

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1993

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SENATE BILL 192

Short Title: GPAC/Nonprofits Performance Contracts.

(Public)

Sponsors: Senators Perdue; and Martin of Guilford.

Referred to: Government Performance Audit.

February 17, 1993

A BILL TO BE ENTITLED

AN ACT TO IMPLEMENT A RECOMMENDATION OF THE GOVERNMENT PERFORMANCE AUDIT COMMITTEE TO DIRECT THE DEPARTMENT OF COMMERCE TO ESTABLISH PERFORMANCE-BASED INDICATORS AND CONTRACTS FOR NONPROFITS THAT CONDUCT STATE-FUNDED ECONOMIC DEVELOPMENT ACTIVITIES.

The General Assembly of North Carolina enacts:

Section 1. The General Assembly finds that:

(1) The General Assembly has established, directly or indirectly, the following four special purpose nonprofit agencies to conduct economic development activities:

- a. The North Carolina Biotechnology Center.
- b. The MCNC (Microelectronics Center of North Carolina).
- c. The Rural Economic Development Center, Inc.
- d. The Technological Development Authority, Inc.

(2) The mission of each of these nonprofits is as follows:

- a. The mission of the Biotechnology Center is to provide long-term economic benefit to North Carolina through support of biotechnology research, development, and commercialization statewide.
- b. The mission of the MCNC is to accelerate the use of emerging electronics technologies through innovation and market-driven applications that improve quality of life.

- 1 c. The mission of the Rural Economic Development Center is to
2 develop and advocate innovative strategies to help stimulate
3 economic growth and job creation throughout the State's rural
4 areas.
- 5 d. The mission of the Technological Development Authority is to
6 increase the rate at which new jobs are created in all regions of
7 the State, by stimulating the development of existing and new
8 small businesses.
- 9 (3) In the 1991-92 fiscal year, these four nonprofits expended almost thirty
10 million dollars (\$30,000,000) in General Fund revenues justified in the
11 budget process as economic development although, beginning in the
12 1993-94 fiscal year, the Technological Development Authority will no
13 longer receive State funding.
- 14 (4) Each of these special purpose nonprofits has demonstrated success in
15 its respective area of focus and, as a group, they have contributed
16 significantly to North Carolina's reputation as a State committed to
17 innovative, technology-based research and development.
- 18 (5) However, few mechanisms currently exist to ensure the accountability
19 of these special purpose nonprofits to the State.
- 20 (6) The current accountability mechanisms are:
21 a. Annual and special published reports.
22 b. Quarterly reporting to the Joint Legislative Commission on
23 Governmental Operations regarding the use of their funds.
24 c. Annual government financial audits.
- 25 (7) These conventional accountability measures focus on inputs, or
26 programs and budget levels, rather than outcomes—the results of the
27 nonprofits' efforts.
- 28 (8) Without outcome-based accountability measures, the extent to which
29 the nonprofits are fulfilling their intended purposes cannot be fully
30 assessed.
- 31 (9) The lack of meaningful measures to evaluate and report the nonprofits'
32 performance leaves the General Assembly with only a limited ability
33 to evaluate the outcome of its significant investments in economic
34 development activities of nonprofits.
- 35 (10) Performance-based contracts would provide an effective and
36 appropriate accountability mechanism to assess the performance of the
37 nonprofits on a regular basis.
- 38 (11) Examples of performance-based indicators by which nonprofits'
39 effectiveness could be measured include:
40 a. Achievement of an adequate ratio of private funding to State
41 funding.
42 b. Long-term financial viability, measured in quantitative terms, of
43 those start-up businesses which the nonprofits finance.

1 c. Number of patents received by applied researchers supported by
2 the nonprofits.

3 d. Number of jobs created in businesses that the nonprofits
4 finance.

5 (12) The General Assembly's economic development budget allocations to
6 nonprofits should be based on outcomes, as measured by performance
7 indicators designed by the nonprofits in conjunction with the
8 Department of Commerce and the Economic Development Council.

9 Sec. 2. The Department of Commerce, in conjunction with the Office of
10 State Budget and Management and each nonprofit agency involved in State-funded
11 economic development activities, shall recommend for each nonprofit agency
12 performance indicators that are appropriate and measurable criteria, including criteria
13 that each agency can influence and criteria based on baseline data and reasonable
14 recommendations. The performance indicators should articulate specific, measurable
15 results for each agency and should be comprehensive, so that the General Assembly
16 may base each agency's continued economic development appropriation on its
17 effectiveness as measured by the performance indicators.

18 Sec. 3. The Department of Commerce and the Office of State Budget and
19 Management, as appropriate, shall, when allocating economic development
20 appropriations to nonprofit agencies, execute a contract incorporating the performance
21 indicators and any conditions upon which the appropriation was based.

22 Sec. 4. This act is effective upon ratification.