



Agriculture and Natural and Economic Resources Committees* 2015-17 Fiscal Biennium Budget Highlights

Fiscal Brief

October 23, 2015

The North Carolina General Assembly House Appropriations Committee on Agriculture and Natural and Economic Resources (ANER) and Senate Appropriations Committee on Natural and Economic Resources (NER) develop and recommend the budgets for a number of State entities. Following reorganizations enacted in the 2015 Session, these entities include: Department of Agriculture and Consumer Services (DACs), Department of Labor (Labor), Department of Environmental Quality (DEQ), Department of Commerce (Commerce), the Wildlife Resources Commission (WRC), and the Department of Natural and Cultural Resources (DNCR). ANER also appropriates funds for various nonprofit organizations as well as many State Boards and Commissions.

* For ease of reference, this brief uses the acronym ANER to represent the conference decisions made by the House Appropriations Committee on Agriculture and Natural and Economic Resources (ANER) and Senate Appropriations Committee on Natural and Economic Resources (NER).

Actual and Enacted Expenditures and Receipts ¹

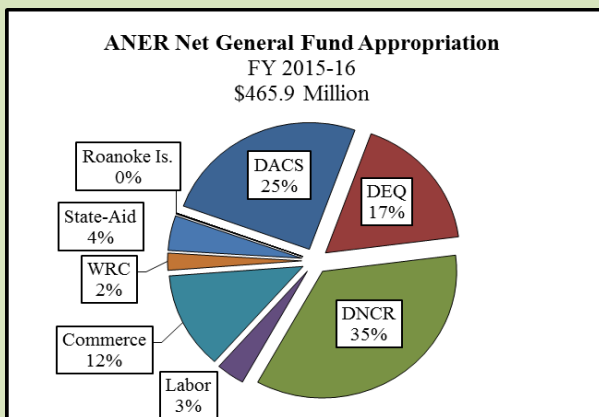
	Actual² FY 2013-14	Actual² FY 2014-15	Enacted FY 2015-16	Enacted FY 2016-17
Expenditures	803,616,509	738,483,144	771,317,241	773,580,673
Less: Receipts	383,941,247	300,045,480	305,382,817	302,884,835
Net General Fund Appropriations	419,675,262	438,437,664	465,934,424	470,695,838
Positions (FTE)	6,456.0	6,346.3	6,266.5	6,246.6

¹ Department level budget and FTE information is provided at the end of this brief.

² For the purposes of year-over-year comparison, FY 2013-14 and FY 2014-15 figures include the Department of Cultural Resources that was previously included in the General Government Appropriations Committee.

Budget Overview

The enacted FY 2015-16 net General Fund appropriation for ANER agencies is \$465.9 million, an 8.6% increase compared to the FY 2015-16 base budget. The following chart displays the percentage of the net General Fund ANER appropriation by agency.



S.L. 2015-241, 2015 Appropriations Act (H.B. 97), as amended by S.L. 2015-268, General Government Technical Corrections (H.B. 259) and S.L. 2015-264, GSC Technical Corrections 2015 (S.B. 119) appropriates \$465.9 million in FY 2015-16 and \$470.7 million in FY 2016-17 to six ANER agencies and nonprofit organizations. The transfer of DNCR to ANER increased the total base budget of ANER by \$64.7 million or 18%. Compared to the base budget submitted by the Governor, ANER net appropriations enacted in the 2015 session, inclusive of DNCR, represent an 8.6% increase in FY 2015-16 and a 9.7% increase in FY 2016-17.



Significant actions taken in the 2015 session include:

- Reorganizations,
- Modifications to funding received from the Department of Transportation or to the motor fuel tax distribution, and
- Expansion of specific financial assistance programs.

Reorganizations

Department of Natural and Cultural Resources Established

The General Assembly transferred selected natural resource programs and State attractions from the Department of Environment and Natural Resources (DENR) to the Department of Cultural Resources (DCR). As a result, DENR was renamed the Department of Environmental Quality (DEQ) and DCR was renamed the Department of Natural and Cultural Resources (DNCR). Natural resource programs and State attractions that were transferred include the North Carolina Zoological Park, the Aquariums Division, the North Carolina Museum of Natural Sciences, the Division of Parks and Recreation and State Parks System, including the Parks and Recreation Trust Fund (PARTF), Clean Water Management Trust Fund (CWMTF) and the Natural Heritage Program.

DNCR, DEQ and WRC are also required to study and report on the appropriateness of additional transfers to DNCR of DEQ and WRC natural-resource-related programs.

Grassroots Science Program Transferred & Modified

In FY 2015-16, the Grassroots Science Program will continue to be funded through Commerce-State Aid. In FY 2016-17 the program will transition to the Museum of Natural Sciences as a competitive grant program for science centers and museums throughout the State that offer science, technology, engineering, and math (STEM) exhibits or programming.

Captive Cervid Program Transferred

S.L. 2015-263, North Carolina Farm Act of 2015 (S.B. 513), transferred the regulatory oversight of captive cervids from the WRC to DACS. The budget provided an additional \$149,000 annually and two positions to DACS for the program.

Department of Transportation (DOT) Transfers

The 2015 Appropriations Act affected many ANER programs supported by motor fuel tax proceeds and transfers from DOT.

Dredging Funds Increased

The Appropriations Act increases the amount of motor fuel tax proceeds transferred from the Highway Fund to the Shallow Draft Navigation Channel Dredging and Lake Maintenance Fund. Historically, 1/6 of 1% of the Gas Tax has been transferred to support dredging. Beginning in FY 2015-16, 1% will be transferred, which is estimated to yield \$13.1 million in FY 2015-16 and \$12.5 million in FY 2016-17.

Tourism Funding Discontinued

The Appropriations Act discontinues a transfer of nearly \$1 million in special license plate fees to the Department of Commerce, which used the funds to promote travel and industrial development. The loss of these receipts was offset by a recurring General Fund appropriation of \$1 million in FY 2015-16 and \$2 million in FY 2016-17.

Continuation Reviews Required

Five ANER programs supported with motor fuel tax proceeds or a DOT transfer will undergo a Continuation Review (CR). The primary purpose of these CRs is to determine whether to continue to support these programs with gas tax proceeds or DOT transfers. Programs subject to a CR are:

- DEQ’s Division of Air Quality’s Inspection and Maintenance program,
- DEQ’s Division of Air Quality’s Air Quality Control program,
- DEQ’s Division of Waste Management’s Commercial Leaking Petroleum Underground Storage Tank Cleanup Fund,
- DEQ’s Division of Waste Management’s Mercury Pollution Prevention program, and
- WRC’s Boating Safety program.

These programs are appropriated nonrecurring funds in FY 2015-16 with funding in FY 2016-17 contingent on the CR results and final decision by the General Assembly.



Program Expansions

The following financial assistance programs are the primary driver of the total appropriation increase in the ANER budget. Additional funding provided to these programs reflected in the bullet points below total more than \$74 million over the biennium:

- **State Wastewater and Drinking Water Reserve Program** - \$17.4 million over the biennium for DEQ's water and wastewater infrastructure grants targeted at assisting rural and economically-distressed areas of the State;
- **Dredging** - In addition to the increase in gas tax proceeds to support dredging, recurring General Fund dollars totaling \$3.7 million over the biennium are also appropriated for this purpose;
- **Parks and Recreation Trust Fund** - \$10.62 million over the biennium for DNCR's Parks and Recreation Trust Fund of which 30% will be used to provide grants to local governments for parks and recreation projects;
- **Library Grant Program** - \$1 million in recurring funds for DNCR's Library Grant program;
- **Clean Water Management Trust Fund** - \$7 million over the biennium for DNCR's Clean Water Management Trust Fund of which \$2 million is targeted at acquiring buffers around military bases;
- **JMAC** - Recurring funding to fulfill Commerce's existing Job Maintenance and Capital Development Fund (JMAC) agreements;
- **Rural Economic Development** - \$4.4 million over the biennium to support Commerce's Rural Grants program, which provides building/site renovation and economic infrastructure grants for job creation;
- **One NC Small Business Fund** - \$5.25 million for Commerce's One NC Small Business Fund which provides early-stage technology grants for small businesses;
- **Main Street Program** - \$2 million for Commerce's Main Street Program, which provides matching grants to local governments for efforts to revitalize downtown areas;
- **Agricultural Water Assistance Program (AgWRAP)** - \$500,000 in recurring funds to provide grants to farmers to develop water sources for agricultural purposes;
- **Tobacco Trust Fund** - \$1.6 million in nonrecurring funding over the biennium to expand its grant program;
- **Agricultural Development and Farmland Preservation Trust Fund** - \$1 million in recurring funds for the purpose of acquiring buffers around military bases;
- **NC Biotechnology Center** - \$5 million in recurring funds bringing the Center's total funding to \$13.6 million annually. Over \$11.7 million of these funds will be used for job creation and science and commercialization activities, such as the "AgBiotech Initiative" and Centers of Innovation; and
- **Film and Entertainment Grant Fund** - The budget also provides \$60 million over the biennium to the Film and Entertainment Grant Fund to support the State's filmmaking industry. These funds are administered by the Department of Commerce, but are held in Reserves by the Office of State Budget and Management and are therefore not reflected in ANER budget totals.

For additional information, please contact:

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Actual Expenditures and Enacted Budgets by Agency

Department of Agriculture and Consumer Services

	Actual FY 2013-14	Actual FY 2014-15	Enacted FY 2015-16	Enacted FY 2016-17
Expenditures	170,027,808	169,827,215	171,844,413	170,696,152
Less: Receipts	60,766,332	60,233,146	55,529,438	53,740,379
Net General Fund Appropriations	\$109,261,476	\$109,594,069	\$116,314,975	\$116,955,773
Positions (FTE)	1,838.9	1,838.9	1,825.8	1,825.8

Department of Labor

	Actual FY 2013-14	Actual FY 2014-15	Enacted FY 2015-16	Enacted FY 2016-17
Expenditures	30,625,483	30,363,328	32,458,922	32,285,798
Less: Receipts	15,685,516	16,220,995	16,463,563	16,463,563
Net General Fund Appropriations	\$14,939,967	\$14,142,333	\$15,995,359	\$15,822,235
Positions (FTE)	405.2	403.2	381.3	381.3

Department of Environment and Natural Resources/ Department of Environmental Quality

	Actual FY 2013-14	Actual FY 2014-15	Enacted* FY 2015-16	Enacted* FY 2016-17
Expenditures	232,997,681	246,219,611	158,181,882	158,499,826
Less: Receipts	84,641,444	91,364,290	76,875,280	76,070,217
Net General Fund Appropriations	\$148,356,237	\$154,855,321	\$81,306,602	\$82,429,609
Positions (FTE)	2,375.7	2,364.5	1,356.9	1,356.9

* Figures reflect transfer of selected natural resource programs to DCR/DNCR



Wildlife Resources Commission

	Actual FY 2013-14	Actual FY 2014-15	Enacted FY 2015-16	Enacted FY 2016-17
Expenditures	66,661,569	74,108,556	70,176,180	70,046,053
Less: Receipts	54,212,311	62,947,978	60,022,557	60,022,557
Net General Fund Appropriations	\$12,449,258	\$11,160,578	\$10,153,623	\$10,023,496
Positions (FTE)	649.0	649.0	645.3	645.3

Department of Cultural Resources/ Department of Natural and Cultural Resources

	Actual FY 2013-14	Actual FY 2014-15	Enacted* FY 2015-16	Enacted* FY 2016-17
Expenditures	70,985,310	72,104,170	190,287,692	196,178,828
Less: Receipts	7,749,648	8,912,871	26,889,425	26,889,425
Net General Fund Appropriations	\$63,235,662	\$63,191,299	\$163,398,267	\$169,289,403
Positions (FTE)	673.9	669.9	1,643.0	1,625.0

* Figures reflect transfer of selected natural resource programs from DENR/DEQ

Department of Commerce

	Actual FY 2013-14	Actual FY 2014-15	Enacted FY 2015-16	Enacted FY 2016-17
Expenditures	209,699,917	127,596,045	120,558,675	120,712,969
Less: Receipts	159,831,547	59,850,826	63,070,701	63,116,841
Net General Fund Appropriations	\$49,868,370	\$67,745,219	\$57,487,974	\$57,596,128
Positions (FTE)	513.3	420.8	414.4	412.5



Commerce-State-Aid (Nonprofit Funding)

	Actual <u>FY 2013-14</u>	Actual <u>FY 2014-15</u>	Enacted <u>FY 2015-16</u>	Enacted <u>FY 2016-17</u>
Expenditures	22,119,208	17,755,835	20,754,240	18,055,810
Less: Receipts	1,054,449	515,374	0	0
Net General Fund Appropriations	\$21,064,759	\$17,240,461	\$20,754,240	\$18,055,810
Positions (FTE)	-	-	-	-

Legislative Changes in General Fund FTE, FY 2015-16

<u>Agriculture & Natural & Economic Resources</u>						
	Vacant	Filled	Receipts	New	Transfers	Net Change
DACS	-	-	-	6.00	-	6.00
Labor	-	-	(2.00)	-	-	(2.00)
DEQ	-	(2.00)	(2.33)	-	(1,003.32)	(1,007.65)
WRC	-	-	(3.75)	-	-	(3.75)
DNCR	-	-	-	5.00	999.22	1,004.22
Commerce	(2.00)	(1.10)	(6.26)	3.00	-	(6.36)
Commerce-State-Aid	-	-	-	-	-	-
Total (A)NER	(2.00)	(3.10)	(14.34)	14.00	(4.10)	(9.54)