



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

BEVERLY EAVES PERDUE
GOVERNOR

ANDY WILLS
STATE BUDGET DIRECTOR

August 8, 2012

MEMORANDUM

TO: Department Heads and Chief Fiscal Officers

FROM: Andy Willis
State Budget Director

A handwritten signature in black ink, appearing to read "Andy Willis", written over the printed name and title.

SUBJECT: Summary of General Provisions in the Current Operations and Capital Improvements Appropriations Act of 2012, House Bill 950 (Session Law 2012-142) as amended by Senate Bill 187 (Session Law 2012-145)

The General Assembly enacted House Bill 950, the Appropriations Act of 2012 (Session Law 2012-142). This act contains appropriations and special provisions that affect all State agencies. Senate Bill 187, Session Law 2012-145 makes technical, clarifying and other modifications to House Bill 950. Copies of these bills may be obtained from the Printed Bills area 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 950 (Session Law 2012-148) and Senate Bill 187 (Session Law 2012-145) and

Part II: Statewide Reserves included in The Joint Conference Committee Report on the Continuation, Expansion and Capital Budgets dated June 20, 2012.

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 950 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 950. Except as allowed by the State Budget Act or House Bill 950, 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

Remove Consultation by Governor Requirement/Interim Appropriations Committees

Section 6.1

Section 6.5 of S. L. 2011-145 is repealed.

Authorize Certain Modifications of the Certified Budget

Section 6.9

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) The allocation of funds authorized by G.S. 116-30.3A and G.S. 116-40.22(c).
- (4) The allocation of funds carried forward from one fiscal year to another.

- (5) Changes required by acts that become law after the effective date of this section, irrespective of whether they are authorized by this act.

The Director of the Budget shall set out all other budget modifications in the authorized budget.

Establishing or Increasing Fees Pursuant to this Act

Section 6.10

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 Senate Bill 950. 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 Senate Bill 950 if the adoption of a rule would otherwise be required under Article 2A of Chapter 39 150B of the General Statutes.

Information Technology Personal Services Contracts/Reporting change

Section 6A.4

This section changes the requirement for agencies to report on information technology personal services contracts from monthly to quarterly. Agencies are required to report to OSBM, OSP, ITS, the Joint Legislative Oversight Committee on Information Technology and Fiscal Research Division (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

Office of information Technology Services/Internal Service Fund Rate Established/Cash Management

Section 6A.5

This section states that, during the 2012-13 fiscal year, no State agency shall be charged more for information technology services provided by the Office of the State Chief Information Officer or the Office of Information Technology Services than the lower of the amount charged or the amount actually paid less refunds from available appropriations for the 2011-2012 fiscal year, unless the increase is agreed to in writing by the impacted agency and the Office of the State Chief Information Officer.

The section also states that if the Chief Information Officer discontinues or privatizes a service during the 2012-13 fiscal year, and an agency chooses to use an alternate service provided by the Office of Information Technology Services or their vendor, the charges to the agency may not exceed the IT Internal Service Fund charges for the same service in effect on May 31, 2012. This amount includes any service charge the State Chief Information Officer adds to the vendor charge.

Information Technology Privatization

Section 6A.6

This section stipulates that if a State-administered information technology service is privatized, or a new service is provided through a private vendor, continued receipt of or participation in the service

by State agencies shall be voluntary. Agencies may elect to discontinue receiving or participating in the service, submit their own request for proposal and contract with a vendor to provide the privatized service, enter into agreements with other agencies to obtain the privatized service, or elect to receive or participate in the newly privatized service.

Mobile Electronic Device Reporting Change

Section 6A.7

This section changes the requirement for agencies to report on mobile devices from quarterly to annually. Beginning October 1, 2012 each agency shall report on 1) any changes to agency policies on the use of mobile devices, 2) the number and types of new devices issued since the last report, 3) the total number of mobile devices issued by the agency, 4) The total cost of mobile devices issued by the agency and 5) the number of each type of mobile device issued, with the total cost for each type. Reporting shall be made to the Chairs of the House of Representatives Committee on Appropriations and the House 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.

Enhance Enterprise-Level Business Intelligence to Increase Efficiency in State Government

Section 6A.7

This section establishes an enterprise-level business intelligence initiative in the Office of State Controller. The purpose of the initiative is to support the effective and efficient development of State agency business intelligence capability in a coordinated manner and to reduce unnecessary information silos and technological barriers. The initiative includes all State agencies, departments, and institutions, including The University of North Carolina.

In support of the initiative, the provision creates the Government Business Intelligence Competency Center (GBICC) within the Office of State Controller. Beginning August 1, 2012, for phase I of the initiative the State Controller, through the GBICC, will Inventory existing State agency business intelligence projects, both completed and under development; develop a plan of action; inventory external data sources purchased by State agencies to determine whether consolidation is appropriate; determine whether ongoing projects support the initiative; and determine whether current applications are scalable and/or applicable for use by multiple agencies.

Phase II requires the Controller to identify redundant projects and identify gaps in capabilities. Phase III requires the Controller to incorporate or consolidate existing projects as appropriate; eliminate redundant projects, applications, software and licensing; and ensure data integration efforts adequately protect privacy.

State agencies are required to provide the Controller access to all information required to support this initiative as detailed in this section; ensure future agency initiatives coordinate with the efforts of the GBICC; provide technical and business resources upon request; identify potential resources for deploying business intelligence in their respective agencies as part of the enterprise effort; and immediately seek any waivers and enter into any written agreements that may be required by State or federal law to effectuate data sharing and to carry out the purposes of this section.

State Private Cloud

Section 6A.9

This section directs the State Chief Information Officer to create a plan for the development and implementation of a State-owned, State-hosted infrastructure as a service, or private cloud, project to be operated and managed by the State. Agencies will need to work with the Office of Information Technology as necessary in order to document agency requirements for inclusion in the plan.

Enterprise Grants Management

Section 6A.10

This section establishes a Grants Management Oversight Committee to coordinate the development of an enterprise grants management system. The Committee shall be chaired by the State Controller. Committee membership shall include the Senior Deputy State Controller, the Director of the Office of State Budget and Management, and the State Auditor. The Committee is responsible for establishing priorities for agency projects; establish priorities for development and implementation of system capabilities; review and approve system requirements; review and approve plans associated with system development and implementation; review and approve costs and funding sources for system development and implementation; ensure system benefits are realistic and realized.

By August 1, 2013, OSBM is required to submit a detailed plan to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division for the development and implementation of the enterprise grants management system. Agencies will need to work with OSBM to gather the information necessary to complete this plan.

State Portal Implementation/Operation

Section 6A.12

This section directs the Office of the Chief Information Officer (State CIO) to plan, develop, implement and operate a Statewide Electronic portal. The purpose of the portal is to increase the convenience of members of the public in conducting online transactions with, and obtaining information from, State government and to facilitate their interactions and communications with government agencies. State agencies' participation in the portal shall be voluntary.

All State-Supported Personnel/Salary Increases

Section 25.1F.(a) through 25.1F.(f)

This section specifies that salary increases provided in this act are effective July 1, 2012, 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, 2012. 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-, 10-, or 11-month work year schedule shall receive the 1.2% increase provided by this act.

Salary Adjustments for Special Circumstances Only/No Automatic Increases

Section 25.2

Prior approval by OSBM for cumulative salary increases in excess of 10% will no longer be required effective July 1, 2012. Salary actions in excess of 10% that have an effective date prior to July 1, 2012, will need to include a written justification to OSP. Effective July 1, 2012, OSP must

provide prior approval for any salary increase of 20% or more. See the *2012 Legislative Increase (LI) and Other Salary Increases* memorandum from OSP, OSBM, and the Office of the State Controller (OSC) dated July 10, 2012, for more information.

Salary Increase Monitoring

Section 25.2B

Although there are no longer restrictions on the types of salary increases awarded to State employees effective on or after July 1, 2012, this section requires OSBM and the Office of State Personnel (OSP) to monitor jointly the salary increases awarded by State agencies, departments, institutions, authorities, boards, commissions, the judicial branch, and the University of North Carolina and its constituent institutions. This section 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.

Exempt Positions

Section 25.2E.

The number of cabinet positions that the Governor designate as exempt is increased from 100 positions to 1,000 positions.

Teacher Salary Schedules

Section 25.6.(b)

This section contains the monthly salary schedules that shall apply for the 2012-13 fiscal year to certified personnel of the public school who are classified as teachers.

School-Based Administrator Salary Schedule

Section 25.7.(b)

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 2012-13 fiscal year.

Salary-Related Contributions/Employer

Section 25.10

The General Assembly adopted revised employer contribution rates for the various components of the Retirement System for the FY 2012-13 fiscal year. They are as follows:

	From:	To:
Teachers and State Employees	14.31%	14.23%
Law Enforcement Officers	19.31%	19.23%
University Employees Optional Retirement	12.66%	12.58%
Community College Optional Retirement	12.66%	12.58%
Consolidated Judicial Retirement	31.70%	31.85%
Legislative Retirement	5.30%	5.30%
Disability Income Plan	0.52%	0.44%

[See Item Number 10 on page 9 of this memorandum for the accompanying money item.]

Repairs and Renovations Reserve Allocation

Section 26.4(a)

This section specifies the allocation of \$23,170,924 in funds appropriated for repairs and renovations of State buildings pursuant to G.S. 143C-4-3. Specifically, for the 2012-13 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.

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

Reporting on Capital Projects

Section 26.5(a)

This section requires State agencies to report on the status of current (not complete) capital improvement projects funded in whole or in part with either State funds or authorized indebtedness of any kind, and with a total cost of \$100,000 or more. The reporting requirements are as follows:

- (1) By October 1, 2012, and every six months thereafter, each State agency shall report on the status of agency capital projects to the Joint Legislative Commission on Governmental Operations and to the Joint Legislative Oversight Committee on Capital Improvements.
- (2) By October 1, 2012, and quarterly thereafter, each State agency shall report on the status of agency capital projects to the Fiscal Research Division of the General Assembly and to the Office of State Budget and Management.

The reports must include at least the following information about every current agency capital project:

- (1) The current construction phase of the project.
- (2) The anticipated timeline from the current construction phase to project completion.
- (3) Information about expenditures that have been made in connection with the project, regardless of source of the funds expended.
- (4) Information about the adequacy of funding to complete the project, including estimates of how final expenditures will relate to initial estimates of expenditures, and whether or not scope reductions will be necessary in order to complete the project within its budget.
- (5) For new capital projects only, an estimate of the operating costs for the project for the first five fiscal years of its operation.

OSBM Allocation of Repairs and Renovations Funds

Section 26.11

This section clarifies the OSBM reporting requirements for the initial allocation of repairs and renovations funds and any subsequent reallocation. Specifically, OSBM must *consult* with the Joint

Legislative Commission on Governmental Operations prior to the original allocation of repairs and renovations funds to state agencies. OSBM must then *report* to the Joint Legislative Commission on Governmental Operations within 60 days after any subsequent reallocation of repairs and renovations funds.

Part II: Statewide Reserves included in The Joint Conference Committee Report on the Continuation, Expansion and Capital Budgets dated June 20, 2012

**Reserve for Compensation Increases (Budget Code 19003)
Item Number 1, Page L-1**

Section 25.2A repealed the Compensation and Performance Pay Reserve from Section 29.20A of Session Law 2011-145. The General Assembly appropriated funds to support salary increases for employees of State agencies, departments, institutions, public schools, and university SPA employees. The budget bill also appropriated funds to support salary increases and personnel flexibility for university EPA employees and employees of community college institutions. These provisions, effective July 1, 2012, are summarized below:

State Agency/Department Employees

The budget bill provides funds to support an annual salary increase of 1.2% for permanent employees of State agencies and departments.

Public School Employees

The budget bill provides funds to local school administrative units to support an annual salary increase of 1.2% for State-funded public school employees.

State Agency Teachers

Section 25.7E provides funds to support an annual salary increase of 1.2% for employees of schools operated by the Department of Public Instruction, the Department of Health and Human Services, and the Department of Public Safety who are paid on the Teacher Salary Schedule or the School-Based Administrator Salary Schedule.

Community College Employees/Personnel Flexibility

The budget bill provides the amount necessary to support a 1.2% annual salary increase to State-funded community college employees. The State Board of Community Colleges may use these funds to award compensation increases to employees, including but not limited to merit increases, across-the-board increases, recruitment bonuses, retention increases, and other increases pursuant to applicable personnel policies; to offset the management flexibility reduction; and to employ personnel.

University System Employees/Personnel Flexibility

The budget bill provides funds to support a 1.2% annual salary increase for SPA and EPA employees. Permanent university SPA employees shall receive a 1.2% annual salary increase. The University Board of Governors may use funds designated for EPA faculty and EPA nonfaculty to award compensation increases to EPA employees, including but not limited to merit increases, across-the-board increases, recruitment bonuses, retention increases, and other increases pursuant to applicable personnel policies; to offset the management flexibility reduction; and to employ personnel.

Vacant positions shall be excluded from the compensation increase calculations and requests for funding unless funds are needed to raise their budgeted salaries to the new minimum. Agencies, universities, and institutions should determine the amount needed to support the salary increases as outlined in the *2012 Legislative Increase (LI) and Other Salary Increases* memorandum from OSP, OSBM, and OSC dated July 10, 2012.

Agencies should submit their requests for funding to OSBM by August 20, 2012. OSBM will review these requests and notify each agency of the appropriation amount to be distributed by August 31, 2012. Agencies shall submit to OSBM a Type 11 budget revision, Budget Code 19003, no later than September 14, 2012.

Retirement System Contributions (Budget Code 19047)
Item Number 10, Page L-2

The General Assembly provided a 1% cost-of-living adjustment to retirees of the Teachers' and State Employees' Retirement System and Legislative Retirement System, effective July 1, 2012. Funds to support this adjustment were provided as part of the 2011-13 reserve distribution.

The budget bill also increased the State's contribution for Fiscal Year 2012-13 to provide a 1% cost-of-living adjustment for retirees of the Consolidated Judicial Retirement System, and included additional funds to support this adjustment. OSBM will include this adjusted amount in the allocation to those agencies affected by the Consolidated Judicial Retirement System.

The General Assembly revised the employer contribution rates to the various Retirement Systems for FY 2012-13. The budget bill reduces the State's contribution to the Disability Income Plan from 0.52% of payroll to 0.44% of payroll, as a result of the December 31, 2010, actuarial valuation. Therefore, OSBM will need to reduce the retirement allocation from the 2011-13 retirement reserves. OSBM will notify each agency of the appropriation amount to be reduced by July 31, 2012. Agencies shall submit to OSBM a Type 11 budget revision, Budget Code 19047, no later than August 20, 2012.

Part III: Senate Bill 187 (Technical Corrections Bill):
Special Annual Leave Bonus
Section 6B.1

The General Assembly awarded a one-time five days (40 hours) of special annual leave on July 1, 2012, to eligible State employees to be used during the fiscal year 2012-13. If the special leave is not used between July 1, 2012, and June 30, 2013, it shall expire. OSP will provide further information about how this leave will be administered.