

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2013

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SENATE BILL 750\*

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

Sponsors: Senators Hartsell and Randleman (Primary Sponsors).

Referred to: Appropriations/Base Budget.

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.

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



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

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

4           "(d) Office of State Budget Rules Must Require Uniform Administration of State Grants.

5           – The Office of State Budget and Management shall adopt rules to ensure the uniform  
6           administration of State grants by all grantor State agencies and grantees or subgrantees. The  
7           Office of State Budget and Management shall consult with the Office of the State Auditor and  
8           the Attorney General in establishing the rules required by this subsection. The rules shall  
9           establish policies and procedures for disbursements of State grants and for State agency  
10          oversight, monitoring, and evaluation of grantees and subgrantees. The policies and procedures  
11          shall:

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

14          (1a) Ensure that grants include a duration after which unspent grant funds shall  
15          be returned to the State. All grants shall have a duration of two years unless  
16          the grant agreement contains another duration deemed appropriate by the  
17          agency administering the grant.

18          ...

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

24          (7a) If grantees and subgrantees are not utilizing current and generally accepted  
25          accounting practices, provide to grantees and subgrantees standards for the  
26          requirements of an appropriate accounting and reporting system that will  
27          facilitate compliance with the requirements of subdivision (7) of this  
28          subsection.

29          ...

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

34          ...."

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

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

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

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

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

48          (3) ~~Appropriate administrative action may include suspending or withholding~~  
49          Suspend or withhold the disbursement of State ~~funds~~funds to the non-State  
50          entity.

1           (4) ~~and recovering~~ Recover, as appropriate, State funds previously  
2           ~~disbursed.~~ disbursed to the non-State entity."

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