



Natural and Economic Resources Subcommittee 2013-15 Fiscal Biennium Budget Highlights

Fiscal Brief

August 20, 2013

The North Carolina General Assembly House and Senate Appropriations Subcommittees on Natural and Economic Resources (NER) determine the budgets for the following State entities: the Department of Agriculture and Consumer Services, the Department of Labor, the Department of Environment and Natural Resources, the Department of Commerce, and the Wildlife Resources Commission. NER also appropriates funds for various nonprofit organizations as well as many State Boards and Commissions.

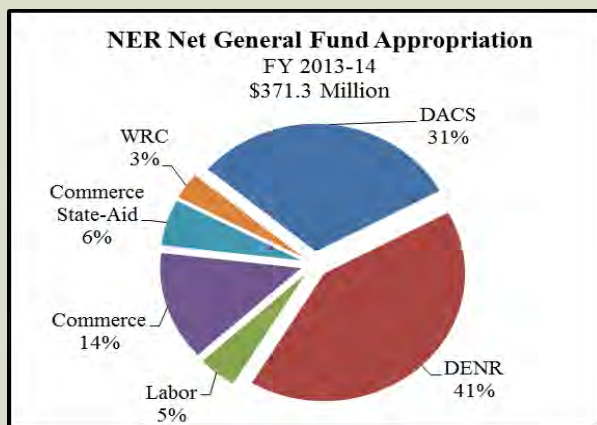
Actual and Enacted Expenditures and Receipts¹

	<u>Actual</u> <u>FY 2011-12</u>	<u>Actual</u> <u>FY 2012-13</u>	<u>Enacted</u> <u>2013-14</u>	<u>Enacted</u> <u>2014-15</u>
Expenditures	633,273,643	617,111,776	653,920,614	660,530,758
Less: Receipts	238,089,502	265,140,153	282,672,644	283,822,644
Net General Fund Appropriations	\$395,184,141	\$351,971,623	\$371,247,970	\$376,708,114
Positions (FTE)	5,084.7	5,173.6	5,821.0	5,805.0

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

Budget Overview

The enacted FY 2013-14 Net General Fund Appropriation for the NER Agencies is \$371.3 million and in FY 2014-15 the appropriation is \$376.7 million. This is an increase of 7.3 percent from the FY 2013-14 Continuation Budget. The General Fund Appropriation funds 3,726 full-time equivalent positions (FTE).¹ The chart below shows the subcommittee budget by agency.



¹ Does not reflect positions that may be eliminated as part of management flexibility reserves.

S.L. 2013-360, Appropriations Act of 2013 (S.B. 402), as amended by S.L. 2013-363, Modifications/2013 Appropriations Act (H.B. 112), appropriates \$371.3 million in FY 2013-14 and \$376.7 million in FY 2014-15 for the five Natural and Economic Resources (NER) agencies and eight nonprofits. Legislative adjustments to the FY 2013-14 Continuation Budget for NER agencies increase appropriations by \$25.3 million in FY 2013-14. In FY 2014-15 appropriations increase by \$28.5 million compared to the FY 2014-15 Continuation Budget. Appropriation increases primarily result from shifting support of certain trust funds from dedicated revenues to General Fund appropriations. The Joint Conference Committee Report includes management flexibility cuts for most of the NER agencies and the elimination of funds for multiple nonprofits that have historically received funding through the NER Subcommittee. The budget and related bills also create two new divisions, transfer offices and programs between agencies, and make changes to three of the State's conservation trust funds. In addition to these changes, the budget permits the Secretary of the Department of Commerce to establish a public-private partnership by reorganizing agency positions and operations. This



Fiscal Brief provides a summary of the adjusted FY 2013-15 biennial budget for NER.

Management Flexibility Reductions

The following NER State entities are required to take recurring management flexibility reductions:

- Department of Agriculture and Consumer Services (DACCS) - \$1.5 million (1.4 percent)
- Department Environment and Natural Resources (DENR) - \$2.3 million (2.0 percent)
- Wildlife Resources Commission (WRC) - \$4.0 million (21.6 percent)
- Department of Commerce - \$567,469 (2.0 percent)
- Industrial Commission - \$81,539 (1.7 percent)

Management flexibility reductions give agencies the discretion to take reductions to programs and activities in ways that will cause the least disruption in service.

Nonprofit Eliminations

Nine nonprofits that have historically received funding through the NER Subcommittee have their funding eliminated in FY 2013-14. These include:

- Biofuels Center of NC
- Community Development Initiative
- Councils of Government
- Institute of Minority Economic Development
- Land Loss Prevention Project
- NC Association of Community Development Corporations
- NC Indian Economic Development Initiative
- Partnership for the Sounds
- Rural Economic Development Center

In addition, the Defense & Security Technology Accelerator had received nonrecurring funding for several years but does not receive additional funds for the 2013-15 fiscal biennium.

New Divisions

Water and Wastewater Changes

S.L. 2013-360, Appropriations Act of 2013, modified the manner in which water and wastewater programs are funded as well as the structure of rural economic development programs. The Division of Water

Infrastructure is created within DENR to consolidate funding for all State-administered water and wastewater grant and loan programs, providing a single point of entry for local governments with critical/public health infrastructure needs. The new division administers the Clean Water State Revolving Fund, the Drinking Water State Revolving Fund, and the Community Development Block Grant (CDBG) Infrastructure program. The budget also provides a General Fund appropriation for water and wastewater grants similar to grant funds previously administered by the Clean Water Management Trust Fund and the Rural Economic Development Center.

Economic Development Changes

The Rural Economic Development Division (REDD) is created within the Department of Commerce to consolidate funding for economic development programs that predominately benefit rural counties and economically distressed areas in North Carolina. The new division administers existing programs, including the Industrial Development Fund - Utility Account and federal CDBG Economic Development funds. REDD will also oversee a new infrastructure and building reuse program, which is funded by a General Fund appropriation and modeled after a program previously administered by the Rural Economic Development Center.

For additional information regarding the restructuring of programs related to water, wastewater, and rural economic development, please review the [linked charts](#) located at the end of this document.

Commerce Public-Private Partnership

The Secretary of the Department of Commerce is authorized to submit a proposed reorganization of the Department to the Office of State Budget and Management (OSBM). Following approval by OSBM of the proposed reorganization, the Department may implement the reorganization to establish a public-private partnership and may use up to \$1 million in cost-savings to cover reorganization costs.

Program Transfers

The Energy Office and Energy Policy Council are transferred from the Department of Commerce to DENR's Division of Energy, Mineral and Land Resources, effective July 1, 2013. The Energy Policy Council's purposes are also expanded in the Domestic Jobs Energy Act (S.B. 76, S.L. 2013-365) to include making recommendations to increase domestic energy



policy exploration, development, and production within the State and region.

The Apprenticeship Program and the Apprenticeship Council are transferred from the Department of Labor to the Department of Commerce in S.B. 73 (S.L. 2013-330, Local Workforce Dev./Dislocated Workers), effective January 1, 2014.

Conservation Trust Funds

Several changes are made to the organization and the funding mechanism for the State's conservation trust funds. The Natural Heritage Trust Fund (NHTF) is abolished. However, two of its primary purposes: 1) land acquisition for ecological diversity and 2) protection or preservation of sites of historical significance – are added to the purposes for Clean Water Management Trust Fund (CWMTF) grants. The use of funds to provide buffers around military bases is also added as an allowable purpose of the CWMTF grants. In addition to a recurring General Fund appropriation, CWMTF also receives a portion of the proceeds from certain specialty licenses plates that was previously directed to NHTF. Other organizational changes include removing CWMTF's independent status and transitioning staff and funds under the direct control of DENR. S.L. 2013-360, Appropriations Act of 2013, also reduces CWMTF's board from 21 members to nine members.

The Appropriations Act of 2013 modifies the Parks and Recreation Trust Fund (PARTF) in three ways: 1) reduces board size from 15 members to nine members, 2) shifts the funding source from dedicated tax revenue to a direct General Fund appropriation, and 3) no longer requires the Fund to make debt service payments for State debt issuances related to land acquisition. PARTF still receives a portion of the proceeds from certain specialty license plates.

For additional information regarding changes made to CWMTF or PARTF, please review the [linked charts](#) located at the end of this document.

For additional information, please contact:

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Actual and Certified Expenditures and Receipts by Agency

Department of Agriculture and Consumer Services

	Actual <u>FY 2011-12</u>	Actual <u>FY 2012-13</u>	Enacted <u>FY 2013-14</u>	Enacted <u>FY 2014-15</u>
Expenditures	165,999,192	147,938,658	169,693,935	170,018,135
Less: Receipts	55,422,459	53,947,849	54,608,233	54,608,233
Net General Fund Appropriations	\$110,576,733	\$93,990,809	\$115,085,702	\$115,409,902
Positions (FTE)	1,843.33	1,829.42	1,853.83	1,853.83

Department of Labor

	Actual <u>FY 2011-12</u>	Actual <u>FY 2012-13</u>	Enacted <u>FY 2013-14</u>	Enacted <u>FY 2014-15</u>
Expenditures	31,907,300	32,698,896	34,074,252	34,074,252
Less: Receipts	17,813,549	17,522,719	17,377,913	17,377,913
Net General Fund Appropriations	\$14,093,751	\$15,176,177	\$16,696,339	\$16,696,339
Positions (FTE)	404.25	406.25	405.25	405.25

Department of Environment and Natural Resources ¹

	Actual <u>FY 2011-12</u>	Actual <u>FY 2012-13</u>	Enacted <u>FY 2013-14</u>	Enacted <u>FY 2014-15</u>
Expenditures	206,101,588	187,659,742	260,749,927	265,629,852
Less: Receipts	91,430,860	85,437,410	106,712,616	107,862,616
Net General Fund Appropriations	\$114,670,728	\$102,222,332	\$154,037,311	\$157,767,236
Positions (FTE)	2,401.95	2,432.86	2,399.62	2,384.62

Clean Water Management Trust Fund ²

	Actual <u>FY 2011-12</u>	Actual <u>FY 2012-13</u>	Enacted <u>FY 2013-14</u>	Enacted <u>FY 2014-15</u>
Expenditures	11,439,197	10,750,000	0	0
Less: Receipts	0	0	0	0
Net General Fund Appropriations	\$11,439,197	\$10,750,000	\$0	\$0
Positions (FTE)	-	-	-	-



Wildlife Resources Commission ³

	<u>Actual</u> <u>FY 2011-12</u>	<u>Actual</u> <u>FY 2012-13</u>	<u>Enacted</u> <u>FY 2013-14</u>	<u>Enacted</u> <u>FY 2014-15</u>
Expenditures	18,438,511	18,476,588	55,851,417	57,851,417
Less: Receipts	0	0	43,374,829	43,374,829
Net General Fund Appropriations	\$18,438,511	\$18,476,588	\$12,476,588	\$14,476,588
Positions (FTE)	-	-	649.0	649.0

Department of Commerce

	<u>Actual</u> <u>FY 2011-12</u>	<u>Actual</u> <u>FY 2012-13</u>	<u>Enacted</u> <u>FY 2013-14</u>	<u>Enacted</u> <u>FY 2014-15</u>
Expenditures	123,608,394	146,518,588	111,827,857	117,332,335
Less: Receipts	73,422,634	105,917,175	60,599,053	60,599,053
Net General Fund Appropriations	\$50,185,760	\$40,601,413	\$51,228,804	\$56,733,282
Positions (FTE)	435.13	505.05	513.26	512.26

Commerce State-Aid (Nonprofit Funding)

	<u>Actual</u> <u>FY 2011-12</u>	<u>Actual</u> <u>FY 2012-13</u>	<u>Enacted</u> <u>FY 2013-14</u>	<u>Enacted</u> <u>FY 2014-15</u>
Expenditures	75,779,461	73,069,304	21,723,226	15,624,767
Less: Receipts	0	2,315,000	0	0
Net General Fund Appropriations	\$75,779,461	\$70,754,304	\$21,723,226	\$15,624,767
Positions (FTE)	-	-	-	-

¹ DENR's budget reflects the transfer of the Clean Water Management Trust Fund to the Department in the 2013-15 fiscal biennium.

² The budget for the Clean Water Management Trust Fund was transferred to DENR in the 2013-15 fiscal biennium.

³ The Wildlife Resources Commission received its first General Fund appropriation in FY 2011-12; however it was not required to move its budget from a special fund to the General Fund until the 2013-15 fiscal biennium.



Change in FTE, FY 2013-14

	Vacant	Filled	Receipts	New	Transfers	Net Change
<u>Natural & Economic Resources</u>						
DACS	-	-	-	15.0	-	15.0
Labor	-	-	-	-	-	-
DENR	(1.0)	(6.0)	58.4	7.0	6.2	64.6
WRC	-	-	-	-	-	-
Commerce	(4.0)	(5.0)	-	13.0	(6.2)	(2.2)
Commerce-State-Aid	-	-	-	-	-	-
Total NER	(5.0)	(11.0)	58.4	35.0	-	77.4

Organizational and Funding Changes Enacted in Senate Bill 402

	NC Parks and Recreation Trust Fund			Clean Water Management Trust Fund (incorporates NHTF)			Division of Water Infrastructure (new entity)			Rural Economic Development Division (new entity)		
Primary Purpose	State Park Improvements (65%), Local Parks and Recreation Grants (30%), & Public Beach Access (5%)			Land acquisition grants of natural/cultural heritage, surface water protection, riparian buffers and greenway corridors (former CWMTF focus on wastewater & stormwater moved to WIA).			Public Water and Wastewater Infrastructure for the purposes of addressing public health and environmental problems - both grants and loans.			Provides infrastructure grants to local governments for creating and retaining jobs. Infrastructure includes not only water & sewer, but also natural gas, electrical utility distribution lines, broadband, transportation, etc.		
Oversight Entity	Parks and Recreation Authority			CWMTF Board of Trustees			Water Infrastructure Authority (WIA)			Rural Infrastructure Authority (RIA)		
Board Size *	Previous board size - 15 members New board size - 9 members (3/3/3)			Previous CWMTF board size - 21 members Previous NHTF board size - 12 members New board size - 9 members (3/3/3)			No current board - SWIC comes closest and it has 13 members Board size - 9 members, 3 ex-officio (2/2/2)			No current board - New entity Board size - 16 members, 1 ex-officio (5/5/5)		
Primary Duties of Board	Allocate PARTF funds, solicit and receive money and support from public and private entities for PARTF activities			Allocate grant funds, develop grant criteria and guidelines, acquire and manage land, develop guidelines for land donation tax credits and adopt rules			Allocate grant and loan funds, establish priorities, recommend criteria, develop a plan for State's water infrastructure needs and make projections of funding needs			Allocate all grants funds, develop grant criteria, establish threshold for Assistant Secretary to make emergency grants		
Eligibility	State park system and local governments			State Agencies, Local Governments, Non-profits			State Agencies, Local Governments, Public & Private Drinking Water Systems, nonprofit water			Local Governments with a focus on Tier 1 & 2 counties and low to moderate income areas		
Source & Amount of Money (\$ in millions)	FY 13-14	FY 14-15		FY 13-14	FY 14-15		FY 13-14	FY 14-15		FY 13-14	FY 14-15	
	\$11.00	\$13.00	General Fund	\$10.43	\$13.65	General Fund (GF)	\$4.00	\$5.50	General Fund (GF)	\$11.35	\$15.86	General Fund (GF)
	\$1.40	\$1.40	Special License Plate Revenue	\$4.20	\$4.20	Special License Plate Revenue	\$29.55	\$30.00	CWSRF (\$1 state - \$5 federal)	\$15.74	\$15.74	CDBG - Economic Development
							\$28.14	\$30.00	DWSRF (\$1 state - \$5 federal)	\$12.00	\$14.00	Utility Account
							\$25.84	\$25.84	CDBG - Infrastructure			
	\$12.40	\$14.40	Total	\$14.63	\$17.85	Total	\$87.53	\$91.34	Total	\$39.09	\$45.60	Total
Staff/Operating Costs	15 FTE, ~\$800,000			13.5 FTE, \$1,250,000			Will hire a Division Director and use existing staff			Will hire an Asst. Secretary, allow for 5% administrative costs and use existing staff		
Debt Service	\$7.2 million debt service payment now part of General Fund debt service payment (no longer a responsibility of the PARTF)			\$6 million debt service payment now part of General Fund debt service payment (no longer a responsibility of the NHTF & CWMTF)			n/a			n/a		
Changes from Previous Structure	Parks and Recreation Trust Fund previously funded with 75% of deed stamp tax. Now it receives a direct General Fund appropriation. Debt service is no longer required to be paid from PARTF appropriation. The Parks and Recreation Authority is reduced in size from 15 members to nine.			CWMTF purposes expanded to include military buffers as well as NHTF purposes to acquire land for ecological diversity and historic properties. Deed stamp tax proceeds now deposited in General Fund and Trust Fund receives a direct appropriation. Debt service no longer required to be paid from appropriation. Board reduced from 21 to 9 members. CWMTF was independent, now reports directly to DENR Secretary.			New division has sole responsibility for all State and federal water and wastewater loan and grants programs for public critical/public health infrastructure needs. CDBG Infrastructure was previously administered by Commerce. CWMTF and REDC both had General Fund money for wastewater grants that will now be appropriated to the Division.			New division combines the following programs previously administered by other entities: 1) REDC's economic development programs, and 2) Commerce Finance's CDBG Economic Development and Utility Account programs. Also creates a new competitive grant program for underserved and limited resource communities. Creates new 16 member Authority.		
Notes							Majority of funding is federal and State must follow federal guidelines for distribution. State General Fund grant funds are limited to Tier 1 & 2 counties.			CDBG-Economic Development has federal guidelines. Tier 1 & 2 counties given preference for State grant funds.		

CWSRF= Clean Water State Revolving Fund; DWSRF = Drinking Water State Revolving Fund; CDBG = Community Development Block Grant; SWIC = State Water Infrastructure Committee; REDC = Rural Economic Development Center

* Board ratio refers to appointments by Governor/Senate/House



Natural and Economic Resources Budget Comparison of CWMTF, Water & Land Conservation Authority, Division of Water Infrastructure, PARTF, Rural Economic Development Division, & Rural Center/ Minority Economic Development Nonprofits							
	Budget FY 2012-13	Senate FY 2013-14	Senate FY 2014-15	House FY 2013-14	House FY 2014-15	Senate Bill 402 FY 2013-14	Senate Bill 402 FY 2014-15
Clean Water Management Trust Fund or Water and Land Conservation Authority (both positions encompass NHTF)							
General Fund	10,750,000	12,000,000	14,000,000	4,000,000	9,000,000	10,426,976	13,657,530
Deed Stamp	8,600,000	0	0	9,900,000	9,900,000	0	0
Special License Plate	4,200,000	4,200,000	4,200,000	4,200,000	4,200,000	4,200,000	4,200,000
Adjustment for operating transfers	(400,000)	0	0	0	0	0	0
Adjustment for NHTF & CWMTF debt	(6,000,000)	0	0	(6,000,000)	(6,000,000)	0	0
Total	17,150,000	16,200,000	18,200,000	12,100,000	17,100,000	14,626,976	17,857,530
Division of Water Infrastructure or Current Program Location							
Clean Water State Revolving Fund (Fed & state \$)	30,608,400	29,550,000	30,000,000	29,550,000	30,000,000	29,550,000	30,000,000
Drinking Water State Revolving Fund (Fed & state \$)	28,244,400	28,250,000	0	28,144,125	30,000,000	28,144,125	30,000,000
CDBG - Infrastructure	20,300,000	30,937,500	30,937,500	30,837,500	30,837,500	25,837,500	25,837,500
General Fund (Critical need infrastructure \$ REDC)	572,512	4,000,000	5,500,000	4,077,414	4,906,865	4,000,000	5,500,000
Total	79,725,312	92,737,500	66,437,500	92,609,039	95,744,365	87,531,625	91,337,500
Parks and Recreation Trust Fund							
General Fund	0	11,000,000	13,000,000	0	0	11,000,000	13,000,000
Deed Stamp	26,000,000	0	0	27,500,000	27,500,000	0	0
Special License Plate	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000
Adjustment for DPR's operating	(6,000,000)	0	0	0	0	0	0
Adjustment for PARTF debt service	(7,200,000)	0	0	(7,200,000)	(7,200,000)	0	0
Total	14,200,000	12,400,000	14,400,000	21,700,000	21,700,000	12,400,000	14,400,000
Rural Economic Development Division or Rural Economic Development Center/ Minority Economic Development Nonprofits							
General Fund (ED Infrastructure \$ for REDC)	13,462,043	7,000,000	10,000,000	11,347,414	14,720,596	11,347,414	12,971,898
General Fund (All other \$ for REDC)	2,584,639	0	0	309,540	372,539	0	0
Rural Local Offices	0	1,920,438	2,314,368	0	0	0	0
Broadband Connectivity Incentive Grant Program	0	0	350,000	0	350,000	0	350,000
CDBG - Economic Development	7,000,000	10,737,500	10,737,500	10,737,500	10,737,500	15,737,500	15,737,500
Utility Account	5,526,286	7,000,000	9,000,000	12,000,000	14,000,000	12,000,000	14,000,000
Limited Resource Communities Grant Program	NA	NA	NA	NA	NA	0	2,543,021
Commerce-State Aid (Subset of Minority ED entities)*	9,853,437	0	0	2,543,021	2,543,021	2,543,021	0
Total	38,426,405	26,657,938	32,401,868	36,937,475	42,723,656	41,627,935	45,602,419
All Comparison Programs							
Subtotal General Fund	48,631,431	47,153,771	51,764,368	33,493,077	43,143,021	50,533,099	59,622,449
Subtotal Non-General Fund	24,526,286	11,000,000	13,000,000	40,200,000	42,550,000	16,000,000	18,000,000
Subtotal Federal	76,344,000	89,841,667	66,675,000	89,653,438	91,575,000	89,653,438	91,575,000
Grand Total	149,501,717	147,995,438	131,439,368	163,346,514	177,268,021	156,186,536	169,197,449

Structure

Senate budget creates a single entry point for critical needs infrastructure needs and a single entry point for business infrastructure needs by consolidating 10 programs currently managed by four different entities. Critical needs infrastructure programs for public health managed by DENR and rural economic development infrastructure programs for business managed by Commerce.

House budget continues status quo funding and structure. Four entities manage 10 programs for public and business infrastructure needs.

Both chambers merge Clean Water Management Trust Fund and Natural Heritage Trust Fund purposes into a single entity.

* Association of Community Development Corporations, Community Development Initiative, Indian Economic Development Initiative, Institute of Minority Economic Development, Land Loss Prevention Project, and The Support Center