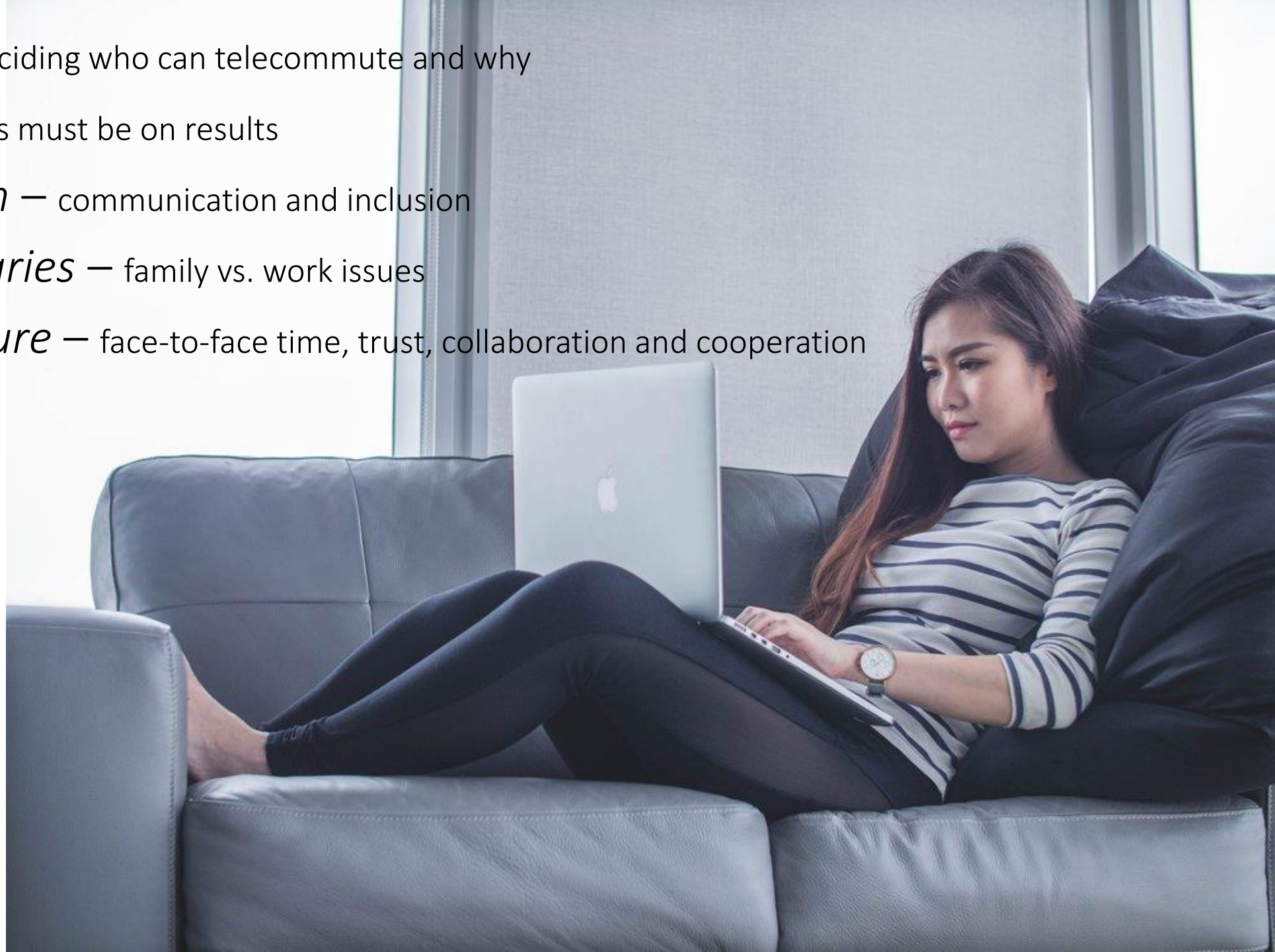
Monitoring – focus must be on results

Social integration – communication and inclusion

Work-life boundaries – family vs. work issues

Work-group culture – face-to-face time, trust, collaboration and cooperation

**5 factors
leaders
need to
consider**



Let's explore...

Think of an effective virtual leader.

What characteristics do/did they display?

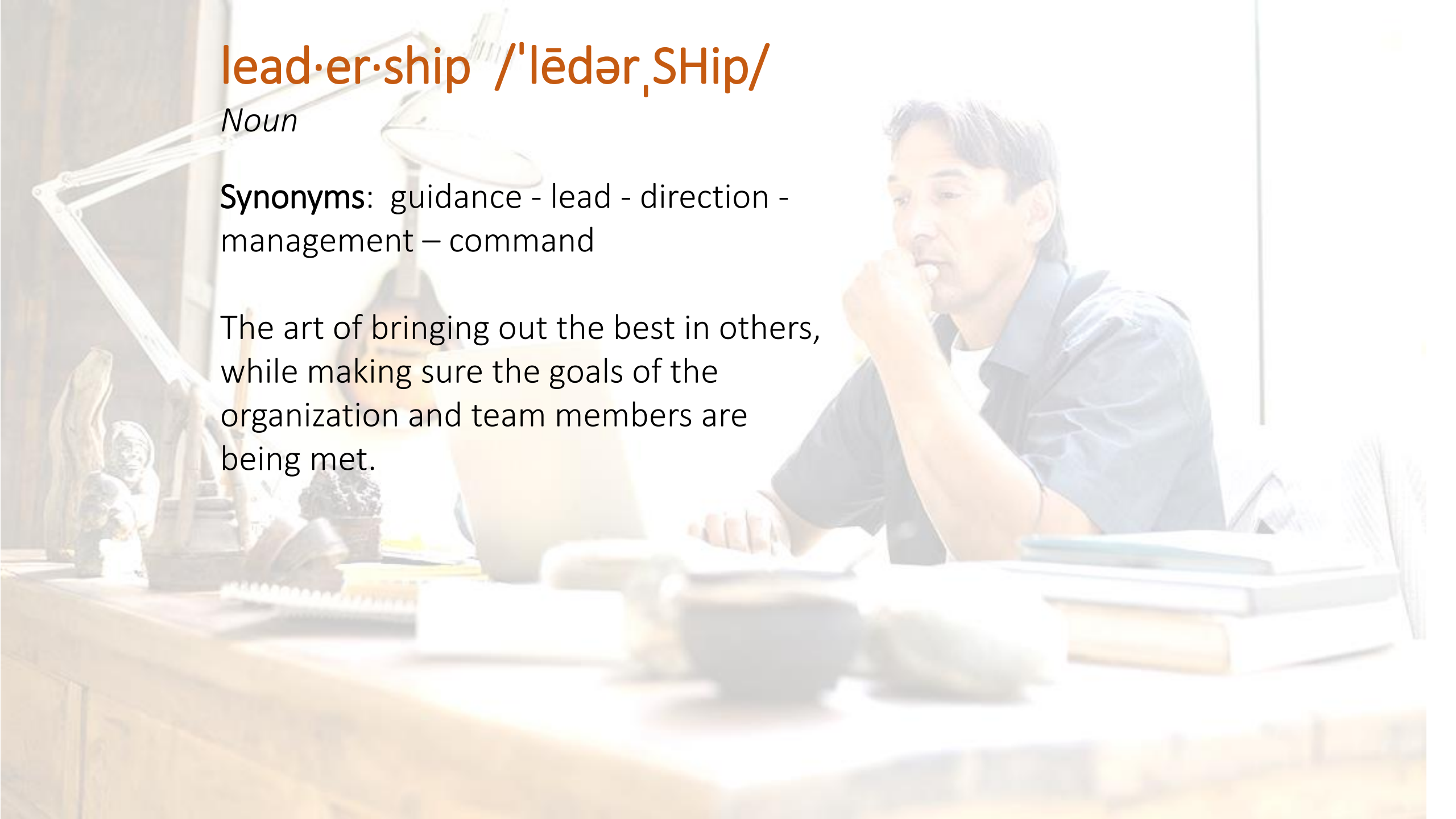


lead·er·ship /'lēdər,SHip/

Noun

Synonyms: guidance - lead - direction - management – command

The art of bringing out the best in others, while making sure the goals of the organization and team members are being met.



Polling Question #2

What did you retain?



Qualities of Effective Leaders

Cooperative/Collaborative
Capable/Consistent
Creative/Innovative
Character/Integrity

Caring/Understanding
Courageous
Sense of humor



Daily Responsibilities of Today's Leaders

- Create a safe environment
- Make decisions
- Communicate expectations
- Challenge people to think
- Display accountability
- Lead by example
- Measure and reward performance





- Provide continuous feedback
- Properly acquire and deploy talent
- Ask questions and seek counsel
- Problem solve in a timely fashion



- Display positive energy and attitude
- Teach
- Invest in relationships



The perfect leader of a virtual team is...

- Organized
- Good at delegating
- Trusting and trusted
- Big picture oriented
- Focused on results
- Capable of managing work rather than workers

...Things virtual leaders must remember:

The leader must manage by objectives or results rather than by direct observation.

The completed work product is the indicator of performance and success.

The focus must be on quantity, quality and timeliness.



The Perfect Leader of
Telecommuters also has:



Excellent communication skills

The Missing Case of the Body Language

Every communicated message
is broken down into:

- Body Language 55%
- Tone of Voice 38%
- Words 7%


93% Non-Verbal!





Polling Question #3

What knowledge tidbits
stuck with you?



What else does a virtual leader
need to do?

Find the right employees...



Let's explore...

What qualities do successful virtual workers display?

The perfect “10” virtual worker:

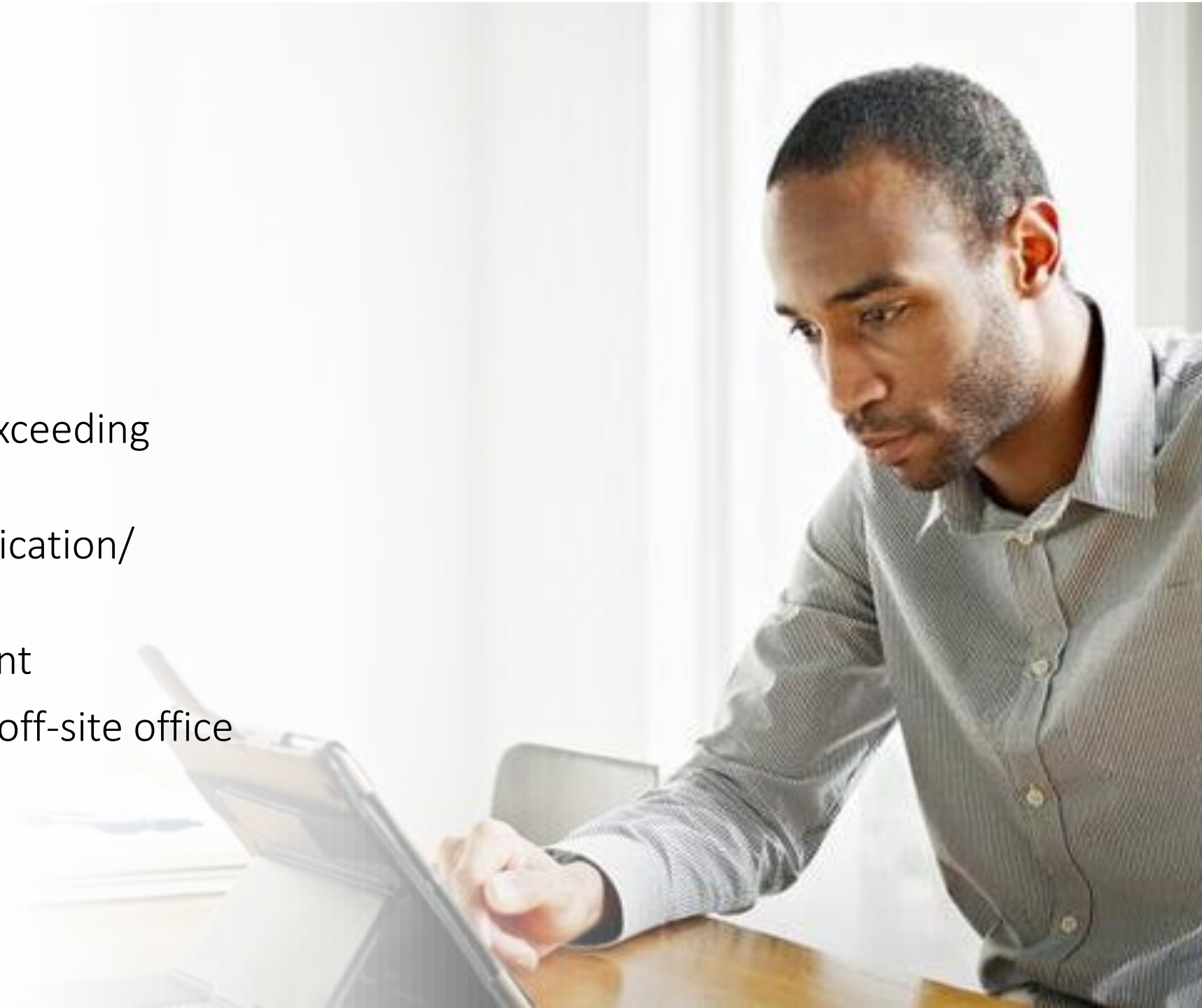
1. Believes in virtual work advantages
2. Is a self-starter/works well independently
3. Is organized
4. Has a high degree of job skill and knowledge
5. Has strong time management skills

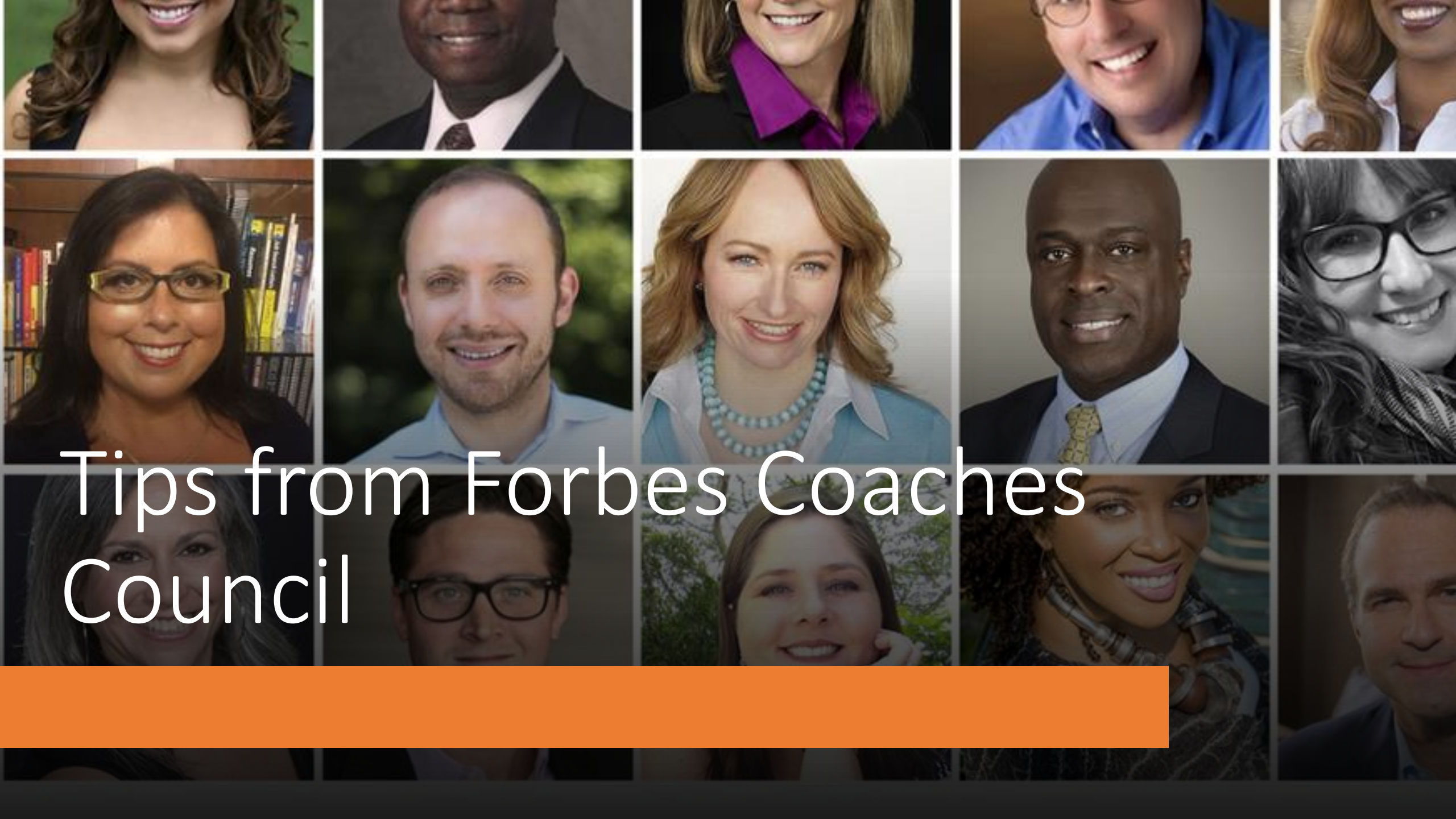




The perfect “10” virtual worker is:

6. Driven by meeting and exceeding goals
7. Innovative with communication/ connectivity
8. Technologically competent
9. Able to create “defined” off-site office space
10. Trustworthy





Tips from Forbes Coaches Council





Set clear expectations

Mission/vision

Understanding of roles

Communication with team

Establishing goals



Treat the remote as if local

Include in staff meetings

Include in celebrations

Be responsive

Assign partnerships



Engage regularly

Face-to-face when necessary

Regular one-on-ones

Shared calendars

Inclusion in all relevant project meetings

Virtual Icebreakers

- Plus Delta (plus – good, delta – working on)
- Two truths and one lie
- Home fashion police/Mood barometer (polls)
- Whose office is it anyway?
- Virtual background challenge
- Home treasure hunt
- Team trivia quiz



Trust your team

Provide guidelines

Allow workers to select their process

Focus on deliverables

Adjust when necessary/
remain flexible!!!



Provide reliable tools

Equipment

Software

Collaboration tools

Communication assists

Virtual workspaces





Video Conferencing Platforms (as of July 2020)

Zoom had over 300 million meeting participants per day

Google Meet had over 100 million daily meeting participants

Microsoft Teams had 75 million active daily users

Cisco WebEx currently has over 300 million users

Skype

GoToMeeting

BlueJeans

Help your team survive...

Put on work clothes

Hydrate

Move 5 minutes each hour

Use the “20-20-20” rule – *look at something that is 20 feet away for 20 seconds every 20 minutes*

Stretch while sitting

Stand when you can



But wait,
there's more...

Hide self-view

Change your
environment

Avoid multitasking

Switch to phone
calls/emails

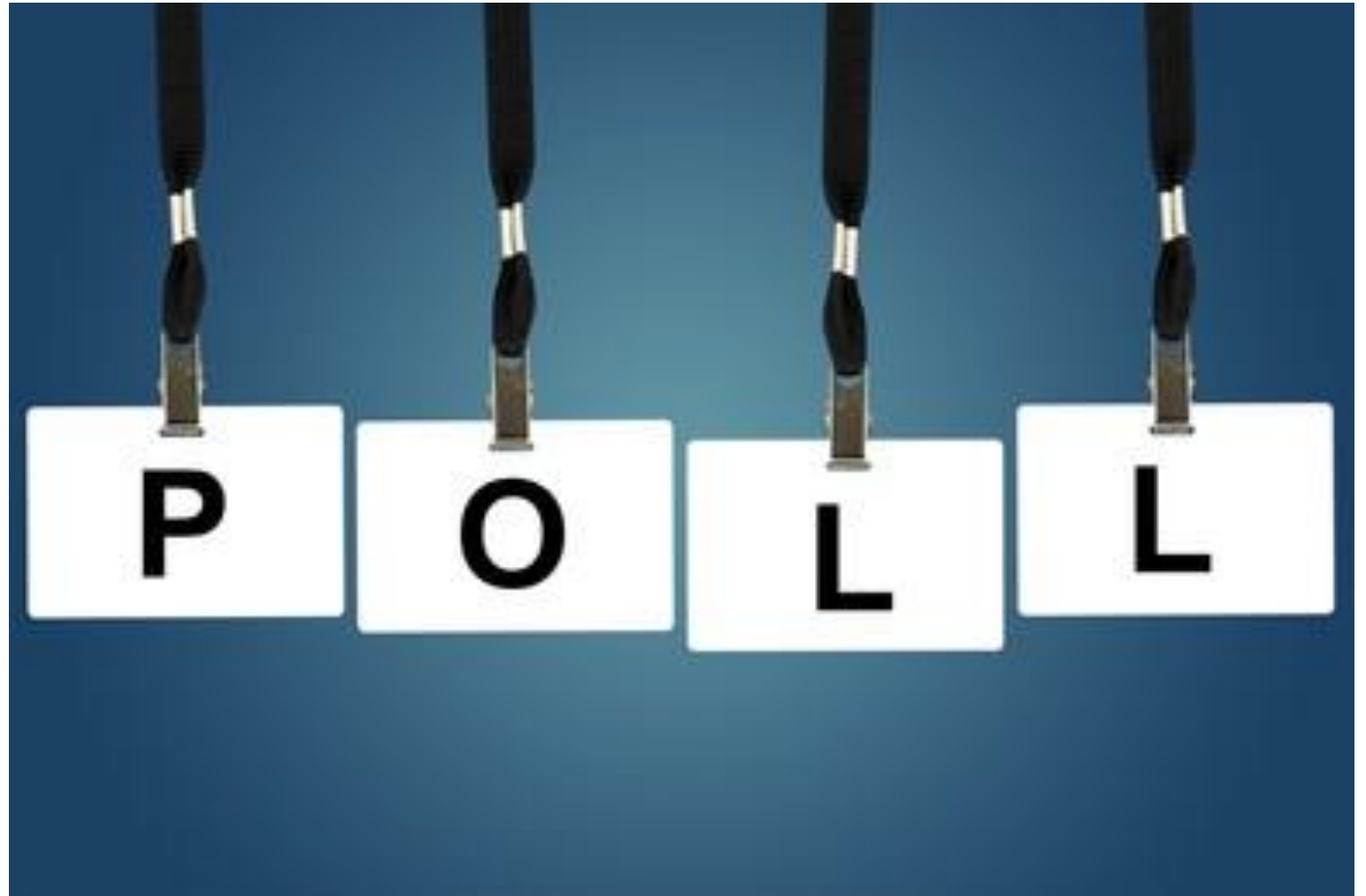
Establish “no virtual”
time blocks

Keep work time and
home time separate



Polling Question #4

What do you think?

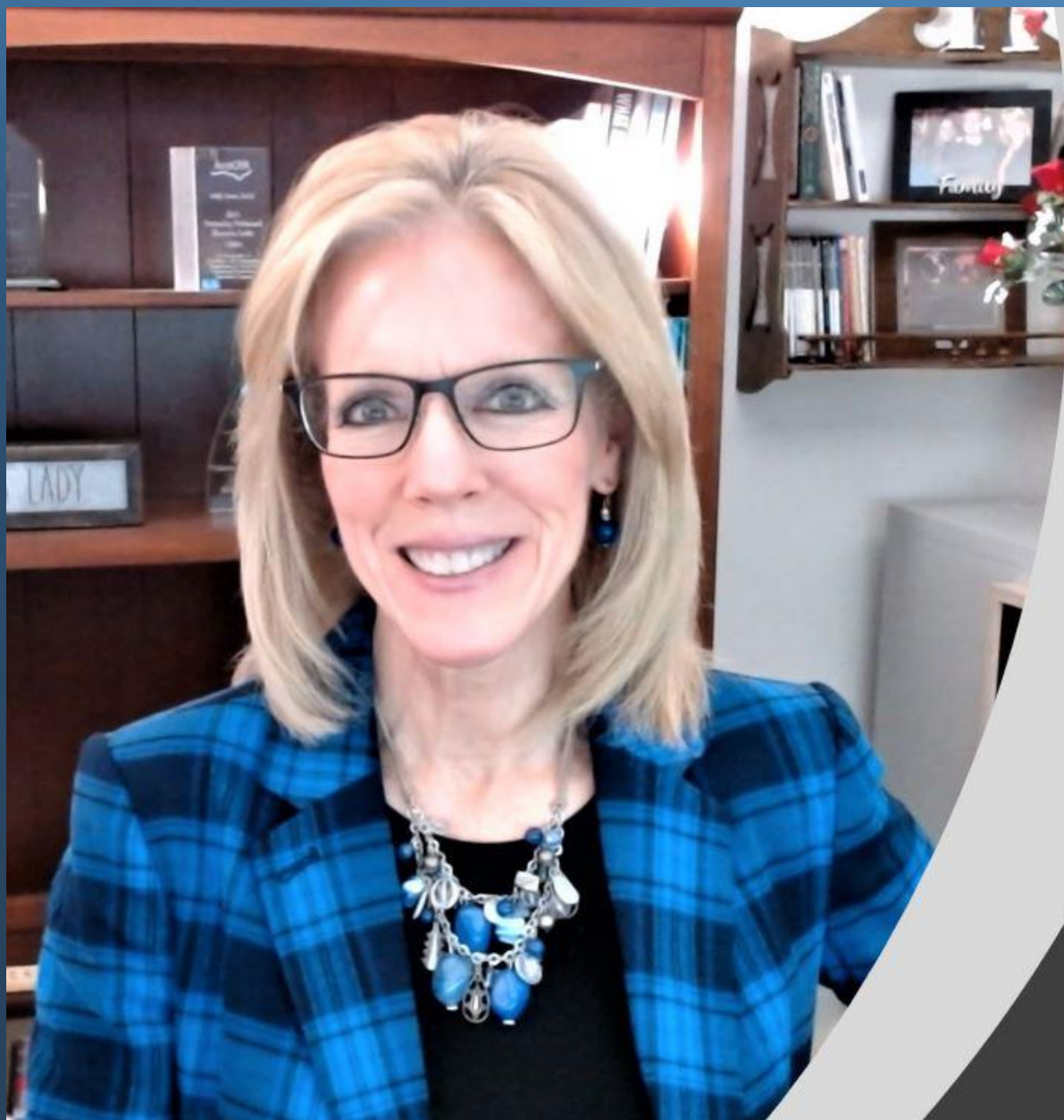




Make it happen...

What three things will you take back to work with you from this seminar?





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Michael L. Walden

Michael Walden, Ph.D., is a William Neal Reynolds Distinguished Professor Emeritus at North Carolina State University and President of Walden Economic Consulting, LLC. During his 43 years on the faculty at NC State, Walden became recognized as an expert on the state economy and public policy. He is the author of twelve books and over 300 articles and reports, and he has made 3000 personal appearances. Walden is also a frequent contributor to the national and state media and continues to write a biweekly newspaper column. He has won numerous awards, including two Champion-Tuck Awards for Excellence in Broadcasting, the UNC Board of Governors Award for Excellence in Public Service, the Holladay Medal for Excellence from North Carolina State University, and the Order of the Long Leaf Pine. His newest books are *Real Solutions* and *Disunionia: A Political Thriller*. His upcoming book, *Re-Launch: How Families Can Be Renewed and the American Dream Revived in the New Independent Lifestyle of the Post-Pandemic Economy* will be published in February 2022. Walden is a member of the North Carolina Economic Development Association, and he resides in Raleigh with his wife, Mary.

ECONOMIC OUTLOOK THE NEW POST-PANDEMIC ECONOMY

Dr. Michael L. Walden, Reynolds Distinguished Professor Emeritus
North Carolina State University

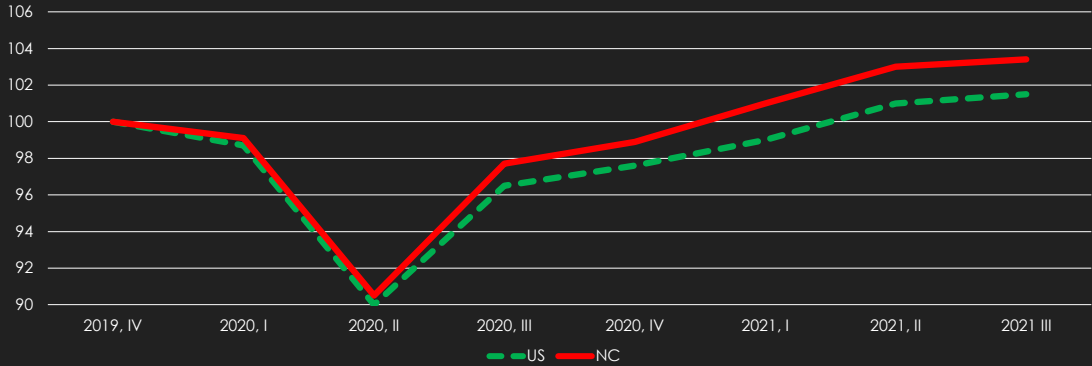
1

TOPICS ADDRESSED INCLUDE:

- WHERE WE'VE BEEN – THE DOWNS AND UPS OF THE ECONOMY
- THE BIG LIFELINE – FEDERAL GOVERNMENT POLICY DURING THE PANDEMIC
- SURPRISE – WHY IS THERE A LABOR SHORTAGE?
- DOWNSIDE OF THE UPSIDE – INEVITABLE INFLATION?
- DROWNING IN DEBT – CAN WE AFFORD FIGHTING COVID?
- TURNING THE CORNER ON COVID – BUT WHAT'S ON THE LANE AHEAD?
- PREPARING FOR THE POST-PANDEMIC ECONOMY

2

DOWN AND UPS OF THE US AND NC ECONOMIES (QUARTERLY GDP AS PERCENT OF 2019 IV GDP)



3

BUT ALL SECTORS HAVEN'T FALLEN AND RISEN AT THE SAME RATE (% OF 2019 IV GDP)

	US		NC	
	2020 II	2021 II	2020 II	2021 II
FARMING	95%	104%	58%	111%
CONSTRUCTION	93%	103%	94%	104%
MANUFACTURING	88%	102%	89%	101%
TRADE	90%	101%	92%	103%
TRANSP/WAREHOUSING	75%	87%	79%	97%
PROFESSIONAL SERVICES	96%	104%	95%	105%
EDUCATION	88%	91%	87%	92%
HEALTH CARE	83%	97%	84%	97%
HOSPITALITY/LEISURE	47%	83%	60%	85%
PERSONAL SERVICES	77%	86%	79%	89%

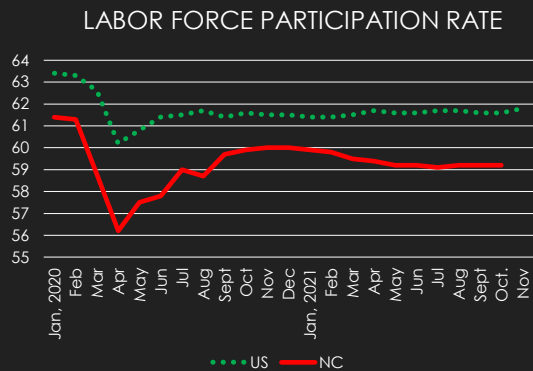
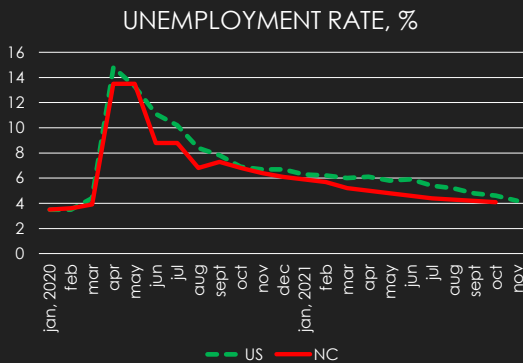
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RECOVERY HAS ALSO VARIED WITHIN NORTH CAROLINA EMPLOYMENT IN OCTOBER 2021 AS % OF EMPLOYMENT IN FEBRUARY 2020

ASHEVILLE	95%	HICKORY	100%
BURLINGTON	99%	JACKSONVILLE	99%
CHARLOTTE	98%	NEW BERN	97%
DURHAM-CH	100%	RALEIGH	100%
FAYETTEVILLE	96%	ROCKY MOUNT	97%
GOLDSBORO	96%	WILMINGTON	100%
GREENSBORO-HP	96%	WINSTON-SALEM	98%
GREENVILLE	102%		
NORTH CAROLINA	98%	US	97%

5

TWO PICTURES OF THE LABOR MARKET



6

POLLING QUESTION 1

In addition to the unemployment rate, an important indicator of the labor market is:

- A. the federal funds rate
- B. the prime interest rate
- C. the labor force participation rate
- D. the debt to income rate

7

THE “SURPRISE” SHORTAGE OF LABOR

REASONS WHY FEWER PEOPLE HAVE BEEN LOOKING FOR WORK:

- CONTINUED WORRY OVER COVID
- UNCERTAINTY ABOUT SCHOOLS
- REDUCED AVAILABILITY OF CHILD CARE
- CASH FROM STIMULUS CHECKS AND CHILD PAYMENTS
- STOCK GAINS AND COVID MOTIVATING MORE RETIREMENTS
- UP-SKILLING OF LAID-OFF WORKERS
- DECLINE IN “REAL” WAGE RATES

8

LABOR RE-ALLOCATION AMONG SECTORS IS ALSO OCCURRING

BASED ON LATEST DATA FOR NORTH CAROLINA (SEPTEMBER 2021)

SECTORS ABOVE THEIR PRE-PANDEMIC EMPLOYMENT PEAK:

CONSTRUCTION, INFORMATION, FINANCIAL SERVICES, PROFESSIONAL SERVICES

SECTORS STILL BELOW THEIR PRE-PANDEMIC EMPLOYMENT PEAK:

HOSPITALITY/LEISURE, PERSONAL SERVICES, GOVERNMENT, MANUFACTURING

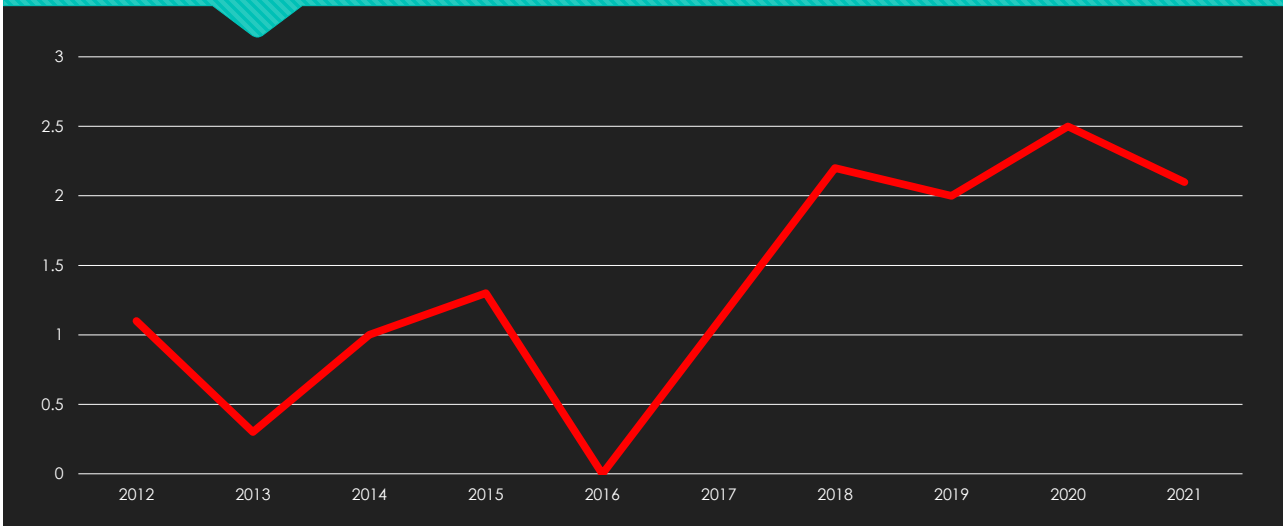
9

BUSINESS RESPONSES TO LABOR SUPPLY ISSUES

1. ATTRACT LABOR WITH HIGHER PAY AND/OR BENEFITS
2. SUBSTITUTE TECHNOLOGY AND AUTOMATION FOR WORKERS
3. IMPROVE WORKER PRODUCTIVITY

10

TRENDS IN LABOR PRODUCTIVITY IMPROVEMENTS (ANNUAL % CHANGE IN OUTPUT PER HOUR)



11

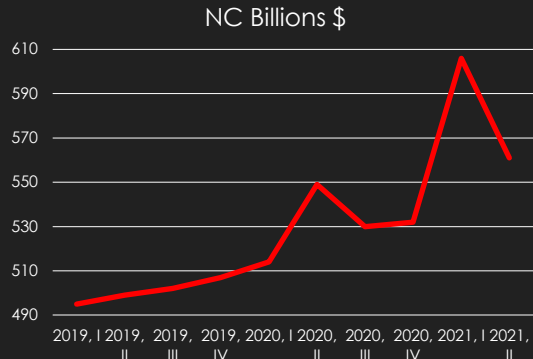
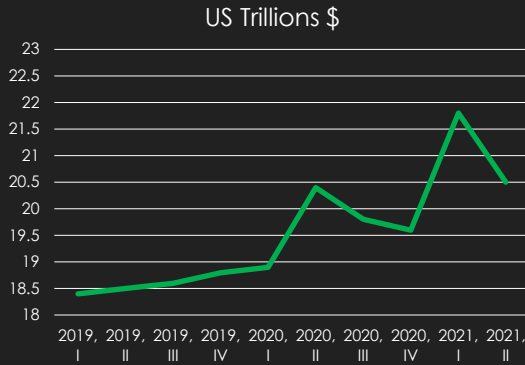
UNPRECEDENTED FEDERAL ASSISTANCE

\$6 TRILLION
25% of GDP
\$80 BILLION to NC



12

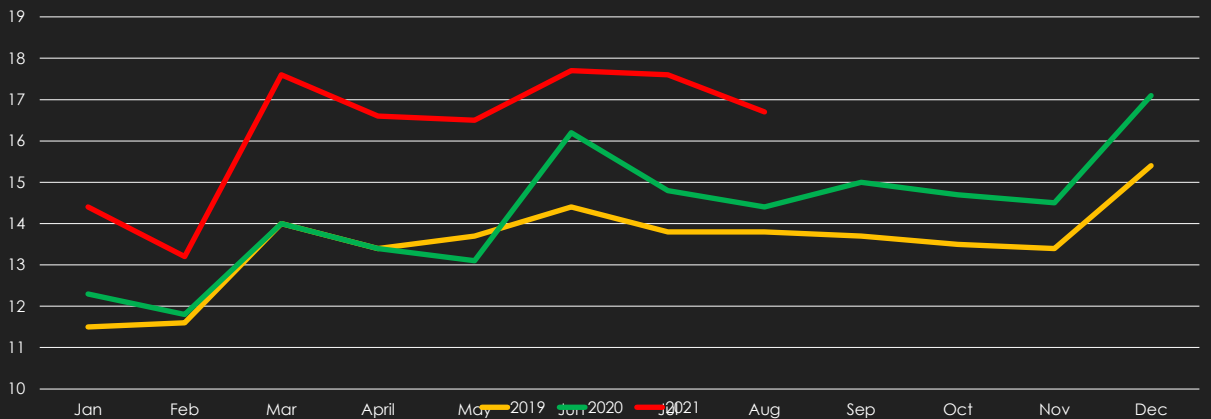
FEDERAL AID HAS SUPPORTED PERSONAL INCOME



13

NORTH CAROLINA MONTHLY RETAIL SALES

(NOMINAL, MILLIONS \$)



14

TOO MUCH, TOO LITTLE?

FIRST PANDEMIC OF THIS SIZE IN A CENTURY – UNKNOWN, UNCERTAINTIES
 ERR ON THE SIZE OF TOO MUCH HELP
 FUNDS USED TO MAINTAIN HOUSEHOLDS, BUSINESSES, INSTITUTIONS
 WANTED ECONOMY TO SURVIVE

CONSUMER SPENDING AND HOUSEHOLD SAVINGS ROSE DURING THE PANDEMIC
 STILL, ISSUES PERSISTED – EVICTIONS,

15

BALANCING THE CURRENT AGAINST THE FUTURE

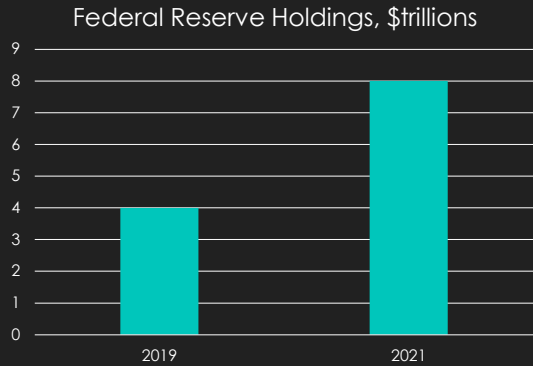
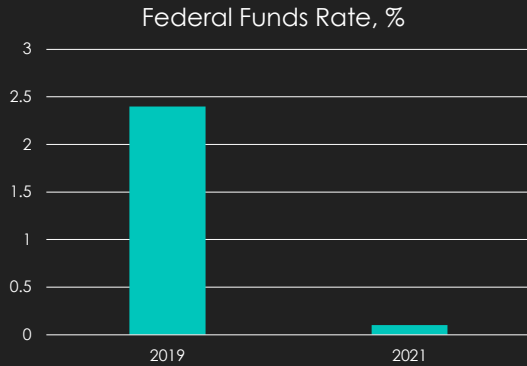
OPPORTUNITY COST OF
 WHAT ELSE COULD DO
 WITH FUTURE FUNDS

LOSSES IF LET ECONOMY
 COLLAPSE DURING THE
 PANDEMIC



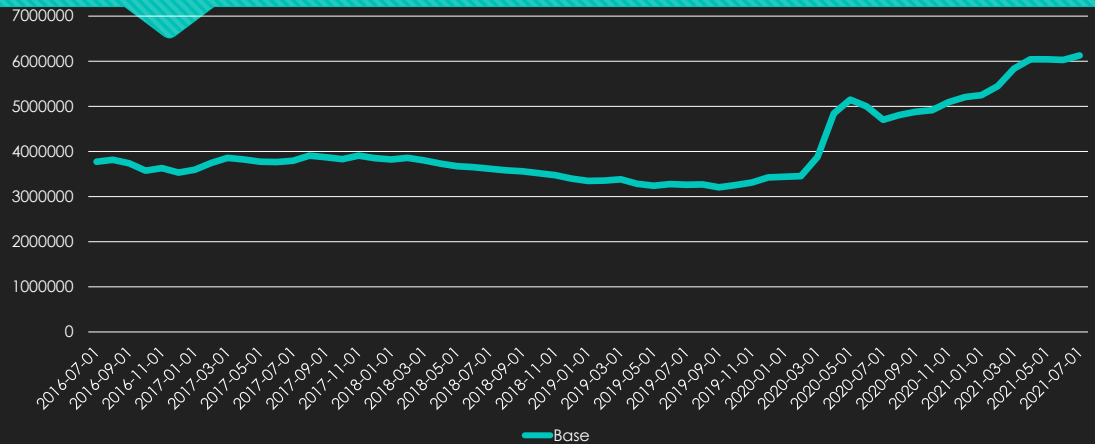
16

FEDERAL RESERVE ALSO STEPPED UP – FINANCED GOVERNMENT BORROWING, KEPT INTEREST RATES LOW



17

MONETARY BASE(\$ MILLIONS)



18

POLLING QUESTION 2

THE FEDERAL RESERVE HAS THE UNIQUE ABILITY TO

- A. CREATE MONEY
- B. BORROW MONEY
- C. PASS THE FEDERAL BUDGET
- D. PREVENT GOVERNMENT SHUTDOWNS

19

CHALLENGE FOR THE FEDERAL RESERVE

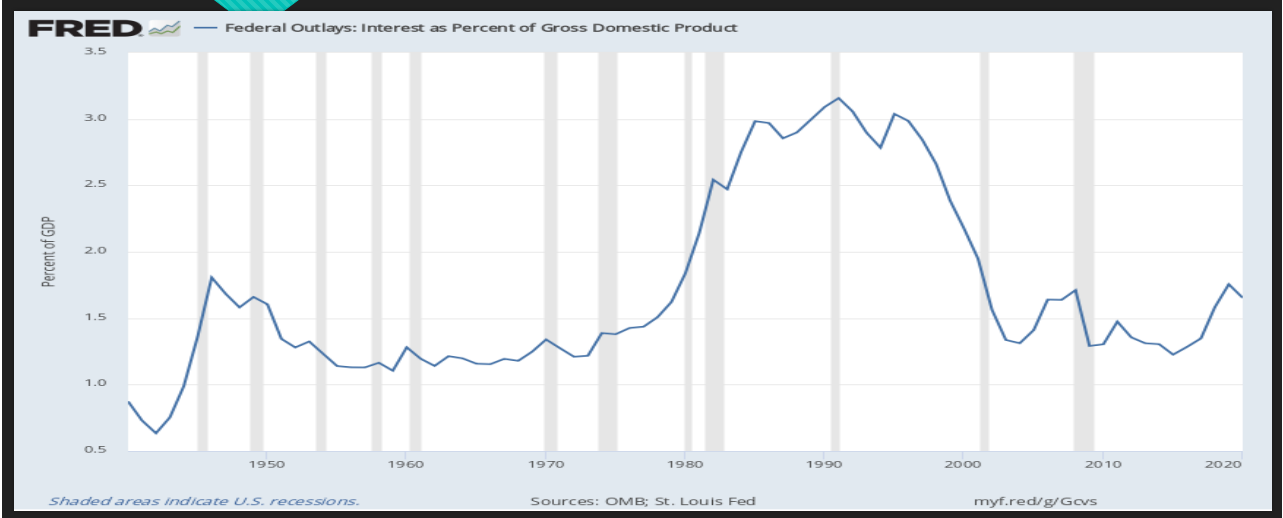
REDUCING STIMULUS –
MEANING INCREASING
INTEREST RATES AND
DECREASING BALANCE
SHEET –WITHOUT
HINDERING ECONOMIC
GROWTH



20

ISSUE: CAPACITY TO CARRY FEDERAL DEBT

(federal debt interest payments as a percent of GDP)



21

ISSUE: INFLATION (% change)



22

TWO VIEWS ON INFLATION

DEMAND PULL: ECONOMY IS FLUSH WITH CASH AND "PENT-UP" DEMAND
HIGHER INFLATION RATE (5% to 6%) THROUGH 2022

SUPPLY PUSH: FASTER INFLATION IS RELATED TO DISRUPTIONS IN THE PRODUCTION OF
PRODUCTS AND SERVICES AS THE ECONOMY RECOVERS FROM THE PANDEMIC.
THE DISRUPTIONS ARE TEMPORARY.

23

ISSUE: LABOR AVAILABILITY

SHOULD IMPROVE AS SUPPLEMENTAL UNEMPLOYMENT PAYMENTS ENDED

THE UP-SKILLING OF MANY WORKERS WILL PRESENT ON-GOING ISSUES
FOR SOME INDUSTRIES

THERE ARE LONG-RUN SOLUTIONS, BUT TAKES TIME

24

POLLING QUESTION 3

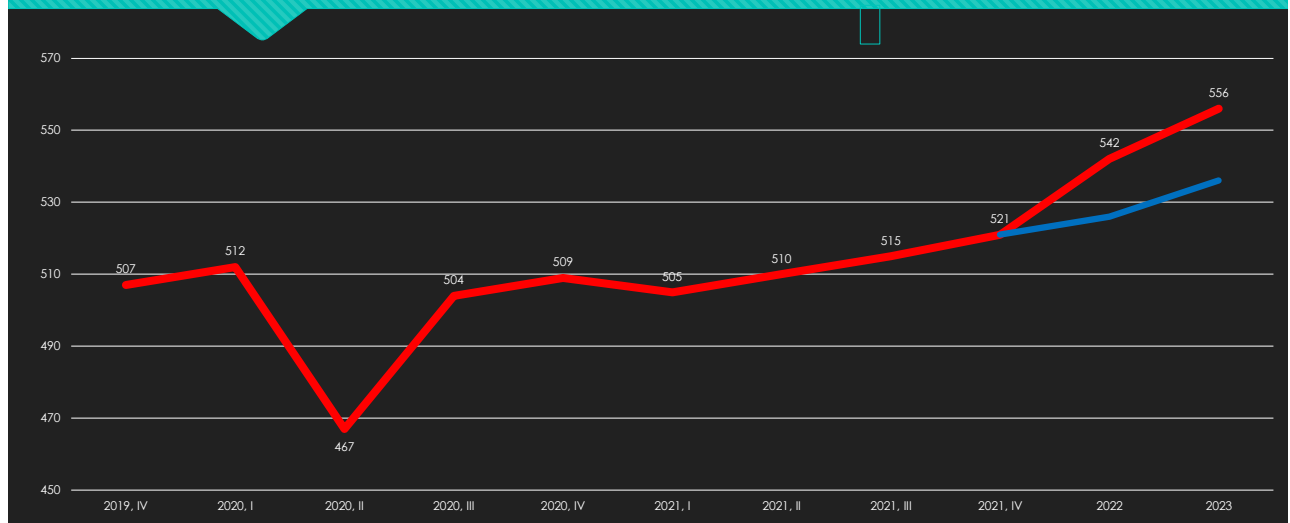
FOR MOST OF THE 21ST CENTURY, THE U.S. INFLATION RATE WAS

- A. HISTORICALLY HIGH
- B. HISTORICALLY LOW
- C. HISTORICALLY AVERAGE

25

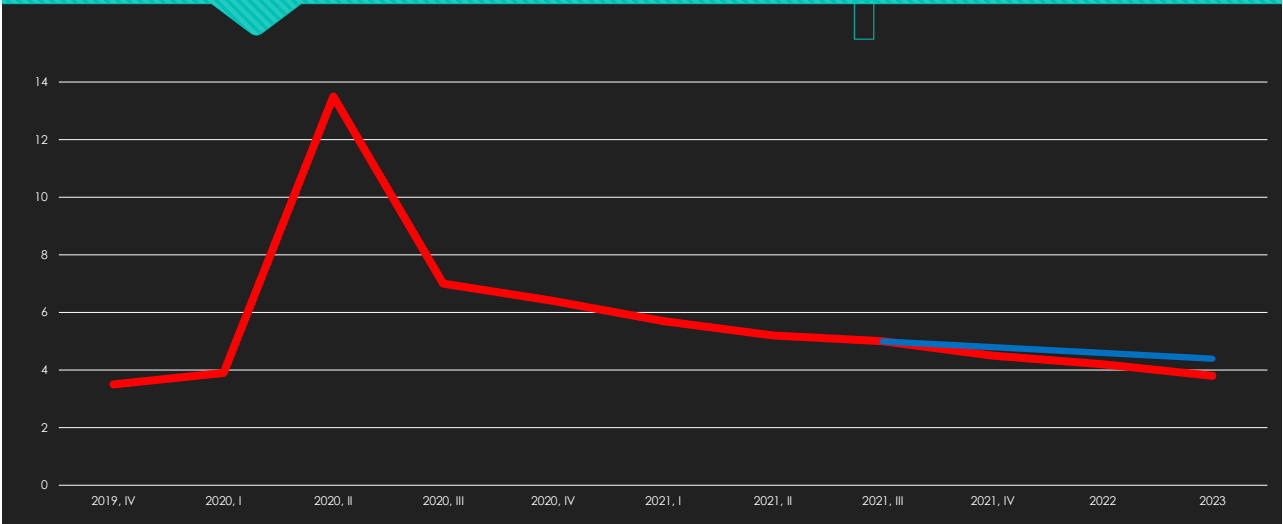
FORECASTED PATH OF NORTH CAROLINA'S REAL GDP

(red: without new variants; blue: with new variants)



26

NORTH CAROLINA'S FORECASTED PATH OF THE UNEMPLOYMENT RATE (red: without new variants; blue: with new variants)



27

LONG RUN IMPACTS OF THE PANDEMIC: THE POST-COVID-19 ECONOMY



28

MORE LABOR MARKET DISRUPTION

SHIFT FROM PRODUCTION TO
DELIVERY, SERVICES

MORE JOBS IN TECHNOLOGY

BIGGEST ISSUE OF POST-
PANDEMIC ECONOMY

POST-HIGH SCHOOL TRAINING,
APPRENTICESHIPS, ON-THE-JOB
TRAINING, COLLABORATIONS

BE PRO-ACTIVE

29

BIG IMPLICATIONS FOR EDUCATION

SOME LEVEL OF DISTANCE
LEARNING IS HERE TO STAY AT
ALL LEVELS OF EDUCATION

SHOULD GET BETTER

EDUCATION
RE-MADE

30

HIGH SPEED INTERNET NOW A NECESSITY

CONTINUED EXPANSION OF
CABLE PROVISION

BUT NEW PROVISION – LOW
ORBING SATELLITES

FULL INTERNET BY 2030?

INTERNET EXPANSION

31

TELE-WORKING

8% PRE-VIRUS

60% AT PANDEMIC PEAK

20% - 30% LONG-RUN LEVEL

WATCH HOW INTERNET IS
PROVIDED

WORK – HOME BALANCE

32

DRONE DELIVERY OF
PRODUCTS; INTERNET
DELIVERY OF SERVICES

IMPLICATIONS FOR CONTROL OF THE SKIES

AVOIDS FACE TO FACE CONTACT

NEXT: 4D HOME MANUFACTURING

33

RECONSIDERATION OF
RESIDENTIAL LOCATION

"DISTANCE IS DEAD"

PROXIMITY TO WORK,
SCHOOLS, SHOPPING NO
LONGER NEEDED

"NEW FARM LIFESTYLE" ON
CHEAPER LAND

INTERNET FROM THE SKY?

WHERE IS HOME ?

34

POLLING QUESTION 4

AT IT'S PEAK DURING THE PANDEMIC, TELE-WORKING WAS USED BY WHAT PERCENTAGE OF WORKERS?

- A. 8%
- B. 20%
- C. 30%
- D. 60%

35

IMPLICATIONS FOR NORTH CAROLINA

CONTINUED GROWTH –PERHAPS ACCELERATED – AFTER THE PANDEMIC

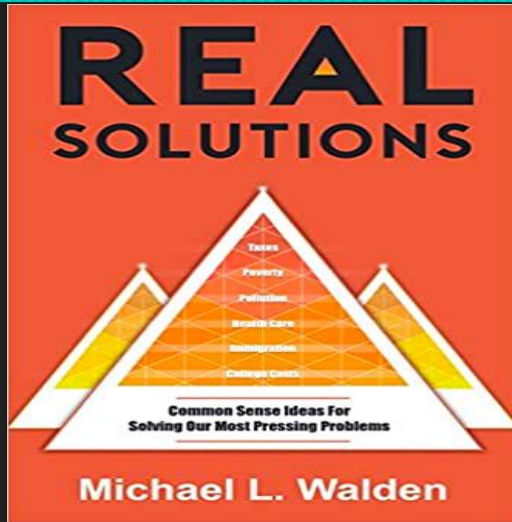
NORTH CAROLINA CONSIDERED A “SAFE STATE”

LOOK FOR SUBURBS TO HAVE FASTEST GROWTH

NEXT GAME-CHANGER – UNIVERSALLY AVAILABLE HIGH SPEED INTERNET – COULD INCREASE RURAL GROWTH

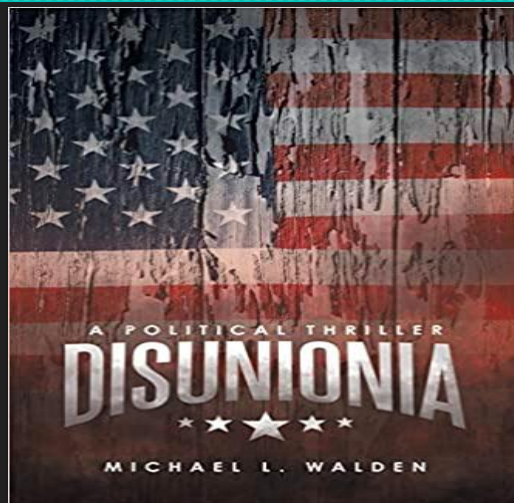
36

“REAL SOLUTIONS” IS NOW AVAILABLE



37

AND SO IS “DISUNIONIA”



38

North Carolina State Auditor Beth A. Wood, CPA

Beth Wood is a Certified Public Accountant in her fourth term as North Carolina's elected State Auditor. She is a long-time public servant with nearly 30 years of auditing experience, having worked in the Auditor's Office for nearly 10 years before her election in 2008 and also in the State Treasurer's Office. Before that, she worked for several companies in the private sector.

Beth is the first woman elected State Auditor in North Carolina.

Through her work as State Auditor, Beth has worked to strengthen and improve state government. By focusing in the areas of Medicaid, Transportation, Cares Act Spending, and Information Technology, her administration has identified hundreds of millions of taxpayer dollars in wasteful spending. These audits have resulted in legislation to improve the oversight and efficiency of state government, earning her office the nickname of the "Taxpayers' Watchdog."



Office of State Controller Financial Conference State Auditor's Update

December 8, 2021

Beth A. Wood, CPA, State Auditor

State Auditor's Update Objectives



- ✓ **Discussion of Federal COVID Relief Monies – Received and Coming**
- ✓ **Discussion of Objectives of Audits Performed to Date**
- ✓ **Results of Audits Performed to Date**
- ✓ **Preparation of State's Compliance Supplements**

State Auditor's Update

COVID Relief Monies



- **\$3.6B – Received/Disbursed**
- **\$8.0B Through NCPRO – Coming**
- **\$3.3B Local Governments – Most Direct**

State Auditor's Update

COVID Relief Monies

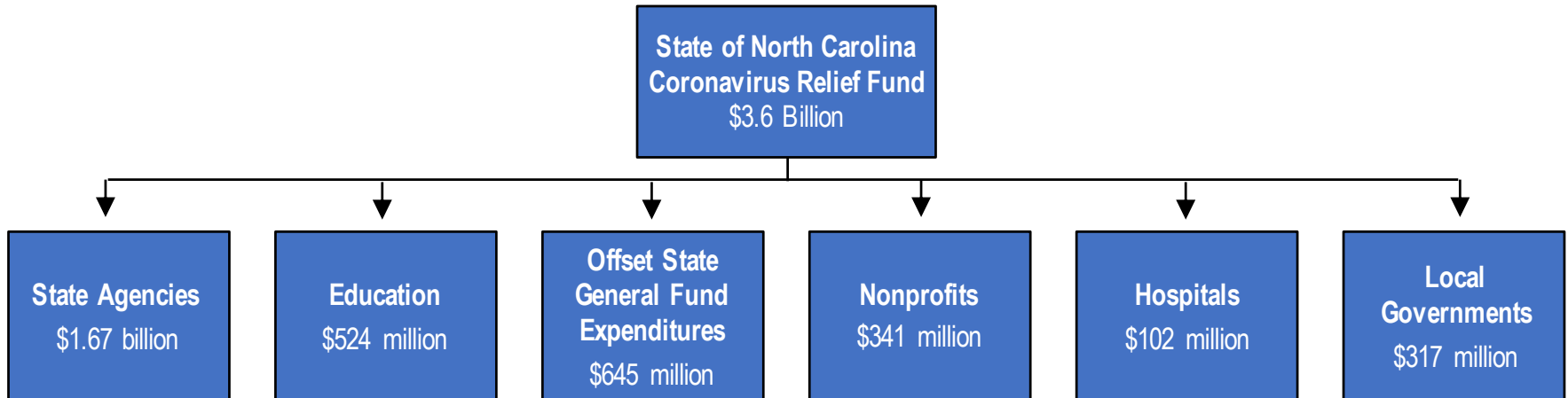


Session Law 2020-4

- **Allocated \$3.6B**
- **Issued Directives**
- **Established NC PRO**
- **Required Audits**
 - **Preliminary Financial Audit**
 - **Performance Audit**

State Auditor's Update

COVID Relief Monies – 1st Tranche



Polling Question 1



State Auditor's Update

Legislative Directives



Session Law 2020-4

- **Allocated \$3.6B**
- **Issued Directives**
- **Established NC PRO**
- **Required Audits**
 - **Preliminary Financial Audit**
 - **Performance Audit**

State Auditor's Update

Purpose of Funds – US Govt.



- 1) Necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19)**
- 2) Not accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act) for the State or government**
- 3) Incurred during the period that begins on March 1, 2020, and ends on December 31, 2021**

State Auditor's Update

Directives of NC



- **Allocate and disburse Coronavirus Relief Funds as directed by the Recovery Act.**
- **Ensure adherence with the compliance requirements established by the U.S. Department of the Treasury.**
- **Account for the Coronavirus Fund in accordance with GAAP and the requirements established by the NC Office of the State Controller.**
- **Adhere to the reporting requirements established by the Recovery Act.**

Polling Question 2



State Auditor's Update

Preliminary Financial Audit - Results



Audit Issued: March 2021

Audit Objectives: Determine Whether COVID Relief Moneys Were **Accounted for, Allocated & Disbursed in Accordance w/ Session Law 2020-4**

Audit Scope: May 2020 Through December 2020

Audit Results:

Moneys Were **Accounted For, Allocated & Disbursed in Accordance w/ Session Law 2020-4**

State Auditor's Update

Performance Audit Perspective



Federal/State Grants

- **Costs are Allowable**
- **Activities are Allowable**
- **Expended on Eligible Persons/Groups**
- **Expended in Appropriate Timeframe**

All About “Inputs”/Outputs”

State Auditor's Update

Performance Audit Perspective



Objectives:

\$3.6B - Coronavirus Relief Monies?

Provide **Relief** from Negative Impact of COVID-19

Polling Question 3



State Auditor's Update

Performance Audit Perspective



Performance Audit: Published May, 2021

Objectives:

Procedures designed & implemented to ensure:

- **Funds were spent in accordance with 2020-4 Session Law and subsequent amendments,**
- **Funds were achieving legislatively intended results.**

Scope: March 1, 2020 through November 30, 2020

State Auditor's Update

Performance Audit Perspective



Audit Results:

\$3.1B – Distributed w/ Limited Monitoring

\$3.1B – Distributed without ensuring all recipients had a method to measure results

State Auditor's Update

Performance Audit Perspective



Audit Results:

\$3.1B – Distributed w/ Limited Monitoring

\$3.1B – Distributed without ensuring all recipients had a method to measure results

State Auditor's Update

Performance Audit Perspective



Example – Measuring Outcomes

\$316M of \$3.6B Relief Funds – Public School System

- \$75 million for school nutrition services
- \$70 million for providing supplemental summer learning programs
- \$30 million for the purchase of computers/electronic devices
- \$5 million for the purchase of computers - personnel

State Auditor's Update

Performance Audit Perspective



Example – Measuring Outcomes

\$316M of \$3.6B Relief Funds – Public School System

- \$75 million for school nutrition services

More Impactful Measure - Outcome:

- **How many students needed/qualified?**
- **How many students served?**

State Auditor's Update

Performance Audit Perspective



Example – Measuring Outcomes

\$316M of \$3.6B Relief Funds – Public School System

- \$70 million for Summer supplemental learning

Measure by Output:

- **Did NC spend on allowable summer program expenses?**
- **How many programs provided?**

State Auditor's Update

Performance Audit Perspective



Example – Measuring Outcomes

\$316M of \$3.6B Relief Funds – Public School System

- \$70 million for Summer supplemental learning

Measure by Outcome:

- **How many students needed Summer learning?**
- **How many of those students attended?**
- **Did grades/competencies improve due to Summer learning?**

State Auditor's Update

Performance Audit Perspective



- **Federal Expectations in the Past**
- **Federal Expectations Currently**
- **OSA Audits Moving Forward**

Polling Question 4



State Auditor's Update

Performance Audit Perspective



Objectives:

America Rescue Plan Act? \$5.4B Thru NC

3.3B Direct Local Govt.

- **Support public health expenditures,**
- **Address negative economic impacts;**
- **Replace lost public sector revenue;**
- **Provide premium pay for essential workers; and,**
- **Invest in water, sewer, and broadband infrastructure**

State Auditor's Update

Legislative Request



- ✓ **Lost Students – K Through 12**
- ✓ **Legislative Concern**
 - ✓ **Students Lost During COVID**
 - ✓ **Truancy Issues During COVID**
 - ✓ **Students Not Ready for Next Grade**

State Auditor's Update

Legislative Request



- ✓ **115 School Systems + Charter Schools**
- ✓ **Survey Performed**
- ✓ **By Grade....How Many No Contact for Entire Year**
- ✓ **Self-Reported**
- ✓ **Average – 1%**

State Auditor's Update Legislative Request



- ✓ **Performance Audit**
- ✓ **6 School Systems**
- ✓ **Large, Medium, Small**
- ✓ **1st – Pilot**
- ✓ **46 Campuses**

State Auditor's Update

Gov Ops Subcommittee



- ✓ **Replacing Program Evaluation Division**
- ✓ **Hearings**
- ✓ **Focus**



State Auditor's Update

State Controller's Financial Conference

Questions?

