



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

PAT MCCRORY
GOVERNOR

ART POPE
STATE BUDGET DIRECTOR

September 9, 2013

MEMORANDUM

TO: Department Heads and Chief Fiscal Officers

FROM: Art Pope *Art Pope*
State Budget Director

SUBJECT: Summary of General Provisions in the Current Operations and Capital Improvements Appropriations Act of 2013, Senate Bill 402 (Session Law 2013-360) as amended by House Bill 112 (Session Law 2013-363)

The General Assembly enacted Senate Bill 402, the Appropriations Act of 2013 (Session Law 2013-360). This act contains appropriations and special provisions that affect all State agencies. House Bill 112, Session Law 2013-363 makes technical, clarifying and other modifications to Senate Bill 402. 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 of significance 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 Senate Bill 402 (Session Law 2013-360) and House Bill 112 (Session Law 2013-363) and

Part II: Statewide Reserves included in The Joint Conference Committee Report on the Continuation, Expansion and Capital Budgets dated July 21, 2013.

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.

Further guidance regarding State Budget Act changes will be forthcoming.

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

Introduction

Section 1.2

The appropriations made in this act are for maximum amounts necessary to provide the services and accomplish the purposes described in the budget. Savings shall be effected where the total amounts appropriated are not required to perform these services and accomplish these purposes and, except as allowed by the State Budget Act or Senate Bill 402, the 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 2013-2015 biennium as follows:

1. For all budget codes listed in "The State of North Carolina Governor's Recommended Budget, 2013-15" 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 2013-14 fiscal year and the 2014-2015 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 2013-2014 fiscal year and the 2014-2015 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 2013-2014 fiscal year and the 2014-2015 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.

Other Receipts from Pending Grant Awards

Section 5.2

Notwithstanding G.S. 143C-6-4, State agencies may, with approval of the Director of the Budget, spend funds received from grants awarded subsequent to the enactment of this act for grant awards that are for less than two million five hundred thousand dollars (\$2,500,000), do not require State matching funds, and will not be used for a capital project. State agencies shall report to the Joint Legislative Commission on Governmental Operations within 30 days of receipt of such funds. State agencies may spend all other funds from grants awarded after the enactment of this act only with approval of the Director of the Budget and after consultation with the Joint Legislative Commission on Governmental Operations. Agencies will continue to send all grant awards information to OSBM using http://www.osbm.state.nc.us/files/forms/grants_osbm_2013-14.xls and OSBM will report or consult with the Joint Legislative Commission on Governmental Operations depending on the level of the grant award.

The Office of State Budget and Management shall work with the recipient State agencies to budget grant awards according to the annual program needs and within the parameters of the respective granting entities. Depending on the nature of the award, additional State personnel may be employed on a time-limited basis. Funds received from such grants are hereby appropriated and shall be incorporated into the authorized budget of the recipient State agency.

Contingency and Emergency Fund Limitation

Section 6.1

For the 2013-2015 fiscal biennium and notwithstanding the provisions of G.S. 143C-4-4(b), funds appropriated to the Contingency and Emergency Fund may be used only for the following purposes: (1) by a court or Industrial Commission order, (2) to respond to events as authorized under G.S. 166A-19.40(a) of the North Carolina Emergency Management Act, (3) by the State Treasurer to pay death benefits as authorized under Article 12A of Chapter 143 of the General Statutes, (4) by the Office of the Governor for crime rewards in accordance with G.S. 15-53 and G.S. 15-53.1, (5) by the Industrial Commission for supplemental awards of compensation, or (6) by the Department of Justice for legal fees.

Establishing or Increasing Fees Pursuant to this Act

Section 6.2

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 402. 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.

Government Efficiency and Reform

Section 6.5(a)

The Office of State Budget and Management shall contract for a Government Efficiency and Reform review and analysis of the executive branch of State government, which shall be known as NC GEAR. The purpose of the review and analysis is to evaluate the efficiency and effectiveness of State government and to identify specific strategies for making State government more efficient and effective. The review and analysis may examine entire departments, agencies, institutions, or similar programs in different departments.

All executive branch departments, agencies, boards, commissions, authorities, and institutions in the executive branch of State government, including receipt-supported agencies, and all non-State entities receiving State funds shall be subject to review and analysis. The chief administrative officer of each entity shall ensure full cooperation with the Office of State Budget and Management and provide timely responses to the Office of State Budget and Management's request for information under the provisions of G.S. 143C-2-1(b).

The Office of State Budget and Management will work collaboratively with the Office of State Auditor to develop the review, analysis, and findings needed to produce a final report and recommendations to the Governor and General Assembly.

Expenditure of Funds In Reserves Limited

Section 6.6

All funds appropriated by this act into reserves may be expended only for the purposes for which the reserves were established.

Budget Code Consolidations

Section 6.7

Notwithstanding G.S. 143C-6-4, the Office of State Budget and Management may, after reporting to the Fiscal Research Division, adjust the authorized budget by making transfers among purposes or programs for the purpose of consolidating budget and fund codes or eliminating inactive budget and fund codes. The Office of State Budget and Management shall change the authorized budget to reflect these adjustments.

Exemptions From Management Flexibility Reductions

Section 6.10

Notwithstanding G.S. 143C-6-4, expansion funds appropriated for the 2013-2015 fiscal biennium to State agencies as defined by G.S. 143C-1-1(d)(24) shall not be used to offset management flexibility adjustments in this act.

State Budget Act Amendments

Section 6.12(c)

G.S. 143C-1-3(c) reads as rewritten:

(c) Notwithstanding subsections (a) and (b) of this section, funds established for The University of North Carolina and its constituent institutions pursuant to the following statutes are exempt from Chapter 143C of the General Statutes and shall be accounted for as provided by those statutes, except that the provisions of Article 8 of Chapter 143C of the General Statutes shall apply to the funds: G.S. 116-35, 116-36, 116-36.1, 116-36.2, 116-36.4, 116-36.5, 116-36.6, 116-44.4, 116-68, 116-220, 116-235.

Section 6.12(d)

Article 1 of Chapter 143C of the General Statutes is amended by adding a new section to read:
§ 143C-1-5. Chapter is applicable to The University of North Carolina. Except as expressly provided in G.S. 143C-1-3(c) or otherwise expressly provided by law, The University of North Carolina shall be subject to the provisions of this Chapter in the same manner and to the same degree as other State agencies.

Substantive Changes

Section 6.12.(h)

G.S. 143C-1-1(d) is amended by adding the following new subdivisions to read:

(1a) Authorized budget. – The certified budget with changes authorized by the Director of the Budget through authority granted in G.S. 143C-6-4 or other statutes.

(1b) Availability. – The total anticipated cash available within a fund for appropriation purposes, including unreserved fund balance and all revenue and receipts anticipated in a fiscal year.

Section 6.12.(i)

G.S. 143C-1-1(d)(7) reads as rewritten:

"(7) Certified budget. – The budget as enacted by the General Assembly including adjustments made for (i) distributions to State agencies from statewide reserves appropriated by the General Assembly, (ii) distributions of reserves appropriated to a specific agency by the General Assembly, and (iii) organizational or budget changes mandated by the General Assembly.

Section 6.12.(j)

G.S. 143C-3-3 reads as rewritten:

§ 143C-3-3. Budget requests from State agencies in the executive branch.

(b) University of North Carolina System Request. – Notwithstanding the requirement in G.S. 116-11 that the Board of Governors prepare a unified budget request for all of the constituent institutions of The University of North Carolina, repairs and renovations, capital fund requests, and information technology requests shall comply with subsections (c), (d), and (e) of this section.

(e) Information Technology Request. – In addition to any other information requested by the Director, any State agency requesting significant State resources, as defined by the Director, for the purpose of acquiring or maintaining information technology shall accompany that request with all of the following:

(1) A statement of its needs for information technology and related resources, including expected improvements to programmatic or business operations, together with a review and evaluation of that statement prepared by the State Chief Information Officer.

(2) A statement setting forth the requirements for State resources, together with an evaluation of those requirements by the State Chief Information Officer that takes into consideration the State's current technology, the opportunities for technology sharing, the requirements of Article 3D of Chapter 147 of the General Statutes, and any other factors relevant to the analysis.

(3) A statement by the State Chief Information Officer that sets forth viable alternatives, if any, for meeting the agency needs in an economical and efficient manner.

(4) In the case of an acquisition, an explanation of the method by which the acquisition is to be financed.

This subsection shall not apply to requests submitted by the General Assembly or the Administrative Office of the Courts.

Repairs and Renovations Reserve

Section 6.12.(l)

G.S. 143C-4-3 reads as rewritten:

(a) Creation and Source of Funds. – The Repairs and Renovations Reserve is established as a reserve in the General Fund. The State Controller shall reserve to the Repairs and Renovations Reserve one-fourth of any unreserved fund balance, as determined on a cash basis, remaining in the General Fund at the end of each fiscal year.

(b) Use of Funds. – The funds in the Repairs and Renovations Reserve shall be used only for the repair and renovation of State facilities and related infrastructure that are supported from the

General Fund. Funds from the Repairs and Renovations Reserve shall be used only for the following types of projects:

- (1) Roof repairs and replacements;
- (2) Structural repairs;
- (3) Repairs and renovations to meet federal and State standards;
- (4) Repairs to electrical, plumbing, and heating, ventilating, and air-conditioning systems;
- (5) Improvements to meet the requirements of the Americans with Disabilities Act, 42 U.S.C. § 12101, et seq., as amended;
- (6) Improvements to meet fire safety needs;
- (7) Improvements to existing facilities for energy efficiency;
- (8) Improvements to remove asbestos, lead paint, and other contaminants, including the removal and replacement of underground storage tanks;
- (9) Improvements and renovations to improve use of existing space;
- (10) Historical restoration;
- (11) Improvements to roads, walks, drives, utilities infrastructure; and
- (12) Drainage and landscape improvements.

Funds from the Repairs and Renovations Reserve Account shall not be used for new construction or the expansion of the building area (sq. ft.) of an existing facility unless required in order to comply with federal or State codes or standards.

(c) Use of Funds. – Funds Available Only Upon Appropriation. – Funds reserved to the Repairs and Renovations Reserve shall be available for expenditure only upon an act of appropriation by the General Assembly.

(d) Allocation and Reallocation of Funds for Particular Projects. – Any funds in for Repairs and Renovations Reserve that are allocated to the Board of Governors of The University of North Carolina or to the Office of State Budget and Management may be allocated or reallocated by those agencies for repairs and renovations projects so long as all of the following conditions are satisfied:

(1) Any project that receives an allocation or reallocation satisfies the requirements of subsection (b) of this section.

(2) If the allocation or reallocation of funds from one project to another under this section is two million five hundred thousand dollars (\$2,500,000) or more for a particular project, the Office of State Budget and Management or the Board of Governors, as appropriate, consults with the Joint Legislative Commission on Governmental Operations prior to the expenditure or reallocation.

(3) If the allocation or reallocation of funds from one project to another under this section is less than two million five hundred thousand dollars (\$2,500,000) for a particular project, the allocation or reallocation of funds is reported to the Joint Legislative Commission on Governmental Operations within 60 days of the expenditure or reallocation.

Budget enacted by the General Assembly; certified budgets of State agencies

Section 6.12.(m)

G.S. 143C-6-1 reads as rewritten:

(b) Departmental Receipts. – Departmental receipts collected to support a program or purpose shall be credited to the fund from which appropriations have been made to support that program or purpose. A State agency shall expend departmental receipts first, including receipts in excess

of the amount of receipts budgeted in the certified budget for the program or purpose, and shall expend other funds appropriated for the purpose or program only to the extent that receipts are insufficient to meet the costs anticipated in the certified budget.

Except as authorized in G.S. 143C-6-4, excess departmental receipts shall not be used to increase expenditures for a purpose or program.

(c) Certification of the Budget. – The Director of the Budget shall certify to each State agency the amount appropriated to it for each program and each object from all funds included in the budget as defined in G.S. 143C-3-5(d). The certified budget for each State agency shall reflect the total of all appropriations enacted for each State agency by the General Assembly in the Current Operations Appropriations Act, the Capital Improvements Appropriations Act, and any other act affecting the State budget. The certified budget for each State agency shall follow the format of the Budget Support Document as modified to reflect changes enacted by the General Assembly.

Budget Adjustments Authorized

Section 6.12.(n)

G.S. 143C-6-4 reads as rewritten:

(a) Findings. – The General Assembly recognizes that even the most thorough budget deliberations may be affected by unforeseeable events; therefore, under the limited circumstances set forth in this section, the Director is authorized to adjust the enacted budget by making transfers among lines of expenditure, purposes, or programs or by increasing expenditures funded by departmental receipts.

(b) Budget Adjustments. – Notwithstanding the provisions of G.S. 143C-6-1, a State agency may, with approval of the Director of the Budget, spend more than was appropriated in the certified budget by adjusting the authorized budget for all of the following:

(1) Line items within programs. – An object or line item within a purpose or program so long as the total amount expended for the purpose or program is no more than was authorized in the certified budget for the purpose or program.

(2) Responses to extraordinary events. – A purpose or program if the overexpenditure of the purpose or program is:

a. Required by a court or Industrial Commission order;

b. Authorized under G.S. 166A-19.40(a) of the North Carolina Emergency Management Act; or

c. Required to call out the North Carolina National Guard.

(3) Responses to unforeseen circumstances. – A purpose or program not subject to the provisions of subdivision (b)(2) of this subsection if each of the following conditions is satisfied:

a. The overexpenditure is required to continue the purpose or programs due to complications or changes in circumstances that could not have been foreseen when the budget for the fiscal period was enacted.

b. The scope of the purpose or program is not increased.

c. The overexpenditure is authorized on a one-time nonrecurring basis for one year only, unless the overexpenditure is the result of (i) salary adjustments authorized by law or (ii) the establishment of time-limited positions funded with agency receipts.

(b1) If the overexpenditure would cause a department's total requirements for a fund to exceed the department's certified budget for a fiscal year for that fund by more than three percent (3%), the Director shall consult with the Joint Legislative Commission on Governmental Operations prior to authorizing the overexpenditure.

(b2) Subsection (b) of this section shall not be construed to authorize budget adjustments that cause General Fund expenditures, excluding expenditures from General Fund receipts, to exceed General Fund appropriations for a department.

Payments to nonprofits

Section 6.12.(o)

G.S. 143C-6-21 reads as rewritten: Except as otherwise provided by law, an annual appropriation of one hundred thousand dollars (\$100,000) or less to or for the use of a nonprofit corporation may be made in a single annual payment, in the discretion of the Director of the Budget. An annual appropriation of more than one hundred thousand dollars (\$100,000) to or for the use of a nonprofit corporation shall be made in quarterly or monthly payments, in the discretion of the Director of the Budget.

Cap State funded portion of nonprofit Salaries

Section 6.14.

No more than one hundred twenty thousand dollars (\$120,000) in State funds may be used for the annual salary of any individual employee of a nonprofit organization receiving State funds. For the purposes of this section, the term "State funds" means funds as defined in G.S. 143C-1-1(d)(25) and any interest earnings that accrue from those funds.

No State funds for lobbying

Section 6.15.(a)

No State funds shall be used by a non-State entity to pay for lobbying or lobbyists as defined by G.S. 120C-100.

Information Technology Operations

Section 7.4

This section requires the State Chief Information Officer (SCIO) to: 1) develop an inventory of servers in State agencies and a plan to consolidate the servers into State-owned facilities, 2) develop a plan for hosting back-up for all information technology applications on State infrastructure, 3) develop a plan to restructure the State's IT operations for the most effective and efficient utilization of resources and capabilities. All State agencies, departments, and institutions, and The University of North Carolina are required to cooperate fully with the SCIO as he establishes this plan.

Statewide Information Technology Procurement

Section 7.5.

Statewide information technology procurement shall be funded through fees charged to agencies using the services of the Statewide Information Technology Procurement Office. The Office of the State Chief Information Officer (SCIO) shall provide to the Office of State Budget and Management (OSBM) a fee schedule to allow cost recovery. If an agency fails to pay for services within 30 days of billing, OSBM shall transfer the unpaid amount to the State Information Technology Procurement Office, following notification of the affected agency.

Information Technology Contracts

Section 7.7

This section requires the following regarding IT contracts: a) the SCIO shall develop a plan to consolidate duplicate contracts and multiple contracts with the same vendor; b) the SCIO shall develop a plan to modify bulk purchasing contracts to provide agencies the option of purchasing equipment on an “as-needed” basis; c) all contracts, including sole sourcing, extensions of period of performance, or expansion of scope of existing contracts, must receive prior approval of the SCIO; d) all contracts for IT projects shall include provisions for vendor performance review and accountability; e) the SCIO shall consult participating agencies and obtain OSBM approval prior to initiation of any enterprise project or contract, and; f) authorizes the SCIO to enter into three-year, pre-paid contracts if certain conditions are met.

The SCIO will issue additional guidance as appropriate on these requirements.

Information Technology Personal Services Contract Requirements

Section 7.8

This section states that no contract for information technology personal services, or one that provides personnel to perform information technology functions, may be established or renewed without written approval from the Statewide IT Procurement Office and OSBM. Additionally, IT Procurement will review all personal services contracts and, if it is determined that a contractor should be converted to a state employee, will work with the agency, OSBM and OSP to create the position.

Beginning October 1, 2013, IT Procurement must report on personal service contractors in each agency. The SCIO will issue additional guidance detailing the information agencies need to provide to facilitate this reporting requirement.

Prevent Duplication of Information Technology Capabilities

Section 7.9

This section tasks the SCIO with developing a plan and adopting measures to prevent the duplication of information technology capabilities and resources across State agencies. When multiple agencies require the same or similar capabilities, the SCIO will designate one State agency as the lead to coordinate and manage the capability.

Furthermore, all State agencies shall coordinate any Geographic Information System (GIS) initiatives through the Center for Geographic Information and Analysis (CGIA). CGIA shall conduct a review of all GIS applications in state agencies and develop a plan for consolidating any duplicative projects.

Government Data Analytics/Data Sharing

Section 7.10

This section codifies the Government Data Analytics Center (GDAC), previously established as the Government Business Intelligence Competency Center (GBICC), within the Office of State Controller. The GDAC, and all of its programs, will transfer to the SCIO effective July 1, 2014.

State Information Technology Data Archiving

Section 7.11

(a) The State Chief Information Officer (SCIO) shall investigate the feasibility of creating an enterprise data archiving system for State agencies that will (i) allow for the effective management of data from multiple sources; (ii) provide for efficient, timely responses to discovery requests and investigations; and (iii) ensure real-time State agency access to and use of archived files. The system shall be financed only by savings accrued as a result of the project.

(b) By December 1, 2013, the SCIO shall report to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division on the results of the feasibility assessment.

(c) Subsequent to making the report required by this section, and only if the SCIO has developed a business case that is validated by the Office of State Budget and Management, then the SCIO may initiate the development of an enterprise data archiving system.

Information Technology/Privacy Protection of Citizen Data

Section 7.12

The Joint Legislative Oversight Committee on Information Technology, in collaboration with the State Chief Information Officer shall study establishing State requirements to safeguard the personal data of individuals collected and managed by all branches of State government. This study shall be conducted with the participation of agency CIOs selected by both the Committee and the State CIO.

State Information Technology Innovation Center

Section 7.13

This section authorizes the SCIO to operate a State Information Technology Innovation Center to develop and demonstrate technology solutions with potential benefit to the State and its citizens. The Center may facilitate the piloting of potential solutions to State technology requirements.

Enterprise Grants Management

Section 7.14

This section directs the State Chief Information Officer (SCIO) to oversee the development and implementation of the enterprise grants management system. The SCIO shall review progress on the implementation of the enterprise grants management system and update the plan for its development and implementation. This plan shall include an updated inventory of current agency grants management systems and a detailed process for consolidating grants management within the State, to include a time line for implementation. By October 1, 2013, the SCIO shall provide an updated plan to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division. Agencies will need to work with the SCIO to gather the information necessary to complete this plan.

Enterprise Electronic Forms and Digital Signatures

Section 7.15

This section transfers the electronic and digital signatures project from the Office of the State Controller to the SCIO.

Vehicle Management

Section 7.16

This section requires the State Chief Information Officer to develop an implementation plan for establishing a statewide motor fleet management system. The State Chief Information Officer will be working with OSBM and all agencies that have existing motor fleet when developing this plan.

Use of Mobile Communication Devices

Section 7.18

This section requires every agency to submit a copy of the agency policy on the use of mobile communication devices to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division by October 1, 2013.

Beginning October 1, 2013 each agency shall report quarterly to the Joint Legislative Oversight Committee on Information Technology, the Fiscal Research Division, and the State Chief Information Officer on:

- 1) The total number of devices issued
- 2) The total cost of mobile devices issued
- 3) The number and cost of new devices issued since the last report
- 4) The contracts used to obtain the devices.

State Portal

Section 7.22

The State Chief Information Officer (SCIO) shall develop a plan to implement an electronic portal that makes obtaining information, conducting online transactions, and communicating with State agencies more convenient for members of the public. The SCIO shall report to the Joint Legislative Oversight Committee on Information Technology on the details of the plan prior to implementation. The plan shall contain all of the following:

- (1) A detailed description for development and implementation of the portal, to include a list of anticipated applications to be implemented during the State fiscal years of 2013-2017.
- (2) A description of how the portal will be implemented, including the use of outside vendors, detailed information on vendor participation, and potential costs.
- (3) Detailed information on the anticipated total cost of ownership of the portal and any applications proposed for implementation during the State fiscal years of 2013-2017, including the amount of any payments to be made to any vendors supporting the project for each application and the portal as a whole.
- (4) A funding model that limits the costs to the State.
- (5) If outsourced, a detailed, fully executable plan to return portal operations to the State, with associated costs and a detailed analysis that demonstrates that it is more cost-effective to use a vendor than to develop an application internally.

(6) A provision requiring that any fees to support the operation of the portal must be authorized by the General Assembly.

Salary Adjustment Fund

Section 35.10B

This section provides guidelines for the use of the Salary Adjustment Fund. Further instructions were provided in a joint memorandum from the State Human Resources Director and State Budget Director dated August 30, 2013.

Salary-Related Contributions/Employer

Sections 35.15.(a) and 35.15.(b)

The General Assembly adopted revised employer contribution rates for the various components of the Retirement System for the FY 2013-15 biennium. They are as follows:

	<u>FY 2013-14</u>	<u>FY 2014-15</u>
Teachers and State Employees	14.69%	14.69%
Law Enforcement Officers	19.69%	19.69%
University Employees Optional Retirement	12.68%	12.68%
Community College Optional Retirement	12.68%	12.68%
Consolidated Judicial Retirement	33.41%	33.41%
Legislative Retirement	5.40%	5.40%

[See Items Numbers 4 and 5 on page 14 of this memorandum for the accompanying money item.]

Repairs and Renovations Reserve Allocation

Section 36.5.(a)

This section specifies the allocation of \$150,000,000 for 2013-14 and \$12,751,137 for 2014-2015 in funds appropriated for repairs and renovations of State buildings pursuant to G.S. 143C-4-3: (1) Forty percent (40%) shall be allocated to the Board of Governors of The University of North Carolina and (2) Sixty percent (60%) shall be allocated to the Office of State Budget and Management.

OSBM and the Board of Governors shall consult with or report to the Joint Legislative Commission on Governmental Operations, as appropriate, in accordance with G.S. 143C-4-3(d).

Procedures for Disbursement of Capital Funds

Section 36.6.

This section specifies that the appropriations made by the 2013 General Assembly for capital improvements shall be disbursed for the purposes provided by this act. Expenditure of funds shall not be made by any State department, institution, or agency until an allotment has been approved by the Governor as Director of the Budget. The allotment shall be approved only after full compliance with the State Budget Act, Chapter 143C of the General Statutes. Prior to the award of construction contracts for projects to be financed in whole or in part with self-liquidating appropriations, the Director of the Budget shall approve the elements of the method of financing of those projects, including the source of funds, interest rate, and liquidation period. Provided, however, that if the Director of the Budget approves the method of financing a project, the Director shall report that action to the Joint Legislative Commission on Governmental Operations at its next meeting.

Where direct capital improvement appropriations include the purpose of furnishing fixed and movable equipment for any project, those funds for equipment shall not be subject to transfer into construction accounts except as authorized by the Director of the Budget. The expenditure of funds for fixed and movable equipment and furnishings shall be reviewed and approved by the Director of the Budget prior to commitment of funds.

Capital improvement projects authorized by the 2013 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 provided in this act. Capital improvement projects authorized by the 2013 General Assembly for the design phase only shall be designed within the scope of the project as defined by the approved cost estimate filed with the Director of the Budget, including costs associated with site preparation, demolition, and movable and fixed equipment.

**Authorize UNC Carryforward Funds to be used for Repairs and Renovations
Section 36.9.**

Notwithstanding any other provision of law, for purposes of G.S. 143C-8-12, the term "non-General Fund money" includes funds carried forward from one fiscal year to another pursuant to G.S. 116-30.3. However, these funds shall only be used for projects listed in G.S. 143C-4-3(b) which does not include new construction, the expansion of existing facilities or land purchases. This section shall expire on June 30, 2014.

Limit UNC Repairs and Maintenance Exemption

Section 36.10 G.S. 116-13"(c) reads as rewritten:

Approval of Certain Repair and Maintenance Projects. – Notwithstanding G.S. 143C-8-7, the chancellor of a constituent institution may approve the expenditure of available operating funds in an amount not to exceed one million dollars (\$1,000,000) per project for projects that are of a type listed in G.S. 143C-4-3(b) and that are for State facilities and related infrastructure that are supported from the General Fund. Funds contractually obligated to an approved project shall not revert at the end of the fiscal year and will remain available to fund the completion of the project. Projects approved pursuant to this subsection shall in all other respects accord with applicable laws governing capital improvement projects. The chancellor of a constituent institution shall report the approval of an expenditure under this subsection to the Office of State Budget and Management and to the Fiscal Research Division of the Legislative Services Commission within 60 days of the approval."

Part II: Statewide Reserves Included in the Joint Conference Committee Report on the Continuation, Expansion and Capital Budgets dated July 21, 2013

Severance Expenditure Reserve (Budget Code 19042)

Item Number 1, Page L1

The General Assembly established the Severance Expenditure Reserve for the purpose of funding 2013-14 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, 2013. Any agency that anticipates a significant reduction in force after this date shall notify OSBM in writing including

the timing and estimated fiscal impact. OSBM will notify each agency of the appropriation amount to be distributed to their agency by October 31, 2013. Agencies shall submit to OSBM a Type 11 budget revision, Budget Code 19042, no later than November 15, 2013. 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/form2013-14_SeveranceReserve.xls).

Retirement System Contributions (Budget Code 19047)

Items Number 4 and 5, Page L-1

The General Assembly revised the employer contribution rates to the various Retirement Systems for FY 2013-14. OSBM will notify each agency of the appropriation amount to be distributed to their agency by October 31, 2013. Agencies shall submit to OSBM a Type 11 budget revision, Budget Code 19047, no later than November 15, 2013.

[See sections 35.15. (a) and 35.15.(b) on page 12 of this memorandum for the accompanying special provision.]

State Health Plan (Budget Code 19043)

Item Number 10, Page L2

Session Law 2013-360 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, 2013, for the 2013-14 fiscal year and July 1, 2014, for the 2014-15 fiscal year.

	<u>FY 2013-14</u>	<u>FY 2014-15</u>
Medicare Eligible Employees and Retirees	\$4,107	\$4,224
Non-Medicare Eligible Employees and Retirees	\$5,285	\$5,435

OSBM will notify each agency of the appropriation amount to be distributed to their agency by October 31, 2013. Agencies shall submit to OSBM a Type 11 budget revision, Budget Code 19043, no later than November 15, 2013.

Unemployment Insurance Reserve (Budget Code 19066)

Item Number 14, Page L2

The General Assembly established the Unemployment Insurance Reserve within the Office of State Budget and Management to fund the required general fund contributions to the Unemployment Insurance Fund outlined in Article 2 of Chapter 96 of the General Statutes as amended in House Bill 4, Session Law 2013-2, and revised in Section 24.2 of House Bill 112, Session Law 2013-363. This reserve was established for employees of all State agencies, departments, and institutions, the University of North Carolina, as well as State funded local public school and community college employees. The Office of State Budget and Management shall manage the Unemployment Insurance Reserve to ensure that adequate funds are available to comply with the provisions of Session Law 2013-2.

Funds in this reserve will be distributed to each agency on a pro-rata basis for general fund appropriated positions. While Senate Bill 402 appropriated the full general fund cost, House Bill 112 removed \$17 million from the reserve, leaving \$23.8 million for 2013-14. As funding in the reserve will not cover the full amount of the required contributions to be paid by agencies to the Division of Employment Security to the Unemployment Insurance Fund, agencies shall identify lapsed salaries or one-time funds to the extent needed to cover the cost not funded by the reserve.