

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2013

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HOUSE BILL 1035*

Short Title: Funds to Non-State Entities/Amend Laws. (Public)

Sponsors: Representatives Howard, Hurley, Lucas, and Moffitt (Primary Sponsors).
For a complete list of Sponsors, refer to the North Carolina General Assembly Web Site.

Referred to: Appropriations.

May 15, 2014

1 A BILL TO BE ENTITLED
2 AN ACT TO MODIFY STATE BUDGET ACT PROVISIONS RELATING TO GRANTS
3 AND APPROPRIATIONS TO NON-STATE ENTITIES, AS RECOMMENDED BY THE
4 JOINT LEGISLATIVE PROGRAM EVALUATION OVERSIGHT COMMITTEE.

5 The General Assembly of North Carolina enacts:

6 **SECTION 1.** Part 3 of Article 6 of Chapter 143C of the General Statutes is
7 amended by adding the following new section:

8 "**§ 143C-6-24. Interest on State funds held by non-State entities.**

9 (a) A non-State entity receiving State funds of more than one hundred thousand dollars
10 (\$100,000) in any fiscal year shall deposit the funds into an interest-bearing account, and any
11 interest earned on those State funds held by the non-State entity are State funds. Unless
12 otherwise specified in a grant or appropriation, and except as provided in subsection (c) of this
13 section, the non-State entity may only use or expend the interest earned on State funds for the
14 provision of services consistent with the terms of its grant agreement or the purposes of the
15 appropriation.

16 (b) A non-State entity receiving State funds in the amount of one hundred thousand
17 dollars (\$100,000) or less in any fiscal year may deposit the funds in an interest-bearing
18 account, and any interest earned on the State funds held by the non-State entity are State funds.
19 Unless otherwise specified in a grant or appropriation, and except as provided in subsection (c)
20 of this section, the non-State entity may only use or expend the interest earned on State funds
21 for the provision of services consistent with the terms of its grant agreement or the purposes of
22 the appropriation.

23 (c) Notwithstanding subsections (a) and (b) of this section, a non-State entity may
24 annually use up to two hundred fifty dollars (\$250.00) of any interest earned on held State
25 funds to pay administrative costs directly related to holding the funds.

26 (d) This section applies to subgrantees in the same way that it applies to grantees and
27 recipients of appropriations.

28 (e) This section does not apply to the following:

29 (1) Payments made as reimbursements for expenditures already made by a
30 non-State entity.

31 (2) Payments made to a non-State entity under non-grant contracts, including,
32 but not limited to, contracts for supplies, materials, printing, equipment, and
33 services.



1 (3) Payments made by the Medicaid program, the NC Health Choice Program
 2 for Children, the State Health Plan for Teachers and State Employees, or
 3 other similar medical programs.

4 (4) Payments to a non-State entity subject to the audit and other reporting
 5 requirements of the Local Government Commission."

6 **SECTION 2.(a)** G.S. 143C-6-23(d) reads as rewritten:

7 "(d) Office of State Budget Rules Must Require Uniform Administration of State Grants.
 8 – The Office of State Budget and Management shall adopt rules to ensure the uniform
 9 administration of State grants by all grantor State agencies and grantees or subgrantees. The
 10 Office of State Budget and Management shall consult with the Office of the State Auditor and
 11 the Attorney General in establishing the rules required by this subsection. The rules shall
 12 establish policies and procedures for disbursements of State grants and for State agency
 13 oversight, monitoring, and evaluation of grantees and subgrantees. The policies and procedures
 14 shall:

15 (1) Ensure that the purpose and reporting requirements of each grant are
 16 specified to the grantee.

17 (1a) Ensure that grants include a duration after which unspent grant funds shall
 18 be returned to the State. All grants shall have a duration of two years unless
 19 the grant agreement contains another duration deemed appropriate by the
 20 agency administering the grant.

21 ...

22 (7) Require grantees and subgrantees to maintain reports, records, and other
 23 information through the use of current and generally accepted accounting
 24 principles, and to properly account for the expenditure of all grant funds and
 25 to make such reports, records, and other information available to the grantor
 26 State agency for oversight, monitoring, and evaluation purposes.

27 (7a) If grantees and subgrantees are not utilizing current and generally accepted
 28 accounting practices, provide to grantees and subgrantees standards for the
 29 requirements of an appropriate accounting and reporting system that will
 30 facilitate compliance with the requirements of subdivision (7) of this
 31 subsection.

32 ...

33 (12) Provide procedures for the recovery and return to the grantor State agency of
 34 unexpended grant funds from a grantee or subgrantee if the grantee or
 35 subgrantee is unable to fulfill the purposes of the ~~grant~~ grant or if the
 36 duration of the grant expires.

37 "

38 **SECTION 2.(b)** The rules adopted under G.S. 143C-6-23, as amended by this
 39 section, shall be adopted prior to January 1, 2015; are excepted from the provisions of
 40 G.S. 143C-6-23(e); and shall be effective for grants to be distributed on or after July 1, 2015.

41 **SECTION 3.** G.S. 143C-6-22(b) reads as rewritten:

42 "(b) Compliance by Non-State Entities. – If the Director of the Budget finds that a
 43 non-State entity has spent or encumbered State funds for an unauthorized purpose, or
 44 ~~knowingly~~ fails to submit or ~~willfully~~ falsifies the information required by G.S. 143C-6-23 or
 45 any other provision of law, the Director shall do all of the following:

46 (1) ~~take~~ Take appropriate administrative action to ensure that no further
 47 irregularities or violations of law ~~occur~~ occur.

48 (2) ~~and shall report~~ Report to the Attorney General any facts that pertain to an
 49 apparent violation of a criminal law or an apparent instance of malfeasance,
 50 misfeasance, or nonfeasance in connection with the use of State funds.

- 1 (3) ~~Appropriate administrative action may include suspending or withholding~~
2 ~~Suspend or withhold the disbursement of State funds~~ to the non-State
3 ~~entity.~~
4 (4) ~~and recovering~~ Recover, as appropriate, State funds previously
5 ~~disbursed.~~ disbursed to the non-State entity."

6 **SECTION 4.** Sections 1 and 3 of this act become effective July 1, 2014. Unless
7 otherwise provided, the remainder of this act is effective when it becomes law.