GENERAL ASSEMBLY OF NORTH CAROLINA SESSION 2011

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HOUSE BILL 1186

Short Title:	Restore Budget Cuts/Add Temp. Sales Tax.	(Public)
Sponsors:	Representatives Faison and Hall (Primary Sponsors). For a complete list of Sponsors, see Bill Information on the NCGA Web Site.	
Referred to:	Commerce and Job Development, if favorable, Appropriations, if f Finance.	avorable,

May 30, 2012

1	A BILL TO BE ENTITLED
2	AN ACT TO PROVIDE FOR THE RESTORATION OF PERSONNEL POSITIONS
3	ELIMINATED IN THE PUBLIC SCHOOLS, THE UNIVERSITY OF NORTH
4	CAROLINA, THE COMMUNITY COLLEGE SYSTEM, AND STATE GOVERNMENT
5	EMPLOYMENT PURSUANT TO THE PROVISIONS OF THE 2011
6	APPROPRIATIONS ACT; TO REDUCE PROGRAM AND SERVICE REDUCTIONS IN
7	MEDICAID AND HEALTH CHOICE; AND TO PROVIDE ADDITIONAL FUNDING
8	TO THE HIGHWAY PATROL AND TO THE SAVINGS RESERVE ACCOUNT, ALL
9	IN THAT ORDER, BY TEMPORARILY INCREASING THE SALES AND USE TAX
10	BY SEVEN-TENTHS OF ONE PERCENT UNTIL JULY 1, 2015.
11	The General Assembly of North Carolina enacts:
12	SECTION 1.(a) The introductory language of G.S. 105-164.4(a) reads as
13	rewritten:
14	"(a) A privilege tax is imposed on a retailer at the following percentage rates of the
15	retailer's net taxable sales or gross receipts, as appropriate. The general rate of tax is four and
16	three quarters percent (4.75%). five and forty-five hundredths percent (5.45%)."
17	SECTION 1.(b) G.S. 105-164.44F(a) reads as rewritten:
18	"(a) Amount. – The Secretary must distribute part of the taxes imposed by
19	G.S. 105-164.4(a)(4c) on telecommunications service and ancillary service. The Secretary must
20	make the distribution within 75 days after the end of each calendar quarter. The amount the
21	Secretary must distribute is the following percentages of the net proceeds of the taxes collected
22	during the quarter:
23	(1) Eighteen and seventy one hundredths percent (18.70%)Seventeen percent
24	(17%) minus two million six hundred twenty thousand nine hundred
25	forty-eight dollars (\$2,620,948), must be distributed to cities in accordance
26	with this section. The deduction is one-fourth of the annual amount by which
27	the distribution to cities of the gross receipts franchise tax on telephone
28	companies, imposed by former G.S. 105-20, was required to be reduced
29	beginning in fiscal year 1995-96 as a result of the "freeze deduction."
30	(2) Seven and seven tenths percent (7.7%)Seven percent (7%) must be
31	distributed to counties and cities as provided in G.S. 105-164.44I."
32	SECTION 1.(c) G.S. 105-164.44I(a) reads as rewritten:



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1 2	"(a) Distribution. – The Secretary must distribute to the counties and cities part of the taxes imposed by $G.S. 105-164.4(a)(4c)$ on telecommunications service and
3 4	G.S. 105-164.4(a)(6) on video programming service. The Secretary must make the distribution within 75 days after the end of each calendar quarter. The amount the Secretary must distribute
5	is the sum of the revenue listed in this subsection. The Secretary must distribute two million
6	dollars (\$2,000,000) of this amount in accordance with subsection (b) of this section and the
7	remainder in accordance with subsections (c) and (d) of this section. The revenue to be
8	distributed under this section consists of the following:
9	(1) The amount specified in G.S. $105-164.44F(a)(2)$.
10	(2) Twenty three and six tenths percent (23.6%) Twenty-one and forty-five
11	hundredths percent (21.45%) of the net proceeds of the taxes collected
12	during the quarter on video programming, other than on direct-to-home
13	satellite service.
14	(3) Thirty seven and one tenths percent (37.1%) Thirty-three and seventy-three
15	hundredths percent (33.73%) of the net proceeds of the taxes collected
16	during the quarter on direct-to-home satellite service."
17	SECTION 1.(d) This section does not apply to construction materials purchased to
18	fulfill a lump-sum or unit-price contract entered into or awarded before the effective date of the
19	increase or entered into or awarded pursuant to a bid made before the effective date of the
20	increase when the construction materials would otherwise be subject to the increased rate of tax
21	provided in this section.
22	SECTION 1.(e) This section becomes effective June 1, 2012. Subsection (a) of this
23	section applies to sales made on or after June 1, 2012, and subsections (b) and (c) of this
24	section apply to distributions for months beginning on or after June 1, 2012. Subsections (a)
25	through (c) of this section expire July 1, 2015. This section does not affect the rights or
26	liabilities of the State, a taxpayer, or another person arising under a statute amended or repealed
27	by this section before the effective date of its amendment or repeal, nor does it affect the right
28	to any refund or credit of a tax that accrued under the amended or repealed statute before the
29	effective date of its amendment or repeal.
30	SECTION 2.(a) Effective June 1, 2012, the additional revenues accruing to the
31	State from the temporary additional sales tax enacted in Section 1 of this act are appropriated
32	only for the following purposes, in this order of priority, and notwithstanding the provisions of
33	S.L. 2011-145:
34	(1) First priority. –
35	a. To restore reductions in State funding affecting the constituent
36	institutions of The University of North Carolina, the North Carolina
37	Community College System, and local school administrative units,
38	with the restoration funds to be allocated as follows:
39	1. Public schools. – The sum of ninety-five million eight
40	hundred fourteen thousand nine hundred fifty dollars
41	(\$95,814,950) for the 2012-2013 fiscal year shall be allocated
42	to the State Board of Education to be distributed to local
43	school administrative units on the basis of average daily
44	membership. Expenditures of these funds shall be limited to
45	the salaries and benefits of public school personnel.
46	2. Community colleges. – The sum of nineteen million six
47	hundred ninety-seven thousand seven hundred eighty-eight
48	dollars (\$19,697,788) for the 2012-2013 fiscal year shall be
49	allocated to the North Carolina Community College System.
50	Expenditures of these funds shall be limited to the salaries
51	and benefits of community colleges personnel.
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1 2 3 4 5 6	3. The University of North Carolina. – The sum of one hun eighty-two million eight hundred forty thousand de (\$182,840,000) for the 2012-2013 fiscal year shal allocated to the Board of Governors of The University North Carolina. Expenditures of these funds shall be line to the salaries and benefits of university personnel.	ollars ll be ty of
7	b. To rehire and reinstate employees whose State personnel post	itions
8	were eliminated in the executive, judicial, and legislative bran	
9	under the provisions of S.L. 2011-145, allocated in the amou	
10	twenty-four million eighty-one thousand four hundred forty	
11 12	dollars (\$24,081,444) for the 2012-2013 fiscal year. Expenditure these funds shall be limited to the salaries and benefits of	
12	employees.	State
13	(2) Second priority. – To restore funding to Medicaid and Health Choi	ce in
15	order to lessen the impact of program and service reductions made to	
16	programs by S.L. 2011-145. Restoration funds shall be allocated as follo	
17	a. For Medicaid, the sum of four hundred fifty-four million de	ollars
18	(\$454,000,000) for the 2012-2013 fiscal year.	
19	b. For Health Choice, the sum of six million six hundred thou	isand
20	dollars (\$6,600,000) for the 2012-2013 fiscal year.	
21 22	(3) Third priority. – To restore reductions to the Highway Patrol budge uniforms. Restoration funds shall be allocated in the amount of one m	
22	one hundred thousand dollars (\$1,100,000) for the 2012-2013 fiscal yea	
23	(4) Fourth priority. – To increase the balance of the Savings Reserve Act	
25	for the purposes set out in G.S. 143C-4-2.	count
26	SECTION 2.(b) For personnel positions that are reestablished or created b	y the
27	funding restoration provided by this act, the employment of persons to fill those positions	•
28	be accomplished in accordance with applicable policies of the hiring entity to encourag	e the
29	reemployment of former employees who were reduced in force due to budget reduc	ctions
30	imposed by S.L. 2011-145.	
31	SECTION 2.(c) The Governor shall take all steps necessary to carry ou	
32	purposes of this act, except that the Governor is not required to restore any position that	
33 34	Governor finds to have been eliminated as part of agency transfers or consolidations primarily to achieve organizational and programmatic efficiencies and not primarily to e	
34 35	savings pursuant to S.L. 2011-145 or other legislation enacted by the 2011 General Assemble	
36	SECTION 2.(d) The Chief Justice of the Supreme Court shall take all	-
37	necessary to execute the restorations required by this act in the judicial branch, except the	-
38	Chief Justice is not required to restore any position that the Chief Justice finds to have	
39	eliminated as part of transfers or consolidations made primarily to achieve organizationa	l and
40	programmatic efficiencies and not primarily to effect savings pursuant to S.L. 2011-14	45 or
41	other legislation enacted by the 2011 General Assembly.	
42	SECTION 2.(e) The Legislative Services Officer shall take all steps necessa	•
13	execute the restorations required by this act in the legislative branch, except that the Legisl	
14 15	Services Officer is not required to restore any position that the Officer finds to have eliminated as part of transfers or consolidations made primarily to achieve organizationa	
+5 46	programmatic efficiencies and not primarily to effect savings pursuant to S.L. 2011-14	
47	other legislation enacted by the 2011 General Assembly.	15 01
48	SECTION 2.(f) There is established in the Office of State Budget and Manage	ement
49	the Jobs, Health, and Education Restoration Fund (Fund) for the purpose of restoring by	

the Jobs, Health, and Education Restoration Fund (Fund) for the purpose of restoring budgetreductions in accordance with this act. All revenue accruing to the State from the temporary

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additional sales tax enacted in this act shall be credited to the Fund. Monies from the Fund shall
not be expended or transferred for any other purpose.

Beginning July 1, 2012, and quarterly thereafter, the Office of State Budget and Management shall report to the Joint Legislative Commission on Governmental Operations and

- 5 to the Fiscal Research Division on disbursements from the Fund and on the progress made in 6 accomplishing the purposes of this act.
- 7 SECTION 2.(g) This section becomes effective June 1, 2012.
- 8 **SECTION 3.** Except as otherwise provided, this act is effective when it becomes 9 law.