
(a) Assignment of Functions. – Except as otherwise provided by this Chapter, the head of each principal State department may assign or reassign any function vested in him or in his department to any subordinate officer or employee of his department.

(b) Reorganization by Department Heads. – With the approval of the Governor, each head of a principal State department may establish or abolish within his department any division. Each head of a principal State department may establish or abolish within his department any other administrative unit to achieve economy and efficiency and in accordance with sound administrative principles, practices, and procedures except as otherwise provided by law. When any such act of the head of the principal State department affects existing law the provisions of Article III, Sec. 5(10) of the Constitution of North Carolina shall be followed.

Each Department Head shall report all reorganizations under this subsection to the President of the Senate, the Speaker of the House of Representatives, the Chairmen of the Appropriations Committees in the Senate and the House of Representatives, and the Fiscal Research Division of the Legislative Services Office, within 30 days after the reorganization if the General Assembly is in session, otherwise to the Joint Legislative Committee on Governmental Operations and the Fiscal Research Division of the Legislative Services Office, within 30 days after the reorganization. The report shall include the rationale for the reorganization and any increased efficiency in operations expected from the reorganization.

(c) Department Staffs. – The head of each principal State department may establish necessary subordinate positions within his department, make appointments to those positions, and remove persons appointed to those positions, all within the limitations of appropriations and subject to the North Carolina Human Resources Act. All employees within a principal State department shall be under the supervision, direction, and control of the head of that department. The head of each principal State department may establish or abolish positions, transfer officers and employees between positions, and change the duties, titles, and compensation of existing offices and positions as he deems necessary for the efficient functioning of the department, subject to the North Carolina Human Resources Act and the limitations of available appropriations. For the purposes of the foregoing provisions, a member of a board, commission, council, committee, or other citizen group shall not be considered an "employee within a principal department."

(d) Appointment of Committees or Councils. – The head of each principal department may create and appoint committees or councils to consult with and advise the department. The General Assembly declares its policy that insofar as feasible, such committees or councils shall consist of no more than 12 members, with not more than one from each congressional district. If any department head desires to vary this policy, he must make a request in writing to the Governor, stating the reasons for the request. The Governor may approve the request, but may only do so in writing. Copies of the request and approval shall be transmitted to the Joint Legislative Commission on Governmental Operations. The members of any committee or council created by the head of a principal department shall serve at the pleasure of the head of the principal department and may be paid per diem and necessary travel and subsistence expenses within the limits of appropriations and in accordance with the provisions of G.S. 138-5, when approved in advance by the Director of the Budget. Per diem, travel, and subsistence payments to members of the committees or councils created in connection with federal programs shall be paid from federal funds unless otherwise provided by law.

An annual report listing these committees or councils, the total membership on each, the cost in the last 12 months and the source of funding, and the title of the person who made the appointments shall be made to the Joint Legislative Commission on Governmental Operations by March 31 of each year.
(e) Departmental Management Functions. – All management functions of a principal
State department shall be performed by or under the direction and supervision of the head of
that principal State department. Management functions shall include planning, organizing,
staffing, directing, coordinating, reporting, and budgeting.

(f) Custody of Records. – The head of a principal State department shall have legal
custody of all public records as defined in G.S. 132-1.

(g) Budget Preparation. – The head of a principal State department shall be responsible
for the preparation of and the presentation of the department budget request which shall include
all funds requested and all receipts expected for all elements of the department.

(h) Plans and Reports. – Each principal State department shall submit to the Governor
an annual plan of work for the next fiscal year prior to the beginning of that fiscal year. Each
principal State department shall submit to the Governor an annual report covering programs
and activities for each fiscal year. These plans of work and annual reports shall be made
available to the General Assembly. These documents will serve as the base for the development
of budgets for each principal State department of State government to be submitted to the
Governor.

(i) Reports to Governor; Public Hearings. – Each head of a principal State department
shall develop and report to the Governor legislative, budgetary, and administrative programs to
accomplish comprehensive, long-range coordinated planning and policy formulation in the
work of his department. To this end, the head of the department may hold public hearings,
consult with and use the services of other State agencies, employ staff and consultants, and
appoint advisory and technical committees to assist in the work.

(j) Departmental Rules and Policies. – The head of each principal State department and
the Director of the Office of State Human Resources may adopt:
   (1) Rules consistent with law for the custody, use, and preservation of any
       public records, as defined in G.S. 132-1, which pertain to department
       business;
   (2) Rules, approved by the Governor, to govern the management of the
       department, which shall include the functions of planning, organizing,
       staffing, directing, coordinating, reporting, budgeting, and budget
       preparation which affect private rights or procedures available to the public;
   (3) Policies, consistent with law and with rules established by the Governor and
       with rules of the State Human Resources Commission, which reflect internal
       management procedures within the department. These may include policies
       governing the conduct of employees of the department, the distribution and
       performance of business and internal management procedures which do not
       affect private rights or procedures available to the public and which are
       listed in (e) of this section. Policies establishing qualifications for
       employment shall be adopted and filed pursuant to Chapter 150B of the
       General Statutes; all other policies under this subdivision shall not be
       adopted or filed pursuant to Chapter 150B of the General Statutes.

Rules adopted under (1) and (2) of this subsection shall be subject to the provisions of
Chapter 150B of the General Statutes.

This subsection shall not be construed as a legislative grant of authority to an agency to
make and promulgate rules concerning any policies and procedures other than as set forth
herein. (1973, c. 476, s. 10; c. 1416, ss. 1, 2; 1977, 2nd Sess., c. 1219, s. 46; 1983, c. 76, ss. 1,
2; c. 641, s. 8; c. 717, s. 78; 1985 (Reg. Sess., 1986), c. 955, ss. 97, 98; 1987, c. 738, s. 147; c.
827, s. 1; 1991 (Reg. Sess., 1992), c. 1038, s. 15; 2006-203, s. 101; 2013-382, s. 9.1(c).)