

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2023

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SENATE BILL DRS35254-MG-107A

Short Title: Transformational Investments in NC Health. (Public)

Sponsors: Senators Hise and Krawiec (Primary Sponsors).

Referred to:

A BILL TO BE ENTITLED
AN ACT MAKING TRANSFORMATIONAL INVESTMENTS IN NORTH CAROLINA'S
HEALTH BY CLARIFYING THE AUTHORITY OF THE UNIVERSITY OF NORTH
CAROLINA HEALTH CARE SYSTEM (THE SYSTEM) TO CONDUCT OPERATIONS
IN THE BEST INTERESTS OF THE STATE FOR THE PURPOSE OF CREATING A
STATEWIDE HEALTH SYSTEM OF HIGH QUALITY; EXPANDING THE SYSTEM'S
OPERATING AUTHORITIES AND PERSONNEL FLEXIBILITIES; AND MAKING
NECESSARY CONFORMING CHANGES.

The General Assembly of North Carolina enacts:

**PART I. CLARIFICATION OF THE AUTHORITY OF THE UNIVERSITY OF NORTH
CAROLINA HEALTH CARE SYSTEM WITH RESPECT TO OPERATIONS AND
PERSONNEL FLEXIBILITIES**

SECTION 1.1.(a) G.S. 116-37 and G.S. 116-37.2 are repealed.

SECTION 1.1.(b) Chapter 116 of the General Statutes is amended by adding a new
Article to read:

"Article 37.

"University of North Carolina Health Care System.

"Part 1. Health Care System.

"§ 116-350. Definitions.

The following definitions shall apply in this Article:

- (1) Board or Board of Directors. – The Board of Directors of the University of North Carolina Health Care System.
- (2) Chief Executive Officer. – The executive and administrative head of the University of North Carolina Health Care System.
- (3) Component unit. – Any of the following:
 - a. The University of North Carolina Hospitals at Chapel Hill.
 - b. A clinical patient care program established or maintained by the School of Medicine of the University of North Carolina at Chapel Hill.
- (4) System affiliate. – Any corporation, partnership, limited liability company, joint venture, association business trust or similar entity organized under the laws of the United States of America or any state thereof, whether for profit or nonprofit, if a majority of the members of the governing body are one of the following:
 - a. The same as the members of the Board of the System.



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b. Subject, directly or indirectly, to election or appointment by the Board of the System.

(5) The University of North Carolina Health Care System or System. – The University of North Carolina Hospitals at Chapel Hill and the clinical patient care programs established or maintained by the School of Medicine of the University of North Carolina at Chapel Hill.

"§ 116-350.5. University of North Carolina Health Care System.

(a) Establishment of System. – Effective November 1, 1998, the University of North Carolina Health Care System is established. The System is a State agency and political subdivision governed and administered as an affiliated enterprise of The University of North Carolina in accordance with the provisions of this Article. The System shall provide patient care; facilitate the education of physicians and other health care providers in partnership with the University of North Carolina at Chapel Hill School of Medicine and other health sciences schools affiliated with the constituent institutions of The University of North Carolina System; conduct research collaboratively with the health sciences schools of the University of North Carolina at Chapel Hill and other institutions; facilitate clinical collaboration with and financial sustainability of the University of North Carolina at Chapel Hill School of Medicine; render other services designed to promote the health and well-being of the citizens of North Carolina; and drive innovation and transformation in health care services delivery.

(b) Transfer of Rights. – As of November 1, 1998, all of the rights, privileges, liabilities, and obligations of the Board of the University of North Carolina Hospitals at Chapel Hill, not inconsistent with the provisions of this Article, shall be transferred to and assumed by the Board of the System.

(c) Governance. – The Board of the System shall govern and administer The University of North Carolina Hospitals at Chapel Hill, the clinical patient care programs established or maintained by the School of Medicine of the University of North Carolina at Chapel Hill, and such other entities and functions as (i) the General Assembly may assign to the System or (ii) the Board may decide, within the limitations of its statutory powers and duties, to establish, administer, or acquire for the purpose of rendering services designed to promote the health and well-being of the citizens of North Carolina.

(d) With respect to G.S. 116-350.30, 116-350.35, 116-350.40, 116-350.45, and 116-350-65, the Board may adopt policies that make the authorities and responsibilities established by one or more of said sections applicable to the University of North Carolina Hospitals at Chapel Hill, to the clinical patient care programs of the School of Medicine of the University of North Carolina at Chapel Hill, to both, or to other persons or entities affiliated with or under the control of the University of North Carolina Health Care System.

"§ 116-350.10. Board of Directors.

(a) The Board shall be composed of 24 members as follows:

(1) Eight members ex officio shall be the President of The University of North Carolina (or the President's designee); the Chief Executive Officer of the University of North Carolina Health Care System; the Chancellor of the University of North Carolina at Chapel Hill and one additional administrative officer of the University of North Carolina at Chapel Hill designated by the Chancellor; the President of the University of North Carolina Hospitals; the President of the UNC Faculty Physicians; and two members of the faculty of the School of Medicine of the University of North Carolina at Chapel Hill designated by the Dean of the School of Medicine. If the Dean of the School of Medicine of the University of North Carolina at Chapel Hill does not also hold one of the positions designated as an ex officio member of the Board, the Dean shall serve in one of the positions reserved for a member of the faculty.

(2) Sixteen members at large shall be appointed for four-year terms, commencing on November 1 of the year of appointment. Twelve of the members at large shall be appointed by the Board of Governors after consultation with the President of The University of North Carolina. Four of the members at large shall be appointed by the Board of Directors.

(3) The initial class of at-large members shall be composed of the following individuals:

a. The persons who hold the appointed memberships on the Board of Directors as of October 31, 2012, and whose terms do not expire on that date. The terms of membership for these at-large members will expire on the last day of October of the year in which their term would have expired.

b. Three persons appointed by the Board of Governors after consultation with the President of The University of North Carolina whose terms will commence on November 1, 2012, and will expire on October 31, 2016.

c. One person appointed by the Board of Directors whose term will commence on November 1, 2012, and will expire on October 31, 2016.

The Board of Governors shall appoint successor at-large members for those members whose terms end on October 31, 2013, October 31, 2014, and four of the five members whose terms end on October 31, 2016. The Board of Directors shall appoint successor at-large members for those members whose terms end on October 31, 2015, and one of the five members whose terms end on October 31, 2016.

(4) All at-large positions shall be filled by the appointment of persons from the business and professional public at large who have special competence in business management, hospital administration, health care delivery, or medical practice or who otherwise have demonstrated dedication to the improvement of health care in North Carolina, and who are neither members of the Board of Governors, members of the board of trustees of a constituent institution of The University of North Carolina, nor officers or employees of the State. No member may be appointed to more than two full four-year terms in succession, including members serving as of June 30, 2012. Any vacancy in an unexpired term shall be filled by the appointing authority for the balance of the term remaining.

(b) The Board, with each ex officio and at-large member having a vote, shall elect a chair only from among the at-large members for a term of two years. Notwithstanding the foregoing limitation, the Chancellor of the University of North Carolina at Chapel Hill may serve as chair. No person shall be eligible to serve as chair for more than three terms in succession.

(c) The Board shall meet at least every 60 days and may hold special meetings at any time and place within the State at the call of the chair. Board members, other than ex officio members, shall receive the same per diem and reimbursement for travel expenses as members of the State boards and commissions generally.

(d) The Board's action on matters within its jurisdiction is final, except that appeals may be made, in writing, to the Board of Governors with a copy of the appeal to the Chancellor of the University of North Carolina at Chapel Hill. The Board shall keep the Board of Governors and the board of trustees of the University of North Carolina at Chapel Hill fully informed about health care policy and recommend changes necessary to maintain adequate health care delivery, education, and research for improvement of the health of the citizens of North Carolina.

"§ 116-350.15. Powers and duties of the Board of Directors.

1 (a) Contracting Authority. – The Board may authorize any component unit of the System
2 to contract in its individual capacity, subject to such policies and procedures as the Board may
3 direct.

4 (b) Agreements with Constituent Institutions. – The Board may enter into formal
5 agreements with constituent institutions of The University of North Carolina with respect to the
6 provision of clinical experience for students and for the provision of maintenance and supporting
7 services.

8 (c) General Powers and Duties. – The Board is authorized to exercise such authority and
9 responsibility and adopt such policies, rules, and regulations as it deems necessary or convenient,
10 not inconsistent with the provisions of this Article, to carry out the patient care, education,
11 research, and public service mission of the System, including, but not limited to, authority to do
12 the following:

13 (1) Construct, plan, create, equip, operate, and maintain health care facilities and
14 ancillary enterprises.

15 (2) Collect, manage, and control all receipts generated through its clinical
16 operations and other activities.

17 (3) Issue bonds and notes as provided in G.S. 116-350.55.

18 (4) Acquire and dispose of real or personal property, including existing public or
19 private hospital and health care facilities, by purchase, grant, gift, devise,
20 lease, or otherwise.

21 (5) Enter into partnerships, affiliations, and other combinations or arrangements
22 with other hospitals or health care entities, as it deems appropriate, including
23 arrangements for management services, to achieve its missions of patient care,
24 education, research, and public service.

25 (6) Contract with or enter into any arrangement, including through interlocal
26 cooperation agreements under Part 1 of Article 20 of Chapter 160A of the
27 General Statutes, with other public hospitals of this or other states, federal or
28 public agencies, or with any person, private organization, or nonprofit
29 corporation for the provision of health care.

30 (7) Insure property or operations of the System against risks as the Board may
31 deem advisable.

32 (8) Except as provided in G.S. 116-350.40, to invest any funds held in reserves or
33 sinking funds, or any funds generated from operations, in property or
34 securities in which trustees, executors, or others acting in a fiduciary capacity
35 may legally invest funds under their control.

36 (9) Exercise the following powers conferred upon municipal hospitals and
37 hospital authorities under Article 2 of Chapter 131E of the General Statutes:

38 a. The power to enter into agreements with other hospital entities subject
39 to Article 2 of Chapter 131E of the General Statutes to jointly exercise
40 the powers, privileges, and authorities granted by Article 2 of Chapter
41 131E of the General Statutes.

42 b. The power to lease any hospital facility, or any part of a hospital
43 facility, to a nonprofit corporation, provided that the terms and
44 conditions of such lease are consistent with the public purposes
45 described in G.S. 131E-12.

46 c. The power to acquire an ownership interest, in whole or in part, in a
47 nonprofit or for-profit managed care company, as provided in
48 G.S. 131E-7.1.

49 d. All powers set forth in G.S. 131E-23 that are not otherwise addressed
50 by this Part.

(10) Exercise any or all powers conferred upon the Board, either generally or with respect to any specific health care facility or other operations, through or by designated agents, including private corporations, nonprofit corporations, or limited liability companies formed under the laws of the State.

(11) Have the powers of a body corporate and politic, including the power to sue and be sued, to make contracts, and to adopt and use a common seal and to alter the same as may be deemed expedient.

(d) Limitations. – Notwithstanding the powers and duties provided in this section, the Board shall not relinquish to another entity more than fifty percent (50%) of control of either the UNC Hospitals or the System.

"§ 116-350.20. Reports due from the Board of Directors.

The Chief Executive Officer and the President of The University of North Carolina jointly shall report by December 31 of each year on the operations and financial affairs of the System to the Joint Legislative Commission on Governmental Operations and the Board of Governors of The University of North Carolina. The report shall include actions taken by the Board under the authority granted by G.S. 116-350.35.

"§ 116-350.25. System Officers and their staff.

(a) Chief Executive Officer. – The executive and administrative head of the University of North Carolina Health Care System shall have the title of "Chief Executive Officer." The Board of Directors, the board of trustees, and the Chancellor of the University of North Carolina at Chapel Hill, following such search process as the boards and the Chancellor deem appropriate, shall identify two or more persons as candidates for the office, who, pursuant to criteria agreed upon by the boards and the Chancellor, have the qualifications for both the positions of Chief Executive Officer of the University of North Carolina Health Care System and Vice-Chancellor for Medical Affairs of the University of North Carolina at Chapel Hill. The names of the candidates so identified, once approved by the Board of Directors and the board of trustees, shall be forwarded by the Chancellor to the President of The University of North Carolina, who if satisfied with the quality of one or more of the candidates, will nominate one as Chief Executive Officer, subject to selection by the Board of Governors. The individual serving as Chief Executive Officer shall have complete executive and administrative authority to formulate proposals for, recommend the adoption of, and implement policies governing the programs and activities of the University of North Carolina Health Care System, subject to all requirements of the Board of Directors. That same individual, when serving as Vice-Chancellor for Medical Affairs, shall have all authorities, rights, and responsibilities of a vice-chancellor of the University of North Carolina at Chapel Hill.

(b) President of UNC Hospitals. – The executive and administrative head of the University of North Carolina Hospitals at Chapel Hill shall have the title of "President of the University of North Carolina Hospitals at Chapel Hill." The Board of Directors shall elect, on nomination of the Chief Executive Officer, the President of the University of North Carolina Hospitals at Chapel Hill.

(c) Administrative and Professional Staff. – The Board of Directors shall elect, on nomination of the Chief Executive Officer, such additional administrative and professional staff employees of the University of North Carolina Health Care System as may be deemed necessary to assist in fulfilling the duties of the office of the Chief Executive Officer, all of whom shall serve at the pleasure of the Chief Executive Officer.

"§ 116-350.30. Personnel.

(a) Employment Authority. – The System may employ a workforce to conduct its operations. Employees who are employed directly by the System, and not by a System affiliate, are State employees whose terms and conditions of employment, including benefit plans and programs, are determined by the Board. Only Articles 5, 6, 7, and 14 of Chapter 126 of the General Statutes, the State Human Resources Act, apply to these State employees. The Board of

the System may authorize the System to employ the faculty and staff of the University of North Carolina School of Medicine as well as other health affairs schools and components of the University of North Carolina at Chapel Hill subject to the provisions of this subsection, provided that any employees who are faculty members shall remain subject to the faculty policies of the University of North Carolina at Chapel Hill, as established or adopted pursuant to delegation from the Board of Governors of The University of North Carolina. A State employee employed by the System immediately prior to July 1, 2023, has the right to (i) continued State employment if the employee remains in the employee's current role or position, unless terminated in accordance with the terms of employment that existed immediately prior to July 1, 2023, subject to all relevant provisions of State and federal law and (ii) continued participation in the State Teachers' and State Employees' Retirement System if the employee was enrolled in the Retirement System immediately prior to July 1, 2023, and maintains State employee status.

(b) Certain Career State Employees. – Notwithstanding subsection (a) of this section, a State employee who achieved career State employee status by October 31, 1998, shall remain subject to the rules regarding discipline or discharge that were effective on October 31, 1998, and shall not be subject to the rules regarding discipline or discharge adopted after that date.

"§ 116-350.35. Finances.

(a) System Budgeting. – The System, the UNC Hospitals, and designated component parts of The University of North Carolina shall not be subject to the provisions of the State Budget Act, except for General Fund appropriations, or otherwise subject to the authority, oversight, or control of the Office of the State Controller. The System, the UNC Hospitals, and designated component parts of The University of North Carolina shall be subject to the authority and oversight of the Office of the State Auditor. The Chief Executive Officer, subject to the Board, shall be responsible for all aspects of budget preparation, budget execution, and expenditure reporting for the System. Separate auditable accounts under the control of the Board shall be maintained for the UNC Hospitals and the clinical patient care programs of the School of Medicine of the University of North Carolina at Chapel Hill. Except for General Fund appropriations, all receipts of the UNC Hospitals may be invested pursuant to G.S. 116-265.40. General Fund appropriations for support of the UNC Hospitals shall be budgeted in a General Fund code under a single purpose, "Contribution to University of North Carolina Hospitals at Chapel Hill Operations" and be transferable to a special fund operating code as receipts. All revenues generated from operations, appropriations, or funds otherwise under the control of the Board shall exclusively be used in furtherance of the missions and goals of the System as determined or approved by the Board.

(b) Patient/Health Care System Benefit. – The Chief Executive Officer, or the Chief Executive Officer's designee, may expend operating budget funds, including State funds, of the System for the direct benefit of a patient, when, in the judgment of the Chief Executive Officer or the Chief Executive Officer's designee, the expenditure of these funds would result in a financial benefit to the System. Any such expenditures are declared to result in the provision of medical services and create charges of the University of North Carolina Health Care System for which the health care system may bill and pursue recovery in the same way as allowed by law for recovery of other health care systems' charges for services that are unpaid.

These expenditures shall be restricted (i) to situations in which a patient is financially unable to afford ambulance or other transportation for discharge; (ii) to afford placement in an after-care facility; (iii) to assure availability of a bed in an after-care facility after discharge from the hospitals; (iv) to secure equipment or other medically appropriate services after discharge; or (v) to pay health insurance premiums. The Chief Executive Officer or the Chief Executive Officer's designee shall reevaluate at least once a month the cost effectiveness of any continuing payment on behalf of a patient.

To the extent that the System advances anticipated government entitlement benefits for a patient's benefit, for which the patient later receives a lump sum "back pay" award from an agency

of the State, whether for the current admission or subsequent admission, the State agency shall withhold from this back pay an amount equal to the sum advanced on the patient's behalf by the System, if, prior to the disbursement of the back pay, the applicable State program has received notice from the System of the advancement.

"§ 116-350.40. Regulation of UNC Hospitals Funds.

(a) Definition of Funds. – As used in this section, "funds" means:

- (1) Moneys, or the proceeds of other forms of property, received by the UNC Hospitals as gifts or devises.
- (2) Moneys received by the UNC Hospitals pursuant to grants from, or contracts with, the United States government or any agency or instrumentality thereof.
- (3) Moneys received by the UNC Hospitals pursuant to grants from, or contracts with, any State agencies, any political subdivisions of the State, any other states or nations or political subdivisions thereof, or any private entities whereby the UNC Hospitals undertakes, subject to terms and conditions specified by the entity providing the moneys, to conduct research, training, or public service programs.
- (4) Moneys received from or for the operation by the UNC Hospitals of any of its self-supporting auxiliary enterprises, including the Liability Insurance Trust Fund.
- (5) Moneys received for services UNC Hospitals and the patient care programs established or maintained by the School of Medicine of the University of North Carolina at Chapel Hill render in its hospital, clinics, and other operations.
- (6) Moneys received by the UNC Hospitals in respect to borrowings for capital equipment or construction projects to further services it renders in either or both of its hospital or clinical operations.
- (7) The net proceeds from the disposition effected pursuant to Article 7 of Chapter 146 of the General Statutes of any interest in real property owned by or under the supervision and control of the UNC Hospitals if the interest in real property had first been acquired by gift or devise or through expenditure of moneys defined in this section, except the net proceeds from the disposition of an interest in real property first acquired by the UNC Hospitals through expenditure of moneys received as a grant from a State agency or General Fund appropriations.

(b) Fund Management. – The Board of the System is responsible for the custody and management of the funds of the UNC Hospitals. The Board shall adopt uniform policies and procedures applicable to the deposit, investment, and administration of these funds, which shall assure that the receipt and expenditure of such funds is properly authorized and that the funds are appropriately accounted for. The Board may delegate authority, through the Chief Executive Officer, to the President of the UNC Hospitals, when such delegation is necessary or prudent to enable the UNC Hospitals to function in a proper and expeditious manner.

(c) Fund Expenditure. – Funds under this section and investment earnings thereon are available for expenditure by the UNC Hospitals and are hereby appropriated by the General Assembly.

(d) Fund Oversight. – Funds under this section are subject to the oversight of the State Auditor pursuant to Article 5A of Chapter 147 of the General Statutes are not subject to the provisions of the State Budget Act, except for operating and capital funds appropriated from the General Fund.

(e) Fund Reporting. – The UNC Hospitals shall submit such reports or other information concerning its fund accounts under this section as may be required by the Board.

(f) Funds Supplemental. – Funds under this section, or the investment income therefrom, shall not take the place of State appropriations or any part thereof, but any portion of these funds available for general institutional purposes shall be used to supplement State appropriations to the end that the UNC Hospitals may improve and increase their functions, may enlarge their areas of service, and may become more useful to a greater number of people.

(g) Fund Investment. – The Board may deposit or invest the funds under this section in interest bearing accounts and other investments in the exercise of its sound discretion, without regard to any statute or rule of law relating to the investment of funds by fiduciaries.

"§ 116-350.45. Purchases.

Notwithstanding the provisions of Articles 3, 3A, and 3C of Chapter 143 of the General Statutes and G.S. 143-341(8)(i) of the General Statutes, the Board shall establish policies and regulations governing the purchasing requirements of the System. These policies and regulations shall provide for requests for proposals, competitive bidding or purchasing by means other than competitive bidding, contract negotiations, and contract awards for purchasing supplies, materials, equipment, and services which are necessary and appropriate to fulfill the clinical, educational, research, and community service missions of the System.

The Board of Directors shall submit all initial policies and regulations adopted pursuant to this section to the Division of Purchase and Contract for review upon adoption by the Board. Any subsequent changes to these policies and regulations adopted by the Board shall be submitted to the Division of Purchase and Contract for review. Any comments by the Division of Purchase and Contract shall be submitted to the Chief Executive Officer and to the President of The University of North Carolina.

"§ 116-350.50. Real property.

(a) Acquisition and Disposition. – The Board shall establish policies for acquiring and disposing of any interest in real property by the System and the UNC Hospitals. These policies shall specify procedures for evaluating, negotiating, and approving the acquisition or disposition of an interest in real property by purchase, gift, lease, or rental, but not by condemnation or exercise of eminent domain. Acquisitions and dispositions of interests in real property pursuant to this section shall not be subject to statutes applicable to the acquisition or disposition of interest in real property by or on behalf of State agencies, including, without limitation, the provisions of Article 36 of Chapter 143 of the General Statutes or Chapter 146 of the General Statutes.

(b) Design and Construction. – The Board may, subject to rules and regulations generally applicable to hospital facilities in the State, adopt policies and procedures that exclusively govern the design, construction, and renovation of buildings, infrastructure, utilities, and other property developments of the System and the UNC Hospitals, including all aspects of vendor selections, contracting, negotiation, and approvals. Design and construction for the System and the UNC Hospitals shall be subject to the requirements of G.S. 44A-26 and G.S. 133-1.1 but shall not otherwise be subject to the provisions of statutes applicable to design and construction projects by or on behalf of State agencies.

(c) Plan Review and Code Enforcement of Certain Construction Projects. – Notwithstanding any other provision of law to the contrary, a local building code inspection department has general authority over plan review and administration, and enforcement, of all sections of the North Carolina State Building Code for construction or renovation projects undertaken by the System or its component units that are on or within privately owned real property leased by the System, or its component units, within its jurisdiction. Nothing in this subsection shall be construed to abrogate the authority of the Department of Labor under G.S. 143-139(c) and (d).

"§ 116-350.55. Bonds and notes.

(a) Bonds and Notes. – In addition to the provisions of Article 3 of Chapter 116D of the General Statutes, the System shall be authorized to issue bonds and notes on behalf of itself or any component units or System affiliate in accordance with the provisions of Article 3 of Chapter

116D of the General Statutes, in the same manner and for the same purposes as the Board of Governors of The University of North Carolina may issue bonds and notes as provided for therein. In doing so, the System shall have the same powers conferred upon the Board of Governors by such Article and, for purposes of this section, references in such Article to the Board of Governors shall mean and be deemed to include the System.

(b) Notwithstanding subsection (a) of this section, in connection with the issuance of bonds or notes of the System in accordance with this section and Article 3 of Chapter 116D of the General Statutes, the following provisions shall apply:

- (1) Institutions within the meaning of G.S. 116D-22 shall include the System and any component unit or System affiliate.
- (2) The approval of the Director of the Budget, as provided in G.S. 116D-26, 116D-27, 116D-29, and 116D-30, shall not apply to bonds or notes issued by the System pursuant to this section and Article 3 of Chapter 116D of the General Statutes.
- (3) Notwithstanding G.S. 116D-26(b), except as otherwise provided in Article 3 of Chapter 116D of the General Statutes, special obligation bond projects may be undertaken, special obligation bonds may be issued, and other powers vested in the Board under this section may be exercised by the Board without obtaining the consent of any department, division, commission, board, bureau, or agency of the State and without any other proceedings or the happening of any other conditions or things other than those proceedings, conditions, or things which are specifically required by this section and Article 3 of Chapter 116D of the General Statutes.
- (4) Nothing herein shall limit or restrict the right of the System to obtain a loan from a financial institution, provided that the System may not pledge real property owned by the State of North Carolina as collateral.

"§ 116-350.60. Nonprofit merger authority.

The University of North Carolina Health Care System and any domestic nonprofit corporation may merge in the manner provided in G.S. 55A-11-09, except that the merger need not comply with G.S. 55A-11-02 as required by G.S. 55A-11-09(b)(3). For the purposes of this section, the University of North Carolina Health Care System is deemed an unincorporated "business entity" as defined in G.S. 55A-11-09(a) and the University of North Carolina Health Care System or the University of North Carolina Hospitals is the surviving business entity of any merger effected pursuant to this section. For any plan of merger pursuant to this section, along with the applicable items set forth in the articles of merger under G.S. 55A-11-09(d), the University of North Carolina Health Care System shall set forth reference to this section. G.S. 55A-11-09(e1) does not apply to a merger under this section.

"§ 116-350.65. Public records.

The following records of the System are not public records under Chapter 132 of the General Statutes:

- (1) Records related to patient care and patient services, including, but not limited to, patient records, vendor contracts, quality initiatives, quality measures, and reports related to quality requirements; provided, however, that any contracts with other State agencies or documents publicly reported to government regulatory or oversight bodies shall be considered public records.
- (2) Records related to strategic planning or initiatives, including potential affiliations and new services or businesses.
- (3) Consultations with the Joint Legislative Commission on Governmental Operations as provided in G.S. 116-350.15(d)(2).

"§ 116-350.70. State action.

1 Subject to the provisions and limitations of Parts 1 and 2 of this Article, the Board may enter
2 into cooperative agreements with any other entity for the provision of health care, including the
3 acquisition, allocation, sharing, or joint operation of hospitals or any other health care facilities
4 or health care provider, without regard to their effect on market competition. When partnering
5 with community hospitals and other health systems in various regions of the State, the System is
6 acting according to State policy by ensuring that health care is made available to all parts of North
7 Carolina; its activities constitute "State action" for purposes of antitrust law. The General
8 Assembly intends that these agreements are immune from the application of federal and State
9 antitrust law.

10 "Part 2. Liability Insurance or Self-Insurance.

11 **"§ 116-350.100. Authorization to secure insurance or provide self-insurance.**

12 The Board is authorized through the purchase of contracts of insurance or the creation of
13 self-insurance trusts, or through combination of such insurance and self-insurance, to provide the
14 System, UNC Hospitals, System affiliates, and individual health care practitioners with coverage
15 against claims of personal or entity tort liability based on conduct within the course and scope of
16 health care functions undertaken by such entities or individuals as employees, agents, or officers
17 of (i) the System, (ii) the University of North Carolina Hospitals at Chapel Hill, or (iii) any health
18 care institution, agency, or entity which has an affiliation agreement with the System or with the
19 University of North Carolina Hospitals at Chapel Hill. The types of health care practitioners to
20 which the provisions of this Part may apply include, but are not limited to, medical doctors,
21 dentists, nurses, residents, interns, medical technologists, nurses' aides, and orderlies. Subject to
22 all requirements and limitations of this Article, the coverage to be provided, through insurance
23 or self-insurance or combination thereof, may include provision for the payment of expenses of
24 litigation, the payment of civil judgments in courts of competent jurisdiction, and the payment of
25 settlement amounts, in actions, suits, or claims to which this Part applies.

26 **"§ 116-350.105. Establishment and administration of self-insurance trust funds; rules and**
27 **regulations; defense of actions against covered persons; application of**
28 **G.S. 143-300.6.**

29 (a) In the event the Board elects to act as self-insurer of a program of liability insurance,
30 it may establish one or more insurance trust accounts to be used only for the purposes authorized
31 by this Article; provided, however, said program of liability insurance shall not be subject to
32 regulation by the Commissioner of Insurance. The Board is authorized to receive and accept any
33 gift, donation, appropriation, or transfer of funds made for the purposes of this section and to
34 deposit such funds in the insurance trust accounts. All expenses incurred in collecting, receiving,
35 and maintaining such funds and in otherwise administering the self-insured program of liability
36 insurance shall be paid from such insurance trust accounts.

37 (b) Subject to all requirements and limitations of this Article, the Board is authorized to
38 adopt rules and regulations for the establishment and administration of the self-insured program
39 of liability insurance, including, but not limited to, rules and regulations concerning the eligibility
40 for and terms and conditions of participation in the program, the assessment of charges against
41 participants, the management of the insurance trust accounts, and the negotiation, settlement,
42 litigation, and payment of claims.

43 (c) The Board is authorized to create a UNC Health Liability Insurance Trust Fund
44 Council composed of not more than 13 members; one member each shall be appointed by the
45 State Attorney General, the State Insurance Commissioner, the Director of the Office of State
46 Budget and Management, and the State Treasurer; the remaining members shall be appointed by
47 the Board. Subject to all requirements and limitations of this Article and to any rules and
48 regulations adopted by the Board under the terms of subsection (b) of this section, the Board may
49 delegate to the UNC Health Liability Insurance Trust Fund Council responsibility and authority
50 for the administration of the self-insured liability insurance program and of the insurance trust
51 accounts established pursuant to such program.

(d) Defense of all suits or actions against an individual health care practitioner who is covered by a self-insured program of liability insurance established by the Board under the provisions of this Article may be provided by the Attorney General in accordance with the provisions of G.S. 143-300.3 of Article 31A of Chapter 143; provided, that in the event it should be determined pursuant to G.S. 143-300.4 that defense of such a claim should not be provided by the State, or if it should be determined pursuant to G.S. 143-300.5 and G.S. 147-17 that counsel other than the Attorney General should be employed or, if the individual health care practitioner is not an employee of the State as defined in G.S. 143-300.2, then private legal counsel may be employed by the UNC Health Liability Insurance Trust Fund Council and paid for from funds in the insurance trust accounts.

(e) For purposes of the requirements of G.S. 143-300.6, the coverage provided State employees by any self-insured program of liability insurance established by the Board pursuant to the provisions of this Article shall be deemed to be commercial liability insurance coverage within the meaning of G.S. 143-300.6(c).

(f) By rules or regulations adopted by the Board in accordance with subsection (b) of this section, the Board may provide that funds maintained in insurance trust accounts under such a self-insured program of liability insurance may be used to pay any expenses, including damages ordered to be paid, which may be incurred by the System or the University of North Carolina Hospitals at Chapel Hill with respect to any tort claim, based on alleged negligent acts in the provision of health care services, which may be prosecuted under the provisions of Article 31 of Chapter 143 of the General Statutes.

"§ 116-350.110. Funding of self-insurance program.

(a) If the Board elects to establish a self-insurance trust fund, the initial contribution to the fund shall be determined by an independent actuary but shall be no less than three hundred thousand dollars (\$300,000). Annual contributions to said fund shall be made in an amount to be determined each year by the UNC Health Liability Insurance Trust Fund Council upon the advice of an independent actuary and shall include amounts necessary to pay all costs of administration of the self-insurance program and claims adjustment, including litigation in addition to amounts necessary to pay claims. Contributions shall be no less than one hundred fifty percent (150%) of the amounts actually paid each year on medical malpractice claims until such time as the UNC Health Liability Insurance Trust Fund Council, with the advice of an independent actuary and the approval of the Board, determines that an annual contribution in a lesser amount will not impair the adequacy of the fund to satisfy existing and potential health care malpractice claims for a period of one year.

(b) Claims certified to be paid from the fund shall be paid in the order of award or settlement. In the event that the fund created hereunder shall at any time have insufficient funds to assure that both existing and future claims will be paid, the Board is hereby authorized to borrow necessary amounts up to thirty million dollars (\$30,000,000) per established self-insurance trust fund account to replenish the fund. The Board shall maintain funds in each self-insurance trust at no less than one hundred thousand dollars (\$100,000) at all times.

(c) Funds borrowed by the Board to replenish the trust fund account may be secured by pledging noncapital assets of the members. Members shall mean those entities, agencies, departments, or divisions of the System which directly contribute funds to the self-insurance trust. In no event shall individual health care providers be deemed members for the purposes of this section.

(d) Obligations issued under the provisions of this Part shall not be deemed to constitute a debt, liability, or obligation of the State or of any political subdivision thereof or a pledge of the faith and credit of the State or of any such political subdivision but shall be payable solely from the revenues or assets of the members. Each obligation issued under this Part shall contain on the face thereof a statement to the effect that the System shall not be obligated to pay the same nor the interest thereon except from the revenues or assets pledged therefor and that neither the

1 faith and credit nor the taxing power of the State or of any political subdivision thereof is pledged
2 to the payment of the principal of or the interest on such obligation.

3 **"§ 116-350.115. Termination of fund.**

4 Any fund created hereunder may be terminated by the Board upon their determination that
5 other satisfactory and adequate arrangements have been made to assure that both existing and
6 future health care malpractice claims or judgments against the participants in the self-insurance
7 program will be paid and satisfied. Upon the termination of any fund pursuant to this section, the
8 full amount remaining in such fund upon termination less any outstanding indebtedness shall
9 promptly be repaid to the System and allocated among the participating entities according to their
10 respective contributions as determined by the Board.

11 **"§ 116-350.120. Sovereign immunity.**

12 Nothing in this Article shall be deemed to waive the sovereign immunity of the State.

13 **"§ 116-350.125. Confidentiality of records.**

14 Records pertaining to the liability insurance program, including all information,
15 correspondence, investigations, or interviews concerning or pertaining to claims or potential
16 claims against participants in the self-insurance program or to the program or applications for
17 participation in the program shall not be considered public records under Chapter 132 of the
18 General Statutes and shall not be subject to discovery under the Rules of Civil Procedure, Chapter
19 1A of the General Statutes.

20 **"§ 116-350.130. Further action.**

21 The Board is hereby authorized to take all action necessary to effectuate the purposes and
22 provisions of this Part.

23 **"§ 116-350.135. Appropriation.**

24 The funds described by this Part are appropriated and shall be used only as provided by this
25 Part."

26
27 **PART II. CONFORMING CHANGES**

28 **SECTION 2.1.** G.S. 66-58 reads as rewritten:

29 **"§ 66-58. Sale of merchandise or services by governmental units.**

30 (a) Except as ~~may be~~ provided in this section, it ~~shall be~~ is unlawful for any unit,
31 ~~department~~ department, or agency of the State government, or any division or subdivision of the
32 unit, ~~department~~ department, or agency, or any individual employee or employees of the unit,
33 ~~department~~ department, or agency in his, ~~or~~ her, or their capacity as employee or employees
34 ~~thereof, thereof~~ to engage directly or indirectly in the sale of goods, ~~wares~~ wares, or merchandise
35 in competition with citizens of the State, or to engage in the operation of restaurants, cafeterias
36 or other eating places in any building owned by or leased in the name of the State, or to maintain
37 service establishments for the rendering of services to the public ordinarily and customarily
38 rendered by private enterprises, or to provide transportation services, or to contract with any
39 person, ~~firm~~ firm, or corporation for the operation or rendering of the businesses or services on
40 behalf of the unit, ~~department~~ department, or agency, or to purchase for or sell to any person,
41 ~~firm~~ firm, or corporation any article of merchandise in competition with private enterprise. The
42 leasing or subleasing of space in any building owned, ~~leased~~ leased, or operated by any unit,
43 ~~department or agency or division or subdivision thereof~~ department, agency, division, or
44 subdivision of the State for the purpose of operating or rendering of any of the businesses or
45 services ~~herein~~ referred to in this section is ~~hereby~~ prohibited.

46 (b) ~~The provisions of subsection~~ Subsection (a) of this section ~~shall~~ does not apply to to
47 any of the following:

48 ...

49 (8) The University of North Carolina with regard ~~to~~ to all of the following:

50 ...

51 e. The hospital and Medical School of the University of North Carolina.

e1. The University of North Carolina Health Care System.

...."

SECTION 2.2. G.S. 116-30.3A reads as rewritten:

"§ 116-30.3A. Availability of excess receipts.

Notwithstanding the provisions of Chapter 143C of the General Statutes, receipts within The University of North Carolina realized in excess of budgeted levels shall be available, up to a maximum of ten percent (10%) above budgeted levels, for each Budget Code, in addition to appropriations to support the operations generating the receipts as approved by the Director of the Budget. ~~Notwithstanding the provisions of Chapter 143C of the General Statutes, receipts within The University of North Carolina Health Care System realized in excess of budgeted levels shall be available above budgeted levels, for each Budget Code, in addition to appropriations to support the operations generating the receipts as approved by the Director of the Budget.~~"

SECTION 2.3. G.S. 116-187 reads as rewritten:

"§ 116-187. Purpose of Article.

The purpose of this Article is to authorize the Board of Governors of the University of North Carolina to issue revenue bonds, payable from rentals, charges, fees (including student fees) and other revenues but with no pledge of taxes or the faith and credit of the State or any agency or political subdivision thereof, to pay the cost, in whole or in part, of buildings and other facilities for the housing, health, welfare, recreation and convenience of students enrolled at the institutions hereinafter designated, housing of faculty, adult or continuing education programs and for revenue-producing parking decks or structures, ~~and for University of North Carolina Hospitals at Chapel Hill structures.~~"

SECTION 2.4. G.S. 116-189(4) reads as rewritten:

"(4) The word "institution" shall mean each of the institutions enumerated in ~~G.S. 116-2, the University of North Carolina Health Care System, G.S. 116-2~~ and The University of North Carolina System Office."

SECTION 2.5. G.S. 116-219 reads as rewritten:

"§ 116-219. Authorization to secure insurance or provide self-insurance.

The Board of Governors of the University of North Carolina (hereinafter referred to as "the Board") is authorized through the purchase of contracts of insurance or the creation of self-insurance trusts, or through combination of such insurance and self-insurance, to provide individual health-care practitioners with coverage against claims of personal tort liability based on conduct within the course and scope of health-care functions undertaken by such individuals as employees, agents, or officers of (i) the University of North Carolina, (ii) any constituent institution of the University of North Carolina, ~~(iii) the University of North Carolina Hospitals at Chapel Hill, or (iv)-(iii)~~ any health-care institution, agency or entity which has an affiliation agreement with the University of North Carolina, ~~Carolina or~~ with a constituent institution of the University of North Carolina, ~~or with the University of North Carolina Hospitals at Chapel Hill.~~ Carolina. The types of health-care practitioners to which the provisions of this Article may apply include, but are not limited to, medical doctors, dentists, nurses, residents, interns, medical technologists, nurses' aides, and orderlies. Subject to all requirements and limitations of this Article, the coverage to be provided, through insurance or self-insurance or combination thereof, may include provision for the payment of expenses of litigation, the payment of civil judgments in courts of competent jurisdiction, and the payment of settlement amounts, in actions, suits or claims to which this Article applies."

SECTION 2.6. G.S. 116-220(f) reads as rewritten:

"(f) By rules or regulations adopted by the Board in accordance with G.S. 116-220(b) of this Article, the Board may provide that funds maintained in insurance trust accounts under such a self-insured program of liability insurance may be used to pay any expenses, including damages ordered to be paid, which may be incurred by the University of North Carolina, ~~Carolina or~~ a

1 constituent institution of the University of North Carolina, ~~or the University of North Carolina~~
2 ~~Hospitals at Chapel Hill~~ Carolina with respect to any tort claim, based on alleged negligent acts
3 in the provision of health-care services, which may be prosecuted under the provisions of Article
4 31 of Chapter 143 of the General Statutes."

5 **SECTION 2.7.** G.S. 116D-1(11) reads as rewritten:

6 "(11) University. – The University of North Carolina and its constituent and
7 affiliated institutions, including, without limitation, the University of North
8 Carolina Center for Public Television, ~~the University of North Carolina Health~~
9 ~~Care System~~, the North Carolina School of Science and Mathematics, and the
10 North Carolina Arboretum."

11 **SECTION 2.8.** G.S. 116D-22(2) reads as rewritten:

12 "(2) Institution. – Each of the institutions enumerated in G.S. 116-2, and any
13 affiliated institutions of the University, including, without limitation, the
14 University of North Carolina Center for Public Television, ~~the University of~~
15 ~~North Carolina Health Care System~~, the North Carolina School of Science and
16 Mathematics, and the North Carolina Arboretum."

17 **SECTION 2.9.** G.S. 126-5(c8) reads as rewritten:

18 "(c8) Except as to Articles 5, 6, 7, and 14 of this Chapter, this Chapter does not apply to
19 any of the following:

- 20 (1) Employees of the University of North Carolina Health Care System.
- 21 (2) Employees of the University of North Carolina Hospitals at Chapel Hill, ~~as~~
22 ~~may be provided pursuant to G.S. 116-37(a)(4).Hill.~~
- 23 (3) Employees of the clinical patient care programs of the School of Medicine of
24 the University of North Carolina at Chapel Hill ~~as may be provided pursuant~~
25 ~~to G.S. 116-37(a)(4).Hill.~~
- 26 (4) Employees of the Medical Faculty Practice Plan, a division of the School of
27 Medicine of East Carolina University."

28 **SECTION 2.10.** G.S. 131E-13 is amended by adding a new subsection to read:

29 "(i) This section does not apply to a transaction that is part of an agreement between a
30 municipality or hospital authority and the University of North Carolina Health Care System for
31 the lease, sale, or conveyance of a hospital facility, or part of a hospital facility, to the University
32 of North Carolina Health Care System."

33 **SECTION 2.11.** G.S. 135-1(10) reads as rewritten:

34 "(10) "Employee" shall mean all full-time employees, agents or officers of the State
35 of North Carolina or any of its departments, bureaus and institutions other than
36 educational, whether such employees are elected, appointed or employed:
37 Provided that the term "employee" shall not include any person who is a
38 member of the Consolidated Judicial Retirement System, any member of the
39 ~~General Assembly~~ Assembly, employees of the University of North Carolina
40 Health Care System who are not eligible for participation under G.S. 135-5.5,
41 or any part-time or temporary employee. Notwithstanding any other provision
42 of law, "employee" shall include all employees of the General Assembly
43 except participants in the Legislative Intern Program, pages, and beneficiaries
44 in receipt of a monthly retirement allowance under this Chapter who are
45 reemployed on a temporary basis. "Employee" also includes any participant
46 whose employment is interrupted by reason of service in the Uniformed
47 Services, as that term is defined in section 4303(16) of the Uniformed Services
48 Employment and Reemployment Rights Act, Public Law 103-353, if that
49 participant was an employee at the time of the interruption; if the participant
50 does not return immediately after that service to employment with a covered
51 employer in this System, then the participant shall be deemed "in service" until

the date on which the participant was first eligible to be separated or released from his or her involuntary military service. In all cases of doubt, the Board of Trustees shall determine whether any person is an employee as defined in this Chapter. "Employee" shall also mean every full-time civilian employee of the North Carolina National Guard who is employed pursuant to section 709 of Title 32 of the United States Code and paid from federal appropriated funds, but held by the federal authorities not to be a federal employee: Provided, however, that the authority or agency paying the salaries of such employees shall deduct or cause to be deducted from each employee's salary the employee's contribution in accordance with applicable provisions of G.S. 135-8 and remit the same, either directly or indirectly, to the Retirement System; coverage of employees described in this sentence shall commence upon the first day of the calendar year or fiscal year, whichever is earlier, next following the date of execution of an agreement between the Secretary of Defense of the United States and the Adjutant General of the State acting for the Governor in behalf of the State, but no credit shall be allowed pursuant to this sentence for any service previously rendered in the above-described capacity as a civilian employee of the North Carolina National Guard: Provided, further, that the Adjutant General, in the Adjutant General's discretion, may terminate the Retirement System coverage of the above-described North Carolina National Guard employees if a federal retirement system is established for such employees and the Adjutant General elects to secure coverage of such employees under such federal retirement system. Any full-time civilian employee of the North Carolina National Guard described above who is now or hereafter may become a member of the Retirement System may secure Retirement System credit for such service as a North Carolina National Guard civilian employee for the period preceding the time when such employees became eligible for Retirement System coverage by paying to the Retirement System an amount equal to that which would have constituted employee contributions if the employee had been a member during the years of ineligibility, plus interest. Employees of State agencies, departments, institutions, boards, and commissions who are employed in permanent job positions on a recurring basis must work at least 30 hours per week for nine or more months per calendar year in order to be covered by the provisions of this subdivision. On and after August 1, 2001, a person who is a nonimmigrant alien and who otherwise meets the requirements of this subdivision shall not be excluded from the definition of "employee" solely because the person holds a temporary or time-limited visa."

SECTION 2.12. G.S. 135-1(11) reads as rewritten:

"(11) "Employer" shall mean the State of North Carolina, the county board of education, the city board of education, the State Board of Education, the board of trustees of the University of North Carolina, the University of North Carolina Health Care System, the board of trustees of other institutions and agencies supported and under the control of the State, or any other agency of and within the State by which a teacher or other employee is paid. For purposes of reporting under the pronouncements by the Governmental Accounting Standards Board, the Retirement System is a multi-employer plan."

SECTION 2.13. G.S. 135-5.1 reads as rewritten:

"§ 135-5.1. Optional retirement program for The University of North Carolina.

(a) An Optional Retirement Program provided for in this section is authorized and established and shall be implemented by the Board of Governors of The University of North Carolina. The Optional Retirement Program shall be underwritten by the purchase of annuity contracts, which may be both fixed and variable contracts or a combination thereof, or financed through the establishment of a trust, for the benefit of participants in the Program. Participation in the Optional Retirement Program shall be limited to University personnel who are eligible for membership in the Teachers' and State Employees' Retirement Program and who ~~are~~ meet any of the following criteria:

- (1) Administrators and faculty of The University of North Carolina with the rank of instructor or ~~above~~ above.
 - (2) The President and employees of The University of North Carolina who are appointed by the Board of Governors on recommendation of the President pursuant to G.S. 116-11(4), 116-11(5), and 116-14 or who are appointed by the Board of Trustees of a constituent institution of The University of North Carolina upon the recommendation of the Chancellor pursuant to ~~G.S. 116-40.22(b);~~ G.S. 116-40.22(b).
 - (3) Nonfaculty instructional and research staff who are exempt from the North Carolina Human Resources Act, as defined by the provisions of G.S. 126-5(c1)(8), and the faculty of the North Carolina School of Science and ~~Mathematics; and~~ Mathematics.
 - (4) Field faculty of the Cooperative Agriculture Extension Service, and tenure track faculty in North Carolina State University agriculture research programs who are exempt from the North Carolina Human Resources Act and who are eligible for membership in the Teachers' and State Employees' Retirement System pursuant to G.S. 135-3(1), who in any of the cases described in this subsection (i) had been members of the Optional Retirement Program under the provisions of Chapter 338, Session Laws of 1971, immediately prior to July 1, 1985, or (ii) have sought membership as required in subsection (b), below. Under the Optional Retirement Program, the State and the participant shall contribute, to the extent authorized or required, toward the purchase of such contracts or deposited in such trust on the participant's behalf.
 - (5) ~~Employees~~ To the extent allowed under G.S. 135-5.5, employees of The University of North Carolina Health Care System, subject to rules for eligibility and participation as may be adopted by the Board of Governors in the Optional Retirement Program plan document.
 - (6) Employees hired on or after January 1, 2013.
- (b) Participation in the Optional Retirement Program shall be governed as follows:
- (1) Those participating in the Optional Retirement Program immediately prior to July 1, 1985, under the provisions of Chapter 338, Session Laws of 1971, are deemed automatically enrolled in the Program as established by this section.
 - (2) Eligible employees initially appointed on or after July 1, 1985, shall at the same time of entering upon eligible employment elect (i) to join the Retirement System in accordance with the provisions of law applicable thereto or (ii) to participate in the Optional Retirement Program. This election shall be in writing and filed with the Retirement System and with the employing institution and shall be effective ~~as of~~ on the date of entry into eligible service. For purposes of this provision, the Optional Retirement Program shall be permitted to file individual election forms with the Retirement System using electronic transmission.
 - (3) ~~An~~ Except as provided under G.S. 135-5.5, an election to participate in the Optional Retirement Program shall be irrevocable. An eligible employee

1 failing to elect to participate in the Optional Retirement Program at the time
2 of entry into eligible service shall automatically be enrolled as a member of
3 the Retirement System.

4 ...

5 (c) Each employing institution shall contribute on behalf of each participant in the
6 Optional Retirement Program an amount equal to a percentage of the participant's compensation
7 as established from time to time by the General Assembly. Each participant shall contribute the
8 amount which he or she would be required to contribute if a member of the Retirement System.
9 Contributions authorized or required by the provisions of this subsection on behalf of each
10 participant shall be made, consistent with Section 414(h) of the Internal Revenue Code, by salary
11 reduction according to rules and regulations established by The University of North Carolina.
12 Additional personal contributions may also be made by a participant by payroll deduction or
13 salary reduction to an annuity or retirement income plan established pursuant to G.S. 116-17.
14 Payment of contributions shall be made by the employing institution to the designated company
15 or companies underwriting the annuities or the trustees for the benefit of each participant, and
16 this employer contribution shall not be subject to any State tax if made under the Optional
17 Retirement Program or, otherwise, by salary reduction.

18 ...

19 (g) No retirement benefit, death benefit, or other benefit under the Optional Retirement
20 Program shall be paid by the State of North Carolina, or The University of North Carolina, the
21 University of North Carolina Health Care System, or the Board of Trustees of the Teachers' and
22 State Employees' Retirement System with respect to any employee selecting and participating in
23 the Optional Retirement Program or with respect to any beneficiary of that employee. Benefits
24 shall be payable to participants or their beneficiaries only by the designated company in
25 accordance with the terms of the contracts or trust agreement.

26 (h) The Board of Governors of The University of North Carolina shall ensure that the
27 Optional Retirement Program contains benefit forfeiture provisions equivalent to those contained
28 in G.S. 135-18.10A for University personnel who are eligible for membership in the Teachers'
29 and State Employees' Retirement System and have elected participation in the Optional
30 Retirement Program. Any funds forfeited shall be deposited in the Optional Retirement Program
31 trust fund(s)."

32 **SECTION 2.14.** Article 1 of Chapter 135 of the General Statutes is amended by
33 adding a new section to read:

34 **"§ 135-5.5. Employees of the University of North Carolina Health Care System.**

35 (a) All employees of the University of North Carolina Health Care System who are (i)
36 employed before July 1, 2023, and (ii) are members of either the Retirement System or the
37 Optional Retirement Program before July 1, 2023, shall retain membership in that Retirement
38 System or that Optional Retirement Program unless the member makes a one-time, irrevocable
39 election to cease membership in the Retirement System or the Optional Retirement Program in
40 favor of a similar benefit offered by the University of North Carolina Health Care System
41 pursuant to G.S. 116-350.30.

42 (b) Employees of the University of North Carolina Health Care System who are hired on
43 or after July 1, 2023, shall not be eligible for membership in the Retirement System. The
44 University of North Carolina Health Care System shall offer employees of the System who are
45 hired on or after July 1, 2023, any of the following benefits:

46 (1) Membership in the Optional Retirement System.

47 (2) Enrollment in a similar benefit to the Optional Retirement System pursuant to
48 G.S. 116-350.30.

49 (3) A choice between the options provided in subdivision (1) and subdivision (2)
50 of this subsection.

(c) If any individual ceases to be employed by the University of North Carolina Health Care System on or after July 1, 2023, and is later rehired by the University of North Carolina Health Care System, then that individual shall be treated as an employee newly hired on or after July 1, 2023, for the purposes of this section.

(d) The University of North Carolina Health Care System shall continue to report the payroll of employees employed as of June 30, 2023, and shall continue to remit the employee and employer contributions for all employees retaining membership in the Retirement System or the Optional Retirement Program until none exist."

SECTION 2.15. G.S. 135-48.1(11) reads as rewritten:

"(11) Employing Unit. – A North Carolina School System; Community College; State Department, Agency, or Institution; the University of North Carolina Health Care System; Administrative Office of the Courts; or Association or Examining Board whose employees are eligible for membership in a State-Supported Retirement System. An employing unit also shall mean (i) a charter school in accordance with Article 14A of Chapter 115C of the General Statutes whose board of directors elects to become a participating employer in the Plan under G.S. 135-48.54 or (ii) a local government unit that participates in the Plan under G.S. 135-48.47 or under any other law. Bona fide fire departments, rescue or emergency medical service squads, and National Guard units are deemed to be employing units for the purpose of providing benefits under this Article."

SECTION 2.16. G.S. 135-48.40(b) reads as rewritten:

"(b) Partially Contributory Coverage. – The following persons are eligible for coverage under the Plan, on a partially contributory basis, subject to the provisions of G.S. 135-48.43:

(1) All permanent full-time employees of an employing unit who meet either of the following conditions:

a. Paid from general or special State funds.

b. Paid from non-State funds and in a group for which his or her employing unit has agreed to provide coverage.

Employees of State agencies, departments, institutions, boards, and commissions not otherwise covered by the Plan who are employed in permanent job positions on a recurring basis and who work 30 or more hours per week for nine or more months per calendar year are covered by the provisions of this ~~subdivision~~ subdivision, except for employees of the University of North Carolina Health Care System who are enrolled in a comprehensive health benefit plan offered by the University of North Carolina Health Care System pursuant to G.S. 116-350.30.

...."

SECTION 2.17. G.S. 143-56 reads as rewritten:

"§ 143-56. Certain purchases excepted from provisions of Article.

Unless as may otherwise be ordered by the Secretary of Administration, the purchase of supplies, materials and equipment through the Secretary of Administration shall be mandatory in the following cases:

(1) Published books, manuscripts, maps, pamphlets and periodicals.

(2) Perishable articles such as fresh vegetables, fresh fish, fresh meat, eggs, and others as may be classified by the Secretary of Administration.

Purchase through the Secretary of Administration shall not be mandatory for information technology purchased in accordance with Article 15 of Chapter 143B of the General Statutes, for a purchase of supplies, materials or equipment for the General Assembly if the total expenditures is less than the expenditure benchmark established under the provisions of G.S. 143-53.1, for group purchases made by hospitals, developmental centers, neuromedical treatment centers, and

1 alcohol and drug abuse treatment centers through a competitive bidding purchasing program, as
2 defined in G.S. 143-129, by the University of North Carolina Health Care System pursuant to
3 ~~G.S. 116-37(h)~~, G.S. 116-350.45, by the University of North Carolina Hospitals at Chapel Hill
4 pursuant to ~~G.S. 116-37(a)(4)~~, G.S. 116-350.15(d), by the University of North Carolina at Chapel
5 Hill on behalf of the clinical patient care programs of the School of Medicine of the University
6 of North Carolina at Chapel Hill pursuant to ~~G.S. 116-37(a)(4)~~, G.S. 116-350.15(d), or by East
7 Carolina University on behalf of the Medical Faculty Practice Plan pursuant to G.S. 116-40.6(c).

8 All purchases of the above articles made directly by the departments, institutions and agencies
9 of the State government shall, whenever possible, be based on competitive bids. Whenever an
10 order is placed or contract awarded for such articles by any of the departments, institutions and
11 agencies of the State government, a copy of such order or contract shall be forwarded to the
12 Secretary of Administration and a record of the competitive bids upon which it was based shall
13 be retained for inspection and review."

14 **SECTION 2.18.** G.S. 143-596(8) reads as rewritten:

15 "(8) The University of North Carolina Health Care System. – As defined in ~~G.S.~~
16 ~~116-37~~ Article 37 of Chapter 116 of the General Statutes."

17 **SECTION 2.19.** G.S. 143C-1-3 is amended by adding a new subsection to read:

18 "(d) Notwithstanding subsections (a) and (b) of this section, funds established for the
19 University of North Carolina Health Care System pursuant to G.S. 116-350.40 are exempt from
20 Chapter 143C of the General Statutes and shall be accounted for as provided by those statutes."

21 **SECTION 2.20.** G.S. 143C-8-7(a) reads as rewritten:

22 "(a) No State agency may expend funds for the construction or renovation of any capital
23 improvement project except as needed to comply with this Article or otherwise authorized by the
24 General Assembly. Funds that become available by gifts, ~~excess patient receipts above those~~
25 ~~budgeted at the University of North Carolina Hospitals at Chapel Hill~~, federal or private grants,
26 receipts becoming a part of special funds by act of the General Assembly, or any other funds
27 available to a State agency or institution may be utilized for advanced planning through the
28 working drawing phase of capital improvement projects, upon approval of the Director of the
29 Budget."

30 **SECTION 2.21.** G.S. 143C-8-8 reads as rewritten:

31 "**§ 143C-8-8. When a State agency may increase the cost of a capital improvement project.**

32 Upon the request of the administration of a State agency, the Director of the Budget may,
33 when in the Director's opinion it is in the best interest of the State to do so, increase the cost of a
34 capital improvement project. Provided, however, that if the Director of the Budget increases the
35 cost of a project, the Director shall report that action to the Joint Legislative Commission on
36 Governmental Operations at its next meeting. The increase may be funded from gifts, federal or
37 private grants, special fund receipts, ~~excess patient receipts above those budgeted at the~~
38 ~~University of North Carolina Hospitals at Chapel Hill~~, or direct capital improvement
39 appropriations to that department or institution."

40 **SECTION 2.22.** G.S. 146-22(c) reads as rewritten:

41 "(c) Acquisitions on behalf of the University of North Carolina Health Care System shall
42 be made in accordance with ~~G.S. 116-37(i)~~, G.S. 116-350.50, acquisitions on behalf of the
43 University of North Carolina Hospitals at Chapel Hill shall be made in accordance with ~~G.S.~~
44 ~~116-37(a)(4)~~, G.S. 116-350.15(d), acquisitions on behalf of the clinical patient care programs of
45 the School of Medicine of The University of North Carolina at Chapel Hill shall be made in
46 accordance with ~~G.S. 116-37(a)(4)~~, G.S. 116-350.15(d), and acquisitions on behalf of the
47 Medical Faculty Practice Plan of the East Carolina University School of Medicine shall be made
48 in accordance with G.S. 116-40.6(d)."

49 **SECTION 2.23.** G.S. 147-69.2(a)(16a) reads as rewritten:

1 "(16a) The University of North Carolina Hospitals at Chapel Hill funds, except
2 appropriated funds, deposited with the State Treasurer pursuant to
3 ~~G.S. 116-37.2.~~G.S. 116-350.40."
4

5 **PART III. EFFECTIVE DATE**

6 **SECTION 3.1.** This act becomes effective July 1, 2023.