



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

BEVERLY EAVES PERDUE  
GOVERNOR

ANDY WILLS  
STATE BUDGET DIRECTOR

August 31, 2011

**MEMORANDUM**

**TO:** Department Heads and Chief Financial Officers  
All State Departments, Institutions and Agencies

**FROM:** Andy Willis   
State Budget Director

**SUBJECT:** Summary of General Provisions in the Current Operations and Capital Improvements Appropriations Act of 2011, House Bill 200 (Session Law 2011-145) as amended by House Bill 22 (Session Law 2011-391)

The General Assembly enacted House Bill 200, the Appropriations Act of 2011 (Session Law 2011-145). This act contains appropriations and special provisions that affect all State agencies. House Bill 22, Session Law 2011-391 makes technical, clarifying and other modifications to House Bill 200. Copies of these bills may be obtained from the Printed Bill Division in the Legislative Building or downloaded and printed from the General Assembly's website (<http://www.ncleg.net>).

The purpose of this memorandum is to advise you of special provisions and monetary items that have statewide implications. It does not summarize agency specific provisions. It is also not intended to replace an agency's responsibility for reviewing all the general and statewide special provisions.

Part I: General Provisions in House Bill 200 (Session Law 2011-145) and House Bill 22 (Session Law 2011-391) and

Part II: Statewide Reserves included in The Joint Conference Committee Report on the Continuation, Expansion and Capital Budgets dated June 16, 2011.

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

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

## **Introduction**

### **Section 1.1**

This section specifies that appropriations made in House Bill 200 represent the maximum funding available to provide the services and accomplish the purposes described in the budget. It further directs that savings shall occur where the total amounts appropriated are not required to perform these services and accomplish the purposes outlined in House Bill 200. Except as allowed by the State Budget Act or House Bill 200, 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 and Receipts**

### **Section 5.1**

This provision appropriates State funds for the 2011-2013 biennium as follows:

1. For all budget codes listed in "The State of North Carolina Governor's Recommended Budget, 2011-2013" and in the Budget Support Document, cash balances and receipts are appropriated up to the amounts specified, as adjusted by the General Assembly, for the 2011-2012 fiscal year and the 2012-2013 fiscal year. Funds may be expended only for the programs, purposes, objects, and line items or as otherwise authorized by the General Assembly. Expansion budget funds listed in those documents are appropriated only as otherwise provided in this act.
2. Notwithstanding the provisions of subdivision (1) of this subsection:
  - a. Any receipts that are required to be used to pay debt service requirements for various outstanding bond issues and certificates of participation are appropriated up to the actual amounts received for the 2011-2012 fiscal year and the 2012-2013 fiscal year and shall be used only to pay debt service requirements.
  - b. Other funds, cash balances, and receipts of funds that meet the definition issued by the Governmental Accounting Standards Board of a trust or agency fund are appropriated for and in the amounts required to meet the legal requirements of the trust agreement for the 2011-2012 fiscal year and the 2012-2013 fiscal year.

Receipts collected in a fiscal year in excess of the amounts authorized by this provision shall remain unexpended and unencumbered. However, if authorized under the State Budget Act and approved by OSBM, overrealized receipts may be expended in the year in which they are collected. Overrealized receipts approved for expenditure must be reported to the Joint Legislative Commission on Governmental Operations and to the Fiscal Research Division on a quarterly basis. The report shall include the source of the receipt, the amount overrealized, the amount authorized for expenditure, and the rationale for expenditure. OSBM will develop and submit this quarterly overrealized receipts report.

## **Other Receipts from Pending Grant Awards**

### **Section 5.2**

Notwithstanding G.S. §143C-6-4, State agencies may, upon approval of the Director of the Budget and after consultation with the Joint Legislative Commission on Governmental Operations, spend funds received from grants awarded subsequent to the enactment of House Bill 200. OSBM shall work with agencies to budget grants according to program needs, and such grants shall be incorporated into the agencies' authorized budgets. Agencies shall submit to OSBM a completed "Notification of Application for Grants/Awards" form

([http://www.osbm.state.nc.us/files/forms/grants\\_osbm.xls](http://www.osbm.state.nc.us/files/forms/grants_osbm.xls)) to initiate the process for budgeting and reporting on such grants.

Notwithstanding the provisions of this section, no State agency may accept a grant not anticipated in this act if acceptance of the grant would obligate the State to make future expenditures relating to the program receiving the grant or would otherwise result in a financial obligation as a consequence of accepting the grant funds.

## **Clarify Certified Budget**

### **Section 6.1**

This section directs that the Director of the Budget shall modify the certified budget only to reflect the following actions and only to the extent that they are authorized by this act:

- (1) The allocation of funds set out in reserves.
- (2) Government reorganizations.
- (3) Funds authorized by G.S. 116-30.3A and G.S. 116-40.22(c)

The Director of the Budget shall set out all other budget modifications in the authorized budget. (Additional guidance is forthcoming.)

## **Contingency and Emergency Fund Limitation**

### **Section 6.2**

For the 2011-2013 fiscal biennium, and notwithstanding the provisions of G.S. 143C-4-4(b), funds appropriated to the Contingency and Emergency Fund may only be used for the following purposes: (1) expenditures required by a court or Industrial Commission order, (2) to respond to events as authorized under G.S. 166A-5(1)a.9. of the North Carolina Emergency Management Act of 1977, (3) to pay death benefits for law enforcement officers killed in the line of duty, (4) for crime rewards in accordance with G.S. 15-53 and G.S. 15-53.1, (5) for supplemental awards of compensation issued by the Industrial Commission, or (6) for legal fees incurred by the NC Department of Justice.

## **Establishing or Increasing Fees Pursuant to this Act**

### **Section 6.3**

This section specifies that 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 House Bill 200. Notwithstanding G.S.150B-21.1A(a), an agency may adopt an emergency rule in accordance with G.S.150B-21.1A to establish or increase a fee as authorized by House Bill 200 if the adoption of a rule would otherwise be required under Article 2A of Chapter 39 150B of the General Statutes.

## **Consultation Required Before Creation of New Funds**

### **Section 6.4**

For the 2011-13 fiscal biennium, and notwithstanding G.S. 143C-1-3 or any other provision of law to the contrary, the Office of State Budget and Management and the Office of the State Controller shall consult with the Joint Legislative Commission on Governmental Operations prior to the establishment of a new fund type as defined in G.S. 143C-1-3.

## **Interim Appropriations Committees and Consultation**

### **Section 6.5**

Pursuant to this section, the Governor will, through OSBM, consult with the Appropriations Committee of the House and Senate prior to (1) expenditures in excess of total requirements of a department's certified budget for the fiscal year as provided by G.S. 143C-6-4 and (2) the approval of new capital improvement projects funded from gifts, grants, receipts, special funds, self-liquidating indebtedness, and other funds or any combination of funds for projects not specifically authorized by the General Assembly. (Additional guidance is forthcoming.)

## **Information Technology Fund Availability**

### **Section 6A.1**

In addition to outlining how funds shall be spent in the Information Technology fund, this section establishes that by September 1 of each year, data integration funding in the Information Technology Fund for each year shall be transferred to State agencies in proportion to their use of data integration licenses at that point in time (\$200,000 N.R. 2011-12 and \$1,200,000 N.R. 2012-13). \$1,200,000 of the funds set aside for this purpose in the Governor's Budget were not included in the final budget, so agencies will only receive a portion of the funds required to pay for their licenses in the second year of the biennium but will still be responsible for the full amount of any charges for license usage. ITS will notify each agency of the appropriation amount to be distributed to their agency before September 1, 2011. Agencies will be responsible for their entire share of the agreement after the 2011-2013 biennium.

## **Information Technology Operations**

### **Section 6A.2**

This section requires the State Chief Information Officer (SCIO) to consult the respective State agency chief information officers to identify specific State agency requirements prior to the initiation of any enterprise project or contract. State agency requirements shall be incorporated into any enterprise agreement signed by the SCIO. Enterprise projects shall not exceed the participating State agencies' ability to financially support the contracts.

In addition, this section requires that funding be appropriated for all projects over \$250,000. Each of these projects must also be included in the agency's most recent IT plan. As part of the existing project approval process, OSBM will verify with the agency that funds have been appropriated. Projects should align with business objectives outlined in agency IT plans. The SCIO will work with agency CIOs to establish guidelines for meeting the IT plan requirements.

This section also requires agencies to host IT projects and applications on State infrastructure unless an exception is granted by the SCIO for technical issues or OSBM for cost. Furthermore, it stipulates that each exception is subject to consultation with the Joint Legislative Commission on Governmental Operations. If an agency wants a hosting exception it must request one based on the due diligence it conducts prior to sending out an RFP. The SCIO and OSBM will provide a memo with the guidelines associated with this process in the near future.

This provision also requires all IT projects hosted outside State infrastructure to be returned to State infrastructure no later than the end of any current contract. The State CIO must report to IT Oversight by October 1, 2011, on projects hosted outside State infrastructure and provide a schedule to return them to State infrastructure.

In addition, the SCIO shall not enter into any information technology contracts without obtaining written agreements from participating State agencies regarding apportionment of funding. State agencies agreeing to participate in a contract shall: (1) ensure that sufficient funds are budgeted to support their agreed shares of enterprise agreements throughout the life of the contract, (2) transfer the agreed-upon funds to the Office of Information Technology Services (ITS) in sufficient time for ITS to meet contract requirements, and (3) ensure that enterprise project costs are allocated to participating agencies in an equitable manner. This section also requires OSBM to ensure that State agencies have an opportunity to adjust their budgets based on any rate changes proposed by ITS.

This provision amends Section 6.7 of S.L. 2009-451 to require that (1) when a service level agreement (SLA) between ITS and an agency is not met by either party, ITS will submit a report to OSBM and the Fiscal Research Division of the General Assembly with details about the shortfall and a corrective action plan. (These reports should be submitted in alignment with the SLA reporting periods.), (2) the Office of Information Technology Procurement will assist agencies by identifying the most cost effective and least expensive source for purchase of ITS goods and services as well as ensure the agencies receive the available discounts for those goods and services, (3) ITS must provide agencies with bills that are easily understood and transparent for all received services, and (4) if an agency fails to pay its ITS bills within 30 days, OSBM may transfer the funds to cover the cost of the bill to ITS.

## **Coordination of Information Technology Requirements and Geographical Information**

### **System Efforts**

#### **Section 6A.3**

This section tasks the SCIO, through the Enterprise Program Management Office (EPMO), with adopting measures to avoid the duplication of information technology capabilities across State agencies. When duplication or the potential for duplication is found, the SCIO will designate one State agency as the lead. This agency will coordinate, support, and manage the capability for all agencies that require it. The SCIO will maintain oversight of this effort.

In addition, the EPMO will (1) review all ongoing and future projects to determine whether their requirements can be met by a planned, ongoing, or completed information technology project, (2) identify existing projects that can best support a particular requirement for multiple agencies and work to transition agencies to those projects, (3) determine if an agency's project has transferable applicability to current or future capabilities required by another agency, (4) assist agencies in determining how to access existing projects, (5) implement the State Chief Information Officer's plan to reduce duplication, (6) deny approval for new projects that duplicate existing capabilities, and (7) provide quarterly reports to the Fiscal Research Division of the General Assembly on progress toward eliminating duplication.

Furthermore, all State agencies shall coordinate any Geographic Information System (GIS) initiatives through the Center for Geographic Information and Analysis (CGIA) to ensure that they are not duplicating existing function. CGIA will be required to monitor and approve all new GIS-related projects and expansion budget requests. By January 1 of each year, the CGIA shall submit a written report to the Joint Legislative Oversight Committee on Information Technology and to the Fiscal Research Division of the General Assembly on the results of these efforts.

## **Information Technology Personal Services Contract Requirements**

### **Section 6A.6**

Several restrictions are placed on establishing or renewing contracts for information technology personal services, such as limitations on the duration of a personal services contract, reporting requirements prior to renewing a contract, and review and written approval by the Statewide Information Technology Procurement Office on all contracted information technology personnel. OSBM is authorized to terminate the funding for any information technology contract position that is filled without following defined procedures in this section.

In addition, agencies are required to report monthly to OSBM, OSP, ITS, the Joint Legislative Oversight Committee on Information Technology and FRD. The report shall include (1) detailed information about each contracted information technology position, (2) the total annual cost for information technology contractors, (3) the total annual salary and benefits cost for filling the contract positions with State employees, and (4) a determination of whether the information technology functions performed by contractors can be performed by State employees. The updated spreadsheet has been posted to the OSBM website at:

[http://www.osbm.state.nc.us/files/forms/ContractorReportingTemplate\\_July2011.xls](http://www.osbm.state.nc.us/files/forms/ContractorReportingTemplate_July2011.xls).

A new section requires agencies to make every effort to convert SAP and Curam contractors and also directs the Statewide IT Procurement Office to determine the market rate for the contractor and the comparable cost for a state employee. Agencies must submit quarterly reports to IT Oversight and Fiscal Research on their progress in converting SAP and Curam contractors beginning October 1. This report will be submitted using the same spreadsheet form as mentioned above. Columns were added to address the SAP and Curam requirements.

The SCIO has issued a memo to more specifically address this provision.

## **State Information Technology Consolidation**

### **Section 6A.7**

This section requires the SCIO and OSBM to develop a detailed plan for consolidating IT infrastructure and applications in all Executive Branch agencies, departments, and institutions. A high priority shall be put on infrastructure issues that pose a significant risk to agency operations or data, that provide opportunities for immediate cost savings, and where a statewide approach would minimize disruption of services. This plan is due February 1, 2012.

This section also requires the SCIO to plan and implement a statewide grants management system. Similar systems currently under development may be suspended by the SCIO with funding reprogrammed to support the development of the enterprise level grants management system.

Furthermore this section requires DHHS, in coordination with the State Chief Information Officer, to plan to implement a single case management system throughout the Department. The plan shall be presented to the Joint Legislative Oversight Committee on Information Technology by February 1, 2012.

## **Information Technology Privatization**

### **Section 6A.9**

This section requires the General Assembly approve any privatization of any grouping of information technology services identified in the Infrastructure Study and Assessment (INSA) and that any funding to support this outsourcing must be specifically appropriated by the General Assembly.

Before privatizing any major information technology function during the 2011-2013 biennium, the SCIO shall (1) develop a detailed plan for implementing any privatization initiative, (2) have a detailed plan in place that includes associated costs and sources of funding, including to return the outsourced function to State control, (3) privatize only those functions where verifiable market data shows that privatization will result in cost-savings to the State, (4) document and certify anticipated savings resulting from privatization, (5) ensure full disclosure of any privatization decision that combines multiple services or towers into a single contract, (6) ensure that any changes are made across the entire Executive Branch, (7) consult the Joint Legislative Commission on Governmental Operations and report to the Joint Legislative Oversight Committee on Information Technology regarding the plan for funding any requirements formerly covered by the receipts from the privatized function.

After privatizing any major information technology function, the SCIO shall (1) report quarterly on the results of privatization, including a detailed comparison of projected savings to actual cost, data on whether or not the vendor is meeting service level agreements, and an explanation of reasons for any deficiency or difference, (2) immediately notify the Joint Legislative Commission on Governmental Operations of any outsourcing effort that fails to meet projected savings or required service levels for two quarters in a row or during any two quarters of a fiscal year, and develop a corrective action plan, and (3) terminate any contract where privatization does not achieve projected savings or meet service levels over a 12 month period.

## **State Portal Implementation and Operation**

### **Section 6A.10**

This section gives the Department of Administration (DOA) the right to implement and operate a statewide electronic enterprise portal to help members of the public conduct transactions with and obtain information from State government. The portal shall be hosted on State information technology infrastructure.

Prior to the implementation of a portal, DOA is required to provide a detailed plan for implementation, outline a funding model, identify internal resources available for implementation, and – if the portal is outsourced – a plan to return the portal to State control.

All portal services requiring fees shall be approved by the General Assembly, and all funding for the portal, to include fees, shall be appropriated by the General Assembly. Fees and charges collected for the State portal shall be subject to the approval of the General Assembly, and shall be deposited into the General Fund (or in the Highway Fund for fees collected from DOT). The portal shall not increase fees or impose a new fee for services already provided online or through any automated means.

Participation in the portal by State agencies will be voluntary. There shall be a convenient, free alternative for any online service provided. The portal is subject to all requirements for project management under the SCIO – it cannot be exempt from the laws governing State information technology and purchasing.

Beginning October 1, 2011, DOA will be required to report quarterly information on the total amount of each fee or any other charge collected by the vendor for each service provided, the amount of funding collected by the state for each service and for each participating agency, and any other cost associated with operating the portal.

The Portal Project Review Committee will be established in DOA to review services and applications proposed for inclusion in the portal. The committee shall have seven members – two appointed by the Governor, four appointed by the General Assembly (two recommended by the Speaker of the House, two recommended by the President Pro Tempore of the Senate), and the State Controller shall be designated as the Chair. The committee may request resources from any State agency. The committee shall have approval authority for services and applications not requiring a fee or imposing any cost on any State or local agency or anyone doing business with the State. For those services requiring fees, the committee will make recommendations to the General Assembly.

## **Use of Mobile Electronic Communications Devices**

### **Section 6A.14**

This section requires every Executive Branch agency within State government to develop a policy to limit the issuance and use of mobile electronic devices required to carry out the agency's mission. Copies of the agencies' policies must be provided to the Chairs of the Appropriations Committee and the Appropriations Subcommittee on General Government of the House of Representatives, the Chairs of the Appropriations/Base Budget Committee and the Appropriations Committee on General Government and Information Technology of the Senate, the Chairs of the Joint Legislative Oversight Committee on Information Technology, FRD, and OSBM by September 1, 2011.

State-issued mobile devices shall be used only for State business. Agencies shall limit the issuance of any mobile electronic devices to those employees for whom access is a critical requirement for their job performance. All plans and devices selected shall be the minimum required to support the employees' work requirements. The requirement for each mobile electronic device issued shall be documented in a written justification that shall be maintained by the agency and reviewed annually. All State agency heads, in consultation with ITS and OSBM, shall document and review all authorized mobile device procurement and related plans for and by their employees. Agencies shall conduct periodic audits to ensure their employees' compliance with agency policy and State requirements for mobile device use.

Beginning October 1, 2011, each agency will be required to report quarterly to the Chairs of the House of Representatives Committee on Appropriations and the House of Representatives Subcommittee on General Government, the Chairs of the Senate Committee on Appropriations and the Senate Appropriations Committee on General Government and Information Technology, the Joint Legislative Oversight Committee on Information Technology, FRD, and OSBM on (1) any changes to their policies on the use of mobile devices, (2) the number and types of new

devices issued since the previous report, (3) total number of devices issued by the agency, (4) total cost of devices issued by the agency, and (5) the number of each type of device issued, with total cost for each type.

This section does not apply to the Legislative Branch or the Judicial Branch of State government.

## **Statewide Information Technology Procurement**

### **Section 6A.16**

This section states that Statewide Information Technology Procurement shall be funded through fees charged to agencies using Statewide Information Technology Procurement services. The SCIO shall provide a fee schedule to allow cost recovery to OSBM. If agencies fail to pay for services within 30 days of billing, OSBM shall transfer the unpaid amount to the State Information Technology Procurement Office. The SCIO is in the process of creating a rate for OSBM's review and approval.

## **Evaluation of State Information Technology Operations**

### **Section 6A.19**

This section indicates that the General Assembly shall conduct a detailed, comprehensive evaluation of information technology operations, infrastructure, systems, ongoing projects, and applications within State government. The evaluation shall include (1) documentation of the information technology organization and function within State government and individual agencies, (2) development of a complete inventory of information technology assets and resources within the State, (3) documentation and review of agencies' information technology operations, (4) documentation of actual agency information technology costs, (5) identification and documentation of the costs associated with specific information technology projects and support, (6) identification and documentation of funding sources, and (7) identification and documentation of common requirements for information technology infrastructure, systems, projects, or applications.

The chairs of the Appropriations Committee of the House of Representatives and the Appropriations/Base Budget Committee of the Senate shall establish a project team to develop an evaluation plan/methodology and manage the day-to-day operation of the evaluation. The project team shall develop a detailed schedule to conduct the evaluation in phases. The initial phase shall include all agencies within the Executive Branch, both Cabinet and Council of State agencies. The scope of subsequent phases shall be determined by the project team during or immediately following the initial phase.

Agencies shall provide all requested support for evaluation requirements and deliver accurate, complete, and timely data as required to facilitate the evaluation. If any support or data provided by an agency does not meet study standards, the agency's information technology functions shall automatically be subject to a continuation review the next fiscal year.

The General Assembly shall appoint members to an advisory committee from both public agencies and private sector individuals. The State Controller shall serve as Chairman of the committee. Staff will be provided by the General Assembly.

The Legislative Oversight Committee on Information Technology shall monitor progress of the evaluation. Beginning October 1, 2011, the project team shall provide quarterly reports to the chairs of the Appropriations Committee of the House of Representatives and the Appropriations/Base Budget Committee of the Senate, the chairs of the Joint Legislative Oversight Committee on Information Technology, and the Fiscal Research Division.

Of the funds appropriated to the General Assembly in Section 2.1 of this act, the sum of two million dollars (\$2,000,000) for the 2011-2012 fiscal year and the sum of three million dollars (\$3,000,000) for the 2012-2013 fiscal year shall be used to implement this section.

## **Use of Capital Project Contingency Funds to Increase the Speed and Efficiency of the State Construction Office**

### **Section 20.4.**

This provision places contingency reserve funds appropriated for all open and active capital improvement projects that are subject to the Department of Administration's review authority under G.S. 143-341(3)a. in a statewide capital reserve administered by the Office of State Budget and Management (OSBM) to ensure optimal management and administration of funds needed for new construction and repairs and renovations projects. Upon request from a State agency, and after consultation with the Office of State Construction (SCO), OSBM may, when it is in the best interest of the State to do so, allocate funds from the reserve to the requesting agency to be used for any of the purposes for which contingency funds may permissibly be used. Under no circumstances, may funds be disbursed from the statewide capital reserve be used for a capital improvement project not previously authorized by the General Assembly.

Each fiscal year of the biennium, OSBM may reallocate up to \$875,000 to the SCO to be used to support the staffing needs of their office in connection with carrying out its design and plan review, construction, building code compliance, inspection, and related duties imposed by G.S. 143-341(3) and other sections of the General Statutes to ensure timely and complete responses in an effort to reduce the need for the use of contingency fees.

## **Salary Adjustments for Special Circumstances Only**

### **Section 29.8**

This section prohibits any automatic salary increases and the salary for all state employees shall remain at the June 30, 2011 level for the 2011-13 biennium except as allowed for special circumstances listed in this section. (Please refer to the July 1, 2011 memo from Office of State Personnel (OSP) for more information on the special circumstances.)

## **Teacher Salary Schedules**

### **Section 29.12**

This section contains the monthly salary schedules that shall apply for the 2011-12 fiscal year to certified personnel of the public school who are classified as teachers.

## **School-Based Administrator Salary Schedule**

### **Section 29.13**

This section contains the base salary schedule for school-based administrators and applies only to principals and assistant principals. The base salary schedule is for the 2011-12 fiscal year.

## **Monitor Compliance with Freeze on Most Salary Increases**

### **Section 29.19**

This section requires OSBM and the Office of State Personnel (OSP) to monitor jointly the compliance of State agencies, departments, institutions, authorities, boards, commissions, the judicial branch, and the University of North Carolina and its constituent institutions with provisions of Section 29.8 of S.L. 2011-145.

It also requires OSBM and OSP to submit quarterly reports of their monitoring activities to the President Pro Tempore of the Senate, the Speaker of the House of Representatives, and the Fiscal Research Division.

## **Salary-Related Contributions/Employer**

### **Sections 29.22.(c) and 29.22.(d)**

The General Assembly adopted revised employer contribution rates for the various components of the Retirement System for the FY 2011-13 biennium. They are as follows:

	<u>FY 2011-12</u>	<u>FY 2012-13</u>
Teachers and State Employees	13.12%	14.31%
Law Enforcement Officers	18.12%	19.31%
University Employees Optional Retirement	12.36%	12.66%
Community College Optional Retirement	12.36%	12.66%
Consolidated Judicial Retirement	30.05%	31.70%
Legislative Retirement	5.00%	5.30%

[See Items Number 4 and 5 on page 13 of this memorandum for the accompanying money item]

## **Repairs and Renovations Reserve Allocation**

### **Section 30.5, as amended by Section 60 of HB 22 (Technical Corrections)**

This section specifies the allocation of \$124,500,000 in funds appropriated for repairs and renovations of State buildings pursuant to G.S. 143C-4-3. Specifically, for the 2011-12 fiscal year, 50% of the funds shall be allocated to the Board of Governors of the University of North Carolina (BOG), and 50% shall be allocated to OSBM for other statewide needs.

Notwithstanding G.S. 143C-4-3, the Board of Governors may allocate funds for the repair and renovation of facilities not supported from the General Fund if sufficient funds are not available from other sources.

OSBM shall consult with the Joint Legislative Commission on Governmental Operations (Gov Ops) prior to the allocation or reallocation of these funds. The BOG must report to Gov Ops on the allocation or reallocation of funds within 60 days of the allocation or reallocation.

## **Procedures for Disbursement of Capital Funds**

### **Section 30.6, as amended by Section 61 of HB22 (Technical Corrections)**

This section specifies that the appropriations made by the 2011 General Assembly for capital improvements shall be disbursed for the purposes provided by the Act. Expenditure of funds shall not be made until an allotment has been approved by OSBM in compliance with the State Budget Act.

Exempt projects of the University of North Carolina will be financed in whole or in part with self-liquidating appropriations from review and approval by the Director of the Budget.

Where direct capital improvement appropriations include the purpose of furnishing fixed and movable equipment for any project, the expenditure of these funds shall be reviewed and approved by OSBM prior to committing the funds. Capital funds appropriated for fixed and movable equipment may not be transferred into construction accounts unless authorized by the Director of the Budget.

Capital improvement projects authorized by the 2011 General Assembly shall be completed, including fixed and movable equipment and furnishings, within the limits of the amounts of the direct or self-liquidating appropriations provided, except as otherwise allowed in the Act. Capital improvement projects authorized by the 2011 General Assembly for the design phase only shall be designed within the scope of the project as defined by the approved cost estimate (OC-25) filed with OSBM, including costs associated with site preparation, demolition, and movable and fixed equipment.

### **Joint Legislative Oversight Committee on Capital Improvements Shall Examine Adequacy of Planning for Long-Term State Capital Needs**

#### **Section 30.13**

This section amends G.S. 120-259 to expand the purpose and power of the Joint Legislative Oversight Committee on Capital Improvements (the Committee) to examine, on a continuing basis, capital improvements approved and undertaken for State facilities and institutions including The University of North Carolina system. Specifically, the Committee will examine the adequacy of planning for the State's long-term capital needs throughout the entire state, not just Wake County. The Committee will also oversee the implementation of the State six-year capital improvement plan. In the discharge of its duties, the Committee has access to any paper or document relating to capital improvements and may compel attendance of any State official or employee before the Committee. The Committee may make interim reports to the General Assembly and propose legislation necessary to implement its recommendations, but it must report to the General Assembly no later than April 1, 2012 on the adequacy of planning for the State's long-term capital needs.

### **Part II: Statewide Reserves Included in the Joint Conference Committee Report on the Continuation, Expansion and Capital Budgets dated June 16, 2011**

#### **Severance Expenditure Reserve (Budget Code 19042)**

##### **Item Number 1, Page L1**

The General Assembly established the Severance Expenditure Reserve for the purpose of funding 2011-12 severance-related obligations to State employees subject to the State Personnel Act, and employees exempt from the State Personnel Act, who are separated from service due to a reduction-in-force action. The severance expenditure reserve may be used only for General or Highway Fund (HF) positions to the extent the salary of the positions is funded from the General Fund or HF. Permitted expenses include (1) severance as authorized by G.S. 126-8.5 and (2) health premiums as authorized by G.S. 135-45.2(a)(8). Agencies and universities shall provide calculations for the

severance reserve per the template provided by OSBM to their OSBM budget analyst by September 30, 2011. OSBM will notify each agency of the appropriation amount to be distributed to their agency by October 17, 2011. Agencies shall submit to OSBM a Type 11 budget revision, Budget Code 19042, no later than October 28, 2011. If an affected employee is re-employed such that severance payments terminate, then all unused funds shall be returned to the reserve. Any unused funds will revert back to the reserve. ([http://www.osbm.state.nc.us/files/forms/2011-12\\_SeveranceReserveForm.xls](http://www.osbm.state.nc.us/files/forms/2011-12_SeveranceReserveForm.xls)).

**Retirement System Contributions (Budget Code 19047)  
Items Number 4 and 5, Page L1**

The General Assembly revised the employer contribution rates to the various Retirement Systems for FY 2011-13. OSBM will notify each agency of the appropriation amount to be distributed to their agency by September 30, 2011. Agencies shall submit to OSBM a Type 11 budget revision, Budget Code 19047, no later than October 28, 2011.

[See Section 29.22(c) on page 11 of this memorandum for the accompanying special provision]

**State Health Plan (Budget Code 19043)  
Item Number 7, Page L1**

Session Law 2011-145 revised the employer contribution to the State Health Plan for Teachers and State Employees. The revised annual rates, which are provided below, are effective July 1, 2011, for the 2011-12 fiscal year and July 1, 2012, for the 2012-13 fiscal year.

	<u>FY 2011-12</u>	<u>FY 2012-13</u>
Medicare Eligible Employees and Retirees	\$3,832	\$4,035
Non-Medicare Eligible Employees and Retirees	\$4,931	\$5,192

OSBM will notify each agency of the appropriation amount to be distributed to their agency by September 30, 2011. Agencies shall submit to OSBM a Type 11 budget revision, Budget Code 19043, no later than October 28, 2011.