



STATE OF NORTH CAROLINA
OFFICE OF STATE BUDGET AND MANAGEMENT

PAT MCCRORY
GOVERNOR

LEE HARRISS ROBERTS
STATE BUDGET DIRECTOR

October 12, 2015

MEMORANDUM

TO: Department Heads and Chief Fiscal Officers

FROM: Lee Harriss Roberts
State Budget Director

A handwritten signature in black ink, appearing to read "Lee Harriss Roberts", written over a horizontal line.

SUBJECT: Summary of General Provisions in the 2015 Appropriations Act, House Bill 97 (Session Law 2015-241) as amended by House Bill 259 (Session Law 2015-268) and Senate Bill 119 (Session Law 2015-264)

The General Assembly enacted House Bill 97, the 2015 Appropriations Act (Session Law 2015-241). This act contains appropriations and special provisions that affect all State agencies. House Bill 259 (Session Law 2015-268) and Senate Bill 119 (Session Law 2015-264) make technical, clarifying and other modifications to House Bill 97. 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.

General Provisions in House Bill 97 (Session Law 2015-241), House Bill 259 (Session Law 2015-268) and Senate Bill 119 (Session Law 2015-264), and Statewide Reserves included in The Joint Conference Committee Report on the Continuation, Expansion and Capital Budgets dated September 14, 2015.

The following topics are included: General Budget Provisions, Grants and Fees, Budget Management, Alignment and Reporting, Salaries and Benefits, Emergency and Disaster Funding, Statewide Reserves, Capital, and Information Technology.

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.

GENERAL BUDGET PROVISIONS

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 House Bill 97, the savings shall revert to the appropriate fund at the end of each fiscal year as provided in G.S.143C-1-2(b).

General Fund Availability Statement

Section 2.2(c-e)

In conjunction with the ratification of 2015 HB 943, these subsections transfer \$450M to the Savings Reserve Account and transfer and appropriate \$150M to the Reserve for Repairs and Renovations.

Appropriation of Cash Balances and Receipts

Section 5.1

This provision appropriates State funds for the 2015-2017 biennium as follows:

- 1) For all budget codes listed in "The State of North Carolina Governor's Recommended Budget, 2015-17" 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 2015-16 fiscal year and the 2016-2017 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 2015-2016 fiscal year and the 2016-2017 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 2015-2016 fiscal year and the 2016-2017 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.

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. No State agency may accept a grant not anticipated in the 2015 Appropriations 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.

Adjustment of Allocations to Give Effect to this Act from July 1, 2015

Section 33.3A.

The appropriations and authorizations to allocate and spend funds set out in S.L. 2015-133, S.L. 2015-184, and S.L. 2015-233 expire when this act becomes law. At such time, this act governs appropriations and expenditures. When this act becomes law, the Director of the Budget shall adjust allocations to give effect to this act from July 1, 2015.

GRANTS & FEES

Other Receipts from Pending Grant Awards

Section 5.1A

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_2015-16.xls and OSBM will report or consult with the Joint Legislative Commission on Governmental Operations depending on the level of the grant award.

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 House Bill 97. 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 150B of the General Statutes.

Clarify the Consultation Requirement Before the Joint Legislative Commission on Governmental Operations when a State Agency Establishes or Increases a Fee or Charge

Section 6.18

Clarifies G.S. 12-3.1(a) – Where a rule provides for a periodic automatic adjustment to a fee, the agency that adopts the rule is not required to consult with the Commission every time the fee automatically adjusts.

BUDGET MANAGEMENT, ALIGNMENT, AND REPORTING

State Agencies/Reports on Legislative Liaisons and Salary Information

Section 6.4

By January 1, 2016, the Office of State Budget and Management shall report to the chairs of the House of Representatives Appropriations Committee, the chairs of the Senate Appropriations/Base Budget Committee, and the Fiscal Research Division, certain information on legislative liaisons and public information officers, and use of lapsed salary and salary reserve, for each Department or Commission.

(1) Legislative liaisons. -

- a. The number of legislative liaisons designated by each Department or Commission.
- b. For each individual, the position name, position number, salary, the amount of time spent lobbying legislators or legislative employees for legislative action, and whether lobbying is the individual's principal duty such that the individual is required to file a registration statement with the Secretary of State.

- c. An explanation of why each legislative liaison is needed.
- d. A description of any other responsibilities or duties performed by each legislative liaison.

(2) Public Information Officer (PIO) and staff reporting to PIO. -

- 1) The number of individuals designated by the Department or Commission to serve as a Public Information Officer and the number of staff reporting to each PIO.
- 2) For each individual, the position name, position number, and salary.
- 3) The duties and responsibilities of each individual in his or her role as a Public Information Officer or staff to a PIO.
- 4) An explanation of why each Public Information Officer and staff to each PIO is needed.

(3) Salary reserve and lapsed salaries. -

- a. The amount of salary reserve, by source, remaining in each fund code on June 30 of fiscal year 2013-2014 and fiscal year 2014-2015.
- b. The amount of lapsed salaries generated in fiscal year 2013-2014 and fiscal year 2014-2015.
- c. The Department's or Commission's policy on the use of salary reserve and lapsed salaries.

Regarding the reporting requirements for liaisons and PIOs, OSBM will be working with the Office of State Human Resources (OSHR). In anticipation of submissions to OSHR and OSBM, agencies should begin gathering information in preparation for the December 1, 2015; additional information will be forthcoming.

Regarding salary reserve and lapsed salaries, please provide the information required in (a) and (b) to your OSBM analyst by December 1, 2015. OSBM will be providing further guidance on item (c) in conjunction with guidance on HB 97 Section 6.42 (Align Agency Budgets to Actual Expenditures), as updates to OSBM policy may impact agency policies on this as well.

**Align Agency Budgets to Actual Expenditures
Section 6.25**

Follows a memo sent by OSBM in May 2015 on the elimination of positions that have been vacant for more than 12 months and the realignment of funds to recurring obligations that have been funded with nonrecurring sources in prior years. The legislative directive exempts vacant positions within the Department of Transportation, and three vacancies reclassified in the Department of Administration to be reassigned to the Office of State Human Resources for worker's compensation (Section 20.18(e)). A separate OSBM memo will provide additional guidance on implementing this Section.

**Cap State Funded Portion of Nonprofit Salaries
Section 6.26**

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.

**Governmental Budgetary Transparency/Expenditures Online
Section 7.17; Conference Report Page L-2, Item #13**

In coordination with the State Controller and the Office of State Budget and Management (OSBM), the State CIO shall establish a State budget transparency Internet Website to provide information on budget expenditures for each State agency for each fiscal year beginning 2015-2016. In addition, the State CIO shall coordinate with counties, cities, and local education agencies to facilitate the posting of their

respective local entity budgetary and spending data on their respective Internet Websites and to provide the data to the Local Government Commission (LGC) to be published, in a standardized format, on the State budget transparency Internet Website. These Internet Websites shall be fully functional by April 1, 2016.

OSBM will work with the State CIO and the State Controller to obtain technology and provide data for the new State of North Carolina transparency website. Major steps will include:

- a competitive bidding process seeking vendor solutions for the new transparency initiative
- development of branding for the new transparency website
- coordination with stakeholder agencies who will provide data for the transparency solution
- implementation of adopted technology solution

The process will include review and acceptance testing from stakeholder agencies who provide data for the transparency website. OSBM will consult with agencies to ensure that data is displayed completely, accurately, and that no sensitive information will be transmitted. OSBM will provide regular updates to agencies on the implementation of the initiative, including demos and examples of how data will be displayed. Agencies will be informed in advance of any data that will be made available on the new transparency site and will be given the opportunity to preview the site before it goes live to the public.

Study Transition to Rent-Based Model for State-Owned Facilities

Section 23.3

OSBM is responsible for completing a study on charging State agencies rent to cover the cost of facility management, maintenance, and related costs that are attributable to those agencies. The study shall examine all of the following:

- 1) Making receipt-supported all Department of Administration functions that support the management and maintenance of State-owned facilities.
- 2) An appropriate rate to charge agencies for facility management, maintenance, and related costs, and the basis for determining that rate.
- 3) Logistical, legal, and budgetary matters that would need to be resolved before the rent-based model could be implemented.
- 4) The desirability of using proceeds from lease payments for financing future building repairs and needs of the State. Any analysis involving the securitizing funds shall be undertaken in consultation with the State Treasurer.
- 5) Any other matter the Office of State Budget and Management deems relevant.

OSBM shall report the results of the study to the Joint Legislative Oversight Committee on General Government no later than March 1, 2016.

Stop Fraud and Abuse of Taxpayer Dollars

Section 25.1, as amended by HB 259, Section 7.4

Amends G.S. 143-746 regarding reporting fraudulent activity. If an internal audit conducted pursuant to this section results in a finding that a private person or entity has received public funds as a result of fraud, misrepresentation, or other deceptive acts or practices while doing business with the State agency, the internal auditor shall submit a detailed written report of the finding, and any additional necessary supporting documentation, to the State Purchasing Officer. A report submitted under this subsection may include a recommendation that the private person or entity be debarred from doing business with the State or a political subdivision thereof.

If an audit undertaken by the Auditor results in a finding that a private person or entity has received public funds as a result of fraud, misrepresentation, or other deceptive acts or practices while doing business with the State or a political subdivision thereof, the Auditor shall submit a detailed written report of the finding, and any additional necessary supporting documentation, to the State Purchasing Officer or the appropriate political subdivision official, as applicable. A report submitted under this subsection may include a recommendation that the private person or entity be debarred from doing business with the State or a political subdivision thereof.

This section becomes effective October 1, 2015, and the requirement to submit a report applies to audits conducted or undertaken on or after that date. Nothing in this subsection shall be construed as prohibiting the State Auditor or an internal auditor from submitting a report detailing fraud, misrepresentation, or other deceptive acts or practices found during an audit conducted prior to the effective date of this section.

Personal Services Contracts/Temporary Solutions

Section 26.2

This section requires that personal services contracts for executive branch agencies be subject to the same requirements and procedures as service contracts. Personal services contract is defined as a contract for services provided by a professional individual as an independent contractor on a temporary or occasional basis, but does not include the engagement of experts or expert witnesses who are to be involved in the planning, prosecution, or defense of any litigation, by the Department of Justice, the Governor, State agencies, or institutions. For the purposes of this section, "State agency" means a unit of the executive branch of State government, such as a department, an institution, a division, a commission, a board, or a council, regardless of whether or not the agency is part of the Council of State.

Non-information technology personal services contracts shall be subject to the same requirements and procedures as service contracts. The Department of Administration shall adopt rules consistent with this section. Information technology personal services contracts shall be subject to the same requirements and procedures as information technology service contracts and require written approval from the Department of Information Technology and the Office of State Budget and Management. Personal services contracts currently in effect shall be allowed to expire in accordance with the terms of the contract. Any contract that can be terminated at any time shall be reviewed within 60 days and shall only be continued if the contract complies with the requirement established in this section.

For temporary employment needs that are not information technology-related, all State agencies shall employ temporary employees through the Temporary Solutions Program administered by the Office of State Human Resources (OSHR). The Director of OSHR has sole discretion to permit exceptions to this requirement when doing so would be in the best interests of the State. Exceptions must be obtained in writing. OSHR will monitor the use of temporary employees and report biannually to the Joint Legislative Oversight Committee on General Government and to the Fiscal Research Division on agency compliance with this section and associated policies and rules.

The reporting requirements of G.S. 143-64.70 are repealed. Agencies are no longer required to report annually to the Office of State Budget and Management and the Office of State Human Resources on utilization of personal services.

State Workers' Compensation Reform

Section 30.18; Conference Report Page L-1, Item #6

The Director of the Budget shall establish a statewide reserve in the amount of \$23,500,543 for State agency workers' compensation costs. For the 2015-2016 fiscal year, \$2,000,000 shall be used for the

closure of existing workers' compensation claims paid through the Office of State Controller. In addition, 50% of any funds remaining from the appropriations set forth in Section 2.1 of this act for legislatively mandated salary increases, compensation bonuses, and employee benefits shall be credited to the reserve for this purpose.

The remaining direct appropriation, \$21.5M, will be distributed to state agencies. By November 16, 2015, OSBM analysts will notify their assigned agencies of their workers' compensation allocation from the statewide reserve. Each agency will prepare a Type-11 budget revision requesting the allocation from statewide budget code 19048. Agency budget revisions should be completed and submitted to OSBM by December 7, 2015. Each agency will budget the additional workers' compensation funding, along with any existing dedicated funding, in the proper workers' compensation account line items. Agencies will not be allowed to move funding out of the workers' compensation accounts; however, agencies may increase these accounts with non-recurring resources within the agency's budget to address obligations that are greater than the certified budget.

The statewide distributions shall be based on a three year historical average of each agency's workers' compensation expenditures. State agencies shall further adjust these line items using receipts.

SALARIES & BENEFITS

Specific State Employee Salary Increases

Conference Report, Section L

The act appropriates funds for an experience-based step increase for State Highway Patrol (SHP) Troopers, effective January 1, 2016, and the salaries of all sworn members of the SHP and the starting pay for entry-level SHP positions are increased 3%, effective July 1, 2015. Additionally, funds are provided to begin implementation of custody-level pay for Correctional Officers, Custody Supervisors, and Prison Facility Administrators, no earlier than January 1, 2016. The act also appropriates funds for a market-based salary adjustment for Forensic Scientists employed in the State Crime Laboratory and for an experienced-based step increase for Assistant Clerks, Deputy Clerks, and Magistrates, all effective January 1, 2016. These amounts are reflected in the Conference Report under the specific agencies' sections.

Governor and Council of State

Section 30.1

The act sets the salaries for the Governor and Council of State. The act directs the Office of State Human Resources to study the compensation of the Council of State, with certain requirements, and report to the chairs of the Senate Appropriations/Base Budget Committee and the House of Representatives Appropriations Committee by May 1, 2016.

Use of Funds Appropriated for Legislatively Mandated Salary Increases, Compensation Bonuses, and Employee Benefits and Closure of Workers' Compensation Claims

Section 30.10

The appropriations set forth in the act include certain employee salary and benefit adjustments at the agency level, instead of placing them in a statewide reserve. At the beginning of each agency's individual Conference report section, you will find reserves for salaries and benefits displaying each agency's appropriated Compensation, State Retirement Contributions, and State Health Plan adjustments.

To meet the obligations of section 30.10.(b), agencies should certify their salary and benefit adjustments within the appropriate state reserve account listed below:

Statewide NCAS Accounts:

- 537202 Reserve - Compensation Bonus
- 537204 Reserve - Legislative Increase Compensation Reserve (Everything outside of Bonus and Statutory Step Increases)
- 537205 Reserve - Statutory Step Increase Reserve
- 537206 Reserve - State Retirement System Contributions
- 537208 Reserve – State Health Plan

At a later date, OSBM analysts will notify all agencies of their Compensation, Retirement Contributions, and State Health Plan allocations, which can be moved out of the statewide accounts via a Type-11 budget revision. Any reserve funding remaining will be moved back to a statewide budget code for possible redistribution to other agencies per Section 30.10.(b).

No later than March 1, 2016, OSBM must report to the Joint Legislative Commission on Governmental Operations on the expenditure of funds for legislatively mandated salary increases, compensation bonuses, and employee benefits.

Monitor Salary Increases

Section 30.11

The Office of State Budget and Management and the Office of State Human Resources shall submit a semiannual report to the Joint Legislative Commission on Governmental Operations on nonlegislative salary increases in (i) State agencies, departments, and institutions, including authorities, boards, and commissions; (ii) the judicial branch; and (iii) The University of North Carolina and its constituent institutions. (The Legislative Services Officer shall report semiannually to the President Pro Tempore of the Senate and the Speaker of the House of Representatives on nonlegislative salary increases.)

The reports required by this section shall include the following information:

- 1) For agencies reporting through the BEACON HR/Payroll system, (i) a breakdown by action type (including, but not limited to, promotion, reallocation, career progression, salary adjustment, and any similar actions increasing employee pay) of the number and annual amount of those increases and (ii) a breakdown by action reason (including in-range higher level, acting pay, trainee adjustment, and other similar action reasons) of the number and annual amount of those action types coded as salary adjustment.
- 2) For The University of North Carolina and its constituent institutions, a breakdown of the number and annual amount of those increases categorized by the University as promotions, changes in job duties or responsibilities, Distinguished Professorships, retention pay, career progression, and any other similar actions increasing employee pay.
- 3) A summary of actions taken by the Office of State Budget and Management and the Office of State Human Resources with respect to unauthorized salary increases.

Note: S.L. 2013-360, Section 35.8(b) required prior approval by the Office of State Budget and Management, The University of North Carolina Board of Governors, the Board of the North Carolina Community College System, the Legislative Services Commission, the local Board of Education, or other authorized body as appropriate for cumulative salary adjustments in excess of ten percent (10%) of annual salary. **This requirement is not continued in S.L. 2015-241.**

Salary Adjustment Fund

Section 30.12A; Conference Report Page L-1, Item #4

The sum of \$25M is appropriated on an annualized basis to be used to adjust salaries for job classifications in response to changes in the labor market as documented through data collection and analysis. Section 30.12A provides further guidelines for the use of the Salary Adjustment Fund. Judicial Department employees are eligible for the Fund. UNC, Community College, and school employees are not eligible. Specific amounts are directed to be used towards the salary of the Secretary of the Department of Military and Veterans Affairs and the Director of the Transportation Museum. The Director of the Budget shall consult with the Joint Legislative Commission on Government Operations prior to transferring any salary adjustment funds for any State agency. No increases from the Fund shall be effective before January 1, 2016. OSHR and OSBM will provide further instructions to agencies in a joint memorandum.

OSHR Minimum of Market Adjustment

Conference Report Page L-1, Item #5

This section provides \$12M in FY 2016-17 to implement a new market-aligned salary structure for State agencies to adjust salaries in State job classifications where employee pay is below market value. These salary adjustments are to be made based on OSHR analysis of the difference in current salary grades and new salary grades implemented during the compensation system update. Additional guidance from OSHR will be provided.

Extend Reorganization Through Reduction Authorization

Section 30.13

This section extends the sunset of the Reduction Through Reorganization program to June 30, 2017. Payments under the program shall be made from funds available within the reorganizing State agency.

Compensation Bonus Awarded for Fiscal Year 2015-2016

Section 30.18A, Pages 394-395

This section provides that anyone employed in a State-funded position on November 1, 2015, shall be awarded a one-time, lump-sum compensation bonus for the 2015-2016 fiscal year in the amount of \$750, payable during the month of December 2015. The compensation bonus shall be adjusted pro rata for permanent part-time employees. The bonus is not part of the employee's annual salary. As indicated above, OSBM will notify agencies and universities of their compensation bonus allocations at a later date. Also, the State Controller's Office, OSHR, and OSBM will provide additional guidance regarding administration of the bonus payments in a separate communication.

Salary-Related Contributions/Employer

Section 30.20.(b)

The General Assembly adopted revised employer contribution rates for the various components of the Retirement System for the 2015-17 fiscal biennium. They are as follows:

	<u>FY 2015-17</u>
Teachers and State Employees	15.32%
Law Enforcement Officers	20.32%
University Employees Optional Retirement	12.85%
Community College Optional Retirement	12.85%
Consolidated Judicial Retirement	32.81%
Legislative Retirement	7.40%

Section 30.20.(c)

Effective July 1, 2015, the maximum annual employer contributions, payable monthly, by the State for each covered employee or retiree for the 2015-2016 fiscal year are as listed below.

	<u>FY 2015-16</u>
Medicare Eligible Employees and Retirees	\$4,251
Non-Medicare Eligible Employees and Retirees	\$5,471

As indicated above, OSBM will notify agencies and universities of their Retirement Contribution and State Health Plan allocations in a separate communication.

Repeal Provision on Use of Automatic Scoring/Screening of State Government Employment Applications

HB 259 Section 26.1A repeals Section 22A.1 of S.L. 2014-100.

EMERGENCY AND DISASTER FUNDING

Contingency and Emergency Fund Limitation

Section 6.1

For the 2015-2017 fiscal biennium, 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.

Emergency and Disaster Response Funding Changes

Section 6.19(a)

This section reorganizes statute and clarifies the use of Contingency and Emergency Funds by amending G.S. 166A-19.40. In addition to previous language in (1) and (2) below, adds new (3) and (4):

The Governor may reallocate such other funds as may reasonably be available within the appropriations of the various departments when all of the following conditions are satisfied:

- (1) The severity and magnitude of the emergency so requires.
- (2) Contingency and emergency funds are insufficient or inappropriate.
- (3) A state of emergency has been declared pursuant to G.S. 166A-19.20(a).
- (4) Funds in the State Emergency Response and Disaster Relief Fund are insufficient.

Section 6.19(b)

This section renames the “State Emergency Response Account” the “State Emergency Response and Disaster Relief Fund” and expands its use to include providing relief and assistance in accordance with G.S. 166A-19.41 (State emergency assistance funds) from the effects of an emergency.

SAVINGS RESERVE

LRC Study on Methods for Increasing Transfers to the Savings Reserve Account

Section 6.21

This section directs the Legislative Research Commission (LRC) to study methods for increasing the amount of funds transferred to the Savings Reserve Account and to report its findings, together with any

proposed legislation, to the 2016 Regular Session of the 2015 General Assembly upon its convening. As part of its study, the LRC shall do all of the following:

- 1) Examine potential costs and benefits of requiring one or more of the following to be transferred periodically to the Savings Reserve Account:
 - a. Growth in General Fund revenue in excess of a benchmark growth rate.
 - b. A particular percentage or dollar amount of General Fund revenue each fiscal year.
 - c. Some portion of growth in the sources of revenue identified pursuant to subdivision (2) of this subsection each fiscal year.
 - d. Interest earned on special funds.
- 2) Identify specific sources of State revenue that are especially volatile.
- 3) Consider how the timing of transfers to the Savings Reserve Account affects the amount transferred and the stability of the General Fund.
- 4) Determine the appropriate target balance of the Savings Reserve Account, if different from the goal set forth in G.S. 143C-4-2.
- 5) Any other matters the Commission deems relevant to its efforts to increase the amount of funds in the Savings Reserve Account.

Require Transfer of Savings from the Refinancing of Certain State Debt to be Transferred to the Savings Reserve

Section 6.23

This section amends Article 1 of Chapter 142 of the General Statutes to direct that savings achieved during the biennium from the refinancing of general obligation bonds and special obligation bonds be placed in the Savings Reserve Account. In the next biennium, the Director of the Budget shall realign debt service payments in the base budget to reflect actual debt service needs. This section becomes effective July 1, 2017, and applies to indebtedness issued, incurred, or refinanced on or after that date.

CAPITAL

Capital Appropriations

Sections 31.1-31.4

These sections outline funding for specific capital projects and related requirements.

Repairs and Renovations Reserve Allocation

Sections 2.2(d) and 31.5

This section specifies the allocation of \$150,000,000 for 2015-16 in funds appropriated for repairs and renovations of State buildings pursuant to G.S. 143C-4-3: (1) One-third shall be allocated to the Board of Governors of The University of North Carolina and (2) Two-thirds shall be allocated to the Office of State Budget and Management. Additional requirements are included for UNC allocations for fire sprinklers and campus safety. Of the funds allocated to OSBM, \$9.5M shall be used for Legislative Building Roof Replacement and Asbestos Abatement.

In making campus allocations of funds allocated to the Board of Governors of The University of North Carolina, the Board of Governors shall negatively weigh the availability of non-State resources and carryforward funds available for repair and renovations and shall include information about the manner in which this subsection was complied with in any report submitted pursuant to G.S. 143C-4-3(d).

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 31.6.

This section specifies that the appropriations made by the 2015 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 2015 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 2015 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.

Reporting on Capital Projects

Section 31.7

Definitions. – The following definitions apply in this section:

- 1) Capital project. – Any capital improvement, as that term is defined in G.S. 143C-1-1, that is not complete by the effective date of this section and that is funded in whole or in part with State funds, including receipts, non-General Fund sources, or statutorily or constitutionally authorized indebtedness of any kind. This term includes only projects with a total cost of one hundred thousand dollars (\$100,000) or more.
- 2) Construction phase. – The status of a particular capital project as described using the terms customarily employed in the design and construction industries.
- 3) New capital project. – A capital project that is authorized in this act or subsequent to the effective date of this act.

Reporting. – The following reports are required:

- 1) By October 1, 2015, 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.
- 2) By October 1, 2015, 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 required by subsection (b) of this section shall include at least the following information about every agency capital project:

- 1) The current construction phase of the project.
- 2) The anticipated time line 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.

In addition to the other reports required by this section, on October 1, 2015, and every six months thereafter, the Office of State Construction shall report on the status of the Facilities Condition Assessment Program (FCAP) to the Joint Legislative Commission on Governmental Operations. The report shall include (i) summary information about the average length of time that passes between FCAP assessments for an average State building; (ii) detailed information about when the last FCAP assessment was for each State building complex; and (iii) detailed information about the condition and repairs and renovations needs of each State building complex.

In addition to the other reports required by this section, on October 1, 2015, and quarterly thereafter, the State Construction Office shall report to the Joint Legislative Oversight Committee on Capital Improvements on the status of plan review, approval, and permitting for each State capital improvement project and community college capital improvement project over which the Office exercises plan review, approval, and permitting authority. Each report shall include (i) summary information about the workload of the Office during the previous quarter, including information about the average length of time spent by the State Construction Office on each major function it performs that is related to capital project approval, and (ii) detailed information about the amount of time spent engaged in those functions for each project that the State Construction Office worked on during the previous quarter.

Create Joint Legislative Oversight Committee on Capital Improvements

Section 31.16

This section amends G.S. 120 by creating the 16-member Joint Legislative Oversight Committee on Capital Improvements. The Committee shall have the power to do all of the following:

- Examine, on a continuing basis, capital improvements requested by, authorized for, and undertaken by or on behalf of State agencies.
- Have oversight over implementation of the six-year capital improvements plan developed pursuant to G.S. 143C-8-5.
- Make recommendations to the General Assembly on ways to improve the planning, financing, design, construction, and maintenance of State capital improvements.
- Make reports and recommendations to the General Assembly regarding which capital improvements requested by State agencies should be authorized and how they should be funded.
- Examine any other topic the Committee believes to be related to its purpose.

State Agency Capital Improvement Special Provisions

Plan for relocating all DHHS offices to one location

Section 31.10

This section requires the Department of Health and Human Services, in consultation with the Department of Administration, to develop a plan for relocating the administrative personnel and resources of the Department of Health and Human Services that are located on the Dorothea Dix campus and on other property leased or owned by the State in the Greater Triangle area (consisting of Durham, Orange, Johnston, and Wake counties) to one site available to the State. The relocation plan shall not include personnel or resources whose primary responsibilities include providing services directly to the public in the Greater Triangle Area. DHHS shall report the plan to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division by the earlier of October 1, 2016, or six months prior to the date on which the Department is required to move some of all of its personnel and resources from the Dorothea Dix campus under the terms of an agreement between the State and the City of Raleigh. Also, neither DHHS nor DOA shall enter into any lease or other agreement to move the personnel or resources of the DHHS that currently reside on the Dorothea Dix campus or on other property leased or owned by the State in the Greater Triangle area to another site until specifically authorized to do so by the General Assembly.

Modify Special Indebtedness Provisions

Section 31.11

This section modifies G.S. 143-128.1C, Public-Private partnership contracts, by revising the calculation used to determine if the private developer is providing the required minimum fifty percent (50%) of the total financing costs of the project.

Authorize State Agencies to Undertake Small Repairs and Renovations Projects with Funds Available

Section 31.14

State agencies may undertake projects that do not exceed \$300,000 so long as the project meets the definition of a repair and renovation project as defined in G.S. 143C-4-3(b). The source of funds for these projects shall be funds available to the agency. Any project approved pursuant to this section shall be reported to the Fiscal Research Division on a quarterly basis.

University Capital Improvement Special Provisions

Require Non-General Fund Resources to be Used for Advance Planning of University Capital Project

Section 31.9, as amended by HB 259, Sec. 9.3

Modifies G.S. 143C-3-3 to include the requirement that the University of North Carolina shall not make a capital funds request proposing to construct a new facility, expand the building area (square feet) of an existing facility, or rehabilitate an existing facility to accommodate new or expanded uses unless the University has completed advance planning through schematic design of the project with funds other than General Fund appropriations. For purposes of this subdivision, "funds other than General Fund appropriations" includes funds carried forward from one fiscal year to another pursuant to G.S. 116-30.3 and G.S. 116-30.3B.

Debt Affordability Study for the University of North Carolina

Section 31.13

This section amends G.S. 116D to promote sound debt management at the University of North Carolina by adding a new article requiring each constituent institution of the University of North Carolina to conduct an annual debt affordability study, by requiring the establishment of guidelines for maintaining

prudent debt levels, and by establishing a system for prioritizing University capital needs when the needs exceed the University's capacity for new debt.

This section also requires the UNC Board of Governors to report on an annual basis to the Governor and the General Assembly the estimated debt capacity of The University of North Carolina for the upcoming five fiscal years. The UNC Board of Governors shall also oversee an annual debt affordability study.

Also, each constituent institution of the University of North Carolina shall report to the Board of Governors by no later than November 1st of each year, its current and anticipated debt levels.

UNC Carryforward/Temporary Increase Ending July 1, 2017/Must be Used for Repairs and Renovations

Section 31.17

This section temporarily increases the amount eligible to be carried forward in each budget code under G.S. 116-30.3(a) on June 30, 2016, to a maximum of five percent (5%) of the General Fund appropriation in that budget code. However, any amount carried forward in a budget code in excess of two and one-half percent (2.5%) of the General Fund appropriation in that budget code shall be used only for: (1) projects that are eligible to receive funds from the Reserve for Repairs and Renovations under G.S. 143C-4-3(b), or (2) for advance planning of capital improvement projects.

The Board of Governors of The University of North Carolina shall submit the following reports to the Joint Legislative Commission on Governmental Operations and to the Fiscal Research Division on the allocation and use of funds accruing from the temporary increase in the carryforward provided in this section:

- 1) A report on expenditures for repairs and renovations no later than October 1, 2017.
- 2) A report on any expenditures for advance planning no later than 30 days after the funds are spent.

INFORMATION TECHNOLOGY

Information Technology Internal Service Fund Rates

Section 7.2(b)

Directs the Office of State Budget and Management (OSBM) to establish and manage a separate account to maintain 2015-16 receipts in excess of requirements, for the purpose of offsetting agency budget shortfalls and the Department of Information Technology (DIT) Internal Service Fund shortfalls.

For the 2015-16 fiscal year, OSBM will work with the Department of Information Technology to assess agency budget shortfalls due to rate change, at midyear (January) and the beginning of the fourth quarter (April), and address any shortfalls with receipts in excess of requirements. OSBM will also work with DIT to offset any Internal Service Fund budget shortfalls with receipts in excess of requirements.

Information Technology Enterprise Architecture

Section 7.4

The Department of Information Technology (DIT) will develop an information technology enterprise architecture for State government by April 15, 2016. This architecture, along with State and agency plans, shall be incorporated into a biennial State Information Technology Plan (State IT Plan).

Data Centers/Consolidation

Section 7.9

The State Chief Information Officer (CIO) shall create an inventory of data center operations in the executive branch and develop and implement a detailed plan for consolidation of agency data centers.

Going forward, State agencies shall use the State infrastructure to host their projects, services, data, and applications, unless the State CIO grants an exception for any of the following:

- 1) Using an outside contractor would be more cost effective for the State.
- 2) DIT does not have the technical capabilities required to host the application.
- 3) Valid security requirements preclude the use of State infrastructure, and a vendor can provide a more secure environment.

A report is due May 1, 2016, on the number of physical servers eliminated across all departments as a result of data center consolidation and the savings associated with such elimination.

This section does not apply to any agency exempt under G.S. 143B-1300(b).

Electronic Forms and Digital Signatures

Section 7.13

The State CIO shall implement a digital forms program for State agencies that enables electronic review, submission, maintenance, or disclosure of information as a substitute for paper documents and forms. This program shall be developed in consultation with participating agencies. If practicable, this program shall be made available to all State agencies, departments, and institutions; local political subdivisions of the State; The University of North Carolina and its constituent institutions; community colleges; and local school administrative units.

The State CIO shall provide a completed plan by January 1, 2016 to the Joint Legislative Oversight Committee on Information Technology.

Economic Modeling Initiative

Section 7.14

The Board of Governors of UNC-Charlotte will receive \$500,000 for the 2015-2016 fiscal year and \$500,000 for the 2016-2017 fiscal year to develop and implement an economic modeling capability to facilitate the efforts of State agencies working to create economic development and growth opportunities for the State.

Enterprise Resource Planning

Section 7.22

In coordination with the Office of the State Controller (OSC) and the Office of State Budget and Management (OSBM), the Department of Information Technology (DIT) shall establish a program to plan, develop, and implement an enterprise resource planning (ERP) system for the State. During the 2015-2016 fiscal year, the DIT will issue a request for information and coordinate demonstrations to determine available options for the ERP system development and implementation. During the 2016-2017 fiscal year, subject to the availability of funding, the DIT shall issue requests for proposal to begin the development and implementation of an ERP system.

State Broadband Plan

Section 7.23

The State CIO shall develop a State broadband plan that includes:

- 1) Information on the availability and functionality of broadband throughout the State.
- 2) A strategy to support the affordability of broadband service.
- 3) Analysis of means, methods, and best practices to establish broadband access across the State.

In developing the State broadband plan, the State CIO shall coordinate with other State agencies in order to maximize the effectiveness and efficiency of available resources.

State Portal/Economic Development/Business Website Plan

Section 7.24

In coordination with appropriate State agencies, departments, and institutions as part of the State portal planning and development, the State CIO shall develop and implement a plan to establish an Internet Web site for businesses operating, or considering operating, within North Carolina. This plan is due to the Joint Legislative Oversight Committee on Information Technology on or before March 1, 2016.

Agency Use of Enterprise Active Directory

Section 7.25

On or before July 1, 2016, unless exempted by the Governor, all State agencies identified as principal departments under G.S. 143B-6 shall become direct members of and use the Enterprise Active Directory. A principal department may submit to the State CIO a written request to deviate from certain requirements of the Enterprise Active Directory, provided that any deviation shall be consistent with available funding and shall be subject to any terms and conditions specified by the State CIO.

Study State Agency Use of Utility-Based Computing

Section 7.26

The Department of Information Technology (DIT) shall study the use of and cost savings associated with the adoption of utility-based cloud computing services by State agencies. For the purposes of this section, "utility-based computing" means the process of providing computing service through an on-demand, pay-per-use billing method, metering the offered services. The State CIO will report to the Joint Legislative Oversight Committee on Information Technology on the results on or before April 1, 2016.

State Funded IT Contracts

Section 7.27

For all information technology contracts that receive any State funds, State agencies and vendors shall immediately provide copies of contract documents and any subsequent amendments, modifications, or other changes upon request of the Joint Legislative Oversight Committee on Information Technology or the Fiscal Research Division.

Establish Department of Information Technology

Section 7A.1 (a)

The Department of Information Technology is established in this Part as a single, unified cabinet-level department that consolidates information technology functions, powers, duties, obligations, and services existing within the principal departments. Notwithstanding G.S. 143B-9 and G.S. 143B-10, and except as otherwise provided in this act, all information technology functions, powers, duties, obligations, and services vested in the State entities listed in G.S. 143B-6 are transferred to, vested in, and consolidated within the Department of Information Technology. The head of the Department of Information Technology is the State Chief Information Officer, who shall be known as the State CIO. The powers and duties of the deputy chief information officers, directors, and divisions of the Department shall be subject to the direction and control of the State CIO.

Section 7A.2 (b)

- Organization. – The Department shall be organized by the State CIO into divisions and units that support its duties.
- Education Community of Practice. – There is established an Education Community of Practice to promote collaboration and create efficiencies between and among The University of North Carolina

and its constituent institutions, the North Carolina Community Colleges System Office, the constituent institutions of the Community College System, the Department of Public Instruction, and local school administrative units.

- **Transition Period.** – During the 2015-2016 fiscal year, the State CIO shall work with appropriate State agencies to develop a State business plan. The State CIO shall develop documentation to support the consolidation of enterprise information technology functions within the executive branch to include the following:
 - 1) Information technology architecture.
 - 2) Updated State information technology strategic plan that reflects State and agency business plans and the State information technology architecture.
 - 3) Information technology funding process to include standardized, transparent rates that reflect market costs for information technology requirements.
 - 4) Information technology personnel management.
 - 5) Information technology project management.
 - 6) Information technology procurement.
 - 7) Hardware configuration and management.
 - 8) Software acquisition and management.
 - 9) Data center operations.
 - 10) Network operations.
 - 11) System and data security, including disaster recovery.

- **Phased Transitions.** – The State CIO shall develop detailed plans for the phased transition of participating agencies to the Department, as well as a plan that defines in detail how information technology support shall be provided to agencies that are not participating agencies. These plans shall be coordinated, in writing, with each agency and shall address any issues unique to a specific agency.

- **Participating Agencies.** – The State CIO shall prepare detailed plans to transition each of the participating agencies. As the transition plans are completed, the following participating agencies shall transfer information technology personnel, operations, projects, assets, and appropriate funding to the Department of Information Technology:
 - 1) Department of Cultural Resources.
 - 2) Department of Health and Human Services.
 - 3) Department of Revenue.
 - 4) Department of Environment and Natural Resources.
 - 5) Department of Transportation.
 - 6) Department of Administration.
 - 7) Department of Commerce.
 - 8) Governor's Office.
 - 9) Office of State Budget and Management.
 - 10) Office of State Human Resources.
 - 11) Office of the State Controller.
 - 12) Department of Military and Veterans Affairs.

The State CIO shall ensure that agencies' operations are not adversely impacted during the transition.

- **Report on Transition Planning.** – The Department of Public Safety, the Community College System Office, and the State Board of Elections shall work with the State CIO to plan their transition to the Department. By October 1, 2018, these agencies, in conjunction with the State CIO, shall report to the

Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division on their respective transition plans.

- Agencies may transition their information technology to the Department following completion of a transition plan.

cc: OSBM

