



**STATE OF NORTH CAROLINA
OFFICE OF STATE BUDGET AND MANAGEMENT**


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July 22, 2008

MEMORANDUM

TO: Department Heads and Chief Fiscal Officers

FROM: David McCoy 

SUBJECT: Summary of General Provisions and Statewide Reserves in House Bill 2436 (Budget Bill)

The General Assembly enacted House Bill 2436 (Session Law 2008-107) which contains general provisions and statewide reserves affecting all State agencies. It may also contain items that specifically impact your department's budget. Copies of House Bill 2436 may be obtained from Printed Bills area in the Legislative Building or downloaded and printed from the General Assembly's website (<http://www.ncga.state.nc.us>). The purpose of this memorandum is to advise you of special provisions and monetary items that have statewide implications. The information is summarized in two parts:

Part I: General Provisions in House Bill 2436; and

Part II: Statewide Reserves included in The Joint Conference Committee Report on the Continuation, Expansion and Capital Budgets dated July 3, 2008.

Section references, as well as item and page numbers in the Joint Conference Committee Report, are provided to assist you in reviewing the budget bill.

Part I: General Provisions in House Bill 2436

Introduction

Section 1.1

The appropriations made in House Bill 2436 represent the maximum funding available to provide the services and accomplish the purposes described in the budget. Savings shall occur where the total amounts appropriated are not required to perform these services and accomplish the purposes outlined in House Bill 2436. Except as allowed by the State Budget Act or this Act, savings shall revert to the appropriate fund at the end of each fiscal year as provided in G.S. §143C-1-2(b).

Appropriation of Cash Balances

Section 6.1

This section authorizes appropriations for all budget codes listed in the “Governor’s Recommended Budget for Governmental and Proprietary Funds and Selected Component Units for FY 2008-09” as adjusted by the General Assembly.

Budget Code Consolidations

Section 6.3

Notwithstanding G.S. §143C-6-4, the Office of State Budget and Management (OSBM) may adjust the enacted budget by making transfers among purposes or programs for the purpose of consolidating budget and fund codes or eliminating inactive budget and fund codes. OSBM shall change the authorized budget to reflect these adjustments.

Consultation Not Required Prior to Establishing or Increasing Fees Pursuant to the State Budget Act

Section 6.4

Notwithstanding G.S. §12-3.1, an agency is not required to consult with the Joint Legislative Commission on Governmental Operations prior to establishing or increasing a fee that is authorized or anticipated in this Act.

Authorization to Establish Receipt-Supported Positions

Section 6.6

This section authorizes State agencies to establish receipt-supported positions in this budget upon approval by the Director of the Budget. The Director may establish positions at salary grades or amounts different from those outlined in this act as long as funds are available and the salary is within the salary range grade of the job classification. However, the Director of the Budget may not change the classification or increase the number of receipt-supported positions without prior consultation with the Joint Legislative Commission on Governmental Operations.

Federal and Other Receipts from Pending Grant Awards Section 6.9

Notwithstanding G.S. §143C-6-4, State agencies may, upon approval of the Director of the Budget, spend funds received from grants provided the application for the grants were made prior to May 14, 2008. OSBM shall work with agencies to budget grants according to program needs. Depending upon the nature of the grant, agencies may employ additional personnel on a permanent or time-limited basis. OSBM shall consult with the Joint Legislative Commission on Governmental Operations prior to expending grant awards that were applied for after May 14, 2008.

Improve Disaster Recovery and Business Continuity Section 6.10

This section states that the State Chief Information Officer (SCIO) shall utilize the business and disaster recovery plans submitted under G.S. §147-33.89 and any other information at the SCIO's disposal to determine whether State agencies have made adequate preparations for backing up critical applications. The SCIO, in conjunction with State agencies and OSBM, shall develop plans to utilize the Western Data Center in order to minimize disruption in critical state services. It also requires the SCIO to report to the Joint Legislative Commission on Governmental Operations by December 1, 2008 on the number of applications without adequate backup, the agencies using the applications and providing a plan to correct these situations.

State Geographic Information/Consolidation Implementation Section 6.13

The SCIO, OSBM, and the Geographic Information Coordinating Council (GICC) shall develop a detailed plan to implement the recommendations outlined in the Geographic Information System (GIS) Study mandated by Section 6.13 of Session Law 2007-323. The implementation plan shall include, at a minimum, details relating to all of the following:

1. The current and future costs of unconsolidated State agency GIS efforts and an estimate of savings realized by consolidation.
2. A detailed cost estimate for implementing each study recommendation related to the consolidation plan.
3. An accounting of funds, equipment, furniture and other operational resources to be transferred from the Department of Environment and Natural Resources (DENR) to the SCIO to support the Center for Geographic Analysis and the GICC.
4. A description of positions to be transferred from DENR to the SCIO due to the consolidation as well as positions that may be eliminated as a result of consolidation.
5. Any new positions and associated costs due to consolidation.
6. Projects that can be consolidated as part of the implementation and the state agencies, contractors, or both, responsible for each of those projects.

The implementation plan shall be submitted to the Chairs of the House and Senate Appropriations Committees and Fiscal Research Division by December 1, 2008.

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Single Electronic Mail System

Section 6.14

This section requires the SCIO to develop a detailed plan that provides for the transition of all State agencies, departments and institutions to a single electronic mail system by January 1, 2010. The plan shall be presented to the Joint Legislative Commission on Governmental Operations by November 1, 2008 and may be implemented after consultation with the Committee.

Staffing Survey of State Agencies and Universities that use the BEACON System

Section 22.5

OSBM shall conduct a staffing analysis of all State agencies and universities that use the BEACON system and report its findings and recommendations by March 1, 2009.

Salary Provisions for State Employees and Public School Employees

State Employees

Section 26.1: Governor and Council of State

Section 26.2: Nonelected Department Heads (Cabinet Secretaries)

Section 26.3: Certain Executive Branch Officials

Section 26.4: Judicial Branch Officials

Section 26.5: Clerks of Superior Court

Section 26.6: Assistant and Deputy Clerks of Court

Section 26.7: Magistrates

Section 26.8: General Assembly Principal Clerks

Section 26.9: Sergeant-at-Arms and Reading Clerks

Section 26.10: Legislative Employees

Section 26.11: Community College Personnel

Section 26.11A: Community College Faculty

Section 26.12: University of North Carolina System/EPA Compensation

Section 26.12A: Lottery Commission

Section 26.12B: Mental Health Nurses/Sign-On Bonus

Section 26.14: Most State Employees

Public School Employees

Section 26.16: Teacher Salary Schedules

Section 26.17: School-Based Administrator Salary Schedule

Section 26.18: Central Office Salaries

Section 26.19: Noncertified Personnel Salary

Section 26.20: Bonus for Certified Personnel at the Top of Their Salary Schedules

[See item numbers 1 to 6 on page 6 of this memorandum for the accompanying money item]

Salary Adjustment Fund Changes
Section 26.12D

This section states that remaining appropriations in the General Fund and Highway Fund Reserves for Compensation Increases may be used to supplement the Salary Adjustment Fund. These monies shall be used for the following purposes:

1. Salary range revisions, special minimum rate adjustments, grade to band transfers and geographic site differential adjustments to provide competitive salary rates for affected job classifications in response to changes in the labor market.
2. Reallocation of positions to higher-level classifications to compensate employees for more difficult duties at competitive salary rates.

The terms 'salary range revision' and 'reallocation' shall conform to the definition contained in the State Personnel Manual prior to November 1, 2005. Except as outlined for the State Construction Office in the Department of Administration and the Ferry Division in the Department of Transportation, funding shall first be provided to the earliest actions approved on or before July 1, 2007, by the State Personnel Commission or the Office of State Personnel. Funds may not be used for in-range adjustments, career progression adjustments, or other adjustments defined by State personnel policy.

The Director of the Budget shall report to the Joint Legislative Commission on Governmental Operations prior to transferring funds to State agencies.

All State-Supported Personnel/Salary Increases
Section 26.14

This section specifies that salary increases provided in this act are effective July 1, 2008, and do not apply to persons separated from State service due to resignation, dismissal, reduction in force, death, or retirement, or whose last workday is prior to July 1, 2008. Pursuant to G.S. 143C-6-6, increases for employee salaries partially funded from the General Fund or Highway Fund shall be increased by that source in the same proportion as the base salary. Permanent full-time employees who work a nine-, ten-, or eleven-month work year schedule shall receive the increase provided by this act.

Salary-Related Contributions/Employer
Section 26.22

The General Assembly adopted revised employer contribution rates for the various components of the Retirement System for FY 2008-09. They are as follows:

	<u>FY 2008-09</u>
Teachers and State Employees	8.14%
Law Enforcement Officers	13.14%
University Employees Optional Retirement	11.46%

Community College Optional Retirement	11.46%
Consolidated Judicial Retirement	17.31%
Legislative Retirement	4.10%

[See item number 9 on page 7 of this memorandum for the accompanying money item]

Part II: Statewide Reserves included in The Joint Conference Committee Report on the Continuation, Expansion and Capital Budgets dated July 3, 2008

**Reserve for Compensation Increases (Budget Code 19003)
Item Numbers 1-6, Pages L1 and L2**

The General Assembly appropriated funds to provide salary increases to teachers and state employees. All employees outlined below who are in a State-funded position on July 1, 2008 shall receive the following increases:

Public School Employees

Teachers and instructional support personnel increases include an experienced base step increase (average of 1.83%) and a flat increase of \$680 for steps 0-2 and \$470 for steps 3-31 for a total average increase of 3%. However, teachers and instructional support who are at the top of their schedule shall receive a 1.8% one-time lump sum bonus.

School based administrators' increase includes an experience based step increase (average of 1.67%) plus a flat annual increase for a total average increase of 2.69%. School based administrators who are at the top of their schedule shall receive a 2.0% one-time lump sum bonus.

All other public school employees shall receive an annual increase equal to the greater of \$1,100 or 2.75%.

Community College Employees

Faculty and professional staff shall receive a 3.0% annual increase.

All other community college employees shall receive an annual increase equal to the greater of \$1,100 or 2.75%.

University System Employees

EPA Faculty and EPA non-faculty personnel shall receive a 3.0% annual increase.

All other university system employees shall receive an annual increase equal to the greater of \$1,100 or 2.75%.

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State Agency/Department Employees

All other state employees shall receive an annual increase equal to the greater of \$1,100 or 2.75%.

Vacant positions may receive funds in order to raise their budgeted salaries to the new minimum. OSBM will notify each agency of the appropriation amount to be distributed by August 29, 2008. Agencies shall submit to OSBM a Type 11 budget revision, Budget Code 19003, no later than September 17, 2008.

[See sections 26.1 through 26.14 and 26.16 through 26.20 listed on page 4 of this memorandum for the accompanying special provisions]

Retirement System Contributions (Budget Code 19047)
Item Number 9, Page L2

The General Assembly revised the employer contribution rates to the various Retirement Systems for FY 2008-09. OSBM will notify each agency of the appropriation amount to be distributed by August 29, 2008. Agencies shall submit to OSBM a Type 11 budget revision, Budget Code 19047, no later than September 17, 2008.

[See section 26.22 on pages 5 and 6 of this memorandum for the accompanying special provision]

If you have any questions about the information outlined in this memorandum, please contact your OSBM budget analyst at (919) 807-4700.