



# Natural and Economic Resources Subcommittee 2014-15 Fiscal Year Budget Highlights

Fiscal Brief

October 9, 2014

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

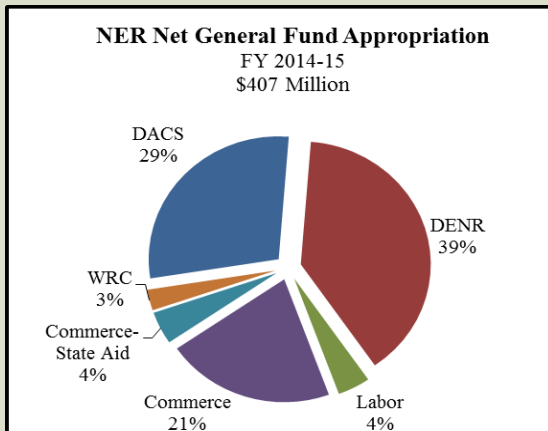
### Actual and Enacted Expenditures and Receipts<sup>1</sup>

	<u>Actual FY 2011-12</u>	<u>Actual FY 2012-13</u>	<u>Actual FY 2013-14</u>	<u>Certified FY 2014-15</u>
<b>Expenditures</b>	633,273,643	617,111,776	732,131,665	701,128,966
<b>Less: Receipts</b>	238,089,502	265,140,153	376,191,599	293,802,754
<b>Net General Fund Appropriations</b>	\$395,184,141	\$351,971,623	\$355,940,066	\$407,326,212
<b>Positions (FTE)</b>	5,224.3	5,164.0	5,782.1	5,758.9

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

### Budget Overview

The certified FY 2014-15 net General Fund appropriation for NER agencies is \$407 million, an eight percent increase over the General Fund budget enacted by the General Assembly in 2013. The number of full-time equivalent positions (FTE) supported by the General Fund is 5,758.9.<sup>1</sup> The chart below shows the percentage appropriated to each agency.



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

S.L. 2014-100, Appropriations Act of 2014 (S.B. 744), appropriates \$407 million in FY 2014-15 for five Natural and Economic Resources (NER) agencies and six nonprofits. Legislative adjustments to the Fiscal Year 2014-15 certified budget for NER agencies increase appropriations by \$30.6 million. The increased appropriations primarily result from the establishment of two new economic development grant programs within the Department of Commerce: the Film and Entertainment Grant Fund and the Job Catalyst Fund. However, since authorizing legislation for the Job Catalyst Fund did not pass, \$20 million will not be allotted for expenditure and will remain in the General Fund.

The Joint Conference Committee Report includes management flexibility reduction reserves and specified reductions across all agencies as well as funding increases to certain programs. This brief provides a summary of those budget adjustments for the NER agencies in FY 2014-15.



### Management Flexibility Reduction Reserves

The primary budget reductions for all the NER agencies except DENR were management flexibility reserves. The State agencies required to take management flexibility reductions are:

- Department of Agriculture and Consumer Services - \$1.35 million (1.2 percent);
- Wildlife Resources Commission - \$2.29 million (15.8 percent);
- Department of Commerce - \$1.0 million (1.8 percent); the Secretary is directed to prioritize the elimination of redundant, newly-created, and vacant positions; and
- Department of Labor - \$500,000 (3.0 percent).

Unless restricted by law, management flexibility reserves gives an agency the discretion to reduce programs/funding and activities according to the agency's priorities.

In lieu of a management flexibility reserve, DENR took reductions totaling \$6.88 million (4.4 percent), accomplished by reducing specific programs and increasing use of receipts to offset reduced General Fund appropriations.

### Special Funds

The NER agencies administer many special funds that are not within the General Fund budget, but contain receipts used to support programs or activities as directed by the General Assembly. These special funds contain revenues received from federal funds, program fees, General Fund appropriations, legal settlements, and other sources. S.L. 2014-100 appropriates the following amounts from NER special funds:

- Department of Agriculture and Consumer Services - \$1.45 million;
- Department of Environment and Natural Resources - \$11.91 million; and
- Department of Commerce - \$16.01 million.

Of the \$29.37 million the budget appropriates from NER special funds, \$9.44 million creates or supports NER subcommittee programs, \$3.22 million expands floodplain mapping in the Department of Public Safety, \$11.54 million supports General Fund availability, and the remaining \$5.17 million offsets

General Fund appropriations in the Department of Commerce and the Department of Environment and Natural Resources.

### Funding for Businesses, Communities, and Citizens

The budget funds a number of new and existing economic assistance and environmental programs for businesses, communities, and citizens.

#### **Businesses**

S.L. 2014-100 creates several new grant programs in Commerce. The **Agriculture Gas Expansion Fund** provides funding for commercial farmers to pay infrastructure costs for a project requiring new or expanded natural gas or propane gas service. Commerce is authorized to award new grants totaling at least \$5 million per biennium.

Effective January 1, 2015, the **Film and Entertainment Grant Fund** provides awards to production companies that meet a minimum of qualifying expenses, including \$5 million for a film and \$250,000 for a television series episode or commercial. FY 2014-15 funding totals \$10 million.

S.L. 2014-100 also provides \$20 million for a new **Job Catalyst Fund** in Commerce, but the funding is contingent upon the passage of H.B. 1224, a tax and economic development bill that establishes the Fund's parameters. The General Assembly did not enact the bill and as a result the \$20 million will not be allotted for expenditure and will remain in the General Fund.

The **One NC Small Business Fund** offers early-stage technology development grants for small businesses that receive federal awards from the Small Business Innovative Research program or Small Business Technology Transfer program; FY 2014-15 funding is \$2.5 million. The **Rural Economic Development Division** receives an additional nonrecurring \$1.25 million to provide grants to local governments for development of economic infrastructure and building/site reuse; this funding is in addition to the Division's recurring \$13 million appropriation.

#### **Communities**

In DACS, the budget provides \$1 million in additional funding for the **Agricultural Development and Farmland Preservation Trust Fund** to leverage available federal funding to purchase development rights from farmland located adjacent to military bases in the



State. The budget also provides \$600,000 in funding to the **College of Agriculture and Life Sciences at North Carolina State University** to study the establishment of a public-private partnership for food processing and plant science research.

In DENR the budget provides an additional \$500,000 for the **Clean Water Management Trust Fund (CWMTF)** to support the remediation and mitigation of stormwater impacts to lakes subject to a Nutrient Management Strategy. Total funding available to the CWMTF in FY 2014-15 is \$14.16 million. The budget further funds the Department's **Division of Water Infrastructure** with an additional \$1 million, for a total of \$6.5 million, to support water and sewer projects in Tier 1 and Tier 2 counties.

In Commerce, the budget recapitalizes the **Main Street Solutions Fund** with \$1 million to provide reimbursable matching grants to local governments to assist planning agencies and small businesses with efforts to revitalize downtown areas. The budget expands the **Grassroots Science Program** to include three new museums: HandsOn! - A Child's Gallery in Hendersonville, Marbles Kids Museum in Raleigh, and Cowan Museum of History and Science in Kenansville. Finally, the budget reduces funding to the **Underserved and Limited Resource Communities Grant Program** by \$1.29 million, although \$1.75 million is available in FY 2014-15 for grants to local governments or nonprofits for projects that benefit underserved populations and limited resource communities across the State.

#### **Citizens' Assistance**

S.L. 2014-100 provides a net \$500,000 in additional funding to the **Agriculture Water Resources Assistance Program**, for a total of \$1 million, to assist farmers with water storage.

The budget appropriates over \$3.4 million to the **Noncommercial Leaking Underground Storage Tank Fund**. Combined with the transfer of motor fuel tax revenues of approximately \$2.2 million, the Fund has over \$5.6 million available to help homeowners pay for cleanup costs associated with the removal of leaking heating oil tanks.

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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>	Actual <u>FY 2013-14</u>	Certified <u>FY 2014-15</u>
Expenditures	165,999,192	160,245,868	170,027,808	174,933,639
Less: Receipts	55,422,459	58,265,883	60,766,332	57,865,533
Net General Fund Appropriations	\$110,576,733	\$101,979,985	\$109,261,476	\$117,068,106
Positions (FTE)	1,141.35	1,647.26	1,838.90	1,835.90

**Department of Labor**

	Actual <u>FY 2011-12</u>	Actual <u>FY 2012-13</u>	Actual <u>FY 2013-14</u>	Certified <u>FY 2014-15</u>
Expenditures	31,907,300	32,698,896	30,625,483	33,686,003
Less: Receipts	17,813,549	17,522,719	15,685,516	17,135,553
Net General Fund Appropriations	\$14,093,751	\$15,176,177	\$14,939,968	\$16,550,450
Positions (FTE)	406.25	406.25	405.24	403.24

**Department of Environment and Natural Resources <sup>1</sup>**

	Actual <u>FY 2011-12</u>	Actual <u>FY 2012-13</u>	Actual <u>FY 2013-14</u>	Certified <u>FY 2014-15</u>
Expenditures	206,101,588	202,023,490	232,997,681	264,526,351
Less: Receipts	91,430,860	93,609,933	84,641,444	105,224,295
Net General Fund Appropriations	\$114,670,728	\$108,413,557	\$148,356,237	\$159,302,056
Positions (FTE)	3,244.43	2,681.89	2,375.72	2,366.50

**Clean Water Management Trust Fund <sup>2</sup>**

	Actual <u>FY 2011-12</u>	Actual <u>FY 2012-13</u>	Actual <u>FY 2013-14</u>	Certified <u>FY 2014-15</u>
Expenditures	11,439,197	10,746,106	0	0
Less: Receipts	0	0	0	
Net General Fund Appropriations	\$11,439,197	\$10,746,106	\$0	\$0
Positions (FTE)	-	-	-	-



**Wildlife Resources Commission <sup>3</sup>**

	Actual <u>FY 2011-12</u>	Actual <u>FY 2012-13</u>	Actual <u>FY 2013-14</u>	Certified <u>FY 2014-15</u>
Expenditures	18,438,511	18,476,588	66,661,569	61,706,883
Less: Receipts	0	0	54,212,311	50,543,614
Net General Fund Appropriations	\$18,438,511	\$18,476,588	\$12,449,258	\$11,163,269
Positions (FTE)	-	-	649.0	649.0

**Department of Commerce**

	Actual <u>FY 2011-12</u>	Actual <u>FY 2012-13</u>	Actual <u>FY 2013-14</u>	Certified <u>FY 2014-15</u>
Expenditures	123,608,394	146,518,588	209,699,917	148,821,850
Less: Receipts	73,422,634	105,917,175	159,831,547	63,033,759
Net General Fund Appropriations	\$50,185,760	\$40,601,413	\$49,868,370	\$85,788,091
Positions (FTE)	432.29	428.55	513.26	504.26

**Commerce State-Aid (Nonprofit Funding)**

	Actual <u>FY 2011-12</u>	Actual <u>FY 2012-13</u>	Actual <u>FY 2013-14</u>	Certified <u>FY 2014-15</u>
Expenditures	75,779,461	73,069,304	22,119,208	17,454,240
Less: Receipts	0	2,315,000	1,054,449	0
Net General Fund Appropriations	\$75,779,461	\$70,754,304	\$21,064,759	\$17,454,240
Positions (FTE)	-	-	-	-

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

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

<sup>3</sup> The Wildlife Resources Commission received its first General Fund appropriation in FY 2011-12, but 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 2014-15**

	<b>Vacant</b>	<b>Filled</b>	<b>Receipts</b>	<b>New</b>	<b>Transfers</b>	<b>Net Change</b>
<b><u>Natural &amp; Economic Resources</u></b>						
DACS	-	-	-	-	-	-
Labor	-	-	-	-	-	-
DENR	(5.7)	(4.0)	(3.5)	-	-	(13.2)
WRC	-	-	-	-	-	-
Commerce	(1.0)	-	-	-	-	(1.0)
Commerce-State-Aid	-	-	-	-	-	-
<b>Total NER</b>	<b>(6.7)</b>	<b>(4.0)</b>	<b>(3.5)</b>	<b>-</b>	<b>-</b>	<b>(14.2)</b>