

OSBM

ANALYSIS OF LAPSED SALARIES

As directed by Session Law 2008-118
Section 1.2

February 2009



Prepared By:

Office of State Budget and Management

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INTRODUCTION

Scope of Study

Section 1.2 of S.L. 2008-118 amended Section 6.5 of S.L. 2007-323 by directing the Office of State Budget and Management (OSBM) to “report its findings, including an estimate of the total amount of lapsed salaries by each State agency, to the Joint Legislative Commission on Governmental Operations by February 1, 2009.”

Definitions

Lapsed salary is the dollar amount not expended for salary and associated benefits (social security, retirement, longevity, and medical insurance contributions) during the period in which a position is vacant, and only for one-time non-recurring expenditures. They may not be used to establish new permanent positions or to raise the salary of existing employees.

In April 2008, OSBM submitted a report as directed by S.L. 2007-323, of a five-year history of the use of lapsed salaries by all State agencies, as well as identifying where spending these lapsed salaries had been authorized by legislative actions. This five-year analysis and the listing of laws covered a period in which the use of lapsed salaries was governed by the Executive Budget Act. The State Budget Act was in effect for the period currently under study for this report FY07-08, and managers of agencies now have greater latitude to use these funds to meet any non-recurring requirements, subject to guidance and review by OSBM through the Budget Revision System.

Methodology

To conduct this year’s study, OSBM performed the following tasks:

- Generated a report from the Budget Revision System for budget revisions coded by an agency as a “Lapsed Salary” revision and selected the applicable salary related lines:

1110-1192	EPA Wages and Salaries (receipt and appropriated)
1210-1292	SPA Wages and Salaries (receipt and appropriated)
1461-1462	EPA & SPA Longevity
151X	Social Security contributions
152X-153X	Retirement Contributions
156X	Medical Insurance Contributions

- The increases for those lines for FY07-08 were subtracted from the decreases for those lines to arrive at the Net Lapsed Salary Available to Be Budgeted (see Table 1, column A)
- Calculated the increases for other personal service lines to determine the purposes in this category for which lapsed salaries were budgeted (see Table 1, column B and additional analysis in Table 2), including:

13XX	Temporary Wages and Contract Employment, Student wages
14XX	Special pay, such as overtime, holiday, call-back, dual employment (Does not include 1461-1462 Longevity captured above)
157X-159X	Unemployment compensation, workers’ compensation, dual

	employment, and flexible spending savings
162X-XX	Short term disability payments, workers' compensation medical payments, inmate labor, etc
2199	Miscellaneous contractual services

- Calculated the increases for non-personal service lines (such as information technology, printing, etc.) for which any remaining lapsed salaries might have been budgeted (not included were intra-agency transfers and grant increases.) Those which showed the largest amounts overall are used to generate the list for this report (see Table 3) although caution must be used in reviewing this table as noted below in the findings.
- Secured from the University System tables which extracted from their campus projections of how much each was projecting and how they projected they would use their lapsed salaries, as they do not submit budget revisions for these (see Tables 4 and 5). [Note: this information was developed prior to the reversion requirement now in effect]

FINDINGS

As reported in the prior year, lapsed salary funds are being used to cover other personnel-related costs that may have been under budgeted or, when positions are unable to be filled, that make it possible for the work of the agency to still be completed. In FY07-08, the total requirements (as evidenced by the budget revisions) in this category were over \$90 million. Of this, approximately 95% of this was budgeted for overtime and other special pay supplements, and for worker's compensation and short term disability, as shown in Table 2. Therefore, this meets an important need of state agencies.

Agencies need flexibility in the use of lapsed salary funds to manage their agencies and to handle these situations. It is an effective means to meet an agency's needs, with some oversight.

It is of particular importance to note that in reviewing the data provided in this report, however, that the lapsed salary budget revisions may contain other budget transactions in addition to lapsed salary transfers. Therefore, the uses of lapsed salary identified in this report may include some non-lapsed salary transfers. In addition, this report summarizes collectively the appropriated and receipt-supported lapsed salary transactions, as they cannot be easily segregated. Also of note is that due to the budget situation this year, the use of lapsed salaries will probably be quite different in the current fiscal year than it was in FY07-08 being reported on here.

TABLE 1 - ESTIMATED LAPSED SALARY AVAILABLE TO BE BUDGETED		A	B
Budget Code	Agency Name	Net Available Lapsed Salary from 606's (see Note 1)	Budgeted Amounts in Lapsed Salary 606's for Personal Service Lines (see Note 2)
JUSTICE & PUBLIC SAFETY AGENCIES			
12000	Administrative Office of the Courts	16,560,508	4,843,772
12001	AOC-Indigent Defense Fund	3,303,886	223,347
13600	Justice	4,731,331	2,137,943
14060	Juvenile Justice & Delinquency Prevention	8,233,019	10,185,318
14500	Correction	68,285,118	26,744,098
14900	Crime Control & Public Safety	1,295,413	1,168,476
	TOTAL JPS AGENCIES	102,409,275	45,302,954
GENERAL GOVERNMENT & HER AGENCIES			
13000	Governor's Office	96,682	223,486
13005	OSBM	78,330	471,511
13100	Lt. Governor's Office	6,628	6,870
13200	Secretary of State	189,639	76,945
13300	Office of State Auditor	1,099,386	294,960
13410	State Treasurer	669,708	1,050,644
13700	Agriculture & Consumer Services	969,729	795,669
13800	Labor	762,921	127,272
13900	Insurance	102,267	15,580
14100	Administration	3,382,357	1,661,347
14160	State Controller	820,167	26,261
14300	DENR	6,985,514	4,433,921
14600	Commerce	884,808	160,868
14700	Revenue	3,268,400	1,935,267
14800	Cultural Resources	2,036,443	1,154,609
18025	State Board of Elections	1,184	1,438
18210	Office of Administrative Hearings	12,754	12,754
	TOTAL GENERAL GOVERNMENT & HER AGENCIES	21,366,917	12,449,402
DEPARTMENT OF HEALTH & HUMAN SERVICES			
14410	DHHS-Central management & Administration	5,133,418	273,498
14411	DHHS-Aging	242,519	139,637
14420	DHHS-Child Development	484,470	135,061
14424	DHHS-Education Services	1,897,709	1,661,518
14430	DHHS-Public Health	3,297,825	910,511
14440	DHHS-Social Services	1,877,212	303,347
14445	DHHS-Medical Assistance	2,398,809	33,400
14450	DHHS-Services for Blind and Deaf	356,755	143,920
14460	DHHS-Mental Health	20,247,647	29,102,595
14470	DHHS-Facility Services	2,179,772	477,696
14480	DHHS-Vocational Rehabilitation	1,501,652	387,976
	TOTAL DHHS AGENCIES	39,617,788	33,569,159
EDUCATION AGENCIES			
13510	DPI	1,389,839	1,365,199
16800	Community Colleges System Office	291,820	195,650
	TOTAL EDUCATION AGENCIES	1,681,659	1,560,849

Note 1: Net Available Lapsed Salary: from Budget Revision System report of all budget revisions coded L, the sum of salary line decreases minus the sum of salary line increases. (May include both appropriated and receipts supported positions)

Note 2: Lapsed Salary Budgeted for Personal Service Lines: from data from Budget Revision System (see Note 1), encompasses line items such as workers compensation, flex benefits, disability payments, etc.

TABLE 2 -- Primary Requirements for Other Personal Service Lines

Overtime, shift premium, call back, etc	38,021,228	40.9%
Workers comp, short term disability	18,619,679	20.0%
Misc Contractual svcs	12,348,578	13.3%
Temp wages, incl. student temp wages	11,904,056	12.8%
Contract Employees	7,674,956	8.3%
		95.4%

TABLE 3 -- Agencies' Top 25 Areas of Possible Budgeted Increases in Non-Personal Service Lines

Hospital and other provided medical services
Admin Svcs
IT services
Computer/dp svcs
DP, WAN, PC, Server equipment
Legal services and fees requirements
Rent/lease motor vehicles
LAN/WAN services
Engineering
Purchase for resale
Seat management, server support
Legal settlements, tort claims, court costs
Scientific/medical equipment, dietary
Furniture, classroom, office, library
Drug, Rehab, & Pharm. supplies
Financial, audit, actuarial services
Autos, trucks, other motorized veh.
Software (pc, server, mainframe)
Bldg related contracts (mason, elec, plumb.etc)
Rent/lease property, facilities
Admin & ofc. supplies
Maint. Agreement s/w, lan, wan, mainframe, servers, etc

Table 4 University System Spending Plan for Lapsed Salary Funds
By Campus

Institution	FY2008	FY2009
Appalachian State University	5,050,000	7,400,000
East Carolina University	18,899,058	20,100,000
Elizabeth City State University	1,270,000	1,711,774
Fayetteville State University	2,859,360	3,201,988
North Carolina A&T State University	4,250,000	5,087,500
North Carolina Central University	2,100,000	6,310,925
North Carolina School of the Arts	650,000	1,470,834
North Carolina State University	23,245,454	31,280,607
UNC-Asheville	1,770,000	1,802,479
UNC-Chapel Hill	12,612,979	11,857,000
UNC-Charlotte	15,731,000	15,514,492
UNC-Greensboro	7,887,203	9,484,726
UNC-Pembroke	4,700,000	7,000,000
UNC-Wilmington	3,425,000	5,298,000
Western Carolina University	5,034,561	4,416,250
Winston Salem State University	7,320,143	9,250,674
UNC General Administration	865,000	1,314,420
North Carolina School of Math & Science	70,000	262,250
Grand Total	117,739,758	142,763,919

Note: These plans were prepared before OSBM implemented required reversions at the current levels

Table 5 University System Estimate of Lapsed Salaries and Plan for Expenditure			\$142,763,919
Estimate of Lapsed Salaries and Related Benefits for FY 2008-09			
Expenditure Plan			
(1)	Fund temporary and contract workers due to position vacancies	\$11,505,271	8.06%
(2)	Supplement academic program operating budgets	\$14,471,915	10.14%
(3)	New faculty recruitment and start-up	\$4,567,047	3.20%
(4)	Fund migration to a new administrative computer system	\$1,312,939	0.92%
(5)	Strengthen support for research activities	\$6,107,063	4.28%
(6)	Supplement library operating budgets	\$1,393,600	0.98%
(7)	Fund information technology improvements	\$4,143,794	2.90%
(8)	Fund equipment purchases for classrooms and laboratories	\$2,494,057	1.75%
(9)	Fund minor repairs and renovations	\$6,956,653	4.87%
(10)	Use funds for anticipated utility budget shortfall	\$600,000	0.42%
(11)	Fund administrative operating needs	\$7,716,973	5.41%
(12)	Fund student service Initiatives/student recruitment	\$2,966,327	2.08%
(13)	Fund reversion requirements	\$77,836,476	54.52%
(14)	Carryforward funds to next fiscal year (FY 2009-10)	\$480,000	0.34%
(15)	Other	\$211,804	0.15%
Total Lapsed Salary Funds to be Expended		\$142,763,919	100.00%

Note: These plans were prepared before OSBM implemented required reversions at the current levels